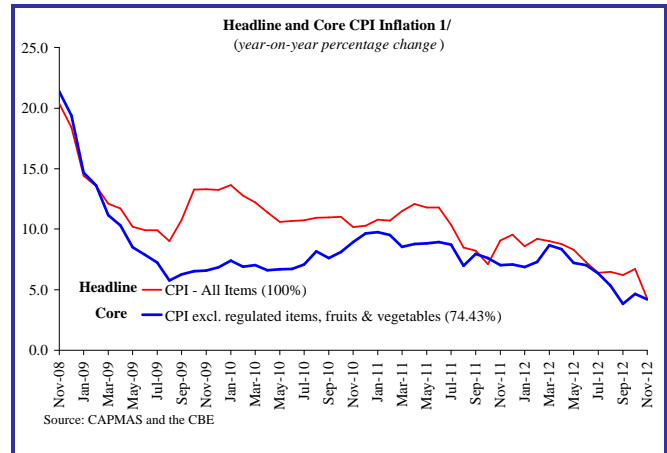
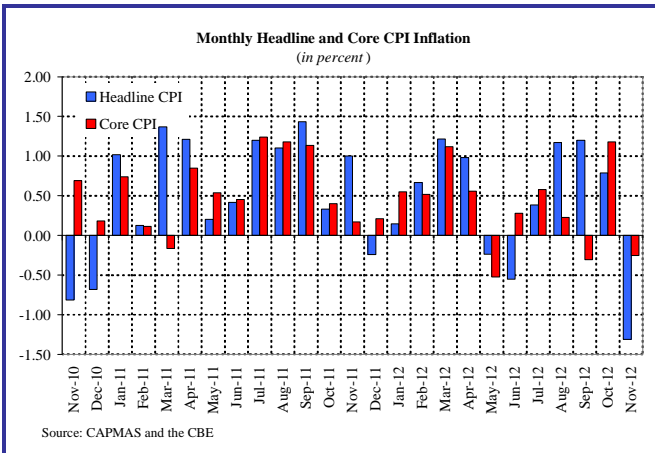


Headline and Core Inflation – November 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on December 10, 2012, declined by 1.31 percent (m/m) in November compared to a 0.79 percent (m/m) increase in October. The annual rate dropped to 4.25 percent in November from 6.70 percent in October. The negative monthly inflation rate was largely driven by the sharp decline in prices of fresh vegetables, as well as lower prices of butane gas cylinders along with moderate declines in select food items. In the meantime, core CPI declined by 0.25 percent (m/m) in November compared to an increase of 1.18 percent (m/m) in October. The annual rate declined to 4.20 percent in November from 4.64 percent in October. Meanwhile, prices of paid services remained unchanged while retail prices inched up slightly.¹

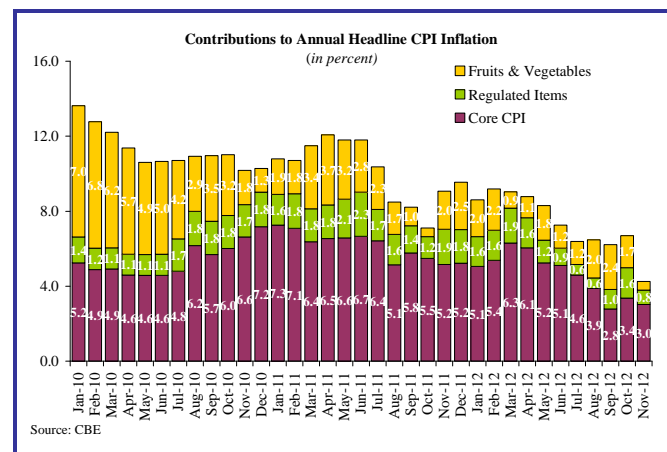
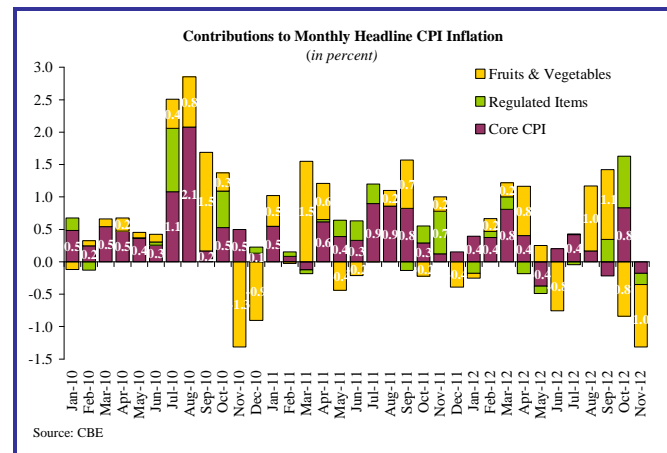


1. Headline CPI²

Headline CPI declined by 1.31 percent (m/m) in November compared to a 0.79 percent (m/m) increase in October. This month's decline comes in sharp contrast to the average monthly pace of 0.58 percent recorded between January and October 2012. The annual rate dropped to 4.25 percent in November from 6.70 percent in October, marking the lowest rate observed since March 2006.

Key Highlights

- Regulated prices declined by 0.91 percent (m/m) in November to contribute by negative 0.17 percentage points to monthly headline inflation. The monthly development came solely on the back of a 14.06 percent (m/m) decrease in the prices of butane gas cylinders. It is worth noting that the prices of butane gas cylinders witnessed erratic movements since early 2012 driven by bottlenecks in the distribution channels, increasing four times this year by a cumulative 182.86 percent while declining five times by a cumulative 97.21 percent.

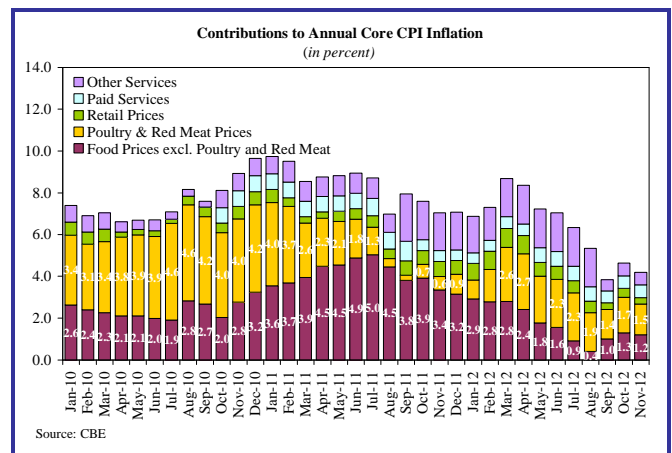
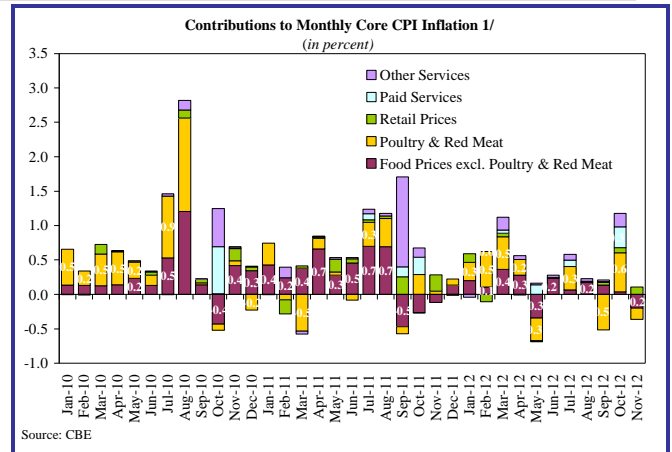


- Prices of fresh vegetables continued to fall in November for the second consecutive month, recording a 12.83 percent (m/m) decline following a 9.18 percent decrease in October. This marks the sharpest monthly decline since December 2010, contributing by negative 1.06 percentage points to monthly headline inflation. In the meantime, prices of fresh fruits increased by 4.45 percent (m/m) in November after remaining broadly unchanged in the previous month. Together, the prices of fruits and vegetables contributed by negative 0.96 percentage points to monthly headline inflation.
- Poultry prices declined by 2.64 percent (m/m) to contribute by negative 0.11 percentage points to monthly headline inflation in November following an increase of 4.90 percent (m/m) in the previous month. In the meantime, red meat prices remained unchanged in November after increasing by 2.73 percent in October.
- Prices of eggs declined by 5.99 percent (m/m) to contribute by negative 0.10 percentage points in November following a 2.40 percent (m/m) increase in October. This brings the cumulative monthly increase in prices of eggs since the beginning of the year to 21.87 percent.
- Retail prices recorded a slight inch up of 0.63 percent (m/m) in November on the back of higher prices of clothing, which increased by 2.31 percent (m/m).

2. Core Inflation²

Core CPI declined by 0.25 percent (m/m) in November compared to an increase of 1.18 percent (m/m) in October. This month's decline comes in sharp contrast with the average monthly pace of 0.42 percent recorded between January and October 2012. The annual rate declined to 4.20 percent in November from 4.64 percent in October.

The monthly developments in November were driven by declines in the prices of poultry, eggs, and fish and seafood, which altogether contributed by negative 0.37 percentage points to monthly core inflation and more than offset the aforementioned increases in the prices of clothing.



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 2011	November 2012	November 2012 to October 2012	November 2012 to November 2011
	(in percent)	(index)	(percentage change)		
(January 2010 = 100)					
Headline - All items	100.00	120.43	125.56	-1.31	4.25
Food and beverages	39.92	132.10	139.31	-2.72	5.46
Tobacco and related products	2.19	201.78	201.78	0.00	0.00
Clothing and footwear	5.41	106.82	108.93	1.67	1.97
Housing, water, electricity, gas and other fuels	18.37	109.02	111.58	-1.03	2.35
Furnishings, household equipment and routine maintenance of the dwelling	3.77	109.59	114.89	0.04	4.84
Medical care	6.33	102.04	104.63	0.00	2.54
Transportation	5.68	102.44	104.90	0.00	2.40
Communications	3.12	94.88	95.47	0.00	0.63
Recreation and Culture	2.43	116.65	124.11	0.00	6.39
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	114.05	118.88	0.00	4.24
Miscellaneous goods and services	3.73	104.66	105.26	0.00	0.57
Selective aggregates					
Fruits & vegetables 3/	6.90	166.95	175.00	-9.21	4.82
Regulated items	18.66	119.36	124.34	-0.91	4.17
Food excl. fruits & vegetables	31.08	126.18	133.65	-0.79	5.92
Retail items	14.48	107.02	108.83	0.63	1.69
Paid services	5.87	116.58	125.57	0.00	7.71
Other services	23.00	109.01	111.30	0.00	2.10
Core CPI	74.43	116.39	121.28	-0.25	4.20

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits