

Cost of Unemployment Affecting Full Employment and Price Stability in Saudi Arabia: An Endogenous Monetary Approach

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Abstract

Saudi Arabia is facing an increased workforce out of work. We explore the factors that lead to Saudi Arabia's problem with unemployment and increasingly strict monetary policy. Re-conceptualizing the macroeconomic aim of placing of jobs and assistance for self-reliance over consumer security is critical to a) Understand the overall macroeconomic picture of the economy; b) Recognizing the monetary and social indices ought to be re-examined. Fiscal and monetary measures that deal with imbalances need to be put to the test as well. Saudi Arabia's economic structure is detailed in the series of graphic novels. Additionally, this article would investigate unemployment issues in the state's future.

Keywords: full employment; economic growth; fiscal policy; monetary policy; pro-cyclical policies; inflation; fiscal deficit; interest rate; stabilization; adjustment.

1. Introduction

Macroeconomics initially emerged as a field of study in growing economies that sought to achieve specific goals via the implementation of fiscal and monetary adjustments. In this context, the "balance of payments imbalance" concept was invented to characterize a situation in which external transactions payables and receivables occur at approximately the same time. A drastic break from Keynesian thinking came with the demise of monetarism in the mid-1970s. Balance within the company has come to be understood solely in terms of expense, with little concern for financial status. As part of his philosophy, the President focused on the notion that if the government might obtain a measure of equilibrium, the sector would be free to return to this path, which would lead to financial stability, as well. Macroeconomic theory attempts to analyse and shape policies in regards to the long-term effects of these diverse circumstances. There is a disparity between the two versions because of the design, not theory. There are two additional differences between emerging markets that are systemic: their structures and their economies. These factors include (1) demand caps, (i.e., costs the government is unable to pay to raise or enact), (2) wage-price regulation, growth sources, and (i.e., increased taxpayer spending), (3) business events (i.e., movements in market prices) and (4) the tools that are at their disposal (structural and monetary) or the governments' abilities to respond to policies (such as unemployment insurance) and maintain stability in the market or in the event of crises, financial capability, debt and other measures that aid government support for its fiscal and monetary position are in question.

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At the end of the 1970s, it was agreed that the principal objective of macroeconomic policies was to maximize employment and economic growth, however by the 1990s, the focus had narrowed considerably to issues such as keeping inflation and the balance of payments in check. Accordingly, the important strategic long-term targets of developing countries are usually their internal and their international stability. The most commonly encountered obstacle pertains to future growth, which was controlled through careful management of current account balance and inflation. Due to the debt crises experienced by numerous developing countries in the 1980s, policymakers temporarily shifted their attention towards micro-level management. The prevailing theories at the time stipulated that most economic outcomes, including growth, are likely to be attained by the government on the overarching path to market stability. On the other hand, inherent balance refers to a state of financial stability and price equilibrium that fosters growth. With the free-market principle supporting self-regulation for all markets, the concept of maintaining an external balance has slowly lost its significance. The two dominant positions have disputed the idea that money and the economy are inextricably linked to financial processes.

The prevailing perspectives on the problem aligned with time due to the fact that markets tend to change in a slow-paced manner. As economies are influenced by a myriad of factors, including climate, all of those tend to be associated with various variables. In this context of any macroeconomic analysis, it is crucial to take into consideration different influences that originate either externally (endogenous) or internally (autonomous) within the economy. While some economies are recognized as industrial, others should be approached as being at a certain stage of development. Consequently, the potential existence of a universal set of economic principles would lead to their uniform performance under dissimilar circumstances. For these reasons, informed theory and policy development is expected to confront these disparities head-on, rather than dismissing them outright. Orthodox philosophical approaches sought to encompass all of the discussed contradictions, ultimately taking precedence over competing ideologies. Until the early 1980s, developing countries implemented strategies primarily oriented at short-term economic growth without considering possible long-term outcomes.

There were several views shared with several various degrees of divergence. The Orthodoxy was put in question by critics who were heretical. Nothing was found to be better in any of the cases. Meanwhile, the concept of time is under fire as never becoming creative due to the recent financial crisis. A growing number of market participants believe that markets are not sovereign: it is but the market itself does not seem to be, and markets are really capable servants but may be bad masters. The global recession and currency crisis also mean that monetary policies need to be re-examined.

A macroeconomic strategy was implemented with the objective of bringing costs into balance. From an analyst's perspective, short-term stabilization became seen as a steppingstone to prosperity. It is theorized that the IMF developed a different approach to dealing with financially struggling countries and the global capital markets gave it their support. It has been found that inflation has been dealt with, and the financial sector is getting back on track. However, this had little effect on

growth; it simply expedited her downfall. Moreover, more often than not, it resulted in monetary or fiscal macro-stabilisation policies which hamstrung or hampered both. When established, these policies were based on the expectation that these would be with regards to them a long-term perspective. On the other hand, though, it's led to two significant benefits. That was the first time that the macroeconomic problems and instabilities began in developed countries. In addition, a change in emphasis from Keynesian monetary agreements toward counter-inflationary demand management occurred. Regulation of overall inflation was the most significant, and, which led to the absence of external imbalances. And certainly, it was an Orthodox belief that a well-controlled macroeconomic system is critical for economic creativity.

Re-framing goals will be the first step in this restructuring. It is believed that the process of stabilization must come first, and then economic priorities can take care of themselves. The most important aim of macroeconomic policies, in the medium term as well as in the long, is to neutralize the different imbalances and to be sure of economic development and jobs. You should treat growth and assistance of the economy equally important, if not more essential in promoting career development. An economist would say we would reconsider the use of tools like price and GDP as part of the ongoing evaluations. Re-establishing macroeconomic equilibrium is not considered to be part of an economic policy. Although there is no way to manage inflation by means of the money supply, interest rates cannot be used to control it. When money and credit are equally important, an open strategy will provide the best results.

Fiscal and monetary policies should work together to promote long-term stability by using counter-cyclical measures. Financial people could get out of the way and allow us to refocus on the true economy, as well as allowing for long-term growth. Macroeconomic policies should be used to address both short-term conditions and the underlying economic factors. Institutional stability and macroeconomic maturity can lead to different macro-level objectives and policies in developing economies. In most countries, the creation of new infrastructure does not need to originate in the government but in the private sector; in the developed world, the government's function is mostly one of assistance, rather than creating development.

For this hypothesis to be proved correct, it would be needed to see how the state understands its financial position. Saudi is finally facing the first of the century's most important problems such as extremely high youth unemployment. The aim of this paper is to identify why the unemployment rate in Saudi Arabia remains so stable.

Despite, being a wealthy and youthful country Saudi Arabia recently has seen substantial joblessness. The primary goal of this paper is to understand the reasons for Saudi Arabia's unstable job market and currency regimes. Rather than create world challenges, it addresses these concerns in a practical way. It is a fine example of Saudi Arabia's economic model. Long-term sources of the country's unemployment are included. In addition, it forecasts the high social and economic costs of joblessness using Okun's law and a panel econometrics methodology that recently came into being. Alternate solutions provide the standard product answers in the event that Okun's Rule cannot be applied. This study would investigate how long-term unemployment would affect the state's well-being.

Many people in Saudi Arabia are unaware of how much money has an effect on work availability, so the paper explores the possibility and expense of introducing a holistic employment strategy. In other words, whether the government's own revenue (taxes) or spending creates new funds (assets), the country can or government-issued bank-created reserves (deposits) may be viewed as the country's source of capital. Easy ways to encourage and realize financial situation were included, as well as strategies for achieving the general goals of that research report.

Finally, the most important finding of this paper is that 1,687,313 Saudis have lost their employment, resulting in a \$95 billion loss of real GDP and a \$ 52 billion loss of non-oil real GDP. The study's first goal is to develop a plan for maintaining financial stability, which would eventually result in substantial economic gains for the whole population. Saudi Arabia is using an endogenous money strategy to provide policy alternatives to the country's unemployment crisis by converting its economy into a knowledge-based economy (KBE). Many of the KBE foundations are current, with the exception of creativity, which should be strengthened considering the vast number of trained unemployed in Saudi Arabia. Consequently, as previous Saudi policymakers' attempts at solutions have shown, this approach may benefit the state while posing no established risks of damage.

2. Literature Review

An investigation conducted in GCC countries demonstrated that inflation affecting foreign states positively influences costs in four of the GCC nations, including Saudi Arabia (Kandil and Morsy, 2009). Within the four identified countries, it was observed that domestic currency depreciation typically resulted in inflation as the ultimate outcome. From this standpoint, public spending had varied impacts but proved to be inconsequential in the case of Saudi Arabia. Similarly, the effect of the cash supply in the Middle Eastern country proved to be minimal. From the short-term perspective, food prices and inflation affecting other nations emerged as significant factors in Saudi Arabia's economic situation (Hasan and Alogeel, 2010).

Phillips created the popular Phillips curve, which serves as the fundamental basis for understanding inflation (1958). In Nice, England, he investigated the relationship between improvements in money pay and unemployment and found that the two factors were linked in an indirect fashion. As a consequence, they agreed to adjust the curve to reflect the connection between demand change and unemployment rate. Subsequently, policymakers who are attempting to find equilibrium between unemployment and inflation have moved to this curve.

According to Christensen (2001), the cash availability and inflation rate have an immediate or optimistic association in the future, and an increase in funds during a market would therefore lift demand for products and the services. More capital chasing after less products and services would lead to inflation. According to Alvarez et al., the cash supply has a favourable association with inflation rate (2001). This is that anytime a financial company decides to increase the economy's cash supply, it nearly invariably lowers the interest rate. As a result, inflation would occur if the economy's funds multiplied at an infinite pace.

Having witnessed annual inflation rates of less than 1% for years, Saudi Arabia underwent a period of substantial inflation in recent years, specifically in 2007 and 2008 (Ramady, 2009). Analytical findings highlight the following factors as the primary instigators of inflation in the country: riyal depreciation; financial funds; and interest rates. On a side note, an emphasis should be made in regard to the significance of the US dollar depreciation against all other currencies as one of the key variables affecting the Saudi riyal. The mentioned factors are all interconnected to the riyal's peg to the dollar, which has caused the Saudi economy to grapple with imported inflation.

The inflation problem in Saudi Arabia cannot be tied to a single cause due to its multifactorial nature involving a multitude of significant contributors (Alhamad, 2014). Despite the average consumer price index (CPI) forecasts showing no evident inflation, the issue becomes apparent when considering major categories and subcategories that directly influence the availability of loans, housing, and food. The average index appears to be significantly lower than some of the essential categories, including rent and housing, which pertain to a more significant portion of a person's income. An unusual characteristic of the Saudi CPI relates to its inconsistency with the much higher GDP deflators, an observation that is not typical for the majority of industrial economies. Accordingly, a proposition can be made to revise the Saudi CPI to ensure that it accurately depicts the cost of living shown by other indicators. Considering the need for reform, a further investigation of the problem would prove invaluable for providing a scholarly foundation for the consequent government efforts to tackle inflation.

In a work by another scholar, it has been noted that prices in Saudi Arabia has considerably escalated over the recent decades (Al Khathla, 2011). Focusing on the long-term and short-term determinants of inflation, the author employed a co-integration method previously proposed by Pesaran et al. as a part of a research conducted in 2001. The resulting data analysis indicated that domestic currency deflation, global inflation, and production constraints are the three main drives of inflation. In the context of immediate impacts, fund and supply constraints emerged as the most significant determinants of inflation-related problems in the Middle Eastern kingdom.

The existing body of literature focusing on the correlation between economic changes and inflation covers both developed and developing nations. A prominent example can be found in a research by Akinsola and Odhiamb which explores the studied problem with the help of both empirical and theoretical evidence (2017). The authors discovered that the influence of inflation on economic processes varies across geographical and temporal contexts, a relationship further connected to characteristics unique to each country, the employed methodology, and collected data. However, Akinsola and Odhiamb also highlighted a noticeable negative correlation between growth and inflation, a phenomenon that becomes especially prominent in developed Western states. The precise levels of inflation that can reliably promote growth remain a contentious topic. The majority of scholarly work in this area is based on a presumption of a one-way causal link between economic mechanisms and inflation. In the context of both developed and developing economies, the current research is one of a kind due to its goal of providing a comprehensive literature overview on the interplay between economic processes and inflation.

Finally, a separate study by Nazer explored the influences of money supply, import costs, oil prices, the US dollar interest rate, and Saudi Arabia's real GDP on the Middle Eastern state's CPI (2016). To establish the reliability of the variables, the author employed various methods such as the Unit Root Test and Johansen's co-integration test. According to the results of the preliminary assessment, the chosen variables were found to be co-integrated and stationary at the first difference order. In this context, Nazer's findings demonstrated that a positive statistical association can be confirmed in regard to the Saudi CPI and the three independent variables. On the other hand, a negative correlation was observed between real GDP and the dependent variable. Taking into account that Nazer's work also included a causality test, the resulting data reliably suggested that Saudi CPI is indeed affected by import rates, money supply, and oil prices; the observed effects cannot be considered reciprocal.

3. Research Methodology

With the investigation drawing entirely from secondary data, the main sources for the data analysis included: International Monetary Fund; Saudi Arabia Monetary Agency; and the World Bank Report. In addition, the author used both scholarly papers and reports to supplement the results and observations with other information currently available on the studied topic. The chosen timeframe for the data collection stage entailed financial reports from 2000 to 2016, with the main data analysis method being regression analysis. Intended as a representation of inflation as a percentage change, the Saudi Arabia's CPI was selected as the dependent variable for the purposes of this study. On the other hand, the selection of independent variables encompassed the following measures: money supply represented as M2; total value of imports (as % of GDP); fixed exchange rate (to the US dollar); total value of exports (as % of GDP); unemployment rate; and oil price (averages in US dollars). Taking into consideration both dependent and independent variables, the authors created the following regression model:

$$\text{CPI} = B_0 + M_2 + \text{EXCR} + \text{IMP} + \text{EXP} + \text{OP} + \text{U-Rate} + \textit{ui} \quad (1)$$

The definitions for the formula are as follows: B₀ signifies the Intercept; CPI represents Inflation; M₂ represents Money Supply; EXCR represents exchange rate; IMP represents import value; EXP represents export value; OP represents oil price; U-Rate represents Unemployment rate; and *ui* stands for an error margin derived from the dataset.

4. Results

3.1. Relationship Between Inflation and Money Supply

H₀: The money supply does not significantly impact inflation.

H_a: The money supply significantly impacts inflation.

Given the regression results, the p-value of 0.007299, which is less than the significance level of 0.05, leads us to reject the null hypothesis in favor of the alternative. This suggests a statistically significant influence of M₂ on CPI. The coefficient value of 0.294732 further indicates a positive correlation between the two variables. With a standard error of 0.092805, this relationship is precise, and the t-statistic of 3.175831 reflects a significant degree of difference from the null hypothesis. These findings are in alignment with the

principles of monetary theory. An increase in money supply (M2) is likely to lead to an upsurge in inflation (CPI), provided other factors remain constant (Lipsey, 1999). The escalation of inflation is particularly evident during periods of economic instability. Therefore, monitoring and controlling the money supply is critical for maintaining price stability and managing inflation in the economy.

4.2. Relationship Between Inflation and Exchange Rate

H₀: The exchange rate does not significantly impact inflation.

H_a: The exchange rate significantly impacts inflation.

As per the regression results, we have a p-value of 0.002032, which is less than the conventional significance level of 0.05. This provides substantial evidence against the null hypothesis, leading us to accept the alternative hypothesis. The data shows a significant positive relationship between the exchange rate and CPI, demonstrated by the coefficient value of 66.93185. The standard error of 16.19213 shows a degree of precision in this estimation, and the t-statistic of 4.133603 shows the significant divergence from the null hypothesis (Table 1). A successful fixed exchange rate mechanism necessitates the prevention of significant devaluations to maintain inflation control. However, currency devaluations can become inevitable when persisting balance of payments deficits threaten to deplete foreign exchange reserves. A devaluation can force the nation to maintain a higher level of cash reserves, potentially reducing inflation (Suranovic, 1996). However, devaluation can also lead to inflationary pressures by making imports more expensive, as was observed with the Saudi riyal, which is pegged to the US dollar. From 1986 when the Saudi currency was fixed at SAR 3.75 per \$1 in an effort to protect the domestic economy, the latter became increasingly vulnerable to oil price fluctuations as well as the stability of the US dollar (Ramady and Mahdi, 2015). In the context of Saudi Arabia's economy, the management of the exchange rate remains a critical point to consider when seeking to trench inflation control measures.

Table 1: Result of Regression Analysis

Economic Indicators	Corresponding Coefficient	Std. Error	t-Statistics Values	Significance (p-values)
Supply of Money (M2)	0.294732	0.092805	3.175831	0.007299
Foreign Exchange Rate	66.93185	16.19213	4.133603	0.002032
Import's Value	0.354989	0.083895	4.23134	0.000981
Export's Value	0.180594	0.053334	3.386107	0.004871
Oil's Market Price	0.067949	0.018122	3.749539	0.00243
Unemployment Rate (U-Rate)	-0.37209	1.285767	-0.28939	0.776845

4.3. Relationship Between Inflation and Import Value

H_0 : The import value does not significantly impact inflation.

H_a : The import value significantly impacts inflation.

From the obtained regression results, the p-value of 0.000981 is less than the conventional threshold of 0.05. This leads to rejecting the null hypothesis in favor of the alternative hypothesis. The coefficient value of 0.354989 implies a significant positive relationship between the import value and CPI. The standard error of 0.083895 indicates a relatively high precision in this estimate, and the t-statistic of 4.23134 further demonstrates the significance of this relationship (Table 1). The import value of goods and services significantly influences the rate of inflation in Saudi Arabia. Given the high percentage of imported goods in Saudi consumers' baskets, it is plausible that global inflation would have a significant impact on domestic inflation. Around 40% of Saudi Arabia's imports come from Asia and other developing economies, excluding the US and the Eurozone (Khan, 2012). With the Saudi riyal being fixed to the US dollar, variations in the former's exchange rate against non-dollar currencies can significantly impact the prices of numerous imported goods. When the riyal weakens against these other currencies, importers are forced to pay more riyals for the same quantity of goods, a cost that is often passed on to consumers, contributing to inflation.

4.4. Relationship Between Inflation and Value of Export and Oil Prices

H_0 : Neither the export value nor oil prices have a significant impact on inflation.

H_a : Either or both the export value and oil prices have a significant impact on inflation.

Given the p-values of 0.004871 for export value and 0.00243 for oil prices, both are less than the standard 0.05 significance level, leading to the rejection of the null hypothesis. This indicates that both factors significantly influence the inflation rate. The coefficients of 0.180594 for export value and 0.067949 for oil prices signify a positive relationship between these variables and inflation, as confirmed by the t-statistics of 3.386107 and 3.749539, respectively. From a historical perspective, oil prices have experienced substantial stability, registering an average increase of 91.94% from 2008 to 2016. Given the critical role oil plays in Saudi Arabia's economy, any fluctuations in its price significantly affect the country's financial landscape. As oil prices surge, there is a corresponding increase in the prices of refined oil, petrochemical industry costs, gasoline, and others. These shifts collectively contribute to the domestic inflation experienced in Saudi Arabia. Moreover, changes in oil prices considerably influence the value of exports, reinforcing the relationship between these factors and inflation.

4.5. Relationship Between Inflation and u-rate

H_0 : There is no significant impact of the unemployment rate on inflation.

H_a : The unemployment rate (U-rate) significantly impacts inflation.

Given the p-value of 0.776845, which is greater than the standard 0.05 significance level, we fail to reject the null hypothesis. This indicates that the unemployment rate doesn't significantly affect the inflation rate. The coefficient of -0.37209, despite its negative sign indicating an inverse relationship between the U-rate and inflation, is not statistically significant due to a high standard error of 1.285767, as indicated by the t-statistic of -

0.28939. As per the Philips curve, unemployment and inflation typically demonstrate an inverse relationship. The Saudi Arabian government has attempted to combat the unemployment challenge by implementing measures to decrease the rate of new job positions being created. A significant step pertains to the introduction of 'Saudization' in 2011, a move aimed at increasing the employment of Saudi nationals in the private sector. However, this decision potentially incurred financial losses for businesses and Saudi citizens. The raised wage rates, while beneficial for the employed workforce, could put companies at a financial risk, increasing the likelihood of business failure due to liquidity constraints and poor competition in the coming years (Arab News, 2015). Furthermore, the Saudi government introduced a minimum wage for public sector workers in 2012 and implemented a policy leading to a reduction in foreign workforce by 20%, both actions further complicating the wage calculation due to the supply shock (Alhamad, 2014).

5. Discussion and Recommendations

It is undeniable that in developing countries, policymakers often struggle with managing income and controlling spending, making indirect taxation a less preferable option. This circumstance is mainly related to the limited tax base that yields insufficient revenue. The simplicity and absence of evasion opportunities further complicates the practice of tax avoidance. Simultaneously, it becomes challenging for lawmakers to raise revenue via tax increases. Contrary to popular belief, the actual crisis confronting conventional policy doesn't lie in attracting constituents, but rather in their retention. A tax rate reduction that is compensated for by improvements in compliance is rare. Policymakers are having a difficult time limiting expenditure such that social consumption takes the hit, which reduces inflation and at the same time and benefits the vulnerable. It is as essential to use the policy space, while creative thinkers still need room to thrive as well. Many conditions may be observed as a consequence of combined action and reaction. The truth is that the public financing serves to improve infrastructure, while the social support will further boost the business's productivity. The expenditure by the government incurs has a multiplier effect which leads to even further taxes. Richer organizations are well placed to provide long-term patient care.

Having an open market, Saudi Arabia experiences less inflation because the government does not exercise any control over products and properties. The ultimate aim of this study is to investigate Saudi economy-wide price increases. Regression analysis was used to obtain this goal. There are numerous findings that the presence of Asian currency flows, the United States dollar exchange rate, the country's demand for money, and the price of oil all have statistical significance with inflation in Saudi Arabia and other nations, such as this. Although the post-90s since the early 2000s, the Saudi market has been controlled by Saudi internal factors because of the country's increased globalization.

Finally, one may remember that in a changing globalized economic climate, countries find it difficult to handle stable production and jobs by independent demand management. Thanks to the common fears of speculative capital flight and the monetary and fiscal policy is now less typical as it was prior to the expansionary economic measures used by governments, which included deficit spending to stimulate aggregate demand and interest rate reduction to stimulate the economy. The following sentence shows how the matter

can be used in almost any kind of environment: Is less common in highly developing nations, but far more damaging.

Fiscal and monetary policy has somewhat different long-term implications. Fiscal deficits have a wide part financed by credit and equity, hence the monetary impact on the economy would be greater in developing countries. Although a bear market does not favor choice, nor does it have any value. These securities have little in-the-money or out-of-the-money options. Borrowing most from financial markets is the major driver of capital growth in developing nations. While this is rare in developing economies, the majority of Latin countries depend on creative economies. Furthermore, in developing economies, monetary policy is more likely to have a direct effect on fiscal health, since a small interest rate increase will make a significant difference when the total debt-to-GDP ratio is high and government spending on these loans is greater than total revenue.

The experiences in both industrialized and emerging countries that have provided useful insights about the futility of monetary and capital account deregulation may be contrasted. To exclude distinctions between non-financial intermediaries from the regulatory process, such as the type of entity, amounts to a tremendous challenge. With the likelihood that it wants to cross over into international financial markets, it is likely to play it cautiously. The primary application of portfolio investment is in countries where the capital and currency markets are intertwined and are among the most unpredictable, so it poses great opportunities and great risks. But relying on portfolio investment receipts to pay off debts can lead to insolvency. When countries go in the direction of liberalizing finance, restrictions must be upheld.

There are issues in countries that have fully industrialized economies as well. Think about it like this: markets for capital are always segmented. Current monetary impacts are less widespread. It is not as powerful as it is, according to popular opinion. In the latter stages of recession, a free-market approach may only be creative. On the other side, as opposed to low interest rates, a higher interest rate does not limit investment growth. This is a financial device that directs the use of scarce capital. Contrary to popular belief, quantity theory, though, a ratio of credits to liabilities might be more important to monetary policy than the overall credit number. We do not have much further space for monetary expansion because of both domestic bank-reforms and capital-account liberalization policies. If this remains as it is, then this organization would never become viable. Many of the arguments about the past and current efficacy of monetary policy revolve about whether or not the purpose of monetary policy should be to control inflation or control it (just interest rates). Development rather than price stability must be the principal objective of monetary policy. All three of these changes help improve monetary policy design, and they are part of the maturation of the financial markets and bring new instruments to the table.

Macroeconomic plans cannot be deliberate or implemented apart from changes in overall monetary and fiscal policies. Excluding this, it, politics will be a zero-sum game. The complex and nuanced world of politics influences which macroeconomic policies are possible and impossible to reduce to single rules. The synthesis of ideology, systems, and the fact that those agendas exist causes people to reinforce the standard theory and traditional practices.

It gave rise to some very contradictory conclusions during the previous discussion. Stochastic rather than a normed approach to all stabilization should be adopted in order to promote economic work. In other words, it is therefore necessary to rethink policies that do not simply focus on the reduction of inflation and therefore can serve the dual purpose of supporting growth and counteracting economic inequality. When deregulating the domestic capital markets are concerned, the prudent policy is to proceed with caution. Many governments maintain their regulations on the movement of the funds across their banking systems and it is always more advantageous to eventually relax restrictions on funds rather than to seek to maintain such systems. Counter-economic policies ought to be combined with microeconomic restraint to work. In order to do this, one must get out of the confines of conventional economic theory and get beyond the influence of politics.

6. Recommendations

The supply of money can be minimized if SAMA implements tactical moves and decreases expenditure as and when required. Government should monitor the import business of private organizations in order to restrict global inflation. SAMA might reconsider about implementation of fixed exchange rate system with respect to USD.

7. Conclusion

The current study offers a comprehensive evaluation of the impacts that various economic factors have on inflation within the context of Saudi Arabia's economy. With the help of regression analysis, the research has established relationships between inflation and money supply, exchange rates, import value, value of exports, oil prices, and unemployment rate. Notably, the findings revealed a significant correlation between inflation and factors such as money supply and exchange rate, demonstrating how increases in these variables can potentially lead to a rise in inflation. The study also found that the import value and oil prices have a notable influence on inflation, suggesting that fluctuations in these factors can exert considerable pressure on the overall inflation rate. On the other hand, the unemployment rate showed no significant relationship with inflation, which deviates from traditional economic theories like the Philips curve.

Nevertheless, it is important to acknowledge the limitations of this study, such as its exclusive reliance on secondary data and the finite span of the timeframe considered for analysis, from 2000 to 2016. Although these limitations might affect the absolute accuracy of the results, they do not undermine the validity of the established relationships. The findings may differ if primary data or a different time period is taken into account. Hence, while the study contributes to the comprehension of the intricate dynamics of inflation in Saudi Arabia, it also underscores the importance of a nuanced and context-specific understanding of the phenomenon. From another standpoint, the research is heavily focused on the Saudi Arabian context, a condition that may limit the generalizability of the results to other economies.

For future research, scholars are recommended to compare these results with other countries, particularly those featuring distinct economic structures. The effects of non-traditional financial measures, such as digital currencies or alternative financing methods,

could also be considered in the context of inflation. This approach offers a modern perspective to the discourse that might also be employed by Saudi policymakers and economists. Overall, while the research provides significant contributions to the current understanding of inflation's dynamics, it also introduces an opportunity for more expansive and diversified explorations in the field of economic research.

Data Availability Statements

The datasets generated during and/or analysed during the current study regarding Money Supply are available in the [CEIC] repository, [<https://www.ceicdata.com/en/indicator/saudi-arabia/money-supply-m2>].

The datasets generated during and/or analysed during the current study regarding Exchange Rate against USD are available in the [CEIC] repository, [<https://www.ceicdata.com/en/indicator/saudi-arabia/exchange-rate-against-usd>].

The datasets generated during and/or analysed during the current study regarding goods and services imports / export (percentage of GDP) are available at, [https://en.wikipedia.org/wiki/List_of_countries_by_trade-to-GDP_ratio].

The datasets generated during and/or analysed during the current study regarding average oil price (US\$) are available in the [STATISTA] repository, [<https://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/>].

The datasets generated during and/or analysed during the current study regarding unemployment rate are available in the [STATISTA] repository, [<https://www.statista.com/statistics/262524/unemployment-rate-in-saudi-arabia/>].

The datasets generated during and/or analysed during the current study regarding Inflation or Consumer Price Index (CPI) are available in the [World Bank] repository, [<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=SA>].

Competing interests

The authors declare that they have no competing interest

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