



## Inflation Report — February 2011

### Inflation

	Monthly change	Annual change
February 2011	0.2	4.9
January 2011	0.1	5.3

Inflation fell to 4.9 percent in February, from 5.3 percent in January. This is the sixth consecutive month in which the inflation rate has eased and the first time it has been below 5 percent since April 2010.

### Annual change in inflation (percent)

	2010				2011	
	Sep	Oct	Nov	Dec	Jan	Feb
Food & beverages	7.6	8.3	8.5	7.6	6.8	6.0
Fabrics, clothing & footwear	-0.9	-0.9	-1.0	-1.2	-0.7	-0.7
Housing & related items	9.0	8.9	8.9	8.5	8.3	8.3
Home furniture	4.3	-0.4	-0.3	-0.3	-0.2	-0.2
Medical care	0.8	1.2	1.2	1.2	1.3	1.3
Transport & telecoms	1.0	1.2	1.7	1.9	1.8	2.1
Education & entertainment	0.8	0.6	0.6	0.6	0.6	0.7
Other expenses & services	7.9	8.9	8.1	8.1	8.1	8.2
<b>Total</b>	<b>5.9</b>	<b>5.8</b>	<b>5.8</b>	<b>5.4</b>	<b>5.3</b>	<b>4.9</b>

In year-on-year terms, inflation only declined for one of the eight components of the cost of living index, food and beverages, however this was sufficient to bring down the overall rate. Food price inflation dropped to its lowest level since April 2010. This further easing remains contrary to the trend in global food prices, with the FAO global food price index hitting another all-time high in February and 38.2 percent higher than its level of one-year earlier. There was a notable drop in the prices of fresh vegetables, so the recent divergence is clearly the result of local seasonal factors.

Inflation for rents remained the highest of any of the index components, at 8.3 percent, unchanged on the January level. We think that the prospect of 500,000 new housing units unveiled in the royal decrees issued on Friday is likely to discourage some people from entering the property market now and encourage others currently looking for property to postpone their search. As a result there could be a short-term decline in rental inflation, even though it will be some time before the actual accommodation is available.

The only notable move in the other components of the index was for transport and telecoms, which hit a seven-month high of 2.1 percent owing to a rise in the cost of new vehicles.



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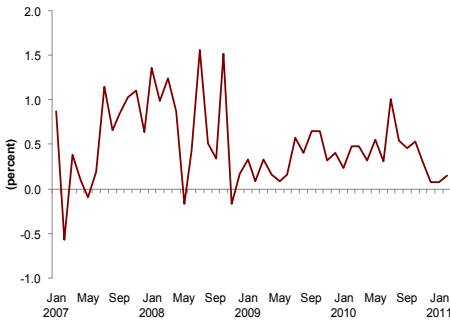
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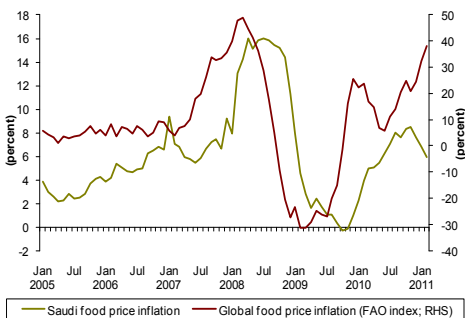
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Monthly inflation



Food price inflation



## Monthly change in inflation (percent)

	2010				2011	
	Sep	Oct	Nov	Dec	Jan	Feb
Food & beverages	0.9	1.5	-0.3	0.1	-0.5	0.1
Fabrics, clothing & footwear	0.0	-0.1	-0.1	0.0	0.4	0.0
Housing & related items	0.5	0.6	0.5	0.4	0.7	0.6
Home furniture	0.3	-1.0	-0.1	0.0	0.2	0.0
Medical care	0.0	0.5	0.0	0.0	-0.1	0.0
Transport & telecoms	-0.3	0.1	0.0	0.1	0.7	0.3
Education & entertainment	0.0	1.1	0.0	0.0	0.0	0.0
Other expenses & services	0.6	-0.2	1.8	0.0	-0.4	0.0
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>

In monthly terms, the inflation rate picked up slightly, to 0.2 percent, from 0.1 percent in January. None of the components of the cost of living index fell in February, though five of the eight were unchanged. Rental inflation recorded the largest monthly rise, up by 0.6 percent. Although higher monthly rental inflation is usual in the first half of the year, the rise was the lowest recorded in February since 2006.

Although food price inflation was little changed over the month, there were some large moves in some sub-groupings. For example, the prices of fresh vegetables dropped by 7.5 percent, but those of fresh fruits were up by 4.7 percent. International trends point to higher food prices in March. The jump in transport and telecoms prices was due to higher costs of purchasing and operating private vehicles.

## Annual inflation rates (percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	6.4
Fabrics, clothing & footwear	-0.7	-2.4	0.4	0.5	-0.7	-0.7
Housing & related items	0.8	8.1	17.5	14.1	9.5	8.3
Home furniture	0.3	1.3	7.7	8.5	2.8	-0.2
Medical care	1.3	4.2	5.0	0.7	0.4	1.3
Transport & telecoms	-3.2	-0.9	0.2	1.0	1.1	2.0
Education & entertainment	0.3	0.2	2.1	1.3	0.9	0.6
Other expenses & services	7.7	5.3	10.7	4.3	7.4	8.1
<b>Total</b>	<b>2.2</b>	<b>4.1</b>	<b>9.9</b>	<b>5.1</b>	<b>5.3</b>	<b>5.1</b>

\* Year to date

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