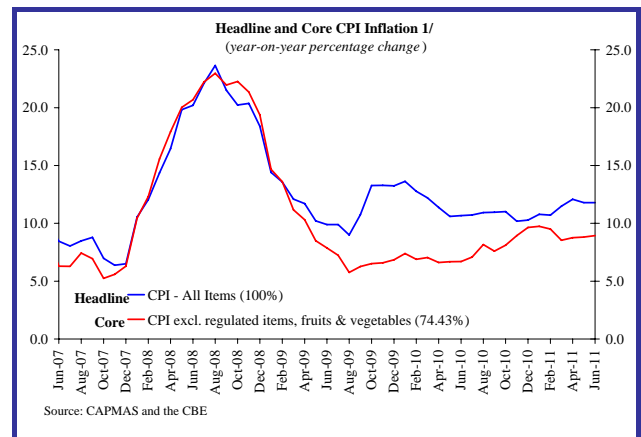
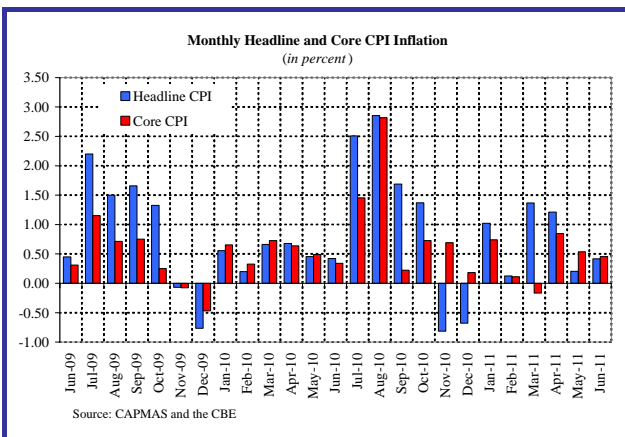


Headline and Core Inflation – June 2011

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 10, 2011, inched up by 0.42 percent (m/m) in June following 0.20 percent (m/m) in May. The annual rate remained almost unchanged at 11.79 percent in June compared to 11.80 percent in the previous month. More than half of the increase in monthly headline inflation came on the back of an increase in regulated prices, driven by higher tobacco prices. The remaining portion is explained by sporadic increases in the prices of some food items including milk, rice and red meat, which were largely offset by the decline in the prices of fruits and vegetables as well as poultry and eggs. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.45 percent (m/m) in June following 0.54 percent (m/m) in May. The annual rate inched up to 8.94 percent in June compared to 8.81 percent in May. Meanwhile, retail prices witnessed a marginal increase while paid services remained broadly unchanged.¹

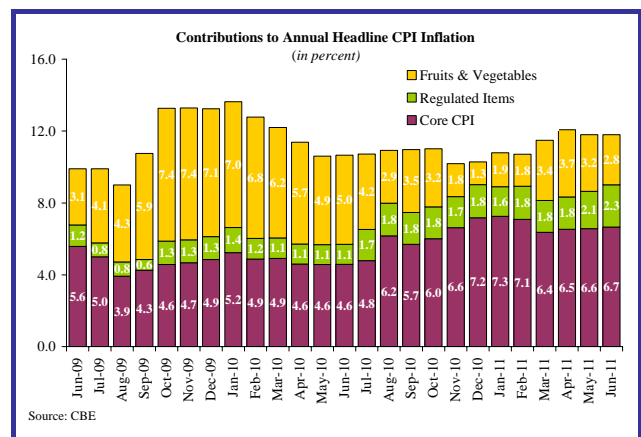
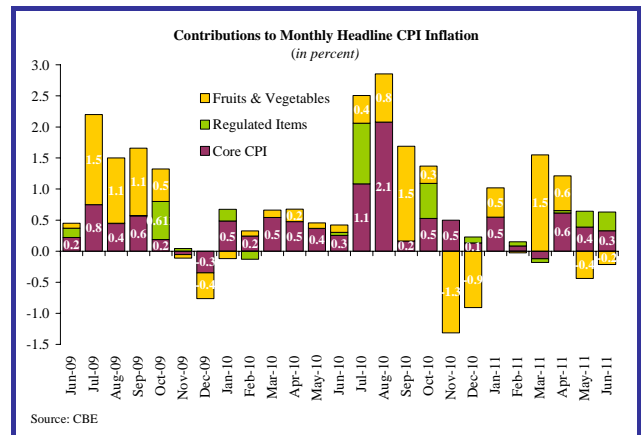


1. Headline CPI²

Headline CPI inched up by 0.42 percent (m/m) in June following the 0.20 percent (m/m) increase in May, which is well below the average monthly pace of 0.79 percent recorded in the first five months of 2011. The annual rate remained almost unchanged at 11.79 percent in June compared to 11.80 percent in the previous month.

Key Highlights

- Regulated prices rose by 1.66 percent (m/m) in June on the back of a 10.17 percent (m/m) increase in tobacco prices, contributing by 0.30 percentage points to monthly headline inflation. This represents the second consecutive monthly increase in tobacco prices, which rose by 4.98 percent (m/m) in May.

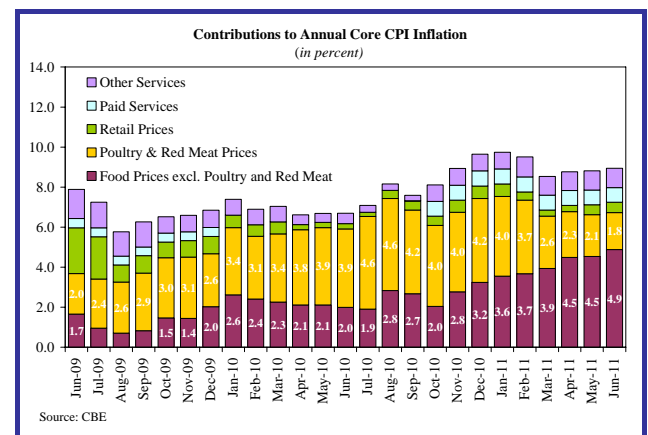
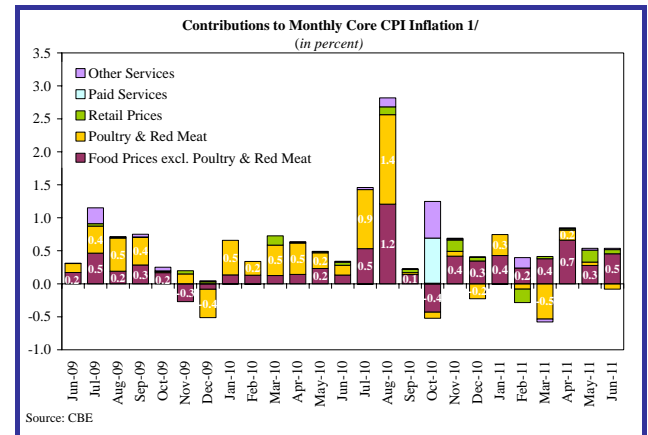


- Prices of vegetables continued to decrease for the second consecutive month, falling by 3.02 percent (m/m) in June and bringing the cumulative monthly decline in May and June to 10.83 percent, partially eliminating the cumulative increase of 32.92 percent witnessed in March and April. The monthly decrease in vegetable prices in June contributed by negative 0.20 percentage points to monthly headline inflation. In the meantime, prices of fruits declined by 0.51 percent (m/m) in June, marking the first decline since October 2010.
- Rice prices continued to rise for the fourth consecutive month, registering a monthly increase of 5.58 percent in June, which contributed by 0.13 percentage points to monthly headline inflation.
- Prices of milk experienced a sharp increase of 8.38 percent (m/m) in June, contributing by 0.20 percentage points to monthly headline inflation. This increase is well above the 0.40 percent average monthly increase witnessed between January 2010 and May 2011.
- In a favorable development, poultry prices registered a monthly decline of 2.41 percent (m/m) and contributed by negative 0.10 percentage points to monthly headline inflation. In the meantime, red meat prices rose by a tame 0.52 percent (m/m) in June, contributing by 0.04 percentage points to monthly headline inflation.
- Retail prices inched up slightly by 0.35 percent mainly driven by higher prices of clothing, personal care products and a number of household appliances, while prices of other services recorded a minor increase of 0.06 percent (m/m) on the back of price increases in Haj and Omra trips.

2. Core Inflation²

Core CPI increased by 0.45 percent (m/m) in June, following a 0.54 percent (m/m) increase in May. This month's increase is broadly in line with the average monthly pace of 0.42 percent recorded in the first five months of 2011. The annual rate inched up to 8.94 percent in June compared to 8.81 percent in May.

The monthly increase in June was mainly driven by higher food prices mentioned above which accounted for 0.37 percentage points of the monthly increase in core inflation. The marginal increases in retail prices and modest inch ups in other services accounted for the remaining 0.08 percentage points while paid services remained unchanged.



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/	June 2010	June 2011	June 2011 to May 2011	June 2011 to June 2010
	(in percent)	(index)	(percentage change)		
(January 2010 = 100)					
Headline - All items	100.00	102.44	114.51	0.42	11.79
Food and beverages	39.92	105.86	126.01	0.13	19.03
Tobacco and related products	2.19	100.00	169.86	10.16	69.86
Clothing and footwear	5.41	100.00	102.23	0.42	2.23
Housing, water, electricity, gas and other fuels	18.37	99.30	100.42	0.00	1.12
Furnishings, household equipment and routine maintenance of the dwelling	3.77	102.60	105.16	0.25	2.50
Medical care	6.33	100.00	101.93	0.00	1.93
Transportation	5.68	100.65	101.66	0.00	1.00
Communications	3.12	99.87	99.99	-0.04	0.12
Recreation and Culture	2.43	102.38	108.42	0.56	5.90
Education	4.63	100.00	124.31	0.00	24.31
Hotels, cafes and restaurants	4.43	100.23	112.37	0.00	12.11
Miscellaneous goods and services	3.73	100.70	103.15	0.55	2.44
Selective aggregates					
Fruits & vegetables 3/	6.90	108.91	150.20	-2.30	37.92
Regulated items	18.66	99.59	112.49	1.66	12.95
Food excl. fruits & vegetables	31.08	105.55	122.07	0.82	15.65
Retail items	14.48	101.05	103.76	0.35	2.68
Paid services	5.87	100.00	109.55	0.00	9.55
Other services	23.00	100.09	103.28	0.06	3.19
Core CPI	74.43	102.55	111.71	0.45	8.94

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits