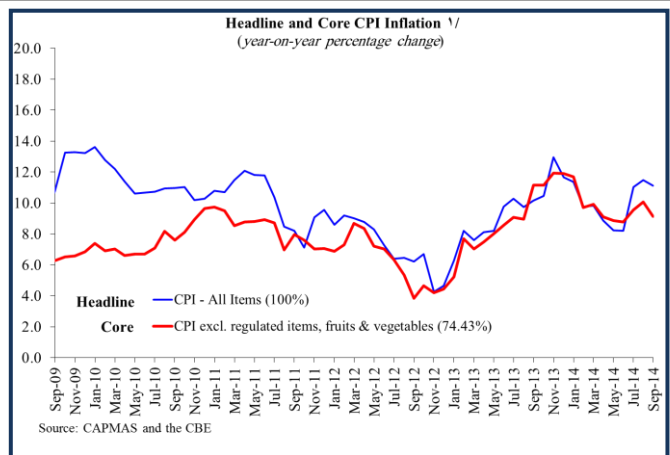
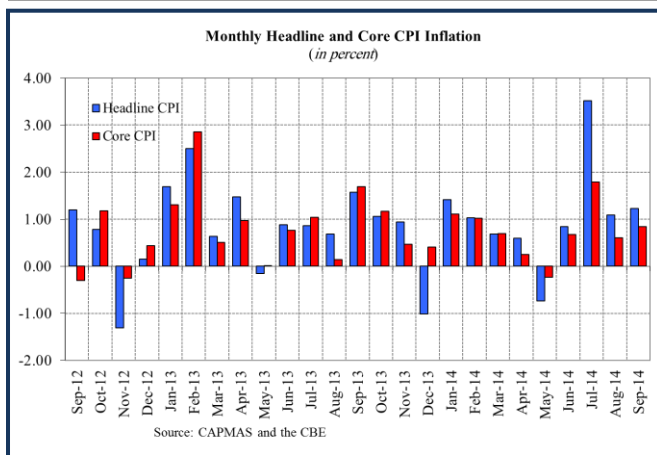


Headline and Core Inflation – September 2014

Headline CPI published by the Central Agency for Public Mobilization and Statistics on October 9, 2014, increased by 1.23 percent (m/m) in September compared to 1.09 percent (m/m) in August, while the annual rate declined to register 11.12 percent in September from 11.49 percent in August, on the back of favorable base effect from previous year. The bulk of the monthly increase was explained by the increase in the prices of fresh vegetables in addition to the acceleration in the prices of other food items, mainly red meat and poultry, on the back of the seasonal effect of Eid al- Adha. Meanwhile, core CPI computed by the Central Bank of Egypt, increased by 0.84 percent (m/m) in September compared to 0.60 percent (m/m) in August. The annual rate declined to 9.15 percent in September compared to 10.07 percent in August, on the back of favorable base effect from previous year. Meanwhile, the retail prices and other services increased slightly, while the prices of paid services remained unchanged.

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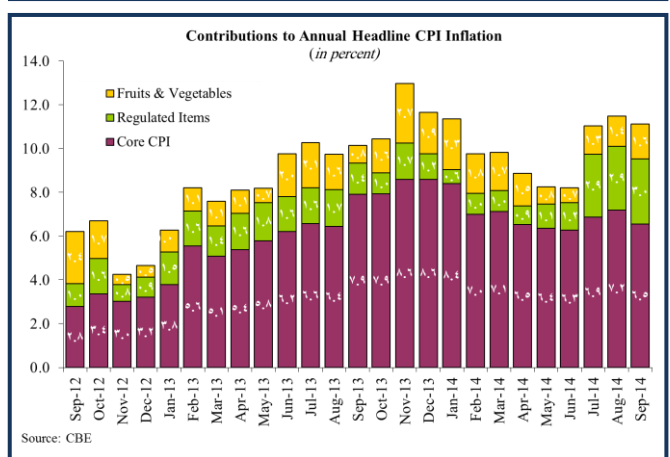
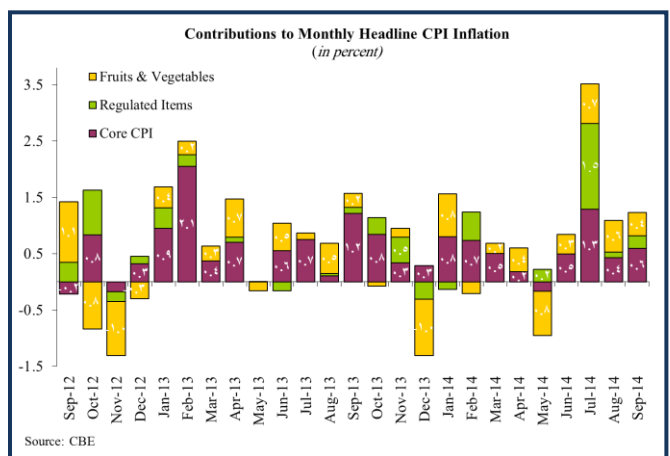


1. Headline CPI²

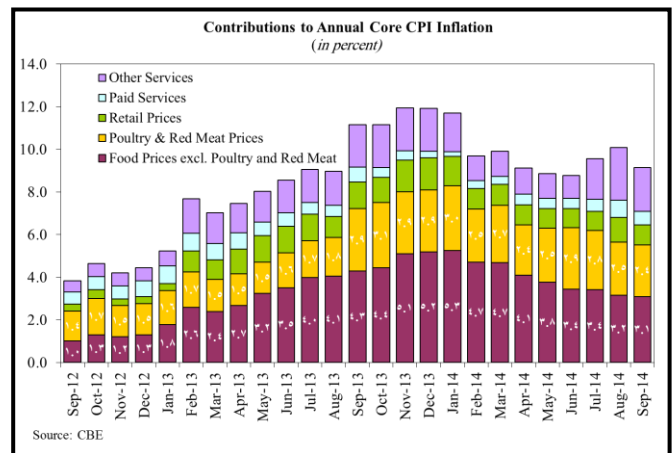
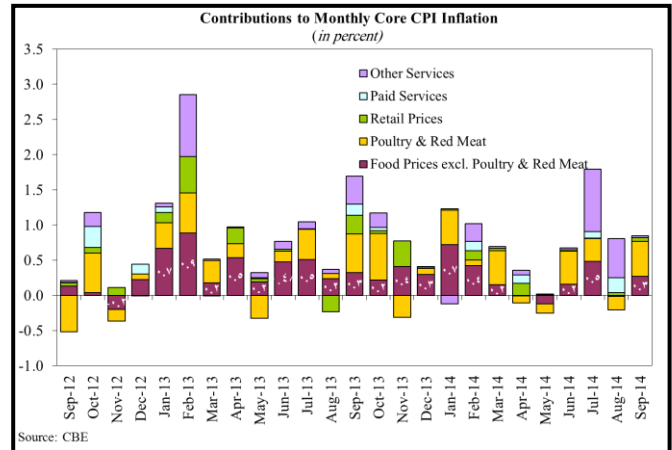
Headline CPI increased by 1.23 percent (m/m) in September compared to 1.09 percent (m/m) in August, which came above the monthly average of 1.06 percent recorded during the first eight months of 2014. Meanwhile, the annual rate declined to record 11.12 percent in September, compared to 11.49 percent in August, on the back of favorable base effect from previous year.

Key Highlights

- The prices of fresh vegetables increased by 4.35 percent (m/m) in September, which contributed by 0.39 percentage points to monthly headline inflation. In the meantime, the prices of fresh fruits increased by 1.07 percent in September. Together, the prices of fruits and vegetables contributed by 0.41 percentage points to monthly headline inflation.
- Prices of red meat inched up by 3.55 percent in September, on the back of the increase in demand due to Eid al-Adha. Which contributed by 0.26 percentage points to monthly headline inflation, in the meantime poultry prices increased by 1.79 percent in September, to contribute by 0.09 percentage points to monthly headline inflation.



- Prices of fish and seafood increased by 1.36 percent (m/m) in September, contributing by 0.05 percentage points to monthly headline inflation.
- Moreover, prices of eggs increased by 3.22 percent (m/m) in September, to contribute by 0.07 percentage points to monthly headline inflation.
- While the prices of a number of other food items increased, primarily processed meat, cheese, ghee local and imported, and soft drink, to contribute by 0.08 percentage points to monthly headline inflation.
- Prices of regulated items increased by 1.20 percent (m/m) in September, to contribute by 0.22 percentage points to monthly headline inflation. This came on the back of the inch up in the prices of Tobacco local and imported by 5.75 percent (m/m).
- Prices of other services increased marginally by 0.10 percent (m/m) in September, contributing by 0.02 percentage points to headline inflation. This came on the back of the inch up in the prices of restaurant services.
- Moreover, prices of retail items increased marginally by 0.30 percent (m/m) in September, which was driven primarily by the increase in the prices of clothes, products related to the dwelling repair and stationary and school suppliers.



2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.84 percent (m/m) in September compared to 0.60 percent (m/m) in August, which is slightly above the average monthly pace of 0.74 percent recorded during the first eight months of 2014. The annual rate declined to 9.15 percent in September, from 10.07 percent in August, on the back of favorable base effect from previous year.

The monthly dynamics in September was basically driven by the developments in the prices of the previously mentioned food items, which contributed by 0.77 percentage points to monthly core inflation. The remained portion was driven to the increase in retail prices and other services, which contributed by 0.07 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 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 2013	September 2014	September 2014 to August 2014	September 2014 to September 2013
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	139.04	154.50	1.23	11.12
Food and beverages	39.92	163.27	182.54	2.04	11.80
Tobacco and related products	2.19	218.43	283.73	5.75	29.90
Clothing and footwear	5.41	109.58	114.87	0.46	4.83
Housing, water, electricity, gas and other fuels	18.37	113.36	120.77	0.10	6.53
Furnishings, household equipment and routine maintenance of the dwelling	3.77	129.22	136.04	0.07	5.28
Medical care	6.33	114.83	131.17	0.00	14.23
Transportation	5.68	112.64	137.38	0.00	21.96
Communications	3.12	95.36	96.91	0.00	1.62
Recreation and Culture	2.43	143.98	161.60	0.38	12.24
Education	4.63	152.18	157.94	0.00	3.78
Hotels, cafes and restaurants	4.43	142.94	166.97	0.36	16.81
Miscellaneous goods and services	3.73	105.89	110.89	-0.31	4.73
Selective aggregates					
Fruits & vegetables 3/	6.90	222.99	254.89	3.69	14.30
Regulated items	18.66	129.79	152.09	1.20	17.18
Food excl. fruits & vegetables	31.08	153.75	171.42	1.58	11.49
Retail items	14.48	115.28	121.71	0.30	5.57
Paid services	5.87	131.72	142.49	0.00	8.18
Other services	23.00	118.29	127.18	0.10	7.51
Core CPI	74.43	133.57	145.80	0.84	9.15
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					