



Inflation Report — September 2011

Inflation

	Monthly change	Annual change
September 2011	0.9	5.3
August 2011	0.5	4.8

Year-on-year inflation exceeded 5 percent for the first time since January in September, when it was 5.3 percent. This was almost entirely due to a jump in the prices of “other expenses and services”.

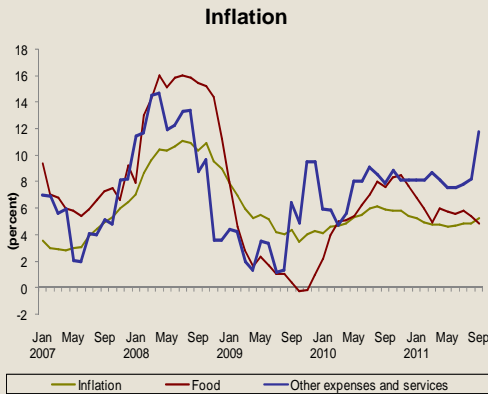
Annual change in inflation (percent)

	2011					
	Apr	May	Jun	Jul	Aug	Sep
Food & beverages	6.0	5.7	5.5	5.8	5.4	4.8
Fabrics, clothing & footwear	-0.3	-0.1	0.4	0.2	0.5	0.6
Housing & related items	7.5	7.0	7.1	7.5	7.8	7.9
Home furniture	-0.8	-0.4	-0.2	0.2	0.2	0.0
Medical care	1.5	1.5	1.5	0.4	0.4	0.4
Transport & telecoms	2.3	2.3	2.3	1.5	2.1	2.0
Education & entertainment	0.9	1.0	1.1	1.2	1.0	1.1
Other expenses & services	8.1	7.6	7.6	7.8	8.2	11.8
Total	4.8	4.6	4.7	4.9	4.8	5.3

The surge in the prices of “other expenses and services” was the result of higher jewelry prices, which rose by 11 percent in September and were up by 31.2 percent in year-on-year terms, compared to 19.2 percent in August. This rise was likely caused by higher gold prices. Gold is the key material in most jewelry sold in the Kingdom and the first chart on the next page shows the tight relationship between the gold price and prices of “other expenses and services”. With gold prices currently 11 percent below their September high, inflation from this source should ease in October.

The most notable move in the other components of the cost of living index was the slowdown in food price inflation, which eased to 4.8 percent, the lowest level since February 2010. In part this was because food prices in September 2010 were boosted by Ramadan.

One area of concern is the further rise in rental inflation, which ticked up to 7.9 percent, a fourth successive monthly rise. It may be that higher disposable incomes are putting renewed upward pressure on rents at a time when the supply of new property has yet to catch up with demand. Other components were broadly unchanged compared with August and do not show clear evidence that robust domestic demand is stoking strong inflationary pressures.



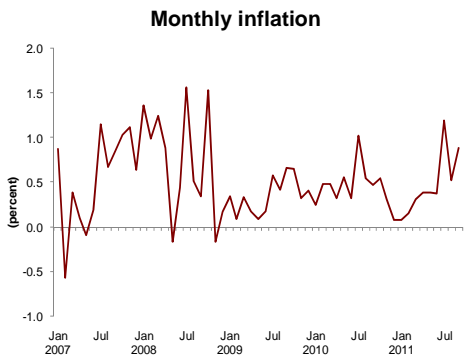
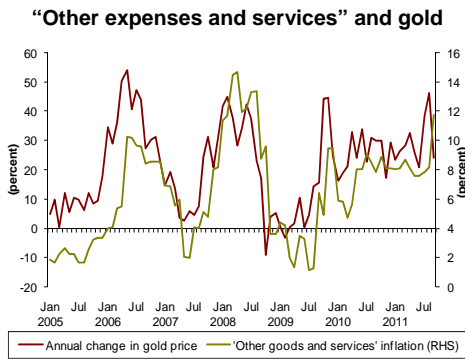
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Monthly change in inflation
(percent)

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

Monthly inflation was 0.9 percent in September, the second highest since July 2010, due to higher prices for “other expenses and services”, primarily jewelry. Aside from jewelry, soap and oud were the only of the 34 items in this category whose prices rose by more than 1.5 percent during the month. Food price inflation slowed, with a large decline for fresh vegetables, but did not fall despite high inflation over the two previous months driven by Ramadan.

Rental inflation dropped marginally, but the more pronounced easing of rental inflation that tends to happen in the second half of the year has not occurred so far in 2011. Transport and telecoms recorded their largest fall since August 2010 owing to a decline in international air fares. Most other components rose slightly.

Annual inflation rates
(percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	5.7
Fabrics, clothing & footwear	-0.7	-2.4	0.4	0.5	-0.7	-0.1
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	-0.2
Medical care	1.3	4.2	5.0	0.7	0.4	1.1
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	8.4
Total	2.2	4.1	9.9	5.1	5.3	4.9

* Year to date

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