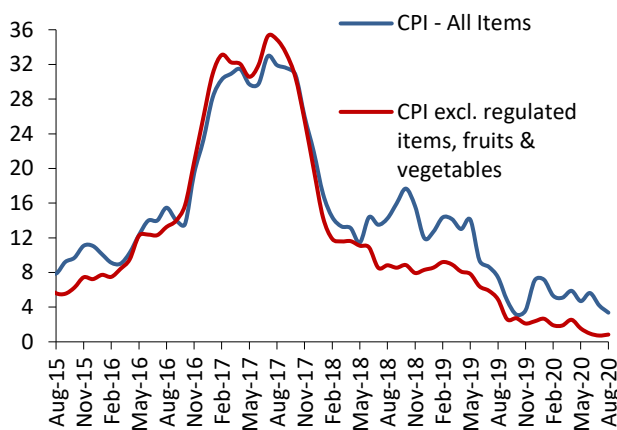


Headline and Core Inflation – August 2020

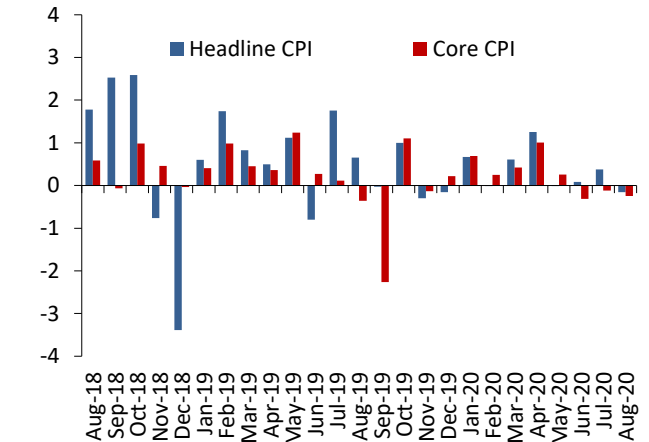
- Annual headline urban inflation^{1/} declined to 3.4 percent in August from 4.2 percent in July 2020, the lowest rate recorded since October 2019, which marked the lowest rate recorded in almost 14 years at 3.1 percent. This comes as monthly headline urban inflation recorded negative 0.2 percent in August 2020 compared to positive 0.7 percent in August 2019. This is the first time since 2004 for headline inflation to record a negative rate in August.
- With the support of continued muted inflationary pressures, the decline in annual headline urban inflation was driven by lower annual contribution of food items, which more than offset slightly higher annual contribution of non-food items. Annual food inflation declined in August 2020, driven mainly by lower prices of fresh vegetables which came against their seasonal patterns. Meanwhile, annual non-food inflation inched up as a result of slightly higher annual contributions of regulated, retail and services items.
- August 2020 monthly headline urban inflation^{1/} continued to reflect higher non-food prices and lower food prices for the fourth consecutive month. This monthly decline was driven by negative contribution of food items, which more than offset positive contribution of non-food items. Lower food prices reflected lower prices of core food items as well as lower prices of fresh fruits and vegetables. In the meantime, higher non-food prices reflected mainly: (i) higher prices of health group, mainly medical products, and hospital services; as well as (ii) higher prices of railway and underground transportation as announced by the government. Both were slightly offset by seasonally lower prices of clothing.
- Against this background, monthly core inflation^{2/} recorded negative 0.2 percent in August 2020 compared to negative 0.4 percent in August 2019. Hence, annual core inflation inched up to 0.8 percent in August 2020 from 0.7 percent in July 2020.
- Nationwide and rural annual inflation^{1/} declined to record 3.6 percent and 3.8 percent in August 2020, from 4.6 percent and 5.1 percent in July 2020, respectively.

Headline and Core CPI Inflation^{3/}
 (y/y, in percent)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

Headline and Core CPI Inflation^{3/}
 (m/m, in percent)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

1/ Published by the Central Agency for Public Mobilization and Statistics.

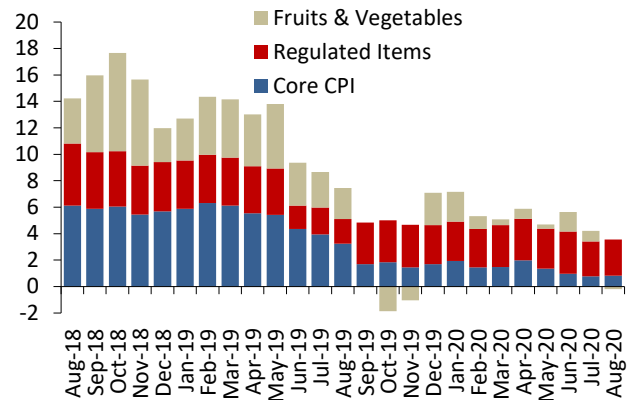
2/ Computed by the Central Bank of Egypt.

3/ 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.

Key Highlights:

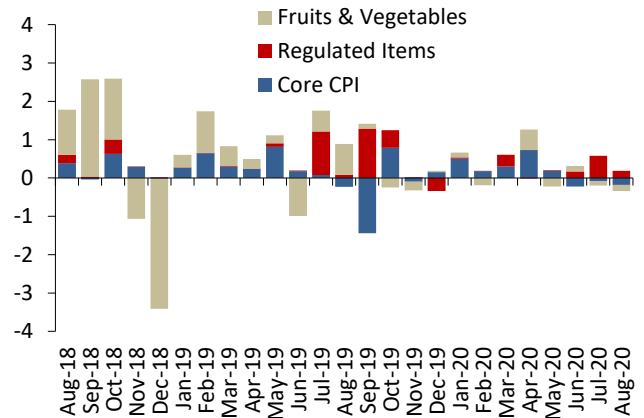
- Prices of fresh vegetables and fruits declined for the fourth and second consecutive months for the fourth and second consecutive months by 1.54 percent and 5.27 percent, respectively. Together they contributed by negative 0.16 percentage points to monthly headline inflation. Lower prices of fresh vegetables came against their seasonal pattern for the second consecutive month.
- Prices of poultry declined for the third consecutive month by 8.0 percent, to contribute by negative 0.31 percentage points to monthly headline inflation.
- Prices of Fish and seafood declined for the fourth consecutive month by 1.27 percent, to contribute by negative 0.03 percentage points to monthly headline inflation.
- Prices of red meat declined by 0.44 percent, to contribute by negative 0.02 percentage points to monthly headline inflation.
- Prices of other core food items remained broadly stable.
- Prices of regulated items increased by 0.81 percent to contribute by 0.19 percentage points to monthly headline inflation. This was mainly due to higher prices of medical

Contribution to Annual Headline CPI Inflation
(in percentage points)



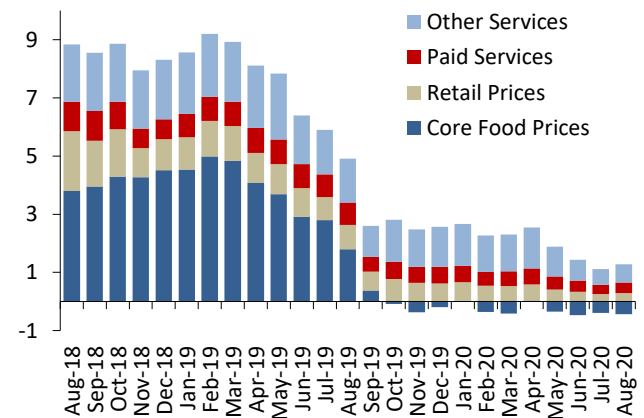
Source: Central Bank of Egypt.

Contribution to Monthly Headline CPI Inflation
(in percentage points)



Source: Central Bank of Egypt.

Contribution to Annual Core CPI Inflation
(in percentage points)

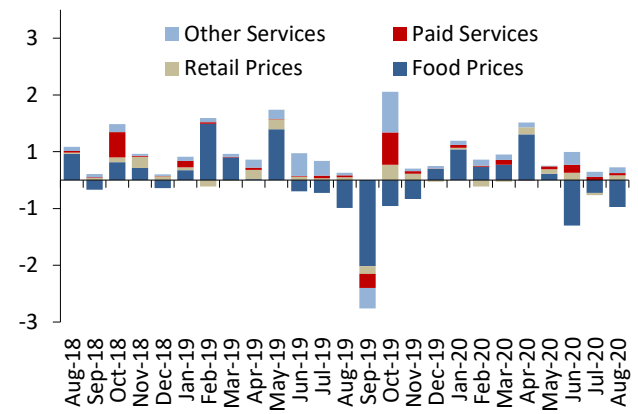


Source: Central Bank of Egypt.

products, public hospital services as well as railway and underground transportation.

- Prices of services increased by 0.29 percent to contribute by 0.10 percentage points to monthly headline inflation. This was mainly due to higher prices of private hospitals services.
- Prices of retail items increased by 0.44 percent, to contribute by 0.06 percentage points to monthly headline inflation. This was mainly due to higher prices of medical products, which more than offset seasonally lower prices of clothing items.
- Monthly core inflation was affected by price changes of the aforementioned core CPI items. Core food items contributed by negative 0.48 percentage points to monthly core inflation. Meanwhile, services and retail items contributed by 0.14 and 0.09 percentage points to monthly core inflation, respectively.

Contribution to Monthly Core CPI Inflation
(in percentage points)



Source: Central Bank of Egypt.

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		Summer & Winter Vacations
	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/	August 2019	August 2020	August 2020 to July 2020	August 2020 to August 2019
	(in percent)	(index)		(percentage change)	
	(Average 2018/2019 = 100)				
Headline - All items	100.00	104.39	107.91	-0.15	3.37
Food and beverages	32.73	103.19	98.97	-1.65	-4.09
Tobacco and related products	4.41	101.21	113.86	-0.14	12.49
Clothing and footwear	4.38	103.29	105.34	-0.48	1.99
Housing, water, electricity, gas and other fuels	19.46	107.98	108.46	0.10	0.44
Furnishings, household equipment and routine maintenance of the dwelling	3.93	101.18	104.61	0.41	3.38
Medical care	8.59	106.01	116.31	2.41	9.71
Transportation	6.66	108.06	117.70	1.68	8.93
Communications	2.75	100.27	104.53	-0.01	4.25
Recreation and Culture	2.24	111.11	113.00	-0.15	1.70
Education	5.49	103.30	125.86	0.00	21.83
Hotels, cafes and restaurants	4.98	107.25	116.57	0.11	8.69
Miscellaneous goods and services	4.37	104.33	107.54	0.06	3.07
Selective aggregates					
Fruits & vegetables 3/	5.46	106.68	100.67	-3.11	-5.64
Regulated items	21.44	107.95	117.70	0.81	9.04
Food excl. fruits & vegetables	24.51	101.65	98.52	-1.50	-3.09
Retail items	14.34	103.03	107.74	0.44	4.57
Paid services	6.96	103.90	115.29	0.37	10.96
Other services	27.30	105.03	108.30	0.27	3.11
Core CPI	73.09	102.82	103.68	-0.25	0.84

1/ Source: CAPMAS and CBE calculations

2/ Based on 2017/2018 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits