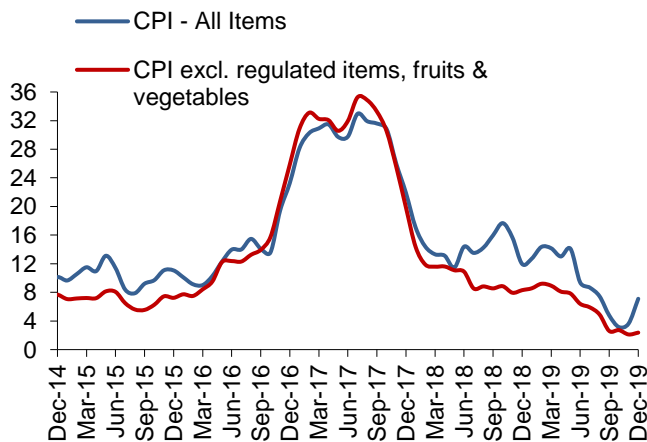


Headline and Core Inflation – December 2019

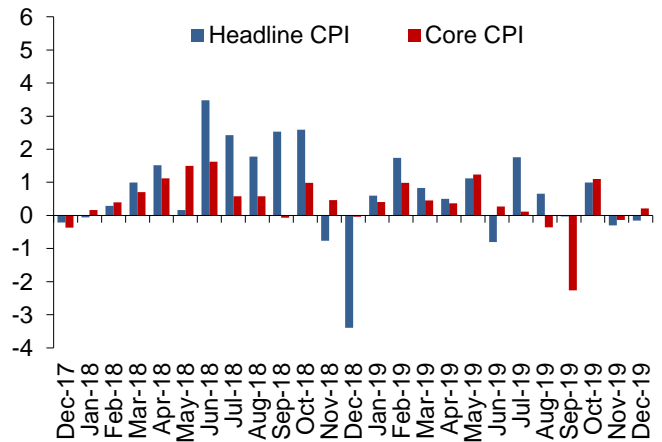
- Annual headline urban inflation^{1/} increased to 7.1 percent in December 2019 from 3.6 percent in November 2019, as monthly inflation recorded negative 0.2 percent in December 2019 compared to negative 3.4 percent in December 2018, as it came in line with the expectations of the Central Bank of Egypt. It reflected the strong unfavorable base effect stemming from the reversal of transitory shock to prices of fresh vegetables in the previous year.
- Annual headline inflation remains consistent with achieving the announced inflation target of 9 percent (± 3 percentage points) on average in Q4 2020.
- Monthly headline inflation was mainly driven by lower prices of regulated food items which more than offset higher prices of poultry. Prices of services inched up slightly due to higher prices of private hospitals. Meanwhile, prices of other CPI items remained broadly unchanged.
- Given higher prices of poultry mainly, monthly core inflation^{2/} recorded 0.2 percent in December 2019 compared to zero in December 2018. Accordingly, annual core inflation increased to 2.4 percent in December 2019 from 2.1 percent in November 2019.
- Nationwide annual inflation^{1/} increased to 6.8 percent in December 2019 from 2.7 percent in November 2019, while rural annual inflation^{1/} increased to 6.5 percent in December 2019 from 1.7 percent in November 2019.

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.

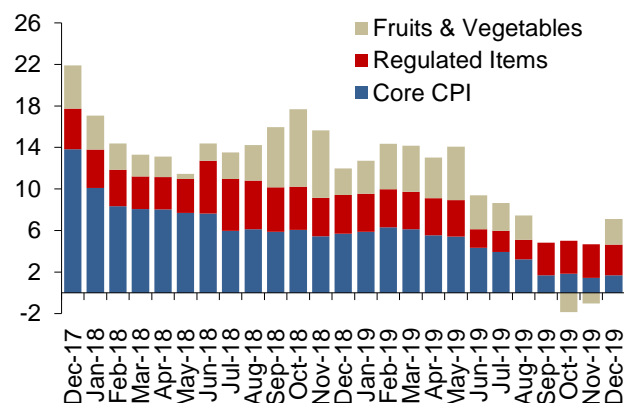
2/ Computed by the Central Bank of Egypt.

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:

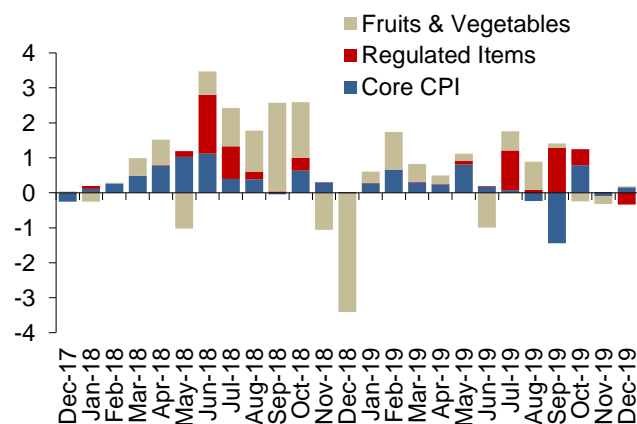
- Prices of regulated items declined by 1.46 percent for the first time since April 2015, to contribute by negative 0.34 percentage points to monthly headline inflation. This was due to lower prices of regulated food items by the government, specifically rationed vegetables oils, sugar and rice prices.
- Prices of fresh vegetables declined slightly by 0.09 percent, registering the third consecutive decline after increasing for three consecutive months. Meanwhile, prices of fresh fruits increased by 1.81 percent, registering the first increase after four consecutive months of decline. Prices of fresh vegetables and fruits contributed together by 0.03 percentage points to monthly headline inflation.
- Prices of red meat declined slightly by 0.91 percent, registering the fourth consecutive decline, to contribute by negative 0.04 percentage points to monthly headline inflation.
- Prices of poultry increased by 5.93 percent, registering the first increase after six consecutive months of decline, to contribute by 0.21 percentage points to monthly headline inflation.
- Prices of other core food items, including fish, seafood, eggs and fats, declined to contribute together by negative 0.03 percentage points to monthly headline inflation.
- Prices of retail items declined slightly by 0.15 percent for the first time in eight consecutive

Contribution to Annual Headline CPI Inflation
(in percentage points)



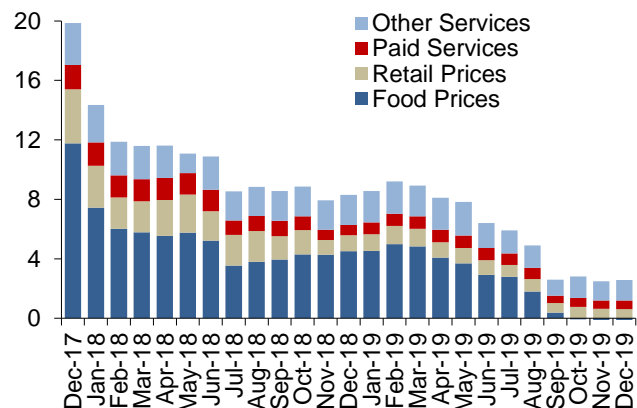
Source: Central Bank of Egypt.

Contribution to Monthly Headline CPI Inflation
(in percentage points)



Source: Central Bank of Egypt.

Contribution to Annual Core CPI Inflation
(in percentage points)

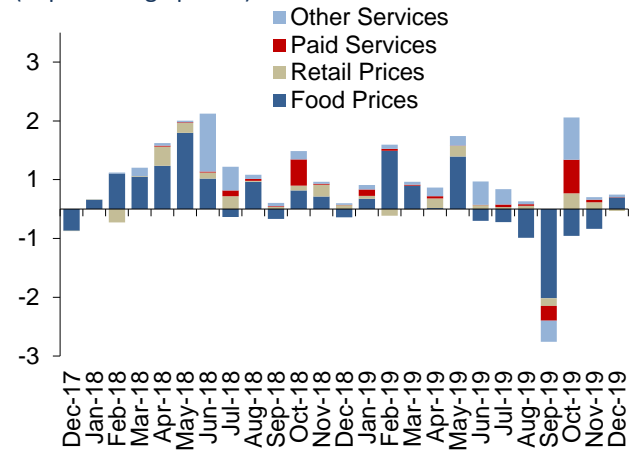


Source: Central Bank of Egypt.

months, to contribute by negative 0.02 percentage points to monthly headline inflation. This was mainly due to lower prices of clothing.

- Prices of services increased by 0.10 percent, to contribute by 0.04 percentage points to monthly headline inflation. This was mainly due to higher prices of private hospital services.
- Monthly core inflation was affected by price changes of the aforementioned core CPI items. Core food items and services items contributed by 0.20 and 0.05 percentage points to monthly core inflation, respectively. On the other hand, retail items contributed by negative 0.03 percentage points.

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/	December 2018	December 2019	December 2019 to November 2019	December 2019 to December 2018
	(in percent)	(index)		(percentage change)	
	(Average 2018/2019 = 100)				
Headline - All items	100.00	97.97	104.93	-0.15	7.10
Food and beverages	32.73	95.85	97.56	-0.50	1.78
Tobacco and related products	4.41	100.30	101.78	-0.02	1.48
Clothing and footwear	4.38	101.20	105.15	-0.51	3.90
Housing, water, electricity, gas and other fuels	19.46	100.08	104.66	0.01	4.58
Furnishings, household equipment and routine maintenance of the dwelling	3.93	100.11	101.98	0.10	1.87
Medical care	8.59	99.11	110.82	0.20	11.82
Transportation	6.66	99.94	115.91	0.06	15.98
Communications	2.75	99.99	102.03	0.02	2.04
Recreation and Culture	2.24	98.68	112.34	0.06	13.84
Education	5.49	103.30	125.86	0.00	21.83
Hotels, cafes and restaurants	4.98	99.03	109.83	-0.13	10.90
Miscellaneous goods and services	4.37	99.27	104.65	-0.02	5.42
Selective aggregates					
Fruits & vegetables 3/	5.46	89.39	98.30	0.53	9.97
Regulated items	21.44	100.50	111.32	-1.46	10.77
Food excl. fruits & vegetables	24.51	98.73	97.16	0.63	-1.60
Retail items	14.34	100.44	106.29	-0.15	5.83
Paid services	6.96	100.44	110.47	0.03	9.99
Other services	27.30	99.51	106.08	0.12	6.60
Core CPI	73.09	99.33	101.68	0.22	2.37

1/ Source: CAPMAS and CBE calculations

2/ Based on 2017/2018 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits