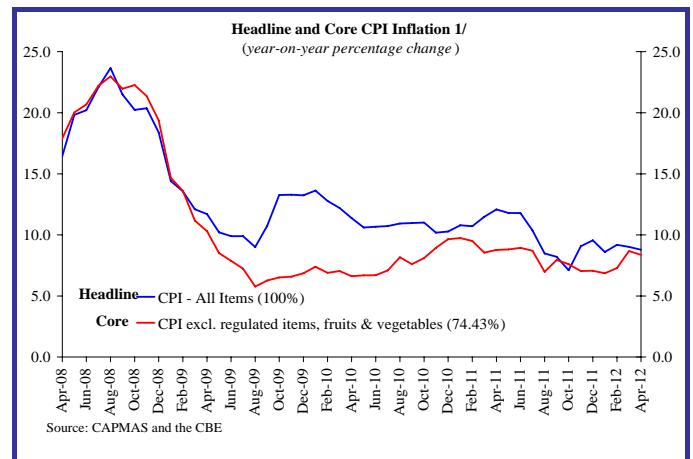
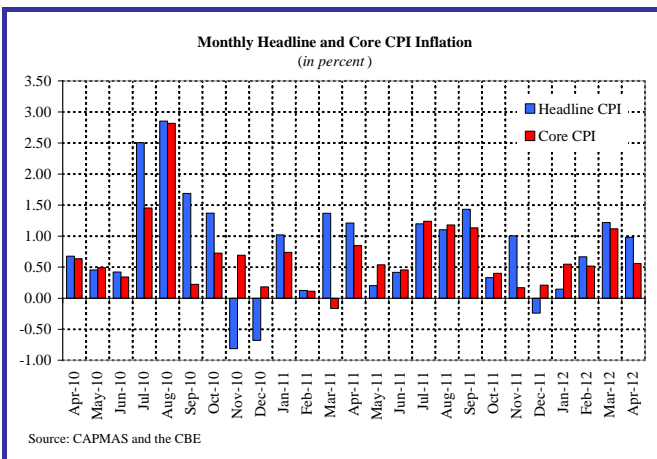


Headline and Core Inflation – April 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on May 10, 2012, increased by 0.98 percent (m/m) in April compared to 1.22 percent (m/m) in March. Meanwhile, the annual rate declined to 8.78 percent in April from 9.03 percent in the previous month, supported by favorable base effects from last year. The month-on-month developments were mainly driven by increases in the prices of select food items, namely fruits and vegetables as well as poultry, fish and seafood. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.56 percent (m/m) in April compared to 1.12 percent (m/m) in March. The annual rate declined to 8.36 percent in April from 8.68 percent in the previous month, supported by favorable base effects. Meanwhile, the prices of paid services, other services, and retail items remained broadly unchanged.¹

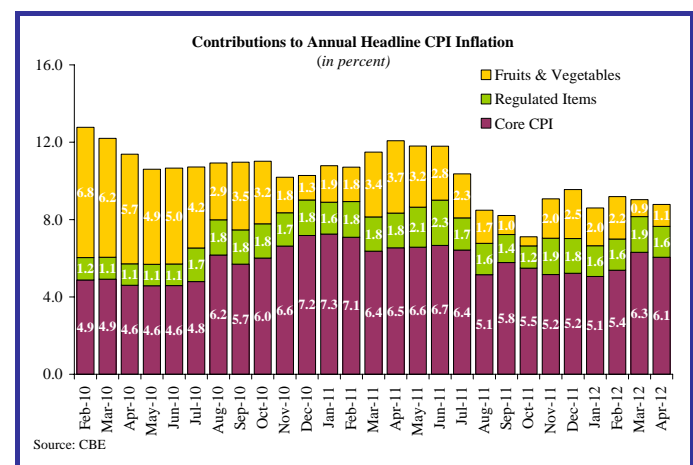
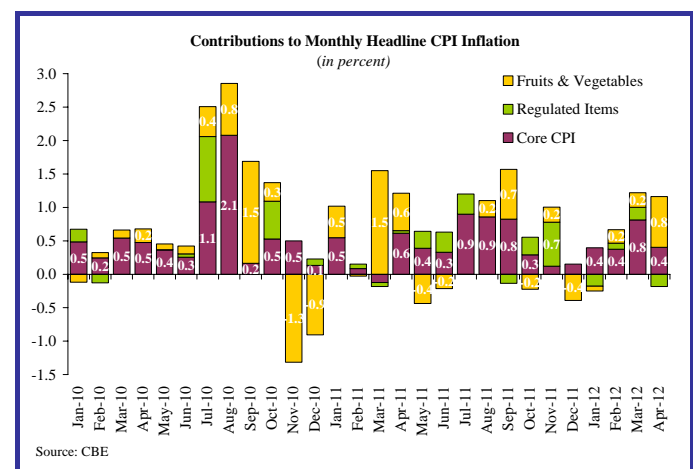


1. Headline CPI²

Headline CPI increased by 0.98 percent (m/m) in April compared to 1.22 percent (m/m) in March, which is slightly higher than the average monthly pace of 0.76 recorded during 2011. The annual rate declined to 8.78 percent in April from 9.03 percent in the previous month, supported by favorable base effects from last year.

Key Highlights

- Regulated prices declined to contribute by negative 0.18 percentage points to monthly headline inflation. This monthly development mainly came on the back of a 22.33 percent (m/m) decrease in the prices of butane gas cylinders, bringing the cumulative monthly increase to 128.02 percent since January 2011.
- Prices of both fresh vegetables and fresh fruits increased for the third consecutive month by 9.22 percent (m/m) and 4.35 percent (m/m)



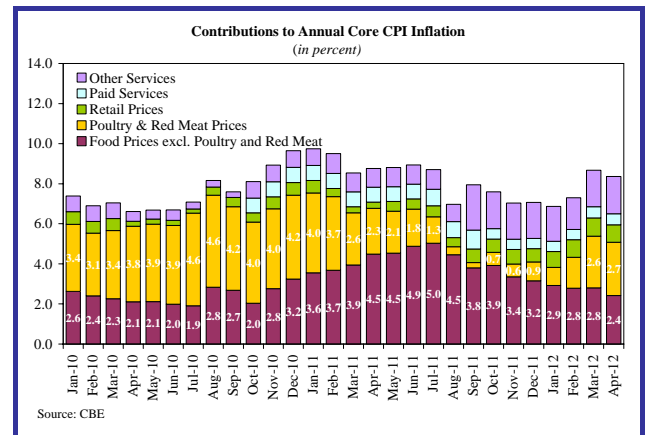
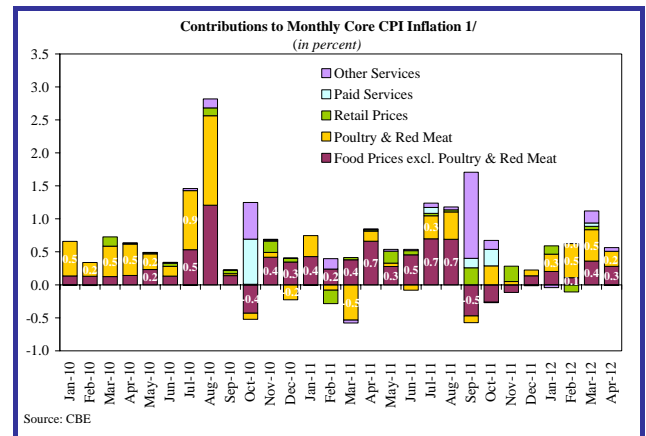
respectively. The rise in prices of fresh vegetables was primarily driven by higher tomato prices, which accelerated by 32.06 percent in April. Together, the increase in the prices of volatile food items contributed by 0.76 percentage points to monthly headline inflation.

- Poultry prices continued to rise, increasing by 3.56 percent (m/m) in April after accelerating by 7.93 percent (m/m) in March. The cumulative monthly increase in poultry prices over the last five months reached 27.59 percent. This month's increase comes in sharp contrast to the average monthly pace of 0.62 percent recorded during 2011, partly reflecting the tentative substitution effect resulting from the outbreak of foot and mouth disease in cattle. Higher poultry prices contributed by 0.16 percentage points to monthly headline inflation.
- Prices of fish and seafood accelerated by a record monthly high of 8.10 percent (m/m) in April, following a 6.47 percent (m/m) escalation in the previous month. The monthly rate observed in April stands in sharp contrast to the average monthly pace of 0.91 percent (m/m) recorded during 2011, partly reflecting the tentative substitution effect resulting from the outbreak of foot and mouth disease in cattle as well as increased demand during Easter.
- Egg prices declined by 2.71 percent (m/m) in April, after increasing by 4.31 percent (m/m) in the previous month. This brings the cumulative monthly increase to 12.35 percent since the beginning of the year.
- Prices of other services recorded a marginal increase of 0.20 percent (m/m) on the back of higher prices of restaurant meals and Haj & Omra trips. In the meantime, prices of paid services remained unchanged, while prices of retail items experienced a negligible decline.

2. Core Inflation²

Core CPI increased by 0.56 percent (m/m) in April compared to 1.12 percent (m/m) in March. This month's increase is in line with the average monthly pace of 0.57 percent (m/m) recorded during 2011. Annual core inflation declined to 8.36 percent (m/m) from 8.68 percent (m/m) in the previous month, supported by favorable base effects.

The bulk of the monthly increase in April was driven by the higher food prices mentioned above which contributed by 0.51 percentage points to monthly core inflation.



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 8th CPI series by the 9th 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

Food	Retail	Paid Services	Other Services
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 2011	April 2012	April 2012 to March 2012	April 2012 to April 2011
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	113.81	123.80	0.98	8.78
Food and beverages	39.92	126.42	140.12	2.53	10.84
Tobacco and related products	2.19	146.89	201.78	0.00	37.37
Clothing and footwear	5.41	100.08	106.84	0.00	6.75
Housing, water, electricity, gas and other fuels	18.37	99.72	108.43	-1.11	8.74
Furnishings, household equipment and routine maintenance of the dwelling	3.77	103.77	110.69	0.06	6.67
Medical care	6.33	101.93	102.05	0.00	0.11
Transportation	5.68	101.53	104.50	0.00	2.92
Communications	3.12	100.03	95.53	0.00	-4.50
Recreation and Culture	2.43	106.93	116.13	0.49	8.60
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	112.37	116.33	0.69	3.53
Miscellaneous goods and services	3.73	102.38	104.76	-0.20	2.33
Selective aggregates					
Fruits & vegetables 3/	6.90	160.96	179.57	8.11	11.56
Regulated items	18.66	109.10	118.85	-0.99	8.93
Food excl. fruits & vegetables	31.08	120.21	133.67	1.10	11.20
Retail items	14.48	102.36	107.31	-0.04	4.84
Paid services	5.87	109.55	117.34	0.00	7.12
Other services	23.00	103.12	109.76	0.20	6.44
Core CPI	74.43	110.61	119.87	0.56	8.36

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits