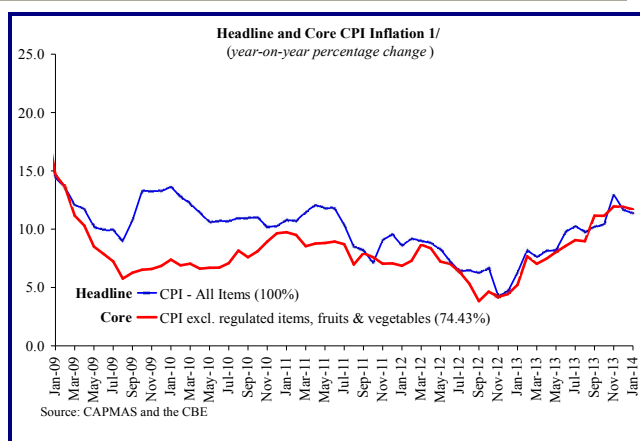
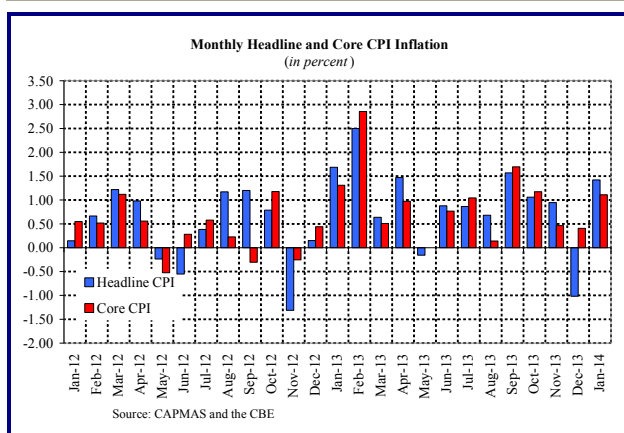


Headline and Core Inflation – January 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 10, 2014, increased by 1.42 percent (m/m) in January compared to a decline of 1.02 percent (m/m) in December. The annual rate declined to 11.36 percent in January from 11.66 percent in December, due to favorable base effect from last year. More than half of the monthly increase was driven by the inch up in the prices of fresh vegetables, along with wide-spread increases in other food items. Nevertheless, these increases were partially offset by the deceleration in the prices of butane cylinders. In the meantime, core CPI increased by 1.11 percent (m/m) in January compared to 0.41 percent (m/m) in December. The annual rate declined to 11.69 percent in January compared to 11.91 percent in December. Meanwhile, the prices of other services declined, while retail items and paid services remained broadly unchanged.¹

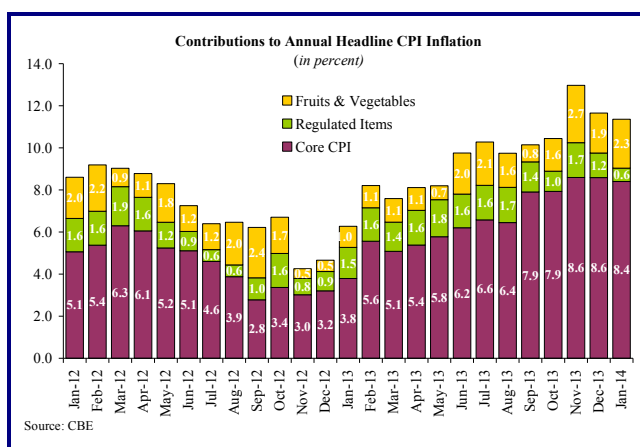
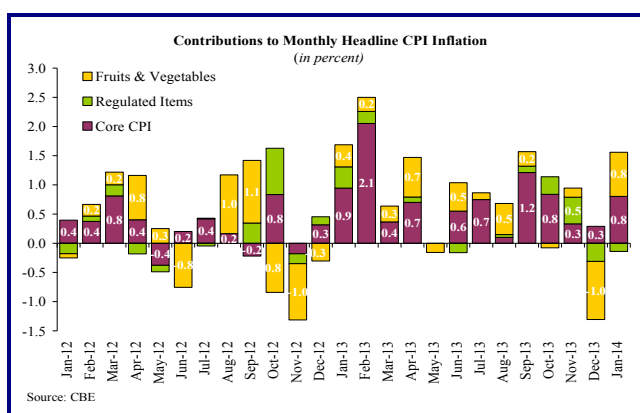


1. Headline CPI²

Headline CPI increased by 1.42 percent (m/m) in January compared to a decline of 1.02 percent (m/m) in December, which lies well above the average monthly pace of 0.93 percent recorded during 2013. Meanwhile, the annual rate declined to 11.36 percent in January from 11.66 percent in December, due to favorable base effect.

Key Highlights

- Prices of regulated items declined by 0.79 percent (m/m) in January, contributing by negative 0.14 percentage points to monthly headline inflation. This month's development is attributed to the decrease in the prices of butane cylinders by 16.4 percent in January. It is worthy to mention that such easing came for the second consecutive month, after witnessing a cumulative increase of 25 percent during 2013, due to supply bottlenecks in the distribution channels. The decline was partially offset by the inch up in the prices of landline services by 4.0 percent in January.



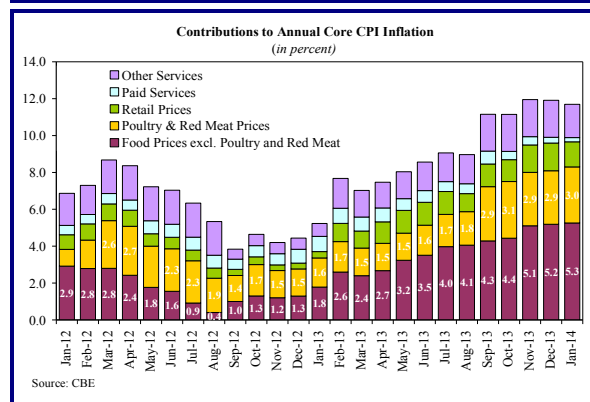
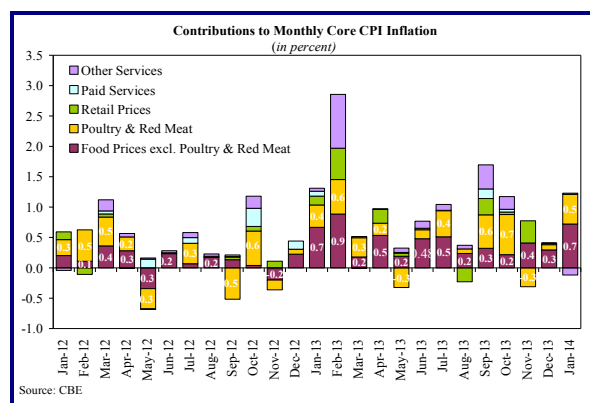
- The prices of fresh vegetables increased by 9.15 percent (m/m) in January compared to a decline of 11.35 percent in December, which contributed by 0.71 percentage points to monthly headline inflation. Meanwhile, the prices of fresh fruits increased slightly by 1.95 percent in January compared to a decline of 0.43 percent in December. Together, the prices of fruits and vegetables contributed by 0.76 percentage points to monthly headline inflation.
- Poultry prices registered an inch up of 4.98 percent in January, to contribute by 0.25 percentage points to monthly headline inflation. The cumulative monthly increase reached 27.84 percent since January 2013.
- Prices of meat increased by 1.37 percent (m/m) in January, contributing by 0.10 percentage points, which brings the cumulative monthly increase to 9.96 percent since January 2013.
- Prices of fish and seafood increased by 2.76 percent (m/m) in January, contributing by 0.09 percentage points to monthly headline inflation.
- Prices of milk increased by 6.65 percent (m/m) in January, contributing by 0.16 percentage points to monthly headline inflation.
- Moreover, prices of eggs increased by 4.42 percent (m/m) in January, contributing by 0.09 percentage points to monthly headline inflation.
- Meanwhile, prices of cheese increased by 1.88 percent (m/m) in January, contributing by 0.04 percentage points to monthly headline inflation. This development brings the cumulative monthly increase to 21.58 percent during 2013.
- The prices of a number of food items including butter, sweets, pulses and processed meat, increased contributing by 0.14 percentage points to monthly headline inflation back of higher prices.
- Prices of other services declined by 0.44 percent (m/m) in January, contributing by negative 0.09 percentage points to headline inflation. This came on the back of the decline in the prices of the Haj and Omra trips by 8.91 percent (m/m) in January. Meanwhile, prices of retail and paid services remained broadly unchanged.

2. Core Inflation²

Core CPI increased by 1.11 percent (m/m) in January compared to 0.41 percent (m/m) in December, which is well above the average monthly pace of 0.95 percent recorded during 2013. The annual rate

declined to 11.69 percent in January, from 11.91 percent in December.

The bulk of the monthly change in January was broadly driven by the developments in the prices of the previously mentioned food items which contributed by 1.21 percentage points to monthly core inflation. This was partially offset by the decline in the prices of other services, which contributed by negative 0.12 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 2013	January 2014	January 2014 to December 2013	January 2014 to January 2013
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2010 = 100)					
Headline - All items	100.00	127.87	142.40	1.42	11.36
Food and beverages	39.92	142.59	169.14	3.51	18.63
Tobacco and related products	2.19	217.36	218.43	0.00	0.49
Clothing and footwear	5.41	108.93	116.06	0.00	6.55
Housing, water, electricity, gas and other fuels	18.37	113.54	114.63	-1.16	0.96
Furnishings, household equipment and routine maintenance of the dwelling	3.77	117.00	130.94	0.03	11.92
Medical care	6.33	106.55	114.83	0.00	7.77
Transportation	5.68	105.73	112.95	0.17	6.83
Communications	3.12	96.22	97.02	1.74	0.84
Recreation and Culture	2.43	125.05	140.07	-3.82	12.01
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	118.88	146.11	0.24	22.90
Miscellaneous goods and services	3.73	105.50	105.39	0.17	-0.10
Selective aggregates					
Fruits & vegetables 3/	6.90	176.37	219.52	7.54	24.47
Regulated items	18.66	127.72	132.06	-0.79	3.40
Food excl. fruits & vegetables	31.08	137.55	162.07	2.50	17.83
Retail items	14.48	109.77	118.41	0.11	7.87
Paid services	5.87	128.86	132.46	0.00	2.80
Other services	23.00	111.50	118.69	-0.44	6.45
Core CPI	74.43	123.41	137.83	1.11	11.69

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits