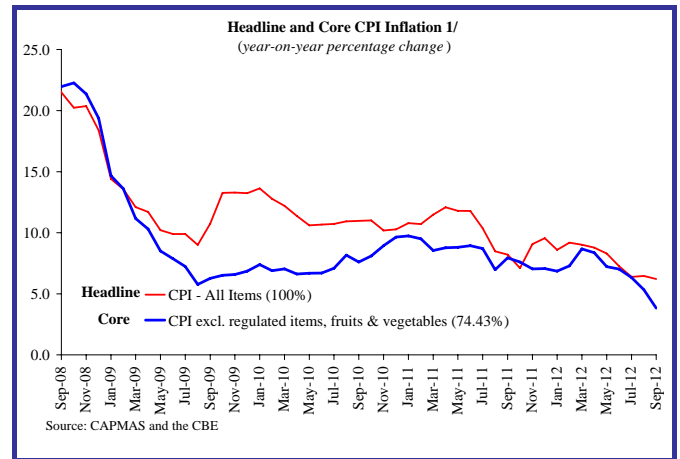
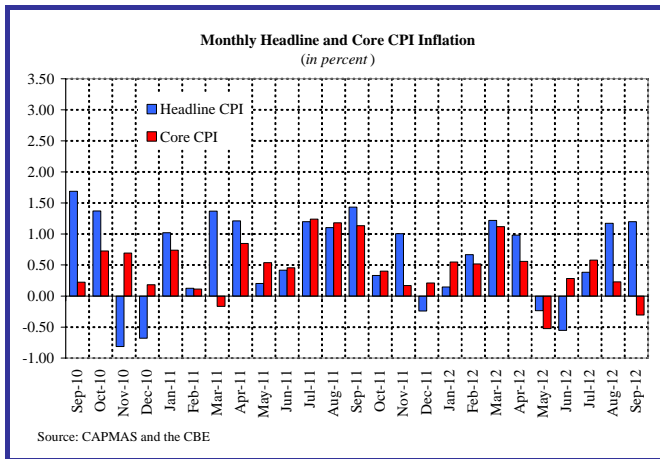


## Headline and Core Inflation – September 2012

Headline CPI published by the Central Agency for Public Mobilization and Statistics on October 10, 2012, increased by 1.20 percent (m/m) in September compared to 1.17 percent (m/m) in August. Despite the monthly increase, the annual rate declined to 6.22 percent in September from 6.47 percent in August, driven by favorable base effects. The bulk of the monthly increase was driven by higher prices of fresh vegetables as well as the sharp rise in the prices of butane gas cylinders on the back of supply shortages. These increases were partly outweighed by lower prices of poultry and seafood. In the meantime, core CPI declined by 0.31 percent (m/m) in September compared to a 0.23 percent (m/m) inch up in August. This month's decline coincided with significantly favorable base effect from last year which led the annual rate to drop from 5.34 percent in August to 3.84 percent in September. Meanwhile, retail prices experienced marginal increases while paid services remained broadly unchanged.<sup>1</sup>



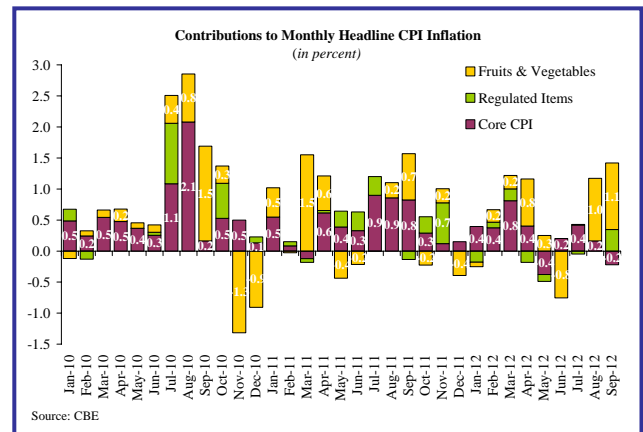
### 1. Headline CPI<sup>2</sup>

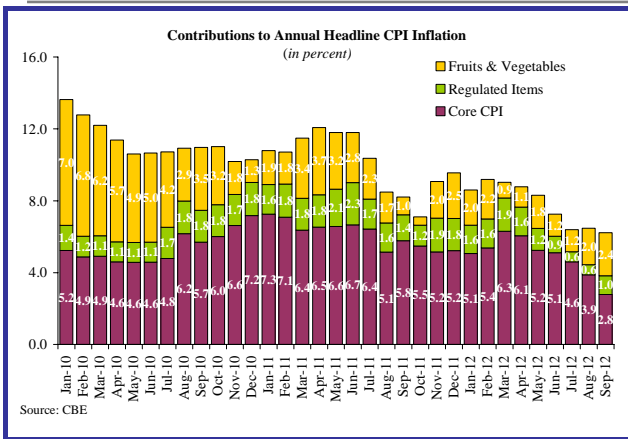
Headline CPI increased by 1.20 percent (m/m) in September compared to 1.17 percent (m/m) in the previous month, standing well above the average monthly pace of 0.47 percent recorded between January and August 2012. Despite of the monthly increase, the annual rate declined to 6.22 percent in September from 6.47 percent in August, driven by favorable base effects.

- Prices of fresh vegetables increased by 12.75 percent in September, bringing the cumulative monthly increase to 32.65 percent since the beginning of the year. In the meantime, prices of fresh fruits inched up by 1.04 percent (m/m) in September. Together, the higher prices of fruits and vegetables contributed by 1.07 percentage points to monthly headline inflation.

### Key Highlights

- Regulated prices increased by 1.96 percent (m/m) in September to contribute by 0.35 percentage points to monthly headline inflation. This monthly development mainly came on the back of an 84.77 percent (m/m) increase 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 three times this year by a cumulative 121.25 percent while declining four times by a cumulative 83.15 percent.





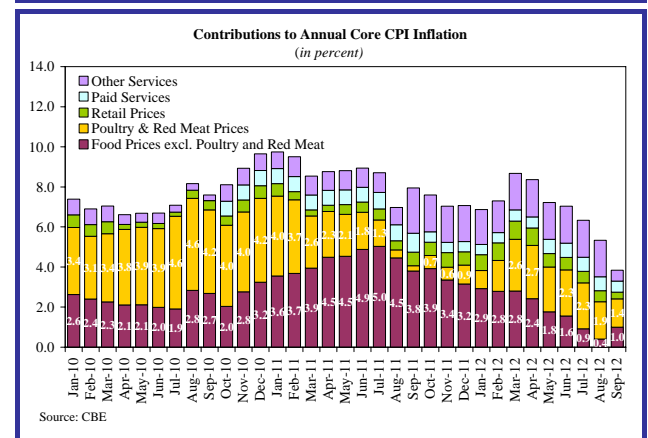
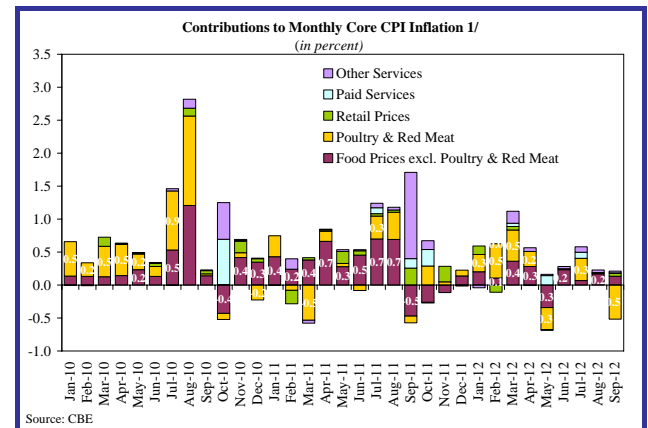
- Prices of several food items experienced marginal increases in September, including eggs, tea, coffee and confectionary, contributing by 0.18 percentage points to monthly headline inflation.
- Prices of poultry declined by 8.17 percent (m/m) in September, contributing by negative 0.38 percentage points to monthly headline inflation.
- Prices of fish and seafood declined by 2.66 percent (m/m) in September after recording a 2.42 percent (m/m) increase in the previous month, to contribute by a negative 0.08 percentage points to monthly headline inflation.
- In the meantime, retail prices and prices of other services experienced marginal increases, together contributing by 0.05 percentage points to monthly headline inflation.

## 2. Core Inflation<sup>2</sup>

Core CPI declined by 0.31 percent (m/m) in September compared to a 0.23 percent (m/m) inch up in August. This month's decline comes in sharp contrast with the average monthly pace of 0.41 percent recorded between January and August 2012, and coincides with significantly favorable base effect from last year which led the annual rate to drop from 5.34 percent in August to 3.84 percent in September. This marks the lowest annual rate recorded since May 2006.

The bulk of the monthly developments in September was driven by the changes in the food prices mentioned above which altogether contributed by negative 0.38 percentage points to the monthly core inflation. The marginal increase in the prices of retail items and other services were far from offset-

ting this decline, contributing by 0.08 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 8<sup>th</sup> CPI series by the 9<sup>th</sup> 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

<b>Food</b>	<b>Retail</b>	<b>Paid Services</b>	<b>Other Services</b>
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/	September 2011	September 2012	September 2012 to August 2012	September 2012 to September 2011
	(in percent)	(index)	(percentage change)		
(January 2010 = 100)					
<b>Headline - All items</b>	<b>100.00</b>	<b>118.84</b>	<b>126.24</b>	<b>1.20</b>	<b>6.22</b>
Food and beverages	39.92	132.19	144.51	1.75	9.33
Tobacco and related products	2.19	185.53	201.78	0.00	8.76
Clothing and footwear	5.41	103.88	106.84	0.00	2.85
Housing, water, electricity, gas and other fuels	18.37	106.69	109.59	2.19	2.71
Furnishings, household equipment and routine maintenance of the dwelling	3.77	108.77	114.69	0.15	5.44
Medical care	6.33	102.04	103.85	0.08	1.77
Transportation	5.68	102.38	104.77	0.25	2.33
Communications	3.12	94.88	95.47	-0.05	0.63
Recreation and Culture	2.43	113.37	121.93	0.80	7.56
Education	4.63	124.31	136.59	0.00	9.88
Hotels, cafes and restaurants	4.43	114.01	117.10	0.00	2.71
Miscellaneous goods and services	3.73	104.77	105.25	0.54	0.46
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	166.92	208.13	10.27	24.69
Regulated items	18.66	113.48	120.13	1.96	5.86
Food excl. fruits & vegetables	31.08	126.29	132.96	-0.82	5.28
Retail items	14.48	105.68	107.68	0.26	1.89
Paid services	5.87	112.91	121.02	0.07	7.18
Other services	23.00	108.51	110.53	0.10	1.86
Core CPI	74.43	115.73	120.17	-0.31	3.84

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits