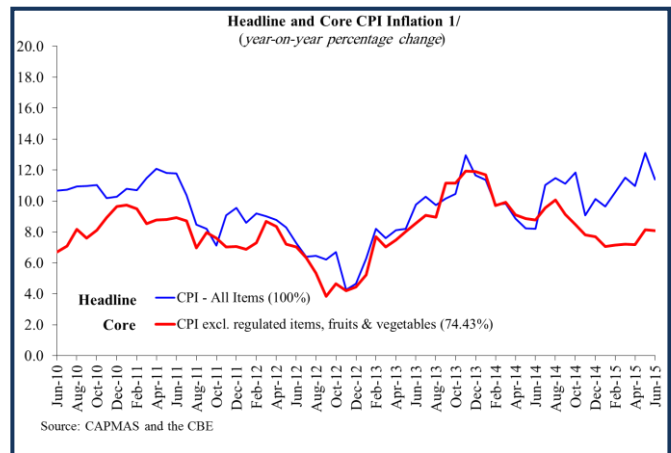
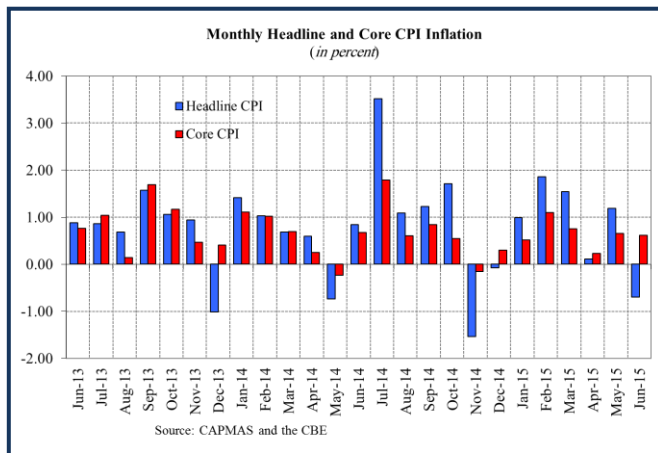


## Headline and Core Inflation – June 2015

Headline CPI published by the Central Agency for Public Mobilization and Statistics on July 9, 2015, declined by 0.70 percent (m/m) in June 2015 compared to an increase of 1.19 percent (m/m) in May. Accordingly, the annual rate declined to 11.39 percent in June from 13.11 percent in May, supported partially by the favorable base effect from the previous year. The bulk of the monthly decline was driven by the dropped in the prices of fresh vegetables. This was partly offset by the increase in the prices of other food. Meanwhile, core CPI computed by the Central Bank of Egypt increased by 0.61 percent (m/m) in June 2015 compared to an increase of 0.65 percent (m/m) in May. While the annual rate remained largely unchanged at 8.07 percent in June. Meanwhile, the prices of other services increased slightly, while retail items and paid services remained unchanged<sup>1</sup>.

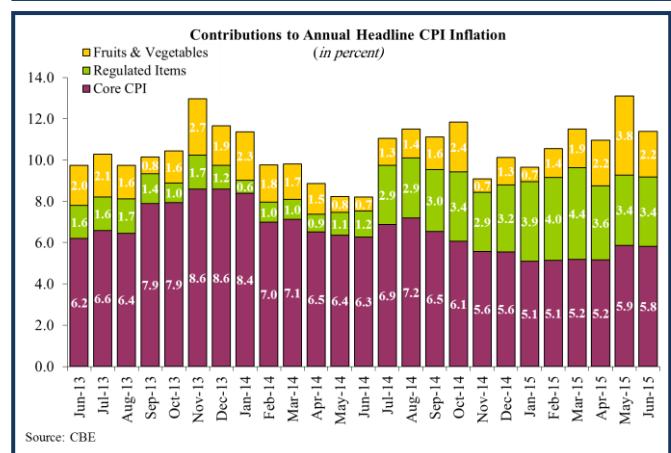
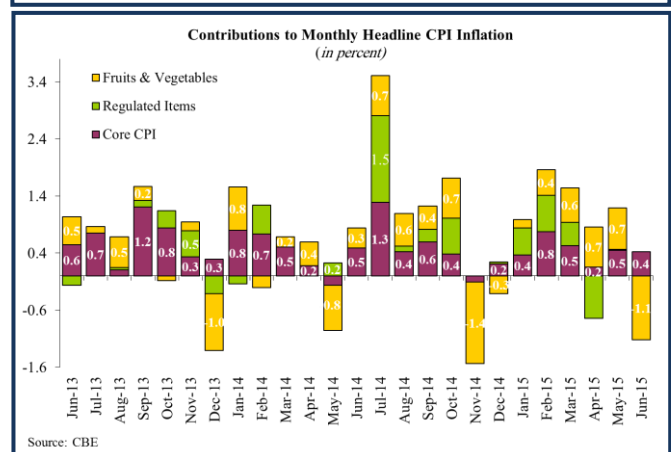


### 1. Headline CPI<sup>2</sup>

Headline CPI declined by 0.70 percent (m/m) in June 2015 compared to an increase by 1.19 percent (m/m) in May, which is below the average monthly pace of 1.14 percent recorded during the first five months of 2015. Accordingly, the annual rate declined to 11.39 percent in June from 13.11 percent in May, supported partially by the favorable base effect from the previous year.

#### Key Highlights

- The prices of fresh vegetables declined in June by 12.48 percent (m/m), while fresh fruits increased by 5.87 percent (m/m). Together, they contributed by negative 1.12 percentage points to monthly headline inflation.
- The prices of poultry increased by 3.23 percent in June to contribute by 0.17 percentage points to monthly headline inflation. In the meantime, the prices of red meat remained unchanged in June.

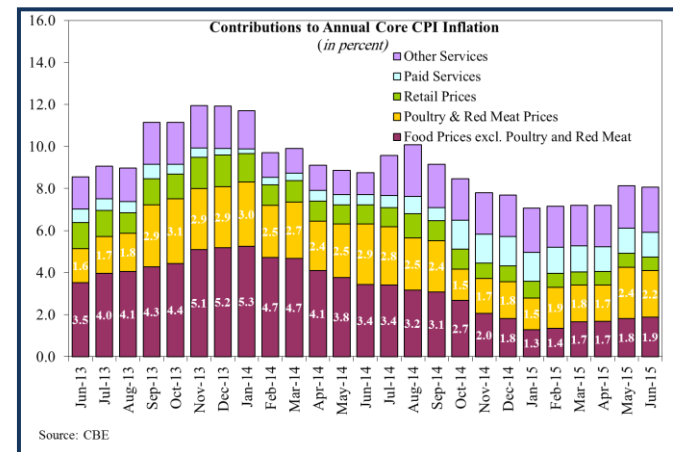
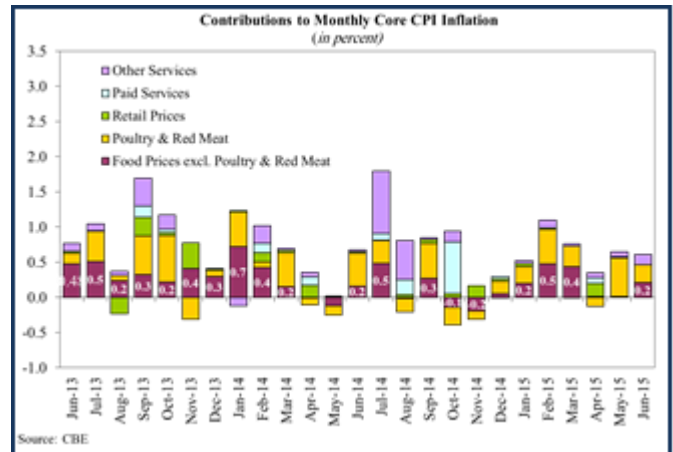


- Moreover, the prices of eggs increased by 2.33 percent (m/m) in June to contribute by 0.05 percentage points to monthly headline inflation.
- The prices of other services increased by 0.57 percent (m/m) in June to contribute by 0.10 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of restaurant and Haj and Omra trips, meanwhile, the prices of retail items and paid services remained unchanged.

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

Core CPI computed by the Central Bank of Egypt, increased by 0.61 percent (m/m) in June 2015 compared to 0.65 percent (m/m) in May, which is in line with the average monthly pace of 0.65 percent recorded during the first five months of 2015. While the annual rate remained largely unchanged at 8.07 percent in June.

The monthly dynamics in June was mainly driven by the developments in the prices of the previously mentioned food items, which contributed by 0.45 percentage points to monthly core inflation, in addition to the increase in the prices of other services which contributed by 0.15 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 basket 2/	June 2014	June 2015	June 2015 to May 2015	June 2015 to June 2014
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
<b>Headline - All items</b>	<b>100.00</b>	<b>145.86</b>	<b>162.47</b>	<b>-0.70</b>	<b>11.39</b>
Food and beverages	39.92	172.60	191.44	-1.69	10.92
Tobacco and related products	2.19	235.20	314.57	0.00	33.74
Clothing and footwear	5.41	114.32	123.11	0.00	7.68
Housing, water, electricity, gas and other fuels	18.37	117.09	124.18	0.00	6.06
Furnishings, household equipment and routine maintenance of the dwelling	3.77	134.51	139.06	0.04	3.38
Medical care	6.33	128.59	131.17	0.00	2.00
Transportation	5.68	114.25	139.16	0.01	21.80
Communications	3.12	97.02	96.85	0.00	-0.18
Recreation and Culture	2.43	145.28	168.10	1.37	15.71
Education	4.63	157.94	196.93	0.00	24.68
Hotels, cafes and restaurants	4.43	148.73	177.52	1.47	19.36
Miscellaneous goods and services	3.73	106.33	111.51	-0.04	4.87
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	218.45	264.93	-9.11	21.28
Regulated items	18.66	137.65	164.03	0.00	19.17
Food excl. fruits & vegetables	31.08	166.74	180.61	0.93	8.32
Retail items	14.48	120.99	125.57	0.00	3.79
Paid services	5.87	137.03	158.18	0.00	15.44
Other services	23.00	120.42	130.25	0.57	8.16
Core CPI	74.43	141.18	152.57	0.61	8.07

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits