



## Inflation Report — December 2011

### Inflation

	Monthly change	Annual change
December 2011	0.2	5.3
November 2011	0.2	5.2

Year-on-year inflation ticked up to 5.3 percent in December, from 5.2 percent in November. The rise was due to higher prices for clothing and footwear and furniture, areas driven by consumer spending.

### Annual change in inflation (percent)

	2011					
	Jul	Aug	Sep	Oct	Nov	Dec
Food & beverages	5.8	5.4	4.8	3.2	4.2	4.0
Fabrics, clothing & footwear	0.2	0.5	0.6	0.8	0.9	2.1
Housing & related items	7.5	7.8	7.9	8.0	8.0	8.0
Home furniture	0.2	0.2	0.0	2.5	2.9	3.1
Medical care	0.4	0.4	0.4	-0.1	-0.1	-0.1
Transport & telecoms	1.5	2.1	2.0	2.0	2.4	2.4
Education & entertainment	1.2	1.0	1.1	3.5	3.4	3.4
Other expenses & services	7.8	8.2	11.8	12.3	9.4	9.6
<b>Total</b>	<b>4.9</b>	<b>4.8</b>	<b>5.3</b>	<b>5.2</b>	<b>5.2</b>	<b>5.3</b>

The main move in the December inflation data was in clothing and footwear, which jumped to its highest level in 30 years. While inflation from this source has been on an upward trend, the jump was the result of unusually large rises in the prices of some specific items (primarily children's and winter clothing). Inflation for home furniture also continued to rise. Both these readings suggest that higher consumer spending is feeding into inflation.

Rental inflation remained at 8 percent for the third consecutive month. We assume that a greater supply of property will keep rental inflation under control. If higher spending feeds into a renewed rise in rents, would consider raising our inflation forecast. At present, we expect average inflation to fall to 4.6 percent in 2012 owing to an easing of price pressures from outside the Kingdom stemming from declining inflation in trading partners, lower commodity prices and a strengthening riyal.

Annual average inflation for 2011, at 5 percent, was little changed from the previous two years. Inflation for food and rent (the largest components of the cost of living index) slowed, offsetting rises in most other categories.



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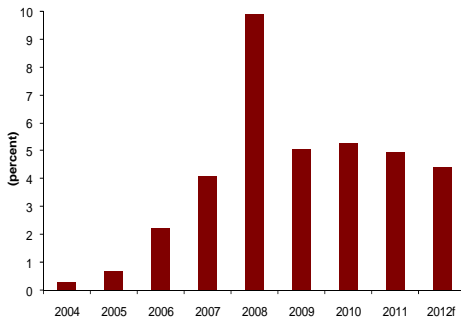
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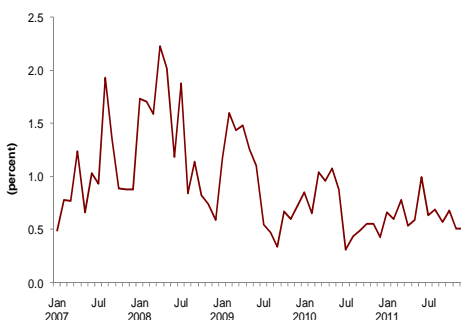
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**Average annual inflation**  
(year-on-year change)



**Rental Inflation**  
(month-on-month change)



**Monthly change in inflation**  
(percent)

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

Monthly inflation remained at 0.2 percent. Food prices fell for the first time since May, following the trend in global food prices, which declined in each of the last six months of the year. The falls in December were largest for prices of fresh fruit and potatoes. Central to the 1.2 percent rise in clothing and footwear inflation was a 12 percent leap in prices of children's clothing. Prices of children's clothing are only measured in December of each year in the inflation data, meaning that when there have been large changes across the year it distorts the December number.

Monthly rental inflation remained at 0.5 percent, its low point for the year. In most parts of the country rental inflation was lower than this, as the data was pushed up by a 1.7 percent increase in rents in Dammam last month. In recent years monthly rental inflation has risen in January.

**Annual inflation rates**  
(percent)

	2006	2007	2008	2009	2010	2011
Food & beverages	5.4	7.0	14.1	2.0	6.2	5.2
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	7.8
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	0.8
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	1.5
Other expenses & services	7.7	5.3	10.7	4.3	7.4	8.9
<b>Total</b>	<b>2.2</b>	<b>4.1</b>	<b>9.9</b>	<b>5.1</b>	<b>5.3</b>	<b>5.0</b>

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