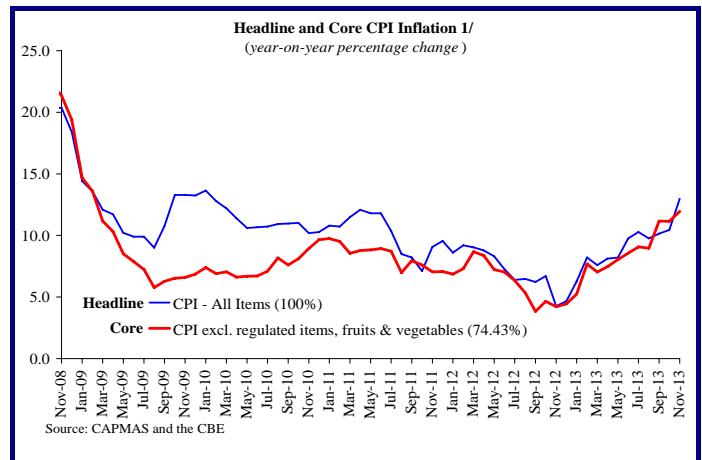
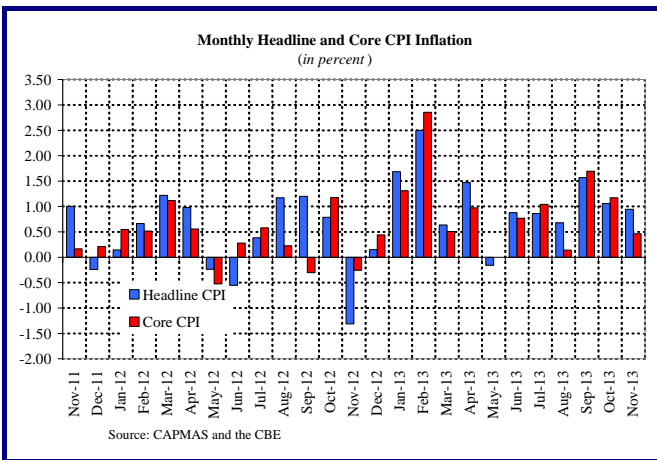


Headline and Core Inflation – November 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on December 10, 2013, increased by 0.95 percent (m/m) in November compared to 1.06 percent (m/m) in October. The annual rate increased to 12.97 percent in November from 10.44 percent in October, due to unfavorable base effect from last year. The bulk of the monthly increase was driven by regulated items, primarily the continued increase in the prices of butane cylinders, due to supply bottlenecks in the distribution channels, in addition to adjustment in the prices of the water supply. The remaining portion of the monthly increase came on the back of the seasonal increase in the prices of several food items and clothing, which coincided with Eid festivities. In the meantime, core CPI increased by 0.46 percent (m/m) in November compared to 1.17 percent (m/m) in October. The annual rate increased to 11.95 percent in November from 11.15 percent in October, due to unfavorable base effects. The increase in clothing prices explained the bulk of the monthly increase in core inflation. Meanwhile, the prices of paid services and other services remained unchanged.¹

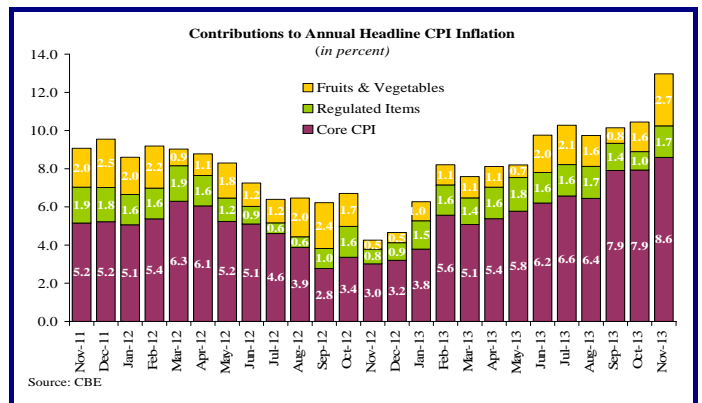
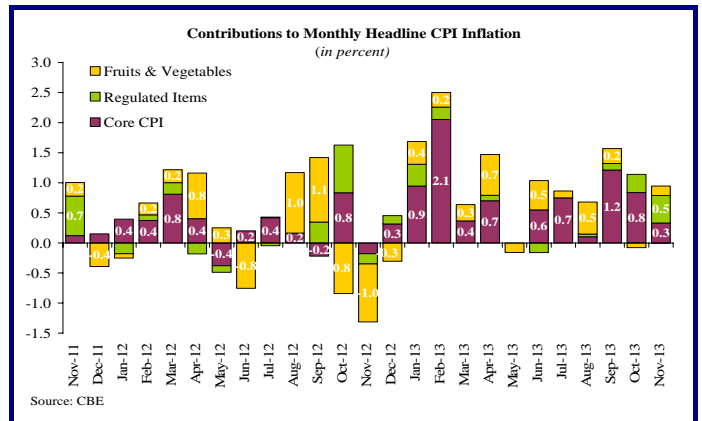


1. Headline CPI²

Headline CPI increased by 0.95 percent (m/m) in November compared to 1.06 percent (m/m) in October, which lies below the average monthly pace of 1.12 percent recorded in the first ten months of 2013. Meanwhile, the annual rate increased to 12.97 percent in November from 10.44 percent in October, due to unfavorable base effect from the previous year.

Key Highlights

- Prices of regulated items increased by 2.60 percent (m/m) in November, contributing by 0.46 percentage points to monthly headline inflation and explaining around half of the monthly increase. This month's increase is attributed to: 1- the continued increase in the prices of Butane cylinders for, which rose by 32.84 percent, due to supply bottlenecks in the distribution channels. 2- The adjustment in the prices of water supply by 22.75 percent, which is considered the first adjustment since November 2009.



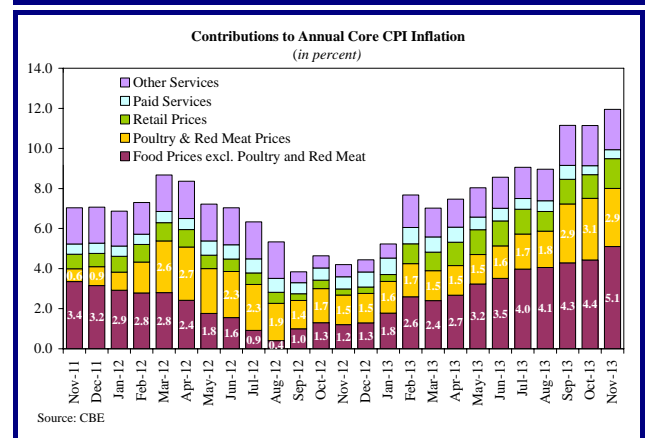
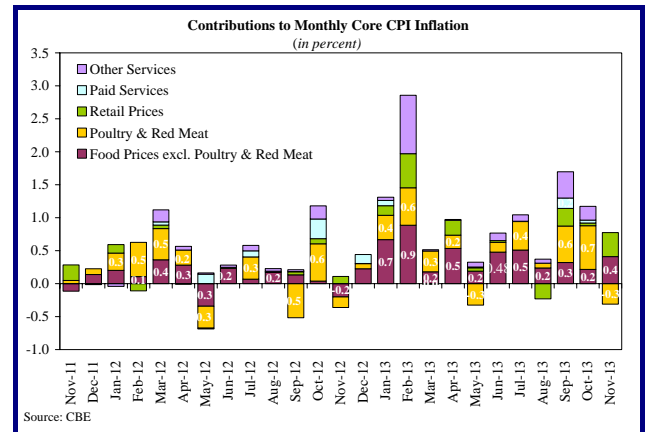
- The prices of fresh vegetables increased by 1.02 percent (m/m) in November, which is well below the average monthly rate of 3.44 percent witnessed since the beginning of 2013. Moreover, the prices of fresh fruits increased by 3.13 percent in November. Together, the prices of fruits and vegetables contributed by 0.16 percentage points to monthly headline inflation.
- Poultry prices decreased for the first time since May 2013, to register a decline of 4.19 percent in November, to contribute by negative 0.22 percentage points to monthly headline inflation. This development brings the cumulative monthly increase to 32.22 percent since January 2013.
- Prices of fish and seafood increased by 4.55 percent (m/m) in November, contributing by 0.14 percentage points to monthly headline inflation. This brings the cumulative monthly increase in this item's prices to 22.58 percent since January 2013.
- Prices of cheese increased by 3.87 percent (m/m) in November, contributing by 0.07 percentage points to monthly headline inflation. The monthly rate is above the average monthly pace of 1.40 percent witnessed during the previous ten months.
- Prices of eggs increased by 2.07 percent (m/m) in November, contributing by 0.04 percentage points, which brings the cumulative monthly increase to 40.56 percent since January 2013.
- The retail prices inched up by 2.19 percent (m/m) in November, to contribute significantly by 0.26 percentage points to monthly headline inflation. The monthly developments came on the back of higher prices of clothing, which coincided with Eid festivities.

2. Core Inflation²

Core CPI increased by 0.46 percent (m/m) in November compared to 1.17 percent (m/m) in October, which is clearly below the average monthly pace of 1.05 percent recorded in the first ten months of 2013. The annual rate increased to 11.95 percent in November from 11.15 percent in October, due to unfavorable base effects.

The bulk of the monthly increase in November was broadly driven by the developments in the clothing prices which contributed by 0.35 percentage points

to monthly core inflation. The rest of 0.10 percentage points was accounted for by the increase in the food prices mentioned above.



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 2012	November 2013	November 2013 to October 2013	November 2013 to November 2012
	(in percent)	(index)		(percentage change)	
(January 2010 = 100)					
Headline - All items	100.00	125.56	141.85	0.95	12.97
Food and beverages	39.92	139.31	165.99	0.49	19.15
Tobacco and related products	2.19	201.78	218.43	0.00	8.25
Clothing and footwear	5.41	108.93	116.06	5.92	6.55
Housing, water, electricity, gas and other fuels	18.37	111.58	118.37	3.04	6.09
Furnishings, household equipment and routine maintenance of the dwelling	3.77	114.89	130.03	0.24	13.18
Medical care	6.33	104.63	114.83	0.00	9.74
Transportation	5.68	104.90	112.72	0.00	7.45
Communications	3.12	95.47	95.36	0.00	-0.12
Recreation and Culture	2.43	124.11	145.63	0.32	17.35
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	118.88	145.75	0.00	22.60
Miscellaneous goods and services	3.73	105.26	105.41	-0.19	0.15
Selective aggregates					
Fruits & vegetables 3/	6.90	175.00	224.61	1.45	28.35
Regulated items	18.66	124.34	135.47	2.60	8.95
Food excl. fruits & vegetables	31.08	133.65	156.88	0.21	17.39
Retail items	14.48	108.83	118.10	2.19	8.52
Paid services	5.87	125.57	132.46	0.00	5.49
Other services	23.00	111.30	119.20	0.00	7.10
Core CPI	74.43	121.28	135.77	0.46	11.95

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits