

INFLATION REPORT

First Quarter 2025



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Executive Summary

Global Inflation

- According to April 2025 projections from the International Monetary Fund (IMF), global inflation will continue to slowdown and is expected to decrease to 4.3% in 2025 from 5.7% in 2024 despite rising tensions and changes in trade policies.
- Brent crude oil averaged \$75.6 per barrel in Q1 2025, registering a decrease of 9.0 percent YoY.
- The Food Price Index (FAO) recorded a YoY rise of 6.9% in Q1 2025. This increase was mainly driven by supply chain disruptions and export restrictions imposed by major producing countries, which have significantly impacted global food availability and contributed to heightened price volatility.
- In May 2025, the Saudi Central Bank kept its policy rates unchanged, leaving them at 4.5% - 5.0%.

Inflation Rates of Trading Partners

The inflation rate in China, Saudi Arabia's largest exporter, remained unchanged in Q1 2025 compared to the same period of the previous year and recorded a QoQ decline of 0.1% due to weak domestic demand, trade tensions with the US and a decline in producer prices. The US inflation rate recorded a YoY increase of 2.7% and a QoQ increase of 1.0% in Q1 2025. In addition, the inflation rate in India registered a YoY rise of 3.7% and a QoQ decline of 1.8%.

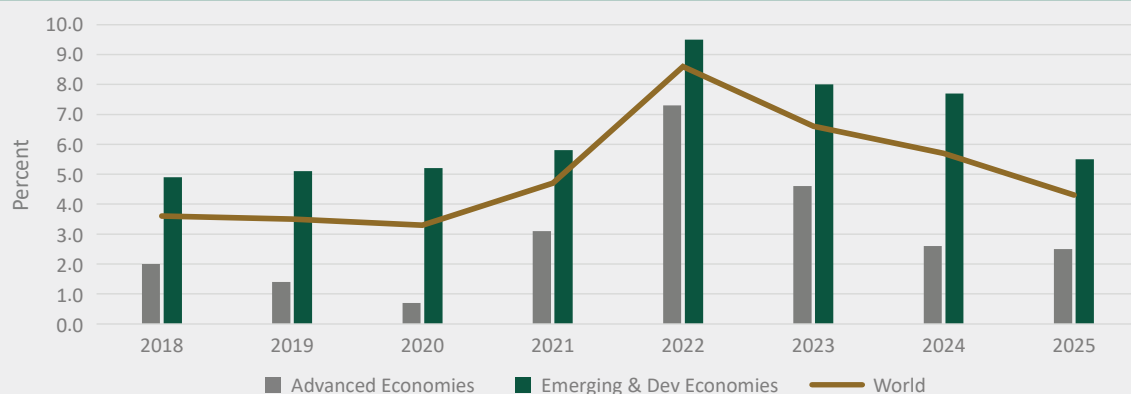
Domestic Inflation

- The average Consumer Price Index (CPI) recorded a YoY rise of 2.1% in Q1 2025, the highest level since Q3 2023. This was driven by increased domestic demand linked to rapid population growth in major cities.
- Housing, water, electricity, gas and other fuels registered the highest YoY inflation rate, rising by 7.4% in Q1 2025. Miscellaneous goods and services came second with 3.7%, followed by food and beverages with 1.3%, restaurants and hotels with 1.0%, and education with 0.7%.
- The Wholesale Price Index (WPI) recorded a YoY increase of 1.3% in Q1 2025.
- The Real Estate Price Index (REPI) in Saudi Arabia recorded a rise of 4.3% in Q1 2025 compared to 4.1% in Q1 2024.
- Domestic inflation is expected to remain stable in Q2 2025, driven by a balance of several factors, including slowing global inflation supported by the projected decline in the global commodity price index for 2025, as reported by the World Bank (as shown in Table 4), and the potentially limited impact of tariffs in the second quarter, due to the US 90-day suspension of new tariff measures for most countries, and rising housing rents and domestic demand in general, reflecting improvement in employment rates among Saudis.

1- Global Inflation Trends

The global economy faces increasing challenges in 2025 amid heightened geopolitical tensions and shifts in trade policies, casting a shadow over growth prospects and financial stability. The IMF has lowered its global GDP growth forecast to 2.8%, down from a previous forecast of 3.3%. This reflects weak economic momentum in both advanced and emerging economies. The slowdown in growth is attributed to several interconnected factors, most notably rising trade tension, particularly between the US and China, where reciprocal tariff increases have caused global trade fragmentation and raised production costs. According to its World Economic Outlook (WEO) report in April 2025, the IMF projects that global inflation will continue to slow to 4.3% in 2025 from 5.7% in 2024. Moreover, inflation is expected to reach 2.5% in Advanced Economies and 5.5% in Emerging and Developing Economies. Pressures from tariffs and supply chain disruptions pose major challenges for central banks, complicating the balance between supporting economic growth and maintaining price stability (Chart 1).

Chart 1: Global Inflation



Source: IMF - World Economic Outlook (April 2025).

2- Inflation Rates of Trading Partners

Looking at the general levels of the CPI for Saudi Arabia's largest exporters, and based on Q1 2025 data, the inflation rate in China, Saudi Arabia's largest exporter, remained unchanged in Q1 2025 compared to the same period of the previous year due to weak domestic demand, trade tensions and a decline in producer prices. On the other hand, the inflation rate in China recorded a QoQ decline of 0.1%. The inflation rate in the US recorded a YoY increase of 2.7% and a QoQ increase of 1.0% in Q1 2025. Rising prices of food and services, such as healthcare, contributed to the upward trend. In India, the inflation rate registered a YoY rise of 3.7% and a QoQ decline of 1.8%. In Japan, the inflation rate recorded a YoY increase of 3.8% and a QoQ increase of 0.9%. The inflation rate in the UAE (Dubai) registered a YoY rise of 3.4% and a QoQ rise of 1.1%. In addition, the inflation rate in Germany recorded a YoY increase of 2.3% and a QoQ increase of 0.5%. Inflation in Italy also recorded a YoY rise of 1.7% and a QoQ increase of 0.8% (Table 1).

Table 1: The Consumer Price (CPI) for the Most Countries Exporting to the Kingdom of Saudi Arabia

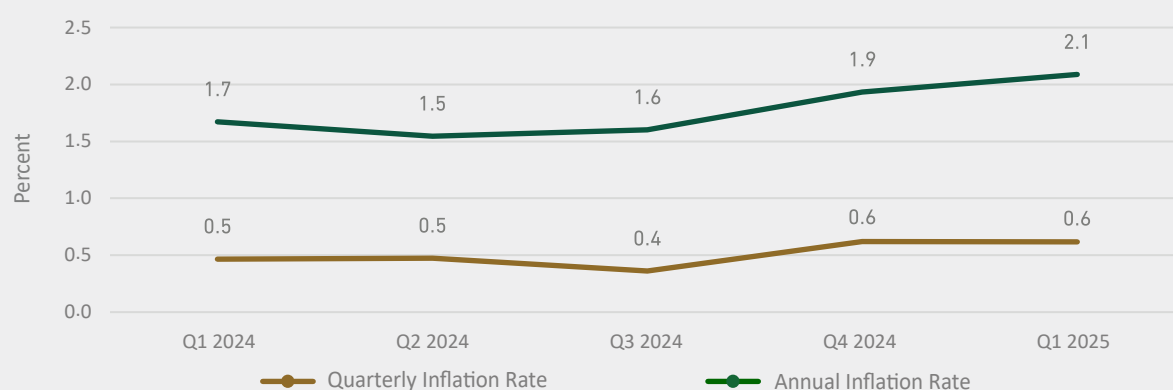
Countries					Change (%)		
	2024				2025	Q1 2025 / Q4 2024	Q1 2025 / Q1 2024
	Q1	Q2	Q3	Q4	Q1		
China	100.0	100.3	100.5	100.2	99.9	-0.1	0.0
USA	310.4	313.9	314.9	315.6	318.9	1.0	2.7
India	185.7	188.2	193.4	196.2	192.6	-1.8	3.7
Japan	107.0	108.0	108.9	110.1	111.0	0.9	3.8
Dubai	110.4	111.5	112.0	112.9	114.1	1.1	3.4
Germany	118.1	119.3	119.7	120.2	120.8	0.5	2.3
Italy	120.2	120.5	121.3	121.2	122.2	0.8	1.7

Source: Exporting countries national statistics offices.

3- Inflation in Saudi Arabia

3-1 Domestic Inflation Developments

The average CPI recorded a YoY rise of 2.1% in Q1 2025, the highest level since Q3 2023, and registered a QoQ rise of 0.6% compared to Q4 2024. This was primarily due to a 7.4% increase in housing, water, electricity, gas, and other fuels, which is the category with the highest impact. This increase was driven by a rise in housing rents as well as a rise in apartment rental prices due to increased domestic demand linked to rapid population growth in major cities, leading to a wider gap between supply and demand and increased pressure on rental prices. Moreover, food and beverage prices increased, driven by a seasonal increase in demand during the holy month of Ramadan. Prices of miscellaneous goods and personal services also increased, affected by a rise in the prices of jewelry, watches, and valuable antiques. In addition, prices of restaurants and hotels increased due to a rise in the prices of hotel and furnished apartment services, which contributed to the upward trend in inflation (Table 2 and Chart 2).

Chart 2: Inflation Rate of the General Consumer Price Index (2018=100)

Source: General Authority for Statistics.

3-1-1 Developments in Q1 2025

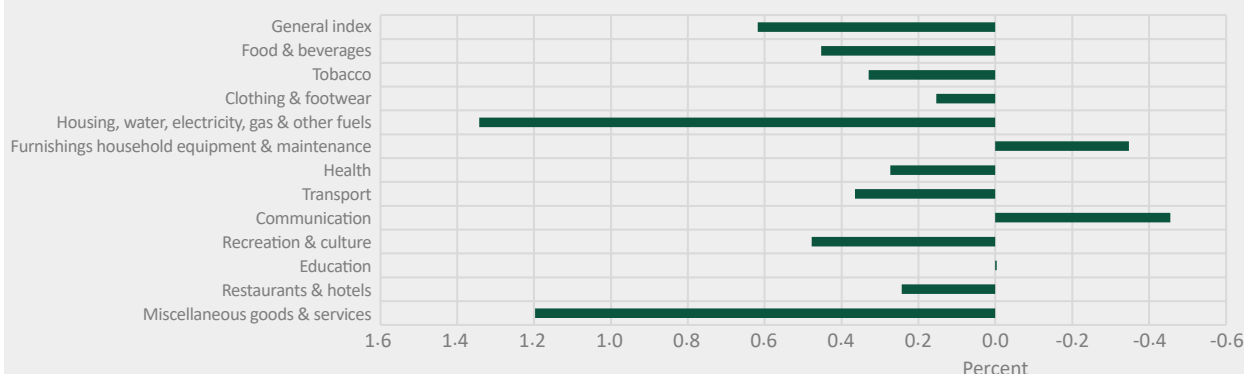
In Q1 2025, housing, water, electricity, gas and other fuels registered the highest YoY inflation rate of 7.4%. Miscellaneous goods and services came second with 3.7%, followed by food and beverages with 1.3%, restaurants and hotels by 1.0%, and education by 0.7%.

In contrast, furnishings, household equipment and maintenance posted the highest YoY decrease, declining by 2.5% in Q1 2025. Communications came next with 1.7%, followed by transportation with 1.4%, clothing and footwear with 1.1%, recreation and culture with 0.8%, health with 0.2%, and tobacco with 0.1% (Table 2).

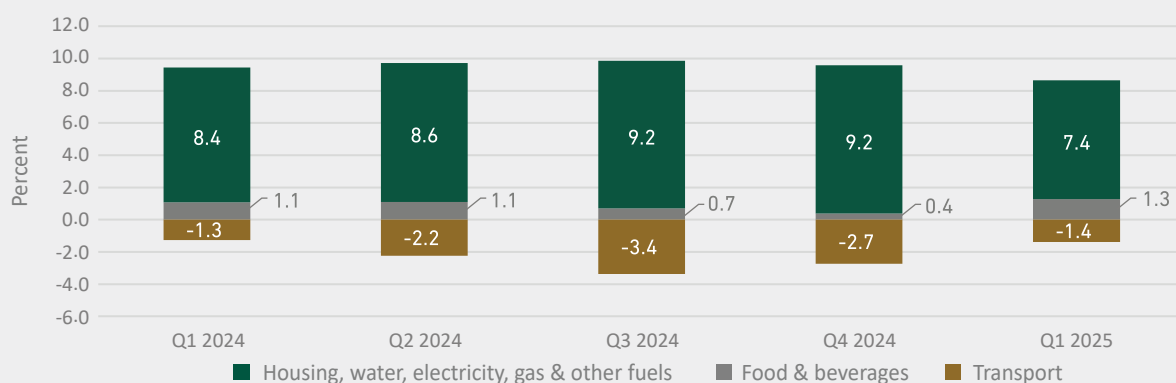
Table 2: Consumer Price Index (2018=100)

Change (%)									
	Weights	2024				2025	Q1 2025 / Q4 2024	Q1 2025 / Q1 2024	2023/2024
		Q1	Q2	Q3	Q4	Q1			
General index	100.0	110.5	111.1	111.5	112.2	112.8	0.6	2.1	1.7
Food & beverages	18.8	124.0	124.1	124.6	125.0	125.5	0.5	1.3	0.8
Tobacco	0.6	113.9	113.6	113.5	113.4	113.8	0.3	-0.1	-1.2
Clothing & footwear	4.2	96.4	96.5	95.6	95.2	95.4	0.2	-1.1	-3.4
Housing, water, electricity, gas & other fuels	25.5	103.1	104.8	106.9	109.2	110.7	1.3	7.4	8.8
Furnishings, household equipment & maintenance	6.7	105.0	103.7	103.0	102.7	102.4	-0.3	-2.5	-3.4
Health	1.4	102.9	102.8	102.6	102.4	102.7	0.3	-0.2	-1.1
Transport	13.0	117.0	116.1	115.2	114.9	115.3	0.4	-1.4	-2.4
Communication	5.6	109.1	108.6	108.2	107.7	107.2	-0.5	-1.7	-1.7
Recreation & culture	3.1	106.8	106.7	105.7	105.4	105.9	0.5	-0.8	-1.3
Education	2.9	103.9	103.9	104.1	104.6	104.6	0.0	0.7	1.3
Restaurants & hotels	5.6	125.0	125.4	125.8	125.9	126.2	0.2	1.0	2.0
Miscellaneous Goods And Services	12.6	106.5	108.3	108.3	109.1	110.4	1.2	3.7	0.4

Source: General Authority for Statistics.

Chart 3: Inflation Rate of the Consumer Price Index by Main Segments (Q1 2025/Q4 2024)

Source: General Authority for Statistics.

Chart 4: Quarterly Inflation Rate of the General Consumer Price Index and the Most Major Segments Affecting it (YoY change)

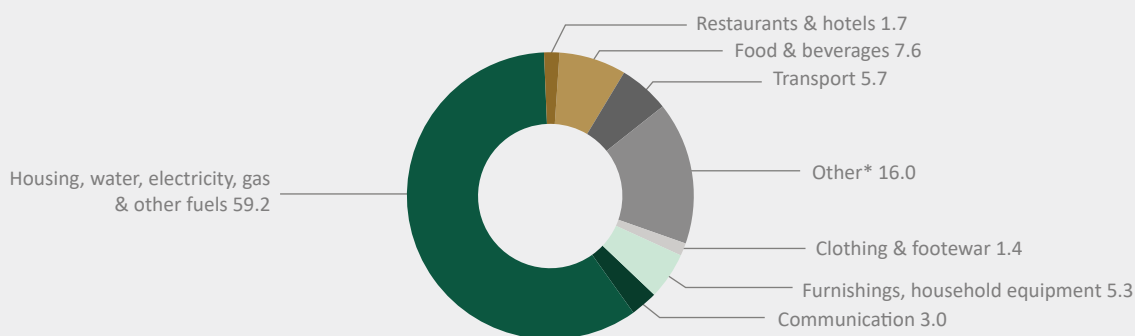
Source: General Authority for Statistics.

3-1-2 Effect of Main Expenditure Categories on the CPI

Inflation rates are affected by the changes in the CPI's various categories. Ranked by their proportional effect on the CPI in Q1 2025, housing, water, electricity, gas and other fuels came first with about 59.2%, which is driven primarily by higher rents. Miscellaneous goods and services came second with 14.5% compared to 4.1%, indicating a rise in consumer spending. Food and beverages slightly increased to 7.6% from 6.1%. Transportation increased to 5.7% from 4.9%, furnishings, household equipment and maintenance decreased to 5.3% from 6.3%. Communications came with 3.0% against 3.2% as competition continues in the communication services market. Restaurants and hotels decreased to 1.7% from 4.0%. Clothing and footwear came with 1.4% compared to 5.0%. Recreation and culture decreased to 0.8% from 1.1%, and education declined to 0.6% from 1.0%. Health decreased to 0.1% from 0.4%, and tobacco remained stable in Q1 2025 compared to the same quarter of the previous year.

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 72.5% in Q1 2025 compared to 74.6% in Q1 2024 (Chart 5).

Chart 5: Percentage Impact of Major Segments on the General Inflation Rate (%)

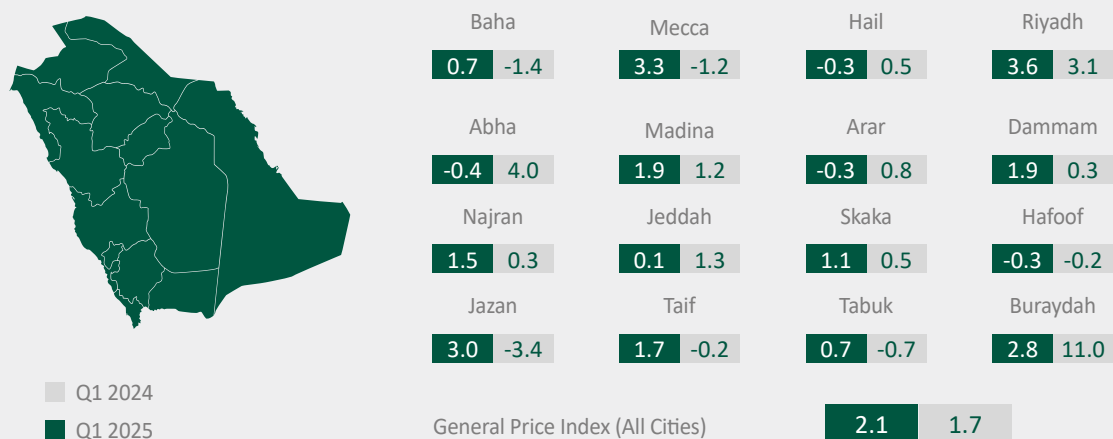


*Other Goods Includes Categories of: Health, Education, Recreation and Culture, and Miscellaneous Goods and Services and TOBACCO.
Source: General Authority For Statistics.

3-1-3 Inflation by Region

Inflation rates in Saudi Arabia varied across cities in Q1 2025 due to multiple factors, primarily the impact of housing category. Riyadh and Makkah recorded the highest inflation rates in Q1 2025 at around 3.6% and 3.3%, respectively. The rise in inflation in Riyadh and Makkah was attributed to a number of factors, most notably increased housing rentals, rising food prices, and higher consumer demand. The rise in housing rentals in Makkah can be attributed to the increased number of Umrah performers due to the Umrah season, which occurs during the months of Rajab, Sha'ban and Ramadan. The demolition of the districts adjacent to the Sacred Mosque, which had to be evacuated by the end of Eid al-Fitr period, also contributed to the rising pressure on rentals. Jazan came next, recording an inflation rate of approximately 3.0% compared to Q1 2024. In contrast, Abha recorded the highest YoY decline at around 0.4%, which was mainly attributed to stable rental prices, lower transportation costs due to lower vehicle prices (Chart 6).

Chart 6: Inflation of the Wholesale Price Index by City

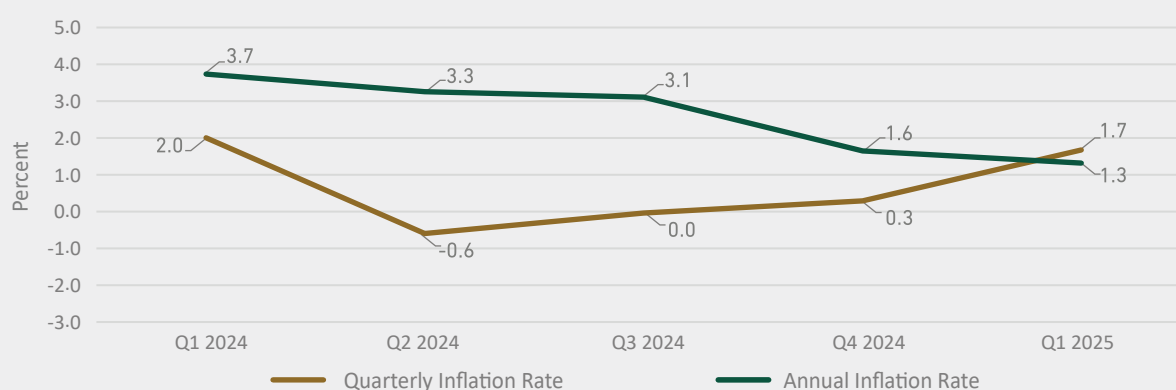


Source: General Authority for Statistics.

3-2 Wholesale Price Index (WPI)

The WPI in Q1 2025 recorded a YoY increase of 1.3% and a QoQ increase of 1.7% (Chart 7). A breakdown of the WPI by product category shows that agriculture and fishery products recorded the highest YoY increase of 4.0%, followed by transportable goods (excluding metal products, machinery and equipment) with an increase of 2.7%. Food products, beverages, tobacco and textiles came next, registering a YoY increase that remained unchanged from Q1 2024. On the other hand, ores and minerals recorded the highest YoY decrease of 2.0% in Q1 2025, followed by metal products, machinery and equipment with 0.3% (Table 3 and Chart 7).

Chart 7: Inflation of the Wholesale Price Index (2014=100)



Source: General Authority for Statistics.

Table 3: Wholesale Price Index (WPI) (2014=100)

							Change (%)	
	Weights	2024				2025	Q1 2025/ Q4 2024	Q1 2025/ Q1 2024
		Q1	Q2	Q3	Q4	Q1		
General Index	100.0	155.1	154.1	154.1	154.5	157.1	1.7	1.3
Agriculture and fishery products	8.7	138.5	139.7	139.4	141.6	144.1	1.8	4.0
Ores and Minerals	0.6	113.8	113.0	112.1	112.0	111.5	-0.4	-2.0
Food products, beverages and tobacco and textiles	17.3	137.0	136.7	136.2	136.3	136.9	0.4	0.0
Other goods	33.7	192.2	188.9	189.4	190.2	197.3	3.7	2.7
Metal products, machinery and equipment	39.7	135.7	136.0	135.7	135.6	135.3	-0.2	-0.3

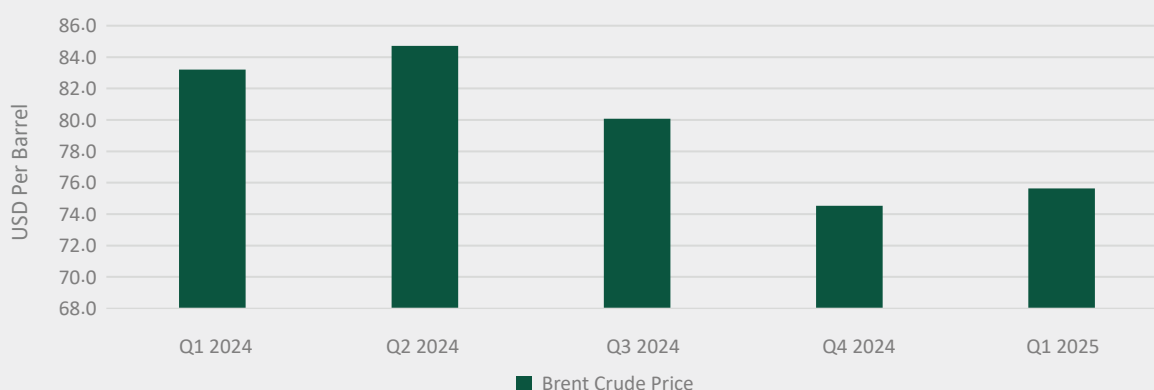
Source: General Authority for Statistics.

4-Factors Affecting the Inflation Rate

4-1 Energy Prices

Energy prices decreased in Q1 2025 due to weak global demand, Brent crude oil averaged \$75.6 per barrel in Q1 2025, registering a decrease of 9.0 percent YoY. The Organization of the Petroleum Exporting Countries (OPEC) revised its forecast for global oil demand growth downward to 1.3 million barrels per day in 2025, reflecting global geopolitical and economic challenges. In the same context, the OPEC+ alliance, continued to implement voluntary oil production cuts of 2.2 million barrels per day. These production cuts have been extended until the end of Q1 2025. They will be gradually phased out starting from April 2025 as part of a plan aimed at enhancing balance and stability in the global oil market (Chart 8).

Chart 8: Oil Prices

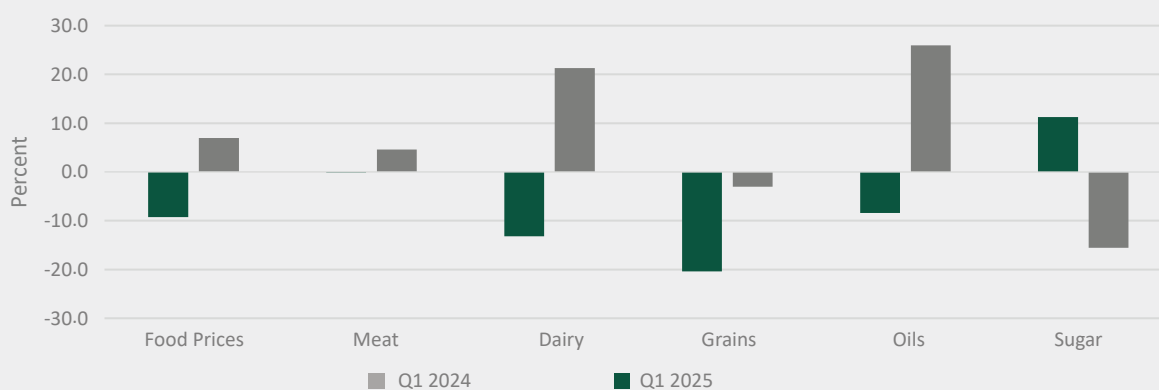


Source: OPEC.

4-2 Food Prices (FAO)

The Food and Agriculture Organization of the United Nations (FAO) Index witnessed significant changes in global food prices in Q1 2025. The FAO Index rose by 6.9% YoY driven by increases in vegetable oil, dairy, and meat prices by 25.9%, 21.3%, and 4.6%, respectively, compared to the same period of the previous year. On the other hand, sugar prices decreased by 15.6% YoY, and cereal prices declined by 3.0% YoY. This increase was mainly driven by supply chain disruptions and export restrictions imposed by major producing countries, which have significantly impacted global food availability and contributed to heightened price volatility, directly affecting both consumers and producers (Chart 9).

Chart 9: FAO Food Price Index

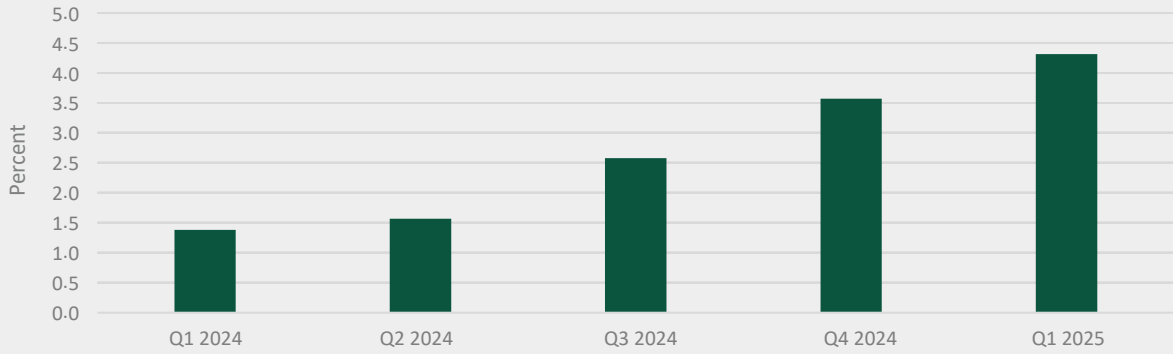


Source: Food and Agriculture Organization of the United Nations (FAO).

4-3 Real Estate Price Index (REPI)

The REPI in Saudi Arabia recorded a rise of 4.3% in Q1 2025 compared to 4.1% in Q1 2024 mainly driven by a 5.1% increase in residential sector real estate prices and a 2.5% increase in commercial sector real estate prices. However, the agricultural sector real estate prices decreased by 1.1%. Residential real estate price indices in major regions of Saudi Arabia recorded varied rates, with the Riyadh region recording a 10.7% increase, followed by the Makkah region with 1.5%. In contrast, the Eastern Province registered a 5.5% decline (Chart 10).

Chart 10: Real Estate Prices

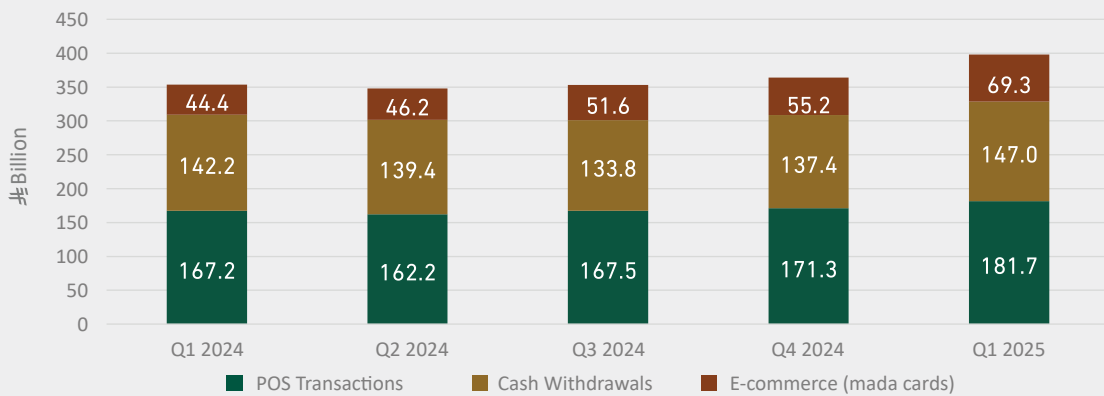


Source: General Authority for Statistics.

4-4 Private Consumption

The data on private consumption, comprising point-of-sale (POS) transactions, cash withdrawals, and e-commerce using mada cards, indicate that e-commerce transactions via mada cards, POS sales and cash withdrawals increased YoY by 56.0%, 8.7% and 3.4%, respectively, which may suggest a growing shift toward electronic payment methods (Chart 11).

Chart 11: Private Consumption Index

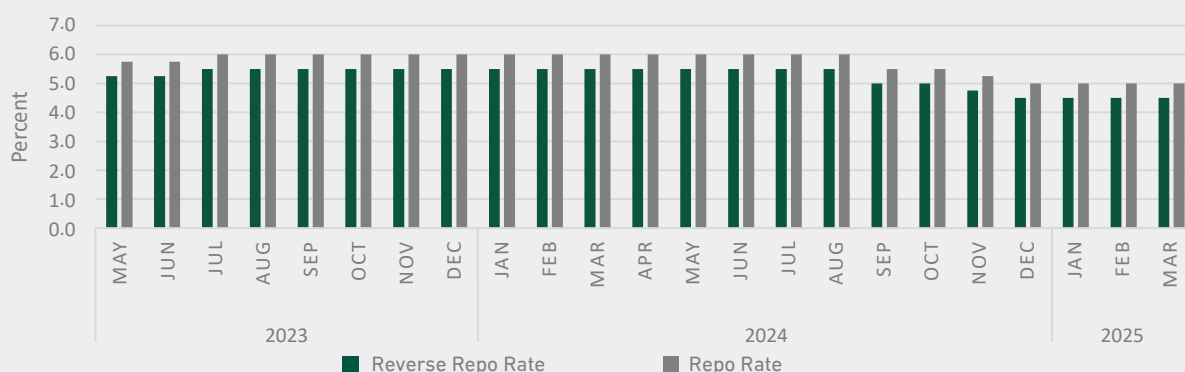


Source: Saudi Central Bank (SAMA).

4-5 Interest Rates

In May 2025, the Saudi Central Bank kept its policy rates unchanged, leaving them at 4.5% - 5.0%. In contrast, the US Dollar Index declined from 108 point in Q4 2024 to 104 point in Q1 2025 (Chart 12).

Chart 12: Policy Rates



Source: Saudi Central Bank.

5- Inflation Projections for Q2 2025

Domestic inflation is expected to remain stable in Q2 2025, driven by a balance of several factors, including slowing global inflation as a result of lower commodity prices (food and energy), the expected impact of trade tariffs which may be limited in Q2, and the rising housing rents and domestic demand in general, reflecting improvements in employment rates among Saudis. In this context, the wise leadership issued directives to address rising real estate prices and rents in Riyadh. These included lifting the ban on land disposition north of the city, allowing the sale and purchase of land and the issuance of construction permits. This move is expected to help increase the supply of land and housing units, narrowing the gap between supply and demand and alleviating inflationary pressures in the housing sector. Although the immediate impact may be limited, this initiative represents a strategic step towards stabilizing the real estate market.

Moreover, the World Bank's forecast for primary commodity prices (April 2025) indicates a disparity across categories in 2025. It anticipates a rise in the prices of beverages by 19.7% and fertilizers by 7.2%. In contrast, prices of energy are expected to decline by 17.4%, metals by 9.3%, food by 7.0%, raw materials by 2.2%, and agriculture by 0.9% (Table 4).

Table 4: WORLD BANK Commodity Price Index (2010=100)

	Change (%)			
	Actual		Projections	
	2023	2024	2025	2026
Energy	-29.9	-5.1	-17.4	-5.9
Agriculture	-7.1	3.7	-0.9	-3.2
Food	-9.2	-7.6	-7.0	-0.9
Raw materials	-3.9	5.9	-2.2	-0.6
Base Metals	-11.0	4.7	-9.3	-2.5
Fertilizers	-34.9	-23.4	7.2	-1.1
Beverages	1.4	63.7	19.7	-11.0

Source: World Bank April 2025.

