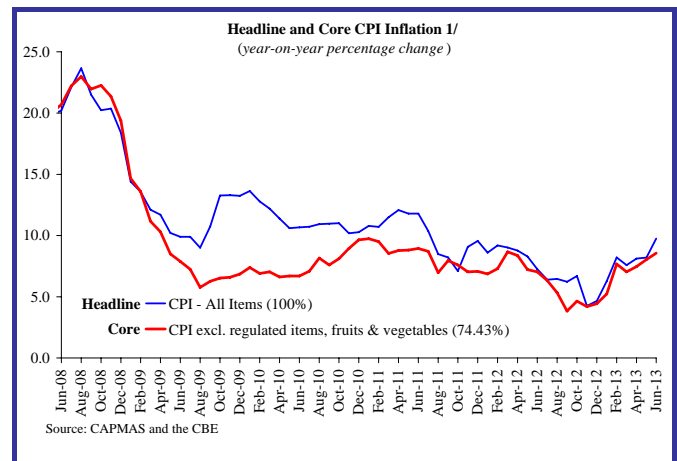
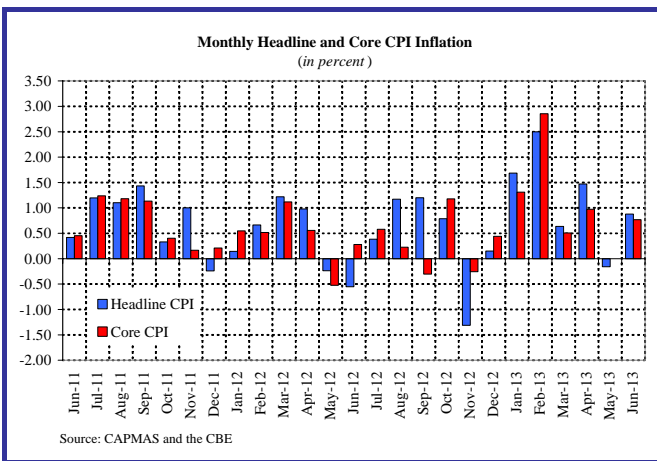


## Headline and Core Inflation – June 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 10, 2013, increased by 0.88 percent (m/m) in June compared to a 0.16 percent (m/m) decline in May. The annual rate increased to 9.75 percent in June from 8.20 percent in May, partially due to unfavorable effects from last year. More than half of the month-on-month development was driven by the rise in the prices of fresh vegetables while the remaining portion was largely explained by the inch up in the prices of several food items such as poultry, fish and sea food, which was partly offset by the decline in the prices of butane and piped gas service. In the meantime, core CPI increased to 0.77 percent (m/m) in June after remaining broadly unchanged in May. The annual rate increased to 8.56 percent in June from 8.04 percent in May. Meanwhile, prices of other services and retail items increased slightly while prices of paid services remained unchanged.<sup>1</sup>

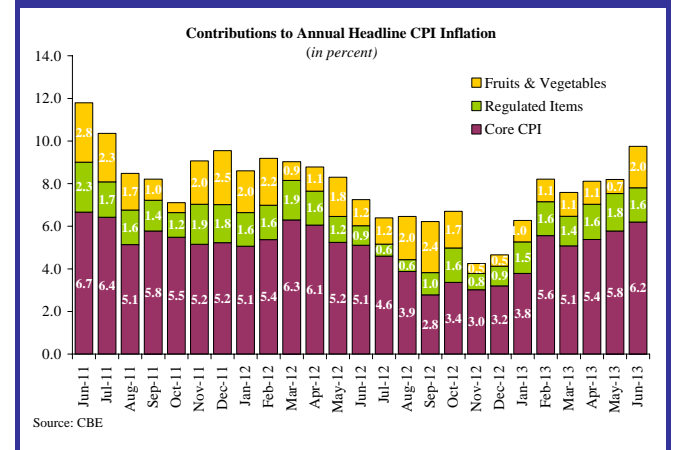
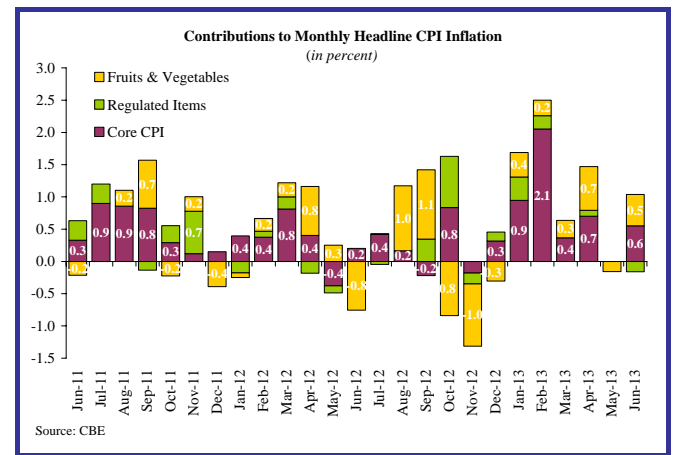


### 1. Headline CPI<sup>2</sup>

Headline CPI increased by 0.88 percent (m/m) in June compared to a 0.16 percent (m/m) decline in May, which lies below the average monthly pace of 1.23 percent recorded in the first five months of 2013, yet higher than the average monthly rate in 2012, which registered 0.38 percent. The annual rate increased to 9.75 percent in June from 8.20 percent in May, partially due to unfavorable effects from last year.

### Key Highlights

- Prices of fresh vegetables increased by 5.98 percent (m/m) in June, bringing the cumulative monthly increase to 23.75 percent (m/m) since the beginning of the year. In the meantime, prices of fruits inched up by 0.95 percent (m/m) compared to 0.33 percent (m/m) in the previous month. Together, the prices of fruits and vegetables contributed by 0.49 percentage points to monthly headline inflation in June.
- Poultry prices increased by 2.20 percent (m/m) in June, compared to the 4.63 percent (m/m)



decline in May, which brings the cumulative monthly increase to 19.30 percent (m/m) in the first half of 2013. This month's increase contributed by 0.11 percentage points to monthly headline inflation and is higher than the monthly pace of 1.61 percent recorded during 2012. In the meantime, the price of eggs increased by 4.72 percent (m/m) in June compared to 2.30 percent (m/m) in the previous month, cumulatively increasing by 20.37 percent (m/m) since the beginning of the year.

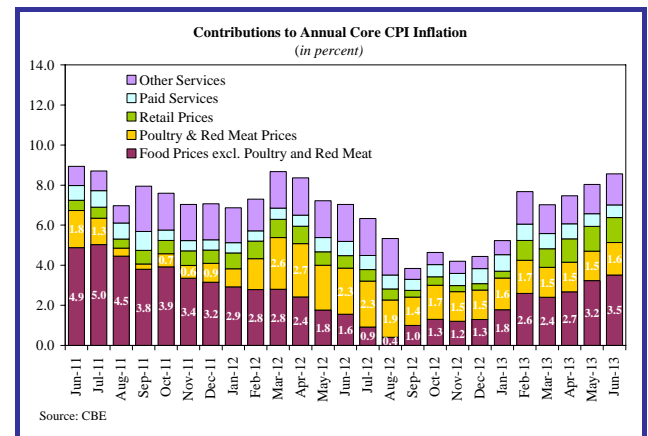
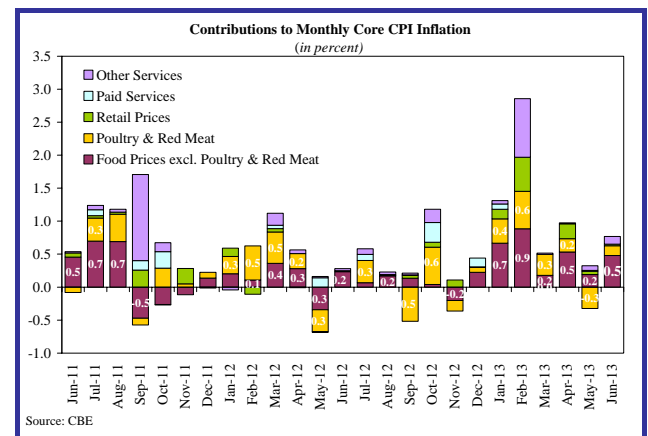
- Prices of fish and seafood increased by 3.18 percent (m/m), increasing cumulatively by 10.99 percent since January. The monthly rate observed in June is above the average monthly pace of 1.01 percent (m/m) recorded during 2012.
- The price of rice increased by 2.60 percent (m/m) in June to contribute by 0.06 percentage points to monthly headline inflation, increasing by a cumulative 25.05 percent (m/m) in the first six months of 2013. This month's increase is well above the average monthly decline of 0.69 percent (m/m) registered in 2012.
- Prices of several food items witnessed increases in June, including dried fruits, edible oils, wheat and pulses, contributing by 0.11 percentage points to monthly headline inflation.
- In the meantime, prices of other services inched up by 0.41 percent (m/m) in June, mainly on the back of higher prices of restaurants and cafes as well as Haj and Omra trips. Retail prices increased modestly by 0.15 percent (m/m), on the back of sporadic increases in the prices of several retail items including household cleaning products, furniture as well as motor cycles and cars. Meanwhile, prices of paid services remained unchanged.
- After increasing by 9.27 percent (m/m) in April, the price of butane gas cylinders declined by 14.97 (m/m) percent in June, which contributed by a negative 0.16 percentage points to monthly headline inflation.

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

Core CPI increased to 0.77 percent (m/m) in June after remaining broadly unchanged in May, which lies below the average monthly pace of 1.13 per-

cent recorded in the first five months of 2013, yet remains higher than the average monthly rate in 2012, which registered 0.36 percent. In the meantime, the annual rate increased to 8.56 percent in June from 8.04 percent in May.

This monthly development was largely affected by the increase in the food prices mentioned above, which contributed by 0.63 percentage points to monthly core inflation. The remaining portion is mostly accounted for by the increase in the prices of services and retail items which contributed by 0.14 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 2012     | June 2013     | June 2013 to May 2013 | June 2013 to June 2012 |
|--|----------------------|---------------|---------------|-----------------------|------------------------|
|  | (in percent)         | (index)       | (index)       | (percentage change)   | (percentage change)    |
|  | (January 2010 = 100) |               |               |                       |                        |
| <b>Headline - All items</b>  | <b>100.00</b>        | <b>122.82</b> | <b>134.80</b> | <b>0.88</b>           | <b>9.75</b>            |
| Food and beverages   | 39.92                | 137.58        | 155.04        | 2.06                  | 12.69                  |
| 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                | 107.69        | 113.08        | -1.02                 | 5.01                   |
| Furnishings, household equipment and routine maintenance of the dwelling | 3.77                 | 114.44        | 122.14        | 0.66                  | 6.73                   |
| Medical care   | 6.33                 | 102.05        | 114.83        | 0.00                  | 12.52                  |
| Transportation   | 5.68                 | 104.50        | 107.26        | 0.27                  | 2.65                   |
| Communications   | 3.12                 | 95.53         | 95.47         | 0.00                  | -0.06                  |
| Recreation and Culture   | 2.43                 | 117.77        | 126.68        | 0.74                  | 7.57                   |
| Education  | 4.63                 | 136.59        | 152.18        | 0.00                  | 11.41                  |
| Hotels, cafes and restaurants  | 4.43                 | 116.46        | 141.68        | 1.40                  | 21.66                  |
| Miscellaneous goods and services   | 3.73                 | 104.47        | 105.31        | -0.54                 | 0.80                   |
| <b>Selective aggregates</b>  |                      |               |               |                       |                        |
| Fruits & vegetables 3/   | 6.90                 | 170.59        | 205.33        | 4.81                  | 20.37                  |
| Regulated items  | 18.66                | 118.12        | 128.64        | -0.88                 | 8.90                   |
| Food excl. fruits & vegetables   | 31.08                | 132.40        | 147.11        | 1.33                  | 11.11                  |
| Retail items   | 14.48                | 107.33        | 114.97        | 0.15                  | 7.12                   |
| Paid services  | 5.87                 | 119.51        | 129.10        | 0.00                  | 8.02                   |
| Other services   | 23.00                | 109.96        | 115.95        | 0.41                  | 5.45                   |
| Core CPI   | 74.43                | 119.57        | 129.81        | 0.77                  | 8.56                   |

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits