



Inflation Report — May 2012

Inflation

	Monthly change	Annual change
May 2012	0.2	5.1
April 2012	0.2	5.3

Year-on-year inflation dipped to 5.1 percent in May, the lowest since August 2011. The decline was due to a fall in inflation from “other expenses and services”, which stems from lower gold prices.

Annual change in inflation (percent)

	2011		2012			
	Dec	Jan	Feb	Mar	Apr	May
Food & beverages	4.0	3.9	4.3	5.1	4.3	4.8
Fabrics, clothing & footwear	2.1	2.5	2.7	2.7	2.9	2.8
Housing & related items	8.0	9.1	9.3	8.9	9.2	9.2
Home furniture	3.1	3.0	3.2	3.0	3.1	3.1
Medical care	-0.1	0.0	0.0	0.0	0.0	0.0
Transport & telecoms	2.4	2.5	2.3	2.2	1.8	1.7
Education & entertainment	3.4	3.5	3.6	3.5	3.5	3.5
Other expenses & services	9.6	8.1	8.1	7.1	6.9	5.1
Total	5.3	5.3	5.4	5.4	5.3	5.1

Inflation for “other expenses and services” fell to its lowest level since March 2010 in May. This component of the cost of living index moves closely in line with gold prices, as they are the key determinant of jewelry prices, a large element of this sub-index. Gold prices have fallen in recent months and in year-on-year terms at the end of May were only 1.7 percent above their level of one-year earlier, the lowest annual growth since June 2009. If gold prices remain around current levels, “other expenses and services” will exert a significant downward impact inflation from the third quarter.

Food prices were the only component of the cost of living index where inflation rose in May. International food prices (measured by the US Food and Agriculture Organization) dropped in May, so the higher prices probably reflect disruption to regional supply routes through Syria. Rental inflation remained the main source of inflation and was unchanged at 9.2 percent. Inflation for two of the components primarily driven by consumer spending fell, which points to an easing of domestic inflationary pressure. Inflation for transport and telecoms eased for the fourth consecutive month, to its lowest level since July 2011, while clothing and footwear inflation dropped for the first time since July 2011.



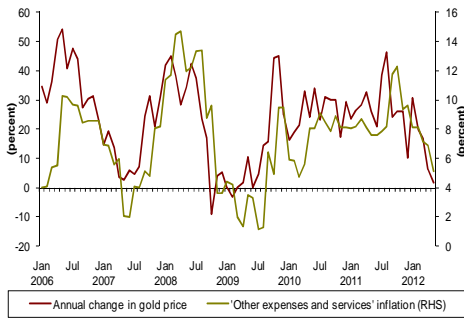
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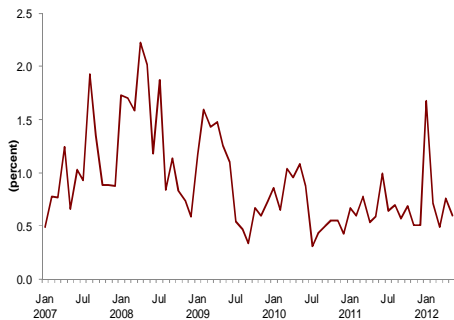
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“Other expenses and services” inflation and gold prices



Rental inflation



Monthly change in inflation
(percent)

	2011		2012			
	Dec	Jan	Feb	Mar	Apr	May
Food & beverages	-0.1	-0.6	0.5	0.7	0.1	0.1
Fabrics, clothing & footwear	1.2	0.7	0.2	0.0	0.3	0.1
Housing & related items	0.5	1.7	0.7	0.5	0.8	0.6
Home furniture	0.3	0.0	0.3	0.0	0.1	0.2
Medical care	0.0	0.0	0.0	0.0	0.0	0.0
Transport & telecoms	0.1	0.8	0.1	0.0	0.0	0.0
Education & entertainment	0.0	0.1	0.1	-0.1	0.0	0.0
Other expenses & services	0.2	-1.8	0.0	-0.5	0.0	0.1
Total	0.2	0.1	0.3	0.3	0.2	0.2

Monthly inflation was unchanged in May at 0.2 percent. Most components of the cost of living index rose, though the increases were small apart from rents. At 0.6 percent, monthly rental inflation was the same as in May 2011, indicating that the planned new supply of housing has yet to impact on the rental market.

Home furniture inflation was the next highest climber, pushed up by higher prices for some locally produced items and carpets. The small increase in food prices hides significant changes; potatoes, carrots and the prices of some fruits all rose by over 10 percent, while fish prices dropped notably. Food price inflation may pick up in June, in line with the seasonal trend in advance of Ramadan, which starts in mid-July.

Annual inflation rates
(percent)

	2007	2008	2009	2010	2011	2012*
Food & beverages	7.0	14.1	2.0	6.2	5.2	4.5
Fabrics, clothing & footwear	-2.4	0.4	0.5	-0.7	0.4	2.7
Housing & related items	8.1	17.5	14.1	9.5	7.7	9.1
Home furniture	1.3	7.7	8.5	2.8	0.5	3.1
Medical care	4.2	5.0	0.7	0.4	0.8	0.0
Transport & telecoms	-0.9	0.2	1.0	1.1	2.1	2.1
Education & entertainment	0.2	2.1	1.3	0.9	1.6	3.5
Other expenses & services	5.3	10.7	4.3	7.4	9.0	7.1
Total	4.1	9.9	5.1	5.3	5.0	5.3

* Year to date

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