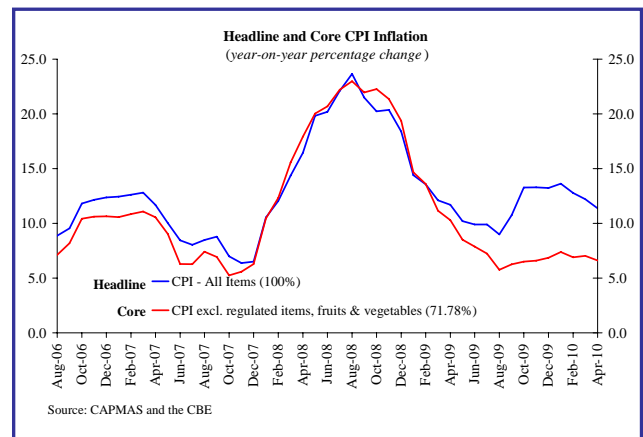
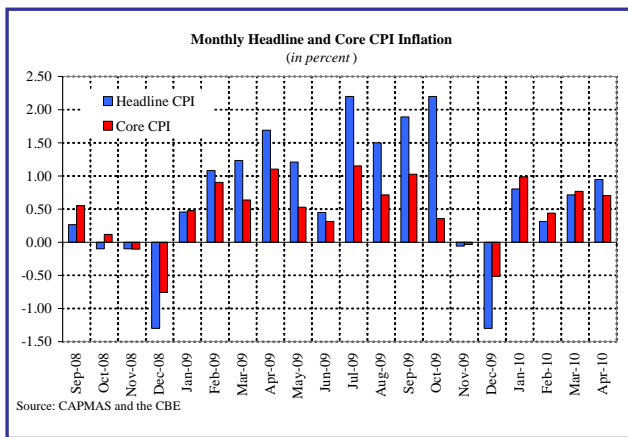


Headline and Core Inflation – April 2010

Headline CPI published by the Central Agency for Public Mobilization and Statistics on May 10, 2010, increased by 0.95 percent (m/m) in April 2010 compared to the 0.71 percent in March 2010. Despite the monthly increase, favorable base effects led the annual rate to decline to 11.38 percent from 12.20 percent registered in the previous month. Around half of the monthly increase was accounted for by the acceleration in the prices of fruits and vegetables, while the remaining bulk was explained by the rise in the prices of red meat. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.70 percent (m/m) in April compared to 0.77 percent (m/m) in March. The monthly increase in April was mainly driven by higher prices of red meat. The annual rate declined from 7.04 percent to 6.62 percent in April. Meanwhile, retail prices and paid services have remained broadly unchanged.¹

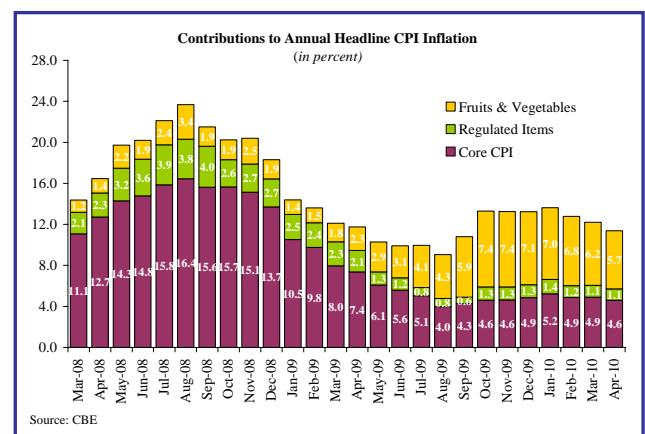
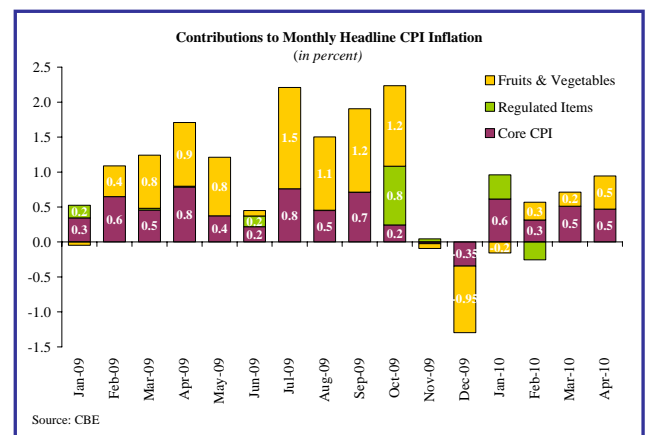


1. Headline CPI

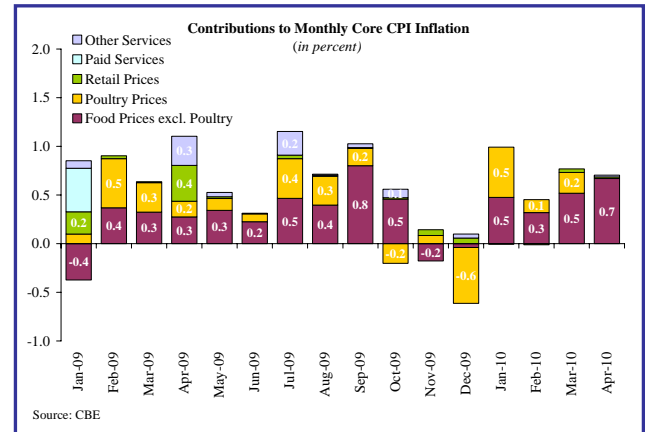
Headline CPI increased by 0.95 percent (m/m) in April 2010. While this month's increase is higher than the monthly outturn witnessed in March, it remains slightly below the average pace of 1.1 percent (m/m) recorded during 2009. Despite the monthly increase, favorable base effects led the annual rate to decline to 11.38 percent from 12.20 percent registered in the previous month.

Key Highlights

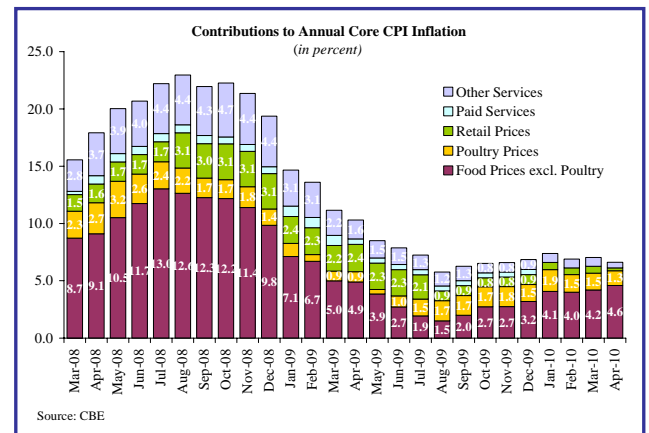
- The prices of fruits and vegetables have accelerated in April at 3.28 percent (m/m) to contribute by 0.48 percentage points of the 0.95 month-on-month increase in headline inflation. Nonetheless, this month's increase is significantly below the average pace of increases of 6.9 percent witnessed between January and October 2009. Future changes in the prices of fruits and vegetables will continue to be closely monitored, given their impact on headline inflation.



- Prices of red meat continued to increase during April, accelerating significantly by 5.01 percent to account for around 40 percent of monthly headline inflation. Moreover, the cumulative increase in the prices of red meat reached 12.81 percent (m/m) since the beginning of the year. While the continuation of the upward trend in the red meat prices poses an upside risk to headline and core inflation, the government's announced plans of increasing imports of red meat might help to alleviate some of the price pressures.



- The prices of fish, seafood, eggs, cheese and fats inched up during April on the back of increased demand during Easter.
- Poultry prices remained unchanged in April. This is a favorable development, as it followed a cumulative 10.92 percent (m/m) increase since the beginning of the year.
- Sugar prices declined in April by 2.48 percent, after remaining unchanged during the previous two months. This follows the cumulative 38.49 percent increase between July and October 2009.



- Pulses declined by 6.22 percent in April mitigating some of the upward price pressure generated by the food items mentioned above.

2. Core Inflation

Core CPI increased by 0.70 percent (m/m) in April compared to 0.77 percent (m/m) in March. The annual rate declined to 6.62 percent in April down from the 7.04 percent recorded in the previous month. While the monthly rate is still above the average pace of 0.56 percent (m/m) witnessed during 2009, it was largely driven by the higher prices of red meat, which accounted for 0.54 percentage points of the 0.70 percent month-on-month increase.

Meanwhile, retail prices and paid services were broadly unchanged in April, in continuation of their subdued dynamics since early 2009. Hence, inflationary pressures are assessed to have remained weak through April 2010, despite sporadic price increases in a number of food items.

1/ CAPMAS publishes three CPI series: (1) the CPI for urban areas which include Cairo, Alexandria, urban Lower Egypt, urban Upper Egypt, Canal cities and Frontier governorates, (2) the CPI for rural areas, and (3) the CPI for All areas. Numbers quoted in this note refer to CPI-Urban.

Table 1.
Classification of All Items included in Core CPI

Food	Retail	Paid Services	Other Services
Bread and cereals	Clothing	Tailors & laundry	Rentals (new law)
Meat	Fabrics	Portman & gardener's services	Rental value of owner occupied housing
Fish and other seafood	Footwear	Cook & maid's services	Hospital services
Eggs & Dairy products	Maintenance and repair of the dwelling	Technicians to HH appliances	Public transportation
Oils and fats	Furniture	Physicians	Mobile services
Pulses	Carpets and other floor covering	Mechanics	Recreational & sporting services
Sugar and confectionery	Household (HH) textiles	Teachers	Cultural services
Other food products	HH appliances	Hairdressers	Hajj & Omra trips
Non alcoholic beverages	Glassware, tableware and HH utensils		Restaurants and Cafes
	HH small tools & supplies		Accommodation services
	HH cleaning products		Private schools
	HH miscellaneous products		
	Purchase of vehicles		
	Spare parts		
	Motor oil		
	Telephone & telefax equipment		
	Home entertainment equipment		
	Recreational equipment		
	Personal care supplies and products		
	Personal effects		
	Books		
	School supplies		
	Medical care goods		

Table 2.
Consumer Price Index and Major Components 1/

	Weight in basket 2/	April 2009	April 2010	April 2010 to March 2010	April 2010 to April 2009
	(in percent)	(index)	(percentage change)		
(January 2007 = 100)					
Headline - All items	100.00	131.48	146.44	0.95	11.38
Food and non-alcoholic beverages	43.88	141.94	170.93	1.82	20.42
Tobacco and related products	2.57	120.97	120.97	0.00	0.00
Clothing and footwear	7.90	118.31	118.99	0.00	0.58
Housing, water, electricity, gas and other fuels	13.46	112.05	113.46	0.00	1.26
Furnishings, household equipment and routine maintenance of the dwelling	4.17	125.22	126.70	0.00	1.19
Medical care	3.61	117.24	117.56	0.00	0.27
Transportation	5.22	125.02	125.50	0.00	0.38
Communications	3.64	109.36	109.31	0.00	-0.05
Recreation and Culture	3.39	133.68	140.66	0.00	5.22
Education	4.38	144.07	157.59	0.00	9.38
Hotels, cafes and restaurants	3.55	163.45	172.13	0.29	5.31
Miscellaneous goods and services	4.23	120.22	139.85	0.27	16.33
Selective aggregates					
Fruits & vegetables 3/	8.80	159.94	247.39	3.28	54.68
Regulated items	19.42	125.04	133.26	0.00	6.57
Food excl. fruits & vegetables	33.27	139.97	156.45	1.29	11.78
Retail items	17.34	119.55	121.06	0.08	1.26
Paid services	4.96	118.56	118.56	0.00	0.00
Other services	16.21	124.30	126.95	0.09	2.13
Core CPI	71.78	130.02	138.62	0.70	6.62

1/ Source: CAPMAS and CBE calculations

2/ Based on the 2004/2005 Household Expenditure Survey

3/ Excluding pulses