



## Inflation Update—January 2013

### January inflation trending upward

#### Inflation (CPI base year =1999)

	Monthly change	Annual change
January 2013	0.3	4.2
December 2012	0.2	3.9

According to the latest report by the Central Department for Statistics and Information (CDSI), inflation in the Kingdom has accelerated to 4.2 percent year-on-year in January this year, the highest level since July 2012, compared with 3.9 percent the previous month. The rise is mostly due to higher food and other expenses and services prices which both contributed 2.3 percentage point (ppt) to the overall inflation figure, while the contribution of rent and housing related services inflation fell to 1.2ppt in January compared with 1.5ppt in the previous month. Our measure of core inflation\* has also accelerated to 2.7 percent in January compared with 2.1 percent in December.

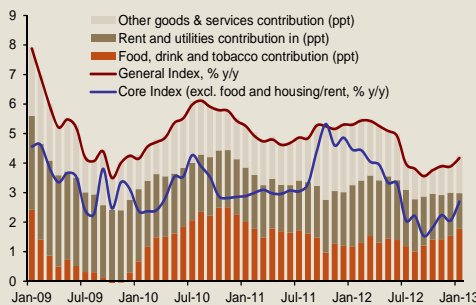
#### Annual change in inflation (percent, CPI base year =1999)

	2012					2013
	Aug	Sep	Oct	Nov	Dec	Jan
Food & beverages	3.3	4.0	4.7	4.8	5.1	6.0
Housing & related items	7.7	7.2	6.7	6.5	6.3	5.1
Fabrics, clothing & footwear	3.1	3.1	3.3	3.6	3.1	2.6
Home furniture	3.0	2.9	4.7	4.6	4.5	4.3
Medical care	0.0	0.0	0.3	0.3	0.3	0.3
Transport & telecoms	1.3	1.8	2.0	1.6	1.5	1.4
Education & entertainment	3.7	3.7	1.8	1.9	2.0	1.9
Other expenses & services	1.9	-0.4	-0.2	1.1	0.9	3.2
Core inflation*	2.2	1.5	1.8	2.2	2.1	2.7
<b>Total</b>	<b>3.8</b>	<b>3.6</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>4.2</b>

Food prices maintained their upward trend since September last year. In January, food prices increased by 6 percent year-on-year, the highest level since April 2011. Most of this increase is due to rising prices of meat and poultry, fish and crustaceans and fresh fruits. Prices of cereal and cereal products, however, maintained their deflationary trend, contracting by 0.3 percent year-on-year despite some reports of grain and flour shortage in some areas of the Kingdom. In fact, the General Organization for Grain Silos and Flour Mills have announced that it raised the flour allocation to licensed distributors by 10 percent earlier this month. International food prices also point to a minimal external pressure. According to the Food and Agriculture Organization (FAO), international food prices contracted by 1.4 percent year-on-year in January compared with -0.4 in December.

Note: \*Core inflation excludes food and housing inflation and is Jadwa Investment's estimate.

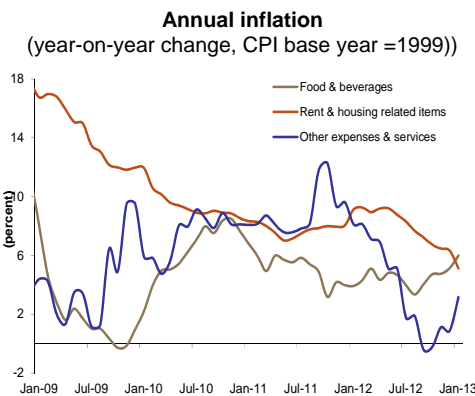
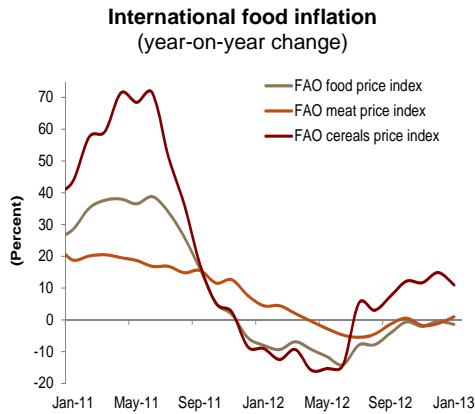
**Inflation**  
(CPI base year =1999)



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Rent and housing related services inflation decelerated to 5.1 percent year-on-year, the lowest level since April 2007. While we had anticipated a gradual decline in this category due to additional housing units entering the market, a larger base effect has also played a role in this accelerated decline. The month-on-month change (0.5 percent) is consistent with last year trend, though it was slightly higher than December level (0.4 percent).

**Monthly change in inflation**  
(percent, CPI base year =1999)

	2012					2013
	Aug	Sep	Oct	Nov	Dec	Jan
Food & beverages	0.9	1.0	0.7	0.7	0.2	0.2
Housing & related items	0.1	0.2	0.2	0.3	0.4	0.5
Fabrics, clothing & footwear	0.1	0.1	0.2	0.3	0.7	0.2
Home furniture	0.1	0.1	3.3	0.2	0.1	0.1
Medical care	0.0	0.0	0.3	0.0	0.0	0.0
Transport & telecoms	0.1	0.1	0.2	0.1	0.0	0.6
Education & entertainment	0.1	0.1	1.6	0.0	0.1	0.0
Other expenses & services	0.1	1.6	0.4	0.5	0.0	0.4
Core inflation	0.1	0.6	1.0	0.2	0.1	0.3
<b>Total</b>	<b>0.4</b>	<b>0.6</b>	<b>0.7</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>

Monthly inflation slightly increased to 0.3 percent in January compared with 0.2 percent in December. Transport and telecommunication posted the highest increase, 0.6 percent which mostly due to a 1.5 percent month-on-month increase in public transport fees. This along with a 0.4 percent rise in the prices of other goods and services pushed the monthly core inflation upward to 0.3 percent compared with 0.1 percent in December. Monthly food inflation remained at the December level of 0.2 percent.

**Annual inflation rates**  
(percent, CPI base year =1999)

	2008	2009	2010	2011	2012	2013 F
Food & beverages	14.1	1.9	6.3	5.2	4.4	4.2
Housing & related items	17.5	14.2	9.5	7.8	8.1	7.1
Fabrics, clothing & footwear	0.3	0.5	-0.6	0.3	3.0	2.7
Home furniture	7.6	8.5	2.8	0.5	3.5	3.2
Medical care	5.0	0.7	0.4	0.8	0.1	0.2
Transport & telecoms	0.6	1.0	1.1	2.1	1.8	2.0
Education & entertainment	2.1	1.4	0.8	1.5	3.1	2.9
Other expenses & services	10.6	4.3	7.4	9.0	3.7	2.2
Core inflation	5.1	3.4	3.1	3.6	2.9	2.4
<b>Total</b>	<b>9.9</b>	<b>5.1</b>	<b>5.4</b>	<b>5.0</b>	<b>4.5</b>	<b>4.3</b>

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