

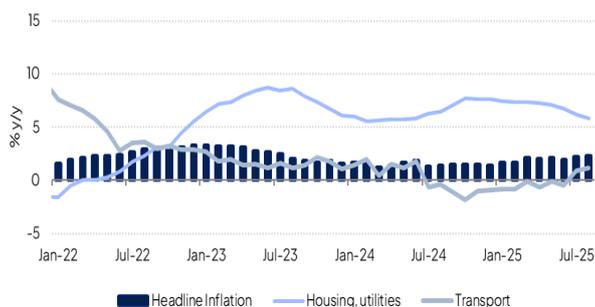
## Saudi Arabia: CPI inflation picks up in August

15 September 2025 – Economics

- CPI inflation in Saudi Arabia picked up to 2.3% y/y in August, with housing & utilities being the major driver.
- Housing inflation accelerated in August but it remains lower than the recent trend and will likely slow further.
- Modest price growth will be supportive of private consumption, and consumer spending was up 15.4% y/y in July.

Saudi Arabia recorded headline CPI inflation of 2.3% y/y in August, up from 2.2% the previous month (revised up from the initial reading of 2.1%). On a monthly basis, consumer prices were 0.1% higher, the same pace of growth as recorded in July. Annual inflation has averaged 2.2% y/y over the first eight months of the year, and we are holding to our forecast for an average of 2.0% over 2025, which would mark a modest acceleration on the 1.7% averaged in 2024. We anticipate a slowdown in price growth through the remainder of the year, and expect that mild inflationary pressures generally will remain supportive of robust consumer demand in Saudi Arabia, underpinning GDP growth.

### Modest inflation overall

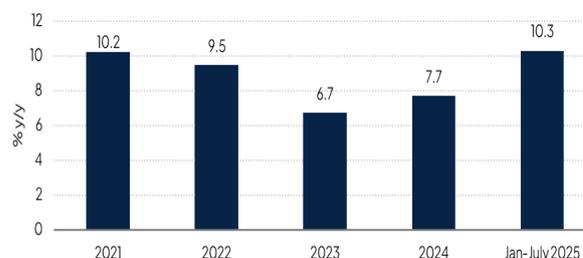


Source: Haver Analytics, Emirates NBD Research

The bulk of the inflationary pressure in Saudi Arabia continues to stem from the housing & utilities component of the CPI basket, which is the largest and accounts for around a quarter of the total weighting. In August, annual housing inflation ticked up to 5.8% y/y, from 5.6% the previous month. This is still significantly softer than the 7.0% averaged over the first half of the year, however, and we expect that the general trend will remain disinflationary through H2. A surge in demand for units as the population and labour force expands, especially in Riyadh, has fuelled rapid growth in housing costs in recent years, with housing inflation hitting as high as 9.6% in October last year. The

authorities are cognizant of these pressures though and have taken measures to boost supply in the capital through reducing restrictions on development in March. A rent cap is also reportedly being considered, and last week Crown Prince Mohammed bin Salman vowed to stop the ‘unacceptable’ rise in housing costs. Given these factors, we expect that some of the heat in pricing will continue to dissipate.

### Strong growth in consumer spending



Source: Haver Analytics, SAMA, Emirates NBD Research

Notable drivers of the faster pace of headline inflation in August compared with July included the restaurants & hotels sector, where prices were up 3.0% y/y, a marked acceleration from 1.4% the previous month. Transport prices also accelerated, up 1.2% y/y, from deflation of 0.3% in July. The rest of the CPI basket continues to see comparatively softer inflationary pressure. Food & beverages inflation softened to 1.1% y/y in August, down from 1.6% the previous month and the slowest pace of price growth since February, while furnishings & household goods and communication remained deflationary. Looking at responses to the Riyadh Bank PMI survey for Saudi Arabia, while businesses are passing some of their higher costs for staff and purchases onto customers, it remains at a mild pace.



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With price pressures set to remain soft we expect there will be ample support for already robust consumer spending growth in Saudi Arabia. Tracking this through the total of point-of-sales transactions, cash withdrawals, and ecommerce spends, growth has averaged 10.3% y/y over the first seven months of 2025. This is reflected in GDP growth results, where consumer-facing sectors are among the strongest performing: wholesale & retail trade, restaurants & hotels which saw growth of 6.6% y/y in Q2.

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