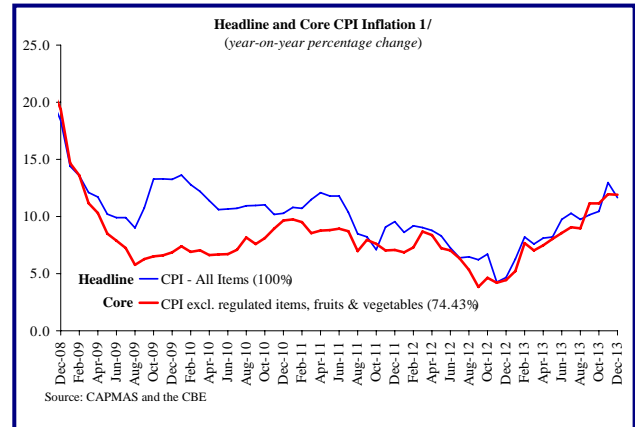
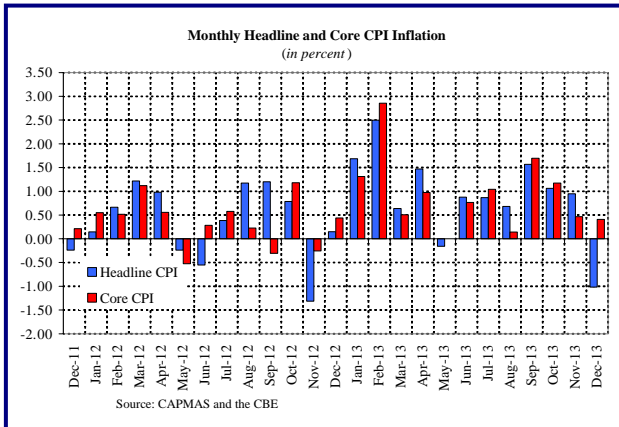


Headline and Core Inflation – December 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on January 9, 2014, declined by 1.02 percent (m/m) in December compared to an increase of 0.95 percent (m/m) in November. The annual rate declined to 11.66 percent in December from 12.97 percent in November. The bulk of the monthly decrease was driven by the deceleration in the prices of fresh vegetables and fruits, in addition to the decrease in the prices of butane cylinders, which offset the effect of the increase in the prices of other food items such as meat, cheese and seafood. In the meantime, core CPI increased by 0.41 percent (m/m) in December compared to 0.46 percent (m/m) in November. The annual rate remained broadly unchanged standing at 11.91 percent in December compared to 11.95 percent in November. The prices of retail items increased slightly. Meanwhile, the prices of paid services and other services remained unchanged.¹

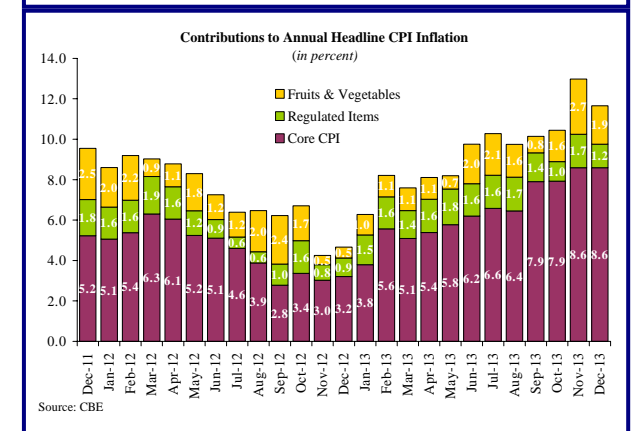
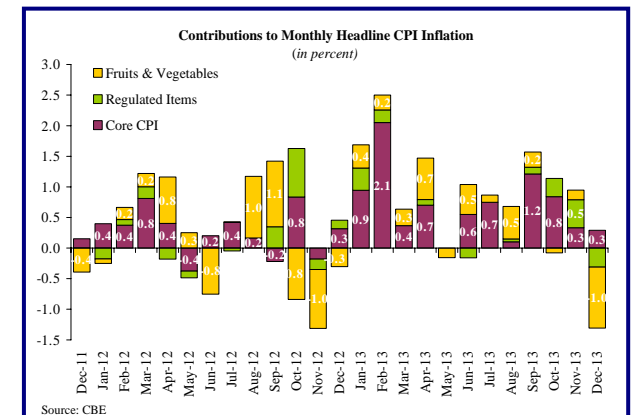


1. Headline CPI²

Headline CPI declined by 1.02 percent (m/m) in December compared to 0.95 percent (m/m) in November, which lies below the average monthly pace of 1.10 percent recorded in the first eleven months of 2013. Meanwhile, the annual rate declined to 11.66 percent in December from 12.97 percent in November.

Key Highlights

- Prices of regulated items declined by 1.74 percent (m/m) in December, contributing by negative 0.31 percentage points to monthly headline inflation. This month's development is attributed to the decrease in the prices of butane cylinders by 22.65 percent in December. It is worthy to mention that the cumulative increase in the prices of butane cylinders reached 47.6 percent in the first eleven months of 2013, on the back of supply bottlenecks in the distribution channels.



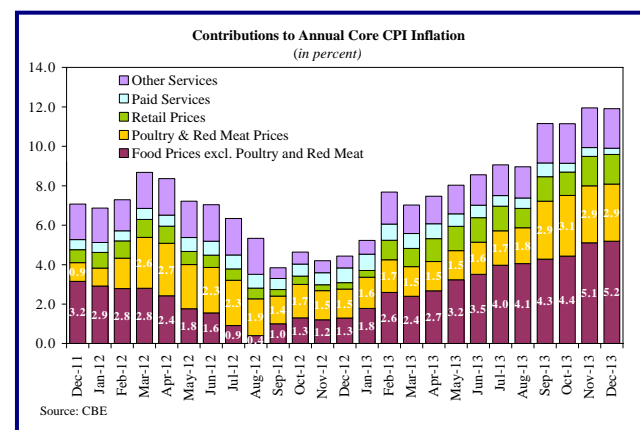
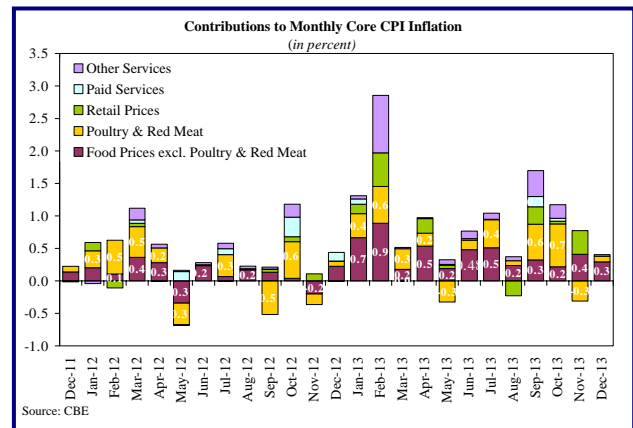
- The prices of fresh vegetables decreased by 11.35 percent (m/m) in December compared to an increase of 1.02 percent in November, which contributed by negative 0.99 percentage points to monthly headline inflation. Meanwhile, the prices of fresh fruits decreased slightly by 0.43 percent in December compared to an increase of 3.13 percent in November. Together, the prices of fruits and vegetables contributed by negative 1.00 percentage points to monthly headline inflation.
- Poultry prices registered a decline of 0.19 percent in December, to contribute by negative 0.01 percentage points to monthly headline inflation. The cumulative monthly increase reached to 32.22 percent between January and October 2013.
- Prices of fish and seafood increased by 1.49 percent (m/m) in December, contributing by 0.05 percentage points to monthly headline inflation.
- Prices of cheese increased by 3.73 percent (m/m) in December, contributing by 0.07 percentage points to monthly headline inflation. This development brings the cumulative monthly increase to 21.58 percent since January 2013.
- Prices of meat increased by 0.99 percent (m/m) in December, contributing by 0.07 percentage points, which brings the cumulative monthly increase to 9.96 percent since January 2013.
- The prices of a number of food items including butter, margarine, sweets, tea and processed meat, increased contributing by 0.09 percentage points to monthly headline inflation.
- Retail prices inched up by 0.15 percent (m/m) in December, to contribute by 0.02 percentage points to monthly headline inflation. The monthly developments came on the back of higher prices of HH cleaning products by 1.72 percent. Meanwhile, the prices of paid services and other services remained unchanged.

2. Core Inflation²

Core CPI increased by 0.41 percent (m/m) in December compared to 0.46 percent (m/m) in November, which is clearly below the average monthly pace of 0.99 percent recorded in the first eleven months of 2013. The annual rate remained broadly

unchanged standing at 11.91 percent in December from 11.95 percent in November

The bulk of the monthly change in December was broadly driven by the developments in the prices of the previously mentioned food items which contributed by 0.38 percentage points to monthly core inflation. The rest of 0.03 percentage points was accounted for by the increase in the retail prices.



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 2012	December 2013	December 2013 to November 2013	December 2013 to December 2012
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	125.75	140.40	-1.02	11.66
Food and beverages	39.92	139.04	163.41	-1.55	17.52
Tobacco and related products	2.19	201.78	218.43	0.00	8.25
Clothing and footwear	5.41	108.93	116.06	0.00	6.55
Housing, water, electricity, gas and other fuels	18.37	112.52	115.98	-2.02	3.07
Furnishings, household equipment and routine maintenance of the dwelling	3.77	114.89	130.91	0.67	13.94
Medical care	6.33	106.55	114.83	0.00	7.77
Transportation	5.68	104.89	112.75	0.03	7.50
Communications	3.12	95.47	95.36	0.00	-0.12
Recreation and Culture	2.43	124.11	145.63	0.00	17.35
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	118.88	145.75	0.00	22.60
Miscellaneous goods and services	3.73	105.36	105.21	-0.20	-0.14
Selective aggregates					
Fruits & vegetables 3/	6.90	169.48	204.14	-9.11	20.45
Regulated items	18.66	125.27	133.11	-1.74	6.26
Food excl. fruits & vegetables	31.08	134.53	158.12	0.79	17.54
Retail items	14.48	108.86	118.28	0.15	8.65
Paid services	5.87	127.63	132.46	0.00	3.79
Other services	23.00	111.30	119.21	0.01	7.11
Core CPI	74.43	121.81	136.32	0.41	11.91

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits