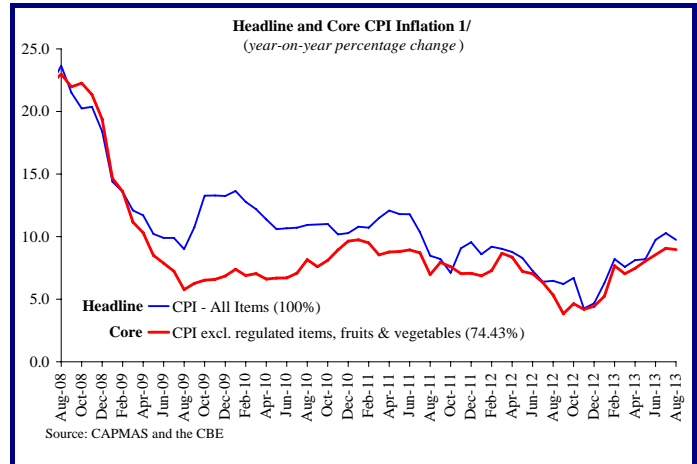
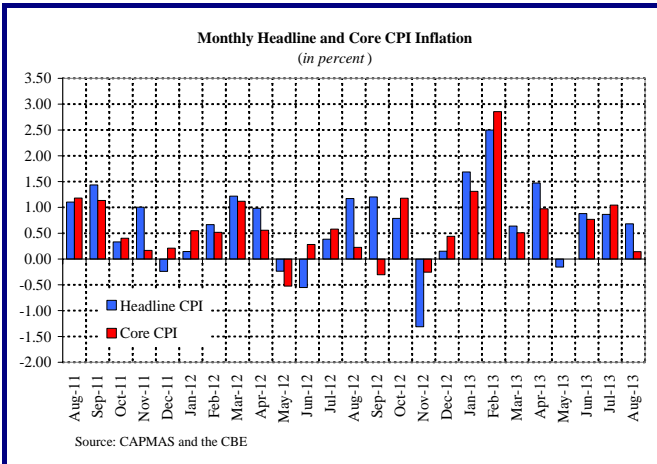


Headline and Core Inflation – August 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on September 10, 2013, increased by 0.68 percent (m/m) in August compared to 0.86 percent (m/m) in July. The annual rate declined to 9.74 percent in August from 10.28 percent in July. This month-on-month development is mainly explained by the increase in the prices of fresh vegetables and other food items, primarily poultry and fish and seafood. However, this increase was somewhat offset by the decline in the prices of clothing. In the meantime, core CPI increased by 0.14 percent (m/m) in August compared to 1.04 percent (m/m) in July. The annual rate declined to 8.97 percent in August from 9.06 percent in July. Meanwhile, the retail prices declined, while the prices of both other services and paid services remained broadly unchanged.¹

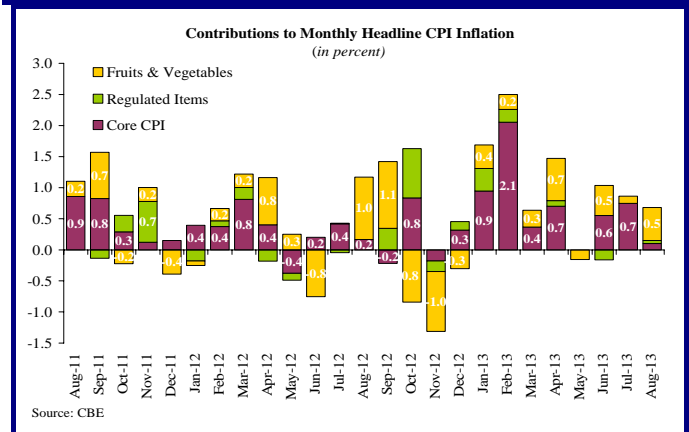


1. Headline CPI²

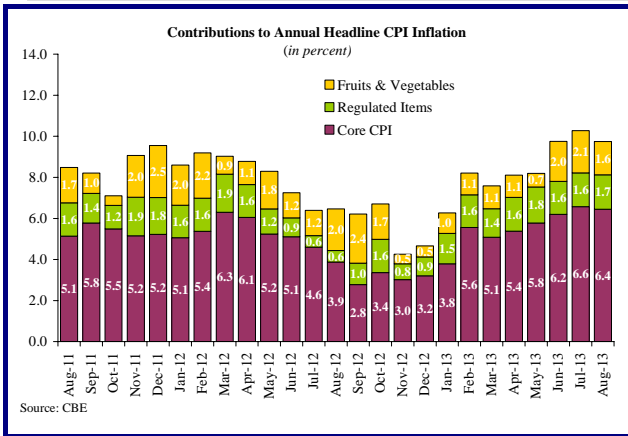
Headline CPI increased by 0.68 percent (m/m) in August compared to 0.86 percent (m/m) in July, which lies below the average monthly pace of 1.13 percent recorded in the first seven months of 2013. Meanwhile, the annual rate declined to 9.74 percent in August from 10.28 percent in July.

Key Highlights

- The prices of fresh vegetables inched up by 6.09 percent (m/m) in August, with a cumulative increase of 30.79 percent since January 2013. Meanwhile, the prices of fresh fruits raised by 1.48 percent in August, compared to 1.64 percent in July. Together, they contributed by 0.53 percentage points to monthly headline inflation in August.
- Prices of fish and seafood increased by 2.44 percent (m/m), contributing by 0.08 percentage points to monthly headline inflation. It grew slightly higher than the monthly pace of 2.16 percent recorded during the first seven months of 2013, and increased cumulatively by 17.53 percent since January.



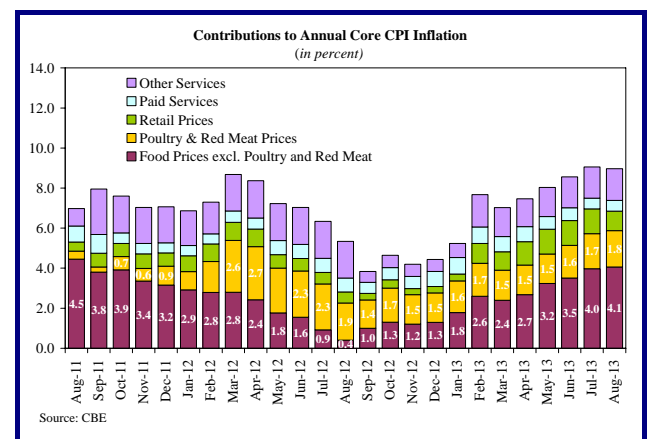
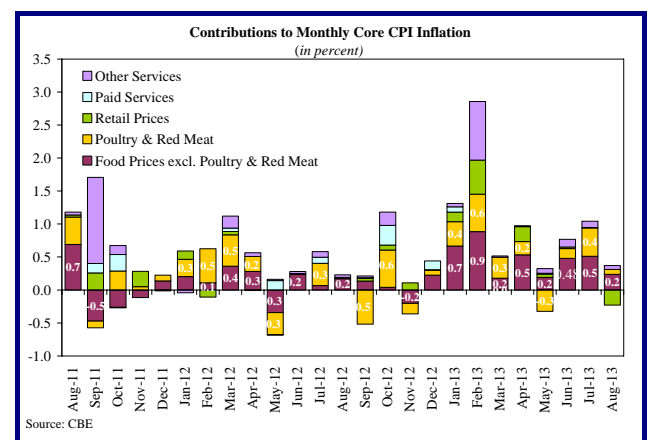
- Prices of eggs increased by 3.06 percent (m/m) in August, compared to 5.38 percent in July. The monthly rate contributed by 0.06 percentage points to monthly headline inflation, with a cumulative increase by 28.81 percent since January 2013.



2013. The annual rate declined to 8.97 percent in August from 9.06 percent in July.

The bulk of the monthly increase in August was largely affected by the developments in the food prices mentioned above which contributed by 0.31 percentage points to monthly core inflation. The rest was mainly accounted for by the increase in the prices of other services which contributed by 0.06 percentage points to monthly core inflation. Meanwhile, prices of retail prices declined to offset a bit the above-mentioned increases, to finally contribute by negative 0.23 percentage points to monthly core inflation.

- Poultry prices increased by 1.08 percent in August, compared to 2.68 percent in July, with a cumulative increase of 23.06 percent since the beginning of the year. It contributed by 0.05 percentage points to monthly headline inflation.
- Meanwhile, prices of other food items witnessed minor increases in August mainly bakery products and butter, collectively contributing by 0.04 percentage points to monthly headline inflation.
- Prices of regulated items recorded an increase of 0.27 percent (m/m) to contribute by 0.05 percentage points to monthly headline inflation. This was attributed to the inch up in the prices of imported Tobacco and summer vacations.
- Prices of other services recorded a marginal increase of 0.22 percent (m/m) to contribute by 0.04 percent to monthly headline inflation. This was mainly driven by higher prices of Haj and Omra trips. Meanwhile, the prices of paid services remained unchanged.
- Retail items declined by 1.35 percent (m/m) in August with a contribution of negative 0.16 percentage points to monthly headline inflation. This is attributed to the decline in clothing prices.



2. Core Inflation²

Core CPI increased by 0.14 percent (m/m) in August compared to 1.04 percent (m/m) in July, which is extremely lower than the average monthly pace of 1.07 percent recorded in the first seven months of

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 2012	July 2013	August 2013	August 2013 to July 2013	August 2013 to August 2012
	(in percent)	(index)		(percentage change)		
		(January 2010 = 100)				
Headline - All items	100.00	124.74	135.97	136.89	0.68	9.74
Food and beverages	39.92	142.02	157.71	160.29	1.63	12.86
Tobacco and related products	2.19	201.78	217.38	218.43	0.48	8.25
Clothing and footwear	5.41	106.84	113.03	108.79	-3.75	1.83
Housing, water, electricity, gas and other fuels	18.37	107.24	113.08	113.08	0.00	5.45
Furnishings, household equipment and routine maintenance of the dwelling	3.77	114.51	122.75	122.75	0.00	7.19
Medical care	6.33	103.77	114.83	114.83	0.00	10.66
Transportation	5.68	104.51	107.26	107.26	0.00	2.63
Communications	3.12	95.52	95.47	95.47	0.00	-0.05
Recreation and Culture	2.43	120.97	130.50	134.63	3.16	11.29
Education	4.63	136.59	152.18	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	117.10	141.68	141.68	0.00	20.99
Miscellaneous goods and services	3.73	104.68	104.86	104.99	0.12	0.30
Selective aggregates						
Fruits & vegetables 3/	6.90	188.74	207.60	218.09	5.05	15.55
Regulated items	18.66	117.82	128.64	128.98	0.27	9.48
Food excl. fruits & vegetables	31.08	134.07	150.03	151.01	0.65	12.64
Retail items	14.48	107.40	115.01	113.46	-1.35	5.65
Paid services	5.87	120.93	129.10	129.10	0.00	6.75
Other services	23.00	110.43	116.35	116.60	0.22	5.60
Core CPI	74.43	120.54	131.16	131.35	0.14	8.97

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits