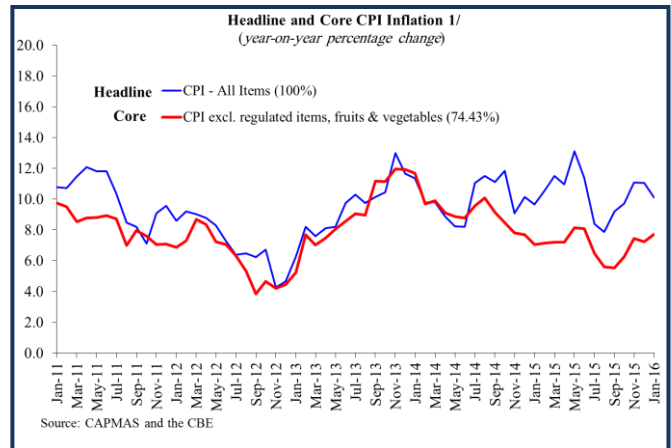
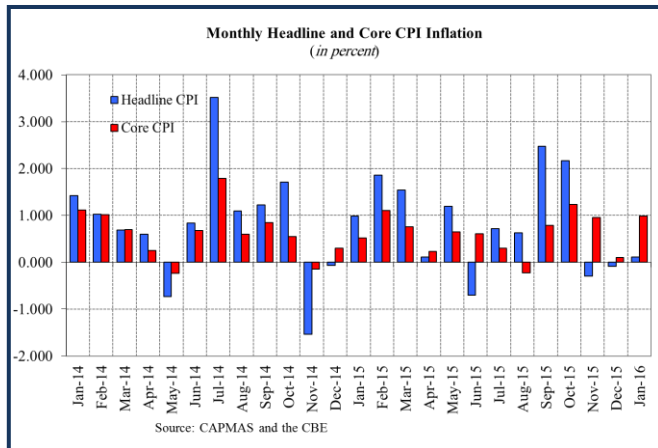


## Headline and Core Inflation – January 2016

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 10, 2016, inched up by 0.11 percent (m/m) in January 2016 compared to a decline by 0.09 percent (m/m) in December 2015. The annual rate declined to 10.10 percent in January from 11.06 percent in December, on the back of a favorable base effect. The bulk of the monthly increase was driven by the increase in other food prices mainly poultry, rice and red meat, in addition to the increase in the prices of retail and other services, which was partly offset by the drop in the prices of fresh vegetables. Meanwhile, core CPI computed by the Central Bank of Egypt increased by 0.98 percent (m/m) in January 2016 compared to an increase of 0.10 percent (m/m) in December 2015. The annual rate increased to 7.73 percent in January from 7.23 percent in December. Meanwhile, the prices of retail items, other services and paid services increased by varying degrees<sup>1</sup>.

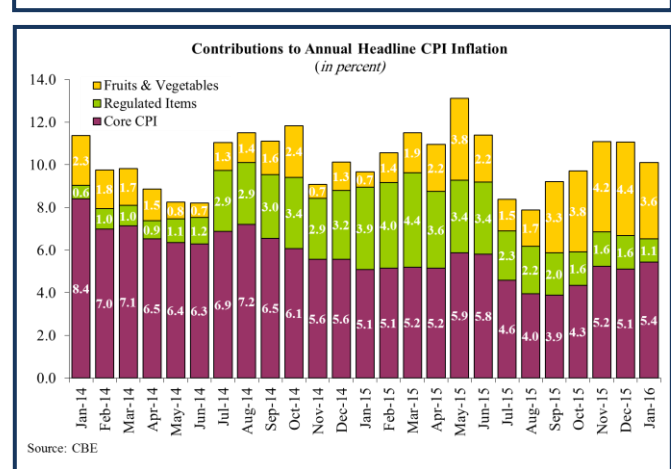
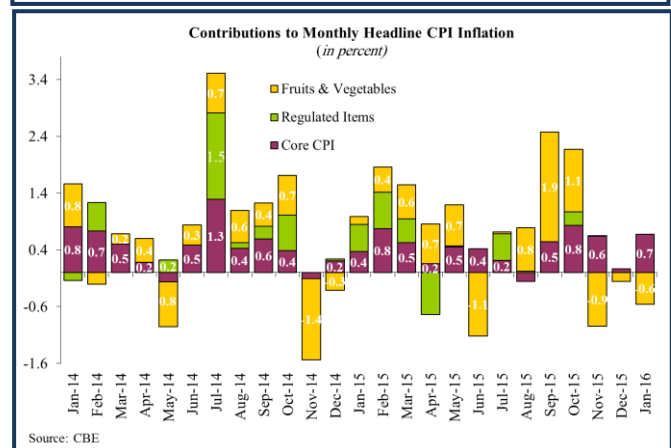


### 1. Headline CPI<sup>2</sup>

Headline CPI inched up by 0.11 percent (m/m) in January 2016 compared to a decline by 0.09 percent (m/m) in December 2015, which is below the monthly pace of 0.88 percent recorded during the year 2015. The annual rate declined to 10.10 percent in January from 11.06 percent in December, on the back of a favorable base effect.

### Key Highlights

- The prices of fresh vegetables declined in January by 5.27 percent (m/m), while fresh fruits inched up by 0.77 percent (m/m). Together, they contributed by negative 0.56 percentage points to monthly headline inflation.
- The prices of poultry and red meat increased in January by 6.43 and 0.33 percent (m/m), respectively. Together they contributed by 0.33 percentage points to monthly headline inflation.
- Moreover, the prices of fish and sea food increased by 1.99 percent (m/m) in January to contribute by 0.06 percentage points to monthly headline inflation.

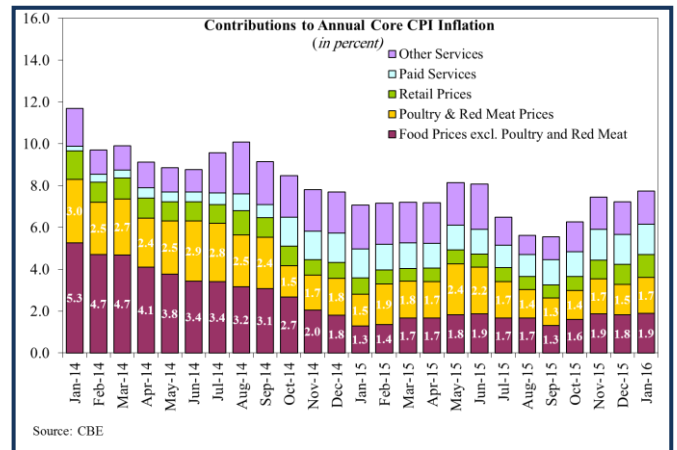
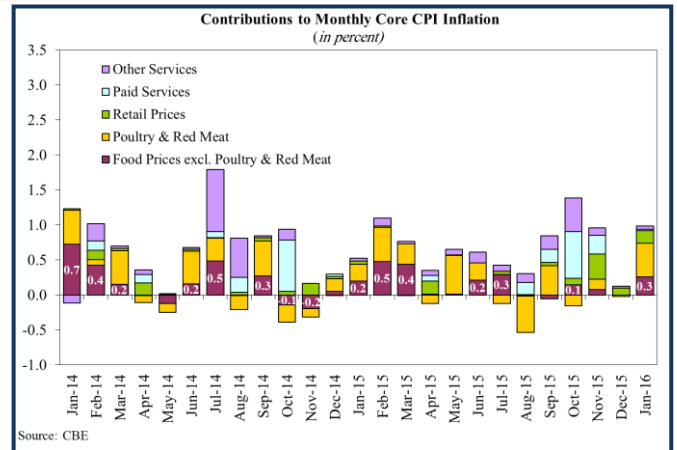


- The prices of a number of food items including rice, local butter and pulses picked up to jointly contribute by 0.11 percentage points to monthly headline inflation.
- The prices of retail items increased by 1.10 percent (m/m) in January to contribute by 0.12 percentage points to monthly headline inflation, which was mainly due to the increase in the prices of household cleaning products.
- The prices of other services increased by 0.18 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 Haj and Omra trips and restaurant services.
- The prices of paid services increased by 0.23 percent (m/m) in January to contribute by 0.01 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of dwelling maintenance services.

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

Core CPI computed by the Central Bank of Egypt, increased by 0.98 percent (m/m) in January 2016 compared to an increase by 0.10 percent (m/m) in December 2015, which is above the average monthly pace of 0.58 percent recorded during the year 2015. The annual rate increased to 7.73 percent in January from 7.23 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 0.74 percentage points to monthly core inflation. In addition the prices of retail items, other services and paid services increased by varying degrees which contributed by 0.25 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

| <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<br>basket 2/ | January 2015         | January 2016  | January 2016 to<br>December 2015 | January 2016 to<br>January 2015 |
|---|------------------------|----------------------|---------------|----------------------------------|---------------------------------|
|   | (in percent)           | (index)              |               | (percentage change)              |                                 |
|   |                        | (January 2010 = 100) |               |                                  |                                 |
| <b>Headline - All items</b>   | <b>100.00</b>          | <b>156.15</b>        | <b>171.92</b> | <b>0.11</b>                      | <b>10.10</b>                    |
| Food and beverages  | 39.92                  | 178.89               | 202.83        | -0.12                            | 13.38                           |
| 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<br>other fuels                         | 18.37                  | 125.32               | 128.76        | 0.10                             | 2.74                            |
| Furnishings, household equipment and<br>routine maintenance of the dwelling | 3.77                   | 137.98               | 152.62        | 3.76                             | 10.62                           |
| 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               | 182.02        | 0.79                             | 10.98                           |
| Education   | 4.63                   | 196.93               | 219.01        | 0.00                             | 11.21                           |
| Hotels, cafes and restaurants   | 4.43                   | 168.14               | 194.11        | 0.24                             | 15.45                           |
| Miscellaneous goods and services  | 3.73                   | 111.78               | 114.94        | 0.02                             | 2.82                            |
| <b>Selective aggregates</b>   |                        |                      |               |                                  |                                 |
| Fruits & vegetables 3/  | 6.90                   | 234.29               | 315.17        | -4.23                            | 34.52                           |
| Regulated items   | 18.66                  | 161.47               | 170.56        | 0.00                             | 5.63                            |
| Food excl. fruits & vegetables  | 31.08                  | 171.30               | 184.07        | 1.53                             | 7.45                            |
| Retail items  | 14.48                  | 123.92               | 132.19        | 1.10                             | 6.67                            |
| Paid services   | 5.87                   | 156.68               | 183.85        | 0.23                             | 17.35                           |
| Other services  | 23.00                  | 128.06               | 135.57        | 0.18                             | 5.86                            |
| Core CPI  | 74.43                  | 147.57               | 158.97        | 0.98                             | 7.73                            |

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits