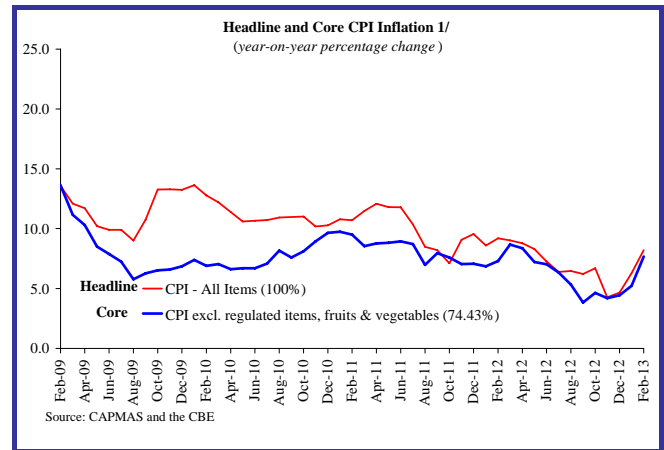
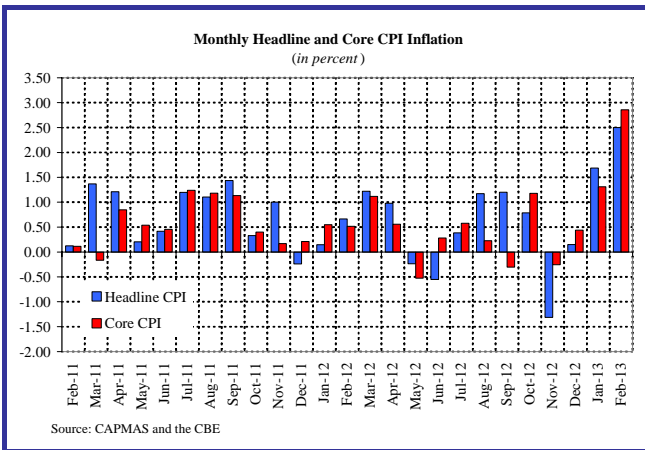


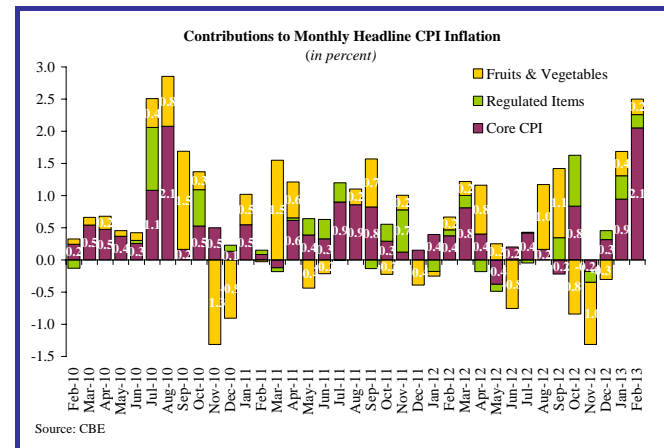
Headline and Core Inflation – February 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on March 10, 2013, increased by 2.50 percent (m/m) in February compared to an increase of 1.69 percent (m/m) in January. The annual rate jumped to 8.21 percent in February from 6.27 percent in January. This month witnessed widespread increases in non-food items compared to previous months, in addition to higher prices of various food items including an increase in prices of food at restaurants and cafes. In the meantime, core CPI increased by 2.86 percent (m/m) in February compared to 1.31 percent (m/m) in January. The annual rate increased from 5.23 percent in January to 7.68 percent in February. While prices of other services and prices of retail items witnessed notable increases, prices of paid services remained unchanged.¹



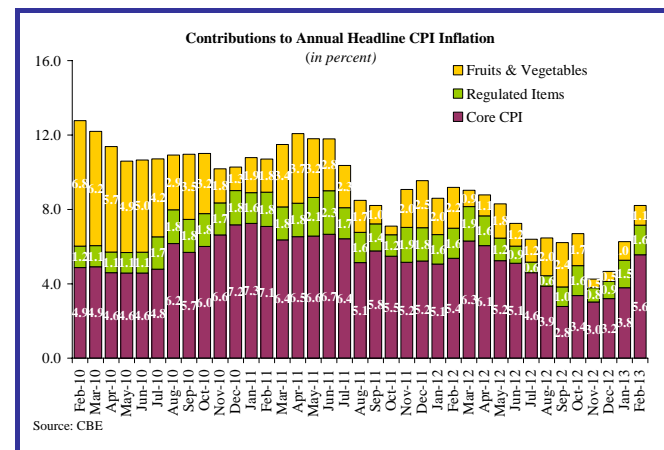
1. Headline CPI²

Headline CPI increased by 2.50 percent (m/m) in February compared to an increase of 1.69 percent (m/m) in January. This month's increase is the highest rate observed since August 2010, and lies significantly above the average monthly pace of 0.38 percent witnessed in 2012. After falling to a 6-year low in November, the annual rate rebounded in January to reach 6.27 percent and continued to increase in the following month to record 8.21 percent in February.



Key Highlights

- Regulated prices increased by 1.11 percent in February on the back of higher prices of regulated medical products to contribute by 0.21 percentage points to monthly headline inflation.
- After declining between October and December 2012, prices of fresh vegetables rose for the second consecutive month by 3.13 percent (m/m) in February following a 4.91 percent (m/m) increase in January.



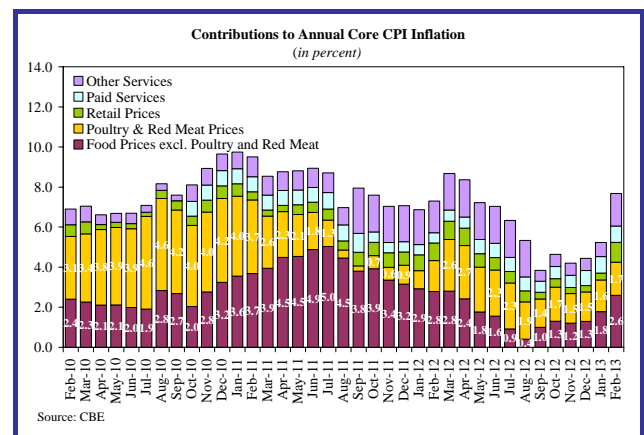
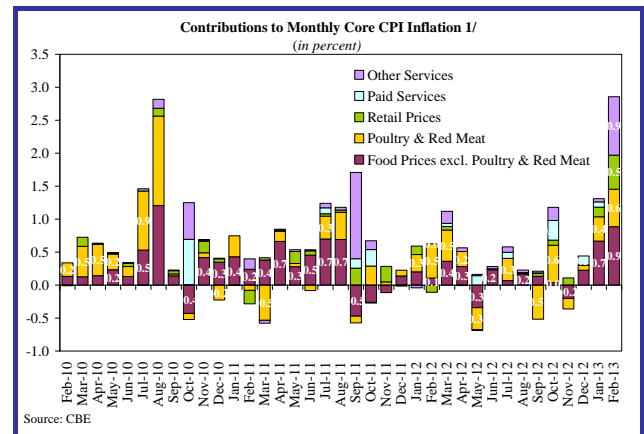
In the meantime, prices of fresh fruits rose by 0.73 percent (m/m) in February after increasing by a cumulative 8.76 percent in the previous five months. Together, the prices of fruits and vegetables contributed by 0.24 percentage points to monthly headline inflation in February.

- After rising by 6.12 percent (m/m) in January, poultry prices increased by 8.64 percent (m/m) in February to contribute by 0.39 percentage points to monthly headline inflation. In the meantime, red meat prices witnessed a minor increase of 0.23 percent (m/m) after remaining unchanged for the three consecutive months.
- Rice prices increased by 5.11 percent (m/m) in February to contribute by 0.11 percentage points to monthly headline inflation, bringing the cumulative monthly increase to 10.88 percent since the beginning of the year. The monthly increases observed in 2013 thus far have more than offset the cumulative decline of 8.25 percent recorded in 2012.
- Prices of several food items witnessed increases in February, including eggs, cheese, seafood, milk, margarine, edible oils, sweets, and butter, contributing by 0.53 percentage points to monthly headline inflation.
- Prices of other services increased by 3.17 percent (m/m) to contribute by 0.64 percent to monthly headline inflation on the back of higher prices of food and beverages at restaurants and cafes.
- Meanwhile, retail prices recorded a 2.98 percent (m/m) increase in February on the back of sporadic increases in the prices of several retail items including medical products, footwear, clothing, furniture, motor oil, and cars. Retail prices contributed by 0.37 percentage points to monthly headline inflation.

2. Core Inflation²

Core CPI rose by 2.86 percent (m/m) in February following an increase of 1.31 percent (m/m) in January. This month's increase is significantly higher than the average monthly pace of 0.36 percent recorded in 2012. The annual rate jumped to 7.68 percent in February from 5.23 percent in January.

The bulk of the monthly increase in February was driven by the higher food prices mentioned above which contributed by 1.45 percentage points to monthly core inflation. The remaining portion is accounted for by increase in prices of other services as well as prices of retail items which together contributed by 1.40 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 2012	February 2013	February 2013 to January 2013	February 2013 to February 2012
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2010 = 100)					
Headline - All items	100.00	121.12	131.06	2.50	8.21
Food and beverages	39.92	134.17	146.71	2.89	9.35
Tobacco and related products	2.19	201.78	217.36	0.00	7.72
Clothing and footwear	5.41	106.04	110.40	1.35	4.11
Housing, water, electricity, gas and other fuels	18.37	108.45	113.59	0.04	4.73
Furnishings, household equipment and routine maintenance of the dwelling	3.77	110.34	118.75	1.50	7.62
Medical care	6.33	102.05	114.83	7.77	12.52
Transportation	5.68	102.44	106.50	0.73	3.96
Communications	3.12	94.88	95.47	-0.77	0.63
Recreation and Culture	2.43	115.12	125.20	0.12	8.76
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	114.05	137.77	15.89	20.80
Miscellaneous goods and services	3.73	105.13	105.83	0.31	0.67
Selective aggregates					
Fruits & vegetables 3/	6.90	162.31	180.85	2.54	11.42
Regulated items	18.66	118.80	129.13	1.11	8.70
Food excl. fruits & vegetables	31.08	129.86	141.84	3.12	9.23
Retail items	14.48	107.05	113.04	2.98	5.60
Paid services	5.87	116.58	128.86	0.00	10.53
Other services	23.00	108.85	115.03	3.17	5.68
Core CPI	74.43	117.88	126.93	2.86	7.68

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits