



Inflation Report — January 2011

Inflation

	Monthly change	Annual change
January 2011	0.1	5.3
December 2010	0.1	5.4

Inflation fell to 5.3 percent in January from 5.4 percent in December. January's figure was the lowest since April 2010 and marks the fifth consecutive month that inflation has eased.

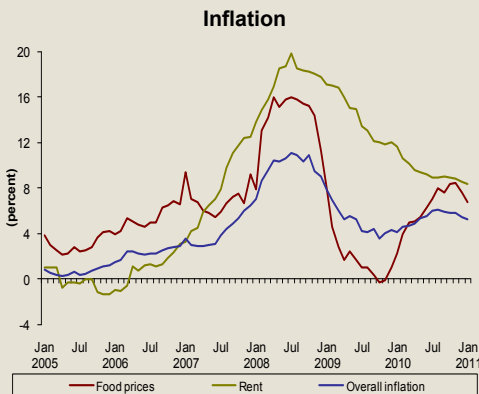
Annual change in inflation (percent)

	2010					2011
	Aug	Sep	Oct	Nov	Dec	Jan
Food & beverages	8.0	7.6	8.3	8.5	7.6	6.8
Fabrics, clothing & footwear	-0.8	-0.9	-0.9	-1.0	-1.2	-0.7
Housing & related items	8.9	9.0	8.9	8.9	8.5	8.3
Home furniture	3.9	4.3	-0.4	-0.3	-0.3	-0.2
Medical care	0.8	0.8	1.2	1.2	1.2	1.3
Transport & telecoms	1.9	1.0	1.2	1.7	1.9	1.8
Education & entertainment	0.9	0.8	0.6	0.6	0.6	0.6
Other expenses & services	8.5	7.9	8.9	8.1	8.1	8.1
Total	6.1	5.9	5.8	5.8	5.4	5.3

In year-on-year terms, inflation declined across most components of the cost of living index. The most notable fall was in food price inflation, which dropped from 7.6 percent to 6.8 percent. Although global food prices have risen so far this year (the UN Food and Agriculture Organization's food price index hit a record high in January) large falls in the prices of some key food stuffs were recorded in the Kingdom last month. Given the continued rise in international food prices, it is likely that food price inflation in Saudi Arabia will remain high.

Rental inflation maintained its downward trend, dropping to 8.3 percent, its lowest level since July 2007, from 8.5 percent in December. As monthly rental inflation tends to pick-up in the first half of the year, as was the case in January, the year-on-year rate of change will probably not fall much further in the coming months.

Year-on-year inflation for the other components of the cost of living index was fairly stable. The only rises were for clothing, owing to higher international cotton prices, and medical care, which hit its highest level since March 2009. Outside of rents, there remains very little domestic price pressure in the economy. For 2011, international commodity prices are likely to be the main source of inflation.



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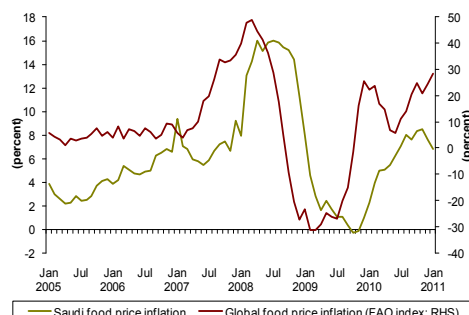
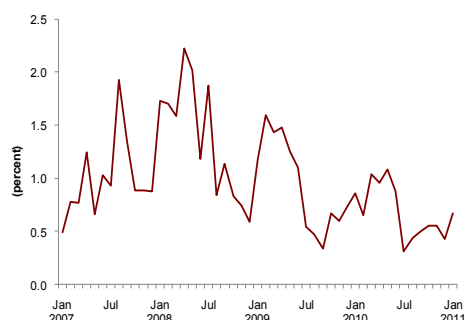
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Food price inflation

Rental inflation
(month-on-month change)

Monthly change in inflation (percent)

	2010					2011
	Aug	Sep	Oct	Nov	Dec	Jan
Food & beverages	1.9	0.9	1.5	-0.3	0.1	-0.5
Fabrics, clothing & footwear	-0.3	0.0	-0.1	-0.1	0.0	0.4
Housing & related items	0.4	0.5	0.6	0.5	0.4	0.7
Home furniture	-0.1	0.3	-1.0	-0.1	0.0	0.2
Medical care	0.0	0.0	0.5	0.0	0.0	-0.1
Transport & telecoms	-0.5	-0.3	0.1	0.0	0.1	0.7
Education & entertainment	0.0	0.0	1.1	0.0	0.0	0.0
Other expenses & services	-0.4	0.6	-0.2	1.8	0.0	-0.4
Total	0.5	0.5	0.5	0.3	0.1	0.1

On a monthly basis, inflation stayed at just 0.1 percent. Food prices fell by 0.5 percent, with much lower prices for fresh vegetables responsible for the bulk of the fall. Prices of tomatoes, potatoes, okra and zucchini were all at least 10 percent lower in January than in December. Growth in rents jumped to 0.7 percent, the highest since June. Monthly rental inflation tends to be greater in the first half of the year, which may reflect the renegotiation of rental contracts. Transport and telecoms and clothing prices also rose notably in January. In the case of the former, this was due to a 5.4 percent rise in the cost of vehicle repairs, which were unchanged for the previous 11 months, suggesting that they are only measured in January. Prices of vehicle maintenance, tires and batteries also climbed. Higher clothing prices appear the result of the surge in international cotton prices, which are up by 50 percent since end-November.

Annual inflation rates (percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	6.8
Fabrics, clothing & footwear	-0.7	-2.4	0.4	0.5	-0.7	-0.7
Housing & related items	0.8	8.1	17.5	14.1	9.5	8.3
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	1.3
Transport & telecoms	-3.2	-0.9	0.2	1.0	1.1	1.8
Education & entertainment	0.3	0.2	2.1	1.3	0.9	0.6
Other expenses & services	7.7	5.3	10.7	4.3	7.4	8.1
Total	2.2	4.1	9.9	5.1	5.3	5.3

* Year to date

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