INFLATION REPORT

Second Quarter 2025

البنك المركزي السعودي
SAMA
Saudi Central Bank

Postal address:
Saudi Central Bank
P.O. Box 2992, Riyadh 11169
Kingdom of Saudi Arabia

Telephone: (+966) 11 - 4633000
Email: **info@sama.gov.sa**

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Executive Summary

Global Inflation

- According to its July 2025 projections, the International Monetary Fund (IMF) expects global inflation to continue moderating to 4.2% in 2025, down from 5.6% in 2024. This decline reflects softer inflationary pressures due to lower commodity prices and improved supply chains.
- Brent crude oil averaged $67.7 per barrel in Q2 2025, registering a decrease of 20.1% YoY.
- The FAO Food Price Index (FFPI) rose by 6.3% YoY in Q2 2025.

Inflation Rates of Trading Partners

The inflation rate in China, Saudi Arabia's largest exporter, remained unchanged YoY in Q2 2025 due to weak domestic demand and trade tensions with the United States, and recorded a QoQ decline of 0.1%. The inflation rate in the United States recorded a YoY increase of 2.4% and a QoQ increase of 0.9% in Q2 2025. Rising prices of house and services, such as healthcare, contributed to the upward trend. In India, the inflation rate registered a YoY rise of 2.7% and a QoQ increase of 0.3%.

Domestic Inflation

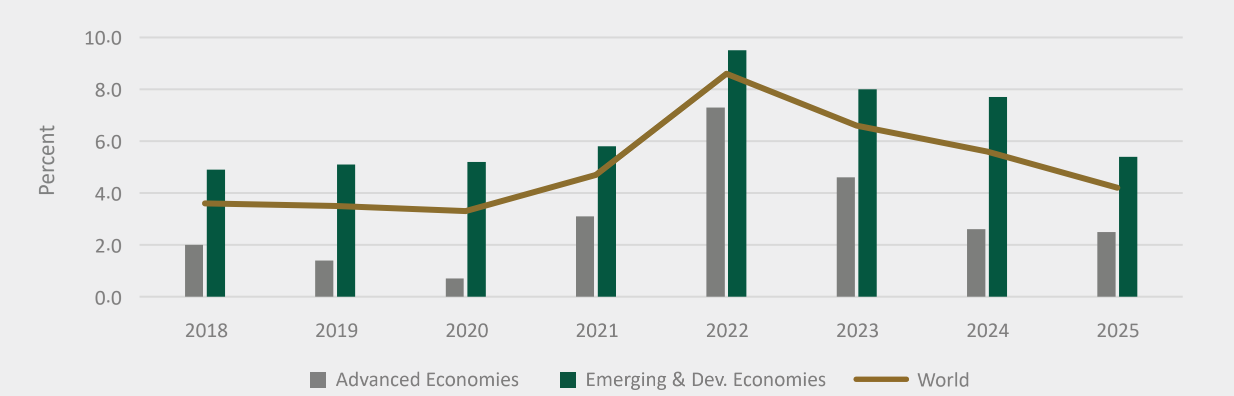
- The inflation rate recorded a YoY rise of 2.3% in Q2 2025.
- Housing, water, electricity, gas and other fuels registered the highest YoY inflation rate, rising by 6.7% in Q2 2025. Miscellaneous goods and services came second with 3.9%. Food and beverages and restaurants and hotels came next, each with 1.8%, followed by education with 1.3%. In contrast, furnishings, household equipment and maintenance posted the highest YoY decrease, declining by 2.0% in Q2 2025.
- The Wholesale Price Index (WPI) recorded a YoY increase of 2.1% in Q2 2025.
- The Real Estate Price Index (REPI) in Saudi Arabia recorded a slowdown in growth in Q2 2025 at an annual change of 3.2% compared to 4.3% in Q1 2025.
- The Saudi Central Bank maintained the repo and reverse repo rates at 5.0% and 4.5% respectively, at the end of June 2025.
- Inflation is projected to edge up slightly in Q3 2025. This is due to an expected balance between the recent slowdown in housing rents, on the one hand, and rising global food prices, shipping costs, and growing domestic demand—reflecting improved employment rates among Saudis—on the other.

1- Global Inflation Trends

The global economy has recently been facing challenges amid heightened geopolitical tensions and trade policies uncertainty that could hinder growth prospects. Despite these challenges, the IMF revised its global GDP growth forecast upwards to 3.0% in its July 2025 World Economic Outlook (WEO) report compared to the April forecast of 2.8%. This projections reflect a relative improvement in the global economy's performance due to a number of factors, most notably the surge in economic activity ahead of new tariffs, lower effective tariff rates, better financial conditions, and fiscal expansion in some major economies.

The IMF lowered its forecast for global inflation to 4.2% for 2025 after reaching 5.6% in 2024, which reflects decreased inflationary pressures due to lower commodity prices and improved supply chains. Moreover, inflation is expected to reach 2.5% in advanced economies and 5.4% in emerging and developing economies. In Addition, a few economies, particularly the US, are still facing inflationary pressures. According to the IMF, inflation in the US is expected to remain above central banks' targets due to the impact of tariffs.
These developments are evidence of the ongoing challenges faced by monetary policy in its efforts to achieve stability without affecting the growth rate (Chart 1).

Chart 1: Global Inflation



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

2- Inflation Rates of Trading Partners

Looking at the general levels of the CPI for Saudi Arabia's largest exporters, and based on Q2 2025 data, the inflation rate in China, Saudi Arabia's largest exporter, remained unchanged YoY in Q2 2025 due to weak domestic demand and trade tensions with the United States, while it recorded a QoQ decline of 0.1%. The inflation rate in the United States recorded a YoY increase of 2.4% and a QoQ increase of 0.9% in Q2 2025. Rising prices of house and services, such as healthcare, contributed to the upward trend. In India, the inflation rate registered a YoY rise of 2.7% and a QoQ increase of 0.3%. The increase in food prices, particularly rice, contributed to driving inflation higher in Japan during the Q2 2025, with the inflation rate recording an annual increase of 3.4% and a quarterly increase of 0.6%. The inflation rate in the UAE (Dubai specifically) registered a YoY rise of 2.4% and a QoQ rise of 0.3%. Inflation in Germany also recorded a YoY rise of 2.1% and a QoQ rise of 0.8%. Inflation in Italy registered a YoY rise of 1.7% and a QoQ increase of 0.4% (Table 1).

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

						Change (%)	
Countries	2024			2025		Q2 2025 / Q1 2025	Q2 2025 / Q2 2024
	Q2	Q3	Q4	Q1	Q2		
China	100.3	100.5	100.2	99.9	100.0	-0.1	0.0
USA	313.9	314.9	315.6	318.9	321.6	0.9	2.4
India	188.2	193.4	196.2	192.6	193.3	0.3	2.7
Japan	108.0	108.9	110.1	111.0	111.7	0.6	3.4
Dubai	111.5	112.0	112.9	113.8	114.2	0.3	2.4
Germany	119.3	119.7	120.2	120.8	121.8	0.8	2.1
Italy	120.5	121.3	121.2	122.2	122.6	0.4	1.7

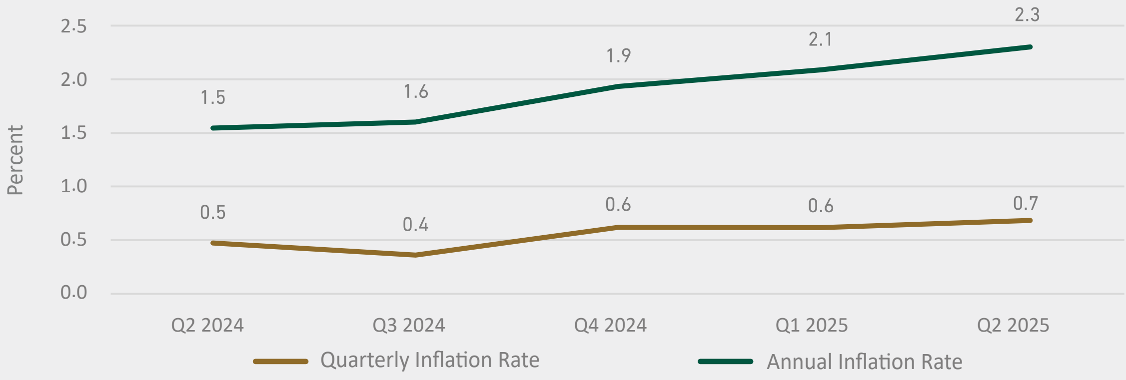
Source: Exporting countries national statistics offices.

3- Inflation in Saudi Arabia

3-1 Domestic Inflation Developments

The inflation rate recorded a YoY rise of 2.3% and a QoQ increase of 0.7% in Q2 2025. This was primarily due to a 6.7% 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 and villa rental prices due to increased domestic demand linked to rapid population growth in major cities. Moreover, food and beverage prices increased, driven by a seasonal increase in demand during the Hajj season and summer vacation. Local markets witnessed a rise in food consumption due to the influx of pilgrims and visitors, in addition to increased household spending during the holiday period. This led to upward pressure on the prices of some food commodities as well as an increase in the prices of miscellaneous goods and personal services, 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 Catering 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 Q2 2025

In Q2 2025, housing, water, electricity, gas and other fuels registered the highest YoY inflation rate of 6.7%. Miscellaneous goods and services came second with 3.9%. Food and beverages and restaurants and hotels came next, each with 1.8%, followed by education with 1.3%, and tobacco with 0.3%. In contrast, furnishings, household equipment and maintenance posted the highest YoY decrease, declining by 2.0% in Q2 2025. Communications came next with 1.4%, followed by clothing and footwear with 0.9%, transportation with 0.8%, recreation and culture with 0.4%, and health with 0.3% (Table 2).

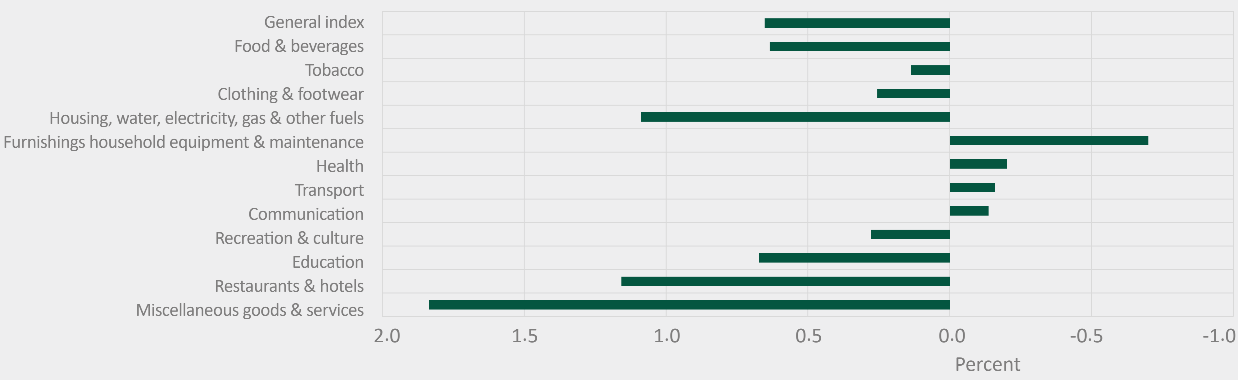
Table 2: Consumer Price Index (2018=100)

Change (%)

	Weights	2024			2025		Q2 2025 / Q1 2025	Q2 2025 / Q2 2024	2023/2024
		Q2	Q3	Q4	Q1	Q2			
General index	100.0	111.1	111.5	112.2	112.8	113.6	0.7	2.3	1.7
Food & beverages	18.8	124.1	124.6	125.0	125.5	126.3	0.6	1.8	0.8
Tobacco	0.6	113.6	113.5	113.4	113.8	113.9	0.1	0.3	-1.2
Clothing & footwear	4.2	96.5	95.6	95.2	95.4	95.6	0.3	-0.9	-3.4
Housing, water, electricity, gas & other fuels	25.5	104.8	106.9	109.2	110.7	111.9	1.1	6.7	8.8
Furnishings, household equipment & maintenance	6.7	103.7	103.0	102.7	102.4	101.7	-0.7	-2.0	-3.4
Health	1.4	102.8	102.6	102.4	102.7	102.5	-0.2	-0.3	-1.1
Transport	13.0	116.1	115.2	114.9	115.3	115.2	-0.2	-0.8	-2.4
Communication	5.6	108.6	108.2	107.7	107.2	107.1	-0.1	-1.4	-1.7
Recreation & culture	3.1	106.7	105.7	105.4	105.9	106.2	0.3	-0.4	-1.3
Education	2.9	103.9	104.1	104.6	104.6	105.3	0.7	1.3	1.3
Restaurants & hotels	5.6	125.4	125.8	125.9	126.2	127.6	1.2	1.8	2.0
Miscellaneous Goods And Services	12.6	108.3	108.3	109.1	110.4	112.5	1.8	3.9	0.4

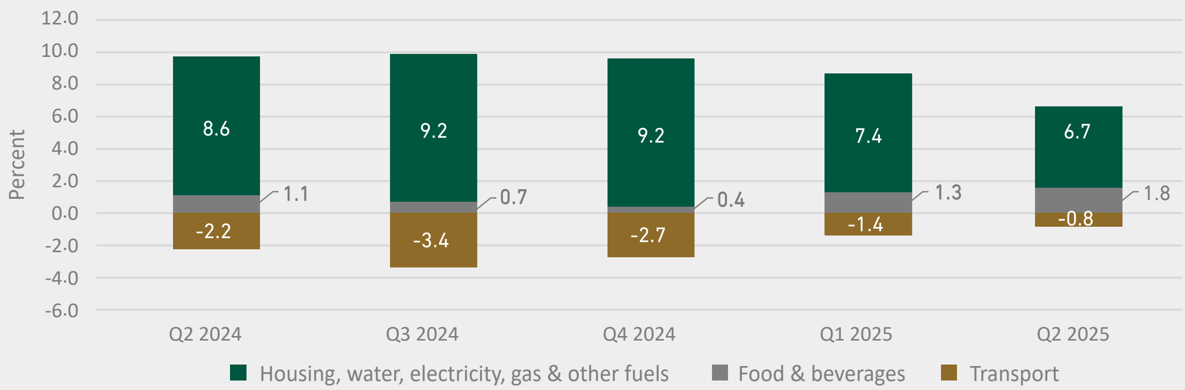
Source: General Authority for Statistics.

Chart 3: Inflation Rate of the Consumer Price Index by Main Segments (Q2 2025/Q1 2025)



Source: General Authority for Statistics.

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

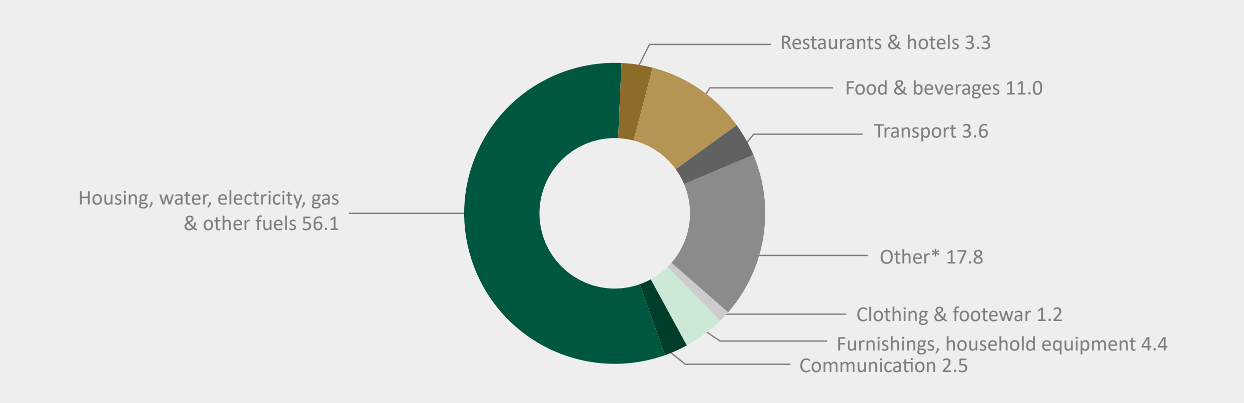


Source: General Authority for Statistics.

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 Q2 2025, housing, water, electricity, gas and other fuels ranked first with about 56.1%, driven primarily by higher rents and electricity and water prices. Miscellaneous goods and services came second with 15.9% compared to 1.3% in Q2 2024, indicating increased consumer spending. Food and beverages ranked third with 11.0% compared to 5.9%. It was followed by furnishings, household equipment and maintenance with 4.4% compared to 7.3%. Transportation came next with around 3.6% compared to 8.3%, while restaurants and hotels followed with 3.3% compared to 3.7%. Communications came next with 2.5% which is lower than 3.1% in Q2 2024, as a result of competition continues in the communication services market. Education came next with 1.3% compared to 0.9%. It was followed by clothing and footwear with 1.2% compared to 4.7%, recreation and culture with 0.4% compared to 1.6%, health with 0.1% compared to 0.4%, and tobacco with 0.1% in Q2 2025 compared to 0.2% in 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 70.7% in Q2 2025 against 76.8% in Q2 2024 (Chart 5).

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

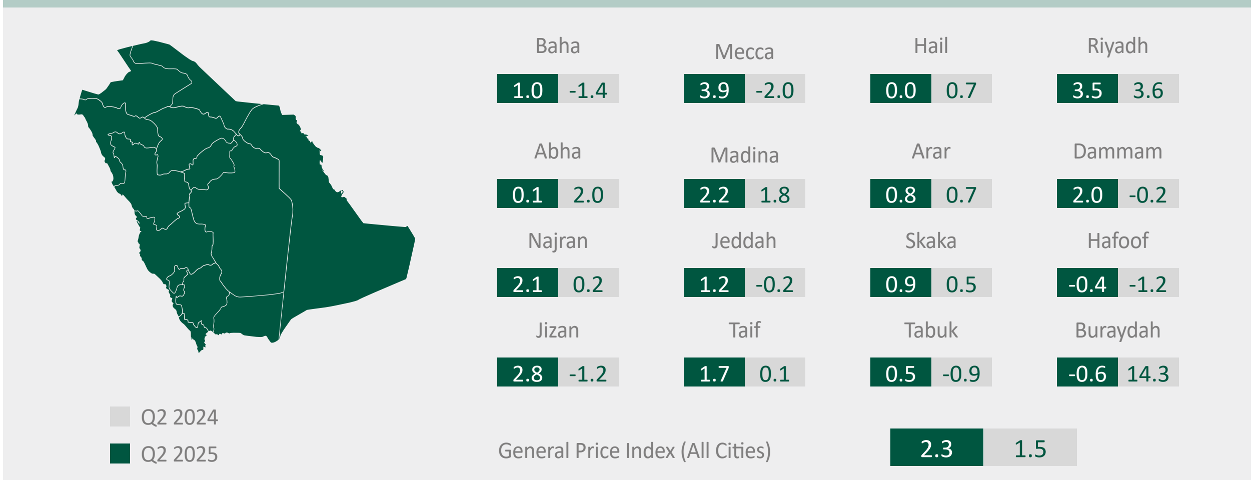


*Other Goods Includes Categories of: Health, Education, Recreation and Culture, and Miscellaneous Goods and Services and TOBACCO.
Source: General Authority For Statistics.

3-1-3 Inflation by Region

Inflation rates in Saudi Arabia varied across cities in Q2 2025 due to multiple factors, including the impact of housing category. Makkah and Riyadh recorded the highest inflation rates in Q2 2025 at around 3.9% and 3.5%, respectively. The rise in inflation in these cities was attributed to a number of factors, most notably the continued increase in housing rentals, rising food and beverage prices, and higher consumer demand during Hajj season and summer vacation. Specifically, Hajj season contributed to the increased demand for housing units and hotel rooms in Makkah, leading to a significant rise in rental prices. In Riyadh, the increased demand for housing rentals and consumer services was attributed to the continuous population growth and the increasing number of people moving into the city from other regions. Jazan came next, recording an inflation rate of approximately 2.8% compared to Q2 2024. In contrast, Buraidah recorded the highest YoY decline at around 0.6% in Q2 2025. This decline in inflation was mainly attributed to stable rental prices and lower transportation costs due to lower vehicle purchase prices (Chart 6).

Chart 6: Inflation of the Wholesale Price Index by City

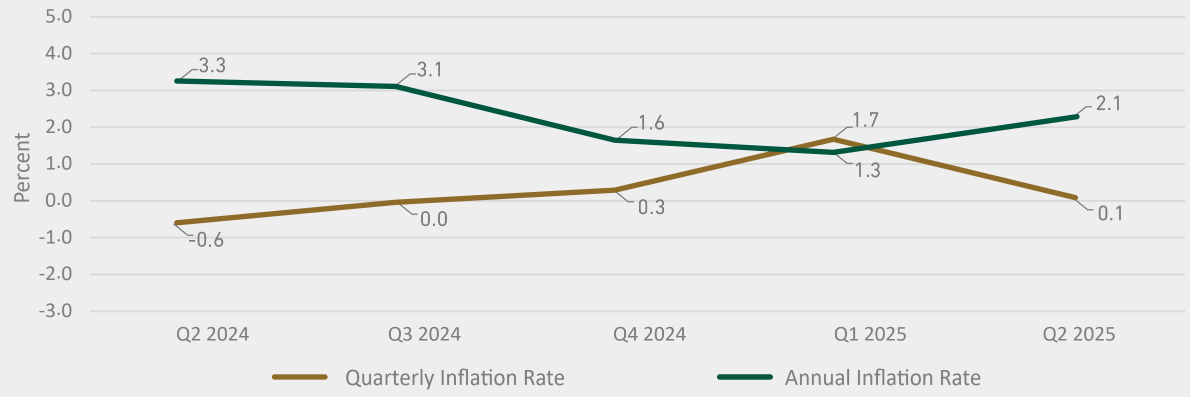


Source: General Authority for Statistics.

3-2 Wholesale Price Index (WPI)

The WPI in Q2 2025 recorded a YoY increase of 2.1% and a QoQ increase of 0.1% (Chart 7). A breakdown of the WPI by product category shows that agriculture and fishery products recorded the highest YoY increase of 4.4%, followed by transportable goods (excluding metal products, machinery and equipment) with an increase of 4.3%. Food products, beverages, tobacco and textiles came next, registering a YoY increase of 0.2%. In contrast, ores and minerals recorded the highest YoY decrease of 1.4% in Q2 2025, followed by metal products, machinery and equipment with 0.2% (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		Q2 2025/ Q1 2025	Q2 2025/ Q2 2024
		Q2	Q3	Q4	Q1	Q2		
General Index	100.0	154.1	154.1	154.5	157.1	157.3	0.1	2.1
Agricuture and fishery products	8.7	139.7	139.4	141.6	144.1	145.9	1.2	4.4
Ores and Minerals	0.6	113.0	112.1	112.0	111.5	111.4	-0.1	-1.4
Food products,beverages and tobacco and textiles	17.3	136.7	136.2	136.3	136.9	136.9	0.0	0.2
Other goods	33.7	188.9	189.4	190.2	197.3	197.0	-0.2	4.3
Metal products, machinery and equipment	39.7	136.0	135.7	135.6	135.3	135.7	0.3	-0.2

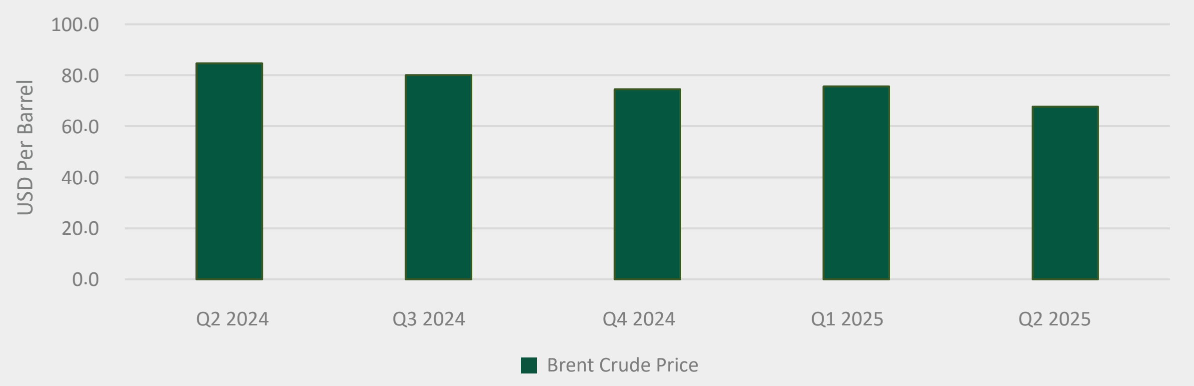
Source: General Authority for Statistics.

4-Factors Affecting the Inflation Rate

4-1 Energy Prices

Energy prices decreased in Q2 2025 due to slow global demand. Brent crude oil averaged $67.7 per barrel in Q2 2025, registering a YoY decrease of 20.1%. The Organization of the Petroleum Exporting Countries (OPEC) maintained its forecast for global oil demand growth in 2025 at 1.3 million barrels per day (bpd) due to global geopolitical and economic challenges. In the same context, the OPEC+ coalition began to gradually phase out voluntary production cuts of 2.2 million bpd starting from April 2025 as part of a plan that will continue until September 2025, aiming to support market stability and regain market share. Oil output increased by around 138 thousand bpd in April and then monthly by 411 thousand bpd in May, June and July. It will be further increased by around 548 thousand bpd in August, in preparation for completing the gradual phase-out of production cuts in September 2025. This comes as part of a plan aimed at enhancing balance and stability in the global oil market (Chart 8).

Chart 8: Oil Prices

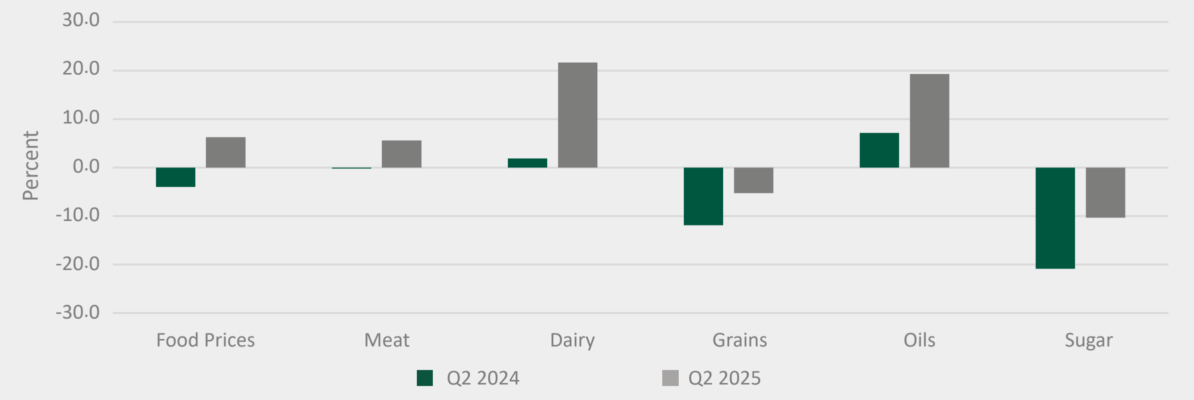


Source: OPEC.

4-2 Food Prices (FAO)

The Food and Agriculture Organization of the United Nations (FAO) Index witnessed significant changes in global food prices in Q2 2025. The FAO Index rose by 6.3% YoY driven by increases in dairy, vegetable oil and meat prices by 21.9%, 19.3% and 5.4%, respectively, compared to the same period of the previous year. On the other hand, sugar prices decreased by 10.4% YoY, and cereal prices declined by 5.3% YoY. It is worth highlighting that changes in food prices reflect shifts in the global market and their impact on the cost of food, directly affecting consumers and producers alike (Chart 9).

Chart 9: FAO Food Price Index

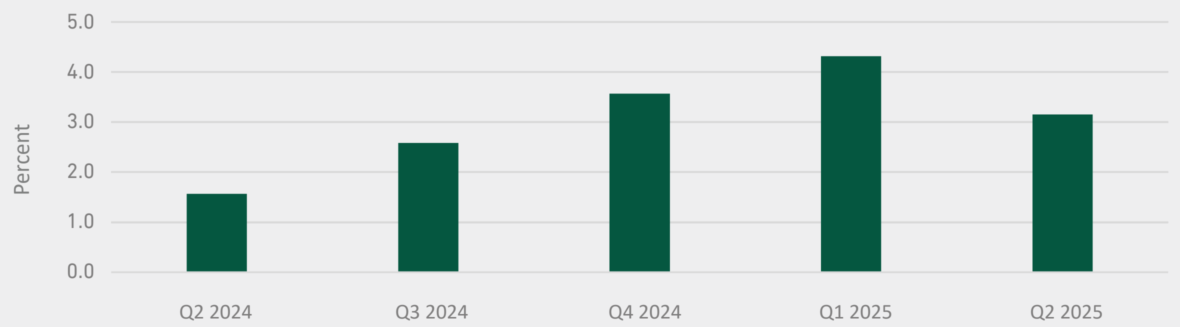


Source: Food and Agriculture Organization of the Unied Nations (FAO).

4-3 Real Estate Price Index (REPI)

The REPI in Saudi Arabia recorded a slowdown in growth in Q2 2025 at an annual change of 3.2% compared to 4.3% in Q1 2025. The annual change in the residential sector's price index fell from 5.1% in Q1 to 0.4% in Q2. In contrast, other real estate sectors continued to record higher annual changes. The annual change in the commercial sector's price index increased to 11.7% in Q2 compared to 2.5% in the previous quarter. Residential real estate price and commercial real estate prices indices in major regions of Saudi Arabia recorded varied rates, with the Eastern Province recording an increase of 4.2%, followed by the Makkah region with 3.9% and the Riyadh region with 3.6%. In contrast, the Asir, Madinah, and Jazan regions registered declines of 3.9%, 3.2% and 2.8% respectively (Chart 10).

Chart 10: Real Estate Price Index

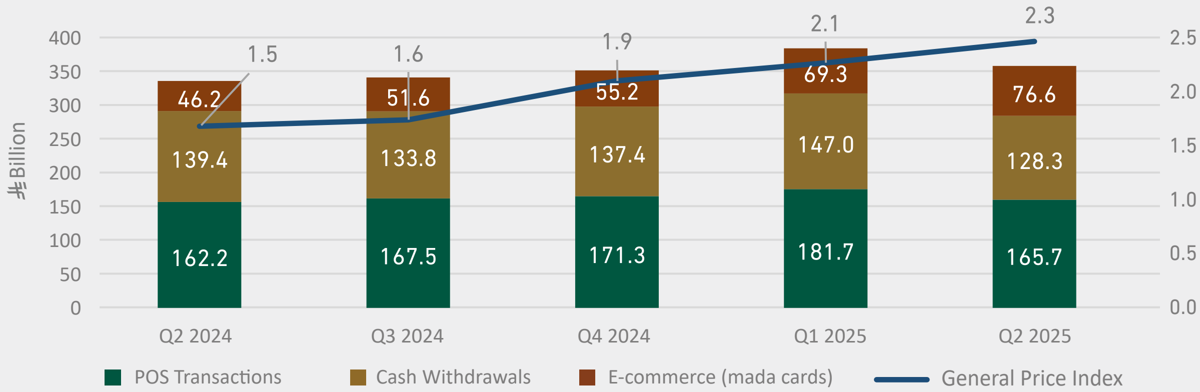


Source: General Authority for Statistics.

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 and POS sales increased in Q2 2025 at an annual change by 65.9% and 2.2%, Meanwhile, cash withdrawals recorded an annual decline of 7.9%, which may indicate a growing shift toward electronic payment methods and the efforts of the Saudi Central Bank in creating a suitable environment for this transformation in payment methods (Chart 11).

Chart 11: Private Consumption Index

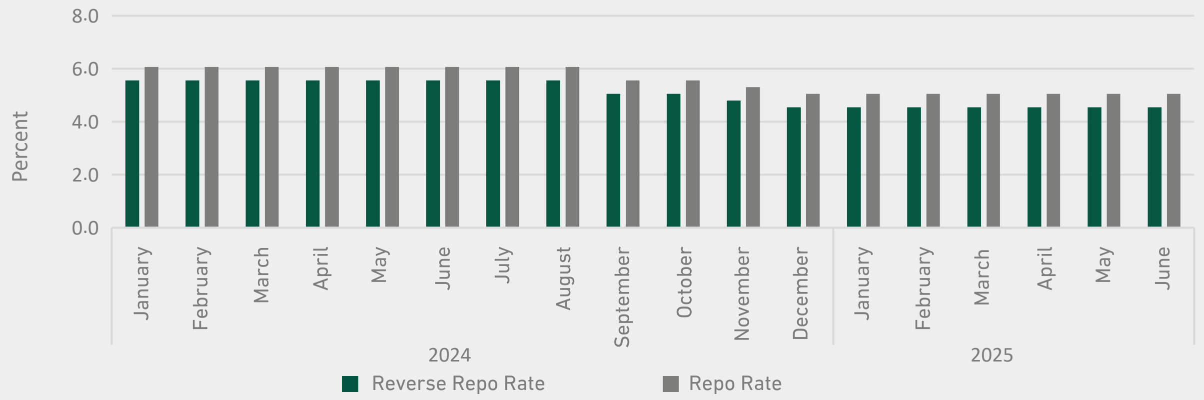


Source: Saudi Central Bank (SAMA).

4-5 Interest Rates

The Saudi Central Bank maintained the repo and reverse repo rates at 5.0% and 4.5% respectively, at the end of June 2025.

Chart 12: Policy Rates



Source: Saudi Central Bank.

5- Inflation Projections for Q3 2025

Inflation is projected to edge up slightly in Q3 2025. This is due to an expected balance between the recent slowdown in housing rents, on the one hand, and rising global food prices, shipping costs, and growing domestic demand—reflecting improved employment rates among Saudis—on the other.

On the other hand, the World Bank's forecast for primary commodity prices (April 2025) indicates a disparity across categories in 2025. The forecast anticipates a rise in the prices of beverages by 19.7% and fertilizers by 7.2%. In contrast, the prices of energy are expected to decline by 17.4%, metals by 9.3%, food items by 7.0%, raw materials by 2.2% and agricultural commodities 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.