

2019

# Inflation Report

## First Quarter of 2019

Research and International Affairs Deputyship  
Economic Research Department

مؤسسة النقد العربي السعودي  
Saudi Arabian Monetary Authority



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## Consumer Price Index (CPI)

The Consumer Price Index (CPI) registered a y/y decrease of 2.1 percent in Q1 2019 and a q/q decrease of 0.7 percent in Q4 2018 (Table 1 and Chart 1).

## Developments in Q1 2019

During Q1 2019, housing, water, electricity, gas and other fuels registered the highest y/y decrease of 8.0 percent. Clothing and footwear came second with 1.2 percent; communication with 1.0 percent; transport with 0.8 percent; recreation and culture and miscellaneous goods and services with 0.7 percent each; and furnishings, household equipment and maintenance with 0.4 percent.

In contrast, restaurants and hotels registered the highest y/y inflation rate of 1.6 percent. Education followed with 1.2 percent; food and beverages with 1.1 percent; tobacco with 0.3 percent, and health with 0.1 percent (Table 1 and Charts 2 and 3).

## Effect of Major Groups on Consumer Price Index

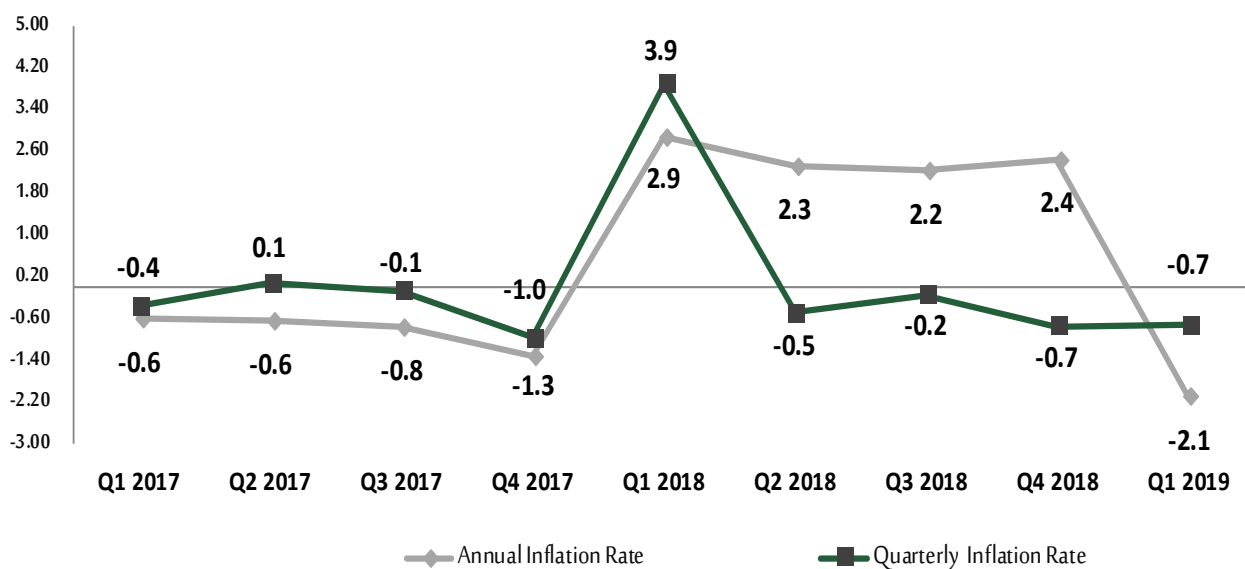
Inflation rates are affected by the changes in CPI's various sections. Classified by their influence on the CPI, housing, water, electricity, gas and other fuels ranked first with 73.9 percent during Q1 2019 against 7.7 percent y/y. Food and beverages ranked second with 7.6 percent compared to 30.1 percent y/y, followed by restaurants and hotels with 3.8 percent compared to

TABLE 1: CONSUMER PRICE INDEX  
(2013=100)

	Weights	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	(%) change	
							Q1 2019/ Q4 2018	Q1 2019/ Q1 2018
<b>General index</b>	<b>100.0</b>	<b>108.0</b>	<b>107.5</b>	<b>107.3</b>	<b>106.5</b>	<b>105.7</b>	<b>-0.7</b>	<b>-2.1</b>
Food & beverages	18.7	105.5	105.6	107.0	107.3	106.7	-0.6	1.1
Tobacco	0.6	192.0	192.0	192.0	192.1	192.6	0.3	0.3
Clothing & footwear	6.2	93.5	93.1	92.9	92.5	92.3	-0.3	-1.2
Housing, water, electricity, gas & other fuels	25.3	113.6	111.6	109.4	106.9	104.5	-2.2	-8.0
Furnishings, household equipment & maintenance	8.5	102.8	102.7	102.6	102.4	102.4	0.0	-0.4
Health	2.3	110.3	110.1	110.4	110.3	110.4	0.0	0.1
Transport	9.9	119.7	119.2	119.4	119.1	118.7	-0.3	-0.8
Communication	8.4	100.8	100.6	100.3	100.0	99.8	-0.2	-1.0
Recreation & culture	3.4	96.7	96.4	97.1	96.5	96.0	-0.5	-0.7
Education	4.2	109.7	110.0	110.2	110.7	111.0	0.3	1.2
Restaurants & hotels	6.5	110.2	111.0	112.1	111.8	112.0	0.1	1.6
Miscellaneous goods & services	5.7	103.0	102.6	102.9	102.2	102.3	0.1	-0.7

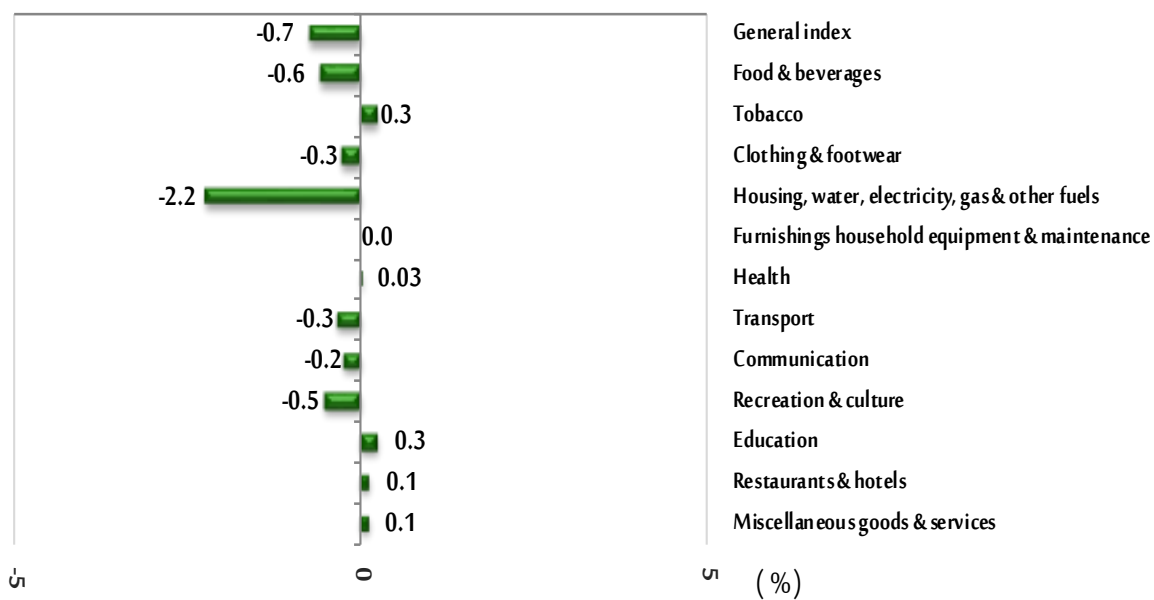
Source: General Authority for Statistics.

Chart 1: Inflation Rate of the General Cost of Living Index  
(2013=100)

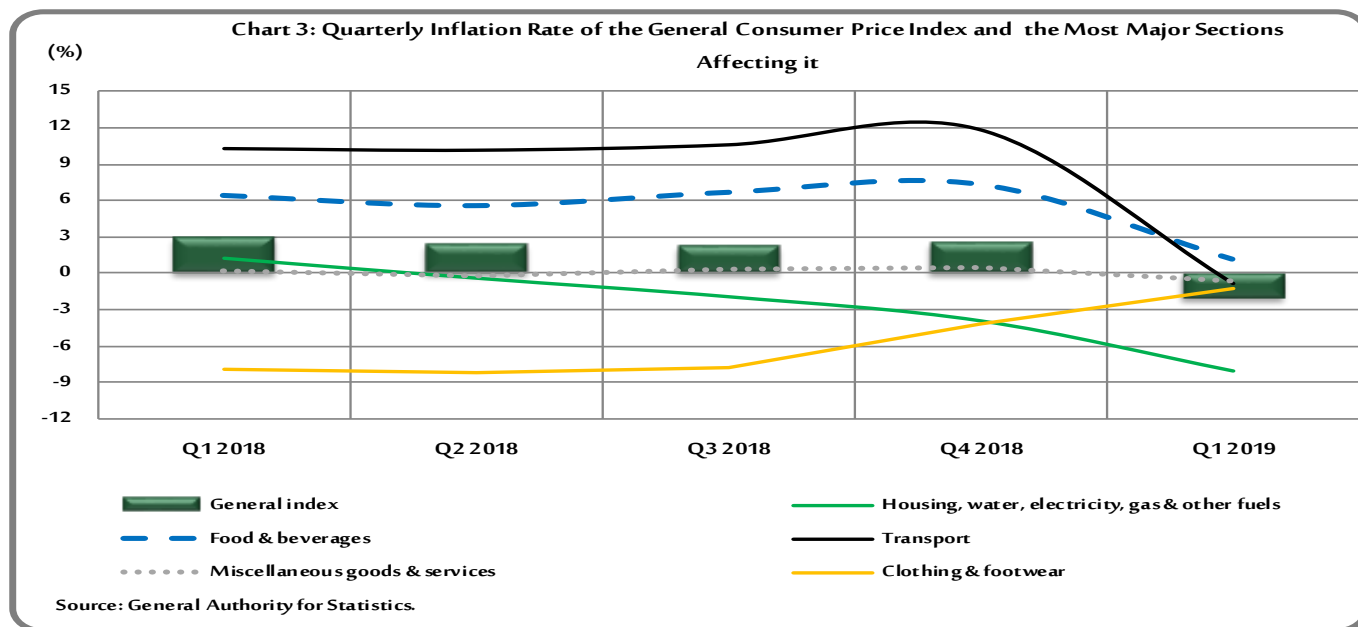


Source: General Authority for Statistics.

Chart 2: Inflation Rate of the Consumer Price Index by Main Sections (Q1 2019/Q4 2018)



Source: General Authority for Statistics.



10.4 percent y/y, communication with 3.2 percent compared to 2.1 percent y/y, and transport with 3.0 percent compared with 25.6 percent y/y.

The total influence rate of the three major sections (housing, water, electricity, gas and other fuels; food and beverages; and transport) on inflation rate stood at

84.5 percent in Q1 2019 against 63.4 percent y/y (Charts 4 and 5).

### Wholesale Price Index (WPI)

The Wholesale Price Index (WPI) in Q1 2019 recorded a y/y decrease of 0.3 percent and a q/q decrease of 0.1 percent (Chart 6).

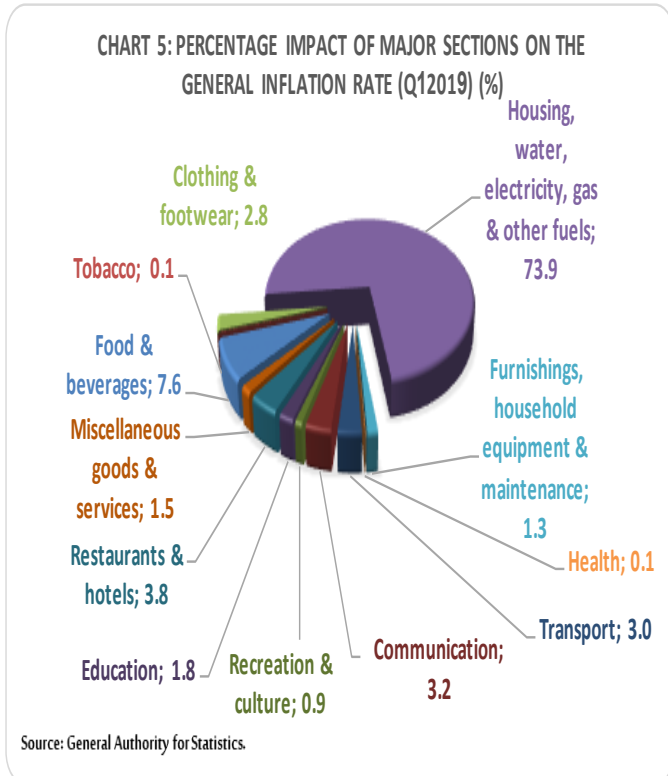
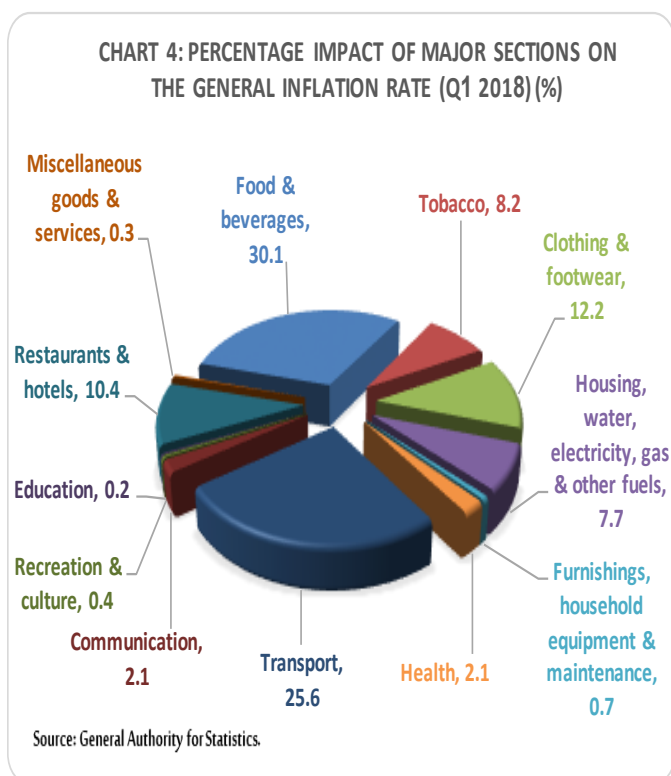
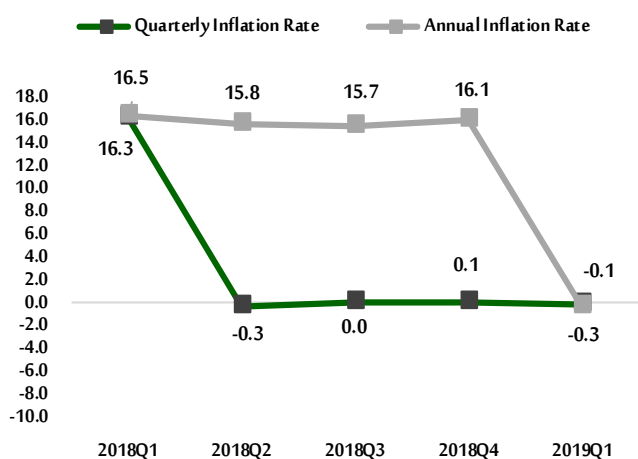


Chart 6: Inflation of the Wholesale Price Index (2014=100)



Source: General Authority for Statistics

## Wholesale Price Indices by Sections

During Q1 2019, agriculture and fishery products registered the highest y/y decrease of 2.2 percent. Beverages and tobacco ranked second with a y/y decrease of 0.7 percent. Other goods came third with a y/y decrease of 0.6 percent, and finally ores

and minerals with a y/y decrease of 0.1 percent. On the other hand, machinery and equipment recorded a y/y increase of 0.7 percent (Table 2 and Chart 7).

## GDP Deflator

According to the latest data issued by the GaStat, the GDP deflator recorded a y/y increase of 6.4 percent in Q4 2018 and a q/q decline of 2.8 percent.

Unlike the CPI 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 decline

TABLE 2: WHOLESAL PRICE INDEX (WPI)

(100=2014)

							(% change)	
	Weights	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q1/2018Q4	2019Q1/2018Q1
General Index	100.0	117.1	116.7	116.7	116.9	116.7	-0.1	-0.3
Agriculture and fishery products	8.7	101.3	101.7	102.9	101.7	99.1	-2.6	-2.2
Ores and Minerals	0.6	98.2	98.9	99.6	98.2	98.1	-0.1	-0.1
Food products, beverages and tobacco and textiles	17.3	108.2	108.1	108.2	107.8	107.4	-0.3	-0.7
Other goods	33.7	143.9	143.2	143.6	145.0	143.0	-1.4	-0.6
Metal products, machinery and equipment	39.7	101.8	101.4	100.8	100.5	102.5	2.1	0.7

Source: General Authority for Statistics.

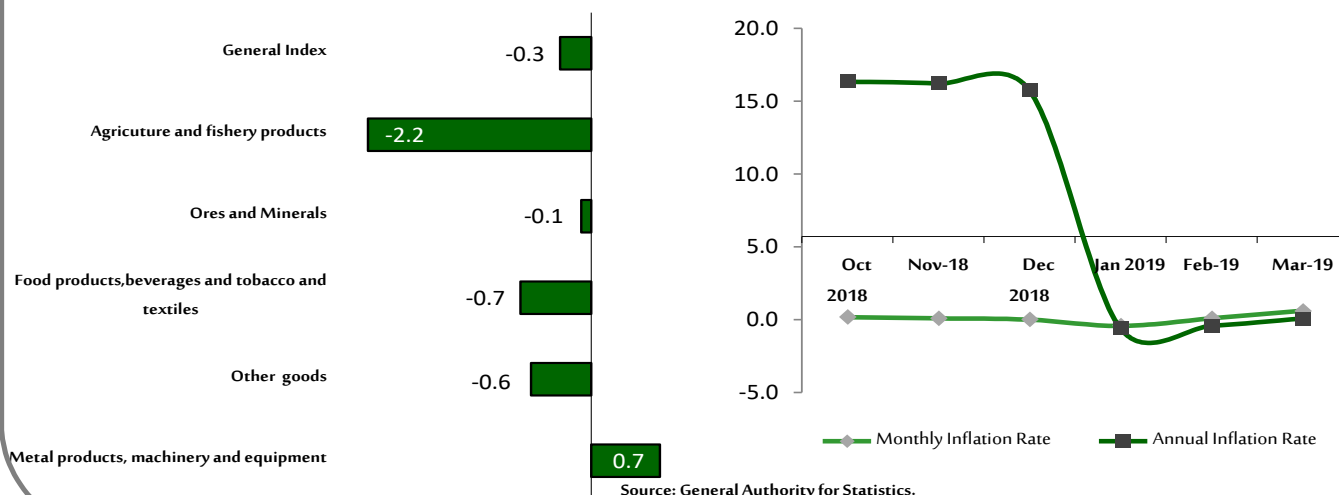


Chart 7: Inflation of the Wholesale Price Index by Main Sections

(2014=100)

% Change (Q1 2019/ Q1 2018)

Annual & Monthly Inflation of the WPI



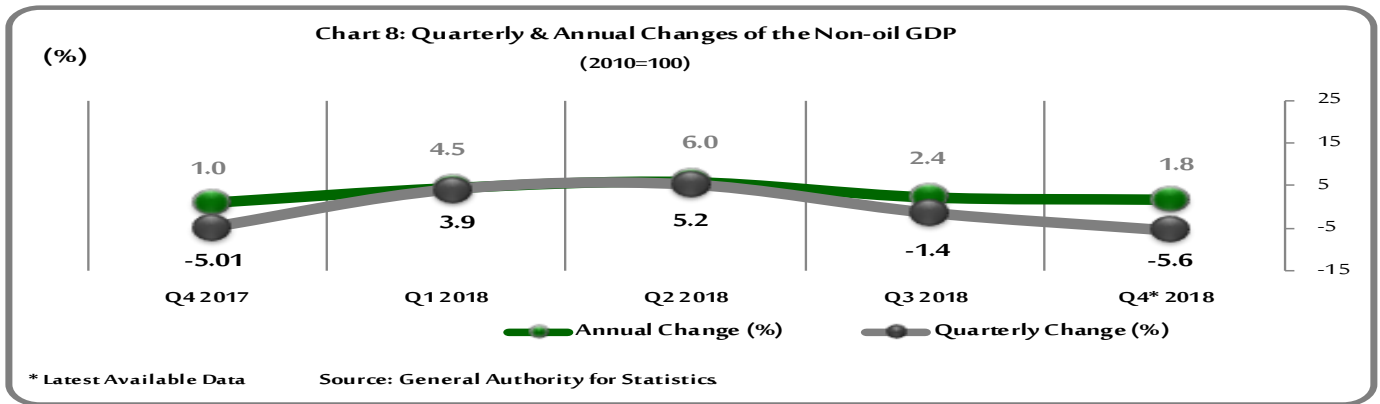
of 5.6 percent in Q4 2018 and a y/y increase of 1.8 percent (Table 3 and Chart 8).

An analysis of GDP deflator's data by economic activity (at 2010 constant prices)

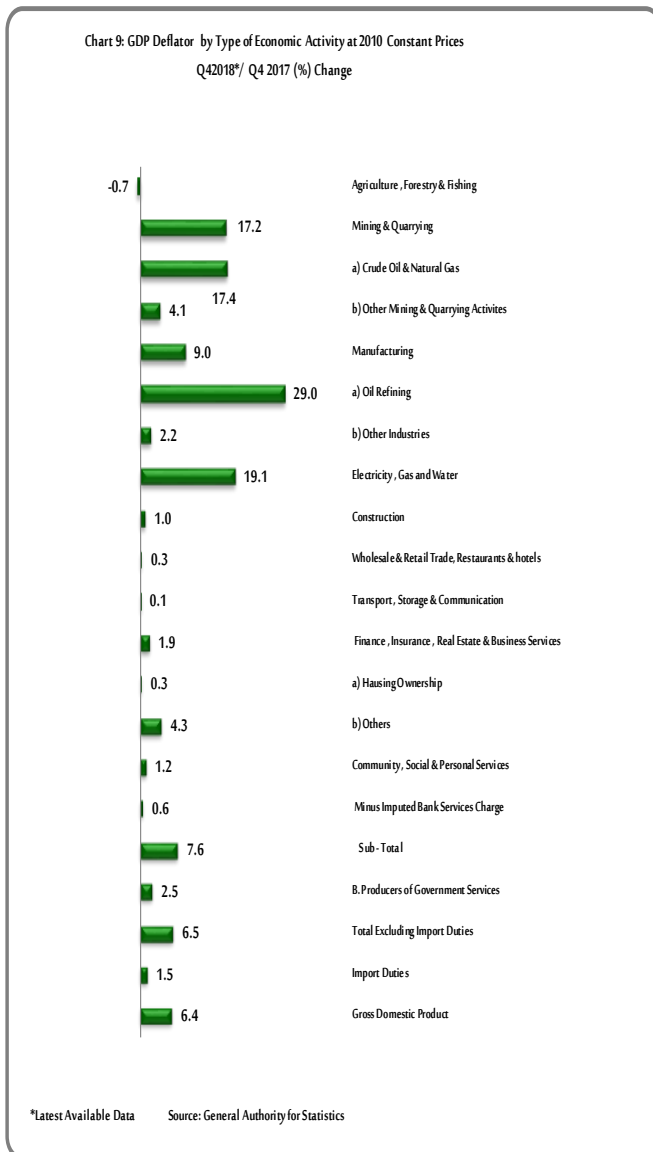
TABLE 3: GDP Deflator  
(2010=100)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4* 2018
<b>GDP (Million Rls):</b>					
At Current Prices	678,202	720,266	730,212	736,099	747,736
At Constant Prices	658,892	649,394	640,159	653,397	682,514
<b>GDP Deflator</b>	<b>102.9</b>	<b>110.9</b>	<b>114.1</b>	<b>112.7</b>	<b>109.6</b>
<b>Quarterly Change (%)</b>	<b>2.0</b>	<b>7.8</b>	<b>2.8</b>	<b>-1.2</b>	<b>-2.8</b>
<b>Annual Change (%)</b>	<b>8.0</b>	<b>12.0</b>	<b>15.0</b>	<b>11.6</b>	<b>6.4</b>
<b>Non-oil GDP (Million Rls):</b>					
At Current Prices	467,899	479,418	484,309	479,411	485,786
At Constant Prices	378,195	372,940	358,152	359,532	385,747
<b>Non-oil GDP Deflator</b>	<b>123.7</b>	<b>128.6</b>	<b>135.2</b>	<b>133.3</b>	<b>125.9</b>
<b>Quarterly Change (%)</b>	<b>-5.01</b>	<b>3.9</b>	<b>5.2</b>	<b>-1.4</b>	<b>-5.6</b>
<b>Annual Change (%)</b>	<b>1.0</b>	<b>4.5</b>	<b>6.0</b>	<b>2.4</b>	<b>1.8</b>
* Latest Available Data					

Source: General Authority for Statistics.



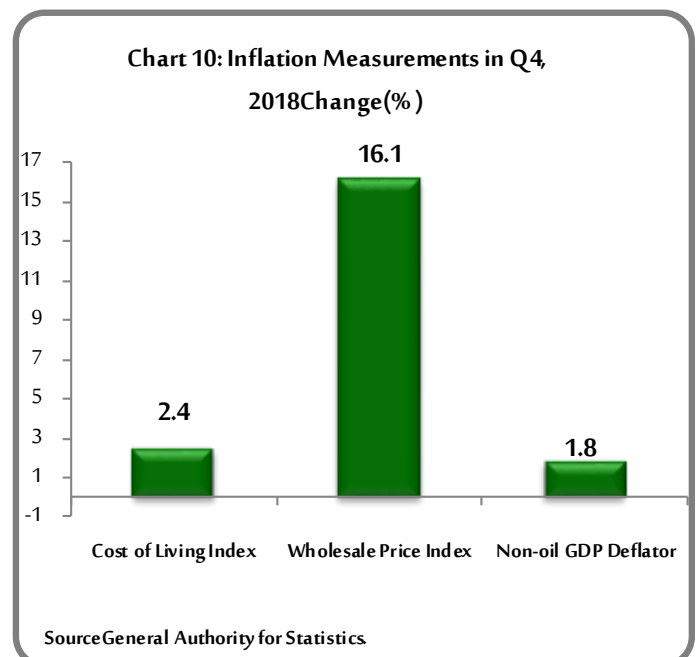
shows that electricity, gas and water registered the highest y/y increase of 19.1 percent in Q4 2018. Mining and quarrying came next with 17.2 percent, followed by manufacturing with 9.0 percent (Chart 9).



A comparison of the annual inflation measures in the domestic market indicates that the annual inflation rate of non-oil GDP deflator registered a y/y rise of 1.8 percent in Q4 2018. The annual change rate of the wholesale price index went up by 16.1 percent, and the annual inflation rate of the consumer price index registered a rise of 2.4 percent during the same period (Chart 10).

### Foreign Trade with Major Trading Partners

According to data of March 2019, the total value of Saudi Arabia's imports





stood at SAR 41.1 billion, with a y/y decrease of 1.7 percent. Moreover, Saudi Arabia's imports recorded a monthly Increase of 16.4 percent compared to the previous month.

China came at the top of Saudi Arabia's major trading partners, according to data of march 2019. Saudi Arabia's imports from China amounted to SAR 6.4 billion (15.7 percent of the total value of Saudi Arabia's imports), increasing by 2.0 percent y/y. The United States came second with SAR 4.3 billion (10.5 percent of the total), decreasing by 13.6 percent y/y. The UAE came third with SAR 3.4 billion (8.3 percent of the total), decreasing by 4.8 percent y/y. India came fourth with SAR 2.2 billion (5.4 percent of the total), rising by 5.7 percent y/y, followed in fifth place by Germany with SAR 2.0 billion (4.8 percent of the

total), dropping by 16.7 percent y/y (Table 4 A and 4 B).

### Inflation Projections for Q2 2019

Actual data in Q1 2019 show that inflation rate recorded a y/y decrease of 2.1 percent. In addition, inflation rate is projected to register a slight y/y rise in Q2 2019 due to the effect of the rise of motor fuel prices and the concurrence of Q2 with the month of Ramadan and Eid al-Fitr, which in turn might pose seasonal inflationary pressures that could lead to a rise in the general level of prices.

Furthermore, the International Monetary Fund's projections for the primary commodity price index (April 2019) show an increase in inflationary pressures on most of its components for 2019. The projections indicate a rise in the prices of bev-

**TABLE 4 A: Top Five Trading Partners by value of Imports  
(SAR Million)**

Countries	2017	2018	Change (%)
China	76,971	81,821	6.3
U.S.A	68,087	70,642	3.8
U.A.E	32,831	43,441	32.3
Germany	29,497	28,306	-4.0
India	20,176	21,322	5.7
<b>Total</b>	<b>227,562</b>	<b>245,534</b>	<b>7.9</b>
<b>Ratio to Total</b>	<b>45.10</b>	<b>47.80</b>	<b>6.0</b>

Source: General Authority for Statistics.

**TABLE 4 B: Top Five Trading Partners by value of Imports  
(SAR Million)**

Countries	Mar-18	Mar-19	Change (%)
China	6,321	6,446	2.0
U.S.A	4,979	4,299	-13.6
U.A.E	3,594	3,423	-4.8
India	2,090	2,209	5.7
Germany	2,371	1,974	-16.7
<b>Total</b>	<b>19,353</b>	<b>18,351</b>	<b>-5.2</b>
<b>Ratio to Total</b>	<b>46.30</b>	<b>51.50</b>	<b>11.2</b>

Source: General Authority for Statistics.

erages by 3.5 percent, energy by 2.5 percent, and agricultural raw materials by 0.2 percent. On the other hand, projections indicate a decline in metal prices by 0.8 percent and food by 0.7 percent (Table 5).

## Summary

The most significant results of the analysis of inflation rates in Q1 2019 in Saudi Arabia can be concluded as follows:

- 1- The general consumer price index registered a y/y decrease of 2.1 percent in Q1 2019 and a q/q decrease of 0.7 percent.
- 2- Housing, water, electricity, gas and other fuels registered the highest y/y decrease rate of 8.0 percent. Restaurants and hotels registered the highest y/y inflation rate of 1.6 percent in Q1 2019.
- 3- The wholesale price index in Q1 2019 recorded a y/y decrease of 0.3 percent and a q/q decrease of 0.1 percent.
- 4- Agriculture and fishery registered the highest y/y decrease of 2.2 percent in the wholesale price index in Q1 2019.
- 5- The GDP deflator recorded a y/y increase of 6.4 percent in Q4 2018. However, the GDP deflator recorded a q/q decline of 2.8 percent.
- 6- Inflation rate is projected to register a slight y/y increase in Q2 2019 due to higher fuel prices and the concurrence of Q2 with the month of Ramadan and Eid al-Fitr, which in turn might pose seasonal inflationary pressures that could lead to higher prices.

TABLE 5: IMF Commodity Price Index

(2005=100)

(Percentage changes)

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

Source: IMF

