



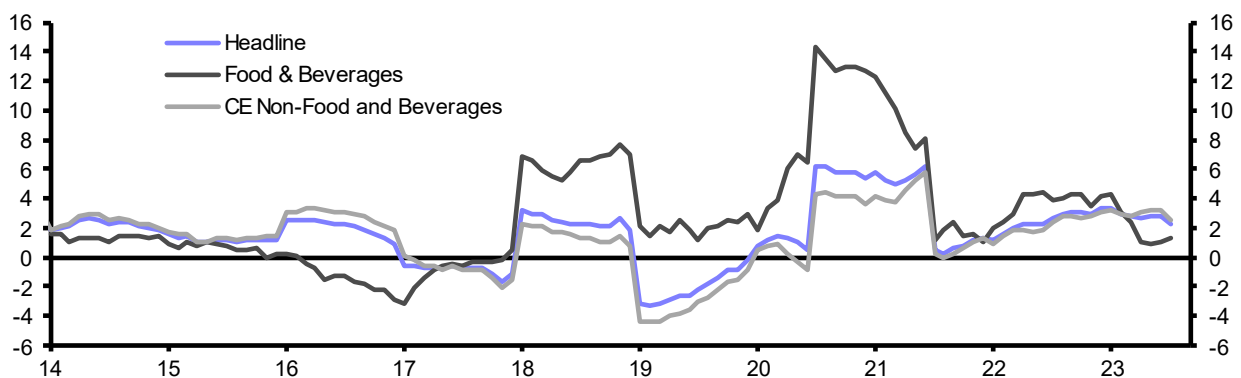
# MENA RAPID RESPONSE

## Saudi Arabia Consumer Prices (Jul.)

Inflation slows to weakest pace in a year and will ease further

- Saudi Arabia’s headline inflation rate eased from 2.7% y/y in June to 2.3% y/y in July, the slowest outturn since the middle of last year and we think the headline rate will continue to edge lower over the remainder of this year.
- The outturn was lower than our expectation for inflation to rise to 3.1% y/y and was weaker than the consensus expectation of 2.4% y/y. On a seasonally-adjusted m/m annualised basis, we estimate that prices rose by 1.1%.
- The breakdown showed that a rise in food and beverages inflation was more than offset by weaker non-food inflation. **Food and beverages inflation accelerated from 1.0% y/y in June to 1.4% y/y last month**, which came on the back of stronger bread and cereals inflation (perhaps a result of the spillover of the end of the Black Sea grain deal that pushed up global wheat prices) and easing fruit and vegetables deflation.
- Meanwhile, our measure of non-food inflation decelerated from 3.1% y/y in June to 2.5% y/y in July, the weakest pace in a year. (See Chart 1.) **Across almost all major sub-components, inflation eased last month with the most notable slowdowns coming in transport, clothing, recreation and culture, and housing and utilities.** (See Table 1.)
- Housing inflation slowed for the first time in two years and was largely a result of weaker rentals inflation, possibly suggesting that the cooling in the mortgage market over recent months that is freeing up supply in the occupiers market and reducing the pressure on rents in the Kingdom. Meanwhile, recreation and culture inflation slowed largely on the back of weaker package holiday inflation which reflected the seasonal bump for pilgrimages and umrah packages.
- **Looking ahead, we think that the headline inflation rate will continue to ease over the remainder of this year to 1.0-1.5% y/y and will hover around this rate well into 2024.**

Chart 1: Saudi Arabia Consumer Prices (% y/y)



Sources: General Authority for Statistics, CEIC, Refinitiv

Table 1: Saudi Arabia Consumer Prices (% y/y)

|                 | Consumer Prices |            | Food & Bev | Housing    | Transport  | Health     | Clothing    | Education  |
|-----------------|-----------------|------------|------------|------------|------------|------------|-------------|------------|
|                 | % m/m           | % y/y      | % y/y      | % y/y      | % y/y      | % y/y      | % y/y       | % y/y      |
| Apr. '23        | 0.4             | 2.7        | 1.0        | 8.1        | 1.1        | 0.7        | -2.1        | 3.0        |
| May '23         | 0.2             | 2.8        | 0.9        | 8.4        | 1.6        | 0.7        | -2.2        | 3.0        |
| Jun. '23        | 0.2             | 2.7        | 1.0        | 9.1        | 1.6        | 0.6        | -2.9        | 3.0        |
| <b>Jul. '23</b> | <b>0.1</b>      | <b>2.3</b> | <b>0.9</b> | <b>8.6</b> | <b>0.9</b> | <b>0.3</b> | <b>-3.9</b> | <b>1.8</b> |

Sources: General Authority for Statistics, CEIC, Refinitiv.



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