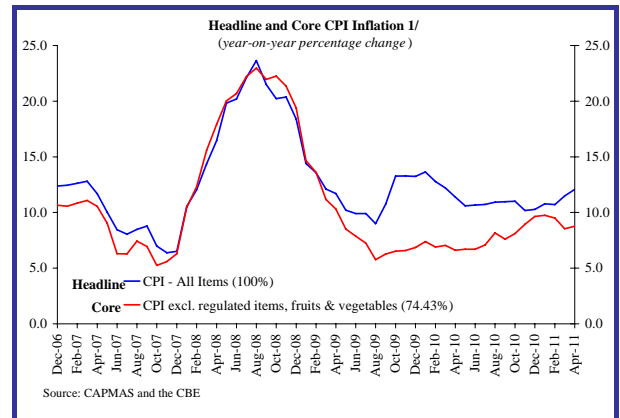
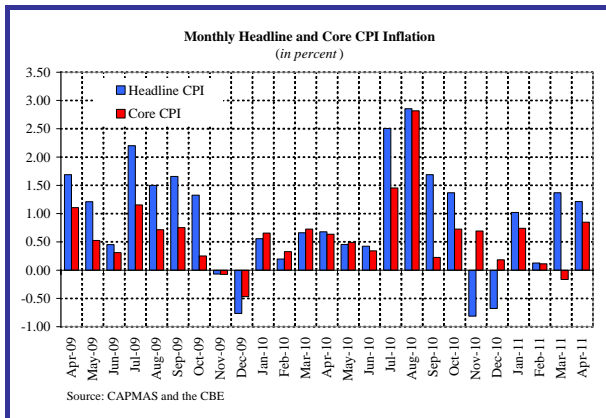


## Headline and Core Inflation – April 2011

Headline CPI published by the Central Agency for Public Mobilization and Statistics on May 10, 2011, increased by 1.21 percent (m/m) in April following the 1.37 percent (m/m) increase in March. The annual rate increased to 12.08 percent in April compared to 11.49 percent in the previous month. The month on month increase was almost entirely driven by higher food prices, with the prices of fruits and vegetables accounting for about half of the monthly increase, while the remaining was mainly due to the acceleration in the prices of rice, eggs, red meat, poultry, edible oils and fats. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.85 percent in April following a decline of 0.17 percent (m/m) in the previous month. Meanwhile, retail prices and paid services remained broadly unchanged. The annual rate inched up to 8.76 percent in April from 8.54 percent in March.<sup>1</sup>

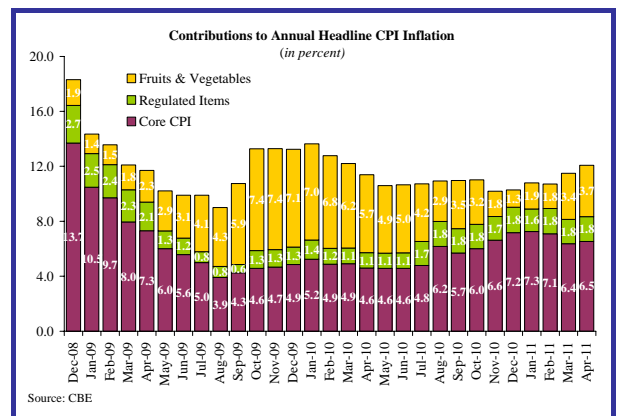
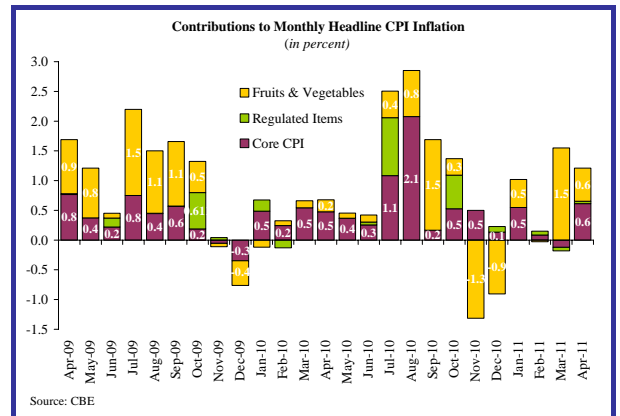


### 1. Headline CPI<sup>2</sup>

Headline CPI increased by 1.21 percent in April following the 1.37 percent (m/m) increase in March which is slightly higher than the average monthly pace of 1.15 recorded in 2010 H2. The annual rate inched up to 12.08 percent in April compared to 11.49 percent in March.

#### Key Highlights

- Prices of vegetables increased by 6.06 percent in April after registering a record high monthly increase of 26.86 percent in March, contributing by 0.42 percentage points to monthly headline inflation in April. In the meantime, prices of fruits increased by 5.78 percent in April, which is significantly higher than the 1.81 percent average monthly increase witnessed in 2011 Q1. The rise in fruit prices contributed by 0.14 percentage points to monthly headline inflation.



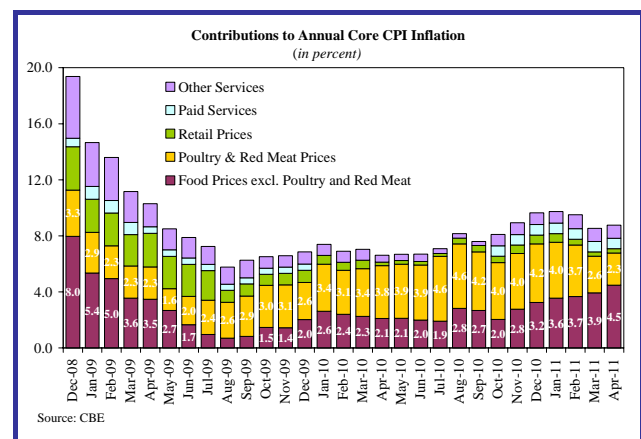
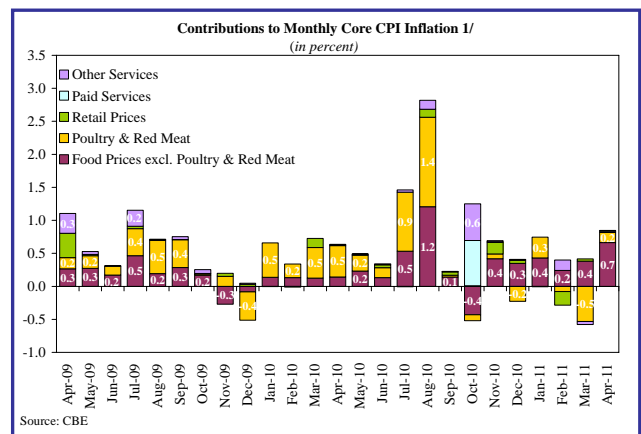
- After recording a 6.77 percent (m/m) increase in March, rice prices continued to rise in April registering a monthly increase of 13.36 percent, representing the highest monthly increase since July 2010 and contributing by 0.27 percentage points to monthly headline inflation. This brings the cumulative increase since November 2010 to 41.95 percent, despite the announced ban on rice exports through October 2011.
- Prices of eggs increased by 4.66 percent in April on the back of increased demand during Easter, after remaining unchanged in March, contributing by 0.07 percentage points to monthly headline inflation. This brings the year to date cumulative monthly increase to 14.48 percent.
- After remaining unchanged in March, poultry prices increased by a tame 1.70 percent (m/m) in April, which is significantly lower than the 6.02 percent increase witnessed in January. Meanwhile, prices of red meat inched up by 0.61 percent, after declining by 5.15 percent (m/m) in March. Together, red meat and poultry prices contributed by 0.11 percentage points to monthly inflation. It is worth mentioning that the CBE decided to extend the exemption of imports of some food items from the minimum cash cover requirement until December 2011.
- Other food prices experienced price increases, including oils and fats, fish and seafood, maize, soft drinks, cheese, wheat, processed vegetables, tea, processed meat, and other foods, which together contributed by 0.17 percentage points to monthly headline inflation.
- Prices of sugar and pulses registered the only declines in April, to contribute by negative 0.03 percent to monthly headline inflation.
- Retail prices inched up slightly by 0.11 percent mainly driven by higher gold prices, while prices of other services recorded a minor increase of 0.04 percent (m/m) on the back of increases in private hospital fees.

- After declining by 18.26 percent (m/m) in March, the price of butane gas cylinders increased by 13.03 (m/m) percent in April on the back of disruptions in transport networks and resulting limited supply.

## 2. Core Inflation<sup>2</sup>

Core CPI increased by 0.85 percent in April, following a decline of 0.17 percent (m/m) in March. This month's increase stands above the average monthly pace of 0.66 percent recorded in 2010 and through March 2011. The annual rate increased to 8.76 percent in April compared to the 8.54 percent recorded in March.

The monthly increase in April was mainly driven by higher food prices mentioned above which accounted for 0.82 percentage points of the monthly increase in core inflation. The marginal increases in retail prices and other services accounted for the remaining 0.03 percentage points while paid services remained unchanged.



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.

2/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8<sup>th</sup> CPI series by the 9<sup>th</sup> series starting from August 2009 (Full details are discussed in the Technical Appendix of the August 2010 Inflation Note).

**Table 1.**  
Classification of All Items included in Core CPI

<b>Food</b>	<b>Retail</b>	<b>Paid Services</b>	<b>Other Services</b>
Bread and cereals	Clothing	Tailors, laundry & shoe repair	Rentals (new law)
Meat	Fabrics	Dwelling maintenance services	Rental value of owner occupied housing
Fish and other seafood	Footwear	Portman & gardener's services	Hospital services
Eggs & Dairy products	Products related to dwelling repairment	Cook & maid's services	Transportation Services
Oils and fats	Furniture	Technicians to HH appliances	Mobile & internet services
Dried fruits	Carpets and other floor covering	Repairs of Audio-visual equipment	Recreational & sporting services
Processed vegetables	Household (HH) textiles	Physicians	Cultural services
Pulses	HH appliances	Mechanics	Hajj & Omra trips
Sugar and confectionery	Glassware, tableware and HH utensils	Teachers	Restaurants and Cafes
Other food products	HH small tools & supplies	Hairdressers	Accommodation services
Beverages	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 2010	April 2011	April 2011 to March 2011	April 2011 to April 2010
	(in percent)	(index)	(percentage change)		
(January 2010 = 100)					
<b>Headline - All items</b>	<b>100.00</b>	<b>101.54</b>	<b>113.81</b>	<b>1.21</b>	<b>12.08</b>
Food and beverages	39.92	103.91	126.42	2.63	21.66
Tobacco and related products	2.19	100.00	146.89	0.00	46.89
Clothing and footwear	5.41	100.00	100.08	0.00	0.08
Housing, water, electricity, gas and other fuels	18.37	99.30	99.72	0.23	0.42
Furnishings, household equipment and routine maintenance of the dwelling	3.77	102.65	103.77	0.10	1.10
Medical care	6.33	100.00	101.93	0.16	1.93
Transportation	5.68	100.00	101.53	0.02	1.53
Communications	3.12	99.92	100.03	0.00	0.11
Recreation and Culture	2.43	100.00	106.93	0.00	6.93
Education	4.63	100.00	124.31	0.00	24.31
Hotels, cafes and restaurants	4.43	100.16	112.37	0.00	12.19
Miscellaneous goods and services	3.73	100.18	102.38	0.29	2.19
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	105.89	160.96	5.99	52.00
Regulated items	18.66	99.31	109.10	0.21	9.86
Food excl. fruits & vegetables	31.08	103.71	120.21	1.81	15.90
Retail items	14.48	100.72	102.36	0.11	1.63
Paid services	5.87	100.00	109.55	0.00	9.55
Other services	23.00	100.03	103.12	0.04	3.09
Core CPI	74.43	101.70	110.61	0.85	8.76

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits