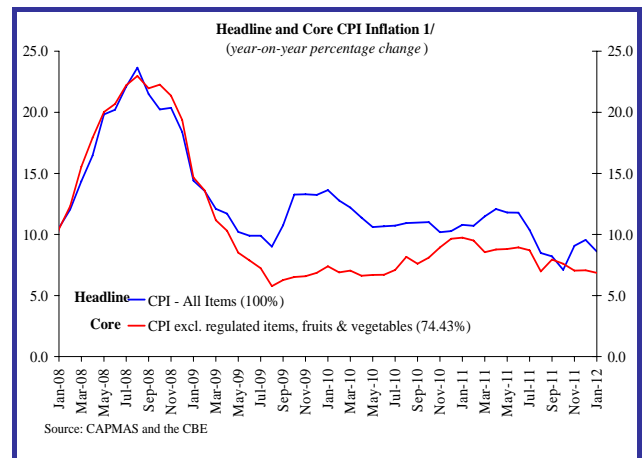
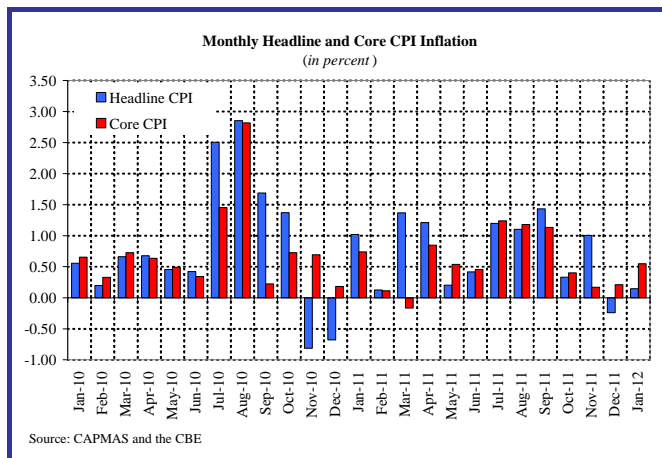


Headline and Core Inflation – January 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 9, 2012 inched up by 0.15 percent (m/m) in January following a 0.24 percent (m/m) decline in December. The annual rate declined to 8.60 percent in January from 9.55 percent in December, supported by favorable base effects from last year. The month-on-month developments were mainly driven by increases in food items which were partially offset by declines in the prices of butane cylinders, fruits, and vegetables. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.55 percent (m/m) in January following a 0.21 percent (m/m) inch up in December. The annual rate declined to 6.86 percent in January from 7.07 percent recorded in the previous month. Meanwhile, retail prices inched up slightly and paid services remained unchanged.¹

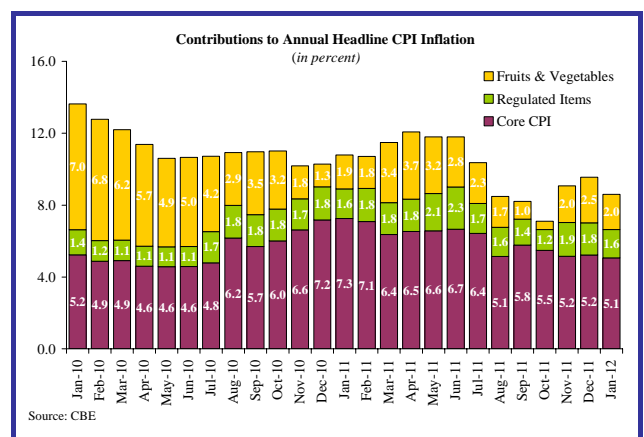
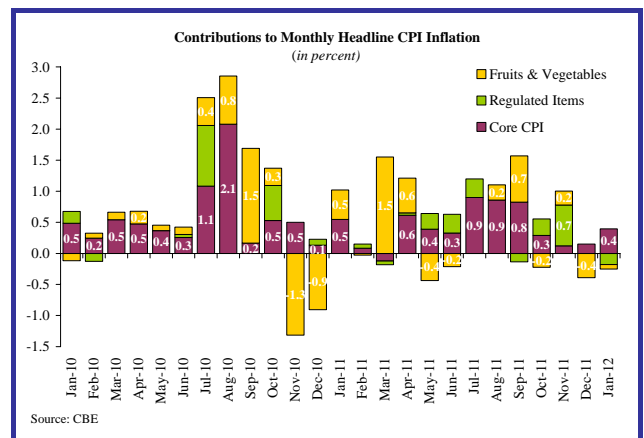


1. Headline CPI²

Headline CPI inched up by 0.15 percent (m/m) in January following a 0.24 percent (m/m) decline in December, which is well below the average monthly pace of 0.76 recorded in 2011. Meanwhile, on the back of favorable base effects from the previous year, annual headline inflation declined to 8.60 percent in January from 9.55 percent in December.

Key Highlights

- The 85.65 percent (m/m) jump in butane cylinders witnessed in November 2011 was partially offset by a 23.07 percent (m/m) decline in January. Accordingly, this decline contributed by -0.18 percentage points to monthly headline inflation. It is worth noting that this brings the cumulative increase since January 2011 to 113.88 percent.
- Prices of fresh fruits declined by 1.04 percent (m/m) in January. This marks the eighth consecutive monthly decline. Similarly, the prices of



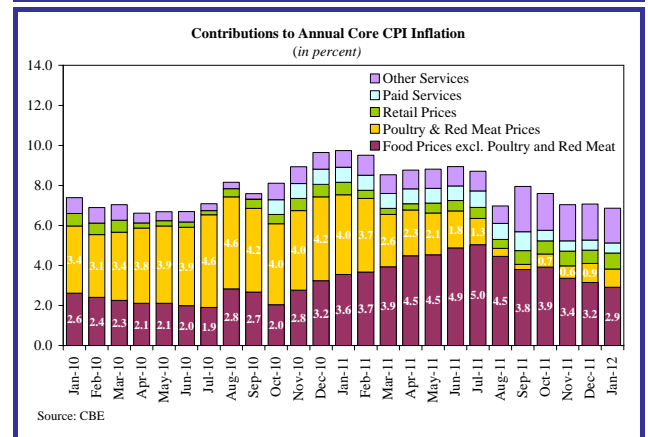
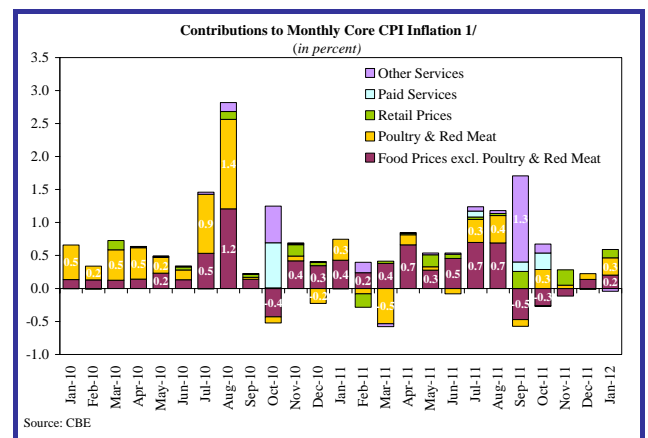
fresh vegetables decreased for the second consecutive month to record a decline of 0.73 percent (m/m) in January. Together, fresh fruits and vegetables contributed by -0.07 percentage points to monthly headline inflation.

- Other food items increased by 1.02 percent (m/m) in January to contribute by a total of 0.34 percentage points to monthly headline inflation.
- Poultry prices registered a 4.98 percent (m/m) increase in January following a 1.69 percent (m/m) rise in the previous month. This month's increase is well above the average monthly pace of 0.62 percent recorded in 2011, contributing by 0.19 percentage points to monthly headline inflation.
- Following a cumulative decline of 8.80 percent in the previous two months, egg prices increased by 6.32 percent (m/m) in January to contribute by 0.09 percentage points to monthly headline inflation. This is well above the average monthly pace of 0.82 percent observed in 2011.
- Prices of fish and seafood inched up by 1.45 percent (m/m) in January compared to 1.41 percent (m/m) in the previous month. This stands above the average monthly pace of 0.91 percent recorded in 2011.
- Prices of local butter, which remained unchanged in the previous two months, increased by 5.51 percent this month.
- Retail prices inched up by 0.72 percent (m/m), mainly on the back of tame increases in the prices of footwear, household textiles, and furniture. Together retail items contributed by 0.09 percentage points to monthly headline inflation.

2. Core Inflation²

Core CPI increased by 0.55 percent (m/m) in January following an inch up of 0.21 percent (m/m) in December. This month's increase is in line with the average monthly increase of 0.57 percent (m/m) recorded in 2011. In the meantime, the annual rate declined slightly to 6.86 percent in January from 7.07 percent in December, supported by favorable base effects from last year.

The monthly increase is due to the higher food prices mentioned above which contributed by 0.46 percentage points to monthly core inflation, and to a lesser extent, the inch up in 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/	January 2011	January 2012	January 2012 to December 2011	January 2012 to January 2011
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	110.79	120.32	0.15	8.60
Food and beverages	39.92	118.93	132.20	0.60	11.15
Tobacco and related products	2.19	146.89	201.78	0.00	37.37
Clothing and footwear	5.41	103.14	108.06	1.16	4.77
Housing, water, electricity, gas and other fuels	18.37	99.47	107.86	-1.07	8.43
Furnishings, household equipment and routine maintenance of the dwelling	3.77	103.66	110.45	0.79	6.55
Medical care	6.33	101.29	102.05	0.01	0.75
Transportation	5.68	101.17	102.44	0.00	1.26
Communications	3.12	99.87	94.88	0.00	-5.00
Recreation and Culture	2.43	105.61	115.12	-1.31	9.00
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	111.83	114.05	0.00	1.98
Miscellaneous goods and services	3.73	101.71	104.62	0.29	2.85
Selective aggregates					
Fruits & vegetables 3/	6.90	127.40	158.84	-0.80	24.68
Regulated items	18.66	108.83	118.21	-0.96	8.63
Food excl. fruits & vegetables	31.08	118.05	128.10	1.02	8.51
Retail items	14.48	103.21	107.70	0.72	4.35
Paid services	5.87	109.55	116.58	0.00	6.42
Other services	23.00	102.68	108.85	-0.15	6.01
Core CPI	74.43	109.74	117.27	0.55	6.86