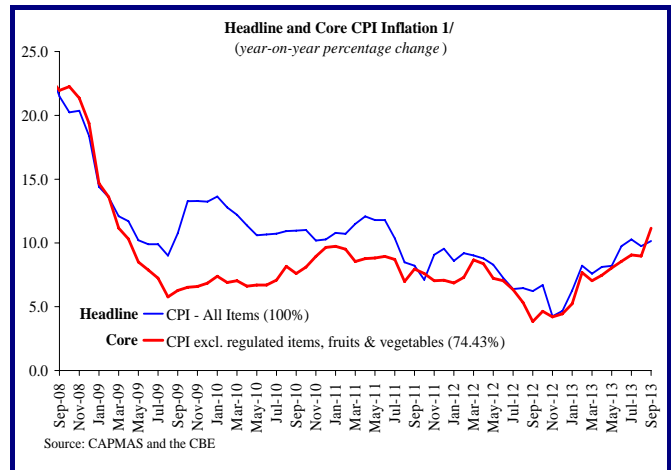
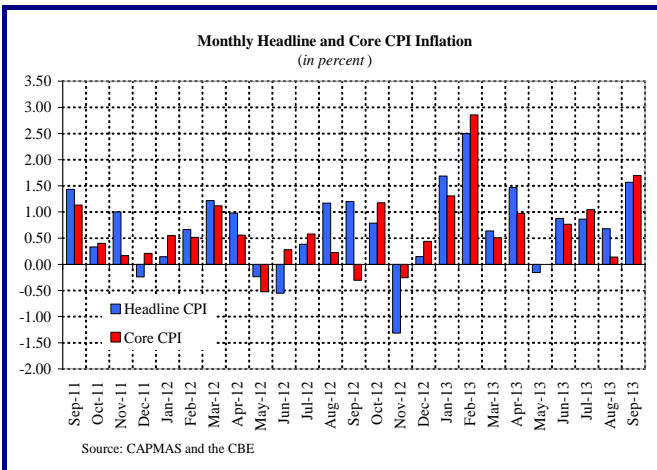


Headline and Core Inflation – September 2013

Headline CPI published by the Central Agency for Public Mobilization and Statistics on October 10, 2013, increased by 1.57 percent (m/m) in September compared to 0.68 percent (m/m) in August. The annual rate increased to 10.15 percent in September from 9.74 percent in August. The bulk of the monthly increase was driven by higher prices of several food items, including fresh vegetables, poultry, red meat and seafood, and to a lesser extent transport services. In the meantime, core CPI increased by 1.70 percent (m/m) in September compared to 0.14 percent (m/m) in August. The annual rate increased to 11.15 percent in September from 8.97 percent in August. Meanwhile, the prices of retail items and paid services witnessed increases of varying degrees.¹

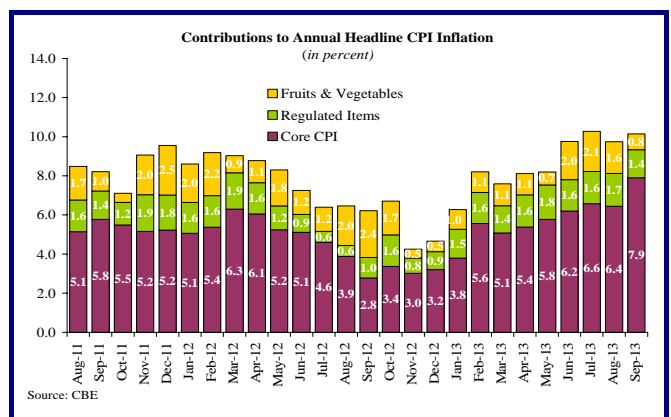
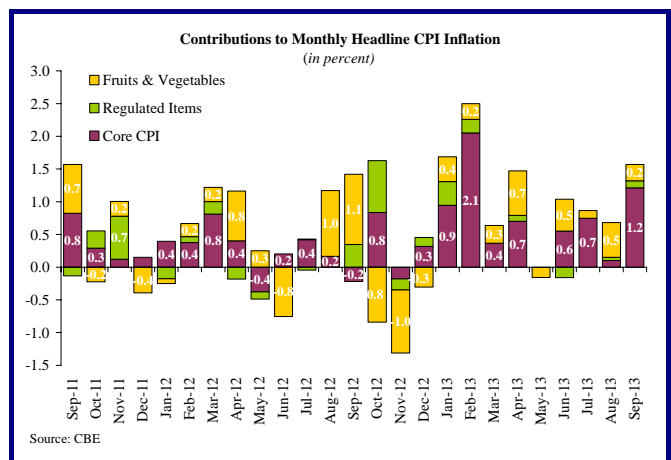


1. Headline CPI²

Headline CPI increased by 1.57 percent (m/m) in September compared to 0.68 percent (m/m) in August, which lies well above the average monthly pace of 1.07 percent recorded in the first eight months of 2013. Meanwhile, the annual rate increased to 10.15 percent in September from 9.74 percent in August.

Key Highlights

- The prices of fresh vegetables picked up by 3.35 percent (m/m) in September, bringing the cumulative increase to 34.14 percent since January 2013. However, this was partially offset by the decline in the prices of fresh fruits by 1.71 percent in September, compared to an increase of 1.48 percent in August. Together, the prices of fruits and vegetables contributed by 0.25 percentage points to monthly headline inflation.
- Poultry prices inched up by 4.72 percent in September, to contribute by 0.23 percentage points to monthly headline inflation. This brings the cumulative monthly increase in poultry prices to 27.78 percent since the beginning of the year.

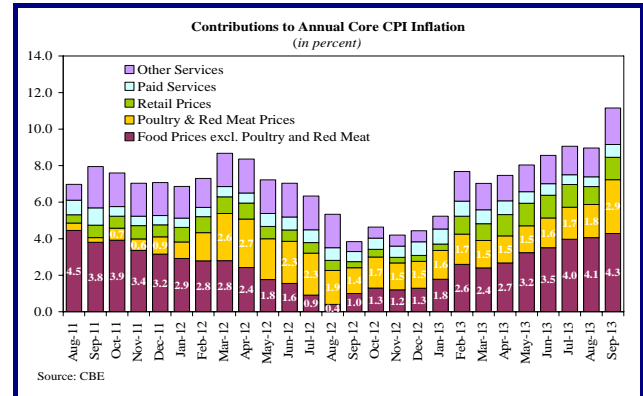
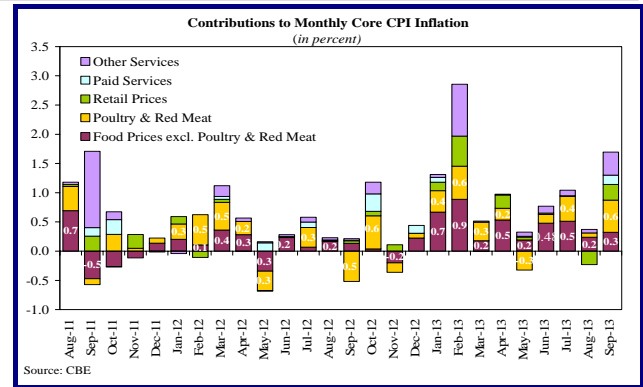


- Prices of red meat increased by 2.25 percent (m/m) in September, contributing by 0.16 percentage points to monthly headline inflation. This brings the cumulative monthly increase in red meat prices to 5.52 percent since the beginning of the year.
- Prices of fish and seafood inched up by 3.16 percent (m/m) in September, to contribute by 0.10 percentage points to monthly headline inflation.
- Prices of eggs increased by 4.95 percent (m/m) in September, compared to 3.06 percent in August, contributing by 0.10 percentage points to monthly headline inflation. This brings the cumulative monthly increase to 33.77 percent since January 2013.
- Prices of retail items increased by 1.61 percent (m/m) in September, contributing by 0.19 percentage points to monthly headline inflation. This month's increase is attributed to the inch up in the prices of household cleaning products, stationery and school supplies, clothing and household textiles.
- Prices of other services recorded an increase of 1.45 percent (m/m) to contribute by 0.28 percent to monthly headline inflation. This was mainly driven by higher prices of Haj and Omra trips as well as transport services. Meanwhile, the prices of paid services witnessed an increase of 2.03 percent (m/m) in September due to price increases in the household domestic services, hairdresser fees and maintenance services.

2. Core Inflation²

Core CPI increased by 1.70 percent (m/m) in September, compared to 0.14 percent (m/m) in August, which is well above the average monthly pace of 0.95 percent recorded in the first eight months of 2013. The annual rate increased to 11.15 percent in September from 8.97 percent in August.

The bulk of the monthly increase in September was largely driven by the developments in the food prices mentioned above which contributed by 0.87 percentage points to monthly core inflation. The rest was accounted for by the increase in the prices of other services, retail items and paid services.



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/	September 2012	September 2013	September 2013 to August 2013	September 2013 to September 2012
	(in percent)	(index)	(percentage change)		
(January 2010 = 100)					
Headline - All items	100.00	126.24	139.04	1.57	10.15
Food and beverages	39.92	144.51	163.27	1.86	12.98
Tobacco and related products	2.19	201.78	218.43	0.00	8.25
Clothing and footwear	5.41	106.84	109.58	0.72	2.56
Housing, water, electricity, gas and other fuels	18.37	109.59	113.36	0.25	3.45
Furnishings, household equipment and routine maintenance of the dwelling	3.77	114.69	129.22	5.27	12.67
Medical care	6.33	103.85	114.83	0.00	10.57
Transportation	5.68	104.77	112.64	5.02	7.52
Communications	3.12	95.47	95.36	-0.12	-0.11
Recreation and Culture	2.43	121.93	143.98	6.95	18.08
Education	4.63	136.59	152.18	0.00	11.41
Hotels, cafes and restaurants	4.43	117.10	142.94	0.89	22.07
Miscellaneous goods and services	3.73	105.25	105.89	0.85	0.61
Selective aggregates					
Fruits & vegetables 3/	6.90	208.13	222.99	2.25	7.14
Regulated items	18.66	120.13	129.79	0.63	8.04
Food excl. fruits & vegetables	31.08	132.96	153.75	1.82	15.63
Retail items	14.48	107.68	115.28	1.61	7.07
Paid services	5.87	121.02	131.72	2.03	8.84
Other services	23.00	110.53	118.29	1.45	7.02
Core CPI	74.43	120.17	133.57	1.70	11.15

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits