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Mineral Fertilizers Price Pass-through into Food

Inflation in Saudi Arabia

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Abstract

The world is facing many economic problems, the most prominent of which is higher food prices and the related economic and social impacts, including high inflation rates, increasing middle-class food spending, and declining food self-sufficiency in many developing countries. Food inflation has become a major problem, especially in countries where food and beverages dominate the consumer price index. This study addresses the food inflation dynamics in Saudi Arabia and identifies the causes contributing to it, especially mineral fertilizers prices. The empirical analysis is based on the quantile regression model to explore the dynamics of food inflation between January 2013 and September 2021. After conducting a preliminary analysis, a quantile regression model is employed to estimate the causes of three food price inflation indices: food and beverage price index, food price index and beverage price index. The results show that money supply and exchange rate significantly affect food price indices. The results also reveal that food prices are affected by mineral fertilizers prices. Furthermore, the relationship between food commodity prices and mineral fertilizers prices depends on the level of inflation. Finally, the study presents several recommendations for economic policy intended to curb rising food inflation in Saudi Arabia.

Keywords: *Inflation; Food commodity prices, mineral fertilizer prices, quantile regression, Saudi Arabia.*

JEL Classifications : E31 ; Q02 ; L7

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