

2020

# Inflation Report

## Second Quarter of 2020

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 increase of 1.0 percent in Q2 2020 and a q/q fall of 0.2 percent (Table 1 and Chart 1).

### Developments in Q2 2020

During Q2 2020, food and beverages registered the highest y/y inflation rate of 6.5 percent. Miscellaneous goods and services came second with a y/y increase of 2.0 percent, followed by furnishings, household equipment and maintenance with 1.4 percent; tobacco and education with 1.2 percent each; and restaurants and hotels with 0.5 percent.

In contrast, transport recorded the highest y/y drop of 3.1 percent. Communication came second with 0.7 percent; fol-

lowed by clothing and footwear with 0.6 percent; housing, water, electricity, gas and other fuels with 0.5 percent; recreation and culture with 0.3 percent; and health with 0.1 percent (Table 1 and Charts 2 and 3).

### Main Sections Influence on the Consumer Price Index

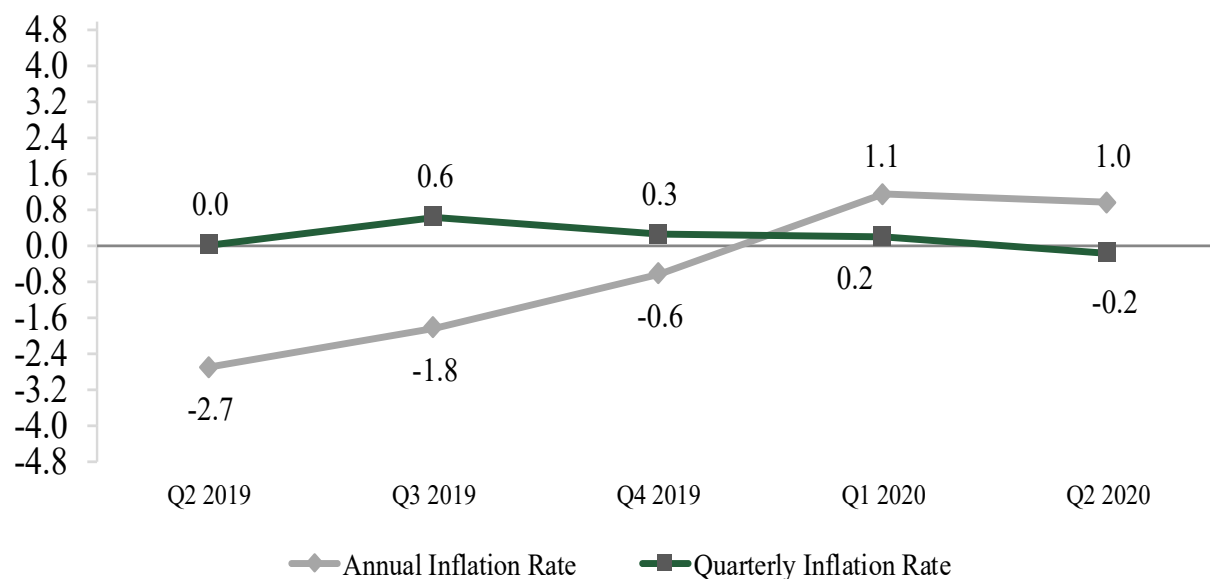
Inflation rates are affected by the changes in CPI's various categories. Classified by their influence on the CPI, food and beverages ranked first with 54.5 percent in Q2 2020 against 10.1 percent in Q2 2019. Transport came second with 18.2 percent compared to 7.5 percent y/y, followed by housing, water, electricity, gas and other fuels with 5.8 percent against 66.3 percent y/y; furnishings, household equipment and maintenance with 4.1 percent compared to

**Table 1: Consumer Price Index**  
(2018=100)

	Weights	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	(% change)	
							Q2 2020 / Q1 2020	Q2 2020 / Q2 2019
<b>General index</b>	<b>100.0</b>	<b>97.5</b>	<b>98.2</b>	<b>98.4</b>	<b>98.6</b>	<b>98.5</b>	<b>-0.2</b>	<b>1.0</b>
Food & beverages	18.8	101.4	102.4	103.4	104.3	107.9	3.5	6.5
Tobacco	0.6	100.9	100.8	101.0	102.0	102.1	0.1	1.2
Clothing & footwear	4.2	98.9	99.1	98.6	98.1	98.3	0.2	-0.6
Housing, water, electricity, gas & other fuels	25.5	91.1	90.9	91.3	91.2	90.7	-0.6	-0.5
Furnishings, household equipment & maintenance	6.7	99.0	99.5	100.0	100.1	100.4	0.3	1.4
Health	1.4	99.9	100.3	100.2	99.9	99.9	0.0	-0.1
Transport	13.0	98.1	99.4	100.0	100.1	95.0	-5.1	-3.1
Communication	5.6	98.9	98.6	98.4	98.2	98.2	-0.1	-0.7
Recreation & culture	3.1	97.9	99.7	98.4	98.5	97.6	-0.9	-0.3
Education	2.9	102.1	102.6	103.4	103.5	103.4	-0.1	1.2
Restaurants & hotels	5.6	102.9	103.8	104.1	104.0	103.4	-0.6	0.5
Miscellaneous goods & services	12.6	99.1	100.7	99.7	100.6	101.1	0.5	2.0

Source: General Authority for Statistics.

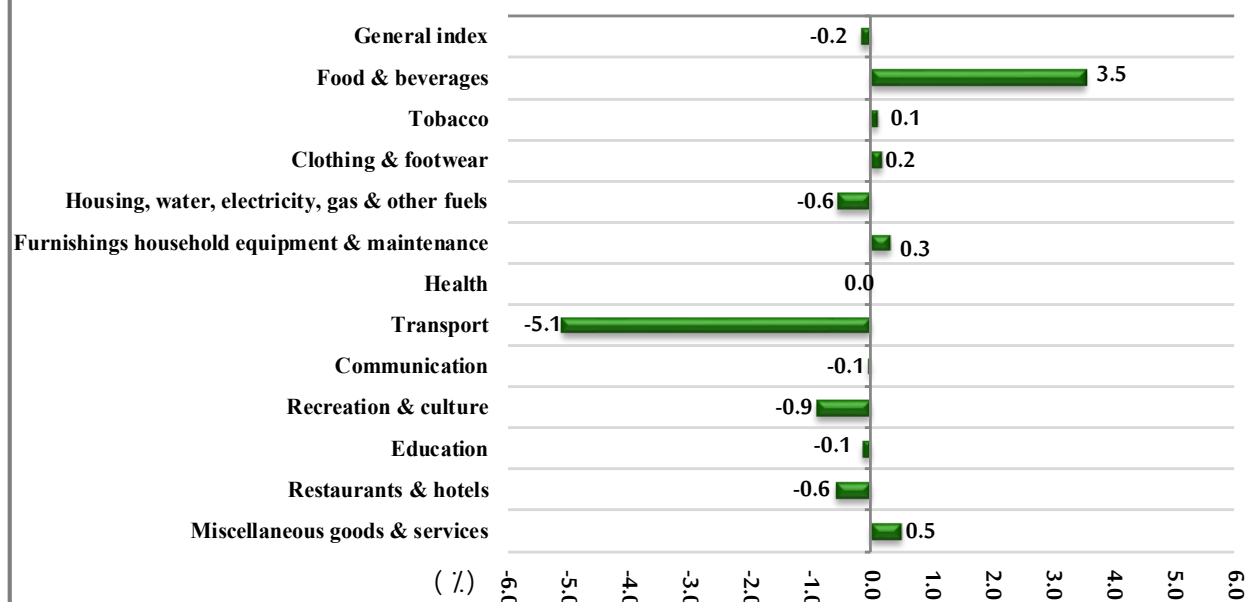
**Chart 1: Inflation Rate of the General Cost of Living Index  
(2018=100)**



Source: General Authority for Statistics.

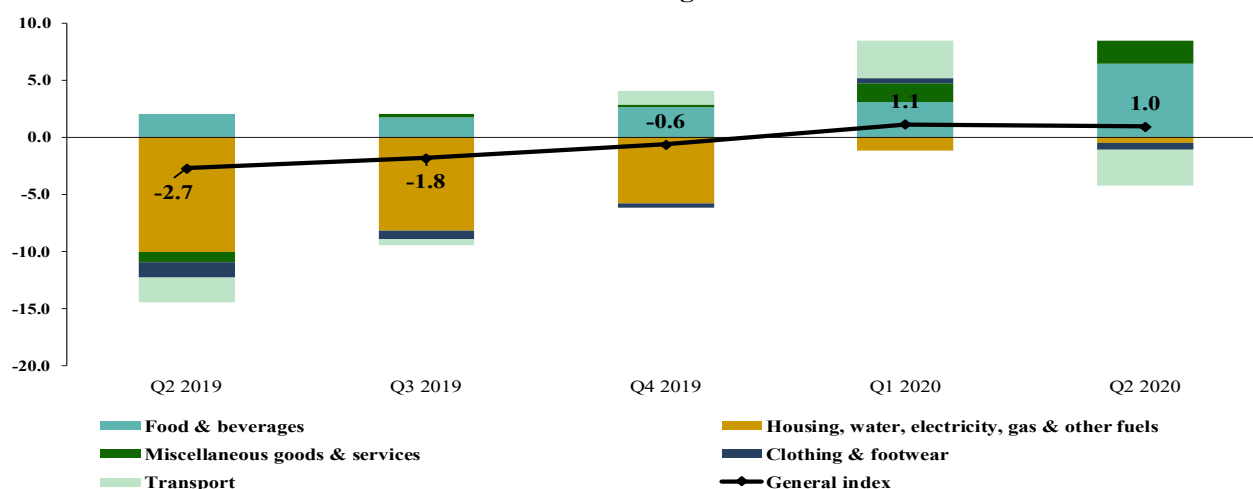
**Chart 2: Inflation Rate of the Consumer Price Index by Main Sections**

**Q2 2020 / Q1 2020**



Source: General Authority for Statistics.

**Chart 3: Annual change in the General Consumer Price Index and the Major Sections Affecting it**

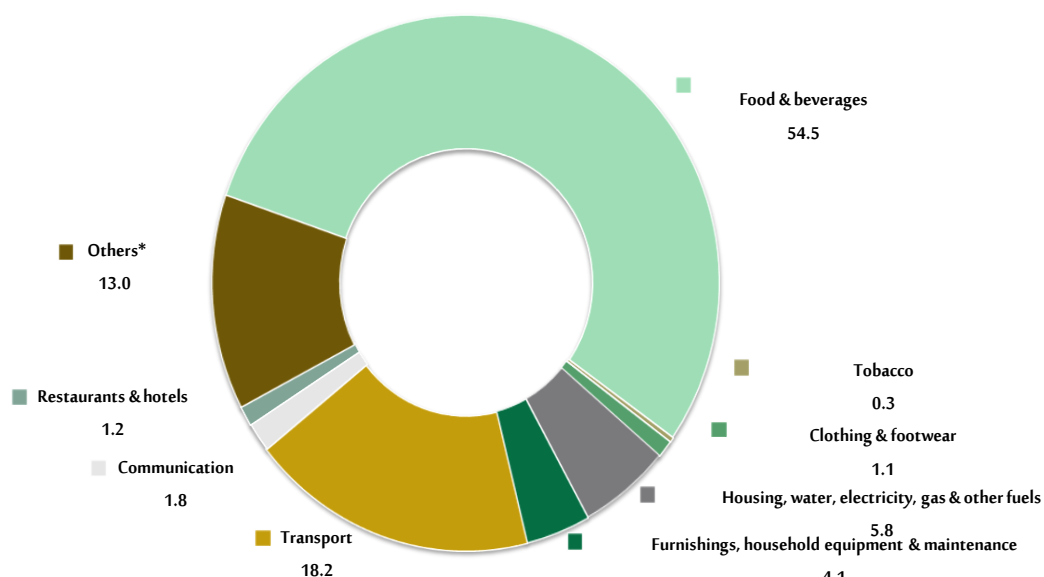


Source: General Authority for Statistics.

2.0 percent y/y; communication with 1.8 percent compared to 1.9 percent y/y; restaurants and hotels with 1.2 percent compared to 4.7 percent y/y; and clothing and footwear with 1.1 percent compared to 1.4 percent y/y.

The total influence rate of the three main categories (housing, water, electricity, gas and other fuels; food and beverages; and transport) stood at 78.5 percent in Q2 2020 against 83.8 percent in Q2 2019 (Chart 4).

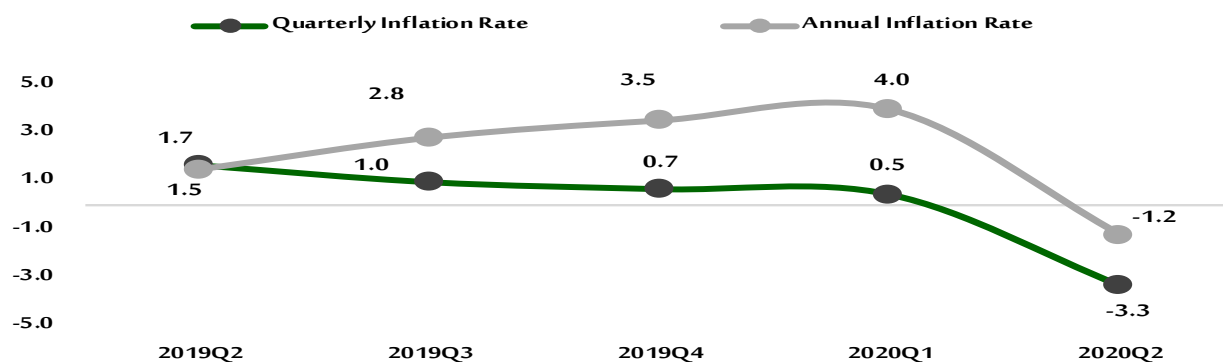
**Chart 4: Percentage Impact Of Major Section On The General Inflation Rate (Q2 2020)**



\* Other departments include the health, recreation and culture, the miscellaneous goods and services, and education section.

Source: General Authority for Statistics

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



Source: General Authority for Statistics

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 decline of 15.4 percent in Q1 2020. Electricity, gas and water came next with 3.4 percent. While the manufacturing industries recorded the highest y/y rise in Q2 2020 with 5.0 percent. Construction and building came second with 3.2 percent; followed by wholesale and retail trade and restaurants and hotels with 1.9 percent; community, social and personal services with 1.7 percent; producers of government services with 1.2 percent; finance,

insurance, real estate and business services and agriculture, forestry and fishing with 1.0 percent each; and transportation, storage and communication with 0.1 percent (Chart 7).

A comparison of the annual inflation measures in the domestic market indicates that the non-oil GDP deflator registered a y/y increase of 1.3 percent in Q2 2020. The annual change rate of the wholesale price index went up by 4.0 percent and the annual inflation rate of the consumer price index increased by 1.1 percent during the same period (Chart 8).

Table 3: GDP Deflator (2010=100)

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
<b>GDP (Million SAR):</b>						
At Current Prices	766,354	718,543	740,032	745,369	769,681	695,570
At Constant Prices	686,990	660,680	642,780	651,392	684,959	654,030
<b>GDP Deflator</b>	<b>111.6</b>	<b>108.8</b>	<b>115.1</b>	<b>114.4</b>	<b>112.4</b>	<b>106.4</b>
<b>Quarterly Change (%)</b>	<b>-2.0</b>	<b>-2.5</b>	<b>5.9</b>	<b>-0.6</b>	<b>-1.8</b>	<b>-5.4</b>
<b>Annual Change (%)</b>	<b>8.4</b>	<b>1.1</b>	<b>-0.3</b>	<b>0.5</b>	<b>0.7</b>	<b>-2.2</b>
<b>Non-oil GDP (Million SAR):</b>						
At Current Prices	501,134	496,371	499,150	508,443	522,101	510,791
At Constant Prices	386,690	381,368	368,351	376,071	401,514	387,296
<b>Non-oil GDP Deflator</b>	<b>129.6</b>	<b>130.2</b>	<b>135.5</b>	<b>135.2</b>	<b>130.0</b>	<b>131.9</b>
<b>Quarterly Change (%)</b>	<b>-2.6</b>	<b>0.4</b>	<b>4.1</b>	<b>-0.2</b>	<b>-3.8</b>	<b>1.4</b>
<b>Annual Change (%)</b>	<b>4.7</b>	<b>1.4</b>	<b>0.1</b>	<b>1.6</b>	<b>0.3</b>	<b>1.3</b>

\* Latest Available Data

Source: General Authority for Statistics.



## Wholesale Price Index (WPI)

The wholesale price index in Q2 2020 recorded a y/y fall of 1.2 percent and a q/q drop of 3.3 percent (Chart 5).

As for the WPI by product category, other transportable goods registered the highest y/y drop of 8.2 percent in Q2 2020. Ores and minerals ranked second with a y/y fall of 3.5 percent. Agriculture and fishery products recorded the highest y/y increase of 12.8 percent in Q2 2020, followed by metal products, machinery and equipment with 2.8 percent, and food products, beverages and tobacco with 1.8 percent (Table 2 and Chart 5).

## GDP Deflator

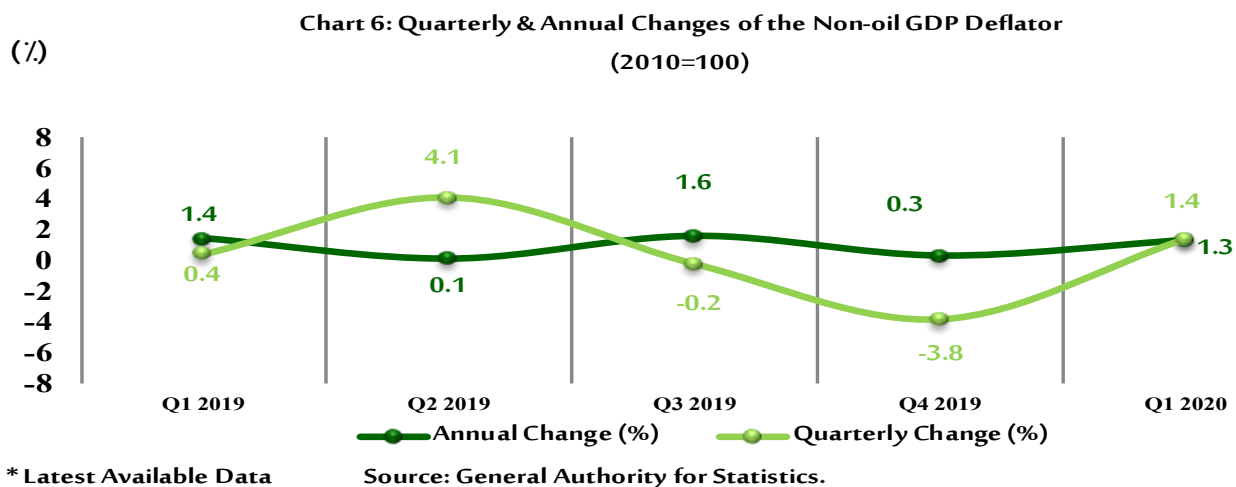
According to the latest data issued by the GaStat, the GDP deflator recorded a y/y fall of 2.2 percent and a q/q drop of 5.4 percent in Q1 2020.

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 rise of 1.4 percent and a y/y increase of 1.3 percent in Q1 2020 (Table 3 and Chart 6).

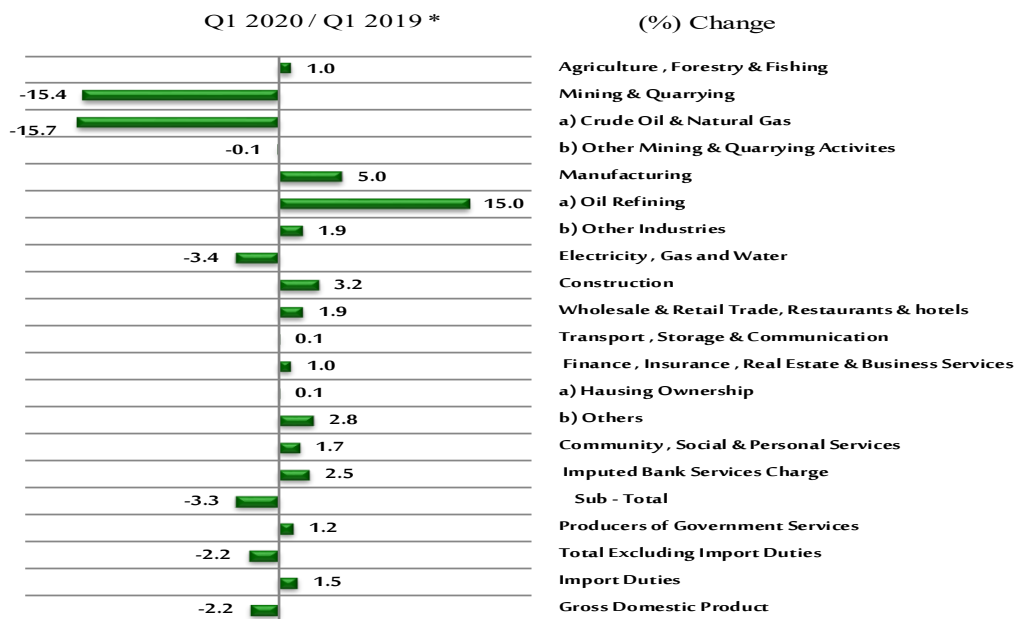
Table 2: Wholesale Price Index (WPI)  
(2014=100)

	Weights	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	(% change)	
							Q2 2020 / Q1 2020	Q2 2020 / Q2 2019
General Index	100.0	118.8	120.0	120.8	121.4	117.4	-3.3	-1.2
Agriculture and fishery products	8.7	99.7	101.6	101.1	103.6	112.5	8.6	12.8
Ores and Minerals	0.6	97.8	97.3	96.0	95.3	94.4	-1.0	-3.5
Food products, beverages, tobacco and textiles	17.3	107.6	107.4	107.2	108.5	109.6	1.0	1.8
Other goods	33.7	144.6	146.9	147.9	147.4	132.7	-10.0	-8.2
Metal products, machinery and equipment	39.7	106.3	107.0	108.4	109.2	109.3	0.1	2.8

Source: General Authority for Statistics.



**Chart 7: GDP Deflator by Type of Economic Activity at 2010 Constant Prices**



**Chart 8: Inflation Measurements in Q1 2020**





## Inflation Rates in Top Countries Exporting to Saudi Arabia

With regard to the general levels of CPI in the top countries exporting to Saudi Arabia and according to Q2 2020 data, the inflation rate in China, the top trading partner in terms of imports, recorded a y/y increase of 0.1 percent and q/q drop of 2.2 percent in Q2 2020. The inflation rate in the United States also recorded a y/y increase of 0.4 percent and a q/q fall of 0.5 percent in Q2 2020. The inflation rate in Germany recorded a y/y increase of 0.8 percent and a q/q rise of 0.7 percent. In Japan, the inflation rate registered a y/y increase of 0.1 percent and a q/q fall of 0.2 percent. In UAE, the inflation rate registered a y/y drop of 2.4 percent and a q/q fall of 0.7 percent (Table 4).

## Inflation Projections for Q3 2020

Inflation rate is projected to register a y/y increase in Q3 2020 mainly due to the increase of VAT rate from 5 to 15 percent. The summer vacation and Eid al-Adha may contribute relatively to the increase of Price levels.

On the other hand, the World Bank's forecast for primary commodity prices (April 2020) show deflationary pressures on all categories in 2020. The forecast shows a decline in the prices of energy by 40.1 percent, metals by 13.4 percent, fertilizers by 9.5 percent, beverages by 4.8 percent, agricultural commodities by 0.7 percent, raw materials by 0.4 percent, while food is expected to remain unchanged (Table 5).

**Table 4: The Consumer Price Index (CPI) For Top Exporting Countries to The Kingdom of Saudi Arabia**

(%)

Countries	2019			2020		Q2 2020 / Q1 2020	Q2 2020 / Q2 2019
	Q2	Q3	Q4	Q1	Q2		
China	102.6	102.9	104.3	105.0	102.7	-2.2	0.1
USA	255.9	256.6	257.2	258.3	256.9	-0.5	0.4
UAE*	109.5	108.9	108.4	107.6	106.9	-0.7	-2.4
Japan	101.7	101.8	102.3	102.0	101.8	-0.2	0.1
Germany	105.4	106.1	105.7	105.5	106.2	0.7	0.8

\*Data of Q2 2020 does not include June.

Source: General Authority for Statistics.

**Table 5: World Bank Commodity Price Index**  
(2005=100)

(Percentage changes)

	Actual			Projections			
	2017	2018	2019	2020	2021	2022	2023
<b>Energy</b>	19.7	22.1	-10.6	-40.1	17.0	3.5	3.6
<b>Agriculture</b>	-3.9	-4.7	-1.6	-0.7	0.2	0.2	0.1
<b>Food</b>	-2.8	-4.0	-1.7	0.0	0.2	0.2	0.1
<b>Raw materials</b>	-2.2	-4.1	-1.9	-0.4	0.0	-0.1	0.0
<b>Base Metals</b>	20.2	1.9	-7.9	-13.4	3.4	1.4	1.2
<b>Fertilizers</b>	-7.7	6.3	0.9	-9.5	1.6	1.3	1.4
<b>Beverages</b>	-12.0	-9.0	-1.4	-4.8	0.7	0.5	0.5

Source: World Bank

## Summary

The key outcomes of the analysis of inflation rates in Q2 2020 in Saudi Arabia can be concluded as follows:

1. The consumer price index (CPI) registered a y/y increase of 1.0 percent and a q/q fall of 0.2 percent in Q2 2020.

2. Food and beverages registered the highest y/y inflation rate of 6.5 percent. Miscellaneous Goods and Services came second with a y/y increase of 2.0 percent, followed by furnishings, household equipment and maintenance with 1.4 percent.

3. The wholesale price index recorded a y/y fall of 1.2 percent in Q2 2020.

4. According to the latest data issued by the GaStat, the non-oil GDP deflator recorded a y/y increase of 1.3 percent and a q/q rise of 1.4 percent in Q1 2020.

5. Inflation rate is projected to register a y/y increase in Q3 2020 mainly due to the increase of VAT rate from 5 to 15 percent. The summer vacation and Eid al-Adha may contribute relatively to the increase of Price levels.

