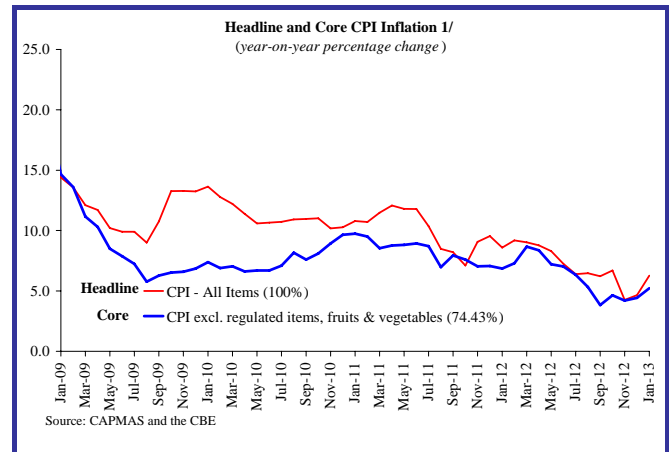
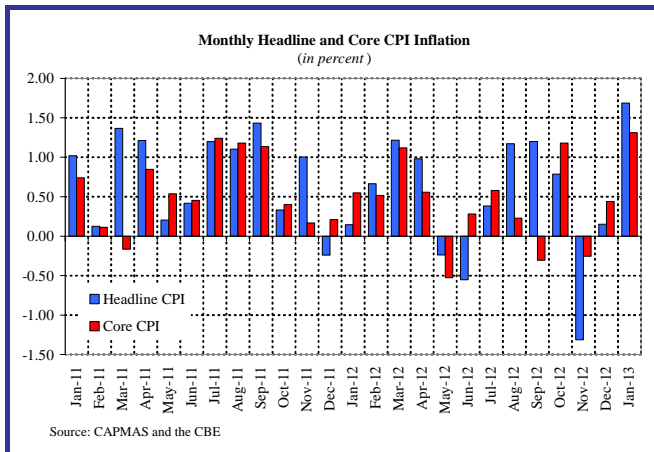


Headline and Core Inflation – January 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 10, 2013, increased by 1.69 percent (m/m) in January compared to an inch up of 0.15 percent (m/m) in December. The annual rate jumped to 6.27 percent in January from 4.66 percent in December. The bulk of the monthly developments came on the back of high prices of various food items; the remaining portion was largely explained by the increase in the prices of tobacco and electricity. In the meantime, core CPI increased by 1.31 percent (m/m) compared to 0.44 percent (m/m) in December. The annual rate increased from 4.44 percent in December to 5.23 percent in January. Meanwhile, prices of paid services and retail prices witnessed moderate increases.¹

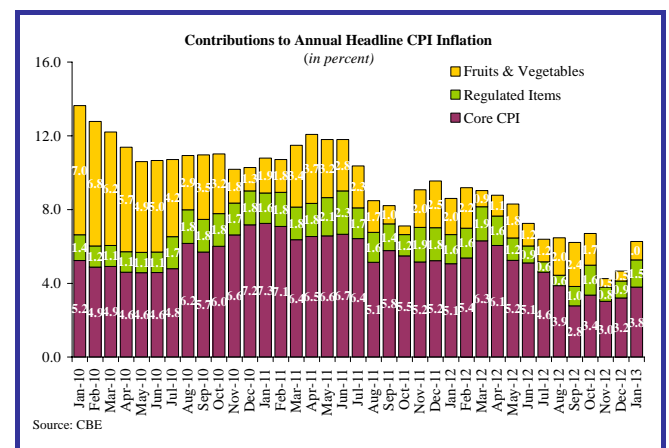
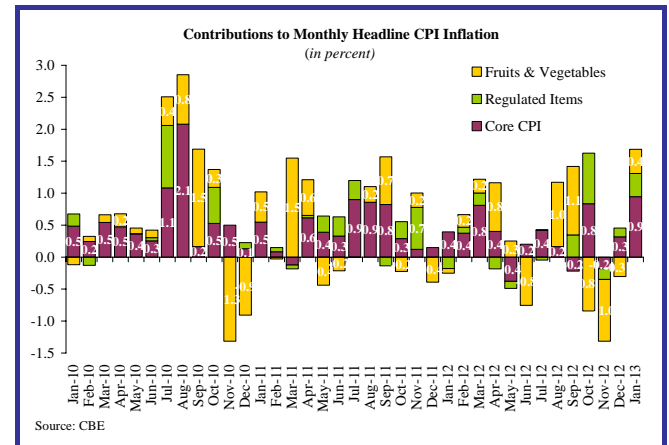


1. Headline CPI²

Headline CPI increased by 1.69 percent (m/m) in January compared to an inch up of 0.15 percent (m/m) in December. This month's increase lies well above the average monthly pace of 0.38 percent recorded in 2012. After falling to a 6-year low in November, the annual rate rebounded in January reaching 6.27 percent up from 4.66 percent recorded in December.

Key Highlights

- Regulated prices increased by 1.96 percent in January to contribute by 0.36 percentage points to monthly headline inflation. This month's development came on the back of a 7.93 percent (m/m) increase in the prices of tobacco as well as the second consecutive rise in electricity prices, increasing by a cumulative 15.61 percent in both December and January.
- After declining for three consecutive months, prices of fresh vegetables increased by 4.91 percent in January. In the meantime, prices of fresh fruits rose by 1.59 percent (m/m) in January after increasing by a cumulative 7.18



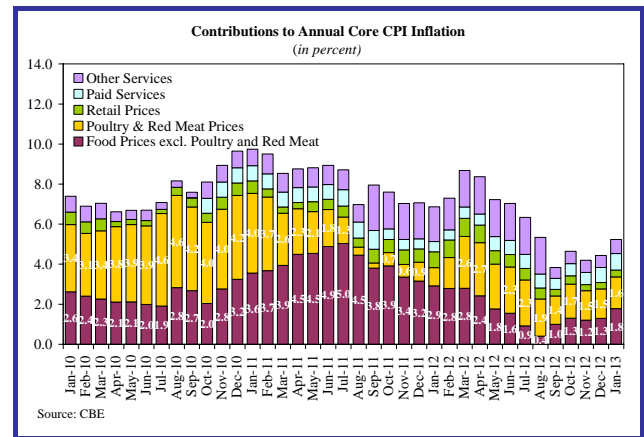
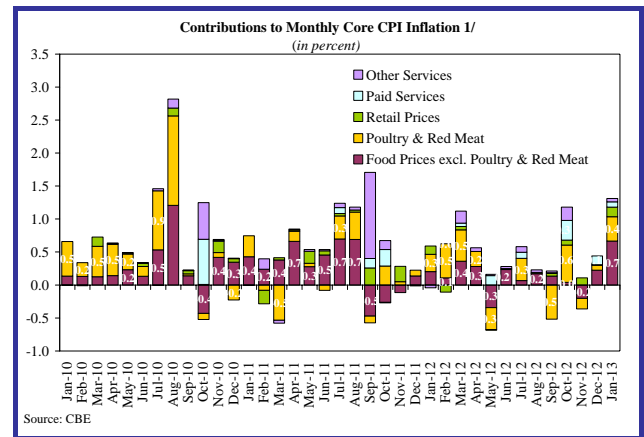
percent in the previous four months. Together, the prices of fruits and vegetables contributed by 0.38 percentage points to monthly headline inflation.

- Poultry prices increased by 6.12 percent (m/m) in January to contribute by 0.27 percentage points to monthly headline inflation. In the meantime, red meat prices remained unchanged for the third consecutive month.
- Egg prices rose by 9.15 percent in January to contribute by 0.15 percentage points to monthly headline inflation, following a cumulative decline of 8.54 percent (m/m) in the previous two months.
- Rice prices increased by 5.77 percent in January, to contribute by 0.12 percentage points to monthly headline inflation. Despite the recent inch up, rice prices witnessed a cumulative decline of 8.25 percent in 2012.
- Fish and seafood prices increased by 2.50 percent (m/m) in January to contribute by 0.07 percentage points to monthly headline inflation. This brings the cumulative monthly increase of fish and seafood prices to 14.63 percent since January 2012.
- Prices of several food items witnessed increases in January, including wheat flour, pulses, pasta, sweets, confectionary and butter, contributing by 0.14 percentage points to monthly headline inflation.
- Meanwhile, retail prices recorded a 0.84 percent (m/m) increase in January on the back of sporadic increases in the prices of several retail items including cars, furniture, household appliances and household textiles. Retail prices contributed by 0.10 percentage points to monthly headline inflation.
- Paid services inched up by 0.96 percent (m/m) mainly on the back of a 7 percent (m/m) rise in the prices of maintenance services. In the meantime, prices of other services recorded a marginal increase on the back of higher prices of mobile phone services as well as Haj and Omra trips.

2. Core Inflation²

Core CPI rose by 1.31 percent (m/m) in January following an increase of 0.44 percent (m/m) in December. This month's increase is well above the average monthly pace of 0.36 percent recorded in 2012. The annual rate rebounded to 5.23 percent in January from 4.44 percent in December.

The bulk of the monthly increase in January was driven by the higher food prices mentioned above which contributed by 1.04 percentage points to monthly core inflation. The remaining portion is accounted for by the inch up in retail prices and paid services which together contributed by 0.22 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/	January 2012	January 2013	January 2013 to December 2012	January 2013 to January 2012
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
	(January 2010 = 100)				
Headline - All items	100.00	120.32	127.87	1.69	6.27
Food and beverages	39.92	132.20	142.59	2.55	7.86
Tobacco and related products	2.19	201.78	217.36	7.72	7.72
Clothing and footwear	5.41	108.06	108.93	0.00	0.80
Housing, water, electricity, gas and other fuels	18.37	107.86	113.54	0.90	5.27
Furnishings, household equipment and routine maintenance of the dwelling	3.77	110.45	117.00	1.83	5.92
Medical care	6.33	102.05	106.55	0.00	4.41
Transportation	5.68	102.44	105.73	0.80	3.21
Communications	3.12	94.88	96.22	0.78	1.41
Recreation and Culture	2.43	115.12	125.05	0.76	8.63
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	114.05	118.88	0.00	4.24
Miscellaneous goods and services	3.73	104.62	105.50	0.13	0.84
Selective aggregates					
Fruits & vegetables 3/	6.90	158.84	176.37	4.07	11.04
Regulated items	18.66	118.21	127.72	1.96	8.04
Food excl. fruits & vegetables	31.08	128.10	137.55	2.25	7.37
Retail items	14.48	107.70	109.77	0.84	1.92
Paid services	5.87	116.58	128.86	0.96	10.53
Other services	23.00	108.85	111.50	0.18	2.43
Core CPI	74.43	117.27	123.41	1.31	5.23

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits