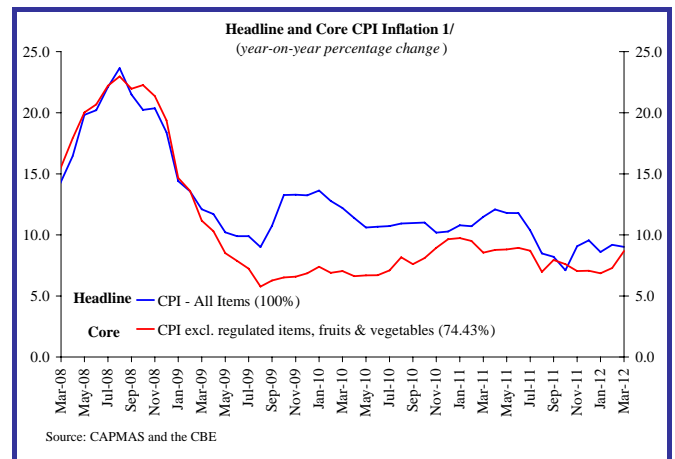
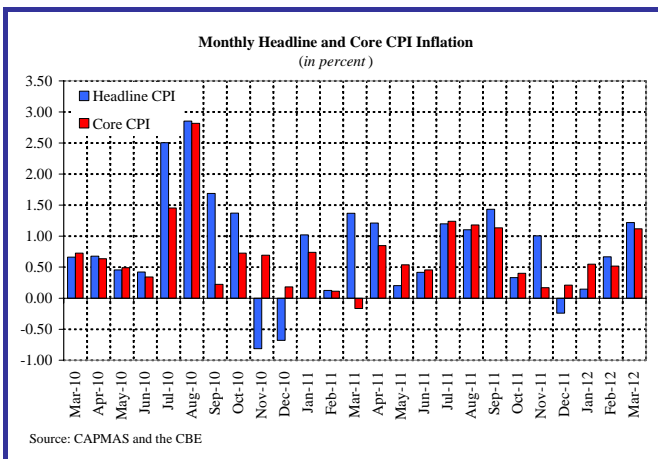


## Headline and Core Inflation – March 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on April 10, 2012, increased by 1.22 percent (m/m) in March compared to 0.67 percent (m/m) in February. Meanwhile, the annual rate declined to 9.03 percent in March from 9.19 percent in the previous month, supported by favorable base effects from last year. The month-on-month developments were mainly driven by increases in the prices of select food items, primarily poultry, fish and seafood, fruits, vegetables, and eggs as well as a rise in the prices of butane gas cylinders. In the meantime, core CPI computed by the Central Bank of Egypt increased by 1.12 percent (m/m) in March compared to 0.52 percent (m/m) in February while the annual rate increased to 8.68 percent in March from 7.30 percent in the previous month. Meanwhile, the prices of paid services, other services, and retail items experienced marginal increases.<sup>1</sup>

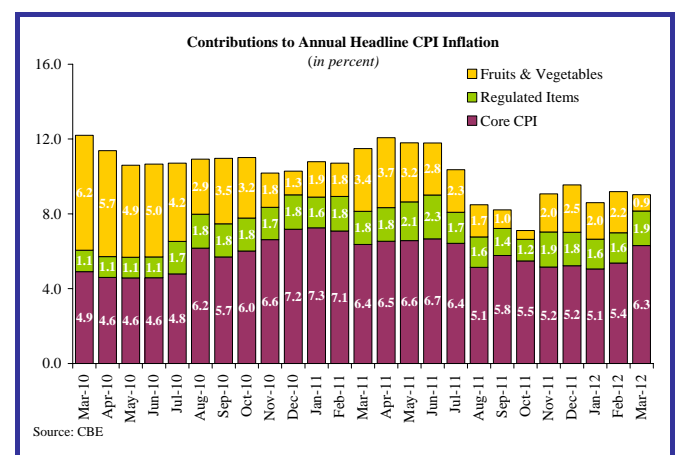
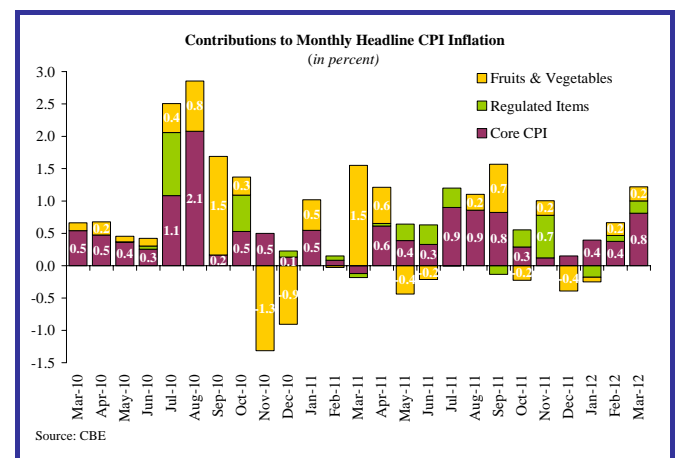


### 1. Headline CPI<sup>2</sup>

Headline CPI increased by 1.22 percent (m/m) in March compared to 0.67 percent (m/m) in February, which is higher than the average monthly pace of 0.76 recorded during 2011. The annual rate declined to 9.03 percent in March from 9.19 percent in the previous month, supported by favorable base effects from last year.

#### Key Highlights

- Regulated prices increased by 1.05 percent (m/m) in March to contribute by 0.19 percentage points to monthly headline inflation. This monthly development mainly came on the back of a 21.10 percent (m/m) increase in the prices of butane gas cylinder, bringing the cumulative monthly increase to 150.36 percent since January 2011.
- Prices of both fresh vegetables and fresh fruits increased for the second consecutive month by 1.80 percent (m/m) and 4.16 percent (m/m) respectively. The rise in fruit prices in February and March follows eight consecutive monthly declines. Together, fresh fruits and vegetables contributed by 0.22 percentage points to monthly headline inflation.

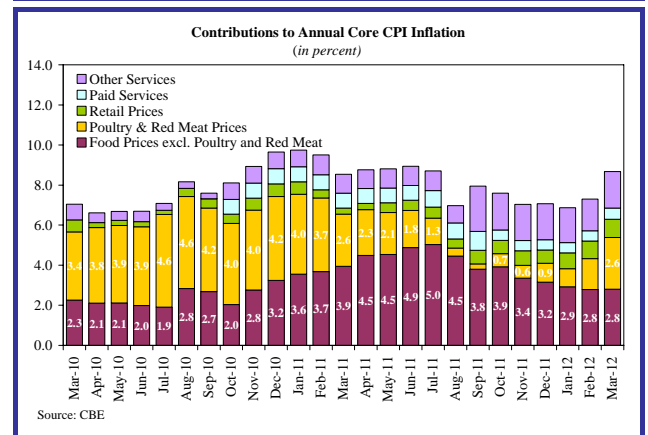
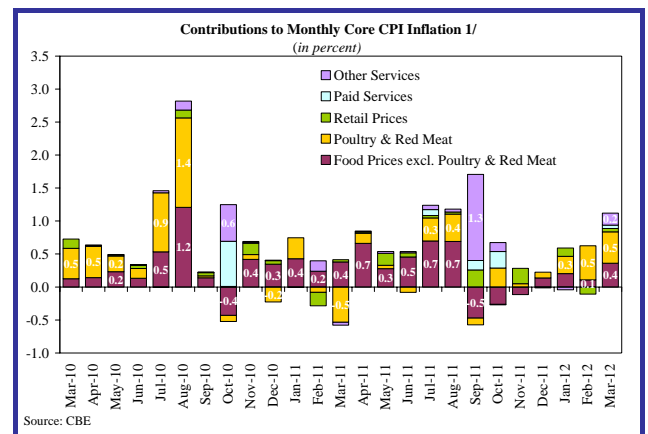


- Poultry prices continued to accelerate increasing by 7.93 percent (m/m) in March following a 9.43 percent (m/m) rise in February. The cumulative monthly increase in poultry prices over the last four months is 24.04 percent. This month's increase comes in sharp contrast to the average monthly pace of 0.62 percent recorded during 2011, partly reflecting the tentative substitution effect resulting from the outbreak of foot and mouth disease in cattle. Higher poultry prices contributed by 0.34 percentage points to monthly headline inflation.
- Prices of fish and seafood accelerated by 6.47 percent (m/m) in March, to record the largest monthly increase since February 2004. This follows a marginal 0.31 percent (m/m) rise in the previous month and lies well above the average monthly pace of 0.91 percent (m/m) recorded during 2011, partly reflecting the tentative substitution effect resulting from the outbreak of foot and mouth disease in cattle.
- Egg prices increased by 4.31 percent (m/m) in March following a 4.43 percent (m/m) rise in the previous month, contributing by 0.07 percentage points to monthly headline inflation. The cumulative 15.06 increase in egg prices witnessed in the first three months of 2012 lies well above the cumulative 9.85 percent increase in 2011.
- Prices of other food items, including processed vegetables and rice, increased marginally in March, contributing by 0.02 percentage points to monthly headline inflation. Meanwhile, prices of imported butter fell by 3.06 percent (m/m) in March, the first decline since October 2010.
- Prices of other services increased by 0.64 percent (m/m) in March after remaining unchanged in the previous month. This came on the back of higher prices of inland transportation, restaurant meals, mobile phone services, and Haj & Omra trips which together contributed by 0.13 percentage points to monthly headline inflation.
- Paid services inched up by 0.65 percent (m/m) on the back of a 5.81 percent (m/m) rise in the prices of maintenance services. Meanwhile retail prices recorded a modest inch up of 0.29 percent (m/m) in March following a 0.61 percent (m/m) decline in the previous month.

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

Core CPI increased by 1.12 percent (m/m) in March compared to 0.52 percent (m/m) in February. This month's increase is well above the average monthly pace of 0.57 percent (m/m) recorded during 2011. This led annual core inflation to increase to 8.68 percent (m/m) in March from 7.30 percent (m/m) in the previous month.

The bulk of the monthly increase in March was driven by the higher food prices mentioned above which contributed by 0.84 percentage points to monthly core inflation. The remaining portion is accounted for by the inch up in the prices of other services and to a lesser extent, retail prices and paid services.



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/	March 2011	March 2012	March 2012 to February 2012	March 2012 to March 2011
	(in percent)	(index)		(percentage change)	
(January 2010 = 100)					
<b>Headline - All items</b>	<b>100.00</b>	<b>112.45</b>	<b>122.60</b>	<b>1.22</b>	<b>9.03</b>
Food and beverages	39.92	123.18	136.66	1.86	10.94
Tobacco and related products	2.19	146.89	201.78	0.00	37.37
Clothing and footwear	5.41	100.08	106.84	0.76	6.75
Housing, water, electricity, gas and other fuels	18.37	99.48	109.64	1.10	10.21
Furnishings, household equipment and routine maintenance of the dwelling	3.77	103.67	110.62	0.26	6.71
Medical care	6.33	101.77	102.05	0.00	0.28
Transportation	5.68	101.51	104.50	2.00	2.94
Communications	3.12	100.03	95.53	0.69	-4.50
Recreation and Culture	2.43	106.93	115.57	0.39	8.08
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	112.37	115.54	1.31	2.82
Miscellaneous goods and services	3.73	102.08	104.97	-0.15	2.83
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	151.86	166.09	2.33	9.37
Regulated items	18.66	108.88	120.04	1.05	10.26
Food excl. fruits & vegetables	31.08	118.07	132.22	1.82	11.98
Retail items	14.48	102.25	107.35	0.29	5.00
Paid services	5.87	109.55	117.34	0.65	7.12
Other services	23.00	103.07	109.54	0.64	6.28
Core CPI	74.43	109.68	119.20	1.12	8.68

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits