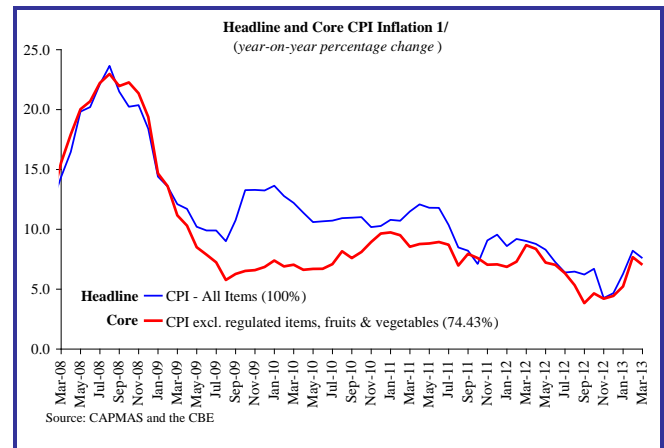
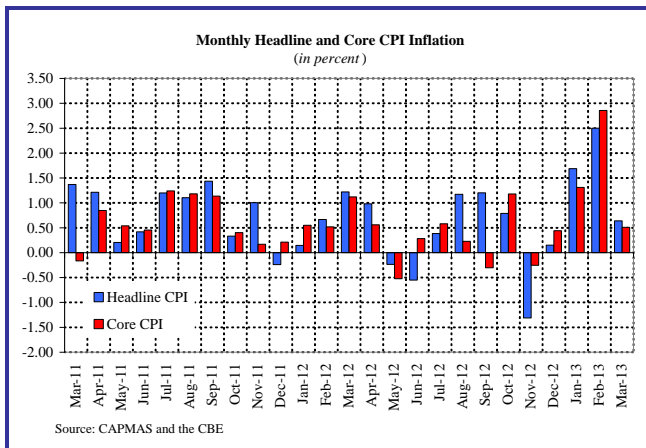


Headline and Core Inflation – March 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on April 10, 2013, inched up by 0.64 percent (m/m) in March compared to 2.50 percent (m/m) in February. The annual rate decelerated to 7.59 percent in March from 8.21 percent in February. The bulk of the monthly increase was driven by higher prices of fresh vegetables, poultry and to a lesser extent, several other food items. In the meantime, core CPI inched up by 0.51 percent (m/m) in March compared to 2.86 percent (m/m) in February. The annual rate declined to 7.03 percent in March from 7.68 percent in February. Meanwhile, the prices of retail items, other services and paid services remained broadly unchanged.¹

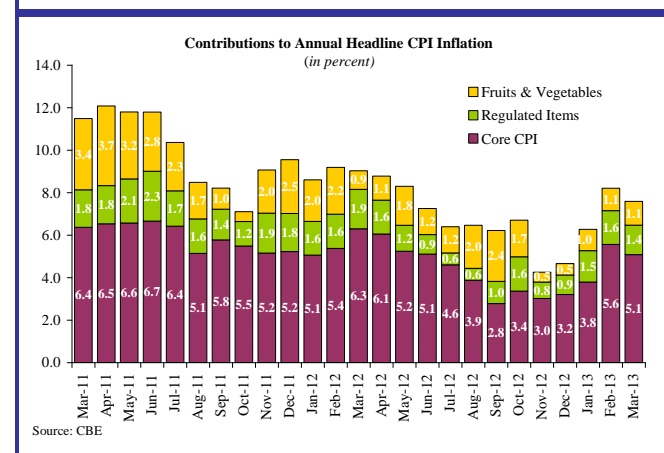
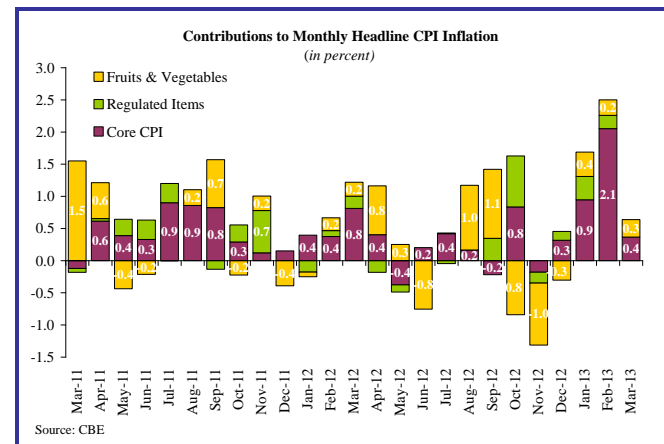


1. Headline CPI²

Headline CPI inched up by 0.64 percent (m/m) in March compared to 2.50 percent (m/m) in February, standing significantly below the average monthly pace of 2.09 percent recorded in January and February 2013. The annual rate decelerated to 7.59 percent in March from 8.21 percent in February.

Key Highlights

- After declining between October and December 2012, prices of fresh vegetables rose for the third consecutive month by 3.48 percent (m/m) in March following a cumulative 8.04 percent (m/m) increase in January and February. In the meantime, prices of fresh fruits rose by 0.87 percent (m/m) in March compared to a 0.73 percent inch up in the previous month. Together, the prices of fruits and vegetables contributed by 0.27 percentage points to monthly headline inflation in March.
- After rising by 14.76 percent (m/m) since the beginning of 2013, poultry prices increased by 4.74 percent (m/m) in March to contribute by 0.23 percentage points to monthly headline inflation. In the meantime, red meat prices



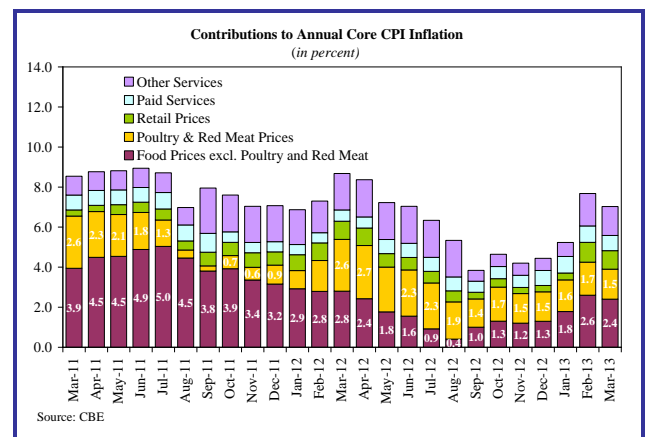
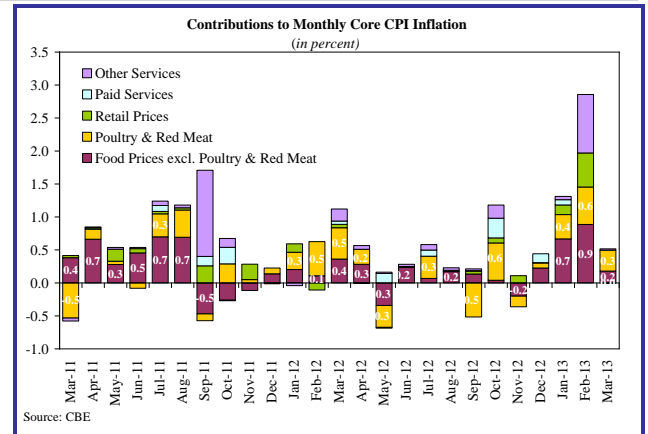
remained mostly unchanged for the fifth consecutive month.

- Rice prices increased by 3.89 percent in March to contribute by 0.09 percentage points to monthly headline inflation, bringing the cumulative monthly increase to 14.76 percent since the beginning of the year. The monthly increases observed in 2013 thus far have more than offset the cumulative decline of 8.25 percent recorded in 2012.
- Prices of several food items witnessed increases in March, including fish & seafood, edible oils, wheat flour, cheese, market tea and maize, contributing by 0.12 percentage points to monthly headline inflation.
- Prices of eggs declined by 4.15 percent (m/m) to contribute by a negative 0.07 percentage points in March following a 15.14 percent cumulative increase in January and February.
- Prices of other services experienced a marginal increase in March, on the back of higher prices of restaurant meals and furniture moving services. In the meantime, prices of paid services remained unchanged, while prices of retail items experienced a negligible decline.

2. Core Inflation²

Core CPI inched up by 0.51 percent (m/m) in March compared to 2.86 percent (m/m) in February. This month's increase is significantly lower than the average monthly pace of 2.08 percent recorded in January and February. The annual rate declined to 7.03 percent in March from 7.68 percent in February.

The bulk of the monthly increase in March was driven by the higher food prices mentioned above which contributed by 0.50 percentage points to monthly core inflation. Changes in the prices of retail items and other services contributed by a mere 0.01 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/	March 2012	March 2013	March 2013 to February 2013	March 2013 to March 2012
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	122.60	131.90	0.64	7.59
Food and beverages	39.92	136.66	148.77	1.41	8.86
Tobacco and related products	2.19	201.78	217.36	0.00	7.72
Clothing and footwear	5.41	106.84	110.40	0.00	3.33
Housing, water, electricity, gas and other fuels	18.37	109.64	113.59	0.00	3.60
Furnishings, household equipment and routine maintenance of the dwelling	3.77	110.62	118.75	0.00	7.35
Medical care	6.33	102.05	114.83	0.00	12.52
Transportation	5.68	104.50	106.51	0.01	1.92
Communications	3.12	95.53	95.47	0.00	-0.06
Recreation and Culture	2.43	115.57	125.20	0.00	8.34
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	115.54	138.19	0.30	19.60
Miscellaneous goods and services	3.73	104.97	105.65	-0.16	0.65
Selective aggregates					
Fruits & vegetables 3/	6.90	166.09	185.99	2.85	11.98
Regulated items	18.66	120.04	129.13	0.00	7.57
Food excl. fruits & vegetables	31.08	132.22	143.35	1.06	8.42
Retail items	14.48	107.35	113.00	-0.04	5.26
Paid services	5.87	117.34	128.86	0.00	9.81
Other services	23.00	109.54	115.11	0.07	5.09
Core CPI	74.43	119.20	127.58	0.51	7.03

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits