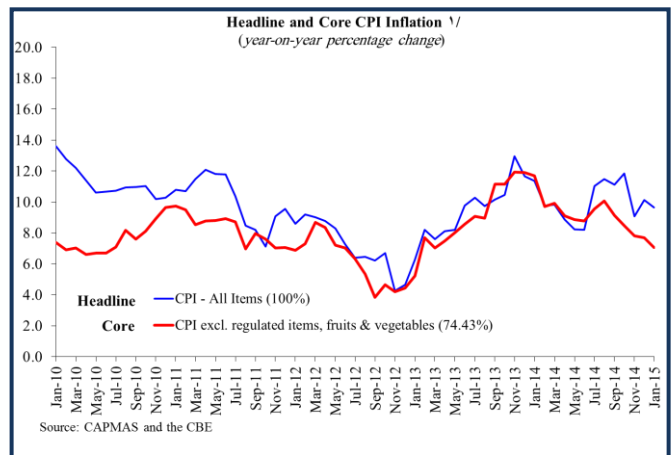
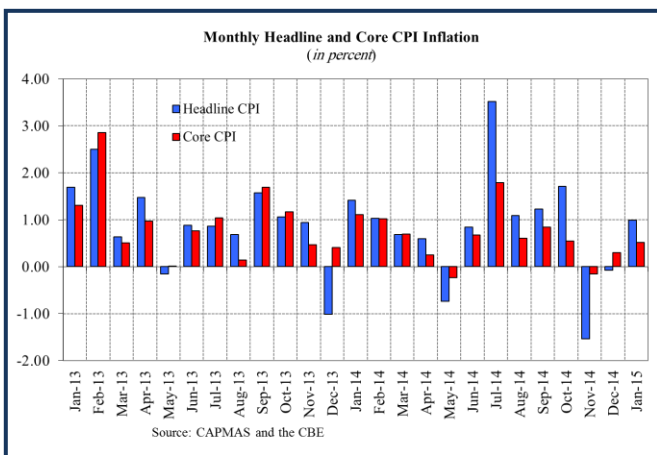


Headline and Core Inflation – January 2015

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 10, 2015, increased by 0.99 percent (m/m) in January 2015 compared to a decline of 0.07 percent (m/m) in December 2014. The annual rate declined to 9.66 percent in January from 10.13 percent in December, supported by the favorable base effect from last year. The bulk of the monthly increase was driven by regulated items, primarily the increase in the prices of butane cylinders, due to supply bottlenecks in the distribution channels, in addition to adjustment in the prices of the water supply. The remaining portion of the monthly increase came on the back of the seasonal increase in the prices of several food items. Meanwhile, core CPI computed by the Central Bank of Egypt, increased by 0.52 percent (m/m) in January 2015 compared to an increase of 0.30 percent (m/m) in December 2014. The annual rate declined to 7.06 percent in January compared to 7.69 percent in December. Additionally, while the prices of retail items and other services increased marginally, prices of paid services remained unchanged¹.

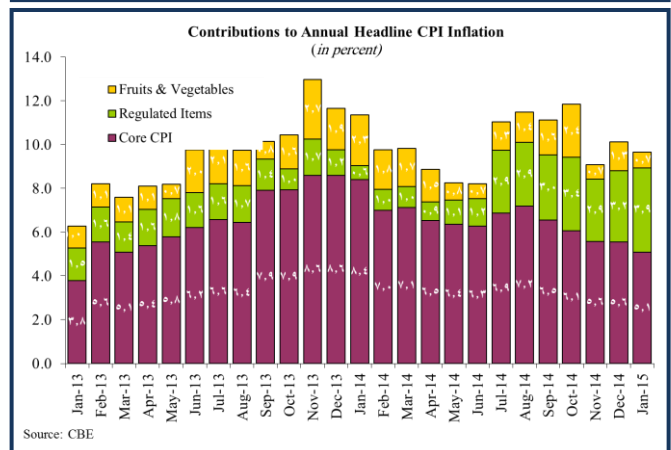
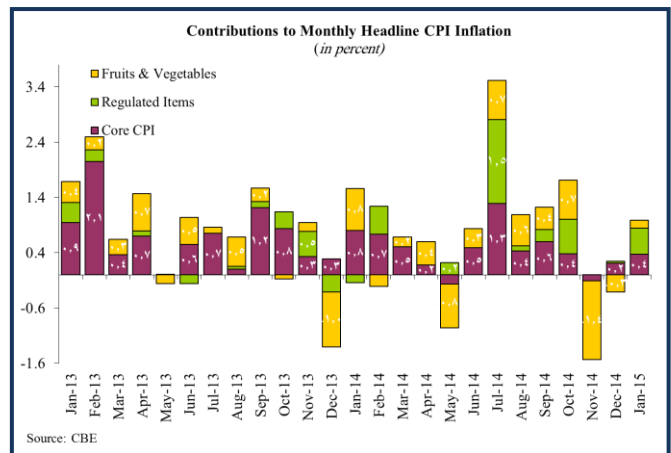


1. Headline CPI²

Headline CPI increased by 0.99 percent (m/m) in January 2015 compared to a decrease of 0.07 percent (m/m) in December 2014, which came above the monthly average of 0.81 percent recorded during the year 2014. Meanwhile, the annual rate declined to record 9.66 percent in January, compared to 10.13 percent in December, supported by the favorable base effect from last year.

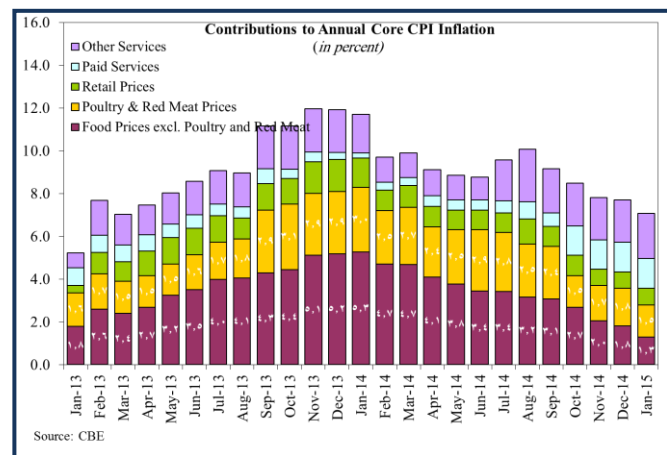
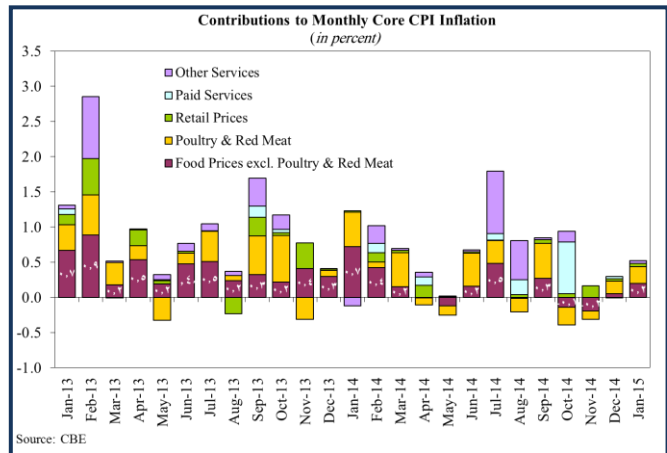
Key Highlights

- Prices of regulated items increased by 2.50 percent (m/m) in January, contributing by 0.48 percentage points to monthly headline inflation, explaining around half of the monthly increase. This was attributed to the increase in the prices of butane cylinders by 54.58 percent, due to supply bottlenecks in the distribution channels, as well as the adjustment in the prices of water supply by 4.79 percent.



- The prices of fresh vegetables increased by 1.83 percent (m/m) in January, while the prices of fresh fruits decreased slightly by 0.23 percent. Together, they contributed by 0.14 percentage points to monthly headline inflation.
- The prices of poultry increased by 3.50 percent in January to contribute by 0.17 percentage points to monthly headline inflation, while the prices of red meat remained unchanged.
- The prices of fish and seafood increased by 2.13 percent (m/m) in January, contributing by 0.07 percentage points to monthly headline inflation.
- Moreover, the prices of eggs increased by 1.93 percent (m/m) in January to contribute by 0.04 percentage points to monthly headline inflation.
- While the prices of a number of other food items, namely wheat, bakery products, and pulses, increased to contribute by 0.03 percentage points to monthly headline inflation.
- The prices of retail items increased marginally by 0.29 percent (m/m) in January, to contribute by 0.03 percentage points to monthly headline inflation, which was driven primarily by the increase in the prices of cars and gold.
- The prices of other services increased marginally by 0.13 percent (m/m) in January to contribute by 0.03 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of restaurant services and the prices of Haj and Omra trips.
- Meanwhile, the prices of paid services remained unchanged.

meantime, the increase in retail prices and other services contributed by 0.08 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).

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.52 percent (m/m) in January 2015 compared to an increase of 0.30 percent (m/m) in December 2014. The annual rate declined to 7.06 percent in January from 7.69 percent in December.

The monthly dynamics in January was mainly driven by the developments in the prices of the previously mentioned food items, which contributed by 0.44 percentage points to monthly core inflation. In the

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/	January 2014	January 2015	January 2015 to December 2014	January 2015 to January 2014
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	142.40	156.15	0.99	9.66
Food and beverages	39.92	169.14	178.89	0.99	5.76
Tobacco and related products	2.19	218.43	283.73	0.00	29.90
Clothing and footwear	5.41	116.06	119.00	0.00	2.53
Housing, water, electricity, gas and other fuels	18.37	114.63	125.32	3.30	9.32
Furnishings, household equipment and routine maintenance of the dwelling	3.77	130.94	137.98	0.16	5.37
Medical care	6.33	114.83	131.17	0.00	14.23
Transportation	5.68	112.95	137.82	0.23	22.03
Communications	3.12	97.02	96.85	0.00	-0.18
Recreation and Culture	2.43	140.07	164.01	0.73	17.09
Education	4.63	157.94	196.93	0.00	24.68
Hotels, cafes and restaurants	4.43	146.11	168.14	0.14	15.08
Miscellaneous goods and services	3.73	105.39	111.78	0.60	6.06
Selective aggregates					
Fruits & vegetables 3/	6.90	219.52	234.29	1.39	6.73
Regulated items	18.66	132.06	161.47	2.50	22.27
Food excl. fruits & vegetables	31.08	162.07	171.30	0.91	5.70
Retail items	14.48	118.41	123.92	0.29	4.65
Paid services	5.87	132.46	156.68	0.00	18.28
Other services	23.00	118.69	128.06	0.13	7.90
Core CPI	74.43	137.83	147.57	0.52	7.06
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					