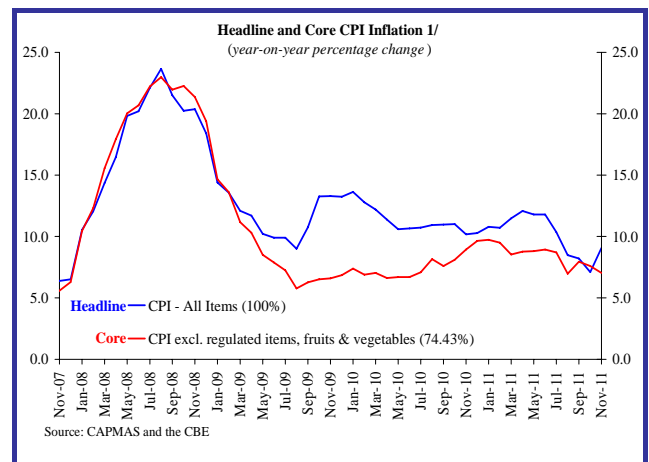
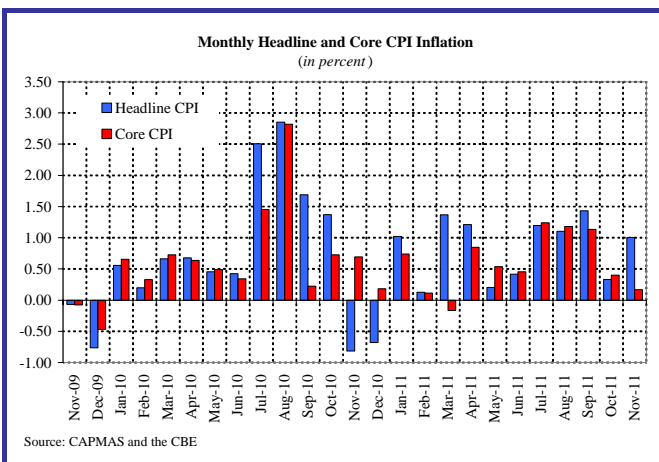


Headline and Core Inflation – November 2011

Headline CPI published by the Central Agency for Public Mobilization and Statistics on December 10, 2011, increased by 1.0 percent (m/m) in November following the 0.33 percent (m/m) increase in October. This led the annual rate to increase to 9.07 percent in November from 7.10 percent in the previous month. More than half of the month-on-month development came on the back of a significant increase in the price of butane cylinders driven by bottlenecks in distribution as well as higher tobacco prices. Much of the remaining portion was explained by an acceleration in vegetable prices which was partially offset by a decline in the prices of several food items. In the meantime, core CPI computed by the Central Bank of Egypt inched up by 0.17 percent (m/m) in November following an increase of 0.40 percent (m/m) in October. The annual rate declined to 7.04 percent in November from 7.60 percent recorded in the previous month. While retail prices witnessed a seasonal increase, associated with Eid festivities, paid services remained unchanged.¹

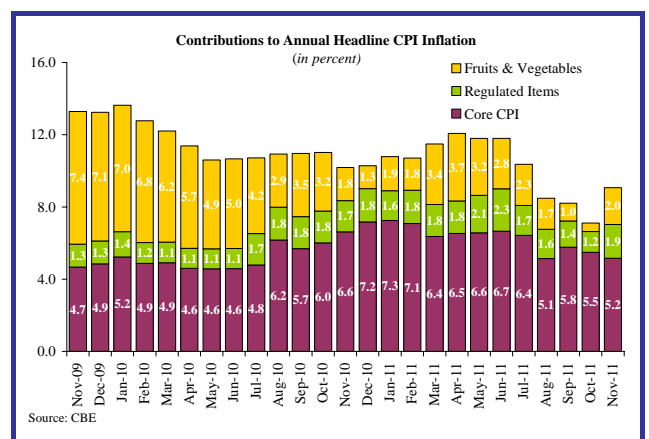
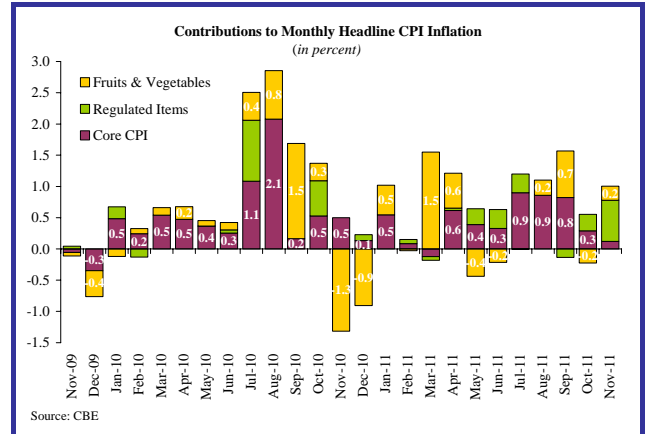


1. Headline CPI²

Headline CPI increased by 1.0 percent (m/m) in November following the 0.33 percent (m/m) increases recorded in October, which is above the average monthly pace of 0.84 recorded in the first ten months of 2011. This led the annual rate to rebound to 9.07 percent in November after falling to a 4-year low of 7.10 percent in October.

Key Highlights

- Regulated prices increased by 3.65 percent (m/m) in November to contribute by 0.66 percentage points to monthly headline inflation. This increase came on the back of supply shortages in butane cylinders which was driven by bottlenecks in the distribution channels, leading their prices to accelerate by 85.6 percent (m/m) in November. In addition, prices of tobacco & related products witnessed an increase of 8.76 percent (m/m) in November. These increases contributed by 0.36 and 0.30 percentage points to monthly headline inflation respectively.

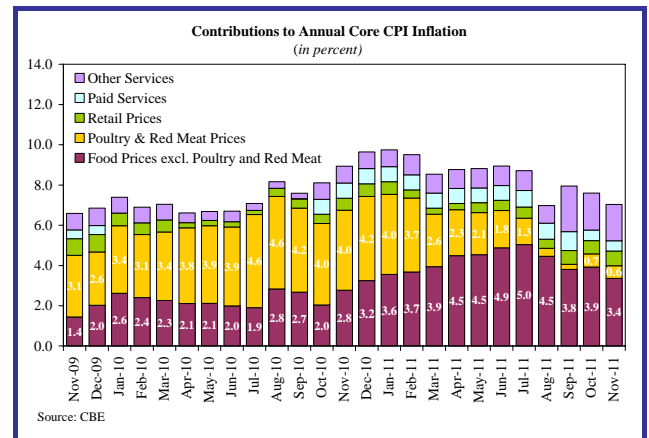
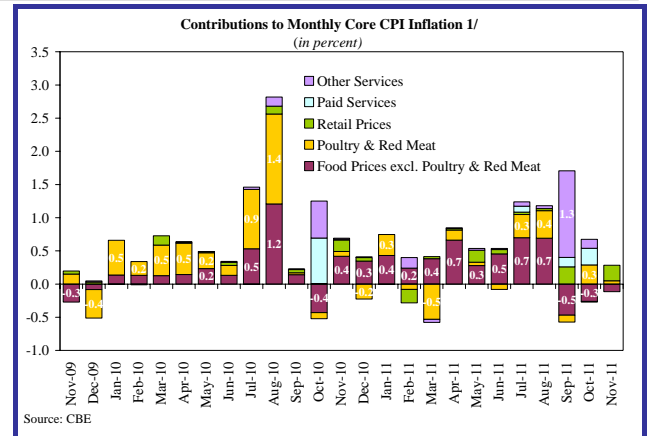


- Prices of fresh vegetable rebounded in November to record an increase of 3.43 percent (m/m) following a 2.34 percent (m/m) decline in the previous month. In the meantime, prices of fresh fruits continued to decline for the sixth consecutive month to register a cumulative decrease of 19 percent since June 2011. Together volatile food items contributed by 0.22 percentage points to monthly headline inflation.
- Red meat prices continued to increase for the eighth consecutive month, rising by 1.38 percent (m/m) in November, to record a cumulative increase of 10.71 percent since April 2011. This was largely offset by a 1.73 percent (m/m) decline in poultry prices. Together, prices of red meat and poultry contributed by 0.04 percentage points to monthly headline inflation.
- Prices of other food items witnessed mixed developments in November. While the prices of imported butter experienced a tame price increase, its impact was more than offset by declines in the prices of eggs and fish & seafood. Together these food items contributed by -0.08 percentage points to monthly headline inflation.
- Retail prices witnessed a seasonal increase of 1.32 percent in November, associated with Eid festivities, mainly driven by higher prices of clothing, to contribute by 0.17 percentage points to monthly headline inflation.

2. Core Inflation²

Core CPI inched up by 0.17 percent (m/m) in November compared with 0.40 percent (m/m) in October. This month's increase is well below the average monthly pace of 0.65 percent (m/m) recorded in the first ten months of 2011. In the meantime, the annual rate declined to 7.04 percent in November from 7.60 percent recorded in October.

This monthly increase was due to the higher retail prices mentioned above which were partially offset by the decline in food prices, namely eggs, fish and seafood.



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 2010	November 2011	November 2011 to October 2011	November 2011 to November 2010
	(in percent)	(index)	(percentage change)		
(January 2010 = 100)					
Headline - All items	100.00	110.42	120.43	1.00	9.07
Food and beverages	39.92	118.39	132.10	0.40	11.59
Tobacco and related products	2.19	143.16	201.78	8.76	40.94
Clothing and footwear	5.41	103.13	106.82	2.83	3.58
Housing, water, electricity, gas and other fuels	18.37	99.30	109.02	2.18	9.79
Furnishings, household equipment and routine maintenance of the dwelling	3.77	103.14	109.59	0.75	6.26
Medical care	6.33	101.28	102.04	0.00	0.75
Transportation	5.68	101.04	102.44	0.00	1.39
Communications	3.12	99.87	94.88	0.00	-5.00
Recreation and Culture	2.43	105.66	116.65	0.00	10.41
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	111.67	114.05	0.00	2.13
Miscellaneous goods and services	3.73	101.65	104.66	0.32	2.96
Selective aggregates					
Fruits & vegetables 3/	6.90	134.40	166.95	2.38	24.22
Regulated items	18.66	108.27	119.36	3.65	10.24
Food excl. fruits & vegetables	31.08	115.79	126.18	-0.15	8.97
Retail items	14.48	102.93	107.02	1.32	3.97
Paid services	5.87	109.54	116.58	0.00	6.43
Other services	23.00	102.65	109.01	0.00	6.20
Core CPI	74.43	108.74	116.39	0.17	7.04

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits