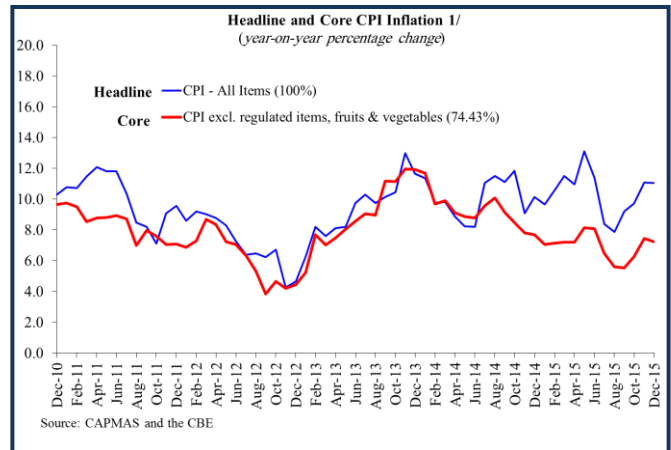
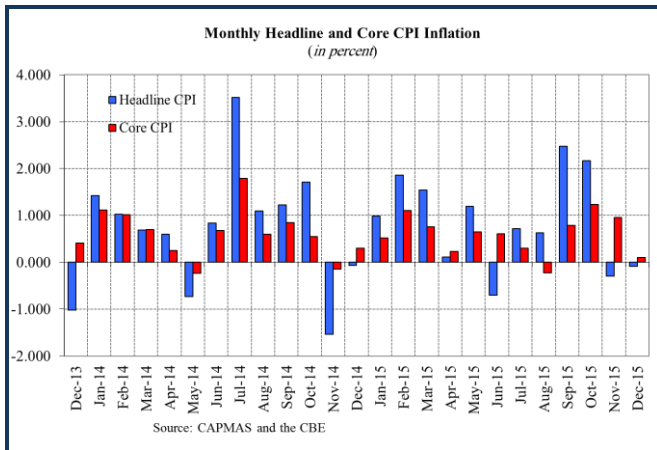


Headline and Core Inflation – December 2015

Headline CPI published by the Central Agency for Public Mobilization and Statistics on January 10, 2016, declined slightly by 0.09 percent (m/m) in December 2015 compared to a decline by 0.30 percent (m/m) in November. The annual rate remained largely unchanged in December at 11.06 percent. The bulk of the monthly decline was driven by the drop in the prices of fresh vegetables and red meat, which was partly offset by the inch up in the prices of poultry in addition to the increase in the prices of retail and other services. Meanwhile, core CPI computed by the Central Bank of Egypt inched up slightly by 0.10 percent (m/m) in December 2015 compared to an increase of 0.96 percent (m/m) in November. The annual rate declined to 7.23 percent in December from 7.44 percent in November. Meanwhile, the prices of retail items and other services increased by varying degrees, while paid services remained unchanged¹.

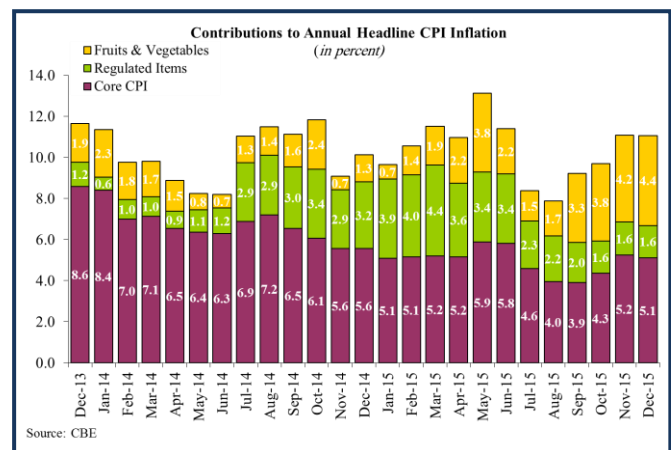
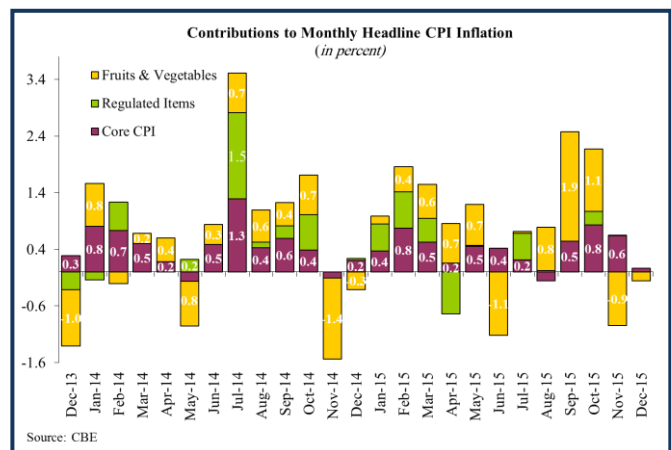


1. Headline CPI²

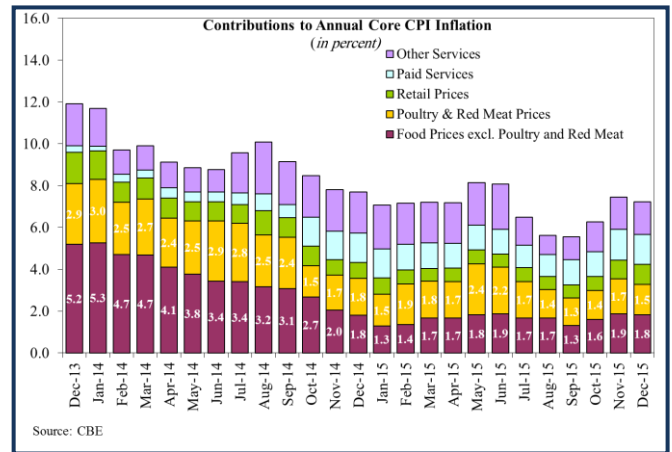
Headline CPI declined slightly by 0.09 percent (m/m) in December 2015 compared to a decline by 0.30 percent (m/m) in November, which is below the monthly pace of 0.97 percent recorded during the first eleven months of 2015. The annual rate remained largely unchanged in December at 11.06 percent.

Key Highlights

- The prices of fresh vegetables and fruits declined in December by 1.04 and 1.81 percent (m/m), respectively. Together, they contributed by negative 0.16 percentage points to monthly headline inflation.
- The prices of red meat declined in December by 2.14 percent (m/m), to contribute by negative 0.16 percentage points to monthly headline inflation. While the prices of poultry inched up by 3.30 percent (m/m), to contribute by 0.15 percentage points to monthly headline inflation.
- Moreover, the prices of eggs declined by 0.50 percent (m/m) in December to contribute by negative 0.01 percentage points to monthly headline inflation.



- Prices of fish and sea food declined by 0.13 percent (m/m) in December, contributing by negative 0.01 percentage points to monthly headline inflation .
- The prices of retail items increased by 0.60 percent (m/m) in December to contribute by 0.07 percentage points to monthly headline inflation, which was mainly due to the increase in the prices of HH cleaning products, HH miscellaneous products and personal care products.
- The prices of other services increased by 0.10 percent (m/m) in December to contribute by 0.02 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of Haj and Omra trip. While prices of paid services remained unchanged.

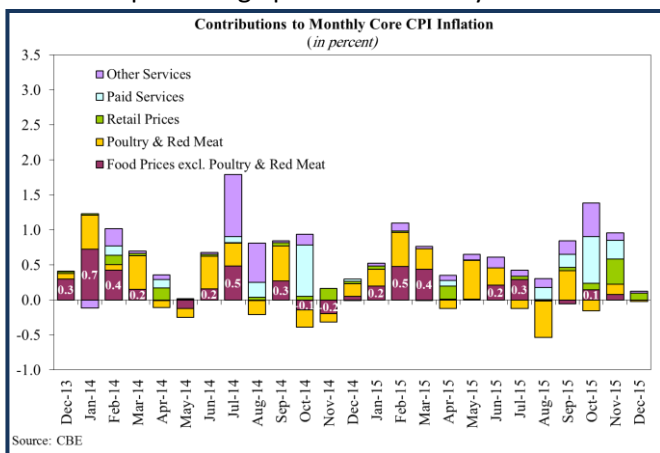


1/ CAPMAS publishes three CPI series: (1) the CPI for urban areas which include Cairo, Alexandria, urban Lower Egypt, urban Upper Egypt, Canal cities and Frontier governorates, (2) the CPI for rural areas, and (3) the CPI for All areas. Numbers quoted in this note refer to CPI-Urban .

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.10 percent (m/m) in December 2015 compared to an increase by 0.96 percent (m/m) in November, which is below the average monthly pace of 0.63 percent recorded during the first eleven months of 2015. The annual rate declined to 7.23 percent in December from 7.44 percent in November.

The monthly dynamics in December was mainly driven by the developments in the prices of the previously mentioned retail items and other services which contributed by 0.12 percentage points to monthly core inflation. This was partly offset by the decline in the prices of food items which contributed by negative 0.02 percentage points to monthly core inflation.



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/	December 2014	December 2015	December 2015 to November 2015	December 2015 to December 2014
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
Headline - All items	100.00	154.62	171.73	-0.09	11.06
Food and beverages	39.92	177.14	203.07	-0.36	14.64
Tobacco and related products	2.19	283.73	316.60	0.00	11.58
Clothing and footwear	5.41	119.00	130.94	0.00	10.04
Housing, water, electricity, gas and other fuels	18.37	121.32	128.62	0.00	6.02
Furnishings, household equipment and routine maintenance of the dwelling	3.77	137.75	147.10	1.43	6.78
Medical care	6.33	131.17	143.32	0.00	9.26
Transportation	5.68	137.51	140.79	0.00	2.38
Communications	3.12	96.85	96.85	0.00	0.00
Recreation and Culture	2.43	162.83	180.60	0.68	10.91
Education	4.63	196.93	219.01	0.00	11.21
Hotels, cafes and restaurants	4.43	167.91	193.64	0.00	15.33
Miscellaneous goods and services	3.73	111.12	114.92	0.83	3.42
Selective aggregates					
Fruits & vegetables 3/	6.90	231.08	329.08	-1.17	42.41
Regulated items	18.66	157.53	170.56	0.00	8.27
Food excl. fruits & vegetables	31.08	169.76	181.30	-0.05	6.79
Retail items	14.48	123.57	130.74	0.60	5.81
Paid services	5.87	156.68	183.44	0.00	17.08
Other services	23.00	127.89	135.33	0.10	5.82
Core CPI	74.43	146.80	157.42	0.10	7.23

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits