



Inflation Report — October 2011

Inflation

	Monthly change	Annual change
October 2011	0.5	5.2
September 2011	0.9	5.3

Year-on-year inflation dipped to 5.2 percent in October from 5.3 percent in September owing to lower food price inflation. Rents rose again and other components were influenced by one-time changes.

Annual change in inflation (percent)

	2011					
	May	Jun	Jul	Aug	Sep	Oct
Food & beverages	5.7	5.5	5.8	5.4	4.8	3.2
Fabrics, clothing & footwear	-0.1	0.4	0.2	0.5	0.6	0.8
Housing & related items	7.0	7.1	7.5	7.8	7.9	8.0
Home furniture	-0.4	-0.2	0.2	0.2	0.0	2.5
Medical care	1.5	1.5	0.4	0.4	0.4	-0.1
Transport & telecoms	2.3	2.3	1.5	2.1	2.0	2.0
Education & entertainment	1.0	1.1	1.2	1.0	1.1	3.5
Other expenses & services	7.6	7.6	7.8	8.2	11.8	12.3
Total	4.6	4.7	4.9	4.8	5.3	5.2

Food price inflation fell to its lowest level since January 2010 in October. This was the result of the rapid drop in global food price inflation; according to the UN Food and Agriculture Organization, year-on-year global food price inflation dropped to 6 percent in October from 33 percent in July (see chart on next page). With food accounting for the largest proportion of the cost of living index (26 percent), this slowdown was sufficient to lower headline inflation even though inflation in most other areas rose.

Inflation for “other goods and services” reached a three-year high owing mainly to jewelry prices, which were 31 percent higher than in October 2010. Jewelry prices are driven by the price of gold. Rental inflation continued to rise and at 8 percent was the highest since March. Bonuses for government workers and pay rises appear to have pushed up demand for property at a time when new supply continues to remain modest.

Inflation for education and entertainment hit its highest level since at least 2003. This was due to higher school fees. Fees for the new school year are always incorporated in the October data. Similarly, annual adjustments (for the cost of domestic staff) caused the jump in inflation for home furniture.



For comments and queries please contact the author:

Paul Gamble
Head of Research
pgamble@jadwa.com

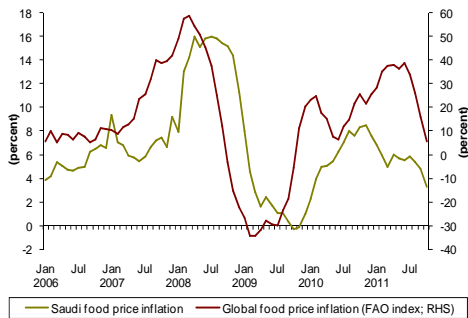
or:

Brad Bourland, CFA
Chief Economist
jadwaresearch@jadwa.com

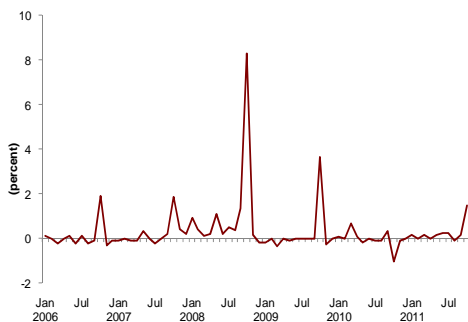
Head office:
Phone +966 1 279-1111
Fax +966 1 279-1571
P.O. Box 60677, Riyadh 11555
Kingdom of Saudi Arabia
www.jadwa.com



Food price inflation
(year-on-year change)



Home furniture inflation
(month-on-month change)



Monthly change in inflation (percent)

	2011					
	May	Jun	Jul	Aug	Sep	Oct
Food & beverages	-0.3	0.5	1.0	1.5	0.4	0.0
Fabrics, clothing & footwear	0.2	0.0	0.1	-0.1	0.1	0.1
Housing & related items	0.6	1.0	0.6	0.7	0.6	0.7
Home furniture	0.2	0.3	0.3	-0.1	0.2	1.5
Medical care	0.0	0.0	0.0	0.0	0.0	0.0
Transport & telecoms	0.1	0.0	0.7	0.0	-0.4	0.1
Education & entertainment	0.0	0.1	0.0	-0.2	0.1	3.5
Other expenses & services	1.8	0.0	3.9	-0.1	3.9	0.2
Total	0.4	0.4	1.2	0.5	0.9	0.5

Monthly inflation dropped to 0.5 percent in October. Food prices were flat and “other expenses and services” inflation eased after the sharp rise in September caused by a surge in jewelry prices. There were notable jumps in the prices of home furniture and education and entertainment. In both cases these reflected the annual measurement of some components. For education, October is the month that fees for the new school year are included in the inflation data. Kindergarten and pre-school fees were up by 12.3 percent and primary, intermediate and secondary education fees up by 1.8 percent, 2.6 percent and 10.7 percent, respectively. The monthly jump in the price of education was the highest on record and reflected the pay rise awarded to teachers several months ago. For home furniture, the jump is the result of higher costs of domestic labor, which are also measured in October of each year.

Annual inflation rates (percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	5.4
Fabrics, clothing & footwear	-0.7	-2.4	0.4	0.5	-0.7	0.0
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	0.0
Medical care	1.3	4.2	5.0	0.7	0.4	1.0
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	1.2
Other expenses & services	7.7	5.3	10.7	4.3	7.4	8.8
Total	2.2	4.1	9.9	5.1	5.3	4.9

* 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.