

2021

Inflation Report

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Research and International Affairs Deputyship
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Table of Contents

| Section | Page No. |
|---|----------|
| Executive Summary | 3 |
| Consumer Price Index (CPI) | 4 |
| Developments in Q1 2021 | 4 |
| Effect of Main Expenditure Categories on the Consumer Price Index | 6 |
| Wholesale Price Index (WPI) | 7 |
| Inflation Rates in Saudi Arabia's Largest Exporters | 8 |
| Inflation Projections for Q2 2021 | 9 |

Executive Summary

- The consumer price index (CPI) registered a YoY increase of 5.3 percent but a QoQ fall of 0.1 percent in Q1 2021.
- Communication constituted the highest YoY increase in the general price index with 13.4 percent, followed by tobacco with 12.7 percent and food and beverages with 11.2 percent. In contrast, education recorded the highest YoY decrease of 9.6 percent in Q1 2021.
- The wholesale price index (WPI) recorded a YoY increase of 7.3 percent in Q1 2021.
- The projected inflation rate for Q2 2021 is not significantly different from the rate posted in Q1 2021. On a YoY basis, however, the impact of raising the value-added tax (VAT) from 5 percent to 15 percent (starting from the second half of 2020) is projected to continue; thus, inflation is projected to rise in Q2 2021 compared to Q2 2020.

Consumer Price Index (CPI)

The consumer price index (CPI) registered a YoY increase of 5.3 percent but a QoQ fall of 0.1 percent in Q1 2021 (Table 1 and Chart 1).

Developments in Q1 2020

In Q1 2021, communication registered the highest YoY inflation rate of 13.4 percent. Tobacco came second with a YoY increase of 12.7 percent, followed by food and beverages with 11.2 percent; transport with 10.0 percent; furnishings, household equipment and maintenance with 7.7 percent; restaurants and hotels with 7.6 per-

cent; clothing and footwear with 6.0 percent; miscellaneous goods and services with 5.4 percent; recreation and culture with 4.4 percent; and health with 2.9 percent.

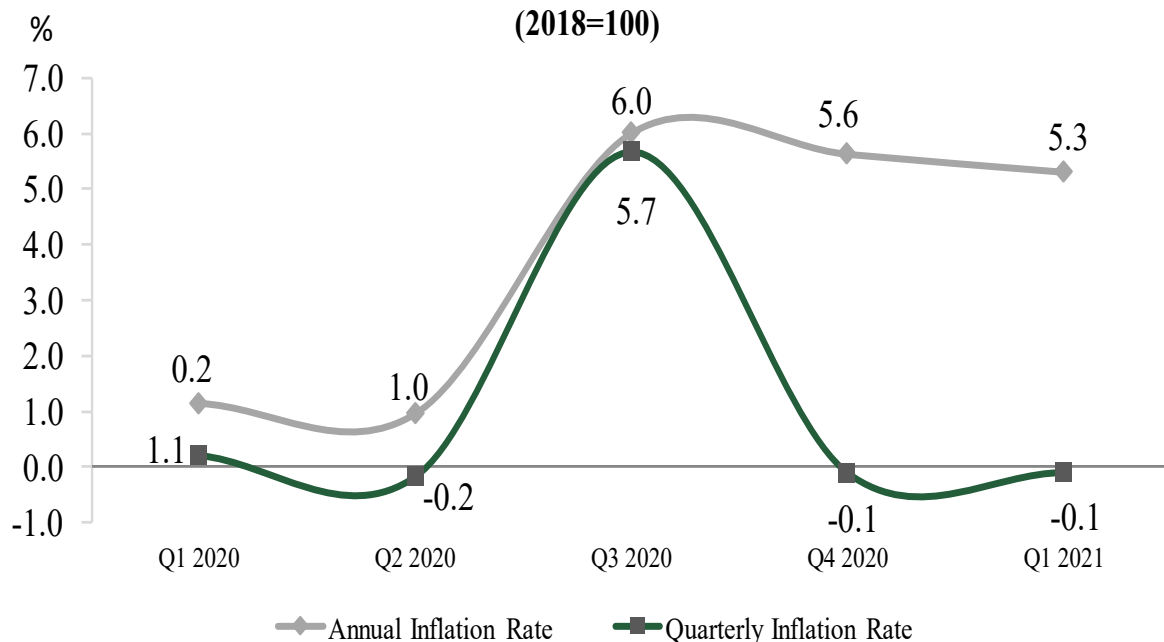
In contrast, education recorded the highest YoY decrease of 9.6 percent in Q1 2021. Housing, water, electricity, gas and other fuels came next with 2.1 percent (Table 1 and Charts 2 and 3).

Table 1: Consumer Price Index
(2018=100)

| | | | | | | | (%) change | |
|--|--------------|-------------|-------------|--------------|--------------|--------------|----------------------|----------------------|
| | Weights | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q1 2021 / Q4 2020 | Q1 2021 / Q1 2020 |
| General index | 100.0 | 98.6 | 98.5 | 104.1 | 104.0 | 103.9 | -0.1 | 5.3 |
| Food & beverages | 18.8 | 104.3 | 107.9 | 116.2 | 116.8 | 115.9 | -0.7 | 11.2 |
| Tobacco | 0.6 | 102.0 | 102.1 | 113.8 | 114.5 | 115.0 | 0.4 | 12.7 |
| Clothing & footwear | 4.2 | 98.1 | 98.3 | 104.7 | 104.7 | 104.0 | -0.7 | 6.0 |
| Housing, water, electricity, gas & other fuels | 25.5 | 91.2 | 90.7 | 91.0 | 90.4 | 89.3 | -1.2 | -2.1 |
| Furnishings, household equipment & maintenance | 6.7 | 100.1 | 100.4 | 107.8 | 107.7 | 107.7 | 0.0 | 7.7 |
| Health | 1.4 | 99.9 | 99.9 | 102.4 | 102.9 | 102.8 | -0.1 | 2.9 |
| Transport | 13.0 | 100.1 | 95.0 | 107.1 | 107.3 | 110.1 | 2.7 | 10.0 |
| Communication | 5.6 | 98.2 | 98.2 | 108.1 | 109.5 | 111.4 | 1.7 | 13.4 |
| Recreation & culture | 3.1 | 98.5 | 97.6 | 102.4 | 102.1 | 102.8 | 0.7 | 4.4 |
| Education | 2.9 | 103.5 | 103.4 | 100.5 | 94.5 | 93.6 | -1.0 | -9.6 |
| Restaurants & hotels | 5.6 | 104.0 | 103.4 | 111.4 | 111.8 | 111.9 | 0.1 | 7.6 |
| Miscellaneous goods & services | 12.6 | 100.6 | 101.1 | 106.1 | 106.4 | 106.0 | -0.4 | 5.4 |

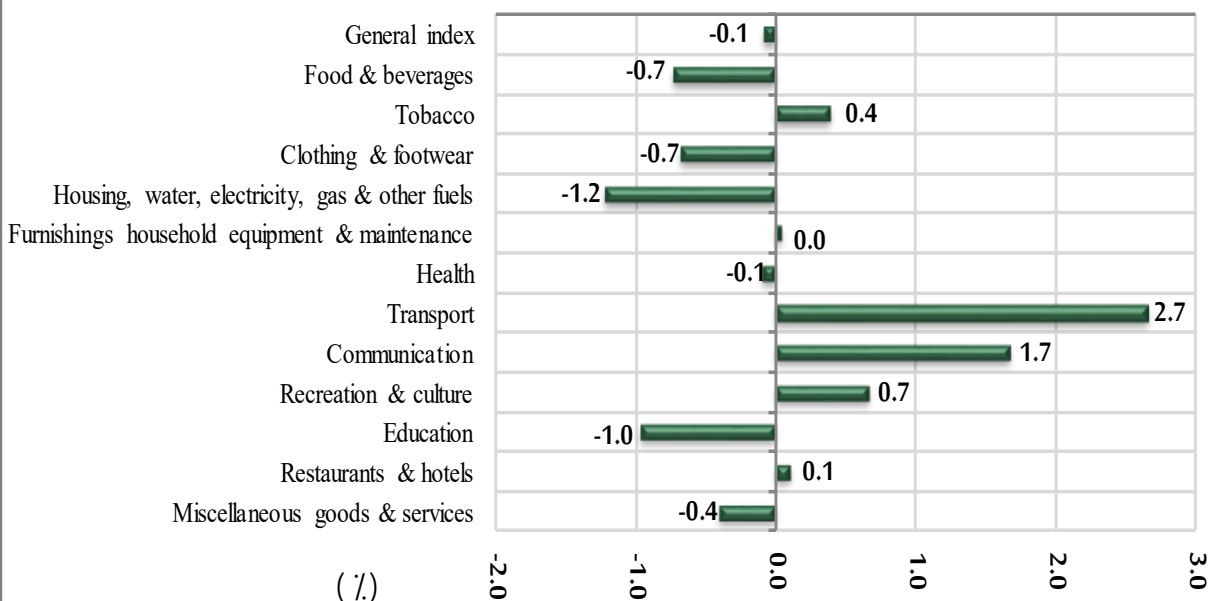
Source: General Authority for Statistics.

**Chart 1: Inflation Rate of the General Consumer Price Index
(2018=100)**



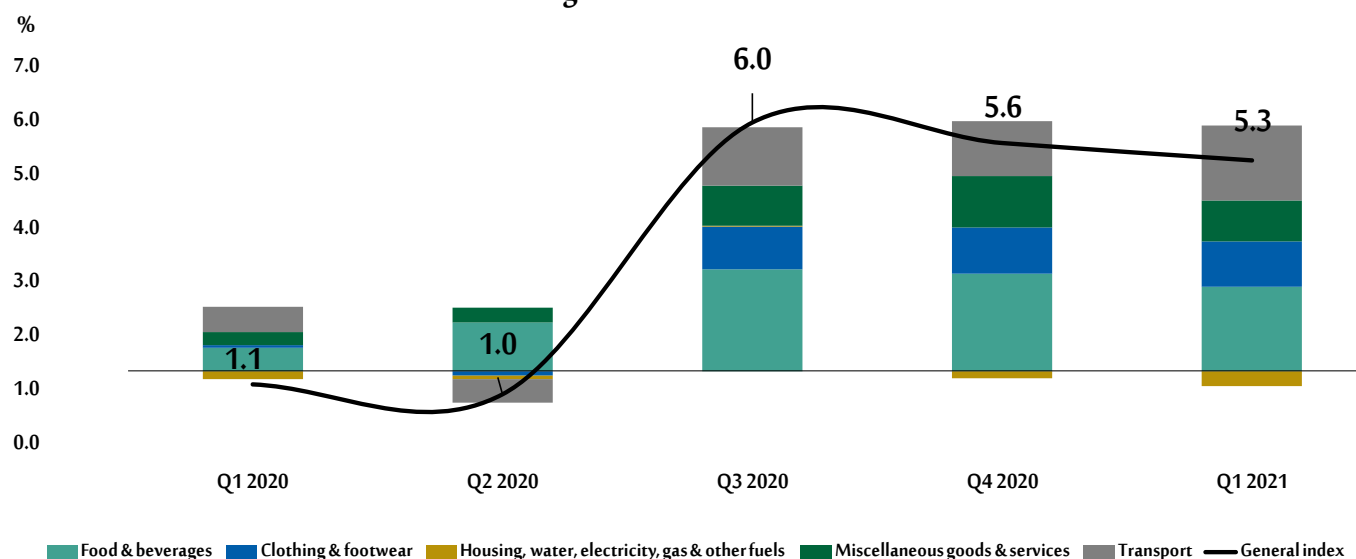
Source: General Authority for Statistics.

**Chart 2: Inflation Rate of the Consumer Price Index by Main Sections
Q1 2021 / Q4 2020**



Source: General Authority for Statistics.

Chart 3: The Annual Rate of Change in the Consumer Price Index and Its Main Sections



Source: General Authority for Statistics.

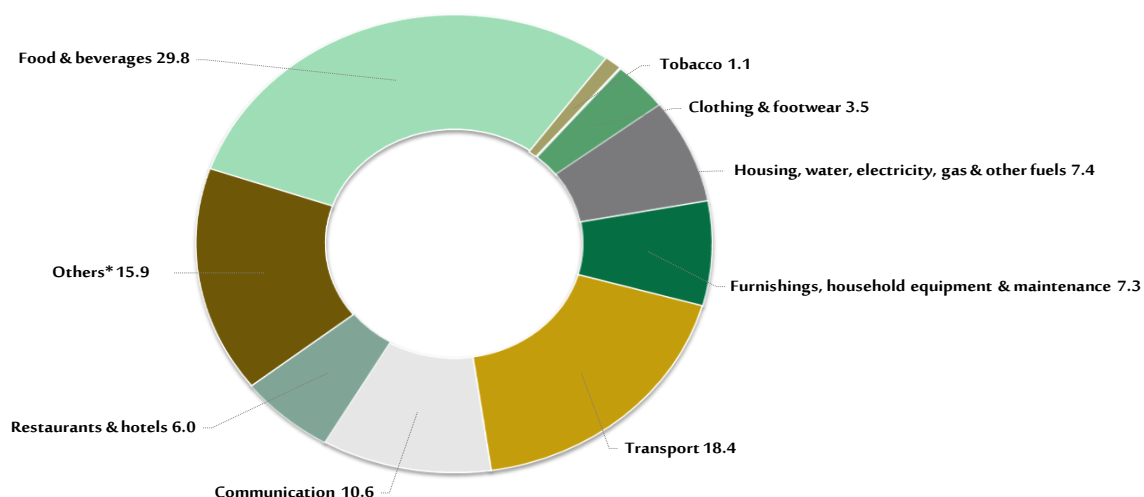
Effect of Main Expenditure Categories on the Consumer Price Index

Inflation rates are affected by the changes in CPI's various categories. Ranked by their effect on the CPI, food and beverages came first with 29.8 percent in Q1 2021 against 31.4 percent in Q1 2020. Transport came second with 18.4 percent compared to 23.7 percent in Q1 2020, followed by communication with 10.6 percent against 2.5 percent; housing, water, electricity, gas and other fuels with 7.4 percent against 15.7 percent; furnishings, household equipment and maintenance with 7.3 percent against 3.8 percent; restaurants and hotels with 6.0 percent against 5.7 percent;

clothing and footwear with 3.5 percent against 1.0 percent; and tobacco with 1.1 percent against 0.3 percent.

The total effect of the three main expenditure categories (housing, water, electricity, gas and other fuels; food and beverages; and transport) on the general inflation rate stood at 55.6 percent in Q1 2021 against 70.8 percent in Q1 2020 (Chart 4).

Chart 4: Percentage Impact Of Major Section On The General Inflation Rate (Q1 2021)



* Other departments include the health, recreation and culture, the miscellaneous goods and services, and education section.
Source: General Authority for Statistics.

Wholesale Price Index (WPI)

The wholesale price index (WPI) recorded a 7.3 percent YoY rise and a 2.3 percent QoQ rise in Q1 2021 (Chart 5).

A breakdown of WPI by product category shows that metal products, machinery and equipment recorded the highest YoY increase of 14.7 percent during Q1 2021. Ores and minerals came second with

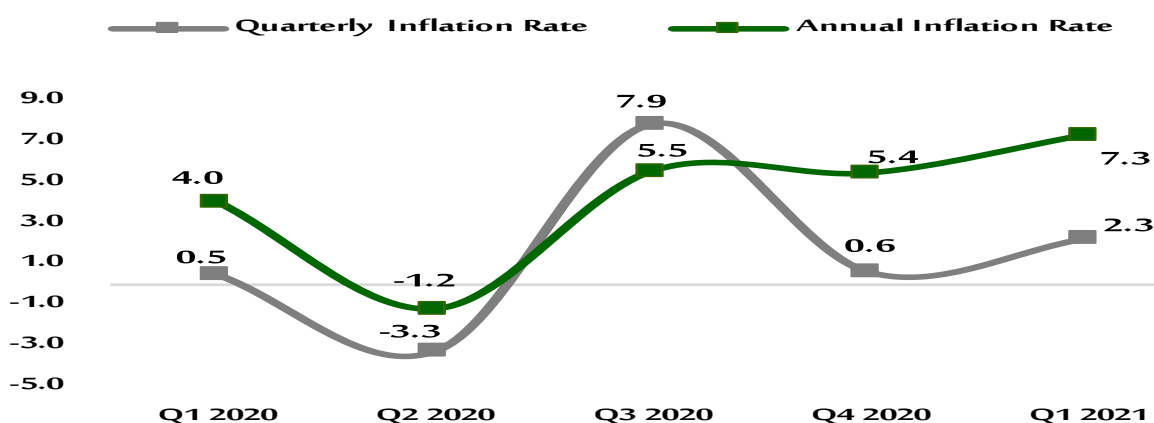
a YoY increase of 13.3 percent. Agriculture and fishery products came third with 12.9 percent, followed by food products, beverages, tobacco and textiles with 11.0 percent. (Table 2 and Chart 5).

Table 2: Wholesale Price Index (WPI)
(2014=100)

| | Weights | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | (%) change | |
|---|---------|---------|---------|---------|---------|---------|-------------------|-------------------|
| | | | | | | | Q1 2021 / Q4 2020 | Q1 2021 / Q1 2019 |
| General Index | 100.0 | 121.4 | 117.4 | 126.7 | 127.4 | 130.3 | 2.3 | 7.3 |
| Agriculture and fishery products | 8.7 | 103.6 | 112.5 | 117.8 | 118.0 | 116.9 | -0.9 | 12.9 |
| Ores and Minerals | 0.6 | 95.3 | 94.4 | 102.9 | 108.9 | 108.0 | -0.9 | 13.3 |
| Food products, beverages and tobacco and textiles | 17.3 | 108.5 | 109.6 | 120.4 | 120.3 | 120.5 | 0.1 | 11.0 |
| Other goods | 33.7 | 147.4 | 132.7 | 138.9 | 139.1 | 145.0 | 4.3 | -1.6 |
| Metal products, machinery and equipment | 39.7 | 109.2 | 109.3 | 121.3 | 122.9 | 125.3 | 2.0 | 14.7 |

Source: General Authority for Statistics.

**Chart 5: Inflation of the Wholesale Price Index
(2014=100)**



Source: General Authority for Statistics

Inflation Rates in Saudi Arabia's Largest Exporters

According to the general levels of CPI for Saudi Arabia's largest exporters and according to Q1 2021 data, the average inflation rate for January and February in China, Saudi Arabia's largest exporter, decreased by 0.3 percent YoY but increased by 1.7 percent QoQ. Moreover, inflation in the United States went up in Q1 2021 by

1.9 percent YoY and 1.1 percent QoQ. In Germany, inflation also recorded a YoY rise of 1.4 percent and a QoQ rise of 1.4 percent. Inflation in Japan, however, fell by 0.4 percent YoY but rose by 0.3 percent QoQ. The average inflation rate for January and February in the UAE went down by 1.9 percent YoY but remained unchanged compared to Q4 2020 (Table 3).

Table 3: The Consumer Price Index (CPI) for the Most Important Counties Exporting to the Kingdom of Saudi Arabia

| | | | | | | (%) Change | |
|-----------|-------|-------|-------|-------|-------|----------------------|----------------------|
| Countries | 2020 | | | | 2021 | Q1 2021 / Q4 2020 | Q1 2021 / Q1 2020 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | | |
| China* | 112.9 | 110.7 | 111.1 | 111.2 | 112.9 | 1.7 | -0.3 |
| USA | 258.3 | 256.9 | 259.8 | 260.4 | 263.2 | 1.1 | 1.9 |
| UAE* | 107.6 | 106.9 | 106.4 | 105.9 | 105.9 | 0.0 | -1.9 |
| Japan | 102.0 | 101.8 | 102.0 | 101.4 | 101.7 | 0.3 | -0.4 |
| Germany | 105.5 | 106.2 | 106.0 | 105.5 | 106.9 | 1.4 | 1.4 |

Source: Exporting countries' national statistics offices.

* Q1 2021 data includes January and February data only.

Inflation Projections for Q2 2021

The projected inflation rate for Q2 2021 is not significantly different from the rate posted in Q1 2021. On a YoY basis, however, the impact of raising the value-added tax (VAT) from 5 percent to 15 percent (starting from the second half of 2020) is projected to continue; thus, inflation is projected to rise in Q2 2021 compared to Q2 2020.

The World Bank's projections for primary commodity prices (April 2021) indicate inflationary pressures on most sectors in 2021. Its projections show that the prices of energy will increase by 34.0 per-

cent, metals by 25.3 percent, fertilizers by 25.1 percent, food by 15.2 percent, agricultural commodities by 11.8 percent, and raw materials by 8.0 percent. On the other hand, projections indicate a decline of 0.2 percent in beverages prices (Table 4).

**Table 4: World Bank Commodity Price Index
(2010=100)**

| | (% Change) | | | | | | |
|----------------------|------------|------|-------|-------|-------------|-------|------|
| | Actual | | | | Projections | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Energy | 19.5 | 22.2 | -10.7 | -31.3 | 34.0 | 4.4 | -0.3 |
| Agriculture | -3.9 | -4.7 | -1.7 | 5.1 | 11.8 | -0.7 | -0.8 |
| Food | -2.8 | -4.1 | -1.6 | 6.8 | 15.2 | -0.8 | -0.8 |
| Raw materials | -2.3 | -4.0 | -1.9 | -0.1 | 8.0 | -0.8 | -0.9 |
| Base Metals | 20.0 | 0.9 | -2.8 | 1.5 | 25.3 | -11.4 | -1.2 |
| Fertilizers | -7.7 | 6.2 | 0.9 | -9.6 | 25.1 | -2.2 | -1.6 |
| Beverages | -12.0 | -9.0 | -1.5 | 6.1 | -0.2 | -0.1 | -0.1 |

Source: World Bank (April - 2021).



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