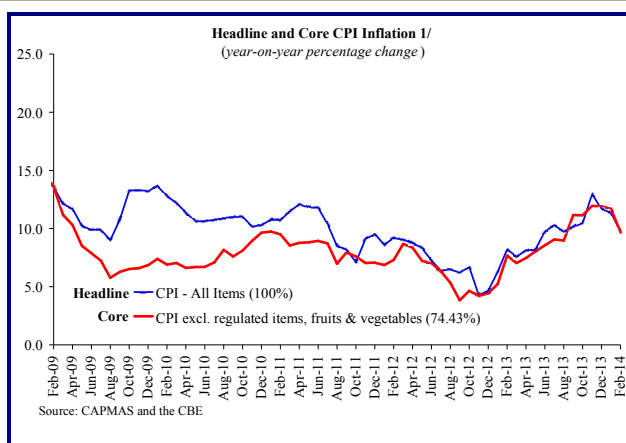
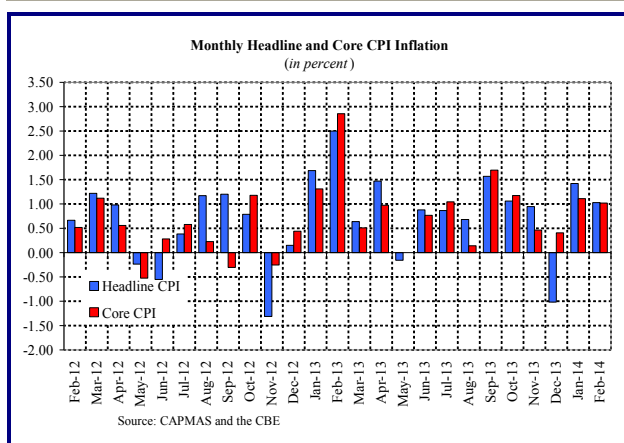


Headline and Core Inflation – February 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on March 10, 2014, increased by 1.03 percent (m/m) in February compared to 1.42 percent (m/m) in January. The annual rate declined to 9.76 percent in February from 11.36 percent in January, due to favorable base effect from last year. The bulk of the monthly increase was driven by the inch up in the prices of regulated items, coupled with wide-spread increases in food items. However, these increases were partially offset by the deceleration in the prices of fresh vegetables. In the meantime, core CPI increased by 1.02 percent (m/m) in February compared to 1.11 percent (m/m) in January. The annual rate declined to 9.70 percent in February compared to 11.69 percent in January, again due to favorable base effect from last year. Meanwhile, the prices of other services, retail items and paid services increased with varying rates.¹

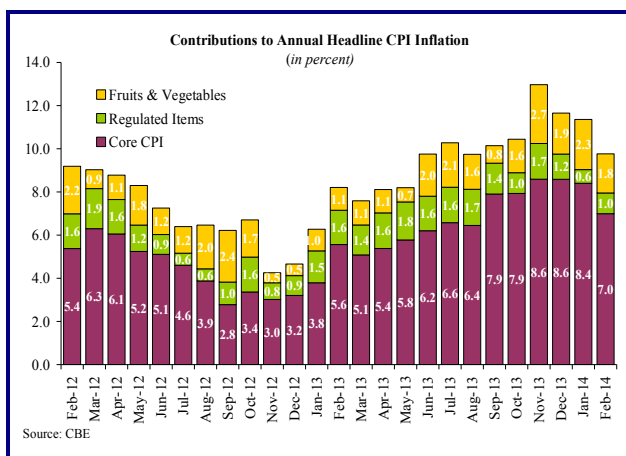
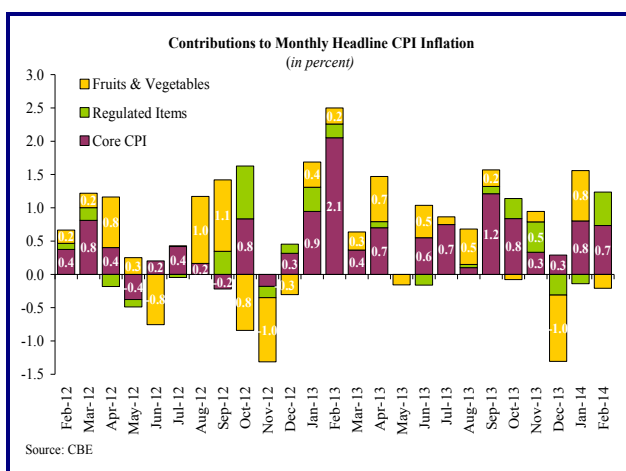


1. Headline CPI²

Headline CPI increased by 1.03 percent (m/m) in February compared to 1.42 percent (m/m) in January, which lies slightly above the average monthly pace of 0.90 percent recorded during the last 12 months. Meanwhile, the annual rate declined to 9.76 percent in February from 11.36 percent in January, due to favorable base effect from last year.

Key Highlights

- Prices of regulated items increased by 2.90 percent (m/m) in February, contributing by 0.50 percentage points to monthly headline inflation. This month's development is attributed to the inch up in the prices of medical products and equipments by 12.85 percent, contributing alone by 0.20 percentage points to monthly headline inflation. Moreover, prices of tobacco, water supply and public hospital, increased by 7.68, 5.86 and 4.83 percent (m/m), respectively, which jointly contributed by 0.30 percentage points to monthly headline inflation.

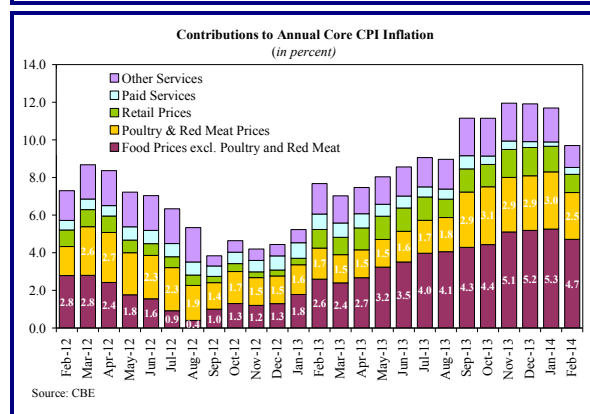
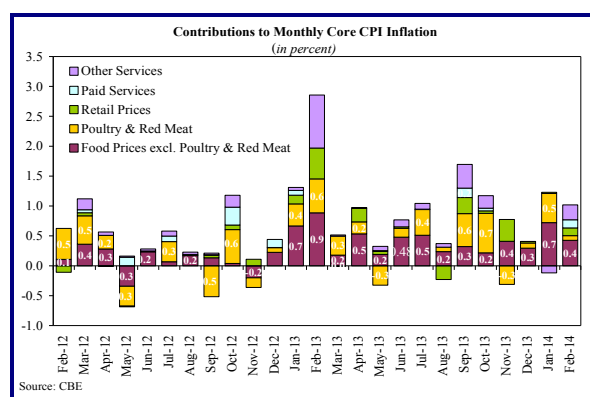


- The prices of fresh vegetables decreased by 2.66 percent (m/m) in February, which contributed by negative 0.22 percentage points to monthly headline inflation. Meanwhile, the prices of fresh fruits increased insignificantly by 0.65 percent in February. Together, the prices of fruits and vegetables contributed by negative 0.21 percentage points to monthly headline inflation.
- Poultry prices registered a decline of 1.77 percent in February, to contribute by negative 0.09 percentage points to monthly headline inflation. The cumulative monthly increase reached 24.92 percent since February 2013.
- Prices of meat increased by 2.04 percent (m/m) in February, contributing by 0.15 percentage points, which brings the cumulative monthly increase to 13.37 percent since February 2013.
- Prices of fish and seafood increased by 2.21 percent (m/m) in February, contributing by 0.07 percentage points to monthly headline inflation.
- Prices of milk increased slightly by 0.21 percent (m/m) in February, contributing by 0.01 percentage points to monthly headline inflation.
- Meanwhile, prices of cheese increased by 3.11 percent (m/m) in February, contributing by 0.06 percentage points to monthly headline inflation. This development brings the cumulative monthly increase to 26.31 percent since February 2013. Moreover, prices of eggs increased by 4.23 percent (m/m) in February, contributing by 0.09 percentage points to monthly headline inflation.
- While the prices of number of food items including other food products, butter (local), pulses and ghee, picked up to jointly contribute by 0.09 percentage points to monthly headline inflation; other food products slightly declined to contribute by negative 0.03 percentage points to monthly headline inflation.
- Prices of other services increased by 0.94 percent (m/m) in February, contributing by 0.18 percentage points to headline inflation. This came on the back of the inch up in the prices of private hospital, the Haj and Omra trips, and some items related to the expenditure on cafes and restaurants. Meanwhile, prices of paid services increased, to contribute by 0.10 percentage points to monthly headline inflation, which was primarily driven by out-patient hospital services.
- Moreover, prices of retail items inched up by 0.78 percent (m/m) in February, contributing by 0.09 percentage points to headline inflation.

2. Core Inflation²

Core CPI increased by 1.02 percent (m/m) in February compared to 1.11 percent (m/m) in January, which is somehow above the average monthly pace of 0.93 percent recorded during the last 12 months. The annual rate declined to 9.70 percent in February, from 11.69 percent in January.

The monthly dynamics in February was broad-based driven by the developments in the prices of the previously mentioned food items which contributed by 0.50 percentage points to monthly core inflation. This was coupled with higher prices of other services, paid services and retail items, which contributed by 0.25, 0.14 and 0.13 percentage points, respectively 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 2013	February 2014	February 2014 to January 2014	February 2014 to February 2013
	(in percent)	(index)	(percentage change)		
	(January 2010 = 100)				
Headline - All items	100.00	131.06	143.86	1.03	9.76
Food and beverages	39.92	146.71	169.70	0.33	15.67
Tobacco and related products	2.19	217.36	235.20	7.68	8.21
Clothing and footwear	5.41	110.40	110.65	-4.66	0.22
Housing, water, electricity, gas and other fuels	18.37	113.59	115.26	0.55	1.47
Furnishings, household equipment and routine maintenance of the dwelling	3.77	118.75	132.17	0.94	11.30
Medical care	6.33	114.83	128.59	11.99	11.99
Transportation	5.68	106.50	112.97	0.02	6.08
Communications	3.12	95.47	97.02	0.00	1.62
Recreation and Culture	2.43	125.20	141.70	1.16	13.18
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	137.77	147.48	0.94	7.05
Miscellaneous goods and services	3.73	105.83	106.32	0.88	0.46
Selective aggregates					
Fruits & vegetables 3/	6.90	180.85	215.22	-1.96	19.01
Regulated items	18.66	129.13	135.90	2.90	5.24
Food excl. fruits & vegetables	31.08	141.84	163.73	1.03	15.43
Retail items	14.48	113.04	119.33	0.78	5.56
Paid services	5.87	128.86	134.83	1.79	4.63
Other services	23.00	115.03	119.80	0.94	4.15
Core CPI	74.43	126.93	139.24	1.02	9.70

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits