

2020

# Inflation Report

## Fourth Quarter of 2020

Research and International Affairs Deputyship  
Economic Research and Reports Department

البنك المركزي السعودي  
SAMA  
Saudi Central Bank



## Table of Contents

Section	Page No.
Executive Summary	3
Consumer Price Index (CPI)	4
Developments in Q4 2020	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 Q1 2021	9

## Executive Summary

- The consumer price index (CPI) registered a year-over-year (y/y) increase of 5.6 percent and a quarter-over-quarter (q/q) decrease of 0.1 percent in Q4 2020.
- Tobacco recorded the highest y/y increase rate in the general price index with 13.4 percent, followed by food and beverages with 12.9 percent, and communication with 11.3 percent. On the other hand, education recorded the highest y/y decline of 8.6 percent in Q4 2020.
- The wholesale price index (WPI) recorded a y/y increase of 5.4 percent in Q4 2020.
- The projected inflation rate for Q1 2021 is not significantly different from the rate recorded in Q4 2020; it is projected that inflation will rise in Q1 2021 compared to Q1 2020 due to the continuing impact of VAT increase from 5 percent to 15 percent in July 2020.

## Consumer Price Index (CPI)

The consumer price index (CPI) registered a y/y increase of 5.6 percent and a q/q decrease of 0.1 percent in Q4 2020 (Table 1 and Chart 1).

### Developments in Q4 2019

Tobacco registered the highest y/y increase rate of 13.4 percent in Q4 2020. Food and beverages came second with a y/y increase of 12.9 percent, followed by communication with 11.3 percent; furnishings, household equipment and maintenance with 7.7 percent; restaurants and hotels with 7.4 percent; transport with 7.3

percent; miscellaneous goods and services with 6.8 percent; clothing and footwear with 6.2 percent; recreation and culture with 3.8 percent; and health with 2.7 percent.

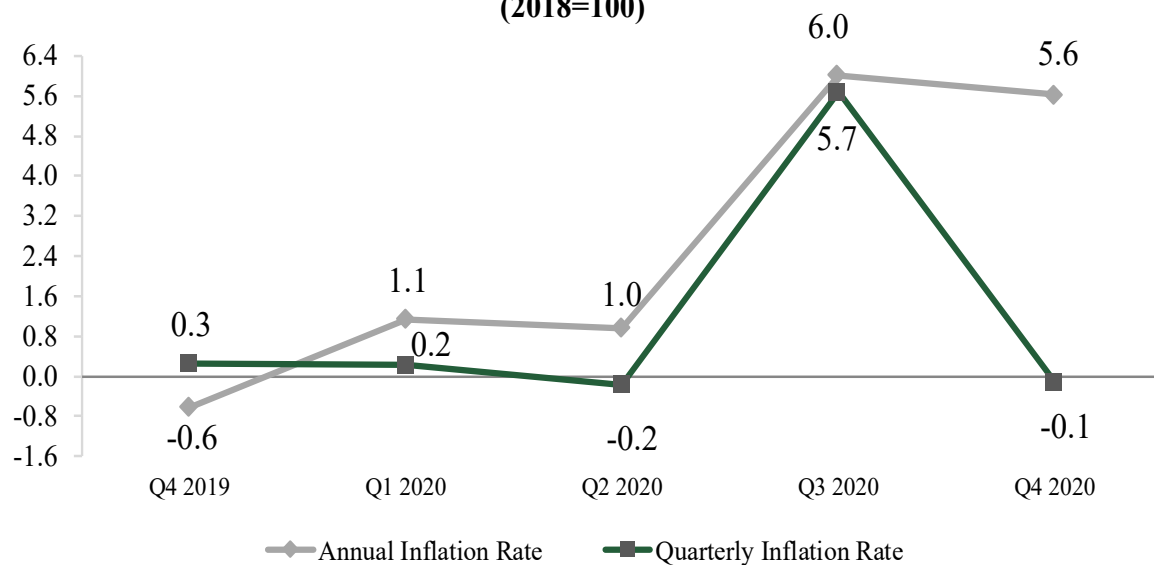
In contrast, education recorded the highest y/y decline of 8.6 percent; followed by housing, water, electricity, gas and other fuels with 1.0 percent (Table 1 and Charts 2 and 3).

Table 1: Consumer Price Index  
(2018=100)

	Weights	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	(% change)	
							Q4 2020 / Q3 2020	Q4 2020 / Q4 2019
<b>General index</b>	<b>100.0</b>	<b>98.4</b>	<b>98.6</b>	<b>98.5</b>	<b>104.1</b>	<b>104.0</b>	<b>-0.1</b>	<b>5.6</b>
Food & beverages	18.8	103.4	104.3	107.9	116.2	116.8	0.6	12.9
Tobacco	0.6	101.0	102.0	102.1	113.8	114.5	0.6	13.4
Clothing & footwear	4.2	98.6	98.1	98.3	104.7	104.7	0.0	6.2
Housing, water, electricity, gas & other fuels	25.5	91.3	91.2	90.7	91.0	90.4	-0.7	-1.0
Furnishings, household equipment & maintenance	6.7	100.0	100.1	100.4	107.8	107.7	-0.1	7.7
Health	1.4	100.2	99.9	99.9	102.4	102.9	0.5	2.7
Transport	13.0	100.0	100.1	95.0	107.1	107.3	0.1	7.3
Communication	5.6	98.4	98.2	98.2	108.1	109.5	1.4	11.3
Recreation & culture	3.1	98.4	98.5	97.6	102.4	102.1	-0.2	3.8
Education	2.9	103.4	103.5	103.4	100.5	94.5	-6.0	-8.6
Restaurants & hotels	5.6	104.1	104.0	103.4	111.4	111.8	0.3	7.4
Miscellaneous goods & services	12.6	99.7	100.6	101.1	106.1	106.4	0.3	6.8

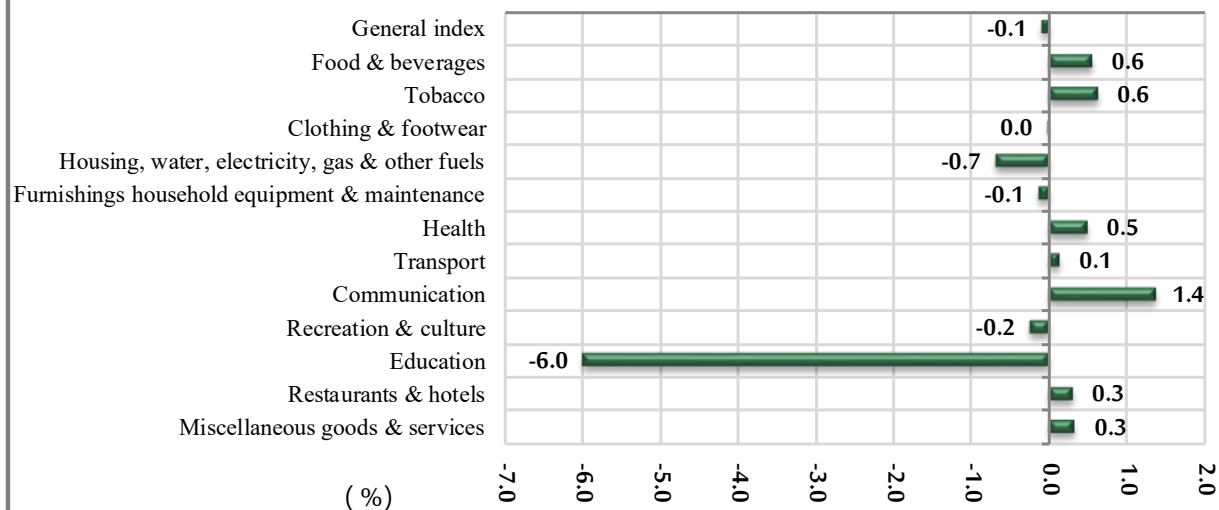
Source: General Authority for Statistics.

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



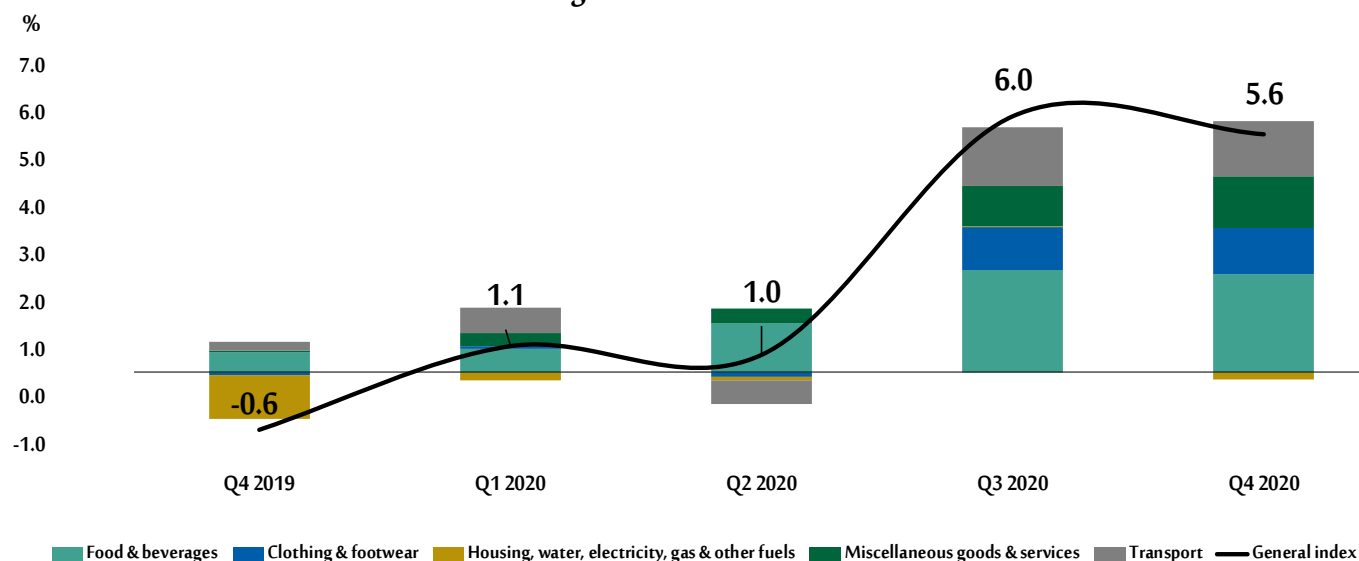
Source: General Authority for Statistics.

**Chart 2: Inflation Rate of the Consumer Price Index by Main Sections  
Q4 2020 / Q3 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.

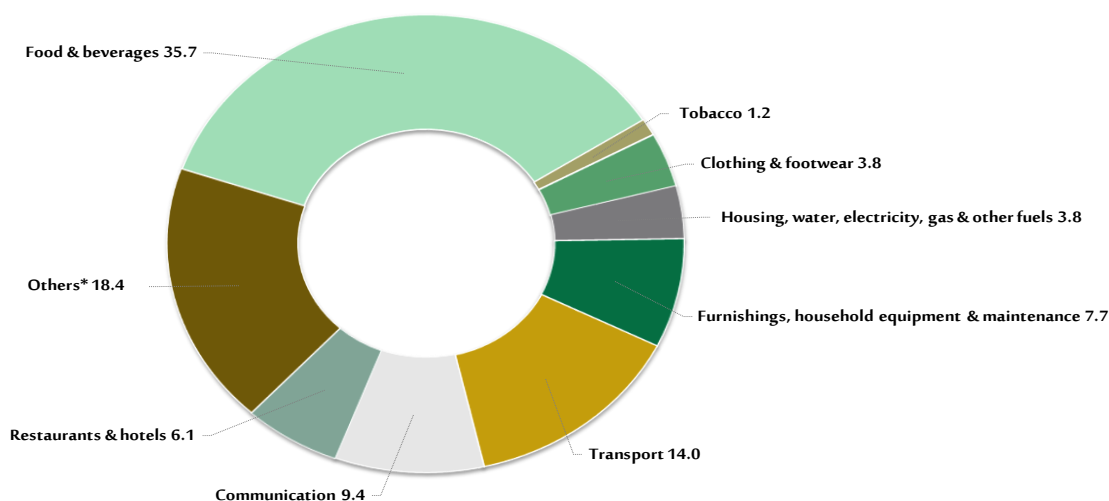
## Effect of Main Expenditure Categories on the Consumer Price Index

Inflation rates are affected by the changes in CPI's various categories. Ranked by their effect on CPI, food and beverages came first with 35.7 percent in Q4 2020 against 19.0 percent in Q4 2019. Transport came second with 14.0 percent in Q4 2020 compared to 5.8 percent in Q4 2019, followed by communication with 9.4 percent in Q4 2020 against 2.6 percent; furnishings, household equipment and maintenance with 7.7 percent against 1.4 percent; restaurants and hotels with 6.1 percent compared to 7.8 percent; clothing and footwear with 3.8 percent compared to 0.6 per-

cent; housing, water, electricity, gas and other fuels with 3.8 percent compared to 56.8 percent; and tobacco with 1.2 percent compared to 0.1 percent.

The total effect rate 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 53.5 percent in Q4 2020 against 81.6 percent in Q4 2019 (Chart 4).

Chart 4: Percentage Impact Of Major Section On The General Inflation Rate (Q4 2020)



\* 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 y/y increase of 5.4 percent and a q/q increase of 0.6 percent in Q4 2020 (Chart 5).

A breakdown of WPI by product category shows that agriculture and fishery products recorded the highest y/y increase of 16.8 percent during Q4 2020. Ores and minerals came second with a y/y increase

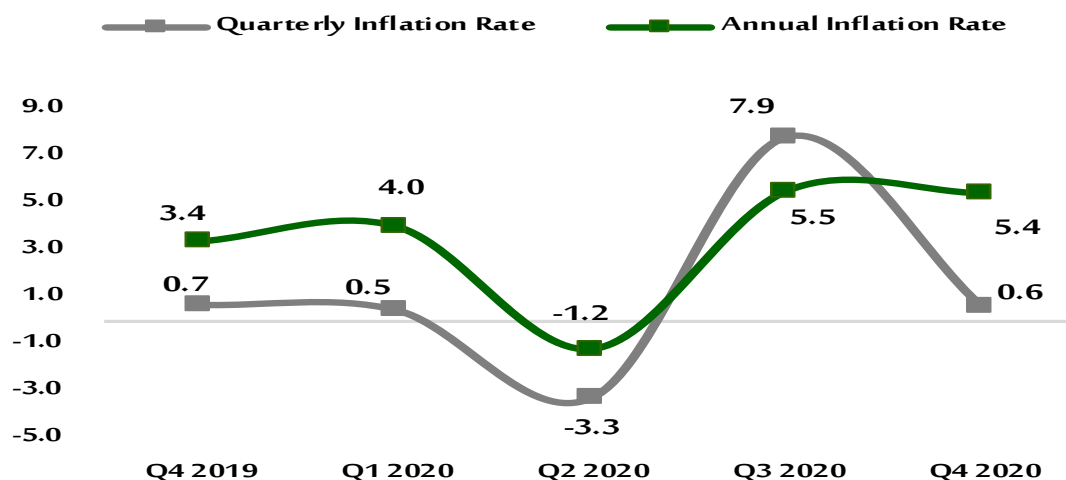
of 13.4 percent; metal products, machinery and equipment with 13.3 percent; and food products, beverages, tobacco and textiles with 12.3 percent. (Table 2 and Chart 5).

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

	Weights	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	(% change)	
							Q4 2020 / Q3 2020	Q4 2020 / Q4 2019
General Index	100.0	120.8	121.4	117.4	126.7	127.4	0.6	5.4
Agriculture and fishery products	8.7	101.1	103.6	112.5	117.8	118.0	0.2	16.8
Ores and Minerals	0.6	96.0	95.3	94.4	102.9	108.9	5.9	13.4
Food products, beverages and tobacco and textiles	17.3	107.2	108.5	109.6	120.4	120.3	-0.1	12.3
Other goods	33.7	147.9	147.4	132.7	138.9	139.1	0.2	-6.0
Metal products, machinery and equipment	39.7	108.4	109.2	109.3	121.3	122.9	1.3	13.3

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 CPI levels recorded in Saudi Arabia's largest exporters in Q4 2020, inflation in China, the largest exporter, fell by 4.0 percent y/y and 2.2 percent q/q. Inflation in the U.S., however, increased by 1.2 percent y/y and 0.2 percent q/q. In Germany, prices fell by 0.3 percent y/y and

0.5 percent q/q. Inflation in Japan registered a y/y decline of 0.8 percent and a q/q decline of 0.6 percent. As for the UAE, inflation went down by 2.2 percent y/y and 0.4 percent q/q on average for October and November (Table 3).

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

Countries						(%) Change	
	2019	2020				Q4 2020 / Q3 2020	Q4 2020 / Q4 2019
	Q4	Q1	Q2	Q3	Q4		
China	104.3	105.0	102.7	102.3	100.1	-2.2	-4.0
USA	257.2	258.3	256.9	259.8	260.4	0.2	1.2
UAE*	108.4	107.6	106.9	106.4	105.9	-0.4	-2.2
Japan	102.3	102.0	101.8	102.0	101.4	-0.6	-0.8
Germany	105.7	105.5	106.2	106.0	105.5	-0.5	-0.3

Source: Exporting countries' national statistics offices.

\* Q4 2020 data includes October and November data only.



## Inflation Projections for Q1 2021

The projected inflation rate for Q1 2021 is not significantly different from the rate recorded in Q4 2020; it is projected that inflation will rise in Q1 2021 compared to Q1 2020 due to the continuing impact of VAT increase from 5 percent to 15 percent in July 2020.

The World Bank's projections for primary commodity prices (October 2020) indicate inflationary pressures on some sectors in 2021. It is projected for the prices of energy, fertilizers, and metals to rise by 7.8 percent, 1.5 percent, and 0.4 percent, re-

spectively. The prices of raw materials, however, will remain unchanged from last year. On the other hand, The World Bank's projections indicate that prices of beverages, food, and agriculture will decrease by 0.5 percent, 0.2 percent, and 0.1 percent, respectively (Table 4).

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

	(%) Change						
	Actual				Projections		
	2017	2018	2019	2020	2021	2022	2023
<b>Energy</b>	19.7	22.1	-10.6	-32.5	7.8	10.1	2.5
<b>Agriculture</b>	-3.9	-4.7	-1.8	3.3	-0.1	-0.2	-0.2
<b>Food</b>	-2.7	-4.1	-1.7	4.0	-0.2	-0.1	-0.3
<b>Raw materials</b>	-2.3	-4.0	-1.9	-0.5	0.0	0.0	-0.1
<b>Base Metals</b>	20.0	0.9	-2.8	-0.6	0.4	-0.3	-0.4
<b>Fertilizers</b>	-7.6	6.3	0.9	-9.8	1.5	1.5	1.4
<b>Beverages</b>	-12.0	-9.0	-1.5	7.2	-0.5	0.6	-1.2

Source: World Bank (October - 2020).



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