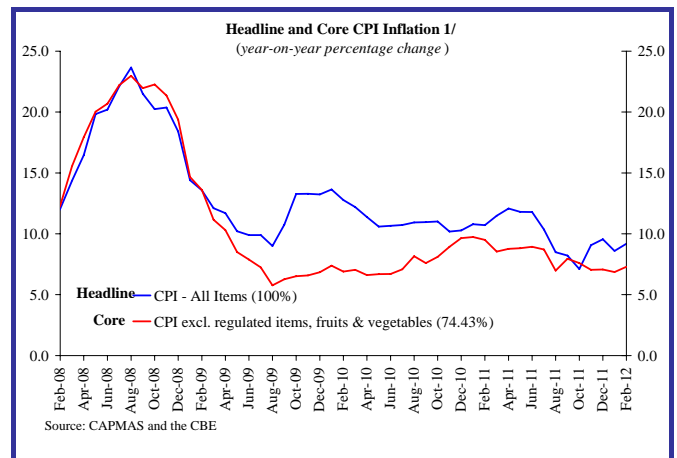
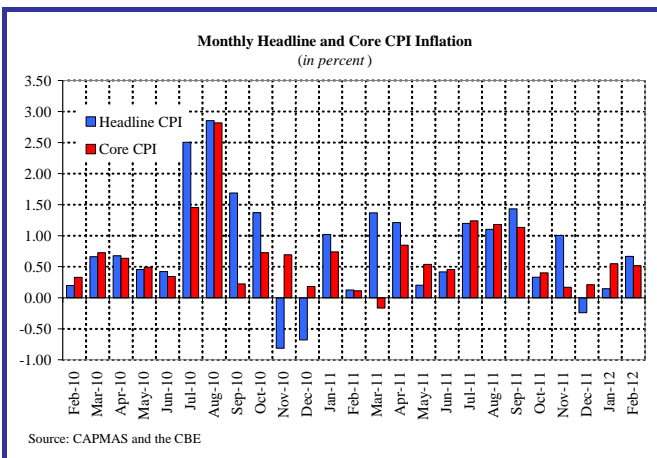


Headline and Core Inflation – February 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on March 10, 2012, increased by 0.67 percent (m/m) in February following a 0.15 percent (m/m) inch up in January, bringing the annual rate to 9.19 percent in February from 8.60 percent in the previous month. The month-on-month developments were mainly driven by increases in the prices of select food items, namely poultry, eggs, fruits, and vegetables, as well as a rise in the prices of butane gas cylinders. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.52 percent (m/m) in February compared to 0.55 percent (m/m) in January while the annual rate inched up to 7.30 percent in February from 6.86 percent in the previous month. Meanwhile, retail prices witnessed a slight decline on the back of lower clothing prices, while prices of paid services and other services remained unchanged.¹

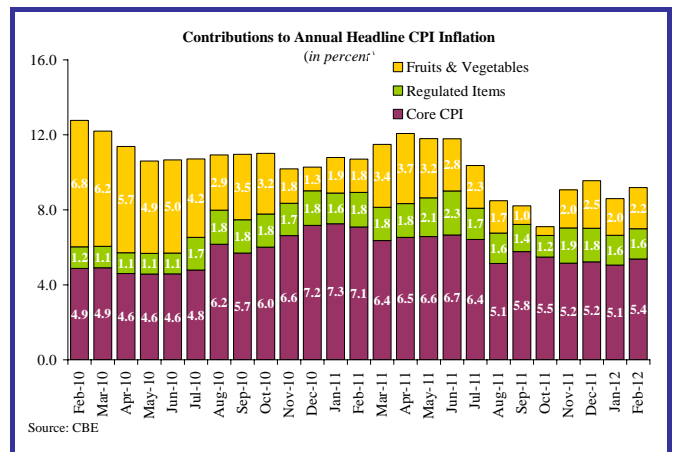
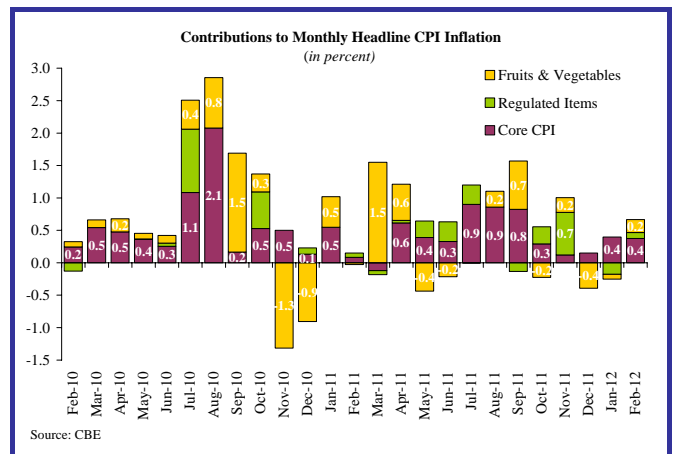


1. Headline CPI²

Headline CPI increased by 0.67 percent (m/m) in February after inching up by 0.15 percent (m/m) in January, which is broadly in line with the average monthly pace of 0.76 recorded in 2011. The monthly increase brought the annual rate of headline inflation to 9.19 percent in February from 8.60 percent in the previous month.

Key Highlights

- Regulated prices inched up by 0.50 percent (m/m) in February and contributed by almost 0.1 percentage points to monthly headline inflation. This monthly development came on the back of a 15.38 percent (m/m) increase in butane gas cylinder prices which offset most of the 23.07 percent decline witnessed in the previous month and brought the cumulative monthly increase to 129.26 percent since January 2011.
- Prices of fresh vegetables inched up by 2.19 percent in February, after recording a cumulative monthly decline of 5.76 percent in the



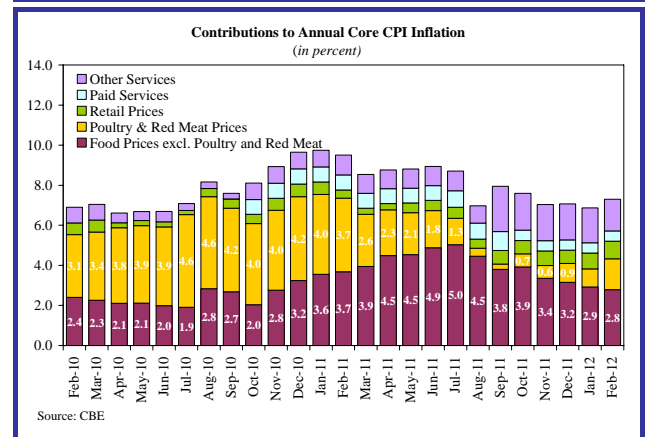
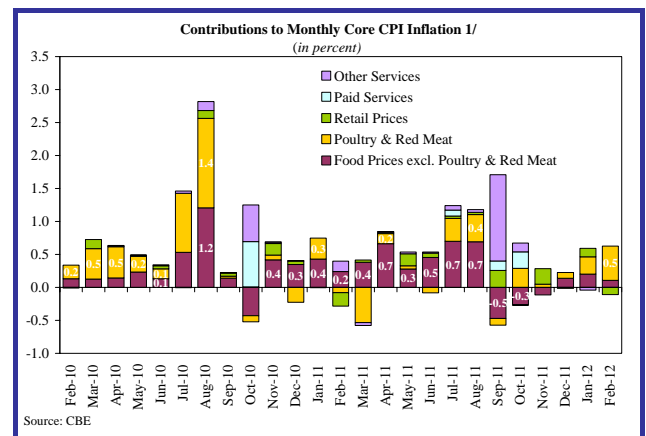
previous two months. Prices of fresh fruits recorded a slight increase in February, increasing by 2.18 percent (m/m). This follows a period of eight consecutive monthly declines amounting to a 20.75 cumulative monthly decrease between June 2011 and January 2012. Together, fresh fruits and vegetables contributed by 0.20 percentage points to monthly headline inflation.

- Poultry prices escalated by 9.43 percent (m/m) in February, to record the largest monthly increase since August 2010. This follows a 4.98 percent (m/m) rise in January and brings the cumulative monthly increase of the last three months to 16.11 percent. This month's increase comes in sharp contrast to the average monthly pace of 0.62 percent recorded in 2011, partly reflecting the tentative substitution effect resulting from the outbreak of foot and mouth disease in cattle. Higher poultry prices contributed by 0.38 percentage points to monthly headline inflation.
- Egg prices increased by 4.43 percent (m/m) in February following a rise of 6.32 percent (m/m) in the previous month, contributing by 0.07 percentage points to monthly headline inflation. The rates witnessed in January and February are well above the average monthly pace of 0.82 percent observed in 2011.
- Retail prices declined by 0.61 percent (m/m) in February, after inching up by 0.72 percent (m/m) in the previous month. While the price of gold registered a slight increase, clothing prices declined by 2.58 percent (m/m). This led retail items to contribute by negative 0.08 percentage points to monthly headline inflation in February.

2. Core Inflation²

Core CPI increased by 0.52 percent (m/m) in February compared to 0.55 percent (m/m) in January. This month's increase is in line with the average monthly increase of 0.57 percent (m/m) recorded in 2011. This led the annual rate of core inflation to inch up to 7.30 percent in February from 6.86 percent in the previous month.

The monthly increase is driven by the higher food prices mentioned above which contributed by 0.63 percentage points to monthly core inflation. These increases were partially offset by the decline in retail items, which contributed by negative 0.11 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/	February 2011	February 2012	February 2012 to January 2012	February 2012 to February 2011
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	110.93	121.12	0.67	9.19
Food and beverages	39.92	119.19	134.17	1.49	12.57
Tobacco and related products	2.19	146.89	201.78	0.00	37.37
Clothing and footwear	5.41	100.08	106.04	-1.87	5.95
Housing, water, electricity, gas and other fuels	18.37	99.88	108.45	0.55	8.58
Furnishings, household equipment and routine maintenance of the dwelling	3.77	103.66	110.34	-0.10	6.44
Medical care	6.33	101.29	102.05	0.00	0.75
Transportation	5.68	101.18	102.44	0.00	1.25
Communications	3.12	102.81	94.88	0.00	-7.72
Recreation and Culture	2.43	105.61	115.12	0.00	9.00
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	112.66	114.05	0.00	1.23
Miscellaneous goods and services	3.73	101.68	105.13	0.49	3.39
Selective aggregates					
Fruits & vegetables 3/	6.90	126.98	162.31	2.19	27.83
Regulated items	18.66	109.23	118.80	0.50	8.76
Food excl. fruits & vegetables	31.08	118.47	129.86	1.37	9.61
Retail items	14.48	102.06	107.05	-0.61	4.89
Paid services	5.87	109.55	116.58	0.00	6.42
Other services	23.00	103.24	108.85	0.00	5.44
Core CPI	74.43	109.87	117.88	0.52	7.30

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits