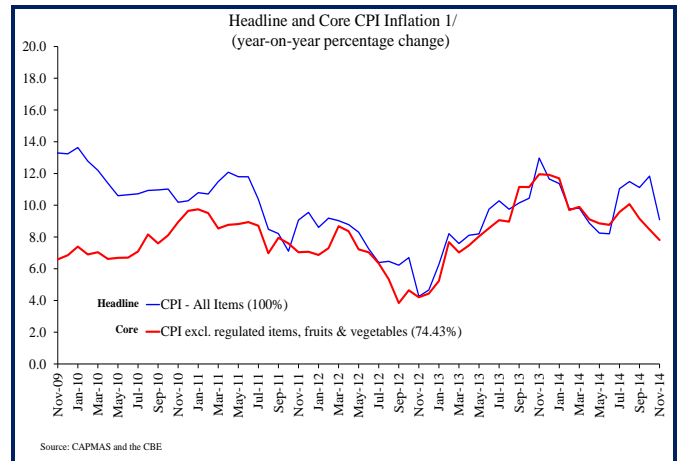
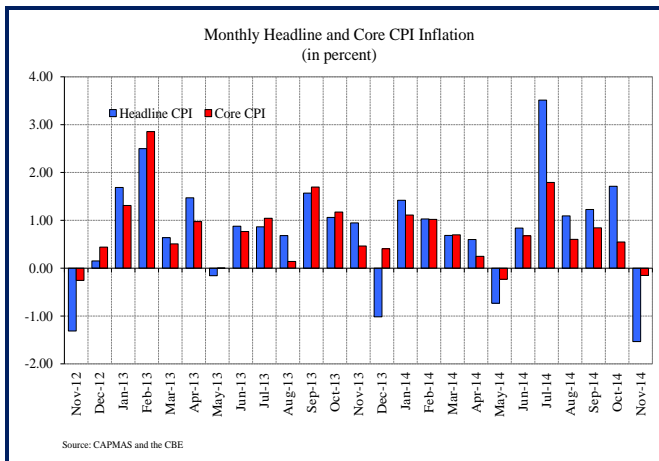


Headline and Core Inflation – November 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on December 10, 2014, decreased by 1.53 percent (m/m) in November compared to an increase of 1.71 percent (m/m) in October, the annual rate dropped to 9.09 percent in November down from 11.84 percent in October, partly on the back of the favorable base effect from last year. The bulk of the monthly developments was explained by the deceleration in the prices of fresh vegetables together with the decline in the prices of some food items. Meanwhile, core CPI computed by the Central Bank of Egypt, decreased by 0.15 percent (m/m) in November compared to an increase of 0.55 percent (m/m) in October. The annual rate declined to 7.81 percent in November compared to 8.47 percent in October. Additionally, while the prices of retail items increased marginally, prices of paid services and other services remained unchanged¹.

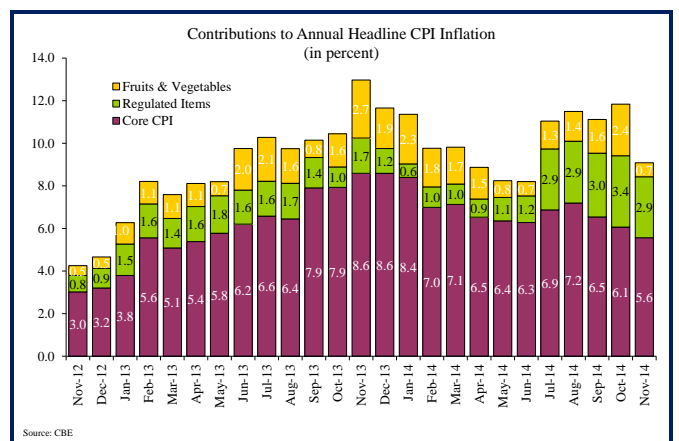
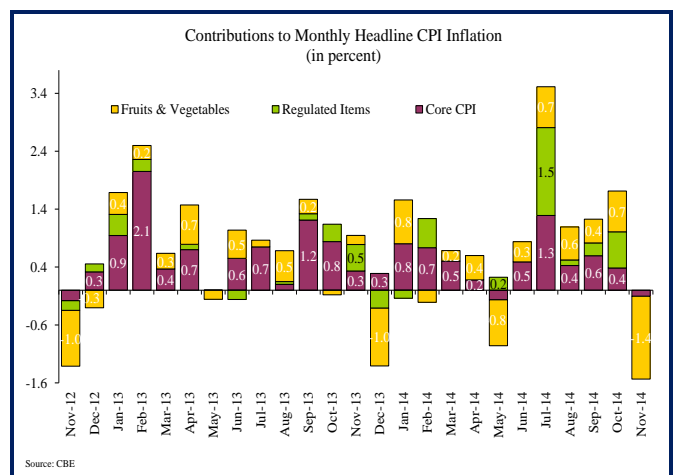


1. Headline CPI²

Headline CPI decreased by 1.53 percent (m/m) in November compared to an increase of 1.71 percent (m/m) in October, which is the slowest monthly pace in several years. Meanwhile, the annual rate dropped to record 9.09 percent in November, compared to 11.84 percent in October, partly on the back of the favorable base effect from last year.

Key Highlights

- The prices of fresh vegetables decelerated by 14.63 percent (m/m) in November, which contributed by negative 1.42 percentage points to monthly headline inflation. In the meantime, the prices of fresh fruits decreased by 0.44 percent in November. Together, the prices of fruits and vegetables contributed by negative 1.43 percentage points to monthly headline inflation.
- While the prices of poultry decreased by 3.64 percent in November to contribute by negative 0.17 percentage points to monthly headline inflation, the prices of red meat inched up by 1.25 percent.

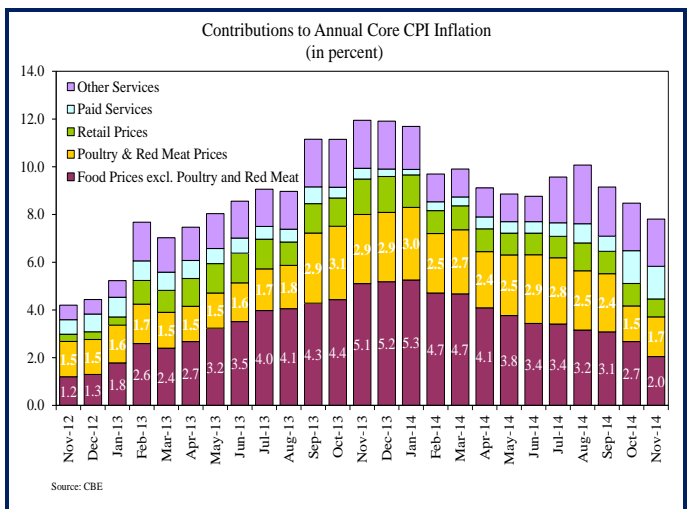
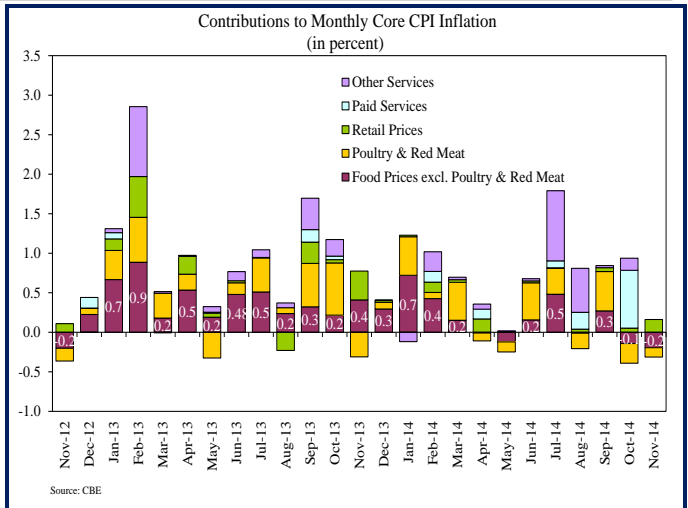


- The prices of fish and seafood declined by 2.40 percent (m/m) in November, contributing by negative 0.08 percentage points to monthly headline inflation.
- Moreover, the prices of eggs decreased by 3.17 percent (m/m) in November, to contribute by negative 0.07 percentage points to monthly headline inflation.
- The prices of retail items increased marginally by 1.0 percent (m/m) in November, which was driven primarily by the increase in the prices of clothes, to contribute by 0.11 percentage points to monthly headline inflation.
- Meanwhile, the prices of other services and paid services remained unchanged.

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, decreased by 0.15 percent (m/m) in November compared to an increase of 0.55 percent (m/m) in October. The annual rate declined to 7.81 percent in November, from 8.47 percent in October.

The monthly dynamics in November was mainly driven by the developments in the prices of the previously mentioned food items, which contributed by negative 0.31 percentage points to monthly core inflation. This was partially offset by the increase in retail prices, which contributed by 0.16 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/	November 2013	November 2014	November 2014 to October 2014	November 2014 to November 2013
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	141.85	154.74	-1.53	9.09
Food and beverages	39.92	165.99	177.72	-3.52	7.07
Tobacco and related products	2.19	218.43	283.73	0.00	29.90
Clothing and footwear	5.41	116.06	118.28	2.79	1.91
Housing, water, electricity, gas and other fuels	18.37	118.37	121.32	0.00	2.49
Furnishings, household equipment and routine maintenance of the dwelling	3.77	130.03	137.11	0.01	5.44
Medical care	6.33	114.83	131.17	0.00	14.23
Transportation	5.68	112.72	137.51	0.09	21.99
Communications	3.12	95.36	96.91	0.00	1.62
Recreation and Culture	2.43	145.63	161.89	0.00	11.17
Education	4.63	157.94	196.93	0.00	24.68
Hotels, cafes and restaurants	4.43	145.75	167.35	0.00	14.82
Miscellaneous goods and services	3.73	105.41	110.76	-0.12	5.08
Selective aggregates					
Fruits & vegetables 3/	6.90	224.61	238.12	-12.02	6.01
Regulated items	18.66	135.47	157.25	0.00	16.08
Food excl. fruits & vegetables	31.08	156.88	168.95	-0.65	7.69
Retail items	14.48	118.10	123.33	1.00	4.42
Paid services	5.87	132.46	156.01	0.00	17.78
Other services	23.00	119.20	127.91	0.00	7.30
Core CPI	74.43	135.77	146.37	-0.15	7.81
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					