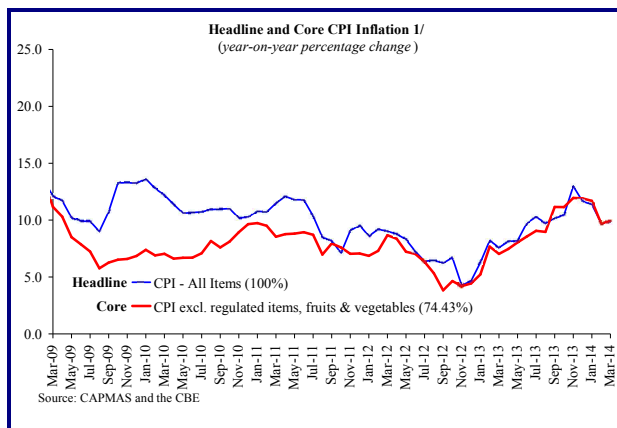
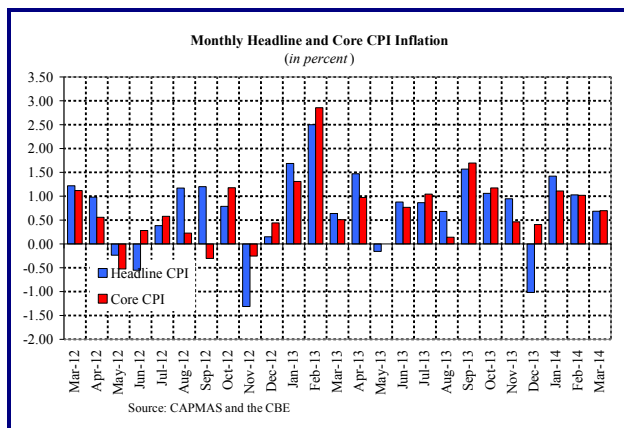


Headline and Core Inflation – March 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on April 10, 2014, increased by 0.68 percent (m/m) in March compared to 1.03 percent (m/m) in February. The annual rate increased to 9.82 percent in March from 9.76 percent in February. The bulk of the monthly increase was driven by the inch up in the prices of food items, along with higher prices of fresh fruits and vegetables. In the meantime, core CPI computed by the Central Bank of Egypt, increased by 0.70 percent (m/m) in March compared to 1.02 percent (m/m) in February. The annual rate increased to 9.90 percent in March compared to 9.70 percent in February. Meanwhile, the prices of retail items and other services increased slightly, while paid services remained unchanged.¹

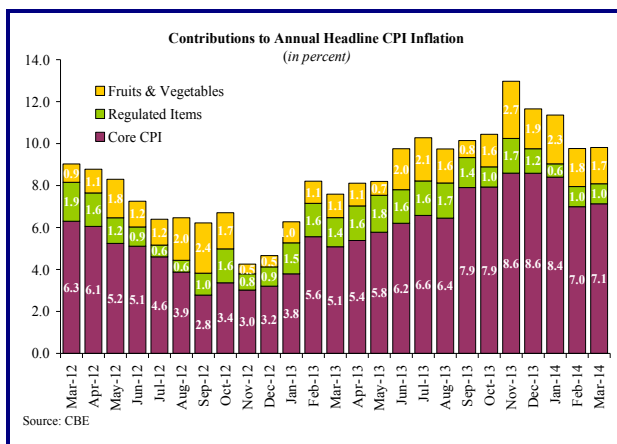
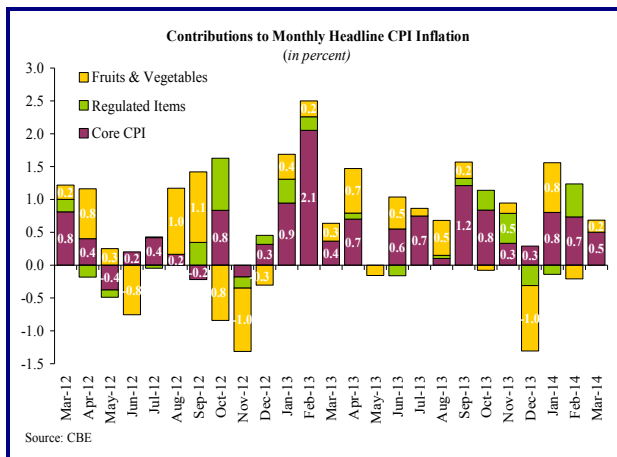


1. Headline CPI²

Headline CPI increased by 0.68 percent (m/m) in March compared to 1.03 percent (m/m) in February, which lies well below the average monthly pace of 1.22 percent recorded during the last two months. Meanwhile, the annual rate increased to 9.82 percent in March from 9.76 percent in February.

Key Highlights

- The prices of fresh vegetables increased by 1.82 percent (m/m) in March, which contributed by 0.15 percentage points to monthly headline inflation. Meanwhile, the prices of fresh fruits increased by 1.55 percent in March. Together, the prices of fruits and vegetables contributed by 0.18 percentage points to monthly headline inflation.
- Poultry prices registered an increase of 3.57 percent in March, to contribute by 0.18 percentage points to monthly headline inflation. The cumulative monthly increase reached 6.78 percent since January 2014.
- Prices of red meat increased by 2.21 percent (m/m) in March, contributing by 0.16 percentage points, which brings the cumulative monthly increase to 5.62 percent since the beginning of 2014.

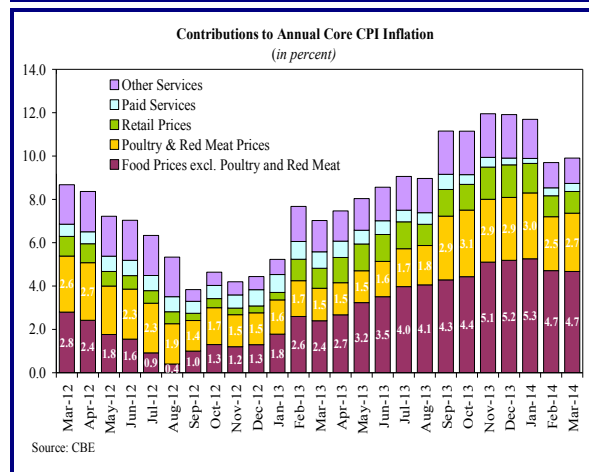
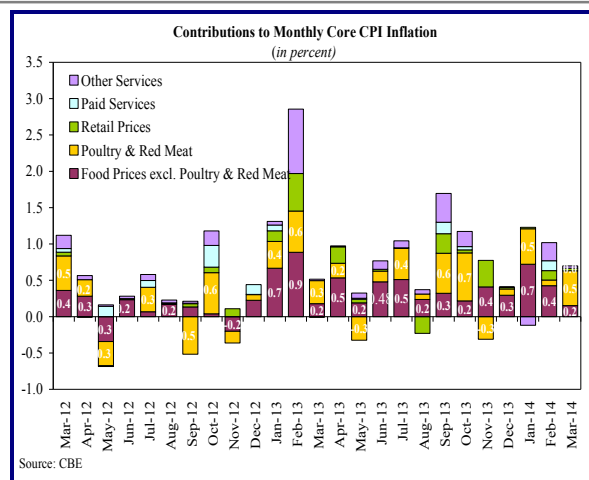


- Prices of fish and seafood increased by 2.76 percent (m/m) in March, contributing by 0.09 percentage points to monthly headline inflation.
- Prices of cheese increased by 2.37 percent (m/m) in March, contributing by 0.05 percentage points to monthly headline inflation. This development brings the cumulative monthly increase to 7.36 percent since January 2014. Meanwhile, prices of milk increased slightly by 0.20 percent (m/m) in March, contributing by 0.01 percentage points to monthly headline inflation.
- Moreover, prices of eggs decreased by 3.25 percent (m/m) in March, contributing by negative 0.07 percentage points to monthly headline inflation.
- In addition, the prices of number of other food items including dried fruits, sweets, fresh meat, processed meat and chocolate, increased marginally to jointly contribute by 0.04 percentage points to monthly headline inflation.
- Prices of other services increased by 0.12 percent (m/m) in March, contributing by 0.02 percentage points to headline inflation. This came on the back of the inch up in the prices of other meals, together with the museums and zoos.
- Moreover, prices of retail items increased slightly by 0.20 percent (m/m) in March, contributing by 0.02 percentage points to headline inflation, driven by higher prices of furniture and gold. Meanwhile, prices of paid services remained unchanged.

2. Core Inflation²

Core CPI increased by 0.70 percent (m/m) in March compared to 1.02 percent (m/m) in February, which is above the average monthly pace of 1.06 percent recorded during the last two months. The annual rate increased to 9.90 percent in March, from 9.70 percent in February.

The monthly dynamics in March 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. The rest of the monthly increase was driven by higher prices of other services and retail items, which jointly contributed by 0.07 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 2013	March 2014	March 2014 to February 2014	March 2014 to March 2013
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
		(January 2010 = 100)			
Headline - All items	100.00	131.90	144.85	0.68	9.82
Food and beverages	39.92	148.77	172.00	1.35	15.61
Tobacco and related products	2.19	217.36	235.20	0.00	8.21
Clothing and footwear	5.41	110.40	110.65	0.00	0.22
Housing, water, electricity, gas and other fuels	18.37	113.59	115.26	0.00	1.47
Furnishings, household equipment and routine maintenance of the dwelling	3.77	118.75	132.88	0.54	11.90
Medical care	6.33	114.83	128.59	0.00	11.99
Transportation	5.68	106.51	112.97	0.00	6.07
Communications	3.12	95.47	97.02	0.00	1.62
Recreation and Culture	2.43	125.20	142.35	0.46	13.70
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	138.19	147.85	0.25	6.99
Miscellaneous goods and services	3.73	105.65	106.54	0.21	0.84
Selective aggregates					
Fruits & vegetables 3/	6.90	185.99	219.02	1.76	17.76
Regulated items	18.66	129.13	135.90	0.00	5.24
Food excl. fruits & vegetables	31.08	143.35	165.84	1.29	15.69
Retail items	14.48	113.00	119.57	0.20	5.82
Paid services	5.87	128.86	134.83	0.00	4.63
Other services	23.00	115.11	119.94	0.12	4.19
Core CPI	74.43	127.58	140.21	0.70	9.90

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits