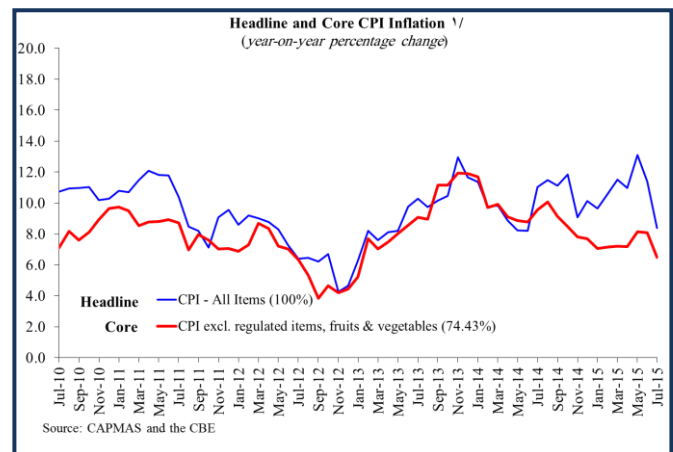
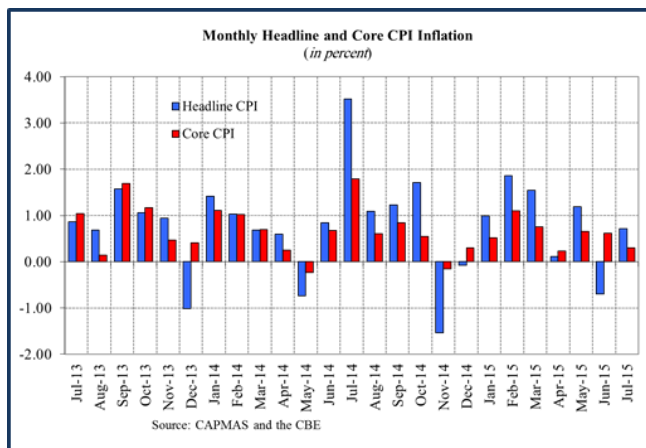


Headline and Core Inflation – July 2015

Headline CPI published by the Central Agency for Public Mobilization and Statistics on August 10, 2015, increased by 0.71 percent (m/m) in July 2015 compared to a decline by 0.70 percent (m/m) in June. The annual rate decelerated to 8.38 percent in July from 11.39 percent in June, on the back of a favorable base effect from the previous year. The government launched the second phase of the fiscal consolidation program by adjusting upwards the prices of some regulated items namely electricity, water, and railway transportation. Consequently, the direct effect of these price adjustments explained the bulk of the monthly price developments. Moreover, the month witnessed slight increases in the prices of other food items. Meanwhile, core CPI computed by the Central Bank of Egypt increased by 0.30 percent (m/m) in July 2015 compared to an increase of 0.61 percent (m/m) in June. The annual rate dropped to 6.49 percent in July from 8.07 percent in June, on the back of a favorable base effect from the previous year. Meanwhile, the prices of retail items and other services increased slightly, while paid services remained unchanged 1.

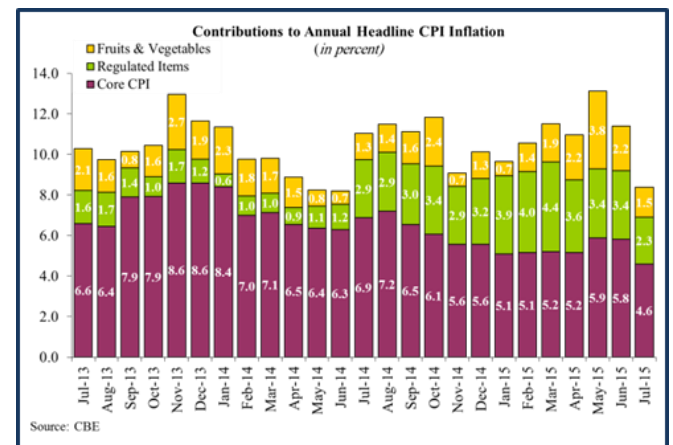
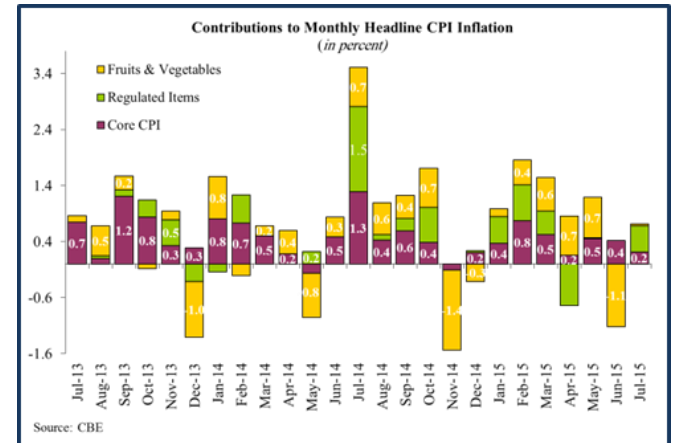


1. Headline CPI²

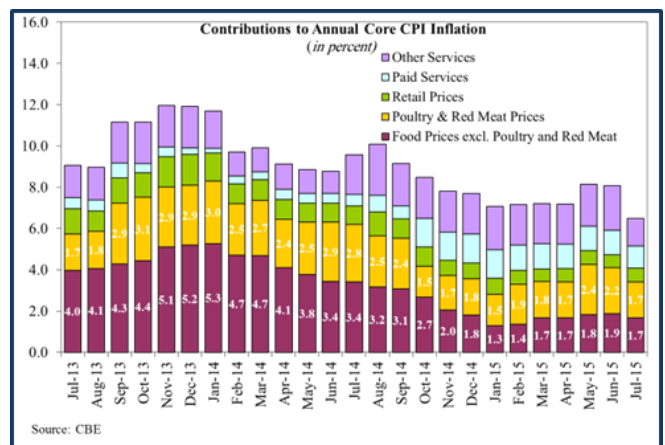
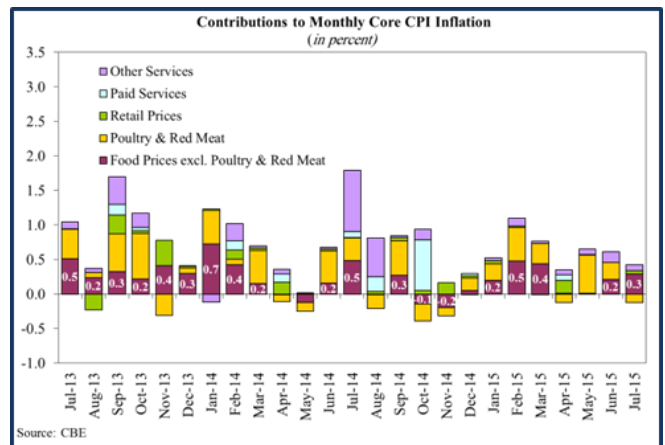
Headline CPI increased by 0.71 percent (m/m) in July 2015 compared to a decline by 0.70 percent (m/m) in June, which is below the average monthly pace of 0.83 percent recorded during the first half of 2015. The annual rate decelerated to 8.38 percent in July from 11.39 percent in June, on the back of a favorable base effect from the previous year.

Key Highlights

- As part of the government's fiscal consolidation program, launched in July 2015, the prices of electricity, water, and railway transportation were adjusted upwards. The price increases registered 21.2, 14.3 and 10.7 percent, respectively. The weighted price increase of these items registered 2.50 percent (m/m) in July, contributing by 0.47 percentage points to monthly headline inflation.
- The prices of fresh vegetables increased slightly in July by 0.84 percent (m/m), while fresh fruits declined by 1.76 percent (m/m). Together, they contributed by 0.03 percentage points to monthly headline inflation.



- The prices of poultry declined by 5.81 percent in July, while the prices of red meat increased by 3.21 percent. Together, they contributed by 0.09 percentage points to monthly headline inflation.
- Moreover, the prices of eggs increased by 3.80 percent (m/m) in July to contribute by 0.08 percentage points to monthly headline inflation.
- Prices of fish and seafood increased by 3.53 percent (m/m) in July, contributing by 0.12 percentage points to monthly headline inflation .
- The prices of other services increased by 0.33 percent (m/m) in July to contribute by 0.06 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of restaurant and Haj and Omra trips.
- Meanwhile, the prices of retail items increased by 0.30 percent (m/m) in July to contribute by 0.03 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of HH cleaning products and medical products. While paid services remained unchanged.



2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.30 percent (m/m) in July 2015 compared to 0.61 percent (m/m) in June, which is below the average monthly pace of 0.64 percent recorded during the first half of 2015. The annual rate dropped to 6.49 percent in July from 8.07 percent in June, on the back of a favorable base effect from the previous year.

The monthly dynamics in July was mainly driven by the developments in the prices of the previously mentioned food items, which contributed by 0.17 percentage points to monthly core inflation, in addition to the increase in the prices of other services and retail items which contributed by 0.13 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/	July 2014	July 2015	July 2015 to June 2015	July 2015 to July 2014
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	150.98	163.63	0.71	8.38
Food and beverages	39.92	177.30	192.04	0.31	8.31
Tobacco and related products	2.19	268.32	314.57	0.00	17.24
Clothing and footwear	5.41	114.35	123.12	0.01	7.67
Housing, water, electricity, gas and other fuels	18.37	120.59	128.13	3.18	6.25
Furnishings, household equipment and routine maintenance of the dwelling	3.77	134.72	139.99	0.67	3.91
Medical care	6.33	128.84	131.69	0.40	2.22
Transportation	5.68	137.37	139.56	0.29	1.59
Communications	3.12	97.02	96.85	0.00	-0.18
Recreation and Culture	2.43	155.41	171.38	1.95	10.28
Education	4.63	157.94	196.93	0.00	24.68
Hotels, cafes and restaurants	4.43	155.29	177.98	0.26	14.61
Miscellaneous goods and services	3.73	106.35	111.58	0.06	4.91
Selective aggregates					
Fruits & vegetables 3/	6.90	233.34	265.69	0.29	13.86
Regulated items	18.66	149.51	168.13	2.50	12.46
Food excl. fruits & vegetables	31.08	169.47	181.21	0.34	6.93
Retail items	14.48	121.05	125.95	0.30	4.05
Paid services	5.87	138.60	158.18	0.00	14.13
Other services	23.00	124.47	130.68	0.33	4.99
Core CPI	74.43	143.71	153.03	0.30	6.49
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					