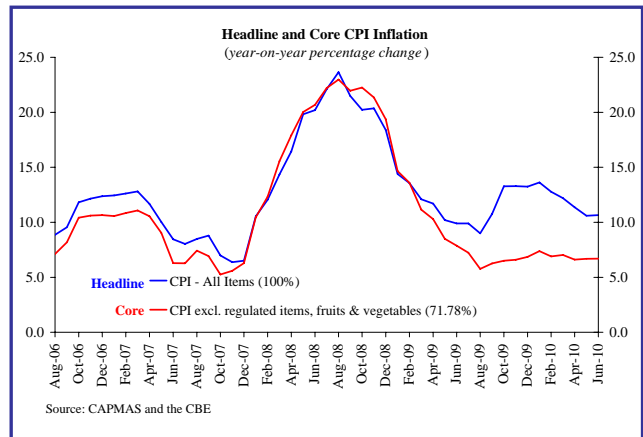
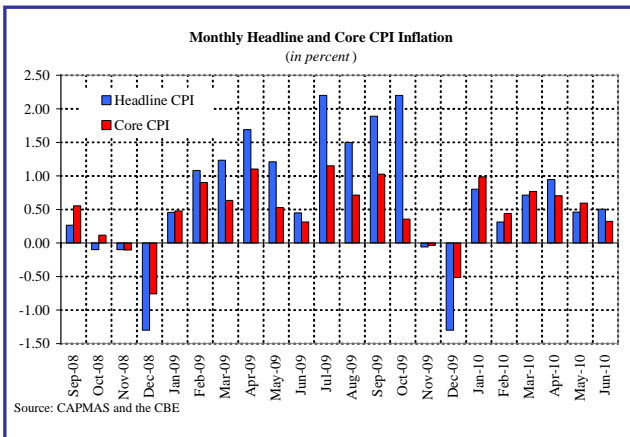


Headline and Core Inflation – June 2010

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 10, 2010 increased by 0.50 percent (m/m) in June 2010. The annual rate inched up slightly to 10.66 percent compared to 10.59 percent registered in May 2010. The monthly increase in June was mainly driven by higher prices of poultry and rice as well as an increase in the prices of package holidays organized by government agencies that take place in the summer of every year. In the meantime, core CPI computed by the Central Bank of Egypt increased by a tame 0.32 percent (m/m) in June, mainly driven by the higher food prices mentioned above while retail prices and paid services remained broadly unchanged. The annual rate was almost unchanged at 6.70 percent compared to 6.69 percent recorded in the previous month.¹

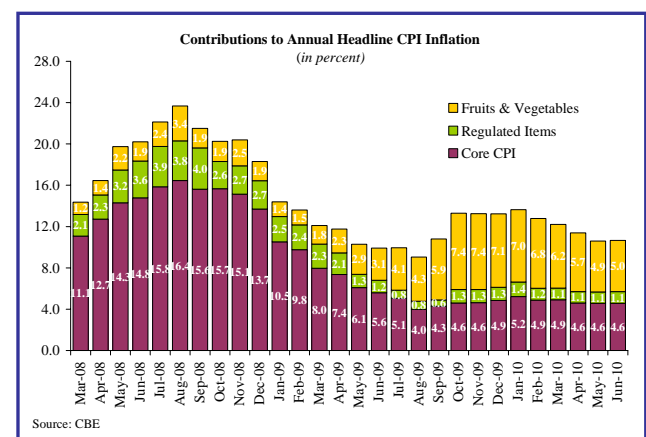
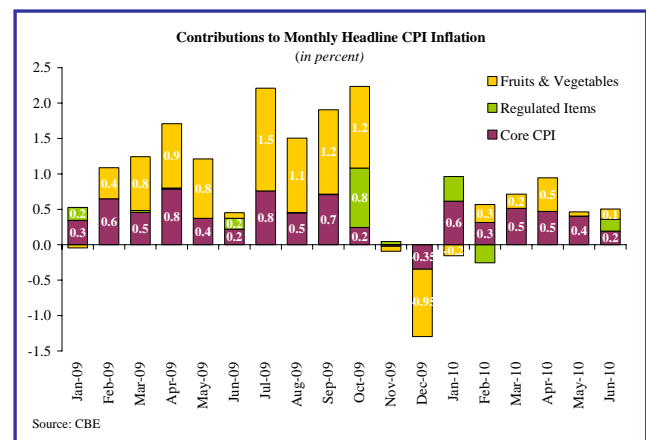


1. Headline CPI

Headline CPI maintained a tame monthly pace of 0.50 percent in June 2010 compared to 0.46 percent in May, which is well below the average acceleration of 1.1 percent recorded during 2009. The annual rate inched up slightly to 10.66 percent compared to 10.59 percent registered in May 2010.

Key Highlights

- Prices of package holidays organized by government agencies increased by 14.2 percent (m/m) in June 2010, an increase that takes place in the summer of every year. It accounted for 0.16 percentage points of the monthly headline inflation.
- The prices of fruits and vegetables have increased modestly by 0.97 percent (m/m) in June, to contribute by 0.14 percentage points to the monthly headline inflation. This month's increase is significantly below the average pace of increases of 6.9 percent witnessed between January and October 2009.



Future changes in the prices of fruits and vegetables will continue to be closely monitored, given their impact on headline inflation.

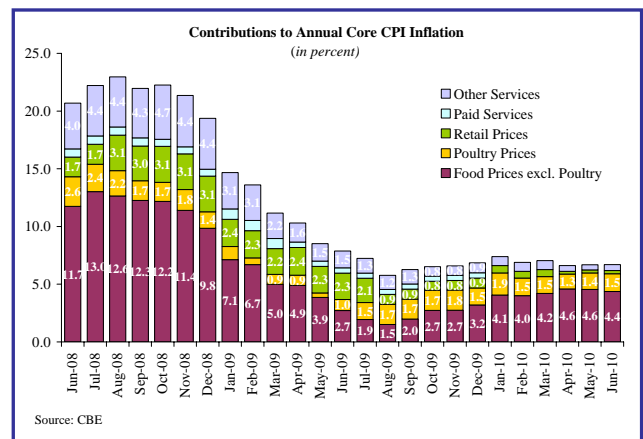
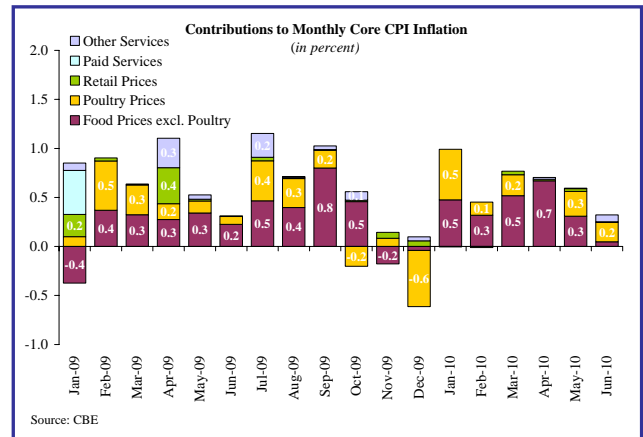
- Poultry prices rose by 2.3 percent (m/m) in June, accounting for 0.13 percentage points of the monthly headline inflation. While this rate remains slightly below the 2.8 percent average pace of increases recorded in the first five months of 2010, poultry prices have increased by over 16 percent since the beginning of the year.
- Rice prices accelerated by 7.6 percent (m/m) in June. This marks the second consecutive monthly increase since July 2009, bringing the cumulative increase to 17 percent since that date.
- Prices of red meat were unchanged in June after inching up by a tame 0.33 percent (m/m) in May. This led the cumulative acceleration in red meat prices since the beginning of the year to remain at 13.14 percent.
- Prices of fish and seafood decreased slightly from the previous month, falling by 0.83 percent after remaining unchanged in May.
- Prices of pulses fell in June for the third month this year, bringing the cumulative decline to 10 percent since the beginning of 2010.

2. Core Inflation

Core CPI increased by 0.32 percent (m/m) in June, which is below the monthly increase of 0.59 percent (m/m) recorded in May, as well as the average pace of 0.56 percent witnessed during 2009. The annual rate was almost unchanged at 6.70 percent compared to 6.69 percent recorded in the previous month.

The monthly increase in June was mainly driven by the higher prices of poultry, which accounted for 0.20 percentage points of the 0.32 percent month-on-month increase. Higher rice prices contributed by 0.11 percentage points to the monthly rise in core inflation.

Meanwhile, retail prices and paid services were broadly unchanged in June, in continuation of their subdued dynamics since early 2009. Hence, inflationary pressures are assessed to have remained weak through June 2010, despite sporadic price increases in a number of items.



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.

Table 1.
Classification of All Items included in Core CPI

Food	Retail	Paid Services	Other Services
Bread and cereals	Clothing	Tailors & laundry	Rentals (new law)
Meat	Fabrics	Portman & gardener's services	Rental value of owner occupied housing
Fish and other seafood	Footwear	Cook & maid's services	Hospital services
Eggs & Dairy products	Maintenance and repair of the dwelling	Technicians to HH appliances	Public transportation
Oils and fats	Furniture	Physicians	Mobile services
Pulses	Carpets and other floor covering	Mechanics	Recreational & sporting services
Sugar and confectionery	Household (HH) textiles	Teachers	Cultural services
Other food products	HH appliances	Hairdressers	Hajj & Omra trips
Non alcoholic beverages	Glassware, tableware and HH utensils		Restaurants and Cafes
	HH small tools & supplies		Accommodation services
	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/	June 2009	June 2010	June 2010 to May 2010	June 2010 to June 2009
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2007 = 100)					
Headline - All items	100.00	133.61	147.86	0.50	10.66
Food and non-alcoholic beverages	43.88	146.23	173.33	0.55	18.54
Tobacco and related products	2.57	120.97	120.97	0.00	0.00
Clothing and footwear	7.90	118.31	118.99	0.00	0.58
Housing, water, electricity, gas and other fuels	13.46	112.05	113.46	0.00	1.26
Furnishings, household equipment and routine maintenance of the dwelling	4.17	125.22	126.62	-0.07	1.12
Medical care	3.61	117.24	117.56	0.00	0.27
Transportation	5.22	125.02	126.76	0.85	1.39
Communications	3.64	109.36	109.26	-0.03	-0.10
Recreation and Culture	3.39	139.92	148.72	5.73	6.29
Education	4.38	144.07	157.59	0.00	9.38
Hotels, cafes and restaurants	3.55	164.60	172.25	0.07	4.65
Miscellaneous goods and services	4.23	120.74	140.77	0.22	16.59
Selective aggregates					
Fruits & vegetables 3/	8.80	173.65	250.78	0.97	44.41
Regulated items	19.42	126.09	134.57	0.96	6.73
Food excl. fruits & vegetables	33.27	142.14	158.87	0.46	11.77
Retail items	17.34	119.68	121.58	0.30	1.59
Paid services	4.96	118.56	118.56	0.00	0.00
Other services	16.21	124.56	127.07	0.07	2.02
Core CPI	71.78	131.11	139.89	0.32	6.70

1/ Source: CAPMAS and CBE calculations

2/ Based on the 2004/2005 Household Expenditure Survey

3/ Excluding pulses