

INFLATION REPORT

First Quarter 2023

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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 Q1 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

7

4- Inflation Projections for Q2 2023

9

Executive Summary

The general consumer price index (CPI) registered a YoY increase of 3.0% and a QoQ increase of 0.4% in Q1 2023.

Housing, water, electricity, gas and other fuels registered the highest YoY inflation rate of 7.0% in Q1 2023. Restaurants and hotels came second with a YoY increase of 6.4%, followed by food and beverages with 3.2%, then education with 3.1%. In contrast, clothing and footwear recorded the highest YoY decrease of 2.0%.

The wholesale price index (WPI) recorded a YoY rise of 2.5% in Q1 2023.

It is projected that the inflation rate will witness a slight YoY increase in Q2 2023, as a result of several factors, the most important of which is the coinciding holy seasons—namely: Ramadan season, Eid al-Fitr, Hajj season and Eid al-Adha—with the quarter under review, coupled with the effect of adjusted diesel prices by 19% as of January 2023 (from 63 to 75 halalas/liter). In addition, it is projected that the positive performance of domestic demand will continue, supported by consistently increasing levels of employment among Saudis; and the continuation of tourism and recreational activities.

1- Consumer Price Index (CPI)

The general consumer price index (CPI) registered a YoY increase of 3.0% and a QoQ increase of 0.4% in Q1 2023 (Table 1 and Chart 1).

1-1 Developments in Q1 2023

Housing, water, electricity, gas and other fuels registered the highest YoY inflation rate of 7.0%. Restaurants and hotels came second with a YoY increase of 6.4%, followed by food and beverages with 3.2%.

Education came fourth with 3.1%, followed by transport with 2.8%; health with 1.1%; and recreation and culture with 0.9%. Tobacco came last with 0.1%.

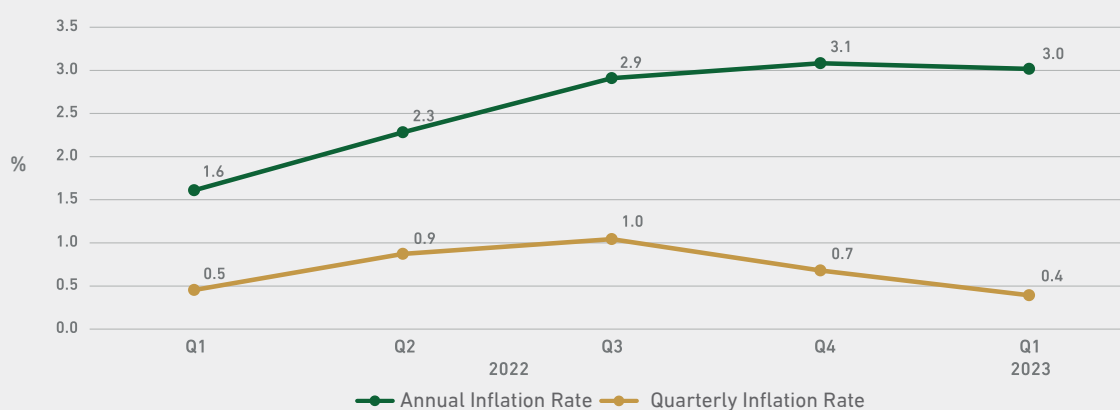
In contrast, clothing and footwear recorded a YoY decrease of 2.0%. Furnishings, household equipment and maintenance came next with 0.7%, followed by miscellaneous goods and services with 0.4%; and communication with 0.3% (Table 1 and Charts 2 and 3).

Table 1: Consumer Price Index (2018=100)

	Weights	Change (%)						
		Q1 2023	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q1 2023 / Q4 2022	Q1 2023 / Q1 2022
General index	100.0	105.5	106.5	107.6	108.3	108.7	0.4	3.0
Food & beverages	18.8	118.8	121.6	123.1	123.1	122.6	-0.4	3.2
Tobacco	0.6	114.8	114.8	114.9	114.9	114.9	0.0	0.1
Clothing & footwear	4.2	102.5	102.9	102.7	101.6	100.4	-1.2	-2.0
Housing, water, electricity, gas & other fuels	25.5	88.9	88.9	90.2	92.9	95.1	2.4	7.0
Furnishings, household equipment & maintenance	6.7	109.3	109.9	109.9	109.2	108.4	-0.7	-0.8
Health	1.4	102.6	103.2	103.7	103.9	103.8	-0.1	1.1
Transport	13.0	115.2	117.2	118.7	118.9	118.5	-0.4	2.8
Communication	5.6	111.6	111.4	111.3	112.3	111.2	-1.0	-0.3
Recreation & culture	3.1	104.6	105.3	107.7	106.2	105.5	-0.7	0.9
Education	2.9	99.5	99.8	100.7	102.6	102.7	0.0	3.1
Restaurants & hotels	5.6	114.7	116.5	120.3	121.4	122.0	0.5	6.4
Miscellaneous Goods And Services	12.6	108.2	108.6	108.5	107.4	107.7	0.3	-0.4

Source: General Authority for Statistics.

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



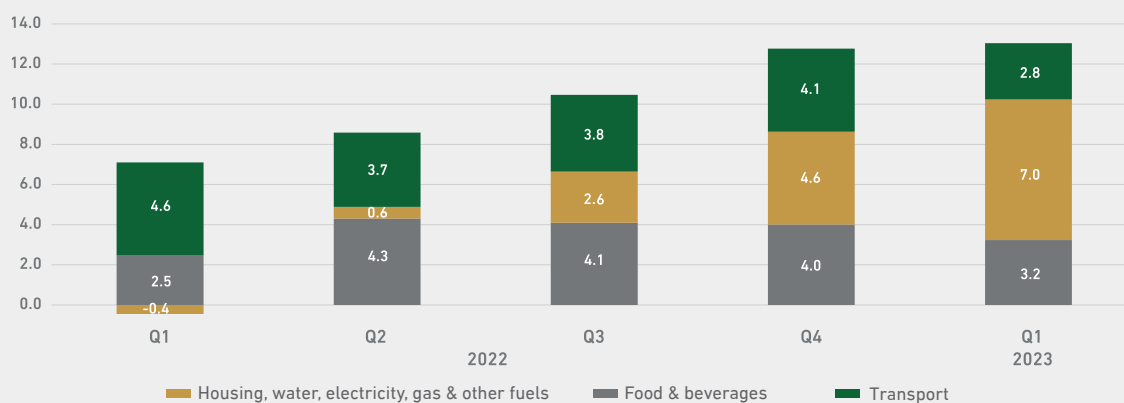
Source: General Authority for Statistics.

Chart 2: Inflation Rate of the Consumer Price Index by Main Sections (Q1 2023 / Q4 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.

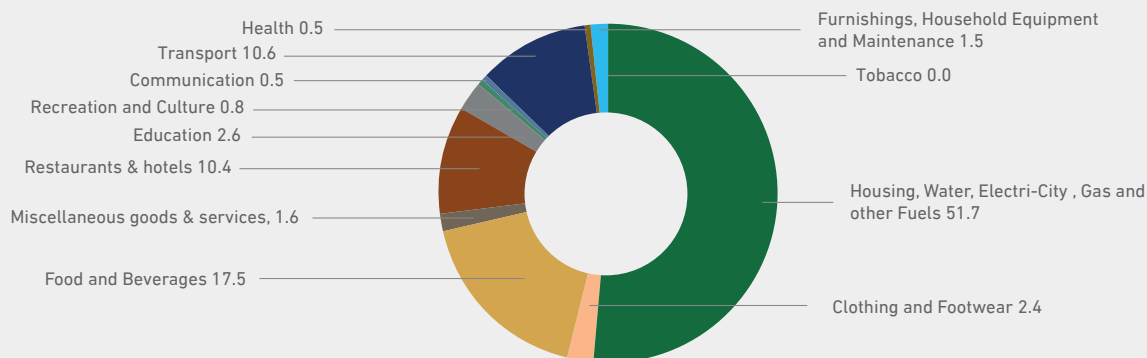
1-2 Effect of Main Expenditure Categories on CPI

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 51.7% in Q1 2023 against 5.7% in Q1 2022. Food and beverages came second with 17.5% compared to 23.2% in Q1 2022, followed by transport with 10.6% against 30.5%; restaurants and hotels with 10.4% against 7.0%; education with 2.6% as compared to 9.2%; clothing and footwear with 2.4% against 3.1%; miscellaneous goods and services with 1.6% as com-

pared to 13.1%; furnishings, household equipment and maintenance with 1.5% against 4.8%; recreation and culture with 0.8% as compared to 2.7%; communication with 0.5% as compared to 0.5%; health with 0.5% against 0.1%. Tobacco, however, remained unchanged change during Q1 2023 against 0.1% in Q1 2022.

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 79.8% in Q1 2023 against 59.5% in Q1 2022 (Chart 4).

Chart 4: Percentage Impact of Major Sections of The General Inflation Rate (Q1 2023)



Source: General Authority For Statistics.

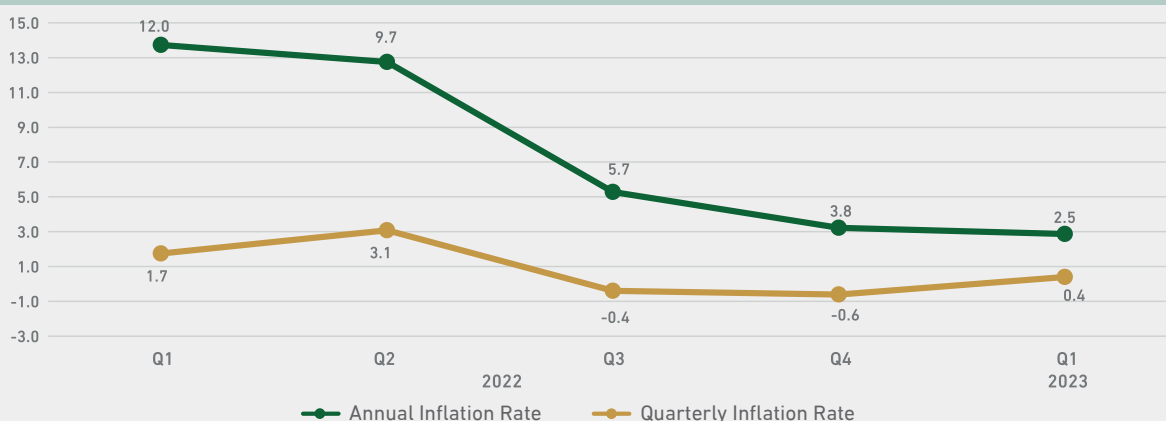
2- Wholesale Price Index (WPI)

The WPI in Q1 2023 recorded a YoY increase of 2.5% and a QoQ increase of 0.4% (Chart 5). A breakdown of WPI by product category shows that food products, beverages, tobacco and textiles recorded the highest YoY increase of about 6.3% in Q1 2023, followed by agriculture and fishery products by 4.4%, then other transportable goods (except metal products, machinery and equipment) with a YoY increase of 2.9%, followed by ores and minerals by 1.8%. Metal products, machinery and equipment came last with a YoY increase of 0.1% (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, based on Q1 2023 data, the inflation rate in China, Saudi Arabia's largest exporter, registered a YoY rise of 1.3% but remained unchanged compared to the previous quarter. In addition, the United States inflation rate recorded a YoY increase in Q1 2023 by 5.8% and a QoQ increase by 1.0%. In India, inflation went up by 6.2% YoY and by 0.3% QoQ. In Japan, the inflation rate rose by 3.6% YoY and by 0.4% QoQ. In addition, the inflation rate in South Korea recorded a YoY rise of 4.8% and a QoQ rise of 0.8% (Table 3).

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



Source: General Authority for Statistics

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

	Weights	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Change (%)	
							Q1 2023 / Q4 2022	Q1 2023 / Q1 2022
General Index	100.0	145.9	150.4	149.8	148.9	149.5	0.4	2.5
Agriculture and fishery products	8.7	133.0	141.3	142.7	139.2	138.9	-0.2	4.4
Ores and Minerals	0.6	114.0	116.6	117.1	116.6	116.0	-0.5	1.8
Food products, beverages and tobacco and textiles	17.3	126.0	130.7	132.5	132.5	133.9	1.1	6.3
Other goods	33.7	171.2	176.8	175.6	175.8	176.2	0.2	2.9
Metal products, machinery and equipment	39.7	136.3	139.0	137.5	135.8	136.4	0.4	0.1

Source: General Authority for Statistics.

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

Country	change (%)						
	2022				Q1 2023	Q1 2023 / Q4 2022	Q1 2023 / Q1 2022
	Q1	Q2	Q3	Q4			
China	101.1	102.2	102.7	101.8	101.3	0.0	1.3
USA	284.1	292.6	296.4	297.5	300.6	1.0	5.8
Germany	106.4	109.5	111.2	113.5	115.2	1.5	8.2
India	166.5	171.5	174.3	176.3	176.8	0.3	6.2
Japan	100.7	101.7	102.7	103.9	104.4	0.4	3.6
South Korea	105.3	107.4	108.7	109.4	110.3	0.8	4.8

Source: National Statistics Offices.

4-Inflation Projections for Q2 2023

It is projected that the inflation rate will witness a slight YoY increase in Q2 2023, as a result of several factors, the most important of which is the coinciding holy seasons—namely: Ramadan season, Eid al-Fitr, Hajj season and Eid al-Adha—with the quarter under review, coupled with the effect of adjusted diesel prices by 19% as of January 2023 (from 63 to 75 halalas/liter). In addition, it is projected that the positive performance of domestic demand will continue, supported by consistently

increasing levels of employment among Saudis; and the continuation of tourism and recreational activities.

On the other hand, the World Bank's projections for the primary commodity price index (April 2023) show deflationary pressures on all sections in 2023. Its projections show a decrease in the prices of fertilizers by 36.9%, energy by 25.8%, metals by 8.9%, food by 7.9%, agricultural commodities by 7.2%, raw materials by 5.7%, and beverages by 5.0% (Table 4).

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

Commodities	Change (%)					
	Actual				Projections	
	2019	2020	2021	2022	2023	2024
Energy	-12.4	-32.7	81.0	60.0	-25.8	0.1
Agriculture	-4.0	4.7	24.3	13.3	-7.2	-2.0
Food	-3.8	7.1	30.8	18.0	-7.9	-2.8
Raw materials	-4.4	-2.0	9.4	-3.1	-5.7	2.2
Metals	-9.9	-1.8	46.8	4.0	-8.9	-3.2
Fertilizers	-1.4	-8.3	104.2	54.8	-36.9	-7.1
Beverages	-3.7	5.6	16.3	13.7	-5.0	-3.4

Source: World Bank (April 2022).

