

INFLATION REPORT

Third Quarter 2023

Research & International Affairs Deputyship
Economic Research and Reports Department



البنك المركزي السعودي
SAMA
Saudi Central Bank



For correspondence and inquiries:

Postal address:

Saudi Central Bank

Economic Research and Reports Department

P.O. Box 2992, Riyadh 11169

Kingdom of Saudi Arabia

Telephone No.: (+966) 11 4633000

Email: research@sama.gov.sa

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Table of Contents

Executive Summary

4

1- Consumer Price Index (CPI)

5

1-1 Developments in Q3 2023

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

8

4- Inflation Projections for Q4 2023

9

Executive Summary

The general consumer price index (CPI) increased 2.0% year-over-year (YoY) and 0.3% quarter-over-quarter (QoQ) in Q3 2023.

The highest YoY inflation rate was in housing, water, electricity, gas, and other fuels, which rose 8.6%. Restaurants and hotels followed with a 2.7% YoY increase and education with a 1.8% increase. Conversely, clothing and footwear experienced the highest YoY decrease of 3.9%.

The wholesale price index in Q3 2023 fell 0.2% YoY.

The domestic inflation rate is projected to remain relatively stable YoY in Q4 2023, supported by several factors, including improving domestic demand due to higher employment rates among Saudis, tourism, and recreational activity growth. In addition, no inflationary pressures are expected from global food and beverage prices.

1- Consumer Price Index (CPI)

The general consumer price index (CPI) increased 2.0% year-over-year (YoY) and 0.3% quarter-over-quarter (QoQ) in Q3 2023 (Table 1 and Chart 1).

1-1 Developments in Q3 2023

Housing, water, electricity, gas, and other fuels experienced the highest YoY inflation rate in Q3 2023, with an increase of 8.6%. Restaurants and hotels followed with a 2.7% increase and education with

a 1.8% increase. Recreation and culture saw a 1.1% increase, followed by food and beverages 0.5%, transport 0.4%, health 0.1%, and tobacco 0.1%.

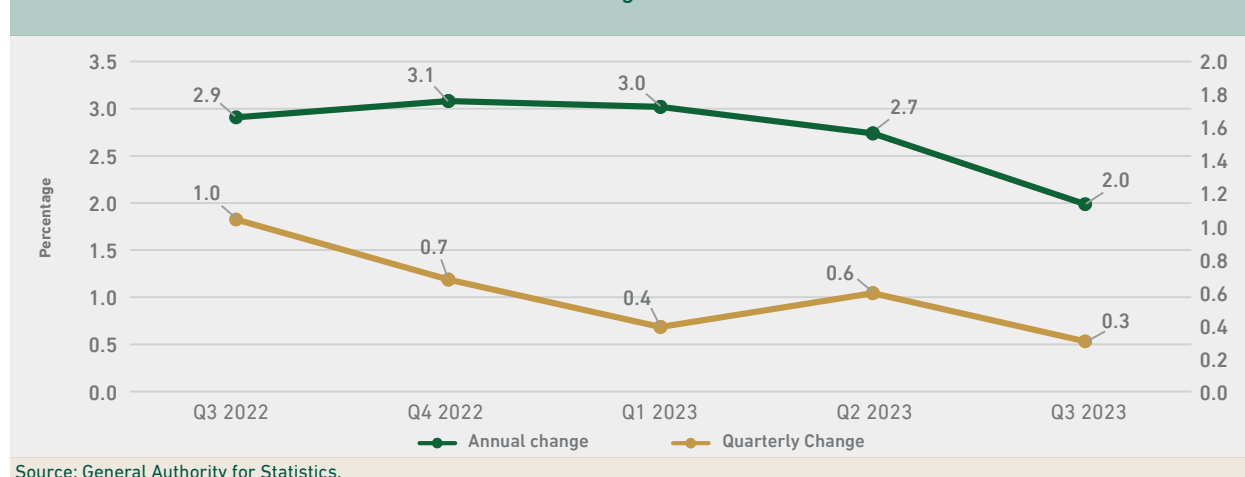
In contrast, clothing and footwear recorded a YoY decrease of 3.9%. Furnishings, household equipment and maintenance followed with a 2.8% decrease, while communication experienced a 1.2% decrease, and Miscellaneous goods & services saw a 0.9% decrease (Table 1 and Charts 2 and 3).

Table 1: Consumer Price Index (2018=100)

		Change (%)						
	Weights	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q3 2023 / Q2 2023	Q3 2023 / Q3 2022
General index	100.0	107.6	108.3	108.7	109.4	109.7	0.3	2.0
Food & beverages	18.8	123.1	123.1	122.6	122.8	123.7	0.8	0.5
Tobacco	0.6	114.9	114.9	114.9	114.9	115.0	0.1	0.1
Clothing & footwear	4.2	102.7	101.6	100.4	100.4	98.7	-1.7	-3.9
Housing, water, electricity, gas & other fuels	25.5	90.2	92.9	95.1	96.5	98.0	1.5	8.6
Furnishings, household equipment & maintenance	6.7	109.9	109.2	108.4	107.8	106.8	-1.0	-2.8
Health	1.4	103.7	103.9	103.8	103.9	103.8	-0.1	0.1
Transport	13.0	118.7	118.9	118.5	118.8	119.2	0.3	0.4
Communications	5.6	111.3	112.3	111.2	110.7	110.0	-0.7	-1.2
Recreation & culture	3.1	107.7	106.2	105.5	108.7	108.9	0.2	1.1
Education	2.9	100.7	102.6	102.7	102.7	102.5	-0.3	1.8
Restaurants & hotels	5.6	120.3	121.4	122.0	122.6	123.6	0.8	2.7
Miscellaneous goods & services	12.6	108.5	107.4	107.7	108.7	107.5	-1.0	-0.9

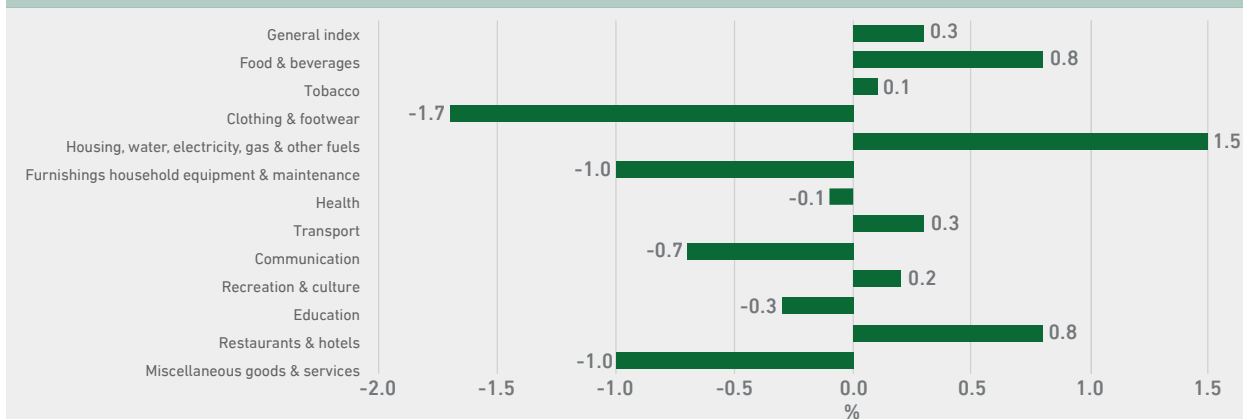
Source: General Authority for Statistics.

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



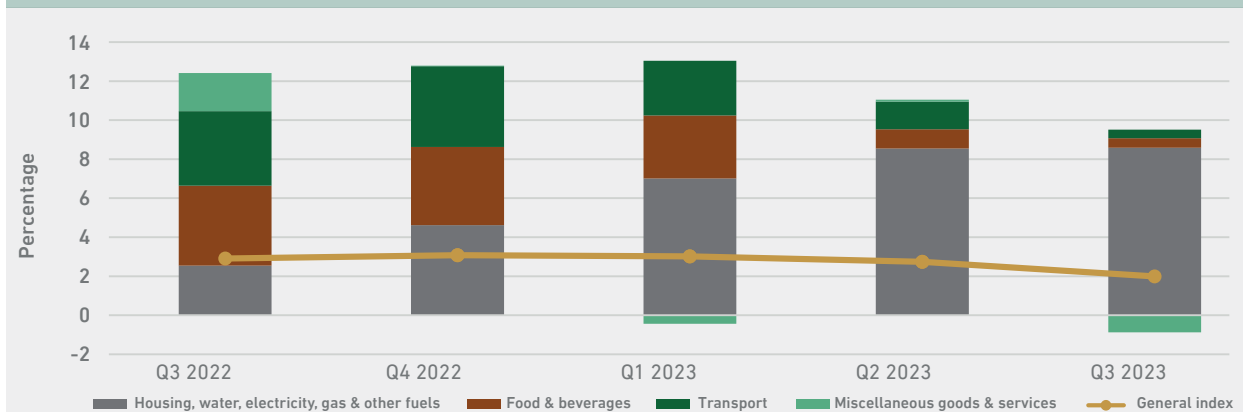
Source: General Authority for Statistics.

Chart 2: Inflation Rate of the Consumer Price Index by Main Sections (Q3 2023 / Q2 2023)



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.

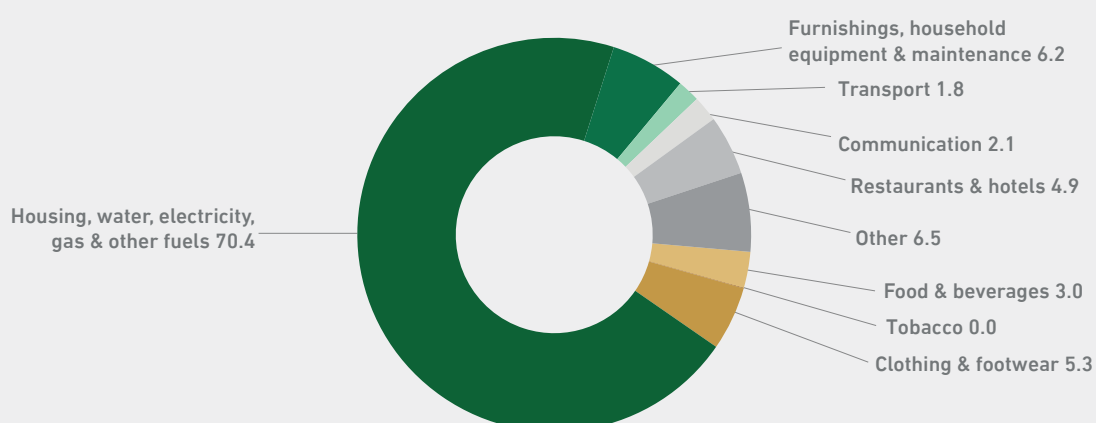
1-2 Effect of Main Expenditure Categories on CPI

The distribution of CPI category contributions to inflation shifted in Q3 2023 compared to Q3 2022. Housing, water, electricity, gas, and other fuels topped the list with a 70.4% contribution, up from 21.6% in Q3 2022. Furnishings, household equipment, and maintenance followed with a 6.2% contribution, up from 3.2%. Clothing and footwear's contribution increased to 5.3% from 1.4% in Q3 2022. Restaurants and hotels' contribution decreased to 4.9% from 13.1%. Miscellaneous goods and services' influence declined to 3.5% from 8.1% in Q3 2022. Food and beverages' impact was 3.0%, down from

25.5%. Communication's contribution increased to 2.1% from 0.5% in Q3 2022. Transport's influence fell to 1.8% from 16.6%. Education's contribution moderated to 1.6%, down from 5.4%. Recreation and culture's contribution decreased to 1.1% from 4.3% in Q3 2022. Health's influence fell to 0.1% from 0.3%. Tobacco's contribution to inflation was zero in Q3 2023 compared to 0.1% in Q3 2022.

Overall, the three main expenditure categories – housing, water, electricity, gas, and other fuels; food and beverages; and transport – collectively accounted for 75.2% of the overall inflation rate in Q3 2023, up from 63.7% in Q3 2022 (Chart 4).

Chart 4: Percentage Impact of Major Sections of The General Inflation Rate (Q3 2023)



Other Goods Includes Departments 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) decreased by 0.2% YoY in Q3 2023 but increased by 0.1% QoQ (Chart 5). Agriculture and fishery products experienced the largest YoY decline, falling by 2.2%, followed by metal products, machinery, and equipment with a 1.0% decrease and ores and minerals with a 0.4%

decrease. Other transportable goods (except metal products, machinery, and equipment) recorded the smallest YoY decline at 0.2%.

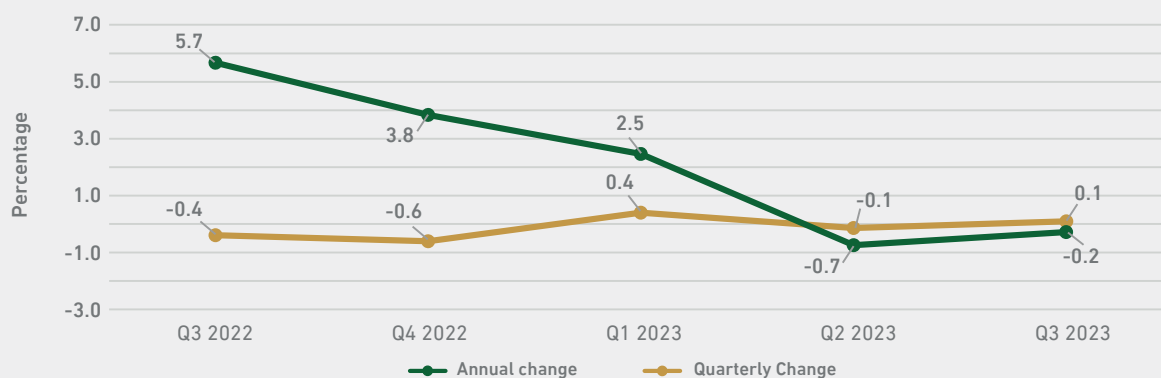
In contrast, food products, beverages, tobacco, and textiles rose by 2.6% YoY in Q3 2023 (Table 2 and Chart 5).

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

	Weights	Change (%)						
		Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q3 2023 / Q2 2023	Q3 2023 / Q3 2022
General Index	100.0	149.8	148.9	149.5	149.3	149.4	0.1	-0.2
Agriculture and fishery products	8.7	142.7	139.2	138.9	139.8	139.5	-0.2	-2.2
Ores and Minerals	0.6	117.1	116.6	116.0	116.3	116.6	0.3	-0.4
Food products, beverages and tobacco and textiles	17.3	132.5	132.5	133.9	134.2	135.9	1.3	2.6
Other goods	33.7	175.6	175.8	176.2	174.9	175.2	0.2	-0.2
Metal products, machinery and equipment	39.7	137.5	135.8	136.4	136.7	136.1	-0.5	-1.0

Source: General Authority for Statistics.

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



Source: General Authority for Statistics

3- Inflation Rates in Saudi Arabia's Largest Exporters

Based on Q3 2023 data, China, Saudi Arabia's largest exporter, experienced a 0.1% YoY deflation and a 0.2% QoQ deflation in inflation. The United States recorded a 3.5% YoY increase and a 0.9%

QoQ increase in inflation. India saw its inflation rate rise by 6.4% YoY and 3.4% QoQ. Japan experienced a 3.1% YoY increase and a 0.8% QoQ increase in inflation. South Korea recorded a 3.1% YoY increase and a 1.0% QoQ increase in inflation (Table 3).

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

Country	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Change (%)	
						Q3 2023 / Q2 2023	Q3 2023 / Q3 2022
China	102.7	101.8	101.3	100.1	99.9	-0.2	-0.1
USA	296.4	297.5	300.6	304.2	306.8	0.9	3.5
India	174.3	176.3	176.8	179.4	185.5	3.4	6.4
Japan	102.7	103.9	104.4	105.1	105.9	0.8	3.1
South Korea	108.8	109.2	110.3	111.0	112.2	1.0	3.1

Source: National Statistical Offices.

4-Inflation Projections for Q4 2023

The domestic inflation rate is projected to remain relatively stable YoY in Q4 2023, supported by several factors, including improving domestic demand due to higher employment rates among Saudis, tourism, and recreational activity growth. In addition, no inflationary pressures are expected from global food and beverage prices.

The World Bank's projections for primary commodity prices (October 2023) indicate deflationary pressures on most commodities in 2023. The projections anticipate a notable decline in the prices of various commodities, including fertilizers by 33.6%, energy by 28.8%, metals by 12.0%, food by 8.8%, agriculture by 7.2%, and raw materials by 5.3% (Table 4).

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

Commodities	Change (%)				
	Actual			Projections	
	2020	2021	2022	2023	2024
Energy	-32.7	81.0	60.0	-28.8	-4.5
Agriculture	4.7	24.4	13.3	-7.2	-1.5
Food	7.1	30.8	17.9	-8.8	-1.5
Raw materials	-2.0	9.4	-3.2	-5.3	1.1
Metals	-1.8	46.8	4.0	-12.0	-5.1
Fertilizers	-8.3	104.1	54.8	-33.6	-15.4
Beverages	5.6	16.3	13.7	0.0	-5.1

Source: World Bank.

