



# Inflation Update

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Jadwa Investment

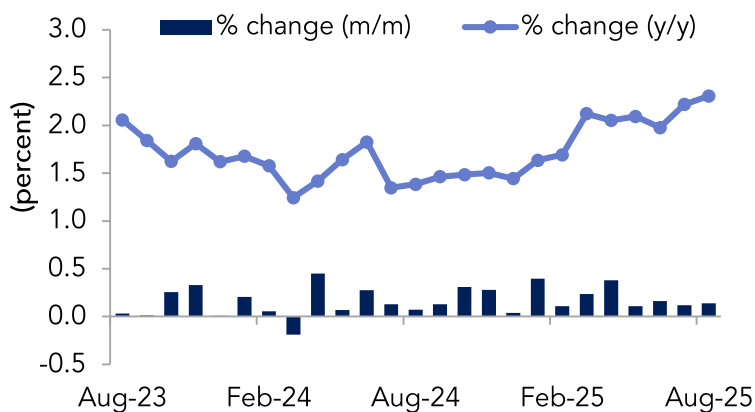


# Inflation Update

## Inflation increases but remains low

- Consumer price inflation rose in the year to August 2025 compared with the same period in 2024, though it remains moderate at 2.0%.
- We forecast inflation to persist at similar levels in the near term, at 2.1% on average in 2025, and 1.7% in 2026.
- GaStat's August 2025 release introduced a revised Consumer Price Index (CPI) series, reflecting an updated base year (from 2018 to 2023), and revised subcomponent weights.
- The main price pressures continue to come from 'housing and utilities', with the 'rentals for housing' subgroup rising significantly amid high demand.
- However, the pace of price increases in 'rentals for housing' has recently moderated, primarily due to base-year effects, as prices continue to rise but at a slower rate. Price increases will moderate further following the rental freeze announced for Riyadh.
- 'Food and beverages' prices increased by 1% year-on-year in the year to August, and are expected to rise at a slightly stronger rate due to the influence of higher global food price inflation.
- The weaker US dollar is pushing up the cost of some imported goods and services, but the impact is limited by the geographic composition of the Kingdom's imports.
- Consumer spending (POS plus e-commerce transactions and ATM withdrawals) rose by 10.3% year-on-year in nominal terms, in the year to August, and is expected to continue to grow at decent rates despite some softening in consumer sentiment.

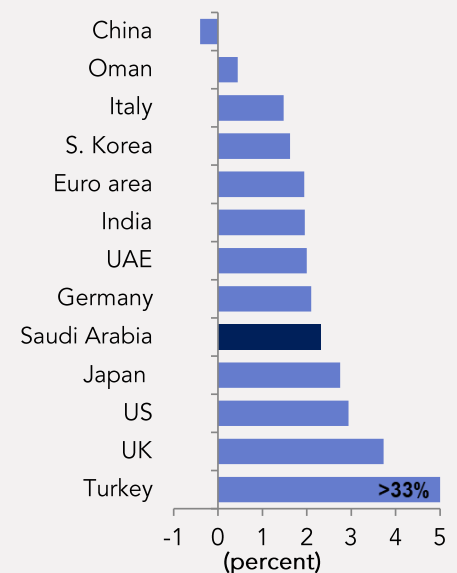
Fig 1: Inflation Rates in Saudi Arabia



### Saudi CPI inflation (%)

	Month-on-month	Year-on-year
August 2025	0.1	2.3
Jan-Jul 25 avg	0.2	2.0

### Inflation Rates in Major Trade Partners (latest)



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Consumer price inflation remained moderate in the year to August.

The CPI basket was recently revised with a new base year and component weights.

In 2026 we forecast inflation to slow.

Limited impact of rising global food prices is expected on the local market.

## Overview

Consumer price inflation rose in the year to August 2025 compared with the same period in 2024, though it remains moderate at 2.0%. The main upward pressures continued to come from 'housing and utilities' and 'Personal care, social protection and miscellaneous goods and services'. On a year-on-year basis, inflation stood at 2.3% in August, higher than the 2% average recorded in Jan-July 25.

A major development in the latest CPI release is the revised base year, from 2018 to 2023, and the revised basket group weights, which had an impact on headline and sub-group inflation rates (Box 1). The revised inflation rates show that prices in 2024 rose by 1.5%, lower than previously reported at 1.7%.

For the rest of 2025, we expect inflation to average around 2.3%, as higher food prices offset easing rental inflation. Recent data from the Food and Agriculture Organization (FAO) show a 6.3% increase in global food prices in Jan-Sept 25, compared to a decline by 1.8% in FY 2024.

In 2026 we forecast inflation to slow due to slower house rental inflation. Housing inflation will ease due to base effects, a lower weight in the revised CPI basket, and the recently announced five-year rental freeze in Riyadh.

The recent depreciation of the US dollar is expected to have an impact on the cost of some imported goods and services in the Kingdom. The effects are likely to be transmitted through a number of product categories that are highly dependent on imports (Box 2). However, the impact is expected to be limited.

Accordingly, and following the new CPI basket revisions, we forecast inflation at 2.1% in 2025, and 1.7% in 2026.

## CPI Basket Groups

'Food and beverages' group's weight in the CPI basket is now higher, up from 18.8% to 22% in the revised data. Prices in this group rose by 1% year-on-year in the year to August (Table 1), matching the average during the same period in the previous year. Food price inflation showed mixed trends across categories, with notable increases in meat, fish and vegetables.

Recent global market reports indicate a continued rise in meat prices, a trend also captured by the FAO Food Price index (Figure 2). The impact on domestic prices will be mitigated to some extent by ongoing improvements in food self-sufficiency. Specifically, meat self-sufficiency reached 61% by the end of 2023, and is estimated to have increased further in 2025, supported by substantial investments in production expansion and new product lines announced by several local food companies (Figure 3). In addition, government support to local farmers - through funding programs and facilitating measures- should further contribute to stabilizing local prices.

Fig. 2: FAO Food Price Indices (year-on-year change)

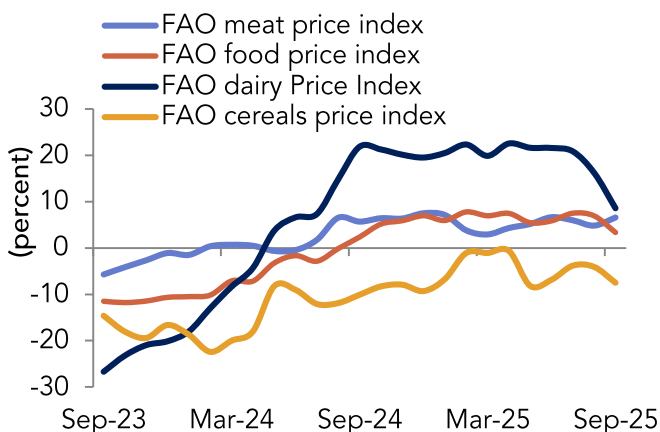
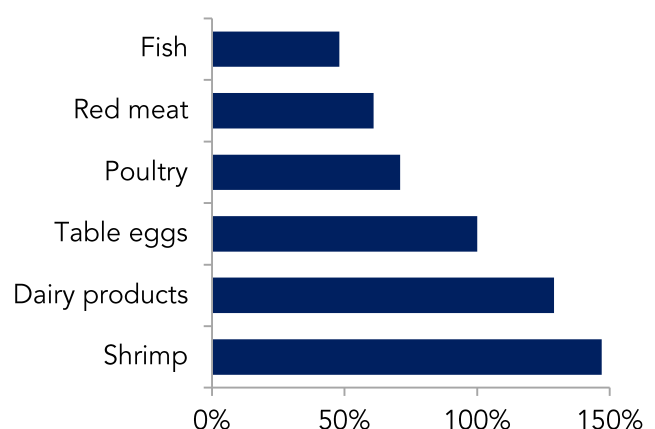


Fig. 3: Food self-sufficiency rates in Saudi Arabia by end of 2023







*Rental demand remains elevated across the Kingdom.*

*the pace of rental price increases has notably slowed this year.*

*'rentals for housing' is expected to be affected by the recently announced five-year rental freeze in Riyadh.*

Nonetheless, food price inflation is likely to rise moderately in Q4, in light of global trends. According to recent FAO data, global food prices increased by 6.3% in Jan-Sept 2025, compared to a decline by 1.8% in FY 2024.

'Housing and utilities' now account for 19.5% of the Consumer Price Index (CPI) basket, down from 25.5% previously. Price increases in this category continue to be driven by the 'rentals for housing' sub-group. Rental demand remains elevated across the Kingdom, particularly in major cities, where both citizens and expatriates are relocating in pursuit of job opportunities.

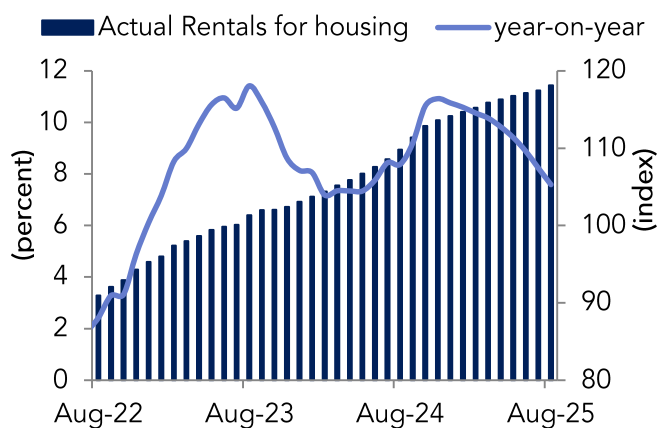
However, the pace of price increases has notably slowed this year, primarily due to base-year effects, as prices continue to rise but at a slower rate (Figure 4). In August, rentals for housing were up by 7.6%, down from 10.8% in December 2024, marking the lowest rate since May 2024.

Looking ahead, 'rentals for housing' sub-group is expected to be significantly affected by the recently announced five-year rental freeze in Riyadh. Riyadh carries the largest weight in the overall rental index and has experienced high rental inflation (Figure 5). Nonetheless, there still will be some overall rental inflation because the policy currently only applies to Riyadh. With the reduced weight of the 'housing and utilities' group in the revised CPI basket, the policy is therefore expected to have a partial impact on the headline inflation rate.

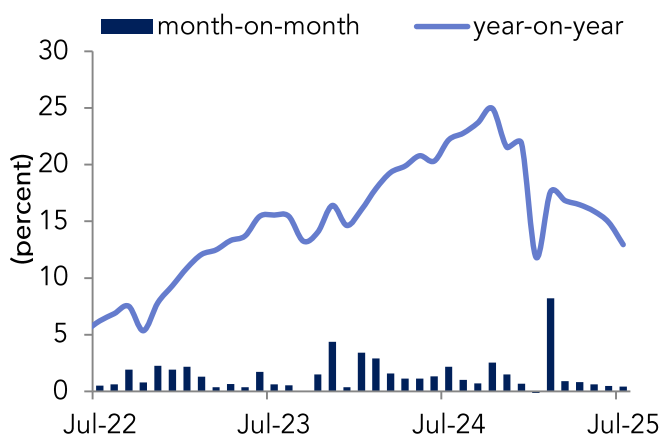
**Table 1: Inflation rates in the CPI basket groups (%)**

	Weight (2023)	Weight (2018)	Jan-Aug 2025 avg	FY 2024
Food & beverages	22	18.8	1.0	0.7
Housing & utilities	19.5	25.5	6.9	6.5
Tobacco	0.8	0.6	0.5	-1.1
Clothing & footwear	3.7	4.2	-0.2	-3.2
Furnishing & maintenance	6.9	6.7	-1.0	-1.2
Health	4.3	1.4	-0.4	0.0
Transport	14.8	13	-0.1	0.2
Information & Communication	5.1	5.6	-1.1	-1.7
Recreation, Sports & culture	3.2	3.1	2.7	0.8
Education Services	2.2	2.9	-0.3	1.3
Restaurants & Accommodations	8.7	5.6	2.3	4.2
Personal care & Misc.	5.8	12.6	4.6	2.3
Insurance & Financial Services	3.0	-	6.4	-1.5
<b>General index</b>	<b>100.0</b>	<b>100.0</b>	<b>2.0</b>	<b>1.5</b>

**Fig. 4: Rentals for housing still robust but with slower annual increases**



**Fig. 5: Rentals for housing in Riyadh (year-on-year change) - (old CPI series)**





The revised CPI series showed an updated base year, from 2018 to 2023...

..and revised subcomponent weights.

The new series will now publish more indicators, such as core CPI.

‘Personal care, social protection and miscellaneous goods and services’ make up 5.8% of the CPI basket. The group includes a range of items, with one of the largest sub-groups being ‘jewellery and watches’, which have recorded a substantial price increase in the year to August, up by 20%, compared with 13% in full year 2024 (Figure 6).

Box 1: Revision to CPI data

GaStat’s August 2025 release introduced a revised Consumer Price Index (CPI) series, reflecting an updated base year (from 2018 to 2023), and revised subcomponent weights. The rebasing incorporates findings from the 2023 Household Expenditure and Income Survey, ensuring the index better reflects current consumer spending patterns, according to GaStat.

Key revisions include:

- **Basket weights:** ‘Housing and utilities’ declined from 25.5% to 19.5%, while ‘Food and beverages’ rose from 18.8% to 22.0%. The weight of ‘Restaurants and accommodation services’ also increased significantly, from 5.6% to 8.7% (Table 1).
- **Category restructuring:** The ‘Miscellaneous goods and services’ group (formerly 12.5% of the basket) was split into two categories. A new group, ‘Insurance and financial services’, was created, while the residual group was renamed ‘Personal care, social protection, and miscellaneous goods and services’, with a lower weight at 5.8% (Table 1).
- **Expanded coverage:** the updated basket now contains 582 items (previously 490), adding new items such as cinema, theatre, museum, library and other cultural site services.

The revised CPI series indicates a slightly lower inflation rate for last year at 1.5% compared with 1.7% in the previous series, while most historical inflation rates show only little divergence (if any) from the old series (Figure 7).

In addition to the headline CPI, GaStat will now publish supplementary indices:

- **Core CPI:** Excluding food, beverages and energy prices.
- **Durable, non-durable, and semi-durable goods CPI:** Capturing differences across consumption goods with varying lifespans (e.g., cars vs. furniture).
- **Services CPI:** Tracking price developments in services including transport, education and healthcare.

GaStat also confirmed that CPI basket weights will be reviewed and updated annually to reflect evolving prices and consumer spending patterns.

Fig. 6: Inflation in ‘Personal care’ group (year-on-year change)

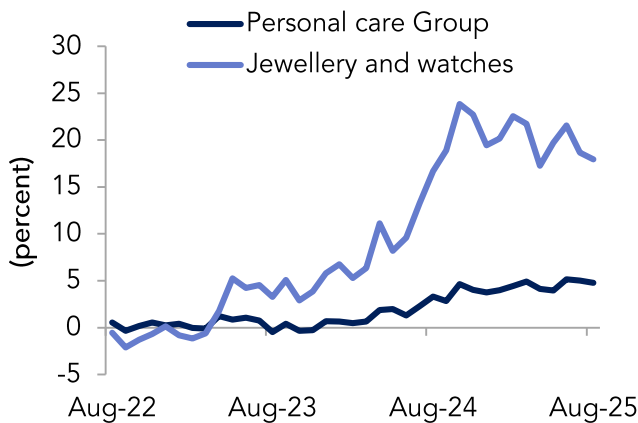
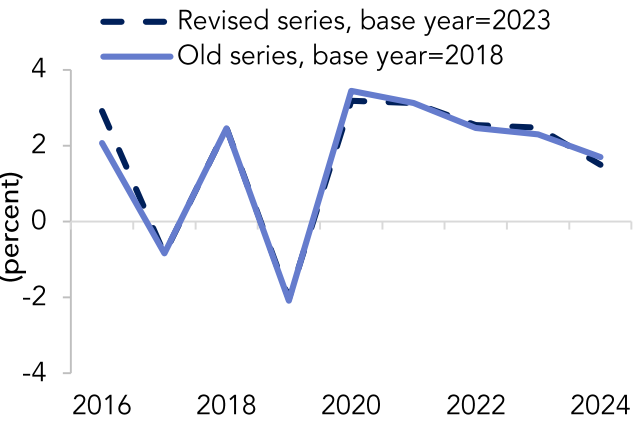


Fig. 7: Revised inflation rates (year-on-year change)





*Consumer spending in the Kingdom remains strong and is expected to continue growing.*

*The share of e-commerce transactions continued to grow at robust levels.*

*Consumer spending is supported by rising employment and numerous local activities.*

*However, competition in the local market is rising, especially with the rising shift to e-commerce.*

The rise is primarily attributed to higher gold prices, which have risen by 65% in the past 18 months, driven by global investment uncertainty and geopolitical tensions that have prompted investors to shift towards safe-haven assets. Looking ahead, the pace of price increases in this category could slow down in the remainder of the year and into 2026 due to base effects.

## Consumer Spending

In the year to August, consumer spending (POS plus e-commerce transactions and ATM withdrawals) rose by 10.3% year-on-year in nominal terms. Notable rises were seen in spending on 'jewelry' and 'telecommunications'. For 'jewelry', it is likely that higher value of spending is driven by higher prices, as explained earlier. Spending on 'telecommunications' would be likely caused by higher number of visitors to the country, for various purposes, added to higher number of subscribers from residents and expatriate employees.

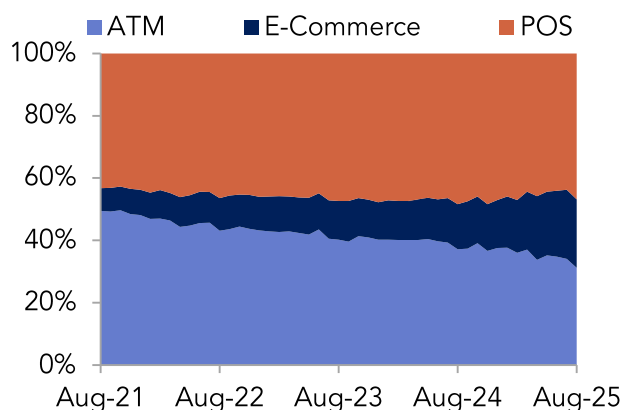
A notable trend is the rising share of e-commerce transactions among spending channels (E-commerce transactions are identified by SAMA as online transactions using Mada cards). The share has risen from 7% in August 2021, to 22% in August 2025, while the share of cash withdrawals declined from 49% to 31% for the same period (Figure 8). Worth mentioning that one of the main goals of the Financial Sector Development Vision Realization Program is to increase the share of cashless transactions in the Saudi economy to reach 70%—this target has nearly been reached.

Consumer sentiment seems to be softening from high levels, according to latest survey data. Nonetheless, we expect consumer spending to continue growing, due to job creation in the labor market supporting demand. In H1 2025, the number of Saudis and expatriates employed in the local market increased by 9%, year-on-year. On the supply side, numerous tourism and cultural initiatives being launched around the Kingdom contribute to higher spending.

In addition, consumer loan data show an upward trend in consumer borrowing for goods such as vehicles and furniture (Figure 9), suggesting strong demand in line with the rising population and expanding labor market.

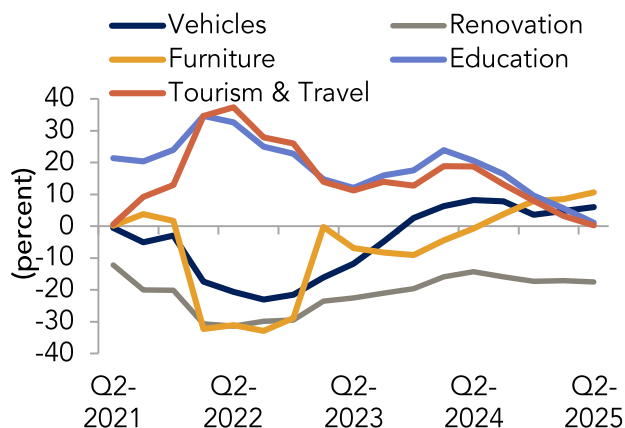
However, while aggregate consumer spending remains robust, it is worth noting that businesses report challenges from high levels of competition and the greater shift to e-commerce, which is impacting physical in-store retail. For example, the year-on-year increase in POS sales value was a fairly modest 6% in January-August and there was a decline in ATM withdrawals. This compares with a 64% rise in e-commerce sales value for the same period.

**Fig. 8: Rising share of e-commerce\* transactions in the Kingdom (share in total)**



\*E-commerce include only Mada cards transactions through online shopping sites, in-app purchases and e-wallets, it does not include transactions by Visa, MasterCard and other credit cards.

**Fig. 9: Consumer loans (year-on-year change)**





The US dollar is down by around 10% since the start of the year.

This depreciation raises the risk of imported inflation to Saudi Arabia.

However, we do not expect to see a major impact of the weaker USD on the total cost of imported goods.

Overall, we expect inflation to slow down in 2026.

Box 2: Weaker USD and Import Prices

In the year to September 2025, the US dollar recorded a weak performance, down by 10% against the currencies of major US trading partners (Figure 10).

For Saudi Arabia, the dollar’s depreciation raises the risk of imported inflation, particularly for goods and services sourced from countries with appreciating currencies against the USD (and SAR). Goods and services imported from the euro-area, for example, have become more expensive in US dollar and SAR terms this year.

However, other trade partners have not witnessed significant currency appreciation against the US dollar and SAR. China’s Renminbi, for example, has only gained modestly against the SAR (Table 2). Weighting the currency moves by import shares for these main trade partners (which account for 70% of the Kingdom’s imports) indicates that the effective appreciation of these currencies against the SAR was less than 3%.

Accordingly, we do not expect the weaker USD to have a major impact on the total cost of imported goods, given the composition of the Kingdom’s imports and the fact that China - its largest source, accounting for 27.2% of total imports in H1, has maintained a broadly stable Renminbi and has very low inflation.

Outlook

In the remainder of the year, housing inflation is expected to soften given the high base effect, the recently announced five-year rental freeze in Riyadh, stronger housing sales, and new housing projects come on line, increasing supply. Further US Fed interest rate cuts in Q4 2025 and into 2026 could soften rental demand from Saudi nationals, as attention shifts back to the mortgage market - a trend previously observed in Q4 2024.

That said, overall housing rental demand in the Kingdom is expected to remain robust, due to solid non-oil growth expected in 2025 and 2026. The continued expansion of the economy is expected to create more job opportunities for both Saudis and expatriates, particularly in the major cities, supporting demand on housing.

Overall, we expect inflation to slow down in 2026, due to easing rental inflation. Accordingly, and following the new CPI basket revisions, we forecast inflation at 2.1% in 2025, and 1.7% in 2026.

Fig.10: The USD declined by around 10% since the start of 2025



Table 2: Main trade partners’ currencies performance against SAR since start of 2025

Country	Import share (percent)	Currency performance against SAR since start of 2025 (percent) (appreciation+ / depreciation-)
China	27.2	2.3
Eurozone	11.3	13.3
US	8.2	0
UAE	5.7	0
India	5.1	-3.6
Japan	3.9	5.5
Switzerland	2.7	14.0
UK	2.3	7.4
South Korea	2	5.3

\*Eurozone countries included: Germany, Italy, France, and Spain.  
US = the USD index  
+ = appreciation / - = depreciation against the USD



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