



## Inflation Report — June 2012

### Inflation

	Monthly change	Annual change
June 2012	0.2	4.9
May 2012	0.2	5.1

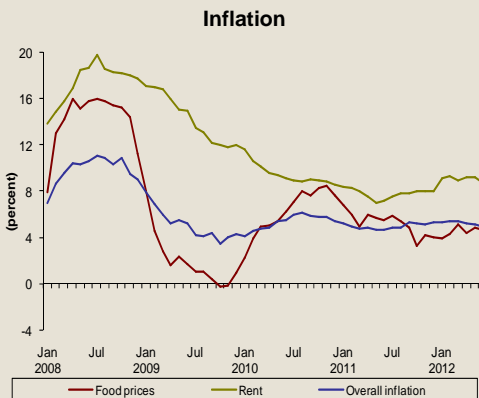
Year-on-year inflation eased again in June, slipping to 4.9 percent from 5.1 percent in May, the first time it has been below 5 percent since August 2011. Lower rental inflation caused most of the fall.

### Annual change in inflation (percent)

	2012					
	Jan	Feb	Mar	Apr	May	Jun
Food & beverages	3.9	4.3	5.1	4.3	4.8	4.7
Fabrics, clothing & footwear	2.5	2.7	2.7	2.9	2.8	2.9
Housing & related items	9.1	9.3	8.9	9.2	9.2	8.8
Home furniture	3.0	3.2	3.0	3.1	3.1	3.0
Medical care	0.0	0.0	0.0	0.0	0.0	0.0
Transport & telecoms	2.5	2.3	2.2	1.8	1.7	1.7
Education & entertainment	3.5	3.6	3.5	3.5	3.5	3.4
Other expenses & services	8.1	8.1	7.1	6.9	5.1	5.1
<b>Total</b>	<b>5.3</b>	<b>5.4</b>	<b>5.4</b>	<b>5.3</b>	<b>5.1</b>	<b>4.9</b>

Rental inflation fell to its lowest level this year in June, suggesting that more new housing stock is entering the market. Rents for flats continue to outpace those for villas, growing at 12.3 percent and 7 percent in year-on-year terms, respectively. We do not think that the recently-approved mortgage law will have a short-term impact on rental inflation. Clothing and footwear was the only component of the cost of living index to post higher inflation in June than in May, and this was only a small rise. In most of the other sectors where consumer spending plays an important role in price movements, inflation was down; inflation for home furniture and transport and telecoms were both at their lows for the year.

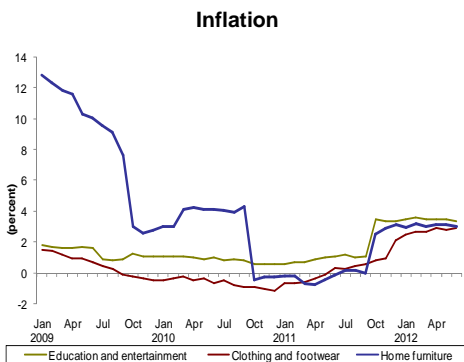
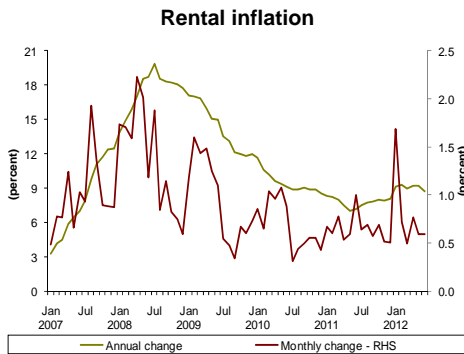
Year-on-year inflation has now fallen for four consecutive months, as external price pressures have eased and domestically driven sources of inflation appear to have peaked, at least for the moment. We think that a temporary pick-up in inflation may happen in July and August owing to the jump in food prices that tends to occur ahead of and during Ramadan. The monthly increase in food price inflation in the month that Ramadan starts has averaged almost five times higher than for the other eleven months of the year since 2002. In July 2011, food price inflation was 1 percent, compared to an average of 0.3 percent for the remainder of the year.



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### Monthly change in inflation (percent)

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

Monthly inflation remained at 0.2 percent in June. Half of the components of the cost of living index were unchanged during the month. As usual, rents posted the highest increase; at 0.6 percent, this was slightly below the average for the previous five months of 2012. Monthly rental inflation tends to be higher in the first half than the second half of the year. The jump in monthly food price inflation was almost entirely due to higher prices for fresh vegetables. These rises varied considerably across the Kingdom (in Riyadh prices were up by 18.1 percent compared to May), which may reflect the availability of local supplies and the disruption to transport links to the north of Saudi Arabia caused by the conflict in Syria. Prices of clothing and footwear and home furniture both recorded small increases for the third consecutive month.

### 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	6.7
<b>Total</b>	<b>4.1</b>	<b>9.9</b>	<b>5.1</b>	<b>5.3</b>	<b>5.0</b>	<b>5.2</b>

\* Year to date

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