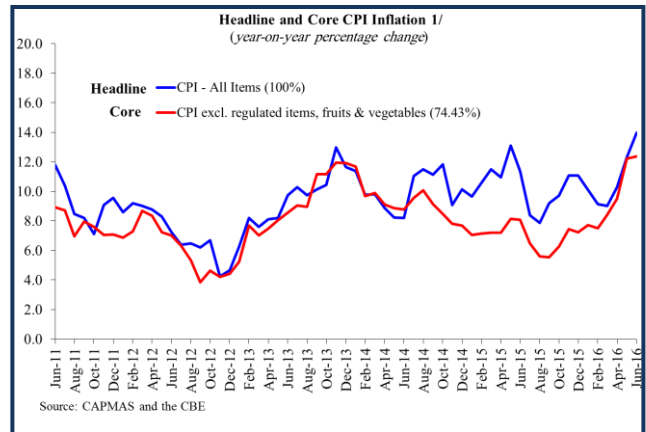
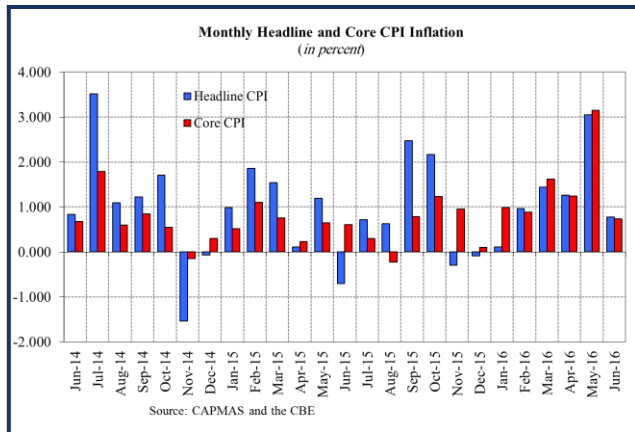


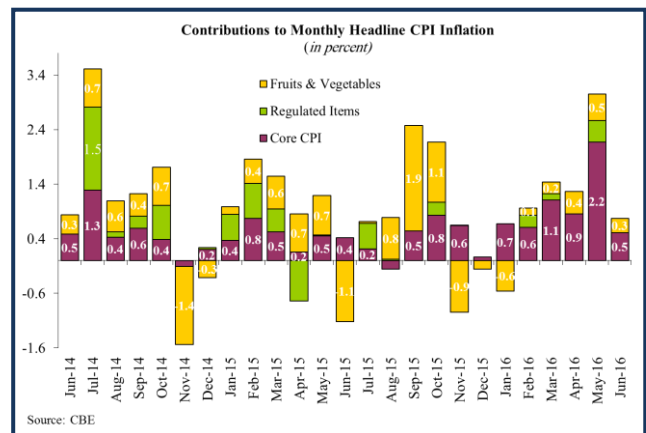
Headline and Core Inflation – June 2016

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 10, 2016 increased by 0.78 percent (m/m) in June 2016 compared to 3.05 percent (m/m) in May 2016. The annual rate increased to 13.97 percent in June from 12.30 percent in May, partly on the back of unfavorable base effect from the previous year. The bulk of the monthly changes were explained by increases in the prices fresh vegetables and fruits as well as poultry and red meat. This came in addition to the seasonal increase in the prices of clothing and footwear, associated with the Eid festivities. Meanwhile, core CPI computed by the Central Bank of Egypt increased by 0.74 percent (m/m) in June 2016 compared to 3.15 percent (m/m) in May 2016. The annual rate increased to 12.37 percent in June from 12.23 percent in May. The prices of retail items, other services and paid services inched up by varying degrees.¹



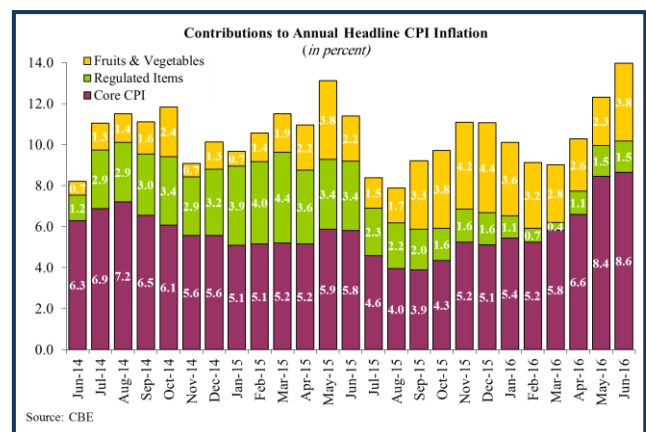
1. Headline CPI²

Headline CPI increased by 0.78 percent (m/m) in June 2016 compared to 3.05 percent (m/m) in May, which is below the average monthly pace during first five months of 2016 that records 1.37 percent, or 0.94 percent after excluding the exceptionally high inflation in May. The annual rate increased to 13.97 percent in June from 12.30 percent in May, partly on the back of unfavorable base effect from the previous year, recording the highest rate since January 2009.



Key Highlights

- The prices of fresh vegetables and fruits increased by 2.22 percent and 1.43 percent (m/m), respectively. Together, they contributed by 0.27 percentage points to monthly headline inflation .
- The prices of poultry and red meat increased by 2.04 percent and 0.70 percent (m/m), respectively. Together, they contributed by 0.16 percentage points to monthly headline inflation. It is worth noting that poultry prices have been increasing in every month since the beginning of 2016 to register a cumulative increase by 23.86 percent.

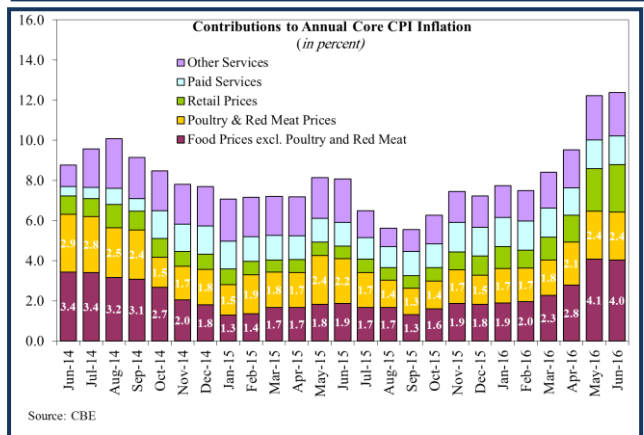
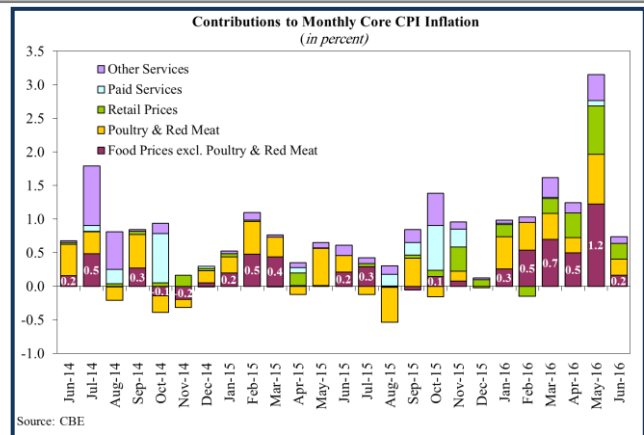


- The prices of eggs increased by 3.81 percent (m/m) to contribute by 0.07 percentage points to monthly headline inflation.
- The prices of fish and sea food declined by 0.53 percent (m/m) to contribute by negative 0.02 percentage points to monthly headline inflation .
- The prices of a other food items including pulses, dried fruits other fresh meat and bakery products picked up to contribute jointly by 0.06 percentage points to monthly headline inflation.
- The prices of retail items increased by 1.46 percent (m/m) to contribute by 0.16 percentage points to monthly headline inflation, which was mainly due to the increase in the prices of clothing and footwear, HH appliances, HH cleaning products, HH textile and gold.
- The prices of other services increased by 0.37 percent (m/m) to contribute by 0.07 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of restaurant services and Haj and Omra trips.
- The prices of paid services increased slightly by 0.03 percent (m/m), which was mainly driven by the increase in the prices of tailoring and laundry services, and contributed negligibly to headline inflation.

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt increased by 0.74 percent (m/m) in June 2016 compared to an increase by 3.15 percent (m/m) in May, which is below the average monthly pace during the first five months of 2016 that records 1.58 percent, or 1.18 percent after excluding the exceptionally high inflation in May. The annual rate inched up to 12.37 percent in June from 12.23 percent in May, recording the highest rate since February 2009.

The monthly dynamics were mainly driven by the developments in the prices of previously mentioned food items, which contributed by 0.40 percentage points to monthly core inflation. Moreover the increase in the prices of retail items, other services and paid services contributed jointly by 0.34 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/	June 2015	June 2016	June 2016 to May 2016	June 2016 to June 2015
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
Headline - All items	100.00	162.47	185.16	0.78	13.97
Food and beverages	39.92	191.44	225.12	1.13	17.60
Tobacco and related products	2.19	314.57	320.79	0.00	1.98
Clothing and footwear	5.41	123.11	135.68	3.00	10.21
Housing, water, electricity, gas and other fuels	18.37	124.18	130.82	0.00	5.35
Furnishings, household equipment and routine maintenance of the dwelling	3.77	139.06	157.68	1.12	13.39
Medical care	6.33	131.17	172.48	0.00	31.49
Transportation	5.68	139.16	144.24	0.00	3.65
Communications	3.12	96.85	96.88	0.00	0.03
Recreation and Culture	2.43	168.10	190.63	1.66	13.41
Education	4.63	196.93	219.01	0.00	11.21
Hotels, cafes and restaurants	4.43	177.52	215.41	0.48	21.34
Miscellaneous goods and services	3.73	111.51	121.14	0.52	8.64
Selective aggregates					
Fruits & vegetables 3/	6.90	264.93	354.07	2.07	33.65
Regulated items	18.66	164.03	177.38	0.00	8.14
Food excl. fruits & vegetables	31.08	180.61	204.06	0.81	12.99
Retail items	14.48	125.57	144.05	1.46	14.72
Paid services	5.87	158.18	185.84	0.03	17.48
Other services	23.00	130.25	140.94	0.37	8.21
Core CPI	74.43	152.57	171.44	0.74	12.37
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					