



Inflation Report — July 2011

Inflation

	Monthly change	Annual change
July 2011	1.2	4.9
June 2011	0.4	4.7

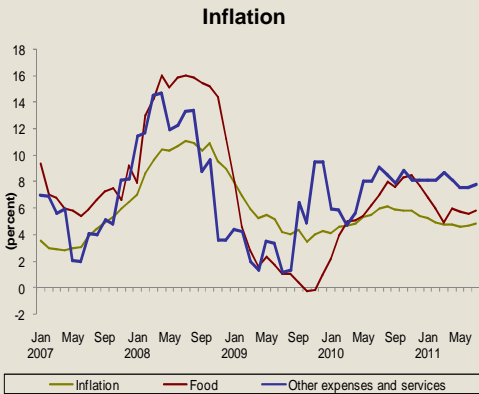
Year-on-year inflation rose to 4.9 percent in July from 4.7 percent in June. Food, rents and higher prices for holiday accommodation were the main cause of the rise, though there were some notable falls.

Annual change in inflation (percent)

	2011					
	Feb	Mar	Apr	May	Jun	Jul
Food & beverages	6.0	4.9	6.0	5.7	5.5	5.8
Fabrics, clothing & footwear	-0.7	-0.6	-0.3	-0.1	0.4	0.2
Housing & related items	8.3	8.0	7.5	7.0	7.1	7.5
Home furniture	-0.2	-0.7	-0.8	-0.4	-0.2	0.2
Medical care	1.3	1.3	1.5	1.5	1.5	0.4
Transport & telecoms	2.1	2.2	2.3	2.3	2.3	1.5
Education & entertainment	0.7	0.7	0.9	1.0	1.1	1.2
Other expenses & services	8.2	8.7	8.1	7.6	7.6	7.8
Total	4.9	4.7	4.8	4.6	4.7	4.9

Inflation edged up to its highest level since February in July, though it has effectively been stable over the past six months. While the monthly increase in inflation was the highest in three years (see over), in year-on-year terms none of the components of the cost of living index rose particularly rapidly. Food prices increased in line with the trend ahead of Ramadan (prices tend to rise less once Ramadan has begun) and rents picked-up. "Other expenses and services" remained the main source of inflation. This component is heavily influenced by the impact of gold prices on the cost of jewelry and this was a contributory factor to rise. However, the main cause was a surge in the price of furnished flats and villas rented by holidaymakers in the Kingdom.

Medical care and transport and telecoms saw large falls in inflation. This was due to base effects as the big jumps in the prices of both in July 2010 drop out of the annual comparison. Prices of home furniture and education and entertainment goods maintained their upward trend of the past few months. Given the price pressures associated with Ramadan and the holiday season and continued high levels of consumer and government spending, an inflation rate of below 5 percent suggests that rising prices may be less of a concern than many had anticipated.



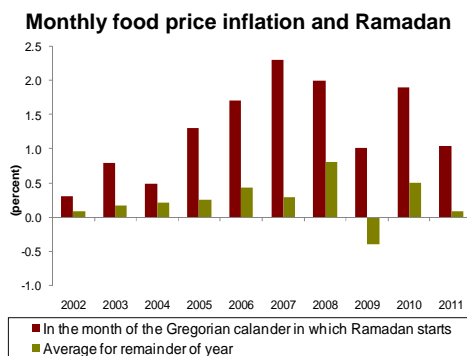
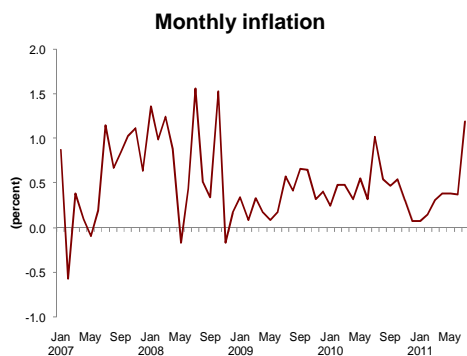
For comments and queries please contact the authors:

Paul Gamble
Head of Research
pgamble@jadwa.com

or:

Brad Bourland, CFA
Chief Economist
jadwaresearch@jadwa.com

Head office:
Phone +966 1 279-1111
Fax +966 1 279-1571
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com



Monthly change in inflation
(percent)

	2011					
	Feb	Mar	Apr	May	Jun	Jul
Food & beverages	0.1	-0.1	0.9	-0.3	0.5	1.0
Fabrics, clothing & footwear	0.0	0.0	0.1	0.2	0.0	0.1
Housing & related items	0.6	0.8	0.5	0.6	1.0	0.6
Home furniture	0.0	0.2	0.0	0.2	0.3	0.3
Medical care	0.0	0.0	0.0	0.0	0.0	0.0
Transport & telecoms	0.3	0.1	0.3	0.1	0.0	0.7
Education & entertainment	0.0	0.0	0.0	0.0	0.1	0.0
Other expenses & services	0.0	0.5	0.2	1.8	0.0	3.9
Total	0.2	0.3	0.4	0.4	0.4	1.2

In monthly terms inflation was the highest since July 2008, at 1.2 percent, driven by food prices and “other expenses and services”. It is normal for food prices to rise ahead of Ramadan; the 1 percent rise in food prices in July compares to an average of 0.1 percent for the first six months of the year. This was exacerbated by a rise in cigarette prices (which are captured in the food component of the inflation index) to SR8 from SR7 per packet in June. The surge in inflation for “other expenses and services” was mainly the result of higher prices for holiday accommodation. Regional unrest has encouraged more Saudis to holiday in the Kingdom and in response the price of furnished flats jumped by 28.3 percent in July. The increases were highest in Taif and Tabuk. Vehicle maintenance and repair costs pushed up transport and telecoms inflation.

Annual inflation rates
(percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	5.8
Fabrics, clothing & footwear	-0.7	-2.4	0.4	0.5	-0.7	-0.3
Housing & related items	0.8	8.1	17.5	14.1	9.5	7.7
Home furniture	0.3	1.3	7.7	8.5	2.8	-0.3
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	2.1
Education & entertainment	0.3	0.2	2.1	1.3	0.9	0.9
Other expenses & services	7.7	5.3	10.7	4.3	7.4	8.0
Total	2.2	4.1	9.9	5.1	5.3	4.8

* Year to date

Disclaimer of Liability

Unless otherwise stated, all information contained in this document (the “Publication”) shall not be reproduced, in whole or in part, without the specific written permission of Jadwa Investment.

The data contained in this Research is sourced from Reuters, Bloomberg, Tadawul and national statistical sources unless otherwise stated.

Jadwa Investment makes its best effort to ensure that the content in the Publication is accurate and up to date at all times. Jadwa Investment makes no warranty, representation or undertaking whether expressed or implied, nor does it assume any legal liability, whether direct or indirect, or responsibility for the accuracy, completeness, or usefulness of any information that contain in the Publication. It is not the intention of the Publication to be used or deemed as recommendation, option or advice for any action (s) that may take place in future.