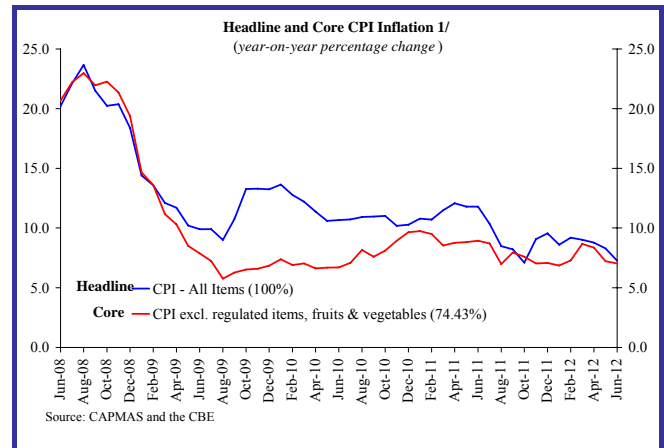
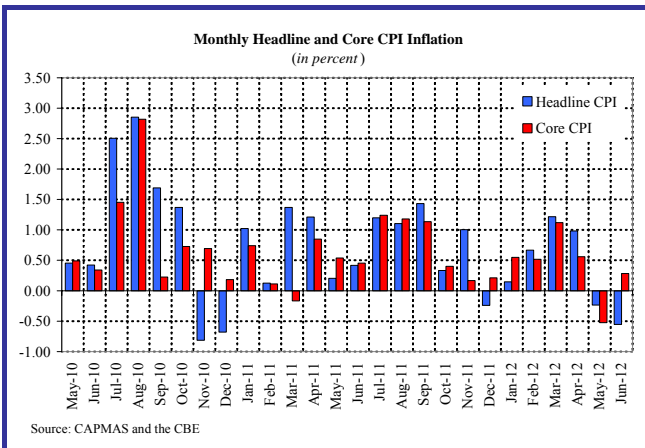


## Headline and Core Inflation – June 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 10, 2012, declined by 0.55 percent (m/m) in June compared to a 0.24 percent (m/m) decline in May. Meanwhile, the annual rate slowed down to 7.26 percent in June from 8.30 percent in the previous month. The month-on-month developments were mainly driven by a decline in the prices of select fruits and vegetables, which were slightly offset by higher milk prices. In the meantime, core CPI computed by the Central Bank of Egypt increased by 0.28 percent (m/m) compared to a 0.52 percent (m/m) decline in May, while the annual rate decelerated to 7.04 percent in June from 7.22 percent in the previous month supported by favorable base effects. Meanwhile, the prices of paid services, other services and retail items remained broadly unchanged.<sup>1</sup>

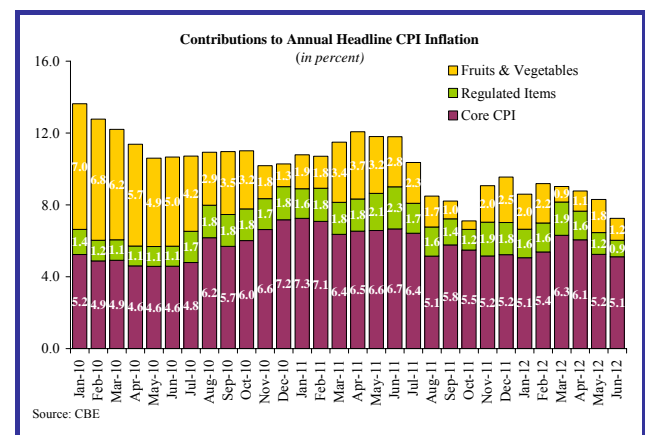
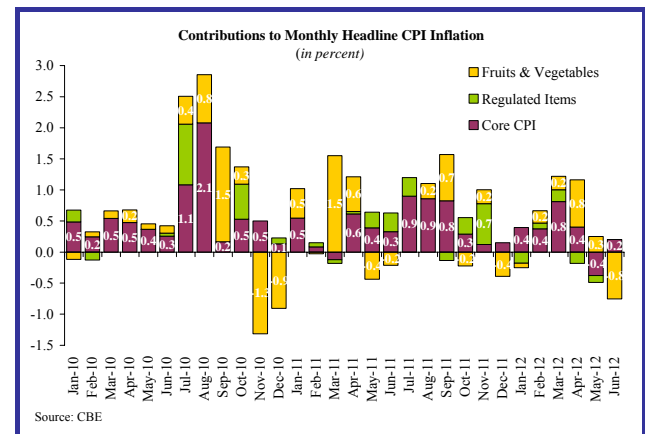


### 1. Headline CPI<sup>2</sup>

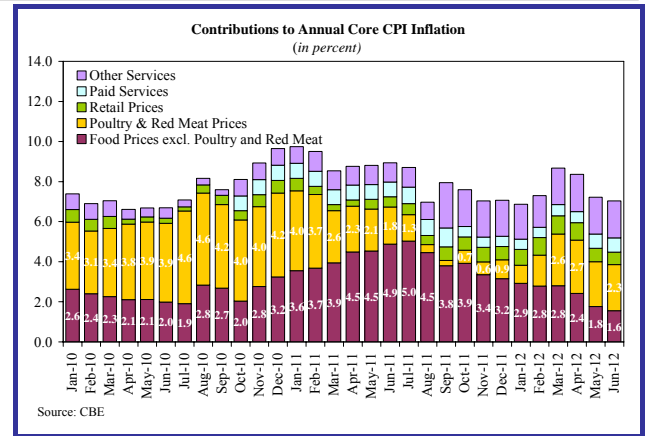
Headline CPI declined by 0.55 percent (m/m) in June compared to a 0.24 percent (m/m) decline in May, which is significantly below the average monthly pace of 0.76 recorded during 2011. The annual rate slowed down to 7.26 percent in June from 8.30 percent in the previous month.

#### Key Highlights

- Prices of both fresh vegetables and fresh fruits declined by 9.28 percent (m/m) and 0.64 percent (m/m) respectively, after increasing for four consecutive months. The decrease in the prices of fresh vegetables was primarily driven by lower prices of tomatoes and eggplants, which fell by 22.46 percent (m/m) and 46.99 percent (m/m) respectively. Together, the decline in the prices of volatile food items contributed by negative 0.75 percentage points to monthly headline inflation.



- Milk prices increased by 7.52 percent (m/m) to mark the first notable rise since June 2011 and contributing by 0.18 percentage points to monthly headline inflation.
- Prices of other services recorded a marginal increase on the back of higher prices of Haj and Omra trips, which increased slightly by 2.86 percent (m/m) in June, ahead of Ramadan. In the meantime, prices of retail items recorded a negligible increase, while prices of paid services remained unchanged.



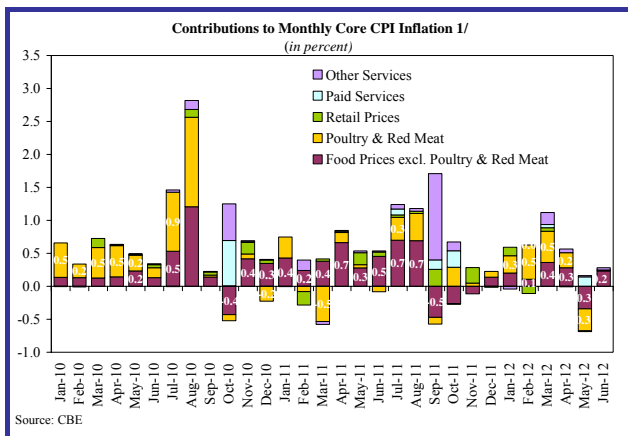
## 2. Core Inflation<sup>2</sup>

Core CPI increased by 0.28 percent (m/m) in June compared to a 0.52 percent (m/m) decline in the previous month. The monthly pace observed in June stands below the average monthly pace of 0.57 percent (m/m) recorded during 2011. Annual core inflation decelerated to 7.04 percent (m/m) in the previous month on the back of favorable base effects.

The bulk of the monthly increase in June was driven by higher prices of milk, which contributed by 0.25 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 8<sup>th</sup> CPI series by the 9<sup>th</sup> 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

<b>Food</b>	<b>Retail</b>	<b>Paid Services</b>	<b>Other Services</b>
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 2011	June 2012	June 2012 to May 2012	June 2012 to June 2011
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
(January 2010 = 100)					
<b>Headline - All items</b>	<b>100.00</b>	<b>114.51</b>	<b>122.82</b>	<b>-0.55</b>	<b>7.26</b>
Food and beverages	39.92	126.01	137.58	-1.30	9.18
Tobacco and related products	2.19	169.86	201.78	0.00	18.79
Clothing and footwear	5.41	102.23	106.84	0.00	4.51
Housing, water, electricity, gas and other fuels	18.37	100.42	107.69	0.00	7.24
Furnishings, household equipment and routine maintenance of the dwelling	3.77	105.16	114.44	0.32	8.82
Medical care	6.33	101.93	102.05	0.00	0.11
Transportation	5.68	101.66	104.50	0.00	2.79
Communications	3.12	99.99	95.53	0.00	-4.46
Recreation and Culture	2.43	108.42	117.77	1.02	8.62
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	112.37	116.46	0.00	3.64
Miscellaneous goods and services	3.73	103.15	104.47	-0.02	1.28
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	150.20	170.59	-7.33	13.57
Regulated items	18.66	112.49	118.12	0.00	5.01
Food excl. fruits & vegetables	31.08	122.07	132.40	0.51	8.46
Retail items	14.48	103.76	107.33	0.08	3.45
Paid services	5.87	109.55	119.51	0.00	9.10
Other services	23.00	103.28	109.96	0.11	6.47
Core CPI	74.43	111.71	119.57	0.28	7.04

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits