

2021

Inflation Report

Second Quarter of 2021

Research and International Affairs Deputyship
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البنك المركزي السعودي
SAMA
Saudi Central Bank



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Executive Summary

- The consumer price index (CPI) registered a YoY increase of 5.7 percent and a QoQ increase of 0.2 percent.
- Transport registered the highest YoY increase of 18.9 percent, followed by communications with 13.4 percent, and tobacco with 12.9 percent. On the other hand, education recorded the highest YoY decline of 9.1 percent.
- The wholesale price index (WPI) recorded a YoY increase of 16.8 percent.
- It is projected for inflation rate to significantly drop in Q3 2021 as compared to Q3 2020 as the base year effect of raising the value-added tax from 5 to 15 percent (starting from the second half of 2020) does no longer exist.

Consumer Price Index (CPI)

The consumer price index (CPI) registered a YoY increase of 5.7 percent and a QoQ increase of 0.2 percent in Q2 2021 (Table 1 and Chart 1).

Developments in Q2 2021

Transport registered the highest YoY inflation rate of 18.9 percent in Q2 2021. Communications came second with a YoY increase of 13.4 percent, followed by tobacco with 12.9 percent, restaurants and hotels with 8.3 percent, food and beverages with 8.0 percent. Additionally, furnishings, household equipment and maintenance rec-

orded a YoY rise of 7.8 percent; followed by clothing and footwear with 5.9 percent; recreation and culture with 4.9 percent; miscellaneous goods and services with 4.8 percent; and finally health with 3.2 percent.

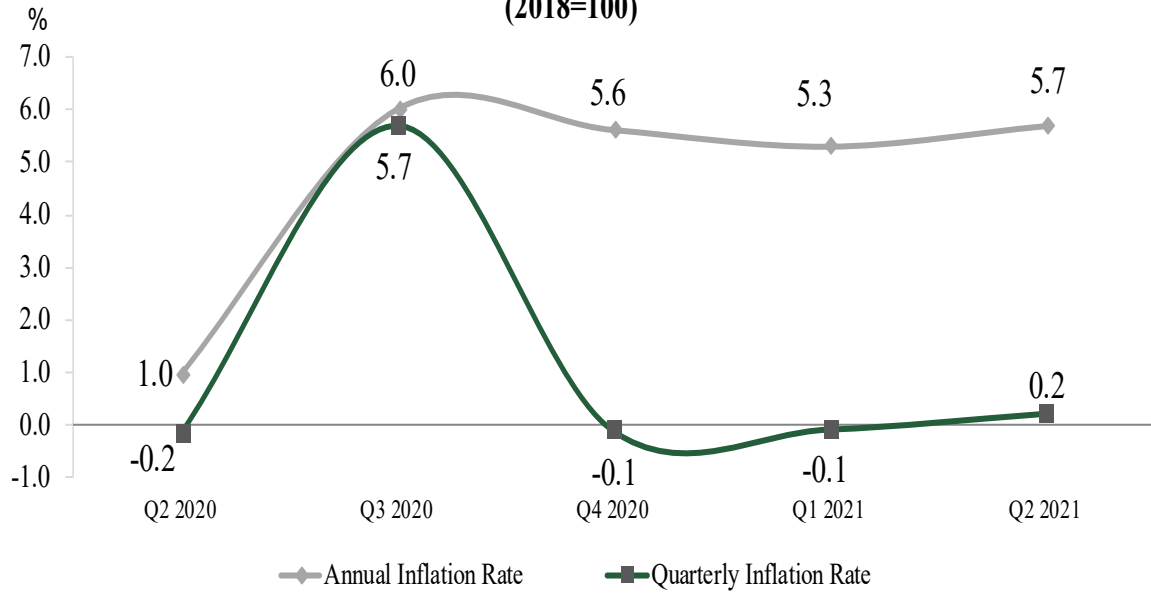
In contrast, education registered the highest YoY decrease of 9.1 percent, followed by housing, water, electricity, gas, and other fuels with 2.5 percent (Table 1 and Charts 2 and 3).

TABLE 1: CONSUMER PRICE INDEX
(2018=100)

	Weights	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	(% change)	
							Q2 2021 / Q1 2021	Q2 2021 / Q2 2020
General index	100.0	98.5	104.1	104.0	103.9	104.1	0.2	5.7
Food & beverages	18.78	107.9	116.1	116.8	115.9	116.5	0.5	8.0
Tobacco	0.60	102.1	113.8	114.5	115.0	115.3	0.3	12.9
Clothing & footwear	4.20	98.3	104.7	104.7	104.0	104.1	0.1	5.9
Housing, water, electricity, gas & other fuels	25.50	90.7	91.0	90.4	89.3	88.4	-1.0	-2.5
Furnishings, household equipment & maintenance	6.74	100.4	107.8	107.7	107.7	108.2	0.4	7.8
Health	1.43	99.9	102.4	102.9	102.8	103.1	0.3	3.2
Transport	13.05	95.0	107.1	107.3	110.1	113.0	2.6	18.9
Communication	5.62	98.2	108.1	109.5	111.4	111.3	0.0	13.4
Recreation & culture	3.06	97.6	102.4	102.1	102.8	102.4	-0.4	4.9
Education	2.87	103.4	100.6	94.5	93.6	93.9	0.4	-9.1
Restaurants & hotels	5.60	103.4	111.4	111.8	111.9	112.0	0.1	8.3
Miscellaneous goods & services	12.57	101.1	106.1	106.4	106.0	106.0	0.0	4.8

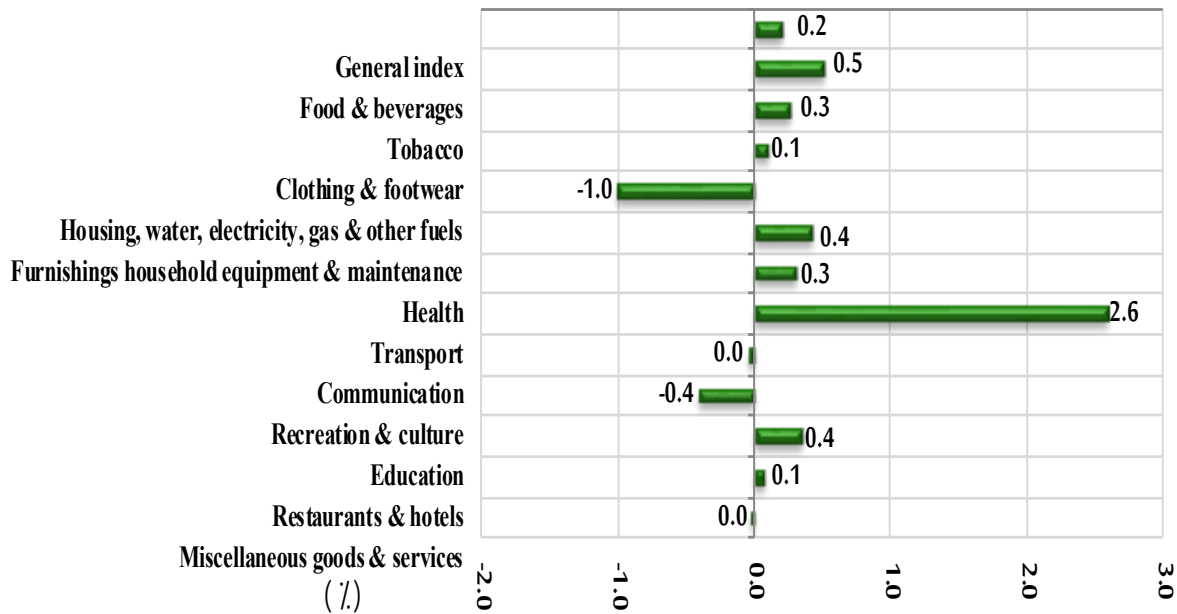
Source: General Authority for Statistics.

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



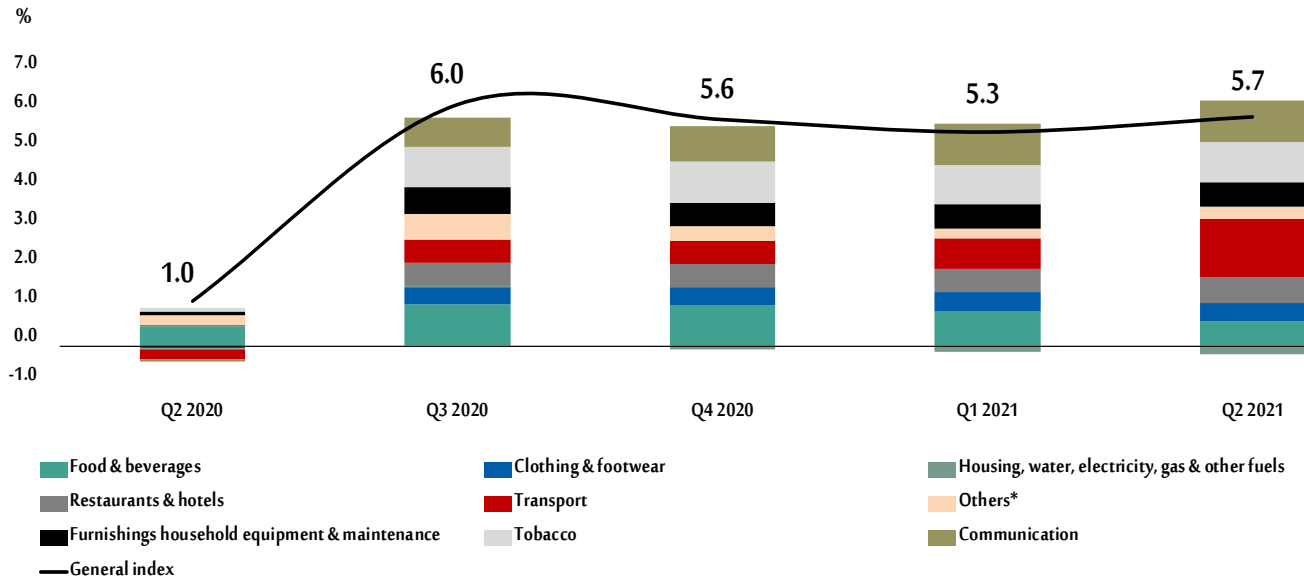
Source: General Authority for Statistics.

**Chart 2: Inflation Rate of the Consumer Price Index by Main Sections
Q2 2021 / Q1 2021**



Source: General Authority for Statistics.

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



*Other department include the health department, recreation & culture , miscellaneous goods & services and the education.

Source: General Authority for Statistics.

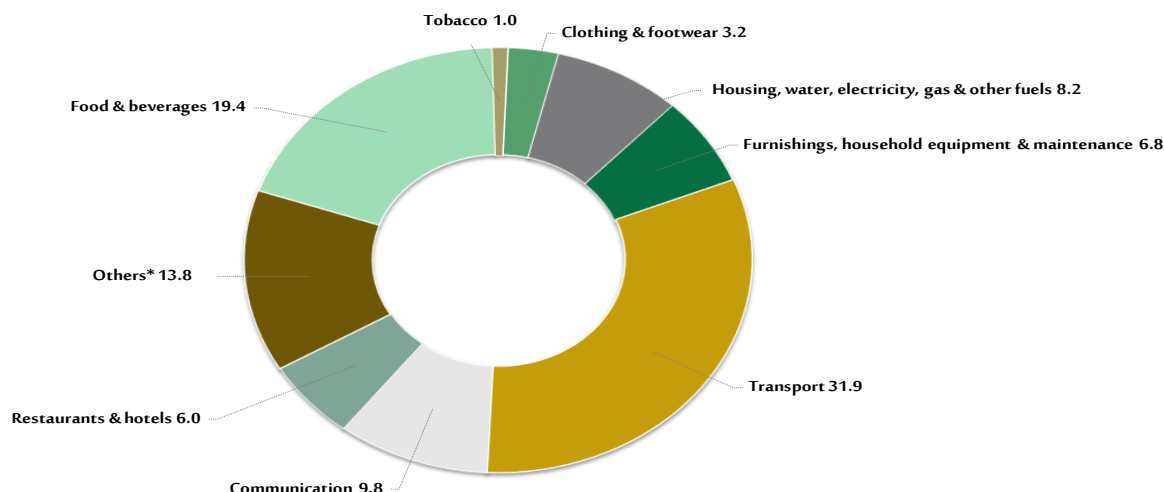
Effect of Main Expenditure Categories on the Consumer Price Index

Inflation rates are affected by the changes in CPI’s various categories. Ranked by their effect on the CPI, transport ranked first with 31.9 percent in Q2 2021 against 18.2 percent in Q2 2020. Food and beverages came second with 19.4 percent as compared to 54.5 percent in Q2 2020, followed by communications with 9.8 percent against 1.8 percent; housing, water, electricity, gas, and other fuels with 8.2 percent as compared to 5.8 percent; furnishings, household equipment and maintenance with 6.8 percent against 4.1 percent; restaurants and hotels with 6.0 percent as

compared to 1.2 percent; clothing and footwear with 3.2 percent as compared to 1.1 percent; and finally tobacco with 1.0 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 59.5 percent in Q2 2021 against 78.5 percent in Q2 2020 (Chart 4).

Chart 4: Percentage Impact Of Major Section On The General Inflation Rate (Q2 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 YoY rise of 16.8 percent and a QoQ increase of 5.3 percent (Chart 5).

A breakdown of WPI by product category shows that other transportable goods, except metal products, machinery and equipment recorded the highest YoY increase of 20.2 percent in Q2 2021. Metal products, machinery and equipment came

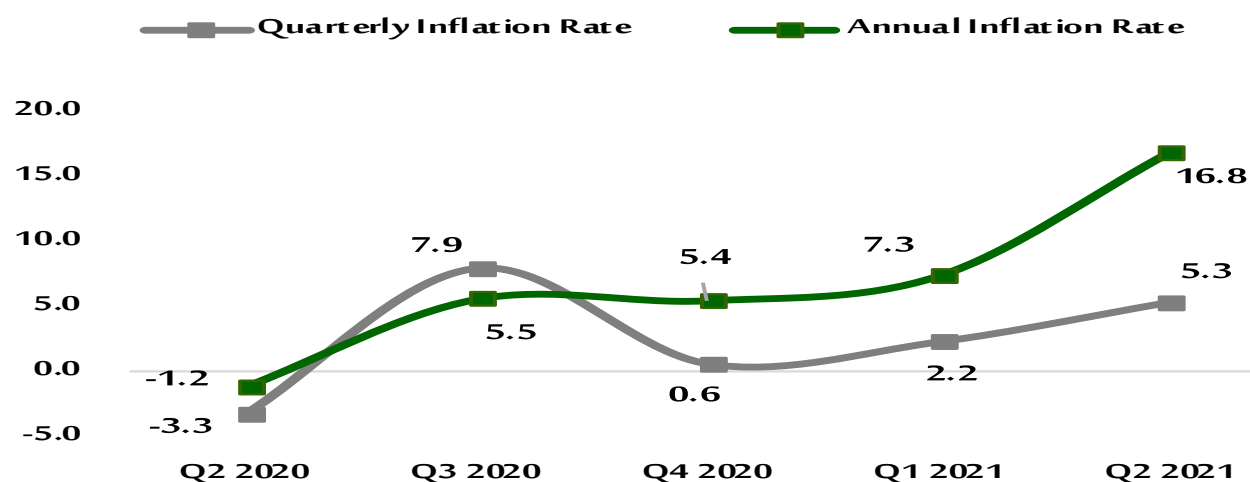
next with a YoY rise of 18.4 percent; raw materials and minerals with 14.9 percent; food products, beverages, tobacco and textiles with 10.2 percent; and agriculture and fishery products by 7.1 percent (Table 2 and Chart 5).

Table2: Wholesale Price Index (WPI)
(2014=100)

	Weights	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	(% change)	
							Q2 2021/Q1	Q2 2021/Q2
							2021	2020
General Index	100.0	117.4	126.7	127.4	130.3	137.2	5.3	16.8
Agriculture and fishery products	8.7	112.5	117.8	118.0	116.9	120.5	3.0	7.1
Ores and Minerals	0.6	94.4	102.9	108.9	108.0	108.4	0.4	14.9
Food products, beverages and tobacco and textiles	17.3	109.6	120.4	120.3	120.5	120.8	0.3	10.2
Other transportable goods, except metal	33.7	132.7	138.9	139.1	145.0	159.5	10.0	20.2
Metal products, machinery and equipment	39.7	109.3	121.3	122.9	125.3	129.4	3.2	18.4

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 Q2 2021 data, inflation rate in China, Saudi Arabia's largest exporter, registered a YoY rise of 1.2 percent and a QoQ rise of 0.5 percent. Moreover, inflation rate in the US increased by 4.8

percent YoY and by 2.3 percent QoQ. In India, the level of prices went up by 5.6 percent YoY and by 2.1 percent QoQ. Inflation rate in Germany, on the other hand, recorded a YoY rise of 2.3 percent and a QoQ rise of 1.7 percent. In contrast, the average inflation rate for April and May in UAE decreased by 1.2 percent YoY, and increased by 0.7 percent QoQ (Table 3).

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

Countries	CPI (Index)							(% Change)	
	2020			2021		Q2 2021 / Q1 2020	Q2 2021 / Q2 2020		
	Q2	Q3	Q4	Q1	Q2				
China	99.7	100.2	99.6	100.4	100.9	0.5	1.2		
USA	256.9	259.8	260.4	263.2	269.3	2.3	4.8		
UAE*	106.9	106.3	106.1	105.9	106.5	0.7	-1.2		
India	151.4	155.0	158.2	156.6	159.8	2.1	5.6		
Germany	106.2	106.0	105.5	106.9	108.7	1.7	2.3		

Source: Exporting countries' national statistics offices.

* Q2 2021 data includes April and May data only.

Inflation Projections for Q3 2021

It is projected for inflation rate to significantly drop in Q3 2021 when compared to Q3 2020, as the base year effect of raising the value-added tax from 5 to 15 percent (starting from the second half of 2020) does no longer exist. On the other hand, it is projected for inflation rate to remain stable in Q3 as compared to Q2. Additionally, the Royal Decree issued to fix the maximum local prices for gasoline 91 at SAR 2.18 per liter and for gasoline 95 at SAR 2.33 per liter is expected to stabilize inflation rate in the coming period.

On the other hand, 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 34.2 percent, metal by 26.0 percent, fertilizers by 25.2 percent, food by 15.2 percent, agricultural commodities by 11.8 percent, and raw materials by 8.0 percent. Projections also indicate a decline of 0.2 percent in the prices of beverages (Table 4).

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

	(%) Change						
	Actual			Projections			
	2018	2019	2020	2021	2022	2023	2024
Energy	22.1	-10.6	-31.4	34.2	4.3	-0.3	-0.4
Agriculture	-4.7	-1.8	5.1	11.8	-0.7	-0.8	-0.7
Food	-4.1	-1.7	6.9	15.2	-0.7	-0.8	-0.8
Raw materials	-4.0	-1.9	-0.3	8.0	-0.7	-1.0	-0.8
Base Metals	1.9	-7.9	-1.2	26.0	-8.1	-0.9	-0.9
Fertilizers	6.3	0.9	-9.7	25.2	-2.2	-1.7	-1.6
Beverages	-9.0	-1.5	6.1	-0.2	-0.1	-0.1	-0.1

Source: World Bank (April - 2021)



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