

# INFLATION REPORT

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# Executive Summary

The general consumer price index (CPI) registered a YoY increase of 2.7% and a QoQ increase of 0.6% in Q2 2023.

Housing, water, electricity, gas and other fuels registered the highest YoY inflation rate of 8.6% in Q2 2023. Restaurants and hotels came second with a YoY increase of 5.2%, followed by recreation and culture with 3.2%, education with 3.0%, then transport with 1.4%. In contrast, clothing and footwear recorded the highest YoY decrease of 2.4%.

The wholesale price index (WPI) recorded a YoY decrease of 0.7% in Q2 2023.

The inflation rate for Q3 2023 is projected to witness a relatively stable YoY rise as a result of several factors, the most important of which is the projections of the continued positive performance of domestic demand, supported by consistently increasing levels of employment among Saudis; the continuation of tourism and recreational activities and the beginning of the academic year. In contrast, global food and beverage prices are expected to continue declining.

## 1- Consumer Price Index (CPI)

The general consumer price index (CPI) registered a YoY increase of 2.7% and a QoQ increase of 0.6% in Q2 2023 (Table 1 and Chart 1).

Education came fourth with 3.0%, followed by transport with 1.4%; food and beverages with 1.0%; and health with 0.7%. Miscellaneous goods and services and tobacco came last with 0.1% each.

### 1-1 Developments in Q2 2023

Housing, water, electricity, gas and other fuels registered the highest YoY inflation rate of 8.6%. Restaurants and hotels came second with a YoY increase of 5.2%, followed by recreation and culture with 3.2%.

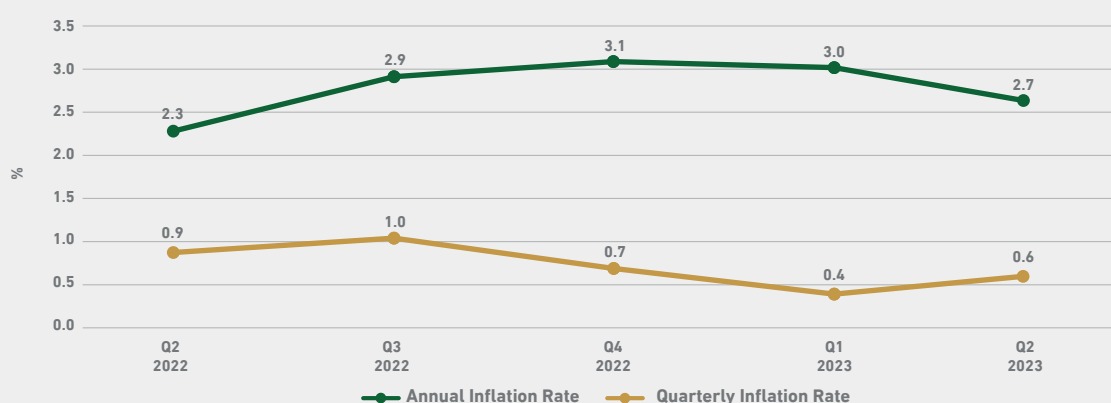
In contrast, clothing and footwear recorded a YoY decrease of 2.4%. Furnishings, household equipment and maintenance came next with 1.9%, followed by communication with 0.6% (Table 1 and Charts 2 and 3).

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

	Weights	Change (%)						
		Q2 2023	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q2 2023 / Q1 2023	Q2 2023 / Q2 2022
General index	100.0	106.5	107.6	108.3	108.7	109.4	0.6	2.7
Food & beverages	18.8	121.6	123.1	123.1	122.6	122.8	0.1	1.0
Tobacco	0.6	114.8	114.9	114.9	114.9	114.9	0.0	0.1
Clothing & footwear	4.2	102.9	102.7	101.6	100.5	100.4	-0.1	-2.4
Housing, water, electricity, gas & other fuels	25.5	88.9	90.2	92.9	95.1	96.5	1.4	8.6
Furnishings, household equipment & maintenance	6.7	109.9	109.9	109.2	108.4	107.8	-0.5	-1.9
Health	1.4	103.2	103.7	103.9	103.8	103.9	0.1	0.7
Transport	13.0	117.2	118.7	118.9	118.5	118.8	0.3	1.4
Communication	5.6	111.4	111.3	112.3	111.2	110.7	-0.4	-0.6
Recreation & culture	3.1	105.3	107.7	106.2	105.5	108.7	3.0	3.2
Education	2.9	99.8	100.7	102.6	102.7	102.7	0.1	3.0
Restaurants & hotels	5.6	116.5	120.3	121.4	122.0	122.6	0.4	5.2
Miscellaneous Goods And Services	12.6	108.6	108.5	107.4	107.7	108.7	0.9	0.1

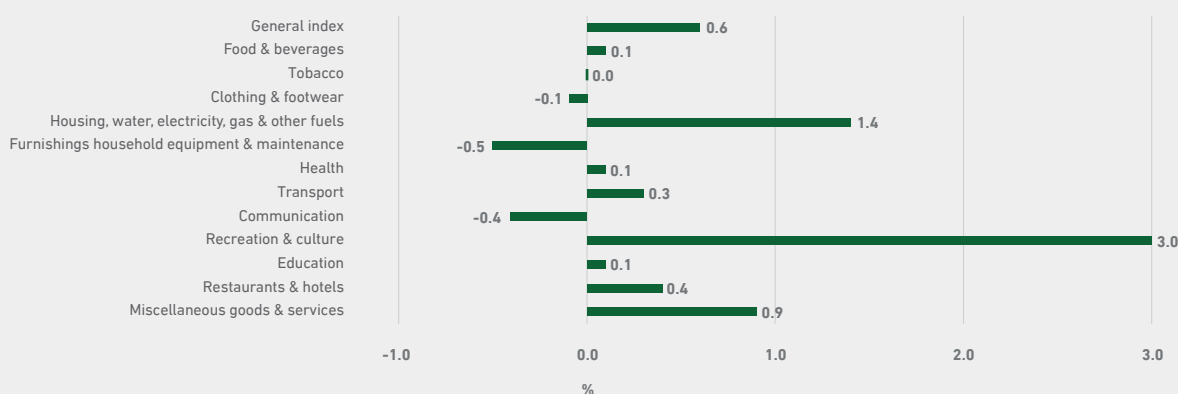
Source: General Authority for Statistics.

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



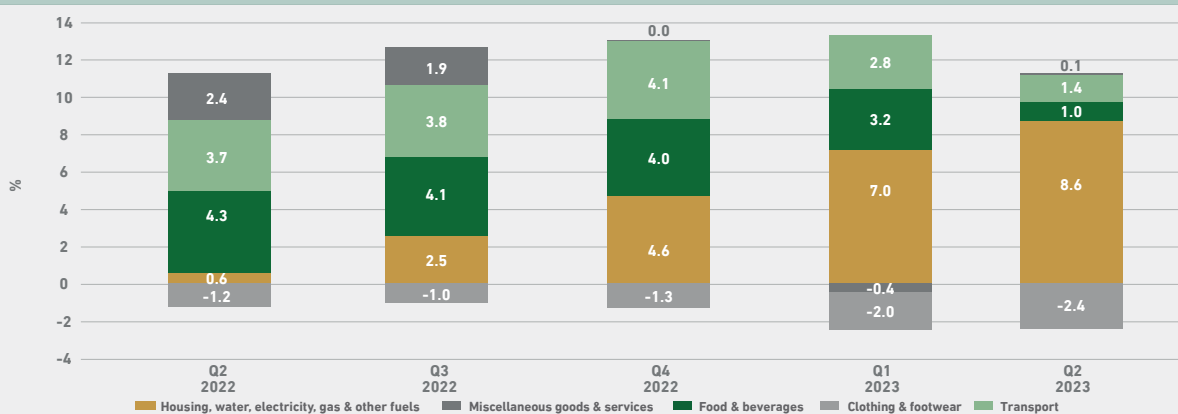
Source: General Authority for Statistics.

**Chart 2: Inflation Rate of the Consumer Price Index by Main Sections (Q2 2023 / Q1 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.

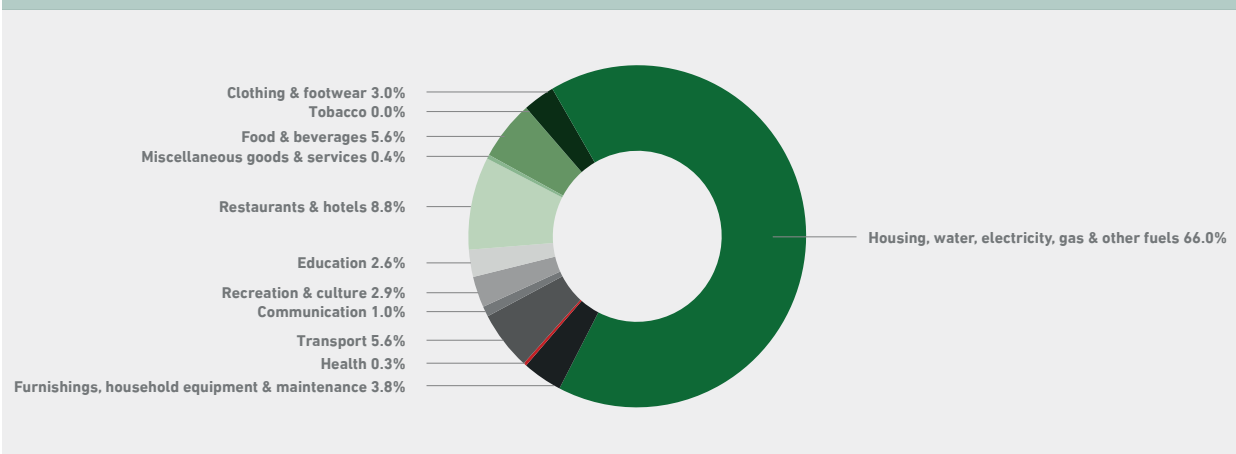
### 1-2 Effect of Main Expenditure Categories on CPI

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 66.0% in Q2 2023 against 6.1% in Q2 2022. Restaurants and hotels came second with 8.8% compared to 9.5% in Q2 2022, followed by food and beverages with 5.6% against 33.7%; transport with 5.6% against 20.1%; furnishings, household equipment and maintenance with 3.8% as compared to 4.4%; clothing and footwear with 3.0% against 2.1%; recreation and culture with

2.9% as compared to 3.7%; education with 2.6% against 7.4%; communications with 1.0% as compared to 0.1%; miscellaneous goods and services with 0.4% as compared to 12.8%; health with 0.3% against 0.1%. Tobacco, however, remained unchanged during Q2 2023 against 0.1% in Q2 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 77.2% in Q2 2023 against 59.8% in Q2 2022 (Chart 4).

Chart 4: Percentage Impact of Major Sections of The General Inflation Rate (Q2 2023)



Source: General Authority For Statistics.

## 2- Wholesale Price Index (WPI)

The WPI in Q2 2023 recorded a YoY fall of 0.7% and a QoQ drop of 0.1% (Chart 5). A breakdown of WPI by product category shows that metal products, machinery and equipment recorded the highest YoY decrease of about 1.7% in Q2 2023, followed by other transportable goods (except metal products,

machinery and equipment) with 1.1%, then agriculture and fishery products with 1.1%. Ores and minerals came last with 0.3%.

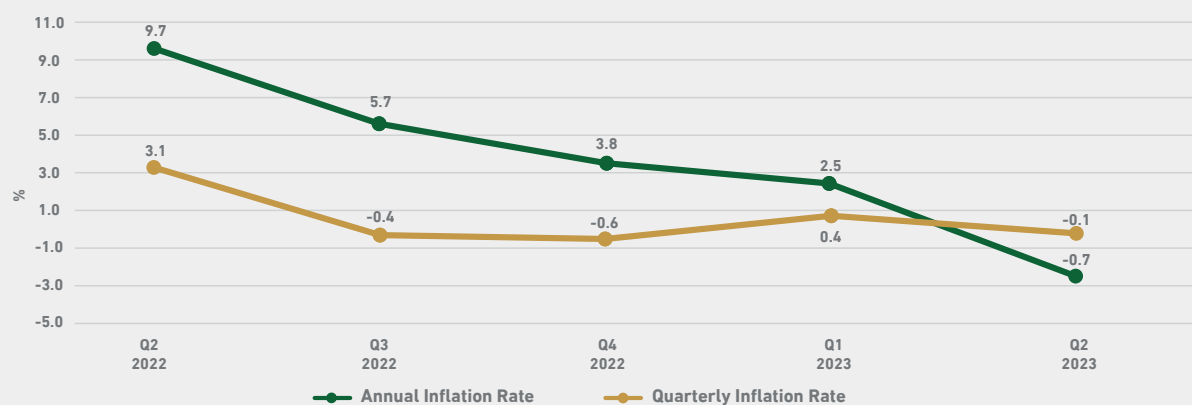
On the other hand, food products, beverages, tobacco and textiles recorded a YoY increase of 2.7% in Q2 2023 (Table 2 and Chart 5).

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

	Weights	Change (%)						
		Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q2 2023 / Q1 2023	Q2 2023 / Q2 2022
<b>General Index</b>	<b>100.0</b>	<b>150.4</b>	<b>149.8</b>	<b>148.9</b>	<b>149.5</b>	<b>149.3</b>	<b>-0.1</b>	<b>-0.7</b>
Agriculture and fishery products	8.7	141.3	142.7	139.2	138.9	139.8	0.7	-1.1
Ores and Minerals	0.6	116.6	117.1	116.6	116.1	116.3	0.2	-0.3
Food products, beverages and tobacco and textiles	17.3	130.7	132.5	132.5	133.9	134.2	0.2	2.7
Other goods	33.7	176.8	175.6	175.8	176.2	174.9	-0.8	-1.1
Metal products, machinery and equipment	39.7	139.0	137.5	135.8	136.4	136.7	0.2	-1.7

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

According to the general levels of CPI for Saudi Arabia's largest exporters, based on Q2 2023 data, the inflation rate in China, Saudi Arabia's largest exporter, registered a YoY rise of 0.1% but a QoQ drop of 0.2%. In addition, the United States

inflation rate recorded a YoY increase in Q2 2023 by 4.0% and a QoQ increase by 1.2%. In India, inflation went up by 4.6% YoY and by 1.4% QoQ. In Japan, the inflation rate rose by 3.4% YoY and by 0.7% QoQ. Moreover, the inflation rate in South Korea recorded a YoY rise of 3.2% and a QoQ rise of 0.6% (Table 3).

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

Country	CPI Index						Change (%)	
	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q2 2023 / Q1 2023	Q2 2023 / Q2 2022	
China	102.2	102.7	101.8	101.3	100.1	-0.2	0.1	
USA	292.6	296.4	297.5	300.6	304.2	1.2	4.0	
India	171.5	174.3	176.3	176.8	179.4	1.4	4.6	
Japan	101.7	102.7	103.9	104.4	105.1	0.7	3.4	
South Korea	107.5	108.8	109.2	110.3	111.0	0.6	3.2	

Source: National Statistical Offices in China, USA, India, Japan &amp; South Korea.



## 4-Inflation Projections for Q3 2023

The inflation rate for Q3 2023 is projected to witness a relatively stable YoY rise as a result of several factors, the most important of which is the projections of the continued positive performance of domestic demand, supported by consistently increasing levels of employment among Saudis; the continuation of tourism and recreational activities and the beginning of the academic year. In contrast, global food and beverage prices are expected to continue declining.

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	-10.3	-31.5	61.8	58.5	-25.8	0.1
Agriculture	-1.6	6.6	11.2	12.3	-7.2	-2.0
Food	-1.5	8.9	17.0	16.9	-7.9	-2.8
Raw materials	-2.1	-0.3	-2.2	-4.1	-5.7	2.2
Metals	-2.7	2.8	31.5	-2.1	-8.9	-3.2
Fertilizers	1.0	-6.7	82.5	53.4	-36.9	-7.1
Beverages	-1.4	7.4	4.0	12.7	-5.0	-3.4

Source: World Bank.

