

INFLATION REPORT

Third Quarter 2022

Research and International Deputyship
Economic Research and Reports Department



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Table of Contents

Executive Summary

4

1- Consumer Price Index (CPI)

5

1-1 Developments in Q3 2022

5

1-2 Effect of Main Expenditure Categories on CPI

6

2- Wholesale Price Index (WPI)

7

3- Inflation Rates in Saudi Arabia's Largest Exporters

7

4- Inflation Projections for Q4 2022

9

Executive Summary

The general consumer price index (CPI) registered a YoY increase of 2.9% and a QoQ increase of 1.0% in Q3 2022.

Restaurants and hotels registered the highest YoY inflation rate of 7.1% in Q3 2022. Education came second with a YoY increase of 5.7%, followed by recreation and culture with 4.2%. In contrast, clothing and footwear recorded the highest YoY decrease of 1.0%.

The wholesale price index (WPI) recorded a YoY rise of 5.7% in Q3 2022.

The inflation rate for Q4 2022 is projected to record a YoY rise as a result of world price developments, particularly in the prices of foodstuffs and primary commodities, in addition to the effects of global supply chain disruptions. As for the demand side, domestic private consumption is expected to continue its improvement. Inflation is also projected to record a slight QoQ rise in Q4 2022 due to the expected impact of recreation and sporting activities that coincide with the beginning of the first semester vacation.

1- Consumer Price Index (CPI)

The general consumer price index (CPI) registered a YoY increase of 2.9% and a QoQ increase of 1.0% in Q3 2022 (Table 1 and Chart 1).

1-1 Developments in Q3 2022

Restaurants and hotels registered the highest YoY inflation rate of 7.1%. Education came second with a YoY increase of 5.7%, followed by recreation and culture with 4.2%. Food and beverages came fourth with 4.1%, followed by transport with 3.8%; housing,

water, electricity, gas and other fuels with 2.6%; and miscellaneous goods and services with 1.9%. Furnishings, household equipment and maintenance came next with 1.4%, followed by health with 0.6% and tobacco and communication with 0.3%, each.

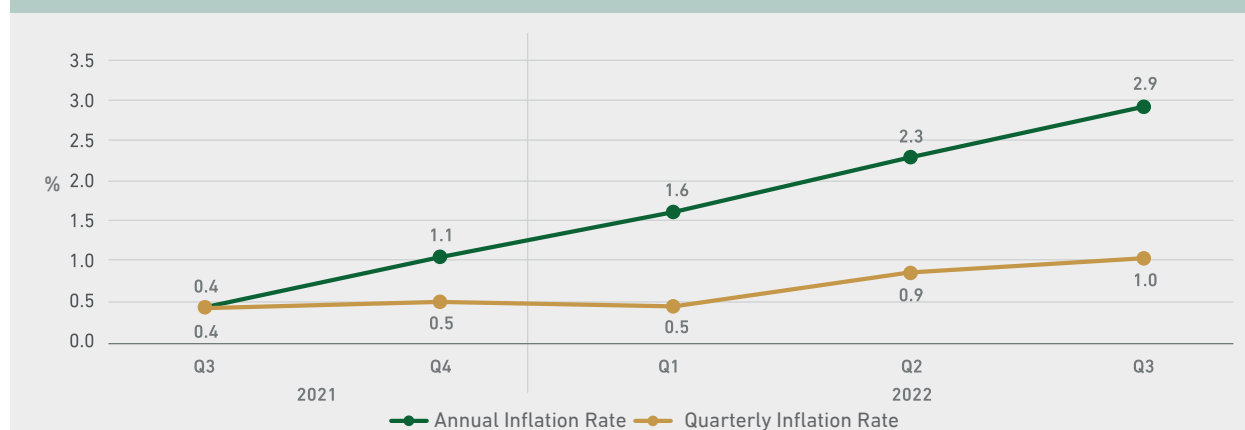
In contrast, clothing and footwear decreased by 1.0% YoY during Q3 2022 (Table 1 and Charts 2 and 3).

Table 1: Consumer Price Index (2018=100)

	Weights	(% Change)						
		Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q3 2022 / Q2 2022	Q3 2022 / Q3 2021
General index	100.0	104.5	105.1	105.5	106.5	107.6	1.0	2.9
Food & beverages	18.8	118.3	118.4	118.8	121.6	123.1	1.3	4.1
Tobacco	0.6	114.6	114.8	114.8	114.8	114.9	0.1	0.3
Clothing & footwear	4.2	103.7	103.0	102.5	102.9	102.7	-0.2	-1.0
Housing, water, electricity, gas & other fuels	25.5	88.0	88.8	88.9	88.9	90.2	1.5	2.6
Furnishings, household equipment & maintenance	6.7	108.4	108.4	109.3	109.9	109.9	0.0	1.4
Health	1.4	103.1	102.7	102.6	103.2	103.7	0.5	0.6
Transport	13.0	114.3	114.2	115.2	117.2	118.7	1.3	3.8
Communication	5.6	111.0	111.0	111.6	111.4	111.3	-0.1	0.3
Recreation & culture	3.1	103.3	104.3	104.6	105.3	107.7	2.2	4.2
Education	2.9	95.3	99.0	99.5	99.8	100.7	0.9	5.7
Restaurants & hotels	5.6	112.4	113.6	114.7	116.5	120.3	3.2	7.1
Miscellaneous goods & services	12.6	106.4	107.3	108.2	108.6	108.5	-0.1	1.9

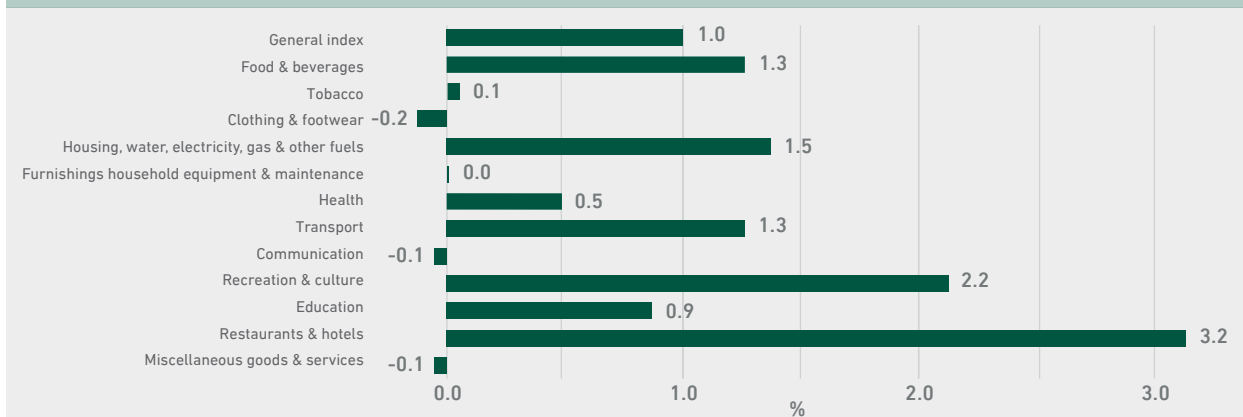
Source: General Authority for Statistics.

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



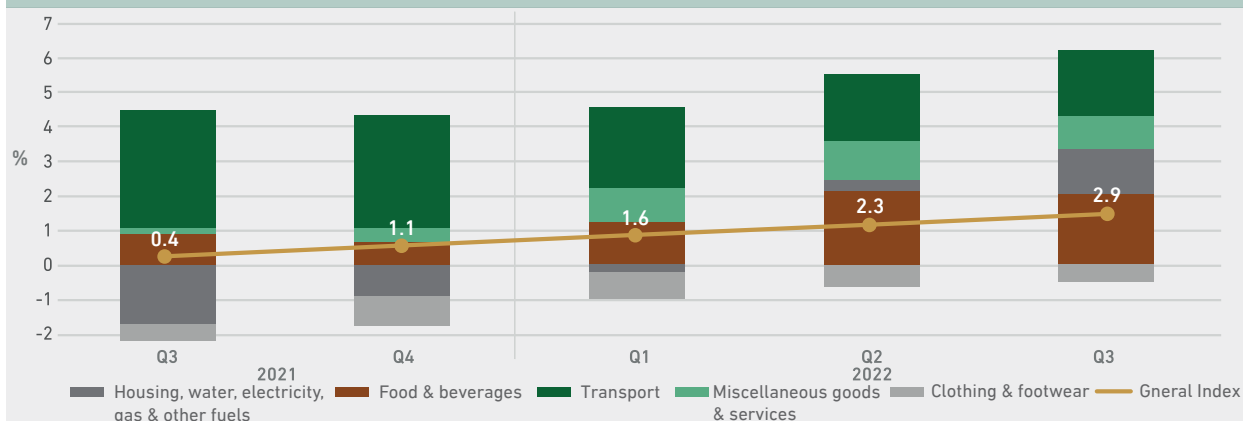
Source: General Authority for Statistics.

Chart 2: Inflation Rate of the Consumer Price Index by Main Sections (Q3 2022 / Q2 2022)



Source: General Authority for Statistics.

Chart 3: Inflation Rate of the General Consumer Price Index and the Most Major Sections Affecting it (annual change)



Source: General Authority for Statistics.

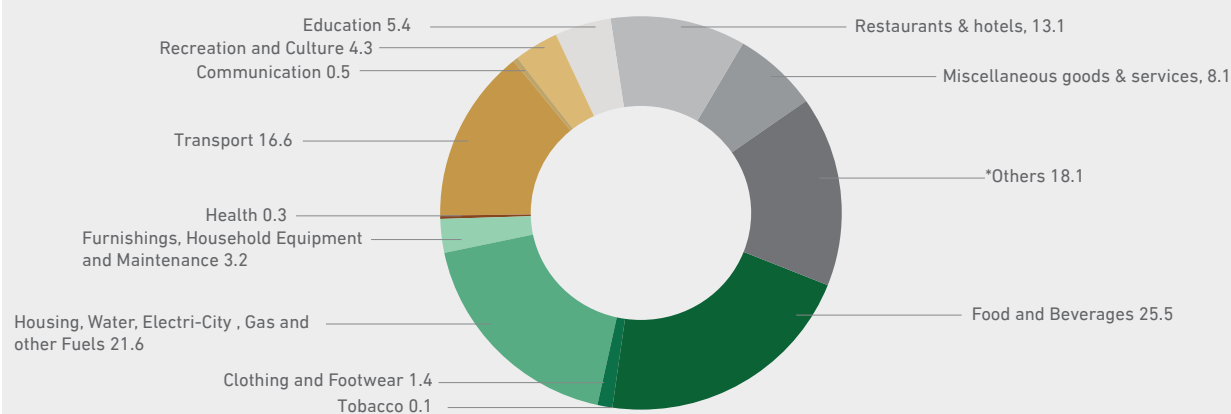
1-2 Effect of Main Expenditure Categories on CPI

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 about 25.5% in Q3 2022 against 13.1% in Q3 2021. Housing, water, electricity, gas and other fuels came second with 21.6% compared to 33.2% in Q3 2021, followed by transport with 16.6% against 34.0%; restaurants and hotels with 13.1% against 18.8%; miscellaneous goods and services with 8.1% as compared to 1.6%; education with 5.4% as compared to 5.8%; recreation and culture with 4.3%

against 1.1%; furnishings, household equipment and maintenance with 3.2% against 1.3%; clothing and footwear with about 1.4% compared to 1.6%; communication with 0.5% against 5.9%; health with 0.3% against 0.4%; and tobacco with 0.1% as compared to 0.2%.

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 about 63.7% in Q3 2022 against 80.3% in Q3 2021 (Chart 4).

Chart 4: Percentage Impact of Major Sections of The General Inflation Rate (Q3 2022)



*Other Goods Includes Sections of : Health, Education, Recreation and Culture, and Miscellaneous Goods and Services.

Source: General Authority For Statistics.

2- Wholesale Price Index (WPI)

The wholesale price index (WPI) recorded a YoY rise of 5.7% but a QoQ decrease of around 0.4% in Q3 2022 (Chart 5).

A breakdown of WPI by product category shows that agriculture and fishery products recorded the highest YoY increase of around 14.9% in Q3 2022. Food products, beverages, tobacco and textiles came second with a YoY increase of 8.8%, followed by ores and minerals with 6.2%. Other transportable goods — except metal products, machinery and equipment — ranked fourth with a YoY increase of 4.9%, followed by metal products, machinery and equipment with 3.3% (Table 2 and Chart 5).

3- Inflation Rates in Saudi Arabia's Largest Exporters

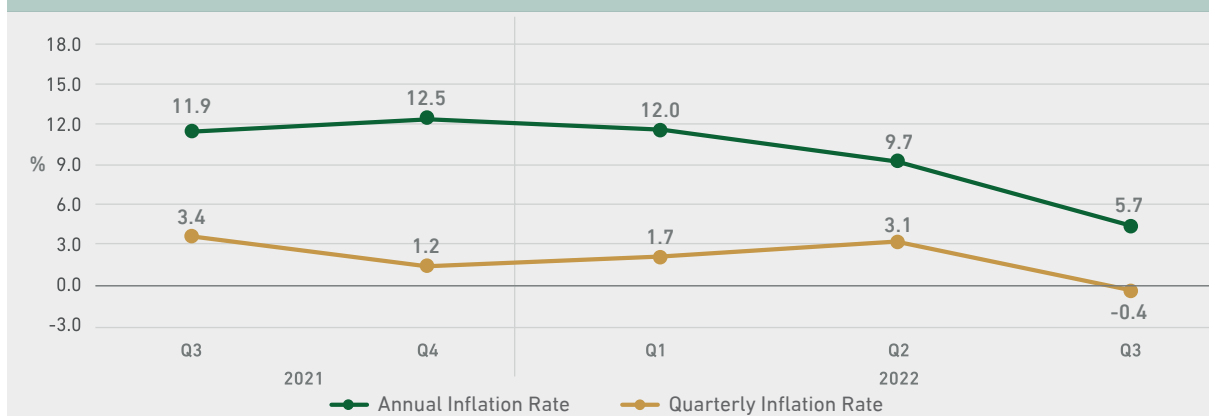
According to the general levels of CPI for Saudi Arabia's largest exporters and to Q3 2022 data, inflation in China, Saudi Arabia's largest exporter, registered a YoY rise of 1.8% and a QoQ rise of 0.4%. Moreover, the United States inflation rate increased in Q3 2022 by 8.3% YoY and 1.3% QoQ. Similarly, inflation in India went up by 7.0% YoY and 1.7% QoQ. Inflation also rose in Japan by 2.9% YoY and by 1.0% QoQ. In addition, the inflation rate in South Korea recorded a YoY rise of 5.9% and a QoQ rise of 1.1% (Table 3).

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

	Weights	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	change (%)	
							Q3 2022 / Q2 2022	Q3 2022 / Q3 2021
General Index	100.0	141.8	143.4	145.9	150.4	149.8	-0.4	5.7
Agriculture and fishery products	8.7	124.2	127.8	133.0	141.3	142.7	0.9	14.9
Ores and Minerals	0.6	110.2	112.3	114.0	116.6	117.1	0.4	6.2
Food products, beverages and tobacco and textiles	17.3	121.8	122.8	126.0	130.7	132.5	1.4	8.8
Other goods	33.7	167.4	169.5	171.2	176.8	175.6	-0.7	4.9
Metal products, machinery and equipment	39.7	133.1	134.1	136.3	139.0	137.5	-1.1	3.3

Source: General Authority for Statistics.

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



Source: General Authority for Statistics

Table 3: The Consumer Price (CPI) for Most Countries Exporting to The Kingdom of Saudi Arabia

	change (%)						
	2021		2022			Q3 2022 / Q2 2022	Q3 2022 / Q3 2021
	Q3	Q4	Q1	Q2	Q3		
China	100.8	101.8	101.1	102.2	102.7	0.4	1.8
USA	273.6	277.8	284.1	292.6	296.4	1.3	8.3
India	162.9	166.1	166.5	171.5	174.3	1.7	7.0
Japan	99.8	100.0	100.7	101.7	102.7	1.0	2.9
South Korea	102.7	103.8	105.4	107.5	108.8	1.1	5.9

Source: National Statistics Offices.

4- Inflation Projections for Q4 2022

The inflation rate for Q4 2022 is projected to record a YoY rise as a result of world price developments, particularly in the prices of foodstuffs and primary commodities, in addition to the effects of global supply chain disruptions. As for the demand side, domestic private consumption is expected to continue its improvement. Inflation is also projected to record a slight QoQ rise in Q4 2022 due to the expected impact of recreation and sporting activities that coincide with the beginning of the first semester vacation.

Furthermore, the World Bank's projections for primary commodity prices (October 2022) indicate inflationary pressures on most sectors in 2022. The prices of energy are projected to increase by 59.0%, fertilizers by 66.0%, metals by 3.0%, food by 17.9%, agricultural commodities by 13.3%, and beverages by 16.3%. However, the prices of raw materials are projected to drop by 3.9% (Table 4).

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

Commodities	change (%)						
	Actual				Projections		
	2018	2019	2020	2021	2022	2023	2024
Energy	22.1	-10.6	-31.8	83.1	59.0	-11.2	-12.2
Agriculture	-4.7	-1.8	4.5	24.2	13.3	-4.5	-0.2
Food	-4.1	-1.7	6.5	30.8	17.9	-6.2	-0.4
Raw materials	-4.0	-1.9	-1.1	8.9	-3.9	4.3	0.8
Metals	0.9	-2.8	1.8	46.8	3.0	-15.0	0.8
Fertilizers	6.3	0.9	-10.5	80.6	66.0	-12.4	-9.4
Beverages	-9.0	-1.5	5.1	16.3	16.3	-6.6	0.0

Source: World Bank (October 2022).

