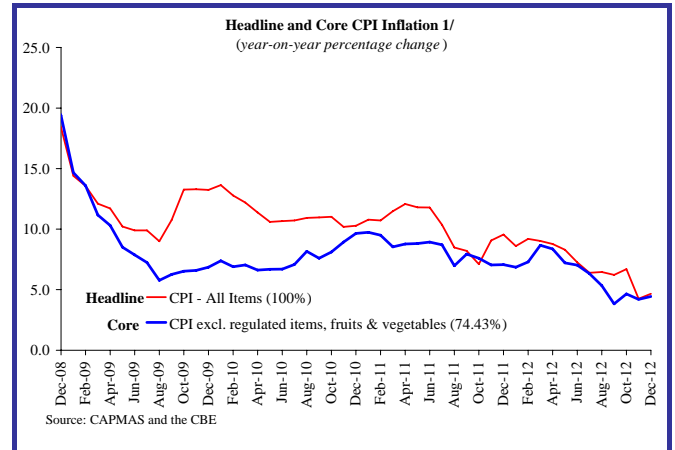
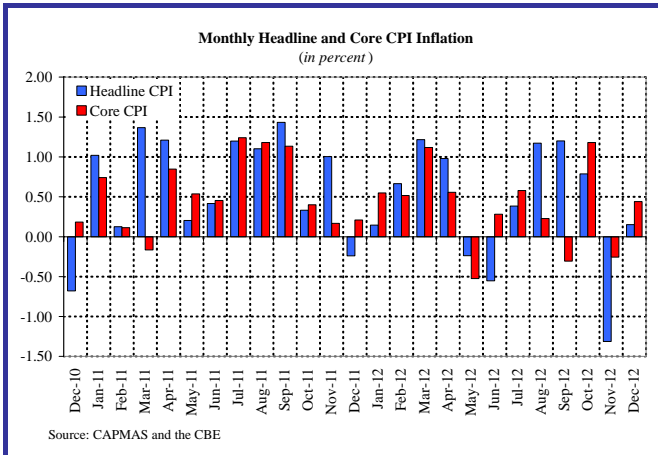


Headline and Core Inflation – December 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on January 10, 2013 inched up by 0.15 percent (m/m) in December compared to a decline of 1.31 percent (m/m) in November. The annual rate inched up to 4.66 percent in December from 4.25 percent in November. The month-on-month development was mainly driven by an increase in electricity prices as well as higher prices of several food items, which was partially offset by the decline in prices of fresh vegetables. In the meantime, core CPI increased by 0.44 percent (m/m) in December compared to a decline of 0.25 percent (m/m) in November. The annual rate inched up to 4.44 percent in December from 4.20 percent in November. Meanwhile, prices of paid services increased slightly while retail prices and prices of other services remained unchanged.¹

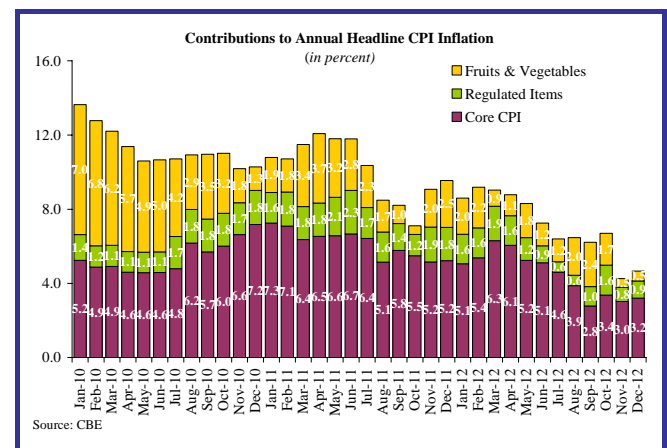
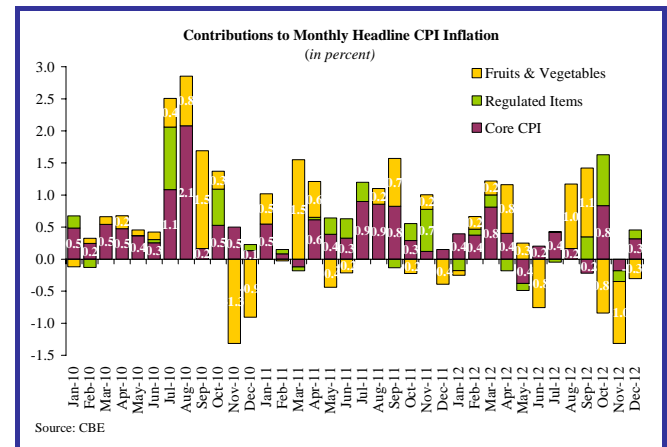


1. Headline CPI²

Headline CPI inched up by 0.15 percent (m/m) in December compared to a decline of 1.31 percent (m/m) in November. This month's increase lies well below the average monthly pace of 0.38 percent recorded in 2012. The annual rate inched up to 4.66 percent in December after recording the lowest rate observed since March 2006 of 4.25 percent in the previous month.

Key Highlights

- Regulated prices increased by 0.75 percent (m/m) in December to contribute by 0.14 percentage points to monthly headline inflation. The monthly development came solely on the back of a 9.70 percent (m/m) increase in electricity prices, which marked the first increase in electricity prices since November 2008.
- Prices of fresh vegetables continued to fall in December for the third consecutive month, recording a 4.67 percent (m/m) decline and contributing by negative 0.34 percentage points to monthly headline inflation. This brings the cumulative monthly decline of fresh vegetable prices to 26.68 percent since October 2012.



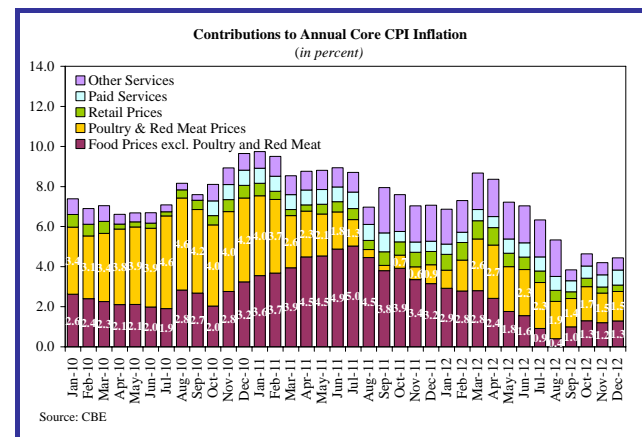
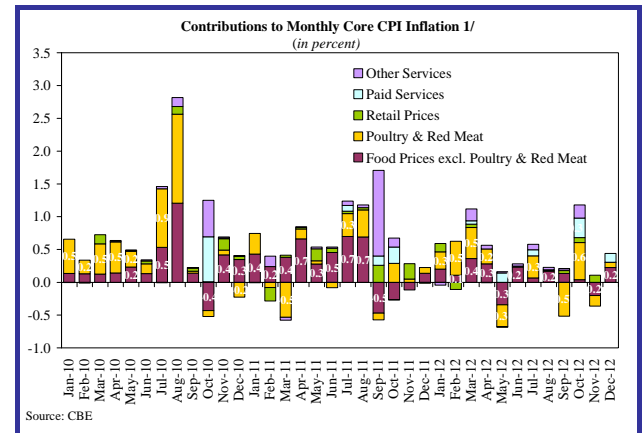
In the meantime, prices of fresh fruits increased by 1.61 percent (m/m) in December after increasing by 4.45 percent in the previous month. Together, the prices of fruits and vegetables contributed by negative 0.30 percentage points to monthly headline inflation.

- After declining by 2.64 percent (m/m) in November, poultry prices increased by 1.30 percent (m/m) in December to contribute by 0.06 percentage points to monthly headline inflation. In the meantime, red meat prices remained unchanged for the second consecutive month.
- Fish and seafood prices increased by 1.92 percent (m/m) in December to contribute by 0.05 percentage points to monthly headline inflation. This comes after three consecutive monthly declines and brings the cumulative monthly increase of fish and seafood prices to 12.12 percent in 2012.
- Prices of several food items experienced increases in December, including pasta, wheat flour, tea, and edible oils, contributing by 0.15 percentage points to monthly headline inflation.
- Prices of eggs declined by 2.55 percent (m/m) in December to contribute by negative 0.04 percentage points to monthly headline inflation, following a 5.99 percent (m/m) decline in the previous month. This brings the cumulative monthly increase in prices of eggs in 2012 to 19.32 percent.
- Prices of paid services increased by 1.64 percent (m/m) in December. The monthly increase came solely on the back of higher physicians' fees.

2. Core Inflation²

Core CPI increased by 0.44 percent (m/m) in December compared to a decline of 0.25 percent (m/m) in November. This month's increase comes in line with the average monthly pace of 0.36 percent recorded in 2012. The annual rate inched up to 4.44 percent in December from 4.20 percent in November.

The monthly developments in December were driven by the increase in physicians' fees as well as higher prices of the food items mentioned above.



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/	December 2011	December 2012	December 2012 to November 2012	December 2012 to December 2011
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2010 = 100)					
Headline - All items	100.00	120.15	125.75	0.15	4.66
Food and beverages	39.92	131.41	139.04	-0.20	5.81
Tobacco and related products	2.19	201.78	201.78	0.00	0.00
Clothing and footwear	5.41	106.82	108.93	0.00	1.97
Housing, water, electricity, gas and other fuels	18.37	109.02	112.52	0.85	3.21
Furnishings, household equipment and routine maintenance of the dwelling	3.77	109.59	114.89	0.00	4.84
Medical care	6.33	102.04	106.55	1.83	4.42
Transportation	5.68	102.44	104.89	-0.02	2.39
Communications	3.12	94.88	95.47	0.00	0.63
Recreation and Culture	2.43	116.65	124.11	0.00	6.39
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	114.05	118.88	0.00	4.24
Miscellaneous goods and services	3.73	104.32	105.36	0.10	1.00
Selective aggregates					
Fruits & vegetables 3/	6.90	160.12	169.48	-3.16	5.85
Regulated items	18.66	119.36	125.27	0.75	4.95
Food excl. fruits & vegetables	31.08	126.81	134.53	0.66	6.09
Retail items	14.48	106.93	108.86	0.02	1.80
Paid services	5.87	116.58	127.63	1.64	9.48
Other services	23.00	109.01	111.30	0.00	2.10
Core CPI	74.43	116.63	121.81	0.44	4.44

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits