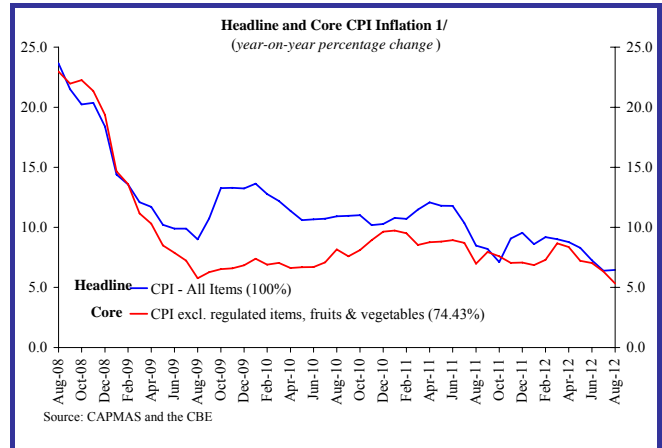
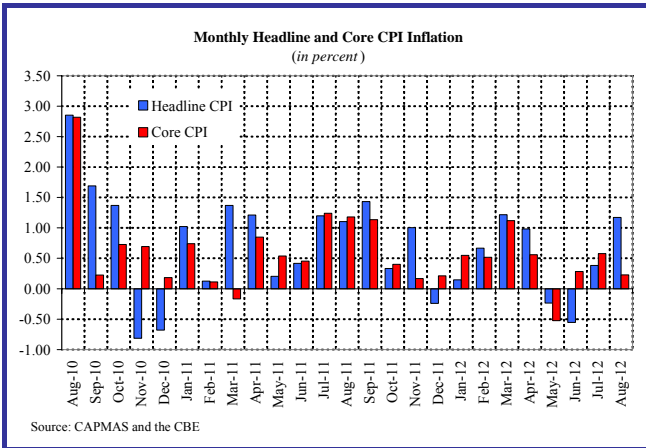


Headline and Core Inflation – August 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on September 10, 2012, increased by 1.17 percent (m/m) in August compared to 0.38 percent (m/m) in July. Meanwhile, the annual rate increased slightly to 6.47 percent in August from 6.39 percent in the previous month. The bulk of the monthly increase was driven by higher prices of fresh vegetables, and to a lesser extent, several other food items. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.23 percent (m/m) compared to 0.58 percent (m/m) in July, while the annual rate decelerated to 5.34 percent in August from 6.34 percent in the previous month, supported by favorable base effects from last year. Meanwhile, the prices of retail items, other services and paid services remained broadly unchanged.¹

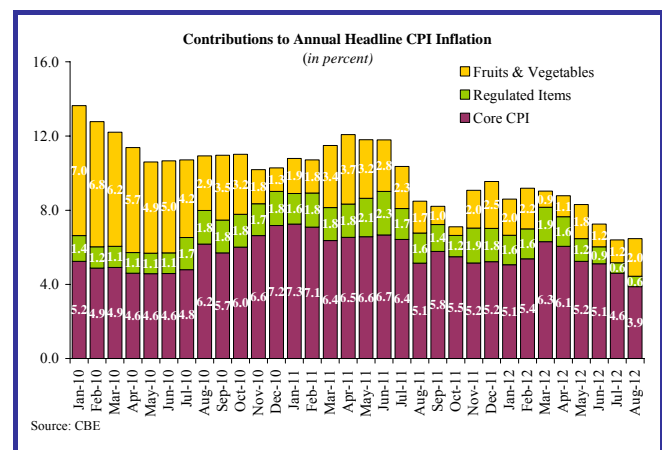
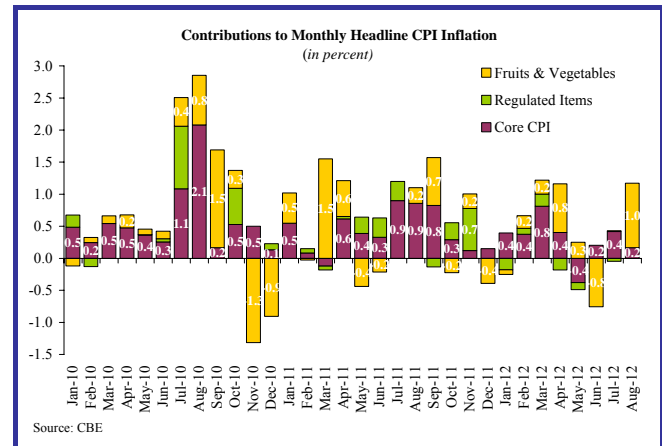


1. Headline CPI²

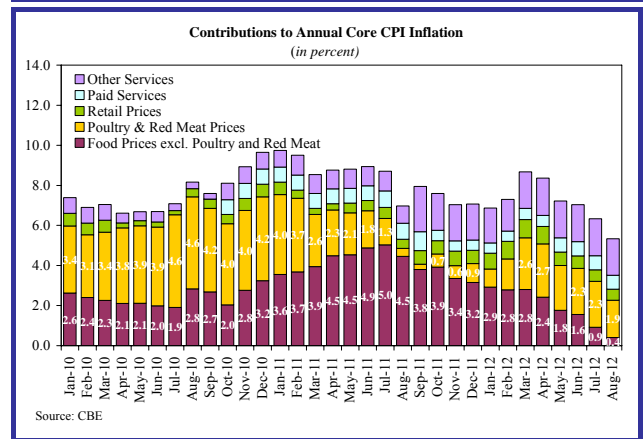
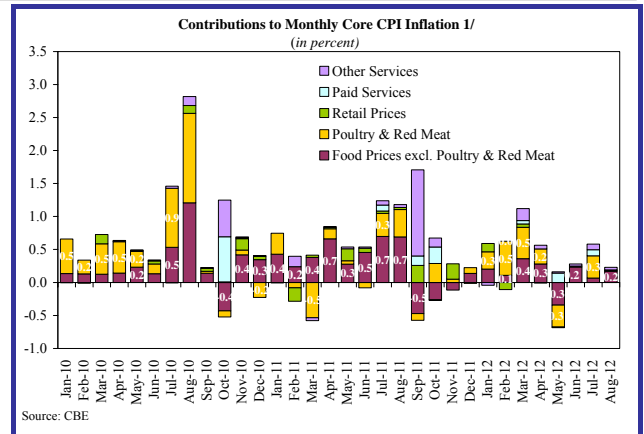
Headline CPI increased by 1.17 percent (m/m) in August compared to 0.38 percent (m/m) in the previous month, standing well above the average monthly pace of 0.37 percent recorded between January and July 2012. The annual rate inched up to 6.47 percent in August from 6.39 percent in the previous month, which had witnessed the lowest rate since November 2007.

Key Highlights

- Prices of fresh vegetables increased by 13.79 percent in August, bringing the cumulative monthly increase of fresh vegetable prices to 19.90 percent since the beginning of the year. In the meantime, prices of fresh fruits continued to decline for the third consecutive month to register a marginal 0.14 percent (m/m) decrease following a 3.34 percent (m/m) decline in July. Together, volatile food items contributed by 1.01 percentage points to monthly headline inflation, driven entirely by the rise in fresh vegetable prices.



- Egg prices increased by 6.78 percent (m/m) in August following a 5.73 percent (m/m) rise in July, contributing by 0.11 percentage points to monthly headline inflation. This brings the cumulative monthly increase since the beginning of the year to 22.07 percent.
- Fish and seafood prices increased by 2.42 percent (m/m) in August after recording a 2.05 percent (m/m) increase in the previous month, to contribute by 0.07 percentage points to monthly headline inflation.
- Prices of poultry inched up marginally by 0.13 percent (m/m), after rising by 2.96 percent (m/m) in the previous month. In the meantime, prices of red meat remained unchanged.
- Prices of other services recorded a marginal increase on the back of higher prices of Haj and Omra trips, which coincided with Ramadan, to contribute by just 0.03 percentage points to monthly headline inflation. In the meantime, prices of retail prices inched up negligibly, while prices of paid services remained unchanged.



2. Core Inflation²

Core CPI inched up by 0.23 (m/m) percent in August compared to 0.58 percent (m/m) in the previous month. The monthly pace observed in August stands below the average monthly pace of 0.44 percent recorded between January and July 2012. Annual core inflation decelerated to 5.34 percent from 6.34 percent in the previous month on the back of favorable base effects. This marks the lowest annual rate recorded since October 2007.

The bulk of the monthly increase in August was driven by the higher food prices mentioned above which accounted for 0.18 percentage points of the monthly increase in core inflation. Changes in the prices of retail items and other services contributed by a mere 0.05 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/	August 2011	August 2012	August 2012 to July 2012	August 2012 to August 2011
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2010 = 100)					
Headline - All items	100.00	117.16	124.74	1.17	6.47
Food and beverages	39.92	131.22	142.02	2.53	8.23
Tobacco and related products	2.19	185.53	201.78	0.00	8.76
Clothing and footwear	5.41	102.32	106.84	0.00	4.42
Housing, water, electricity, gas and other fuels	18.37	100.49	107.24	0.00	6.71
Furnishings, household equipment and routine maintenance of the dwelling	3.77	106.63	114.51	0.00	7.39
Medical care	6.33	102.04	103.77	0.00	1.70
Transportation	5.68	102.06	104.51	0.01	2.40
Communications	3.12	99.97	95.52	-0.02	-4.45
Recreation and Culture	2.43	110.74	120.97	1.15	9.24
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	113.12	117.10	0.00	3.52
Miscellaneous goods and services	3.73	103.99	104.68	0.27	0.66
Selective aggregates					
Fruits & vegetables 3/	6.90	154.29	188.74	10.53	22.33
Regulated items	18.66	114.33	117.82	0.00	3.05
Food excl. fruits & vegetables	31.08	127.86	134.07	0.38	4.86
Retail items	14.48	104.16	107.40	0.06	3.11
Paid services	5.87	110.83	120.93	0.00	9.11
Other services	23.00	103.67	110.43	0.13	6.52
Core CPI	74.43	114.43	120.54	0.23	5.34

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits