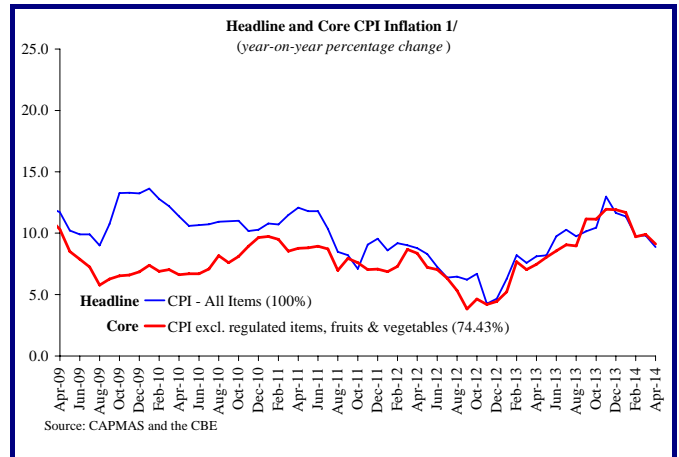
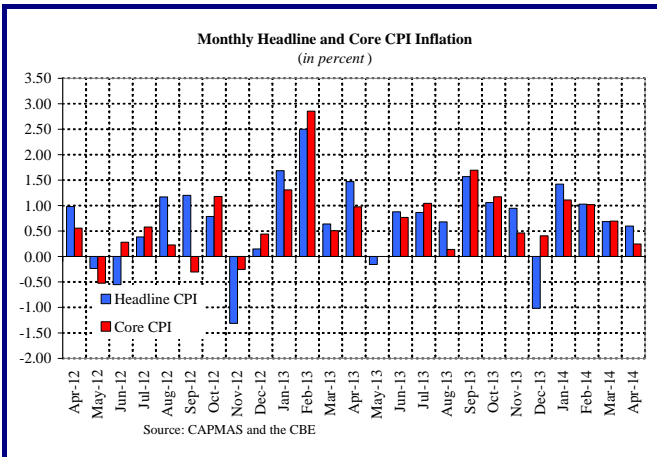


Headline and Core Inflation – April 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on May 08, 2014, increased by 0.60 percent (m/m) in April compared to 0.68 percent (m/m) in March. The annual rate decreased to 8.87 percent in April from 9.82 percent in March, partially due to favorable base effect. The bulk of the monthly increase was explained by the increase in the prices of fresh vegetables in addition to the increase in the prices of clothing. In the meantime, core CPI computed by the Central Bank of Egypt, increased by 0.25 percent (m/m) in April compared to 0.70 percent (m/m) in March. The annual rate declined to 9.11 percent in April compared to 9.90 percent in March, partially due to favorable base effect from last year. Meanwhile, the prices of retail items, paid services and other services increased slightly at varying rates.¹

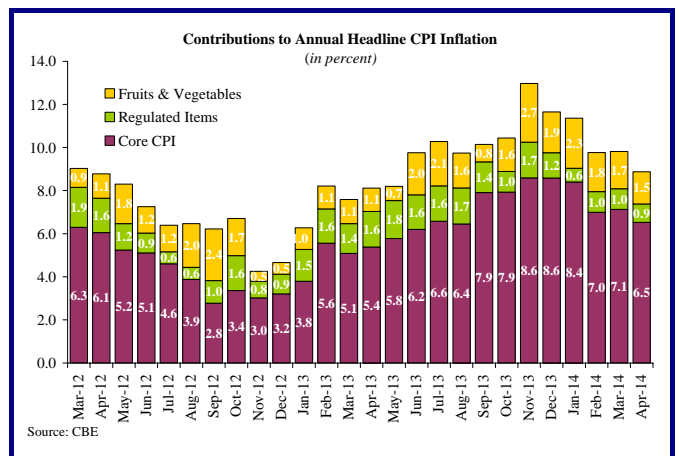
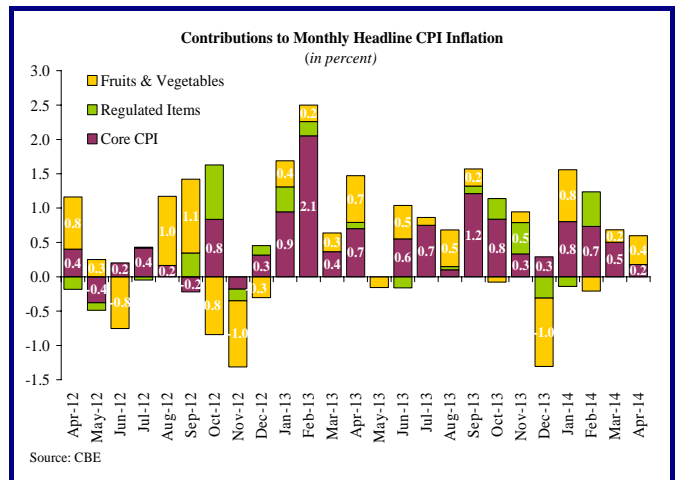


1. Headline CPI²

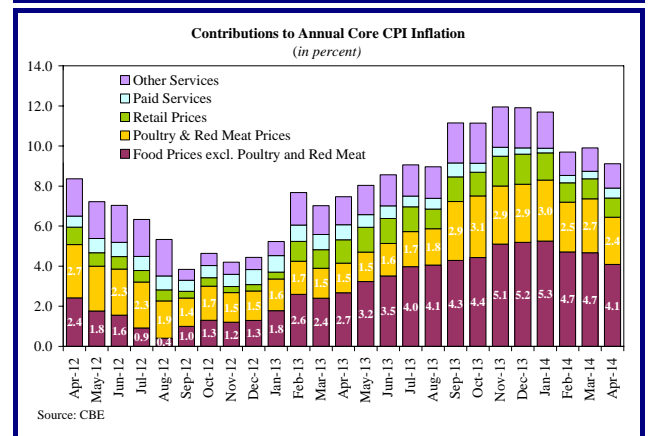
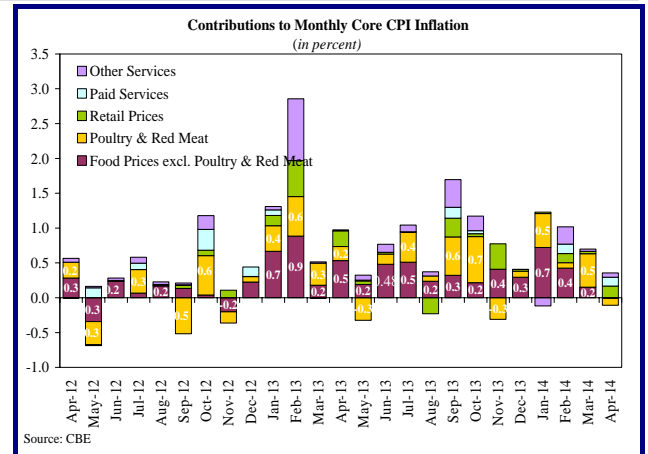
Headline CPI increased by 0.60 percent (m/m) in April compared to 0.68 percent (m/m) in March, which lies below the average monthly pace of 1.04 percent recorded during the last three months. Meanwhile, the annual rate decreased to 8.87 percent in April from 9.82 percent in March, partially due to partial favorable base effect from last year.

Key Highlights

- The prices of fresh vegetables increased by 5.24 percent (m/m) in April, which contributed by 0.43 percentage points to monthly headline inflation, accounting for more than 70 percent of the monthly development. On the contrary, the prices of fresh fruits slowed down by 0.35 percent in April. Together, the prices of fruits and vegetables contributed by 0.42 percentage points to monthly headline inflation.
- Poultry prices registered a decline of 1.37 percent in April, to contribute negatively by 0.07 percentage points to monthly headline inflation. While prices of red meat remain unchanged.



- Prices of fish and seafood increased by 3.21 percent (m/m) in April, contributing by 0.11 percentage points to monthly headline inflation, with a cumulative increase of 10.94 percent since January 2014.
- Moreover, prices of eggs declined for the second consecutive month by 4.19 percent (m/m) in April, contributing by negative 0.09 percentage points to monthly headline inflation.
- In addition, the prices of number of other food items including butter (local and imported), decreased marginally to jointly contribute by negative 0.03 percentage points to monthly headline inflation.
- Meanwhile, prices of paid services increased by 1.63 percent (m/m) in April, contributing by 0.09 percentage points to headline inflation. This was supported by the inch up in the prices of vehicle maintenance, together with the household services, which increased by 21.56 and 8.15 percent (m/m), respectively.
- Moreover, prices of retail items increased marginally by 1.02 percent (m/m) in April, contributing by 0.12 percentage points to headline inflation, driven primarily by higher prices of clothing, fabrics and particular dwelling items.
- Prices of other services increased slightly by 0.24 percent (m/m) in April, contributing by 0.05 percentage points to headline inflation. This came on the back of the inch up in the prices of other meals, together with the TV services and Haj and omra trips.



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).

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.25 percent (m/m) in April compared to 0.70 percent (m/m) in March, which is well below the average monthly pace of 0.94 percent recorded since the beginning of the year. The annual rate declined to 9.11 percent in April, from 9.90 percent in March, partially due to favorable base effect from the previous year.

The monthly dynamics in April was basically driven by the developments in the prices of the previously mentioned retail items, paid services and other services which collectively contributed by 0.36 percentage points to monthly core inflation. This was partially offset by decelerated food prices which contributed by negative 0.11 percentage points, to monthly core inflation.

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 2013	April 2014	April 2014 to March 2014	April 2014 to April 2013
	(in percent)	(index)		(percentage change)	
(January 2010 = 100)					
Headline - All items	100.00	133.84	145.71	0.60	8.87
Food and beverages	39.92	152.76	173.23	0.72	13.41
Tobacco and related products	2.19	217.38	235.20	0.00	8.20
Clothing and footwear	5.41	112.95	113.86	2.91	0.81
Housing, water, electricity, gas and other fuels	18.37	114.25	115.31	0.04	0.93
Furnishings, household equipment and routine maintenance of the dwelling	3.77	120.08	134.43	1.16	11.95
Medical care	6.33	114.83	128.59	0.00	11.99
Transportation	5.68	106.58	114.25	1.13	7.20
Communications	3.12	95.47	97.02	0.00	1.62
Recreation and Culture	2.43	125.20	143.89	1.08	14.93
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	138.49	148.54	0.46	7.26
Miscellaneous goods and services	3.73	106.23	106.29	-0.24	0.06
Selective aggregates					
Fruits & vegetables 3/	6.90	198.95	227.83	4.02	14.52
Regulated items	18.66	129.78	135.90	0.00	4.71
Food excl. fruits & vegetables	31.08	145.59	165.47	-0.22	13.66
Retail items	14.48	114.47	120.79	1.02	5.52
Paid services	5.87	128.86	137.03	1.63	6.34
Other services	23.00	115.17	120.23	0.24	4.39
Core CPI	74.43	128.82	140.56	0.25	9.11

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits