



## Inflation Report — April 2011

### Inflation

	Monthly change	Annual change
April 2011	0.4	4.8
March 2011	0.3	4.7

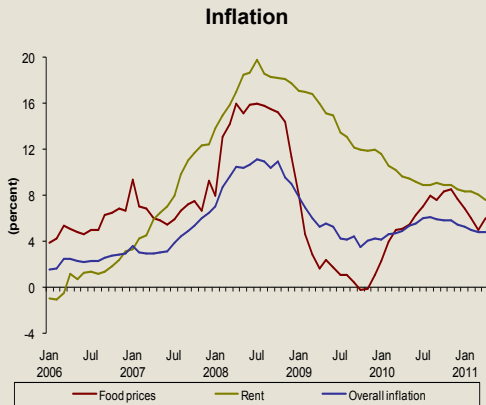
Year-on-year inflation rose for the first time in eight months in April, to 4.8 percent, owing to higher food prices. Spending triggered by the bonus for public sector workers has yet to impact on inflation.

### Annual change in inflation (percent)

	2010		2011			
	Nov	Dec	Jan	Feb	Mar	Apr
Food & beverages	8.5	7.6	6.8	6.0	4.9	6.0
Fabrics, clothing & footwear	-1.0	-1.2	-0.7	-0.7	-0.6	-0.3
Housing & related items	8.9	8.5	8.3	8.3	8.0	7.5
Home furniture	-0.3	-0.3	-0.2	-0.2	-0.7	-0.8
Medical care	1.2	1.2	1.3	1.3	1.3	1.5
Transport & telecoms	1.7	1.9	1.8	2.1	2.2	2.3
Education & entertainment	0.6	0.6	0.6	0.7	0.7	0.9
Other expenses & services	8.1	8.1	8.1	8.2	8.7	8.1
<b>Total</b>	<b>5.8</b>	<b>5.4</b>	<b>5.3</b>	<b>4.9</b>	<b>4.7</b>	<b>4.8</b>

Food prices led the rise in year-on-year inflation in April. Food price inflation jumped to 6 percent, with prices of fresh fruits and some vegetables showing particularly strong growth. Potato prices were 39 percent above where they were in April 2010. Inflation for the two other current main sources of price rises, rents and “other expenses and services” declined. Rental inflation is now at its lowest level since June 2007. Although we do not expect the new low income houses promised in the recent Royal decrees to enter the market soon, the prospect of the large new supply, together with other ongoing programs to increase the supply of housing, will continue to lower rental inflation. Inflation for several other components of the cost of living index appears on a slight upward trend.

April coincided with the bulk of new consumer spending stemming from the public-sector bonus, the high point for global commodity prices and the lowest level for the dollar since mid-2008 (on a trade weighted basis). High consumer and government spending will feed into inflation in the coming months and it takes some time for international price trends to be reflected fully in consumer prices in the Kingdom. Nonetheless, the fall in commodity prices and strengthening of the dollar so far in May will, if sustained, dampen inflationary pressures over the second half of the year.



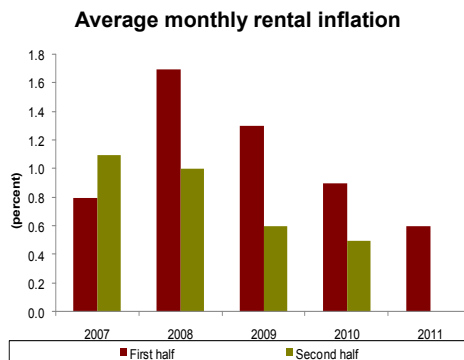
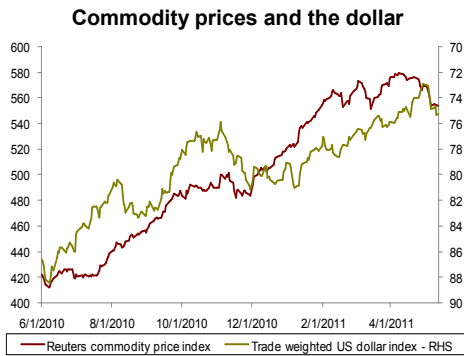
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**Monthly change in inflation**  
(percent)

	2010		2011			
	Nov	Dec	Jan	Feb	Mar	Apr
Food & beverages	-0.3	0.1	-0.5	0.1	-0.1	0.9
Fabrics, clothing & footwear	-0.1	0.0	0.4	0.0	0.0	0.1
Housing & related items	0.5	0.4	0.7	0.6	0.8	0.5
Home furniture	-0.1	0.0	0.2	0.0	0.2	0.0
Medical care	0.0	0.0	-0.1	0.0	0.0	0.0
Transport & telecoms	0.0	0.1	0.7	0.3	0.1	0.3
Education & entertainment	0.0	0.0	0.0	0.0	0.0	0.0
Other expenses & services	1.8	0.0	-0.4	0.0	0.5	0.2
<b>Total</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>

Monthly inflation climbed to a seven-month high of 0.4 percent, driven by the increase in food prices. Rental inflation slowed and remains low compared to its level in the first half of recent years (see chart). The increase in transport and telecoms was driven by a further rise in the cost of operating vehicles; tire prices have jumped in response to a doubling of the rubber price in the past year.

Indicators of consumer spending showed strong growth in March and were probably high again in April, as public-sector workers spent their bonuses. However, this spending has yet to have an impact on inflation. Prices of clothing and footwear, home furniture and education and entertainment, which probably accounted for most of the bonus-related spending, were little changed.

**Annual inflation rates**  
(percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	5.9
Fabrics, clothing & footwear	-0.7	-2.4	0.4	0.5	-0.7	-0.6
Housing & related items	0.8	8.1	17.5	14.1	9.5	8.0
Home furniture	0.3	1.3	7.7	8.5	2.8	-0.5
Medical care	1.3	4.2	5.0	0.7	0.4	1.4
Transport & telecoms	-3.2	-0.9	0.2	1.0	1.1	2.1
Education & entertainment	0.3	0.2	2.1	1.3	0.9	0.7
Other expenses & services	7.7	5.3	10.7	4.3	7.4	8.3
<b>Total</b>	<b>2.2</b>	<b>4.1</b>	<b>9.9</b>	<b>5.1</b>	<b>5.3</b>	<b>4.9</b>

\* Year to date

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