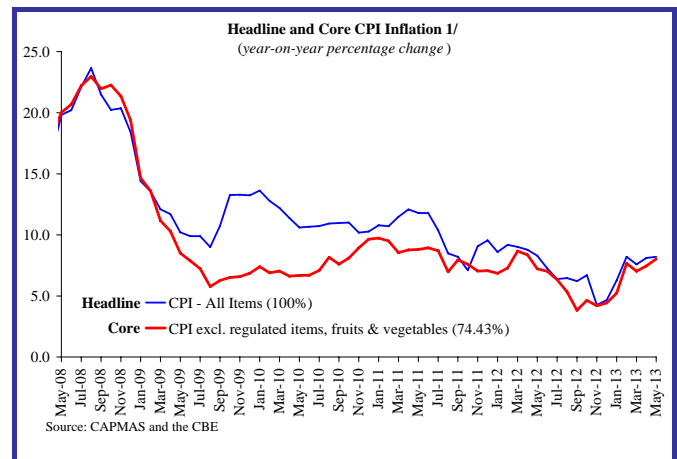
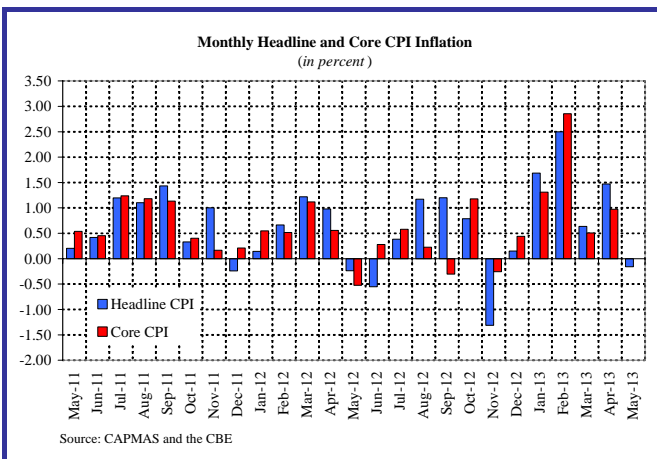


Headline and Core Inflation – May 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on June 10, 2013, declined by 0.16 percent (m/m) in May compared to a 1.47 percent (m/m) increase in April. Despite the monthly decline, the annual rate inched up to 8.20 percent in May from 8.11 percent in April, driven by unfavorable base effects from the previous year. The month-on-month developments were mainly driven by the decline in the prices of poultry, vegetables as well as fish and seafood which was partly offset by the increase in the prices of other food items. In the meantime, core CPI remained broadly unchanged in May compared to a 0.97 percent (m/m) increase in April. The annual rate increased to 8.04 percent in May from 7.47 percent in April due to unfavorable base effects. Meanwhile, prices of retail items and services increased slightly while prices of paid services remained broadly unchanged.¹

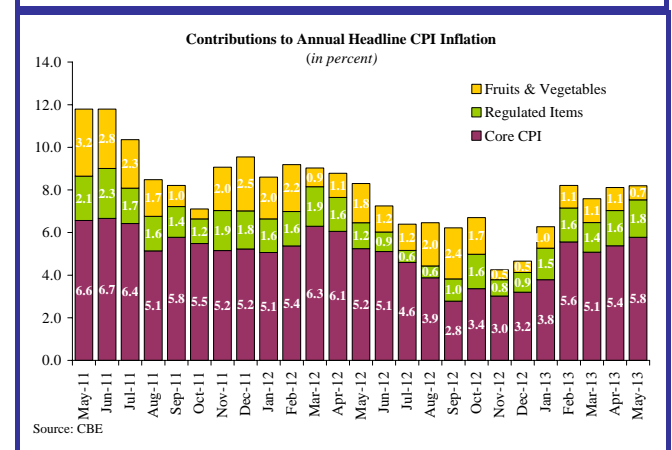
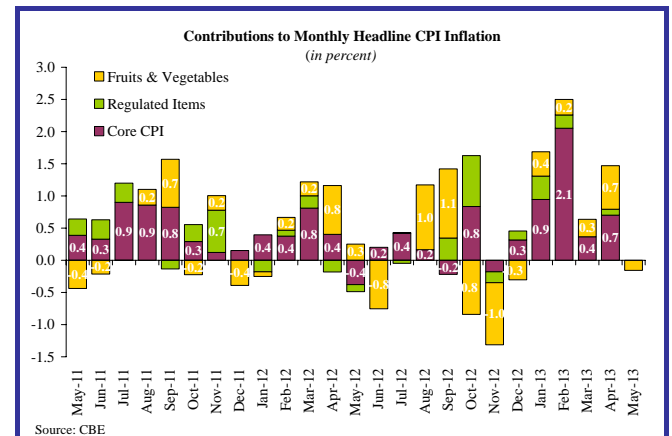


1. Headline CPI²

Headline CPI declined by 0.16 percent (m/m) in May compared to a 1.47 percent (m/m) increase in April, which lies below the average monthly pace of 1.57 percent recorded in the first four months of 2013. Despite the monthly decline, the annual rate inched up to 8.20 percent in May from 8.11 percent in April, driven by unfavorable base effects from the previous year.

Key Highlights

- Poultry prices declined by 4.63 percent (m/m) in May, following a cumulative monthly increase of 21.73 percent since the beginning of 2013. This month's decline contributed by a negative 0.23 percentage points to monthly headline inflation and is significantly lower than the monthly pace of 1.61 percent recorded during 2012.
- Prices of fresh vegetables declined by 2.08 percent (m/m) in May, following a cumulative 19.85 percent (m/m) increase since the beginning of 2013. This month's decline has



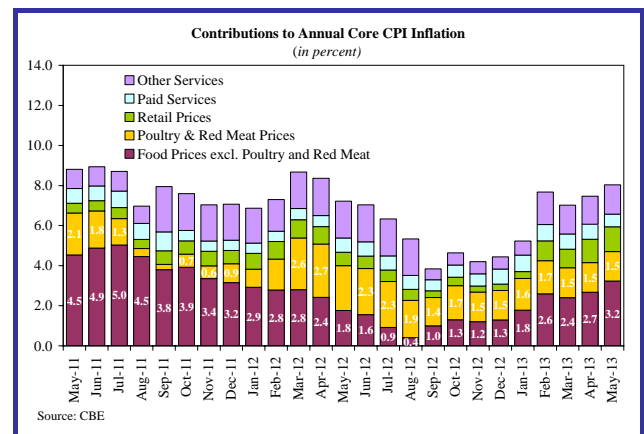
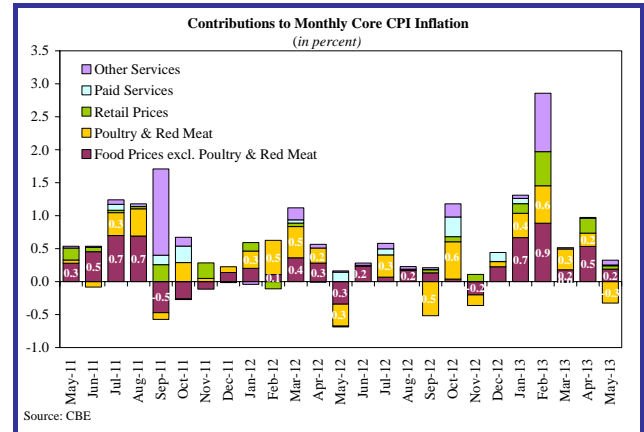
contributed by a negative 0.17 percentage points to monthly headline inflation in April. In the meantime, prices of fruits remained broadly unchanged, after increasing cumulatively by 5.77 percent since January and through April.

- Prices of fish and seafood declined by 2.08 percent (m/m) after increasing cumulatively by 11.82 percent since December 2012. The monthly rate observed in May is below the average monthly pace of 1.01 percent (m/m) recorded during 2012.
- The price of rice increased by 4.53 percent in April to contribute by 0.10 percentage points to monthly headline inflation, bringing the cumulative monthly increase to 22.45 percent since the beginning of the year. 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 May, including eggs, edible oils, cheese, butter and milk, contributing by 0.09 percentage points to monthly headline inflation.
- Prices of other services experienced a marginal increase in May, on the back of higher prices of restaurants and cafes as well as Haj and Omra trips.
- Retail prices inched up by 0.28 percent (m/m), on the back of sporadic increases in the prices of several retail items including personal care equipments, heaters and air conditioners as well as motor cycles and cars. In the meantime, prices of paid services remained broadly unchanged.

2. Core Inflation²

Core CPI remained broadly unchanged in May compared to a 0.97 percent (m/m) increase in April, which contrasts with the average monthly pace of 1.41 percent recorded in the first four months of 2013. In the meantime, the annual rate increased to 8.04 percent in May from 7.47 percent in April due to unfavorable base effects.

This monthly development was largely affected by the decline in the food prices mentioned above, which contributed by -0.13 percentage points to monthly core inflation, and was largely offset by the increase in the prices of services and retail items.



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/	May 2012	May 2013	May 2013 to April 2013	May 2013 to May 2012
	(in percent)	(index)	(index)	(percentage change)	(percentage change)
	(January 2010 = 100)				
Headline - All items	100.00	123.51	133.63	-0.16	8.20
Food and beverages	39.92	139.39	151.91	-0.56	8.98
Tobacco and related products	2.19	201.78	217.38	0.00	7.73
Clothing and footwear	5.41	106.84	113.03	0.07	5.79
Housing, water, electricity, gas and other fuels	18.37	107.69	114.25	0.00	6.09
Furnishings, household equipment and routine maintenance of the dwelling	3.77	114.07	121.34	1.05	6.37
Medical care	6.33	102.05	114.83	0.00	12.52
Transportation	5.68	104.50	106.97	0.37	2.37
Communications	3.12	95.53	95.47	0.00	-0.06
Recreation and Culture	2.43	116.59	125.75	0.43	7.86
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	116.46	139.72	0.89	19.98
Miscellaneous goods and services	3.73	104.50	105.88	-0.32	1.33
Selective aggregates					
Fruits & vegetables 3/	6.90	184.07	195.90	-1.53	6.43
Regulated items	18.66	118.12	129.78	0.00	9.87
Food excl. fruits & vegetables	31.08	131.73	145.18	-0.29	10.21
Retail items	14.48	107.24	114.80	0.28	7.05
Paid services	5.87	119.51	129.10	0.19	8.02
Other services	23.00	109.83	115.47	0.26	5.13
Core CPI	74.43	119.24	128.82	0.00	8.04

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits