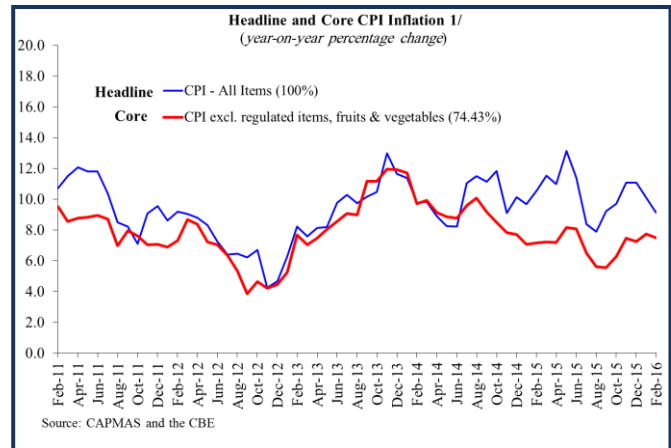
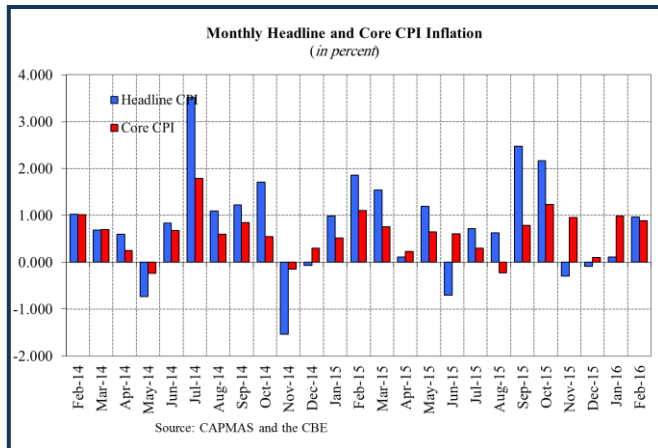


## Headline and Core Inflation – February 2016

Headline CPI published by the Central Agency for Public Mobilization and Statistics on March 10, 2016, increased by 0.97 percent (m/m) in February 2016 compared to 0.11 percent (m/m) in January 2016. The annual rate declined to 9.13 percent in February from 10.10 percent in January, on the back of a favorable base effect from the previous year. The bulk of the monthly increase was explained mainly by the sporadic increase in the prices of food items and regulated price adjustments, which was partly offset by the decline in clothing prices. Meanwhile, core CPI computed by the Central Bank of Egypt increased by 0.88 percent (m/m) in February 2016 compared to an increase of 0.98 percent (m/m) in January 2016. The annual rate declined to 7.50 percent in February from 7.73 percent in January. Meanwhile, the prices of other services increased slightly and paid services remained unchanged, while retail items prices declined<sup>1</sup>.

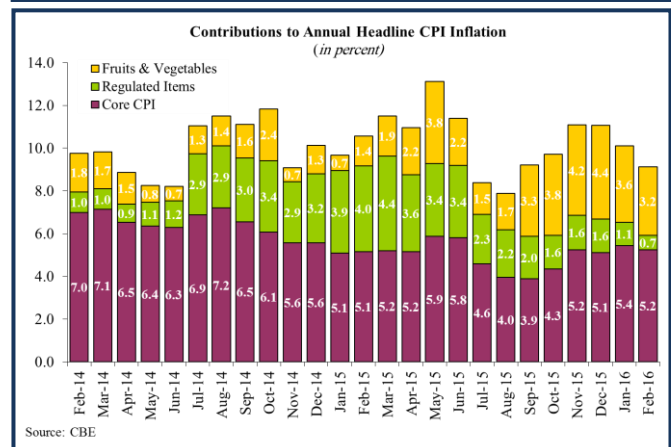
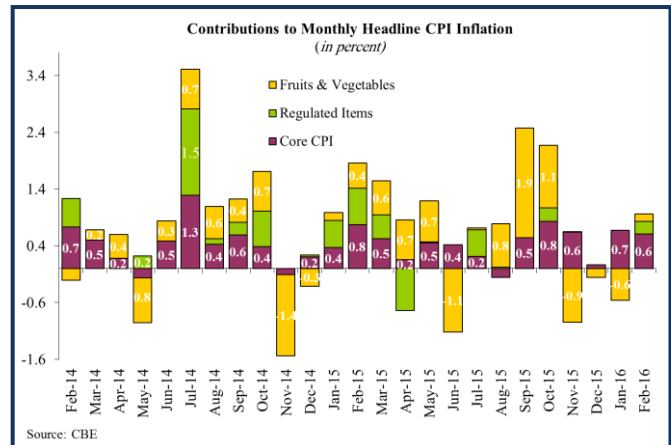


### 1. Headline CPI<sup>2</sup>

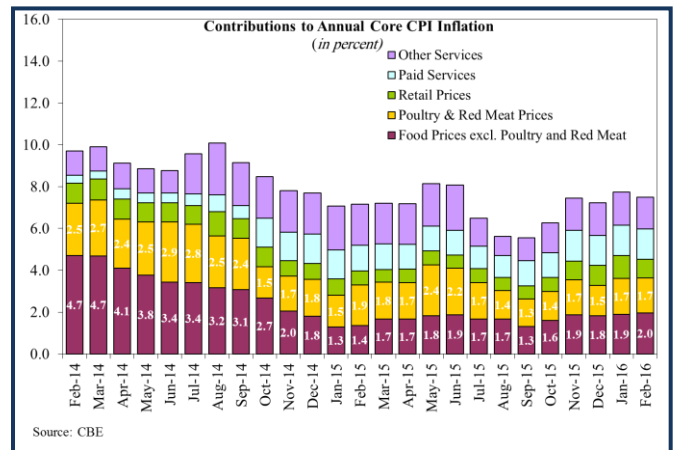
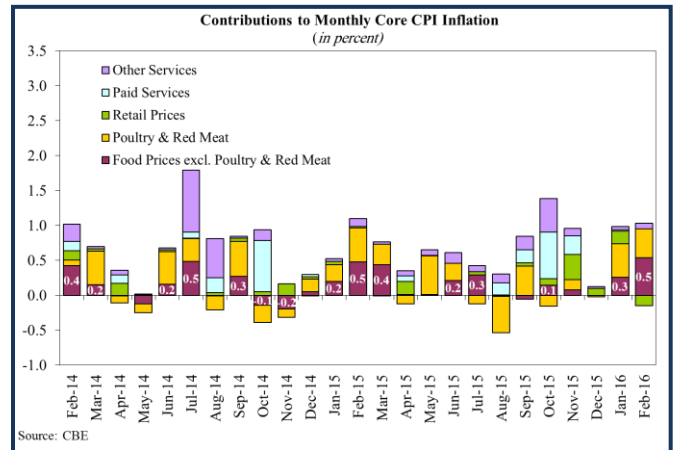
Headline CPI increased by 0.97 percent (m/m) in February 2016 compared to an increase of 0.11 percent (m/m) in January 2016, which is above the monthly pace of 0.88 percent recorded during the year 2015. The annual rate declined to 9.13 percent in February from 10.10 percent in January, on the back of a favorable base effect from the previous year.

#### Key Highlights

- Prices of regulated items increased by 1.19 percent (m/m) in February, contributing by 0.22 percentage points to monthly headline inflation. This month's increase is attributed to the increase in the prices of water supply by 27.56 percent and fees to obtain official documents by 5.0 percent.
- The prices of fresh vegetables and fruits increased in February by 1.16 and 0.77 percent (m/m), respectively. Together, they contributed by 0.14 percentage points to monthly headline inflation.



- The prices of poultry and red meat increased in February by 5.46 and 0.16 percent (m/m), respectively. Together they contributed by 0.28 percentage points to monthly headline inflation.
- Moreover, the prices of fish and sea food increased by 1.07 percent (m/m) in February to contribute by 0.03 percentage points to monthly headline inflation.
- The prices of a number of food items including rice, local butter, edible oils, wheat, wheat flour, maize, sugar, pulses and coffee picked up to jointly contribute by 0.34 percentage points to monthly headline inflation.
- The prices of other services increased by 0.31 percent (m/m) in February to contribute by 0.06 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of restaurant services. On the other hand the prices of paid services remained unchanged.
- The prices of retail items declined by 0.92 percent (m/m) in February to contribute by negative 0.10 percentage points to monthly headline inflation, which was mainly due to the decline in the prices of clothing, which was partly offset by the increase in the prices of glassware, tableware and household utensils and fridges.



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).

## 2. Core Inflation<sup>2</sup>

Core CPI computed by the Central Bank of Egypt, increased by 0.88 percent (m/m) in February 2016 compared to an increase by 0.98 percent (m/m) in January 2016, which is above the average monthly pace of 0.58 percent recorded during the year 2015. The annual rate declined to 7.50 percent in February from 7.73 percent in January.

The monthly dynamics in February was mainly driven by the developments in the prices of the previously mentioned food items which contributed by 0.95 percentage points to monthly core inflation, in addition to the increase in the prices of other services which contributed by 0.08 percentage points to monthly core inflation. In the meantime, prices of retail items declined to contribute by negative 0.15 percentage points to monthly core inflation.

**Table 1.**  
Classification of All Items included in Core CPI

<b>Food</b>	<b>Retail</b>	<b>Paid Services</b>	<b>Other Services</b>
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/	February 2015	February 2016	February 2016 to January 2016	February 2016 to February 2015
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
<b>Headline - All items</b>	<b>100.00</b>	<b>159.05</b>	<b>173.58</b>	<b>0.97</b>	<b>9.13</b>
Food and beverages	39.92	183.30	206.24	1.68	12.51
Tobacco and related products	2.19	314.57	316.60	0.00	0.65
Clothing and footwear	5.41	119.00	127.20	-2.85	6.90
Housing, water, electricity, gas and other fuels	18.37	127.08	130.71	1.51	2.86
Furnishings, household equipment and routine maintenance of the dwelling	3.77	138.84	153.08	0.30	10.25
Medical care	6.33	131.17	143.32	0.00	9.26
Transportation	5.68	137.82	140.79	0.00	2.15
Communications	3.12	96.85	96.85	0.00	0.00
Recreation and Culture	2.43	164.01	181.95	-0.04	10.94
Education	4.63	196.93	219.01	0.00	11.21
Hotels, cafes and restaurants	4.43	170.95	196.28	1.12	14.82
Miscellaneous goods and services	3.73	111.50	115.77	0.72	3.83
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	244.41	318.60	1.09	30.35
Regulated items	18.66	166.82	172.59	1.19	3.46
Food excl. fruits & vegetables	31.08	174.72	187.69	1.96	7.42
Retail items	14.48	124.07	130.97	-0.92	5.56
Paid services	5.87	156.68	183.85	0.00	17.35
Other services	23.00	128.60	135.99	0.31	5.74
Core CPI	74.43	149.19	160.38	0.88	7.50
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					