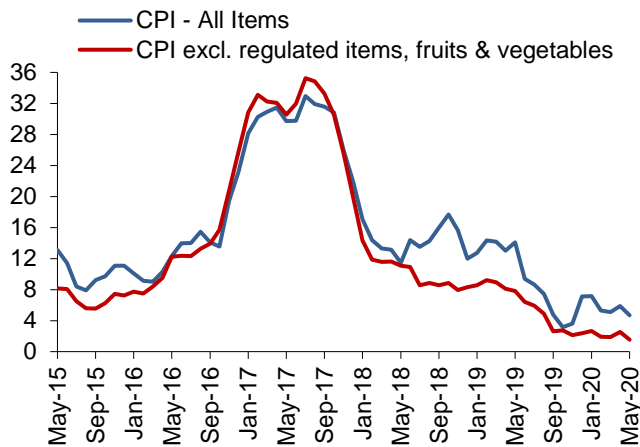


Headline and Core Inflation – May 2020

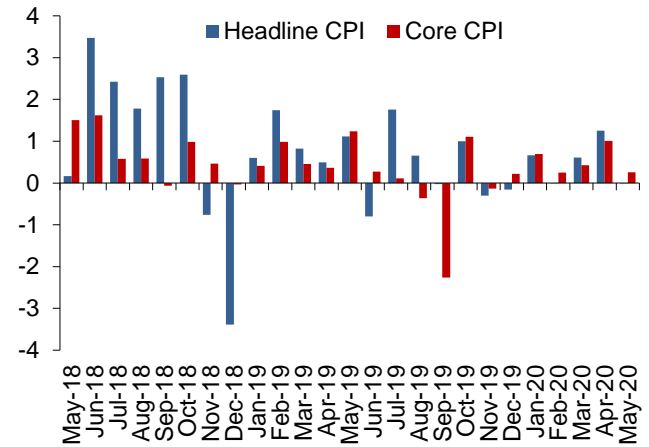
- Annual headline urban inflation^{1/} declined to 4.7 percent in May 2020 from 5.9 percent in April 2020, supported by strong favorable base effects as well as muted inflationary pressures. Monthly headline inflation recorded zero in May 2020 compared to 1.1 percent in May 2019.
- May 2020 monthly headline urban inflation^{1/} reflected broad price stability, despite being affected by seasonal factors related to Ramadan and Eid-Al-Fitr, as negative monthly contribution of food items broadly offset positive monthly contribution of non-food items. Lower prices of food items were driven by lower prices of fresh vegetables which more than offset higher prices of core food items as well as fresh fruits. Meanwhile, higher prices of non-food items broadly reflected higher prices of retail, services items as well as regulated items by a lesser extent.
- Accordingly, annual food inflation declined in May 2020 after increasing in April 2020, supported by favorable base effects stemming mainly from Ramadan and Eid-Al-Fitr being in May in 2019 compared to April and May in 2020. The decline was due to lower annual contribution of core food items as well as volatile food items (around equal magnitude). In addition, annual non-food inflation declined in May 2020 for the second consecutive month, as the monthly increases in non-food items were weaker compared to previous year, leading to a lower contribution of non-food items to annual headline inflation as well. Accordingly, the decline of annual headline inflation was mainly driven by lower annual food contribution as well as lower annual non-food contribution by a lesser extent.
- Against this background, monthly core inflation^{2/} recorded 0.3 percent in May 2020 compared to 1.2 percent in May 2019. Hence, annual core inflation^{2/} declined to 1.5 percent in May 2020 from 2.5 percent in April 2020, the lowest rate on record.
- Nationwide and rural annual inflation^{1/} declined to record to 5.0 percent and 5.4 percent in May 2020 from 5.9 percent in April 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.

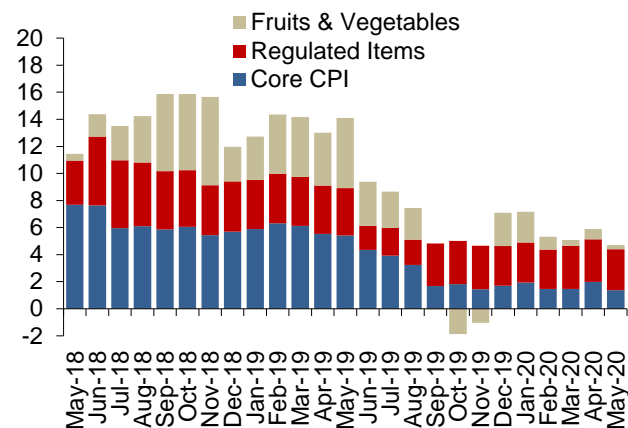
2/ Computed by the Central Bank of Egypt.

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:

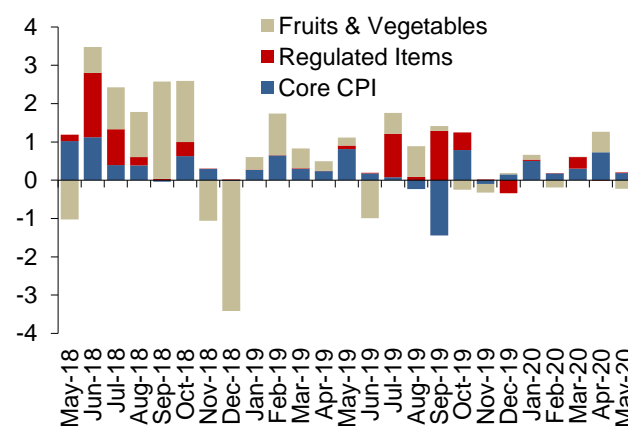
- Prices of fresh vegetables declined by 8.54 percent. Meanwhile, prices of fresh fruits increased by 4.46 percent. Prices of fresh vegetables and fruits contributed together by negative 0.22 percentage points to monthly headline inflation.
- Prices of poultry increased by 1.91 percent, registering the sixth consecutive increase after six consecutive months of decline, to contribute by 0.08 percentage points to monthly headline inflation.
- Prices of red meat increased by 1.38 percent, registering the fifth consecutive increase after four consecutive months of decline, to contribute by 0.06 percentage points to monthly headline inflation.
- Prices of Fish and seafood declined by 2.38 percent, to contribute by negative 0.06 percentage points to monthly headline inflation.
- Prices of other core food items remained broadly unchanged.
- Prices of retail items increased by 0.38 percent, recording the second consecutive increase, to contribute by 0.05 percentage points to monthly headline inflation. This was

Contribution to Annual Headline CPI Inflation
(in percentage points)



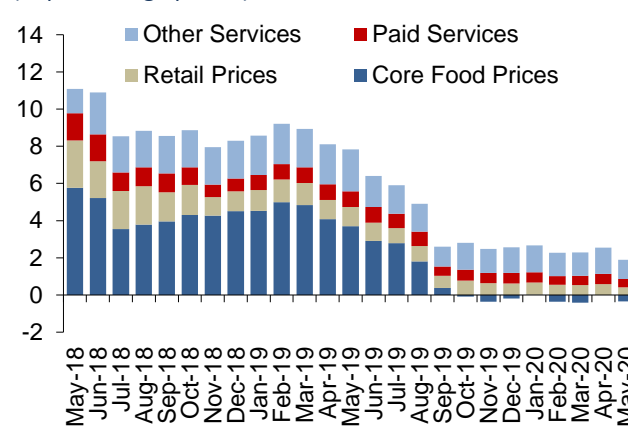
Source: Central Bank of Egypt.

Contribution to Monthly Headline CPI Inflation
(in percentage points)



Source: Central Bank of Egypt.

Contribution to Annual Core CPI Inflation
(in percentage points)

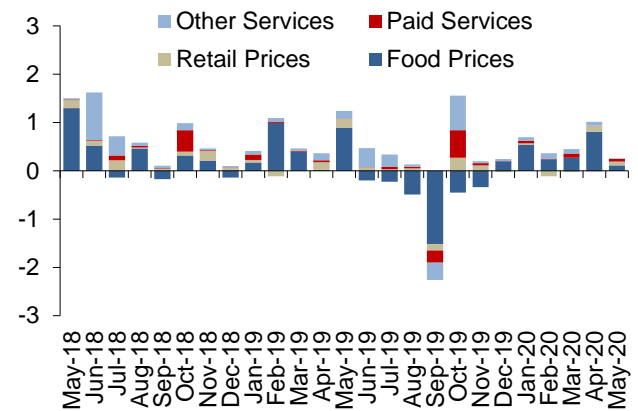


Source: Central Bank of Egypt.

mainly due to seasonally higher prices of clothing as well as higher prices of household cleaning products and motor oils.

- Prices of services increased by 0.14 percent to contribute by 0.05 percentage points to monthly headline inflation. This was mainly due to higher prices of vehicle maintenance, inland transportation as well as cafes and restaurants.
- Prices of regulated items increased by 0.10 percent to contribute by 0.02 percentage points to monthly headline inflation. This was mainly due to higher prices of public hospitals.
- Monthly core inflation was affected by price changes of the aforementioned core CPI items. Core food items, retail items and services contributed by 0.11, 0.08 and 0.07 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/	May 2019	May 2020	May 2020 to April 2020	May 2020 to May 2019
	(in percent)	(index)		(percentage change)	
	(Average 2018/2019 = 100)				
Headline - All items	100.00	102.74	107.57	-0.01	4.70
Food and beverages	32.73	103.67	102.99	-0.44	-0.65
Tobacco and related products	4.41	100.50	109.16	0.03	8.61
Clothing and footwear	4.38	103.33	104.51	0.56	1.14
Housing, water, electricity, gas and other fuels	19.46	100.38	105.42	-0.06	5.02
Furnishings, household equipment and routine maintenance of the dwelling	3.93	100.39	104.43	0.55	4.03
Medical care	8.59	103.59	112.17	0.16	8.28
Transportation	6.66	100.60	115.25	0.95	14.56
Communications	2.75	100.02	104.55	0.01	4.52
Recreation and Culture	2.24	102.62	112.38	0.01	9.51
Education	5.49	103.30	125.86	0.00	21.83
Hotels, cafes and restaurants	4.98	103.55	112.51	0.16	8.65
Miscellaneous goods and services	4.37	101.93	105.85	0.03	3.84
Selective aggregates					
Fruits & vegetables 3/	5.46	104.33	103.33	-4.05	-0.96
Regulated items	21.44	101.23	113.01	0.10	11.64
Food excl. fruits & vegetables	24.51	103.43	103.28	0.35	-0.14
Retail items	14.34	102.09	106.78	0.38	4.60
Paid services	6.96	102.85	112.65	0.54	9.53
Other services	27.30	101.77	107.11	0.03	5.25
Core CPI	73.09	102.79	104.38	0.25	1.54

1/ Source: CAPMAS and CBE calculations

2/ Based on 2017/2018 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits