



مؤسسة النقد العربي السعودي  
Saudi Arabian Monetary Authority

# Inflation Report

Fourth Quarter of 2017



Research and International Affairs Deputyship  
Economic Research Department



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## Cost of Living index

The general level of the cost of living index registered a y/y increase of 0.1 percent in Q4 2017 and a slight q/q decline of 0.2 percent. In December 2017, the general cost of living index registered an annual rise of 0.4 percent (Table 1 and Chart 1).

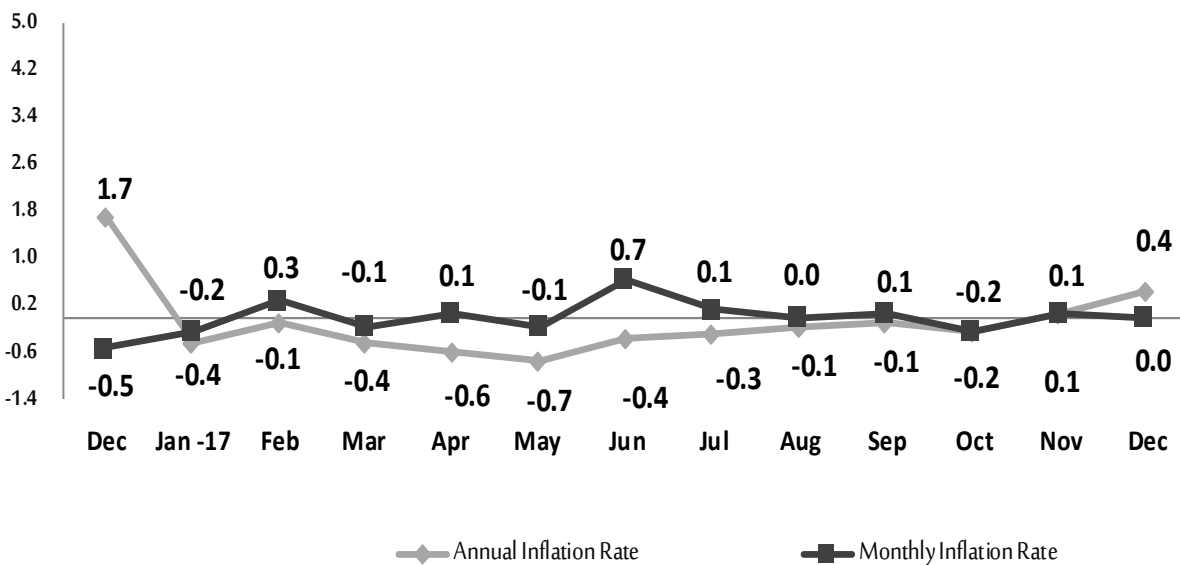
### Developments in Q4 2017

During Q4 2017, tobacco registered the highest y/y inflation rate of 100 percent. Education came second with 2.5 percent, communication with 1.3 percent, miscellaneous goods and

services with 1.1 percent, and health with 0.8 percent.

In contrast, clothing and footwear recorded a y/y decline of 2.9 percent, followed by transport as well as recreation and culture with 1.8 percent each; restaurants and hotels with 1.6 percent; furnishings, household equipment and maintenance with 1.2 percent; and housing, water, electricity, gas and other fuels as well as food and beverages with 0.5 percent each (Table 1 and Charts 2 and 3).

Chart 1: Inflation Rate of the General Cost of Living Index  
(2007=100)



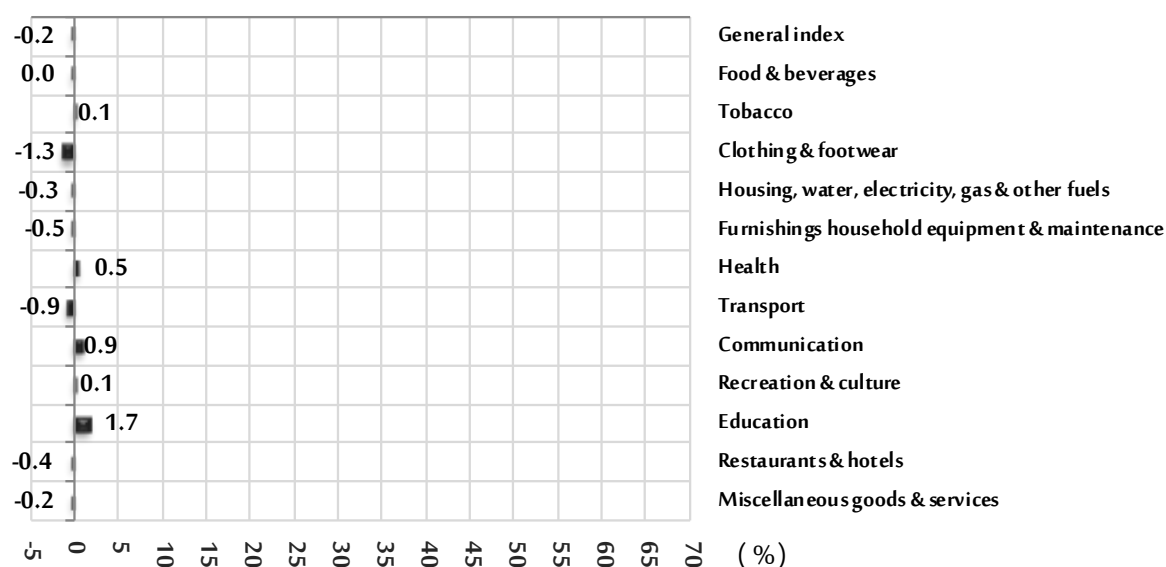
Source: General Authority for Statistics.

**TABLE 1: COST OF LIVING INDEX  
(2007=100)**

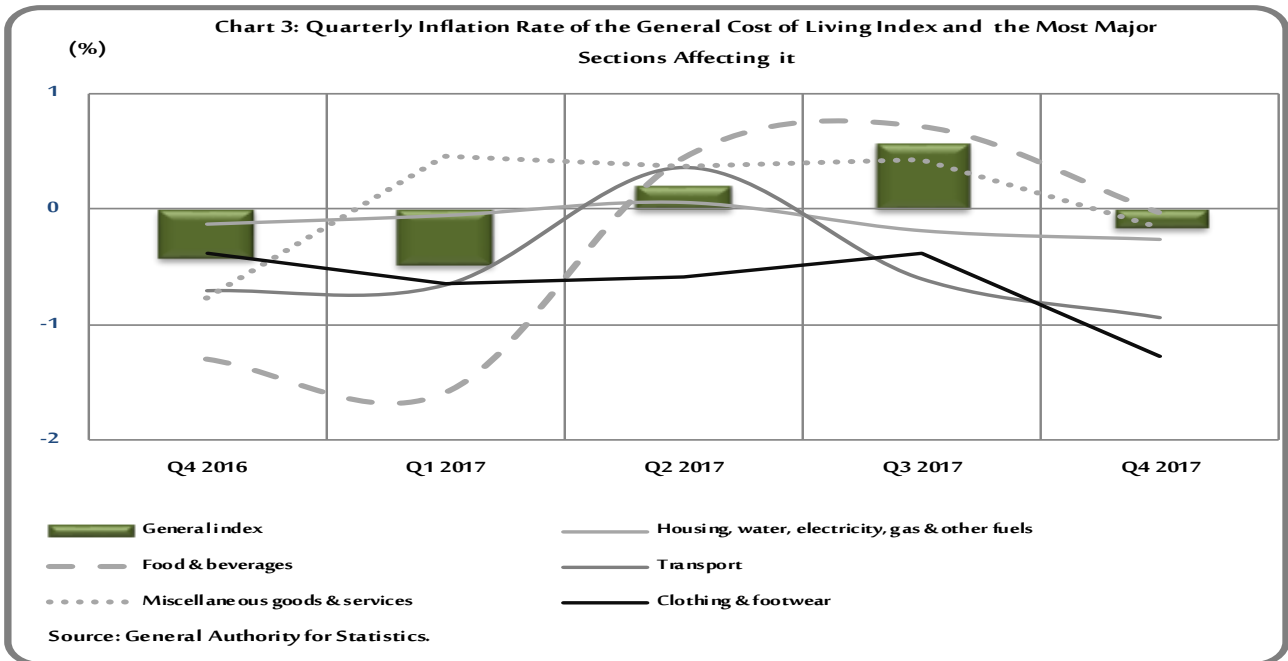
	Weights	(% change)						
		Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q4 2017/ Q3 2017	Q4 2017/ Q4 2016
<b>General index</b>	<b>100.0</b>	<b>137.4</b>	<b>136.7</b>	<b>137.0</b>	<b>137.7</b>	<b>137.0</b>	<b>-0.2</b>	<b>0.1</b>
Food & beverages	21.7	145.0	142.7	143.3	144.3	143.3	0.0	-0.5
Tobacco	0.5	199.8	199.8	249.4	399.2	249.4	0.1	100.0
Clothing & footwear	8.4	113.6	112.9	112.2	111.8	112.2	-1.3	-2.9
Housing, water, electricity, gas & other fuels	20.5	177.2	177.1	177.2	176.9	177.2	-0.3	-0.5
Furnishings, household equipment & maintenance	9.1	134.4	133.7	133.7	133.4	133.7	-0.5	-1.2
Health	2.6	123.3	123.5	123.4	123.6	123.4	0.5	0.8
Transport	10.4	121.6	120.8	121.2	120.5	121.2	-0.9	-1.8
Communication	8.1	96.7	97.9	97.4	97.2	97.4	0.9	1.3
Recreation & culture	3.5	118.5	117.2	117.1	116.2	117.1	0.1	-1.8
Education	2.7	124.9	124.9	124.8	125.9	124.8	1.7	2.5
Restaurants & hotels	5.7	125.6	124.5	123.7	124.0	123.7	-0.4	-1.6
Miscellaneous goods & services	6.8	124.8	125.4	125.9	126.4	125.9	-0.2	1.1

Source: General Authority for Statistics.

**Chart 2: Inflation Rate of the Cost of Living Index by Main Sections (Q4 2017/Q3 2017)**



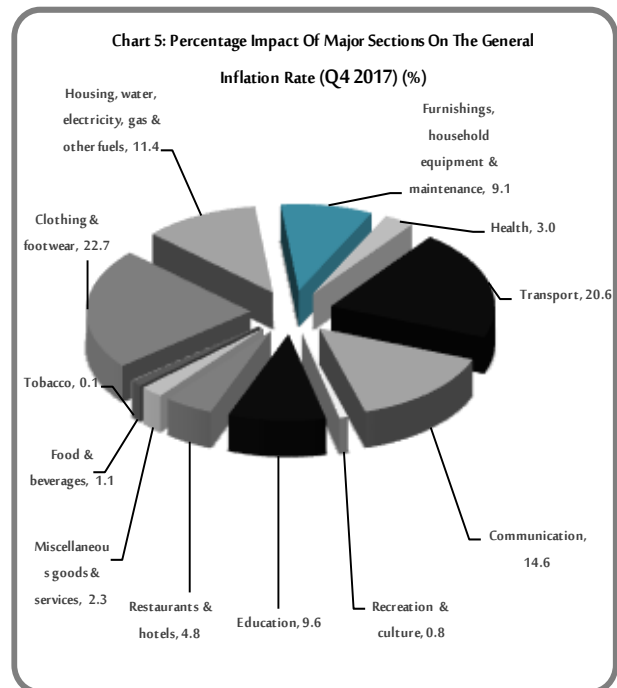
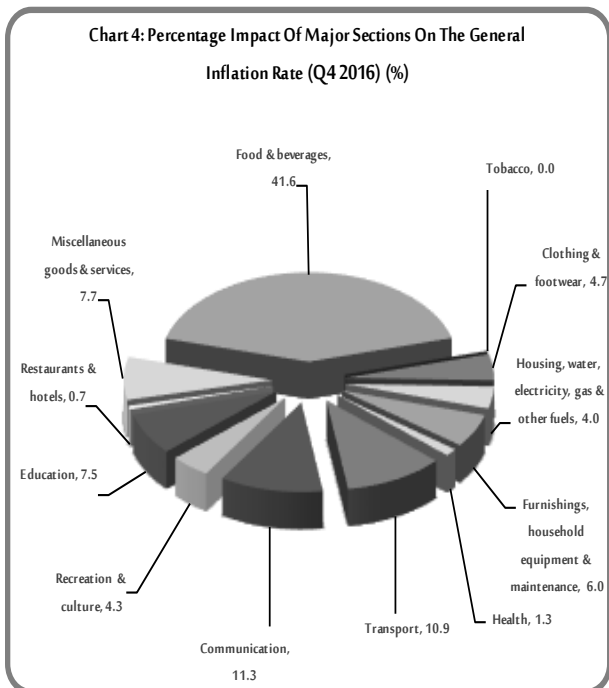
Source: General Authority for Statistics.

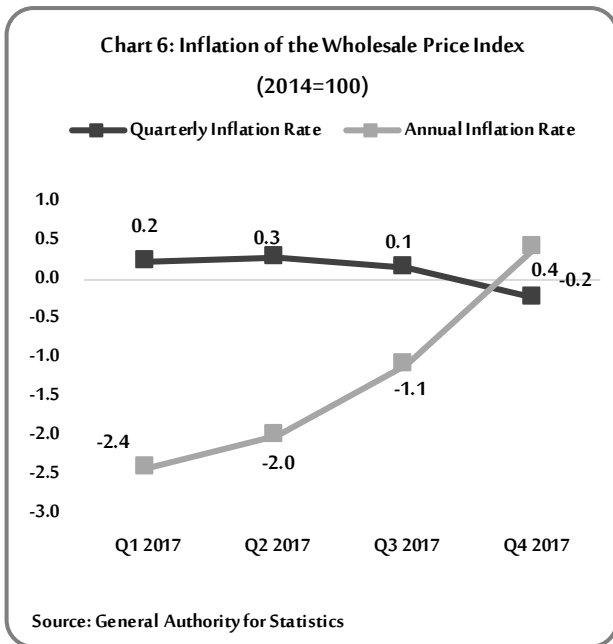


## Influence of Major Sections on the General Cost of Living Index

Inflation rates are affected by the changes in the index's various sections. Classified by their influence

rates on the general cost of living index, clothing and footwear ranked first with 22.7 percent during Q4 2017 against 4.7 percent in Q4 2016. Transport came second with 20.6 percent compared to 10.9 percent,





followed by communication with 14.6 percent compared to 11.3 percent, and then housing, water, electricity, gas and other fuels with 11.4 percent compared to 4 percent in the corresponding.

The total influence rate of the three major sections (housing, water, electricity, gas and other fuels; food and beverages; and transport) stood at 33.1 percent in Q4 2017 against 56.5 percent in Q4 2016 (Charts 4 and 5).

### Wholesale Price Index

The wholesale price index in Q4 2017 recorded a y/y rise of 0.4 percent and a slight q/q decline of 0.2 percent (Chart 6).

### Wholesale Price Indices by Sections

During Q4 2017, ores and minerals section registered the highest y/y decrease as its inflation rate

**TABLE 2: WHOLESale PRICE INDEX (WPI)**  
(2014=100)

	Weights	(% change)						
		Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q4 2017/ Q3 2017	Q4 2017/ Q4 2016
<b>General Index</b>	<b>100.0</b>	<b>100.3</b>	<b>100.5</b>	<b>100.8</b>	<b>100.9</b>	<b>100.7</b>	<b>-0.2</b>	<b>0.4</b>
<b>Agriculture and fishery products</b>	8.7	100.4	100.8	104.3	101.6	97.5	-4.0	-2.9
<b>Ores and Minerals</b>	0.6	96.9	95.6	92.7	91.3	92.2	1.0	-4.8
<b>Food products, beverages and tobacco and textiles</b>	17.3	97.5	98.1	99.1	103.1	102.2	-0.8	4.8
<b>Other goods</b>	33.7	107.3	107.9	106.7	105.9	106.0	0.1	-1.2
<b>Metal products, machinery and equipment</b>	39.7	96.0	95.4	95.7	95.6	96.2	0.6	0.3

Source: General Authority for Statistics.

Chart 7: Inflation of the Wholesale Price Index by Main Sections

(2014=100)

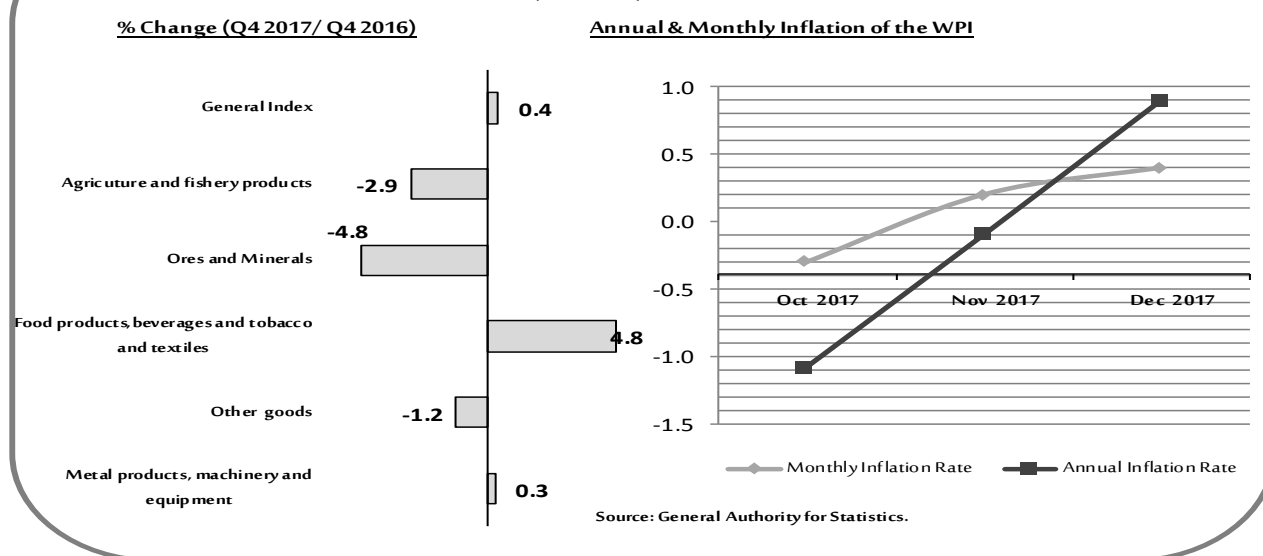


Table 3: AVERAGE COST OF LIVING INDEX BY CITIES

(100=2007)

General Index	2016	2017	Inflation Rate				
			Q2 2017	Q3 2017	Q4 2017	2017/2016	Q4 2017/ Q3 2017
<b>All Cities Index</b>	137.6	137.2	137.0	137.8	137.5	-0.2	-0.2
Riyadh	144.5	144.3	144.6	145.3	145.3	-0.1	0.0
Makkah	133.1	133.0	132.4	133.7	133.5	-0.1	-0.2
Jeddah	139.3	139.5	137.6	138.2	138.0	0.1	-0.2
Al-Dammam	138.7	138.8	139.3	140.3	139.4	0.1	-0.6
Al-Madinah	129.7	129.7	129.8	130.8	130.9	0.0	0.1
Ta'if	132.1	132.0	132.1	134.0	134.8	-0.1	0.6
Al-Hufuf	129.0	128.8	127.0	128.0	127.8	-0.1	-0.2
Abha	128.9	128.8	128.9	129.0	128.8	0.0	-0.2
Buraydah	129.7	129.3	125.6	126.4	126.8	-0.4	0.3
Tabuk	123.8	123.6	121.7	122.1	121.6	-0.2	-0.4
Ha'il	130.8	130.6	129.4	130.2	129.5	-0.2	-0.5
Jazan	156.7	156.9	159.7	159.2	157.0	0.2	-1.3
Najran	137.2	137.1	136.5	137.2	137.1	-0.1	-0.1
Al-Bahah	141.7	141.6	140.8	142.9	143.0	-0.1	0.1
Sakaka	136.4	136.1	134.9	135.2	135.9	-0.2	0.5
'Ar'ar	131.2	131.3	128.7	128.4	128.1	0.0	-0.3

Source: General Authority for Statistics.

declined by 4.8 percent. Agriculture and fishery came next with a y/y decline of 2.9 percent. Other goods followed with a y/y decrease of 1.2

percent. In contrast, food products, beverages and tobacco as well as textiles rose by 4.8 percent y/y, followed by metal products, machinery

**TABLE 4: GDP Deflator**  
(2010=100)

	3Q 2016	4Q* 2016	1Q 2017	Q2 2017	Q3* 2017
<b>GDP (Million Rls):</b>					
At Current Prices	605,080	636,573	642,145	618,692	639,982
At Constant Prices	640,072	667,661	642,963	628,194	637,335
<b>GDP Deflator</b>	94.5	95.3	99.9	98.5	100.4
<b>Quarterly Change (%)</b>	-0.2	0.9	4.8	-1.4	2.0
<b>Annual Change (%)</b>	-1.5	9.2	12.0	4.0	6.2

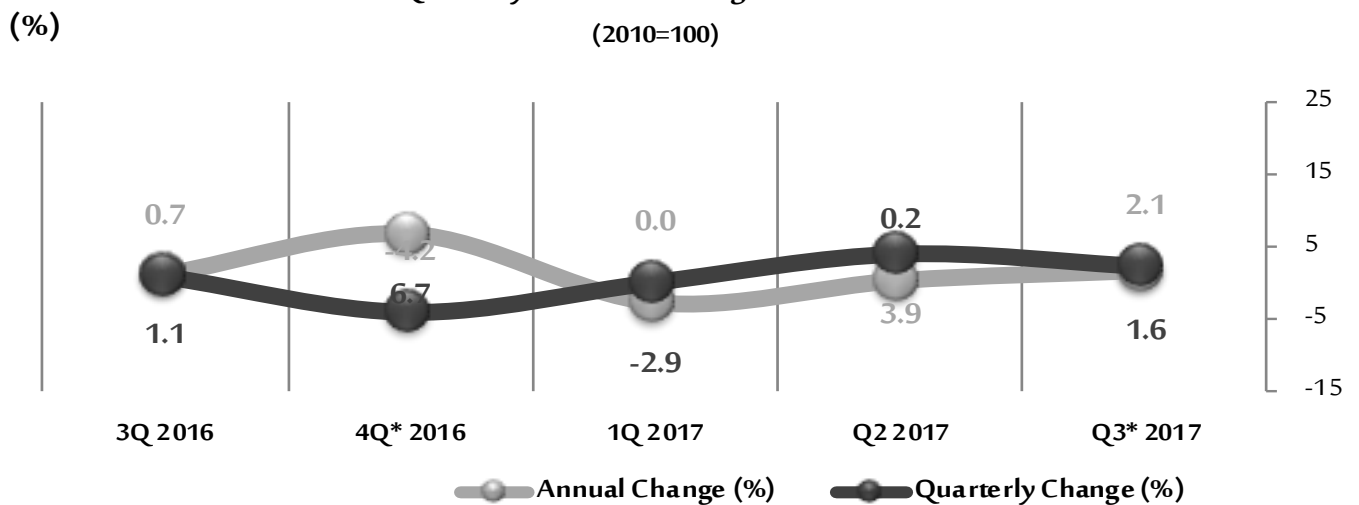
**Non-oil GDP (Million Rls):**

At Current Prices	440,978	454,132	451,223	444,103	457,497
At Constant Prices	344,815	370,692	368,465	349,077	352,060
<b>Non-oil GDP Deflator</b>	127.9	122.5	122.5	127.2	129.9
<b>Quarterly Change (%)</b>	0.74	-4.21	-0.04	3.89	2.14
<b>Annual Change (%)</b>	1.1	6.7	-2.9	0.2	1.6

\* Latest Available Data

Source: General Authority for Statistics.

**Chart 8: Quarterly & Annual Changes of the Non-oil GDP**  
(2010=100)



\* Latest Available Data

Source: General Authority for Statistics



and equipment which recorded a y/y rise of 0.3 percent (Table 2 and Chart 7).

### Cost of Living Index by Cities during Q4 2017

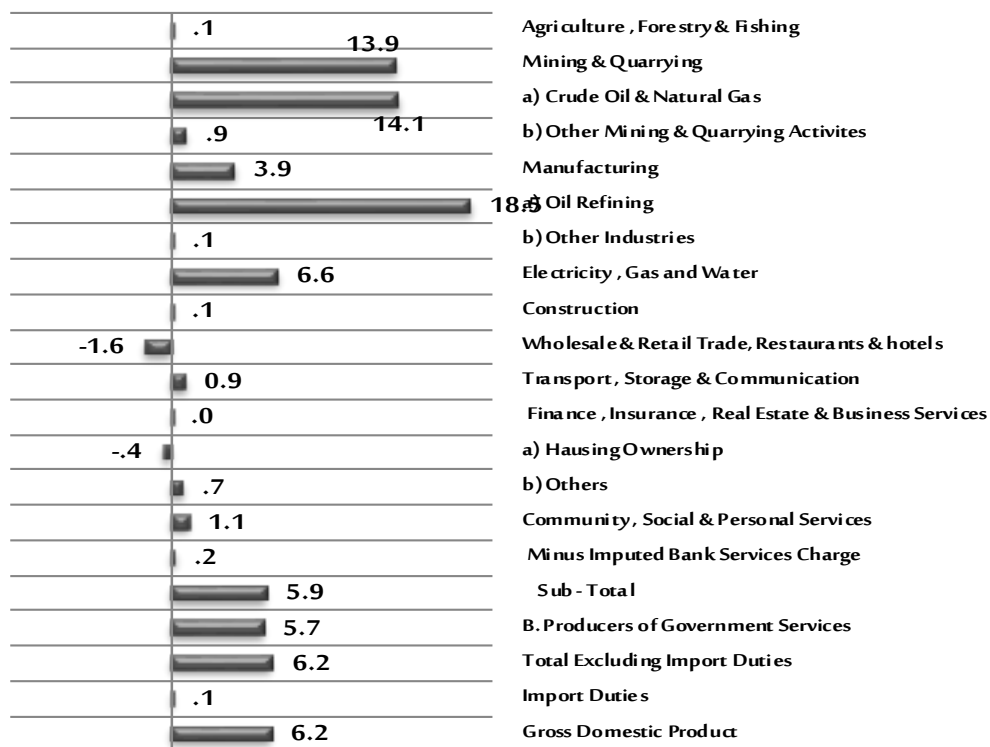
The average of all Cities' General Cost of Living Index recorded a q/q decline of 0.2 percent in Q4 2017. The index fell in Jazan by 1.3 percent; Dammam by 0.6 percent; Ha'il by 0.5 percent; Tabuk by 0.4 percent; Makkah, Hufuf, Abha and Jeddah by 0.2 percent each; and Najran by 0.1

percent. In turn, Ta'if posted the highest rise of 0.6 percent. Skaka came second with 0.5 percent, followed by Buraidah with 0.3 percent, and then Al-Madinah and Baha with 0.1 percent each (Table 3).

### GDP Deflator

According to the latest data issued by the GaStat, the GDP deflator recorded a y/y increase of 6.2 percent in Q3 2017 and a q/q rise of 2 percent (Table 4 and Chart 8).

Chart 9: GDP Deflator by Type of Economic Activity at 2010 Constant Prices  
Q3 2017\*/ Q3 2016 (%) Change



\*Latest Available Data

Source: General Authority for Statistics

Unlike the cost of living index which only measures the final consumption, GDP deflator measures inflation rate at the macroeconomic level. It targets all consumption, investment and government sectors based on their respective contributions to the GDP. Therefore, the deflator is considered an indirect measure of the change in the general level of prices. The non-oil GDP deflator is commonly used to exclude the impact of change in oil prices on the domestic economy. It registered a q/q rise of 2.1 percent in Q3 2017 and a y/y rise of 1.6 percent (Table 4 and Chart 8).

An analysis of GDP deflator data

(at constant prices for base year 2010) by economic activity shows that mining and quarrying registered the highest y/y rise of 13.9 percent in Q3 2017. Electricity, gas and water came second with 6.6 percent, followed by manufacturing with 3.9 percent. However, wholesale and retail trade, restaurants and hotels recorded a y/y decline of 1.6 percent in Q3 2017 (Chart 9).

A comparison of the annual inflation measures in the domestic market indicates that the annual inflation rate of non-oil GDP deflator rose by 1.6 percent in Q3 2017. The annual change rate of the wholesale

TABLE 5 A: Top Five Trading Partners by value of Imports

(SAR Million)

Countries	2015	2016	Change (%)
China	89678	75771	-15.5
U.S.A	92398	74389	-19.5
Germany	46116	32866	-28.7
Japan	37286	27844	-25.3
U.A.E	37251	22878	-38.6
<b>Total</b>	<b>302729</b>	<b>233748</b>	<b>-22.8</b>
<b>Ratio to Total</b>	<b>46.22</b>	<b>45.87</b>	<b>-0.7</b>

Source: General Authority for Statistics.

TABLE 5 B: Top Five Trading Partners by value of Imports

(SAR Million)

Countries	Nov 2016	Nov 2017	Change (%)
China	8610	5713	-33.6
U.S.A	5891	5239	-11.1
U.S.E	2593	2769	6.8
Germany	2656	2356	-11.3
France	1810	1751	-3.3
<b>Total</b>	<b>21560</b>	<b>17828</b>	<b>-17.3</b>
<b>Ratio to Total</b>	<b>50.90</b>	<b>45.90</b>	<b>-9.8</b>

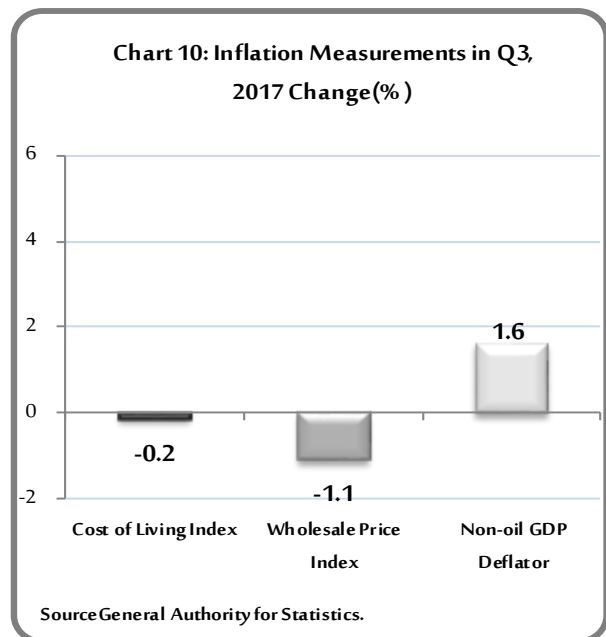
Source: General Authority for Statistics.

price index went down by 1.1 percent, and the annual inflation rate of the cost of living index registered a decline of 0.2 percent during the same period (Chart 10).

### Foreign Trade with Major Trading Partners

According to data of November 2017, the total value of Saudi Arabia's imports stood at SAR 38.8 billion, with a y/y decrease of 8.2 percent. The Kingdom's imports recorded a monthly decrease of 11.5 percent compared to the preceding month.

The United States came at the top of Saudi Arabia's major trading partners according to data of November 2017. Saudi Arabia's imports from the United States amounted to SAR 5.7 billion (14.7 percent of Saudi Arabia's total value of imports), decreasing by 33.6 percent y/y. China came second with SAR 5.2 billion (13.5 percent of the total), dropping by 11.1 percent y/y. The UAE came third with SAR 2.7 billion (7.1 percent of the total), increasing by 6.8 percent y/y. Germany came fourth with SAR 2.3 billion (6.1



percent of the total), declining by 11.3 percent y/y, followed in fifth place by Japan with SAR 1.7 billion (4.5 percent of the total), down by 3.3 percent y/y (Table 5 A and 5 B).

### Inflation Projections for Q1 2018

Actual data in Q4 2017 shows that inflation rate recorded a slight y/y increase of 0.1 percent. Inflation is projected to rise in Q1 2018 due to the implementation of a number of economic reforms, such as the 5 percent VAT and the energy price adjustment.

On the other hand, IMF projections for the primary commodity price index show a decrease in

**TABLE 6: IMF Commodity Price Index**  
(2005=100)

	Weights	(Percentage changes)						
		Actual			Projections			
		2014	2015	2016	2017	2018	2019	2020
<b>All Primary Commodities</b>	100.0	-6.2	-35.3	-10.0	10.8	-0.7	1.2	0.5
<b>Food</b>	16.7	-4.1	-17.2	2.1	6.1	2.6	-0.7	-2.7
<b>Beverages</b>	1.8	20.7	-3.1	-5.0	-9.0	1.0	3.5	1.0
<b>Agricultural Raw Materials</b>	7.7	2.0	-13.5	-5.7	2.3	-2.7	0.2	0.0
<b>Metals</b>	10.7	-10.1	-23.0	-5.4	16.8	-2.0	-0.8	-0.6
<b>Energy</b>	63.1	-7.4	-44.8	-16.5	14.1	-1.6	2.5	2.2

Source: IMF

inflationary pressures on most of its main sections for 2018. Its projections show a decline in prices of raw agricultural materials by 2.7 percent, metal prices by 2 percent, and energy prices by 1.6 percent. However, IMF projections show a rise of 2.6 percent in food prices and 1 percent in beverages prices (Table 6).

## Conclusion

The most significant results of the analysis of inflation rates in Q4 2017 in Saudi Arabia can be concluded as follows:

1.The general cost of living index

registered a y/y increase of 0.1 percent in Q4 and a q/q decline of 0.2 percent.

2.During Q4 2017, tobacco, having the highest influence on the index, registered the highest y/y inflation rate of 100 percent due to levying excise tax. In contrast, clothing and footwear recorded the highest y/y deflation of 2.9 percent.

3.The wholesale price index registered a y/y decline of 0.2 percent in Q4 2017 and a q/q rise of 0.4 percent.

4.Ores and minerals recorded the highest y/y decline of 4.8 percent in the wholesale price index. On the



contrary, food products, beverages and tobacco as well as textiles posted the highest y/y rise of 4.8 percent.

5. Non-oil GDP deflator recorded a y/y rise of 1.6 percent in Q3 2017 against an increase of 0.2 percent in Q2 2017.

6. Actual data show that inflation rate recorded a slight y/y increase of 0.1

percent. Inflation is projected to rise in Q1 2018 due to the implementation of a number of economic reforms, such as the 5 percent VAT and the energy price adjustment.