



Inflation Report — March 2011

Inflation

	Monthly change	Annual change
March 2011	0.3	4.7
February 2011	0.2	4.9

Inflation fell again in March, to 4.7 percent, its lowest level for 12 months. Falling food prices and slowing rental inflation remained the main factors behind the decline.

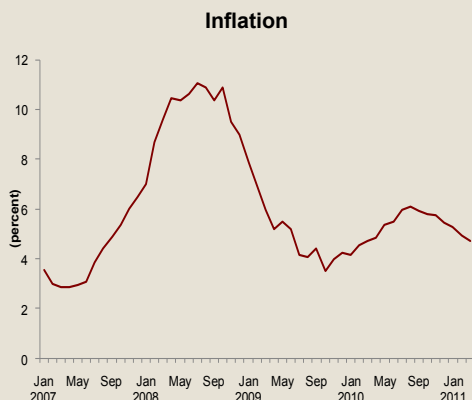
Annual change in inflation (percent)

	2010			2011		
	Oct	Nov	Dec	Jan	Feb	Mar
Food & beverages	8.3	8.5	7.6	6.8	6.0	4.9
Fabrics, clothing & footwear	-0.9	-1.0	-1.2	-0.7	-0.7	-0.6
Housing & related items	8.9	8.9	8.5	8.3	8.3	8.0
Home furniture	-0.4	-0.3	-0.3	-0.2	-0.2	-0.7
Medical care	1.2	1.2	1.2	1.3	1.3	1.3
Transport & telecoms	1.2	1.7	1.9	1.8	2.1	2.2
Education & entertainment	0.6	0.6	0.6	0.6	0.7	0.7
Other expenses & services	8.9	8.1	8.1	8.1	8.2	8.7
Total	5.8	5.8	5.4	5.3	4.9	4.7

Year-on-year inflation for most of the components of the cost of living index declined in March, with food prices recording the largest fall. At 4.9 percent, food price inflation is at its lowest level since February 2010. The slowdown in food price inflation is largely attributable to domestic conditions. For example, prices of fresh vegetables are now 20 percent lower than they were in December. According to the FAO index, the year-on-year growth in international food prices, at 37 percent in March, was the highest since June 2008, though in absolute terms the index fell last month.

Rental inflation also maintained its downward trend and at 8 percent, was the lowest since July 2007. The April inflation data will determine whether the announcement of the eventual provision of 500,000 new housing units had an immediate impact on rents.

There was a notable increase in inflation in the “other expenses and services” category owing to a jump in local jewelry prices. This reflects international prices, with gold and silver prices hitting new all-time highs in March (silver prices are up by 44 percent since end-January and more than double where they were in March 2010), owing to investor buying.



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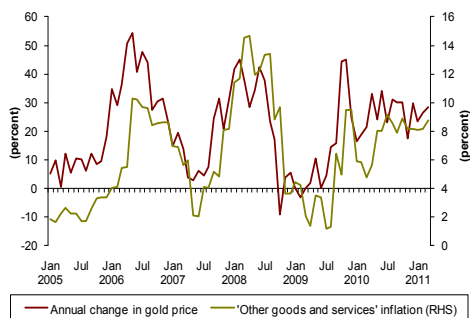
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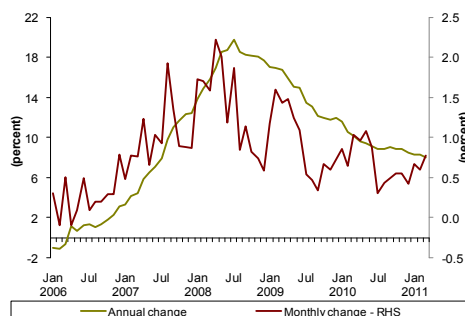
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Gold prices and "other goods and services"



Rental inflation



Monthly change in inflation (percent)

	2010			2011		
	Oct	Nov	Dec	Jan	Feb	Mar
Food & beverages	1.5	-0.3	0.1	-0.5	0.1	-0.1
Fabrics, clothing & footwear	-0.1	-0.1	0.0	0.4	0.0	0.0
Housing & related items	0.6	0.5	0.4	0.7	0.6	0.8
Home furniture	-1.0	-0.1	0.0	0.2	0.0	0.2
Medical care	0.5	0.0	0.0	-0.1	0.0	0.0
Transport & telecoms	0.1	0.0	0.1	0.7	0.3	0.1
Education & entertainment	1.1	0.0	0.0	0.0	0.0	0.0
Other expenses & services	-0.2	1.8	0.0	-0.4	0.0	0.5
Total	0.5	0.3	0.1	0.1	0.2	0.3

In monthly terms inflation picked up slightly, to 0.3 percent, largely because of the jump in the cost of "other expenses and services". Monthly rental inflation rose to a 10-month high of 0.8 percent, but this is in line with the experience of recent years, as monthly rental inflation tends to rise faster in the first half of the year (see chart).

The other area where the monthly increase in inflation was notable was home furniture. Specifically, this was the result of higher prices for certain electrical appliances. We think that much of the spending stimulated by the additional two-month's public sector salary will be on goods included in the home furniture and education and entertainment sub-indexes, and there could well be a pick-up in inflation in these in the coming months.

Annual inflation rates (percent)

	2006	2007	2008	2009	2010	2011*
Food & beverages	5.4	7.0	14.1	2.0	6.2	5.9
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	8.2
Home furniture	0.3	1.3	7.7	8.5	2.8	-0.3
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	2.0
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	8.3
Total	2.2	4.1	9.9	5.1	5.3	5.0

* Year to date

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