

# INFLATION REPORT

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Economic Research and Reports Department



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# Executive Summary

The general consumer price index (CPI) registered a YoY increase of 3.1% and a QoQ increase of 0.7% in Q4 2022.

Restaurants and hotels registered the highest YoY inflation rate of 6.8% in Q4 2022. Housing, water, electricity, gas, and other fuels came second with a YoY increase of 4.6%, followed by transport with 4.1%; food and beverages with 4.0%. In contrast, clothing and footwear recorded the highest YoY decrease of 1.3%.

The wholesale price index (WPI) recorded a YoY rise of 3.8% in Q4 2022.

The inflation rate for Q1 2023 is projected to record a slight YoY rise as a result of several factors, the most important of which is the expected continuation of the positive performance of the local economy, such as: The increased employment rate among Saudis and the continued availability of tourism and recreational activities, which may contribute to the continuous improvement in domestic private consumption. In addition to the impact of the 19% rise in diesel prices as of January 2023 (from SAR 0.63 to SAR 0.75 per liter), as well as the expected continued increase of the house rent item in Q1 2023.

## 1- Consumer Price Index (CPI)

The general consumer price index (CPI) registered a YoY increase of 3.1% and a QoQ increase of 0.7% in Q4 2022 (Table 1 and Chart 1).

### 1-1 Developments in Q4 2022

Restaurants and hotels registered the highest YoY inflation rate of 6.8%. Housing, water, electricity, gas and other fuels came second with a YoY increase of 4.6%, followed by transport with 4.1%.

Food and beverages came fourth with 4.0%, followed by education with 3.6%; recreation and culture with 1.9%; communications and health with 1.2% for each. Furnishings, household equipment and maintenance came next with 0.7%, followed by tobacco with 0.1%; miscellaneous goods and services with no YoY change.

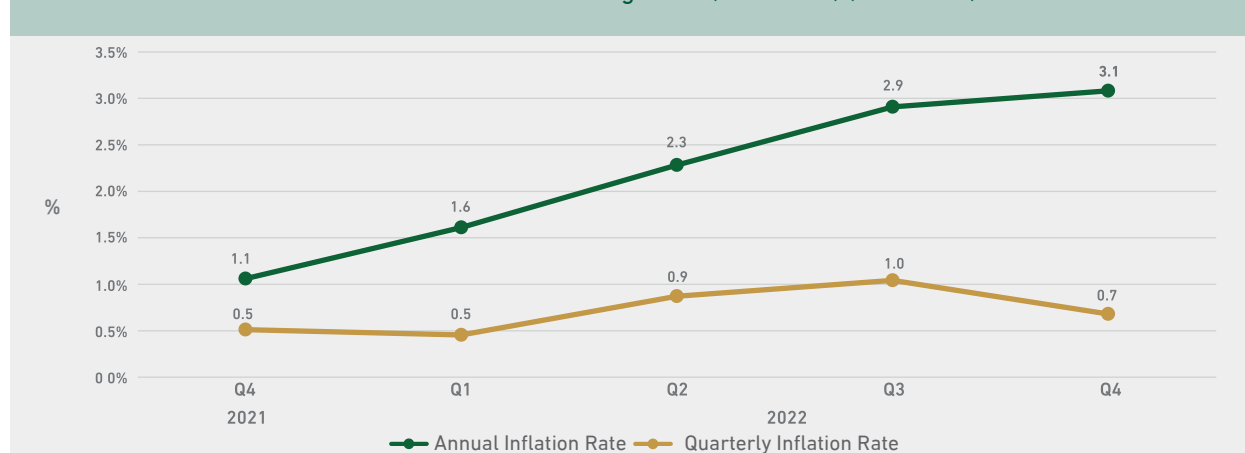
In contrast, clothing and footwear recorded a YoY decrease of 1.3% (Table 1 and Charts 2 and 3).

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

	Weights	Change (%)						
		Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2022 / Q3 2022	Q4 2022 / Q4 2021
General index	100.0	105.1	105.5	106.5	107.6	108.3	0.7	3.1
Food & beverages	18.8	118.4	118.8	121.6	123.1	123.1	0.0	4.0
Tobacco	0.6	114.8	114.8	114.8	114.9	114.9	0.0	0.1
Clothing & footwear	4.2	103.0	102.5	102.9	102.7	101.6	-1.0	-1.3
Housing, water, electricity, gas & other fuels	25.5	88.8	88.9	88.9	90.2	92.9	3.0	4.6
Furnishings, household equipment & maintenance	6.7	108.4	109.2	109.9	109.9	109.2	-0.7	0.7
Health	1.4	102.7	102.6	103.2	103.7	103.9	0.2	1.2
Transport	13.0	114.2	115.2	117.2	118.7	118.9	0.2	4.1
Communication	5.6	111.0	111.6	111.4	111.3	112.3	0.9	1.2
Recreation & culture	3.1	104.2	104.6	105.3	107.7	106.2	-1.4	1.9
Education	2.9	99.0	99.5	99.8	100.7	102.6	1.9	3.6
Restaurants & hotels	5.6	113.6	114.7	116.5	120.3	121.4	0.9	6.8
Miscellaneous goods & services	12.6	107.3	108.2	108.6	108.5	107.4	-1.0	0.0

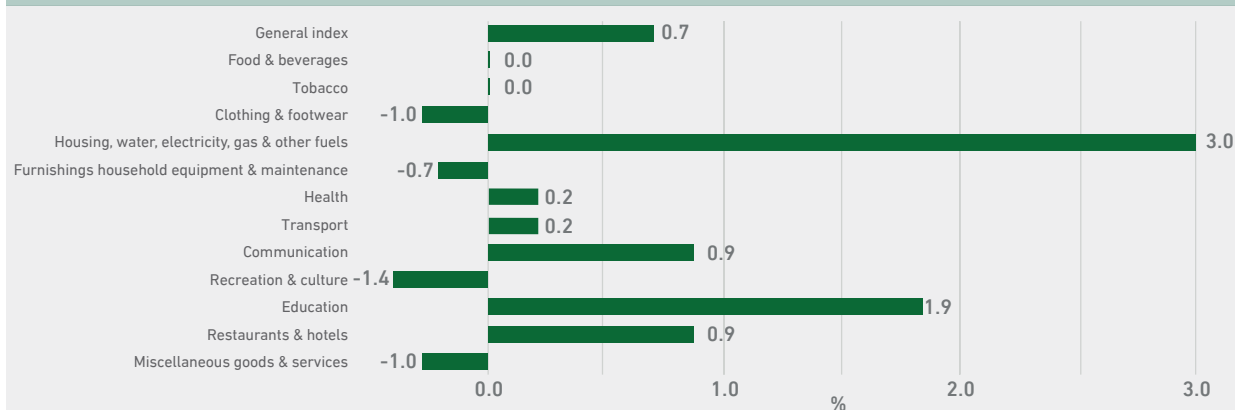
Source: General Authority for Statistics.

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



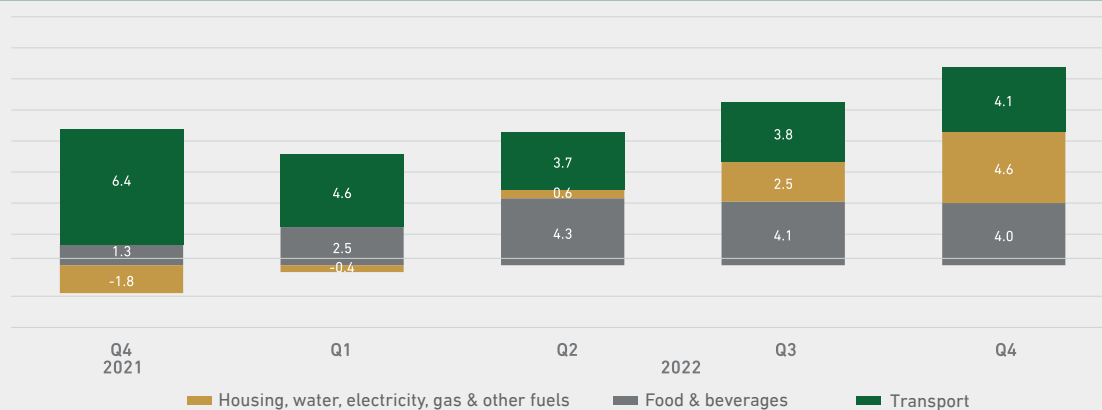
Source: General Authority for Statistics.

Chart 2: Inflation Rate of the Consumer Price Index by Main Sections (Q4 2022 / Q3 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.

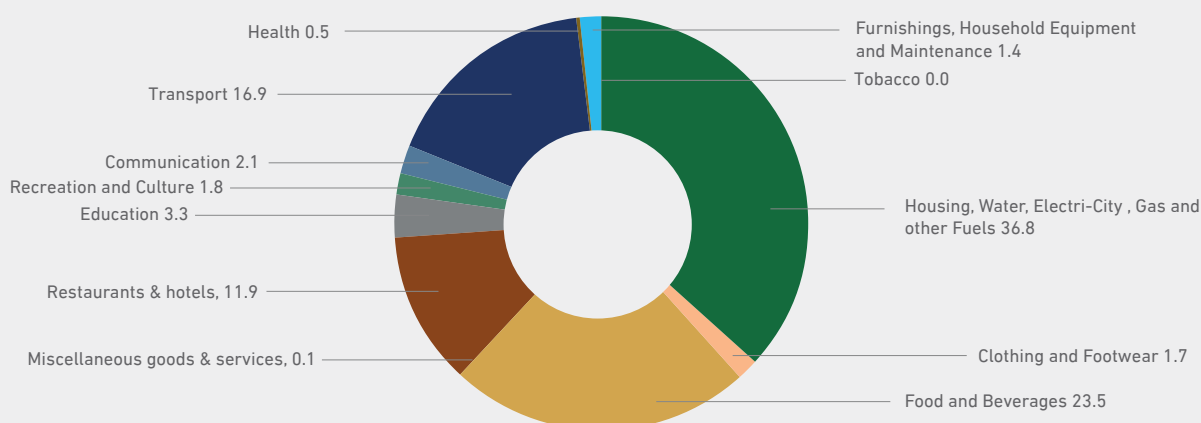
## 1-2 Effect of Main Expenditure Categories on CPI

Inflation rates are affected by the changes in CPI's various categories. Ranked by their effect on the CPI, housing, water, electricity, gas, and other fuels came first with about 36.8% in Q4 2022 against 21.3% in Q4 2021. Food and beverages came second with about 23.5% compared to 11.8% in Q4 2021, followed by transport with 16.9% against 39.1%; restaurants and hotels with 11.9% against 4.4%; education with 3.3% as compared to 6.4%; communication with 2.1% as compared to 3.5%; recreation and culture with 1.8% against 3.0%;

clothing and footwear with 1.7% against 3.2%; furnishings, household equipment and maintenance with 1.4% compared to 2.2%; health with about 0.5% against 0.1%; and miscellaneous goods and services with 0.1% against 5.0%. Tobacco, however, remained unchanged in Q4 2022 against 0.1% in Q4 2021.

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 77.2% in Q4 2022 against 72.2% in Q4 2021 (Chart 4).

Chart 4: Percentage Impact of Major Sections of The General Inflation Rate (Q4 2022)



Source: General Authority For Statistics.

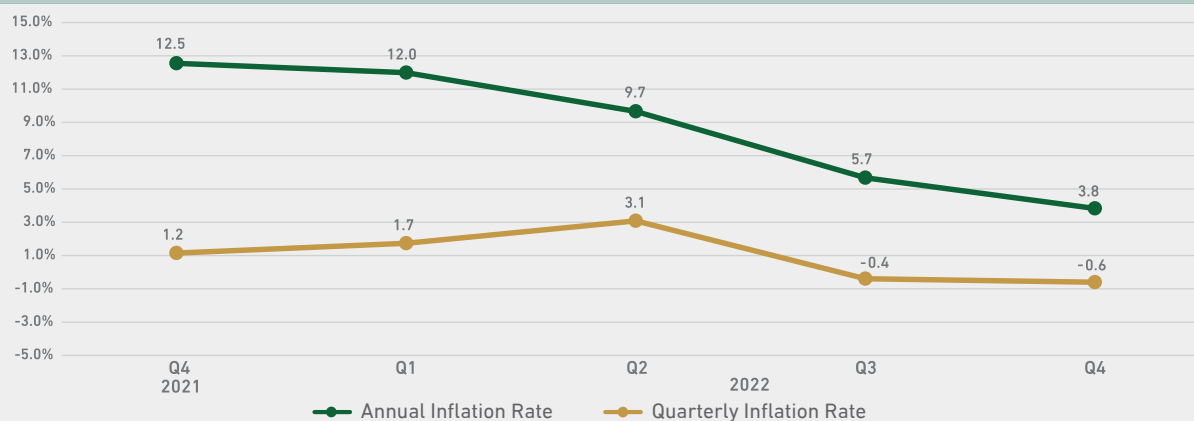
## 2- Wholesale Price Index (WPI)

The wholesale price index (WPI) recorded a YoY rise of 3.8% but a slight QoQ decrease of 0.6% in Q4 2022 (Chart 5). A breakdown of WPI by product category shows that agriculture and fishery products recorded the highest YoY increase of around 8.9% in Q4 2022. Food products, beverages, tobacco and textiles came second with a YoY increase of 7.8%, followed by ores and minerals with 3.8%. Other transportable goods — except metal products, machinery and equipment — ranked fourth with a YoY increase of 3.7%, followed by metal products, machinery and equipment with 1.3% (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 Q4 2022 data, the inflation rate in China, Saudi Arabia's largest exporter, registered a YoY rise of 1.8% with no QoQ change. Moreover, the United States inflation rate increased in Q4 2022 by 7.1% YoY and 0.4% QoQ. Similarly, inflation in India went up by 6.1% YoY and 1.1% QoQ. Inflation also rose in Germany by 9.6% YoY and by 1.7% QoQ. In addition, the inflation rate in Japan recorded a YoY rise of 3.9% and a QoQ rise of 1.2%.

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



Source: General Authority for Statistics

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

							change (%)	
	Weights	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2022 / Q3 2022	Q4 2022 / Q4 2021
<b>General Index</b>	<b>100.0</b>	<b>143.4</b>	<b>145.9</b>	<b>150.4</b>	<b>149.8</b>	<b>148.9</b>	<b>-0.6</b>	<b>3.8</b>
Agriculture and fishery products	8.7	127.8	133.0	141.3	142.7	139.2	-2.4	8.9
Ores and Minerals	0.6	112.3	114.0	116.6	117.1	116.6	-0.4	3.8
Food products, beverages and tobacco and textiles	17.3	122.8	126.0	130.7	132.5	132.5	0.0	7.8
Other goods	33.7	169.5	171.2	176.8	175.6	175.8	0.1	3.7
Metal products, machinery and equipment	39.7	134.1	136.4	139.0	137.5	135.8	-1.2	1.3

Source: General Authority for Statistics.

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

						change (%)	
Country	2021	2022				Q4 2022 / Q3 2022	Q4 2022 / Q4 2021
	Q4	Q1	Q2	Q3	Q4		
China	101.8	101.1	102.2	102.7	101.8	0.0	1.8
USA	277.8	284.1	292.6	296.4	297.5	0.4	7.1
India	166.1	166.5	171.5	174.3	176.3	1.1	6.1
Germany	110.8	113.1	117.0	119.4	121.5	1.7	9.6
Japan	100.0	100.7	101.7	102.7	103.9	1.2	3.9

Source: National Statistics Offices.



## 4- Inflation Projections for Q1 2023

The inflation rate for Q1 2023 is projected to record a slight YoY rise as a result of several factors, the most important of which is the expected continuation of the positive performance of the local economy, such as: The increased employment rate among Saudis and the continued availability of tourism and recreational activities, which may contribute to the continuous improvement in domestic private consumption. In addition to the impact of the 19% rise in diesel prices as of January

2023 (from SAR 0.63 to SAR 0.75 per liter), as well as the expected continued increase of the house rent item in Q1 2023.

On the other hand, the World Bank's projections for primary commodity prices (October 2022) indicate deflationary pressures on most sectors in 2023. The prices of metals are projected to decrease by 15.0%, fertilizers by 12.4%, energy by 11.2%, beverages by 6.6%, food by 6.2%, and agriculture by 4.5%. However, the prices of raw materials are projected to rise by 4.3% (Table 4).

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

Commodities	change (%)				
	Actual				Projections
	2019	2020	2021	2022	2023
Energy	-12.4	-32.7	81.0	59.0	-11.2
Agriculture	-4.0	5.3	24.2	13.3	-4.5
Food	-3.8	7.1	30.8	17.9	-6.2
Raw materials	-4.4	0.3	8.9	-3.9	4.3
Metals	-9.9	-1.8	46.8	2.9	-15.0
Fertilizers	-1.4	-10.1	80.5	66.1	-12.4
Beverages	-3.7	5.6	16.3	16.3	-6.6

Source: World Bank (October 2022).

