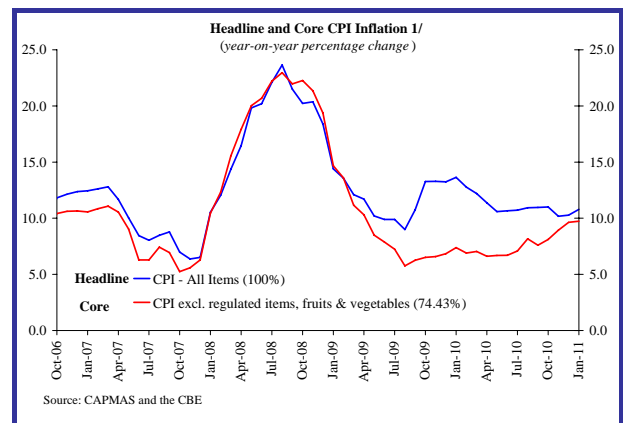
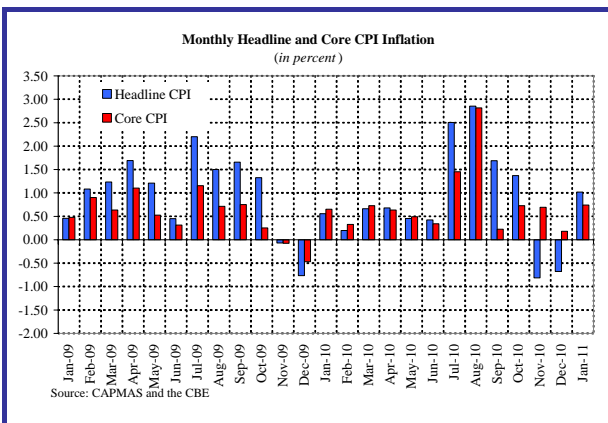


Headline and Core Inflation – January 2011

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 10, 2011, increased by 1.02 percent (m/m) in January following the 0.68 percent (m/m) decline in December. The annual rate increased to 10.79 percent in January compared to 10.28 percent in December. The month on month increase was entirely driven by food prices, with the prices of fruits and vegetables accounting for about half of the monthly increase in headline inflation, while the remaining was mainly due the acceleration in the prices of rice, poultry, edible oils and fats. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.74 percent (m/m) in January compared to 0.18 percent (m/m) in December. This came on the back of the increase in the prices of the above mentioned food items excluding fruits and vegetables. Meanwhile, retail prices and paid services remained broadly unchanged. The annual rate inched up to 9.74 percent in January compared to 9.65 percent in December.¹

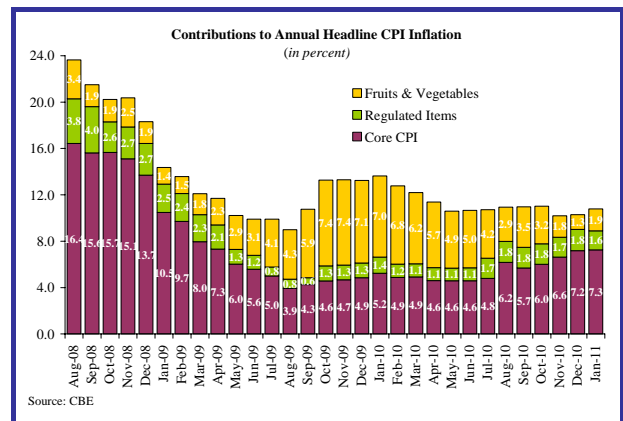
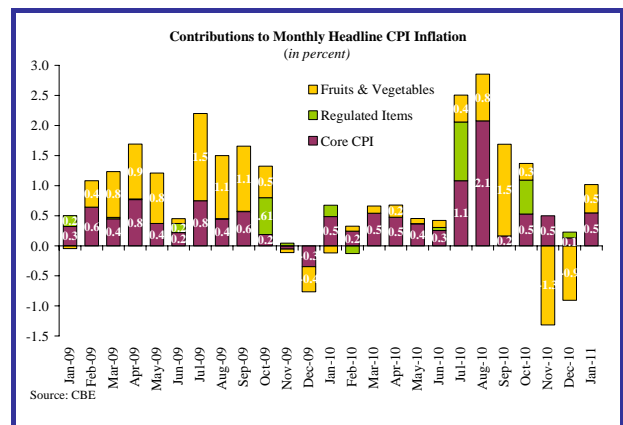


1. Headline CPI²

Headline CPI inflation increased by 1.02 percent in January which is in line with the monthly pace of 1.15 recorded in 2010 H2. The annual rate increased to 10.79 percent in January compared to 10.28 percent in December.

Key Highlights

- After two consecutive months of declines, the prices of vegetables increased by 8.57 percent in January, contributing by 0.44 percentage points to headline inflation. In the meantime, prices of fruits increased by 1.20 percent, compared to an average monthly pace of 4.33 percent during 2009 and 0.67 percent in 2010. Future changes in their prices will continue to be closely monitored, given their impact on headline inflation.

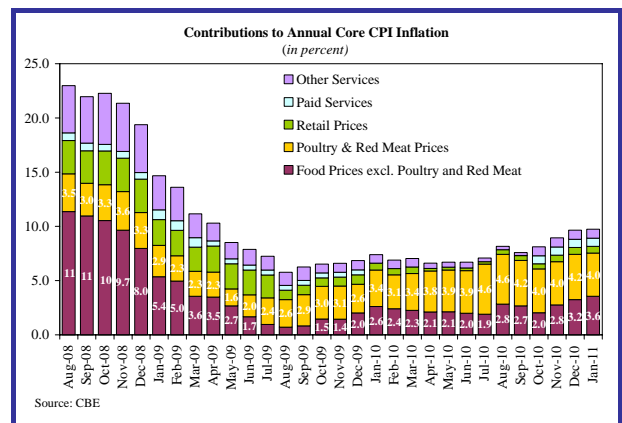
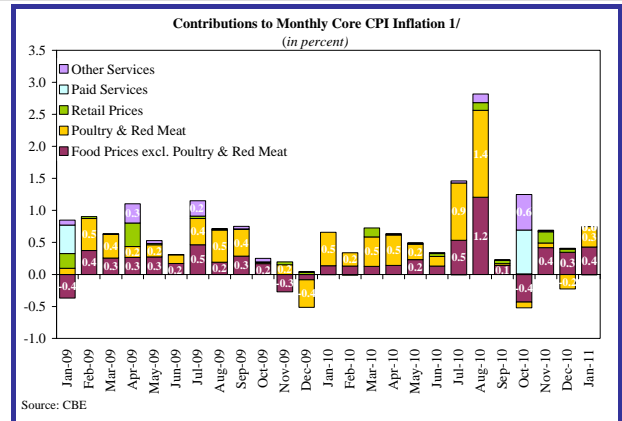


- Poultry prices increased by 6.02 percent (m/m) in January, compared to the 5.95 percent decline in December. The cumulative monthly increase reached 22.06 percent in 2010. This, accompanied by a 4.25 percent (m/m) increase in the prices of eggs, contributed by 0.29 percentage points to monthly headline inflation.
- Rice prices continued to accelerate for the third consecutive month, recording 5.37 percent (m/m) in January, despite the announced ban on rice exports through October 2011. The cumulative increase during 2010 was 42.19 percent. This contributed by 0.11 percentage points to headline CPI inflation during January.
- For the first time since September 2010, sugar prices declined by 4.48 percent in January. It is worthy to mention that the Central Bank took a decision to exempt imports of sugar from the minimum cash cover requirement for six months starting December 2010.
- Prices of oils and fats increased by 3.15 percent in January following the 2.04 percent registered in December, which is relatively higher than the average monthly pace witnessed during 2010.

2. Core Inflation²

Core CPI increased by 0.74 percent (m/m) in January compared to 0.18 percent (m/m) in December. This month's increase is in line with the average monthly pace of 0.77 percent recorded in 2010. The annual rate inched up to 9.74 percent in January compared to 9.65 percent in December.

The monthly increase in January was mainly driven by the rise in the prices of several food items discussed above, which contributed by 0.75 percentage points to the monthly core inflation. In the meantime, retail prices, wages and services remained broadly unchanged.



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/	January 2010	January 2011	January 2011 to December 2010	January 2011 to January 2010
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	100.00	110.79	1.02	10.79
Food and beverages	39.92	100.00	118.93	2.42	18.93
Tobacco and related products	2.19	100.00	146.89	0.00	46.89
Clothing and footwear	5.41	100.00	103.14	0.00	3.14
Housing, water, electricity, gas and other fuels	18.37	100.00	99.47	0.00	-0.53
Furnishings, household equipment and routine maintenance of the dwelling	3.77	100.00	103.66	0.01	3.66
Medical care	6.33	100.00	101.29	0.00	1.29
Transportation	5.68	100.00	101.17	0.00	1.17
Communications	3.12	100.00	99.87	0.00	-0.13
Recreation and Culture	2.43	100.00	105.61	-0.05	5.61
Education	4.63	100.00	124.31	0.00	24.31
Hotels, cafes and restaurants	4.43	100.00	111.83	0.00	11.83
Miscellaneous goods and services	3.73	100.00	101.71	-0.09	1.71
Selective aggregates					
Fruits & vegetables 3/	6.90	100.00	127.40	6.26	27.40
Regulated items	18.66	100.00	108.83	0.00	8.83
Food excl. fruits & vegetables	31.08	100.00	118.05	1.68	18.05
Retail items	14.48	100.00	103.21	-0.03	3.21
Paid services	5.87	100.00	109.55	0.00	9.55
Other services	23.00	100.00	102.68	0.00	2.68
Core CPI	74.43	100.00	109.74	0.74	9.74

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits