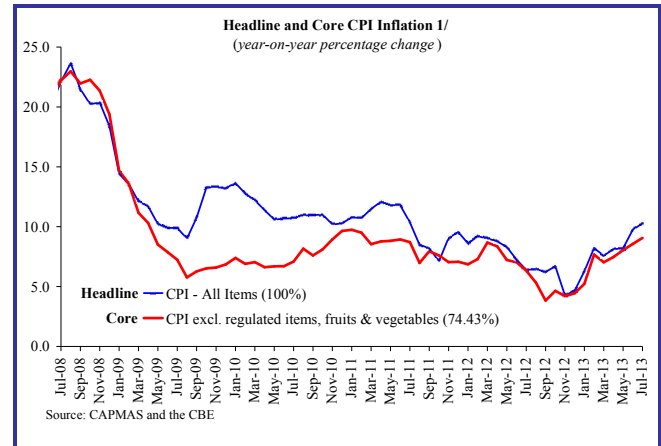
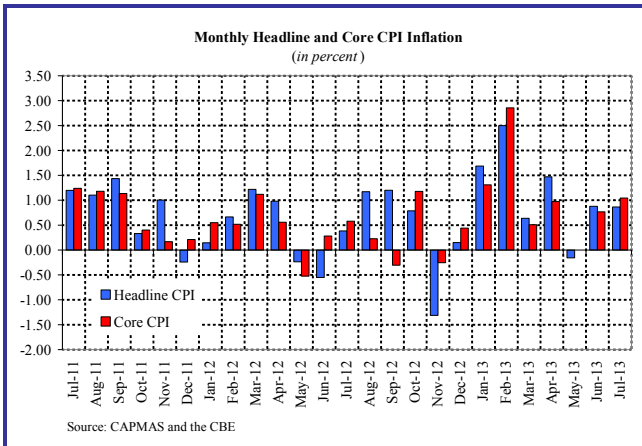


Headline and Core Inflation – July 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on August 7, 2013, increased by 0.86 percent (m/m) in July compared to 0.88 percent (m/m) in June. The annual rate increased to 10.28 percent in July from 9.75 percent in June. This month-on-month development is largely explained by increases in the prices of several food items, including red meat, poultry, fish and seafood, as well as fruits and vegetables, which coincided with the month of Ramadan. In the meantime, core CPI increased by 1.04 percent (m/m) in July compared to 0.77 percent (m/m) in June. The annual rate increased to 9.06 percent in July from 8.56 percent in June. While the prices of other services inched up modestly, the prices of paid services and retail items remained broadly unchanged.¹

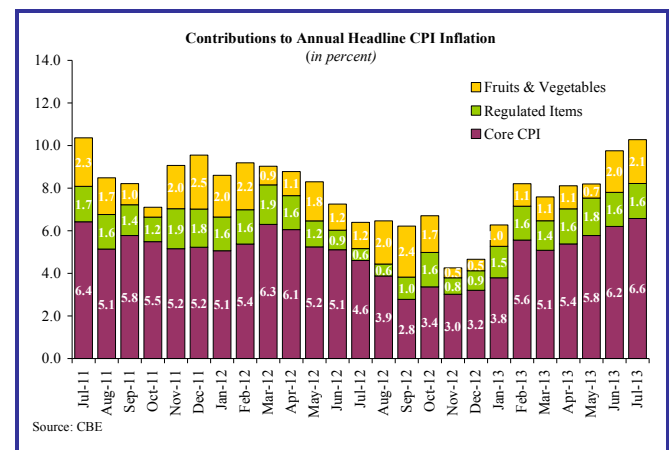
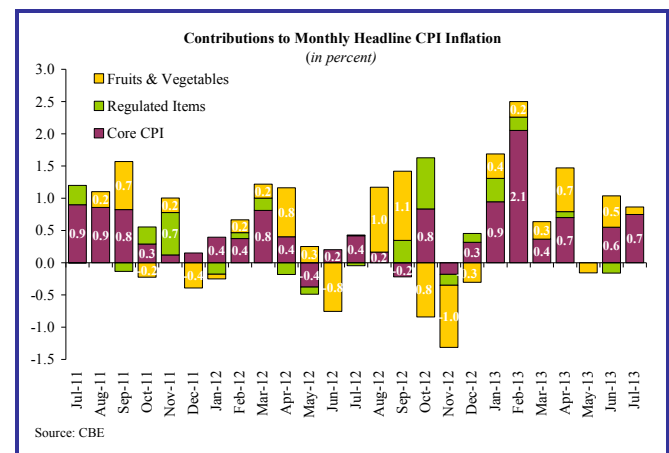


1. Headline CPI²

Headline CPI increased by 0.86 percent (m/m) in July compared to an increase of 0.88 percent (m/m) in June, which lies below the average monthly pace of 1.17 percent recorded in the first six months of 2013. Meanwhile, the annual rate increased to 10.28 percent in July from 9.75 percent in June.

Key Highlights

- The prices of fresh vegetables and fruits inched up by 1.11 percent (m/m) in July, after increasing by 4.81 percent (m/m) in June. Together, they contributed by 0.12 percentage points to monthly headline inflation in July.
- Prices of red meat increased by 2.56 percent (m/m), after remaining broadly unchanged for eight consecutive months, to contribute by 0.18 percentage points to monthly headline inflation. In the meantime, poultry prices increased by 2.68 percent (m/m) in July, which brings the cumulative monthly increase to 21.98 percent (m/m) since the beginning of the year. This month's increase contributed by 0.13 percentage points to monthly headline inflation.

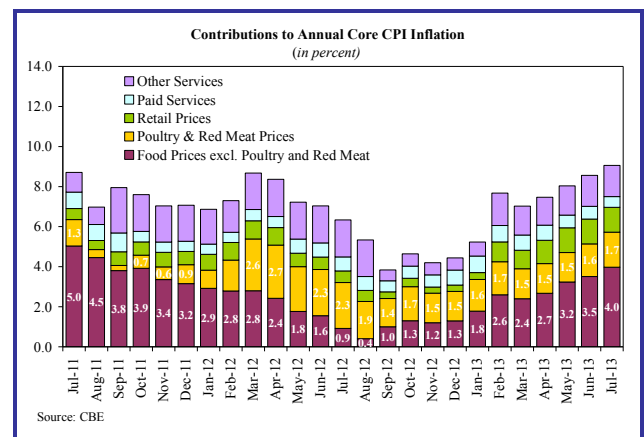
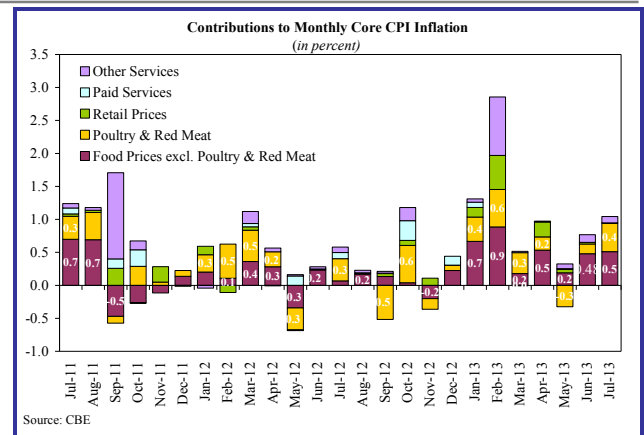


- Prices of fish and seafood increased by 4.09 percent (m/m) in July, which is higher than the monthly pace of 1.83 percent recorded during the first half of 2013, increasing cumulatively by 15.09 percent since January. The monthly rate contributed by 0.12 percentage points to monthly headline inflation.
- After rising by 4.72 percent (m/m) in July, the prices of eggs increased by 5.38 percent (m/m) in July to contribute by 0.10 percentage points to monthly headline inflation, cumulatively increasing by 25.75 percent (m/m) since the beginning of the year. Meanwhile, prices of other food items witnessed sporadic increases in July mainly milk and soft drinks, contributing by 0.15 percentage points to monthly headline inflation.
- Prices of other services recorded a marginal increase of 0.35 percent (m/m) to contribute by 0.07 percent to monthly headline inflation. This was mainly driven by higher prices of Haj and Omra trips during the month of Ramadan.
- In the meantime, prices of retail items inched up negligibly as the increase in the price of household textiles was largely offset by the decline in the prices of gold. Meanwhile, the prices of paid services remained unchanged.

2. Core Inflation²

Core CPI increased by 1.04 percent (m/m) in July compared to 0.77 percent (m/m) in June, in line with the average monthly pace of 1.07 percent recorded in the first six months of 2013. The annual rate increased to 9.06 percent in July from 8.56 percent in June.

The bulk of the monthly increase in July was largely affected by the developments in the food prices mentioned above which contributed by 0.94 percentage points to monthly core inflation. The rest was mainly accounted for by the increase in the prices of other services which contributed by 0.10 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/ | July 2012 | July 2013 | July 2013 to June 2013 | July 2013 to July 2012 |
|--|----------------------|---------------|---------------|------------------------|------------------------|
| | (in percent) | (index) | (index) | (percentage change) | (percentage change) |
| | (January 2010 = 100) | | | | |
| Headline - All items | 100.00 | 123.29 | 135.97 | 0.86 | 10.28 |
| Food and beverages | 39.92 | 138.51 | 157.71 | 1.72 | 13.86 |
| Tobacco and related products | 2.19 | 201.78 | 217.38 | 0.00 | 7.73 |
| Clothing and footwear | 5.41 | 106.84 | 113.03 | 0.00 | 5.79 |
| Housing, water, electricity, gas and other fuels | 18.37 | 107.24 | 113.08 | 0.00 | 5.45 |
| Furnishings, household equipment and routine maintenance of the dwelling | 3.77 | 114.51 | 122.75 | 0.50 | 7.19 |
| Medical care | 6.33 | 103.77 | 114.83 | 0.00 | 10.66 |
| Transportation | 5.68 | 104.50 | 107.26 | 0.00 | 2.65 |
| Communications | 3.12 | 95.53 | 95.47 | 0.00 | -0.06 |
| Recreation and Culture | 2.43 | 119.59 | 130.50 | 3.01 | 9.12 |
| Education | 4.63 | 136.59 | 152.18 | 0.00 | 11.41 |
| Hotels, cafes and restaurants | 4.43 | 117.10 | 141.68 | 0.00 | 20.99 |
| Miscellaneous goods and services | 3.73 | 104.40 | 104.86 | -0.42 | 0.44 |
| Selective aggregates | | | | | |
| Fruits & vegetables 3/ | 6.90 | 170.77 | 207.60 | 1.11 | 21.57 |
| Regulated items | 18.66 | 117.82 | 128.64 | 0.00 | 9.18 |
| Food excl. fruits & vegetables | 31.08 | 133.56 | 150.03 | 1.99 | 12.34 |
| Retail items | 14.48 | 107.33 | 115.01 | 0.04 | 7.16 |
| Paid services | 5.87 | 120.93 | 129.10 | 0.00 | 6.75 |
| Other services | 23.00 | 110.28 | 116.35 | 0.35 | 5.51 |
| Core CPI | 74.43 | 120.26 | 131.16 | 1.04 | 9.06 |

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits