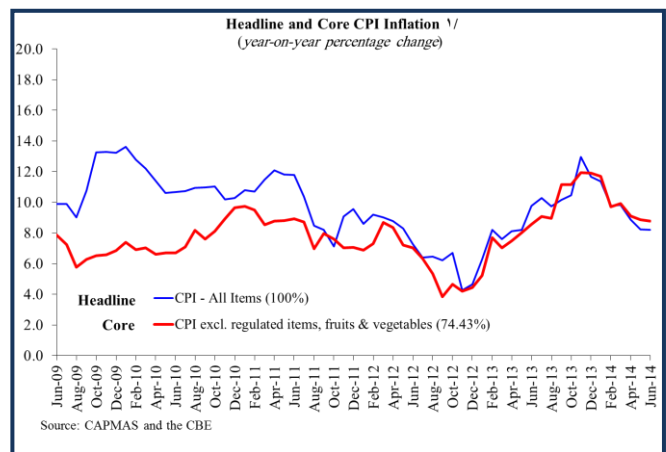
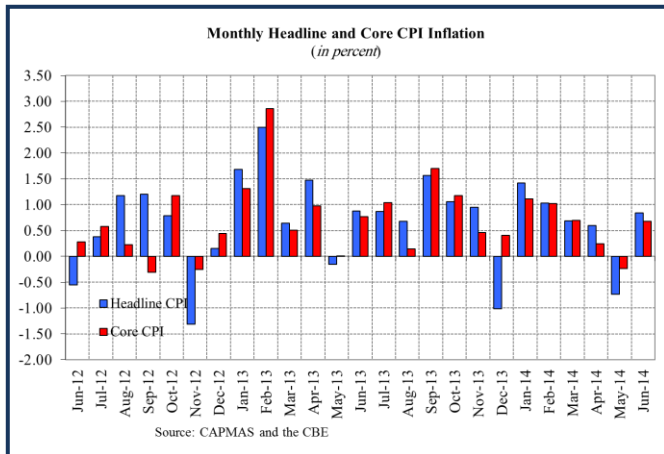


Headline and Core Inflation – June 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 10, 2014, increased by 0.84 percent (m/m) in June compared to a decline of 0.73 percent (m/m) in May. The annual rate remained broadly unchanged in June to register 8.20 percent. The bulk of the monthly increase was explained by the increase in the prices of fresh vegetables in addition to the acceleration in the prices of other food items. In the meantime, core CPI computed by the Central Bank of Egypt, increased by 0.68 percent (m/m) in June compared to a decline of 0.23 percent (m/m) in May. The annual rate declined to 8.76 percent in June compared to 8.86 percent in May, due to favorable base effect from last year. Meanwhile, the prices of retail items and other services increased slightly, whereas the prices of paid services remained unchanged.¹

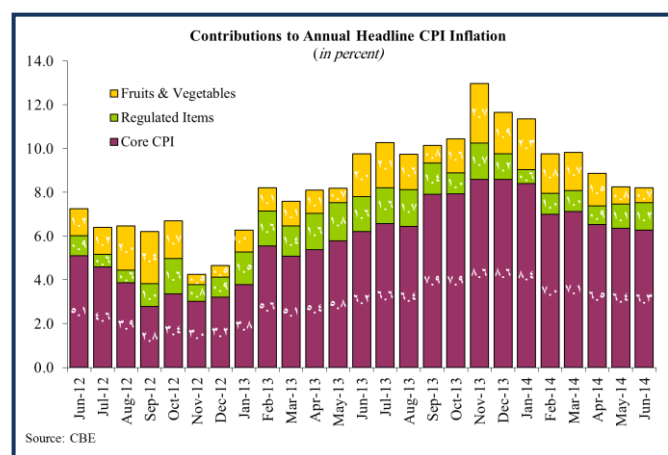
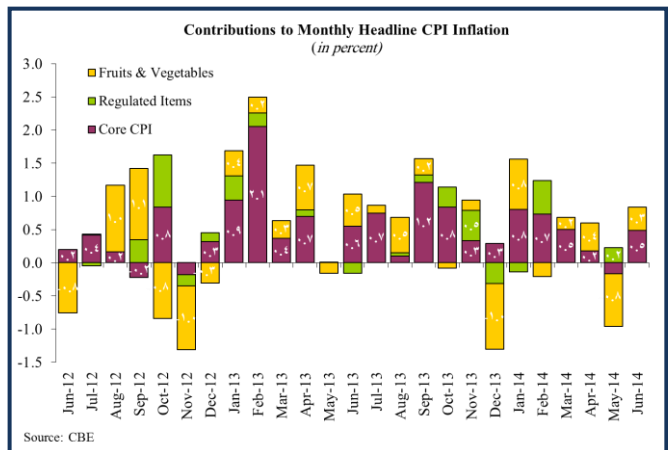


1. Headline CPI²

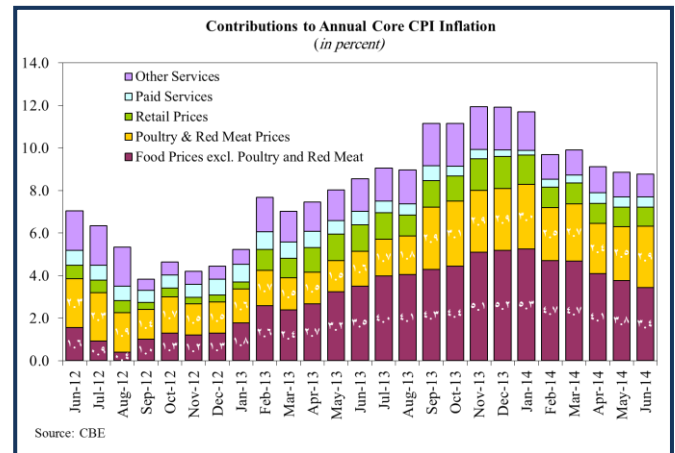
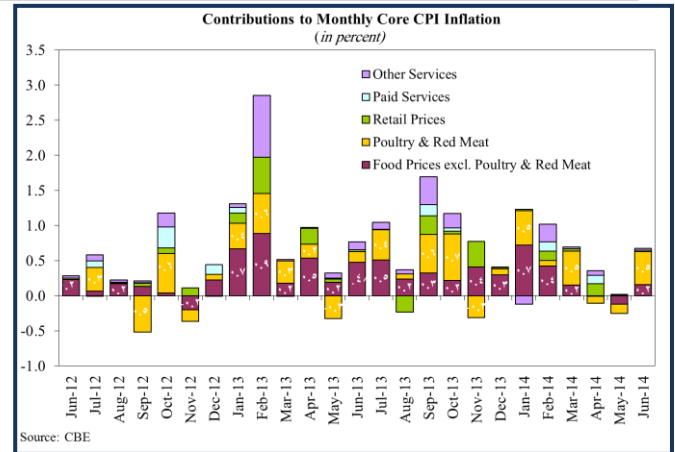
Headline CPI increased by 0.84 percent (m/m) in June compared to a decrease of 0.73 percent (m/m) in May, which lies above the average monthly pace of 0.60 percent recorded during the last five months. Meanwhile, the annual rate remained broadly unchanged at 8.20 percent in June.

Key Highlights

- The prices of fresh vegetables increased by 4.42 percent (m/m) in June, which contributed by 0.34 percentage points to monthly headline inflation. Meanwhile, the prices of fresh fruits increased marginally by 0.20 percent in June. Together, the prices of fruits and vegetables contributed by 0.35 percentage points to monthly headline inflation.
- Poultry prices increased by 6.63 percent in June, to contribute by 0.34 percentage points to monthly headline inflation. The cumulative monthly increase reached 10.28 percent since January 2014, While prices of red meat remained unchanged.



- Prices of fish and seafood increased by 0.52 percent (m/m) in June, contributing by 0.02 percentage points to monthly headline inflation.
- Moreover, prices of eggs increased by 2.68 percent (m/m) in June, contributing by 0.05 percentage points to monthly headline inflation.
- In addition, the prices of a number of other food items showed different trends, while dried fruits and milk prices increased; the prices of imported butter, other edible oil and pulses declined. The final effect of the price changes was a 0.04 percentage points contribution to monthly headline inflation.
- Moreover, prices of retail items increased marginally by 0.14 percent (m/m) in June, which was driven primarily by higher prices of air-conditioners and clothes.
- Prices of other services increased slightly by 0.10 percent (m/m) in June, contributing by 0.02 percentage points to headline inflation. This came on the back of the inch up in the prices of Haj and omra trips and restaurant services. Meanwhile, the prices of paid services remained unchanged.



2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.68 percent (m/m) in June compared to a decline of 0.23 percent (m/m) in May, which is above the average monthly pace of 0.57 percent recorded since the beginning of the year. The annual rate declined to 8.76 percent in June, from 8.86 percent in May, due to favorable base effect from last year.

The monthly dynamics in June was basically driven by the developments in the prices of the previously mentioned food items, which contributed by 0.63 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/	June 2013	June 2014	June 2014 to May 2014	June 2014 to June 2013
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	134.80	145.86	0.84	8.20
Food and beverages	39.92	155.04	172.60	1.71	11.32
Tobacco and related products	2.19	217.38	235.20	0.00	8.20
Clothing and footwear	5.41	113.03	114.32	0.40	1.14
Housing, water, electricity, gas and other fuels	18.37	113.08	117.09	0.00	3.54
Furnishings, household equipment and routine maintenance of the dwelling	3.77	122.14	134.51	0.03	10.12
Medical care	6.33	114.83	128.59	0.00	11.99
Transportation	5.68	107.26	114.25	0.00	6.52
Communications	3.12	95.47	97.02	0.00	1.62
Recreation and Culture	2.43	126.68	145.28	0.57	14.68
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	141.68	148.73	0.13	4.98
Miscellaneous goods and services	3.73	105.31	106.33	-0.03	0.97
Selective aggregates					
Fruits & vegetables 3/	6.90	205.33	218.45	3.46	6.39
Regulated items	18.66	128.64	137.65	0.00	7.00
Food excl. fruits & vegetables	31.08	147.11	166.74	1.28	13.34
Retail items	14.48	114.97	120.99	0.14	5.24
Paid services	5.87	129.10	137.03	0.00	6.15
Other services	23.00	115.95	120.42	0.10	3.85
Core CPI	74.43	129.81	141.18	0.68	8.76

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits