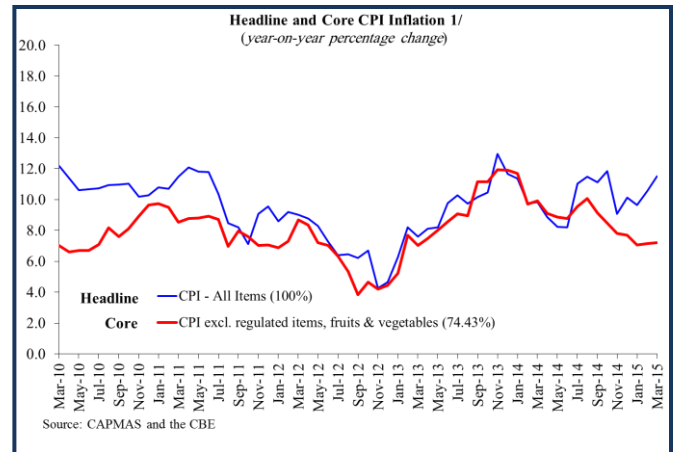
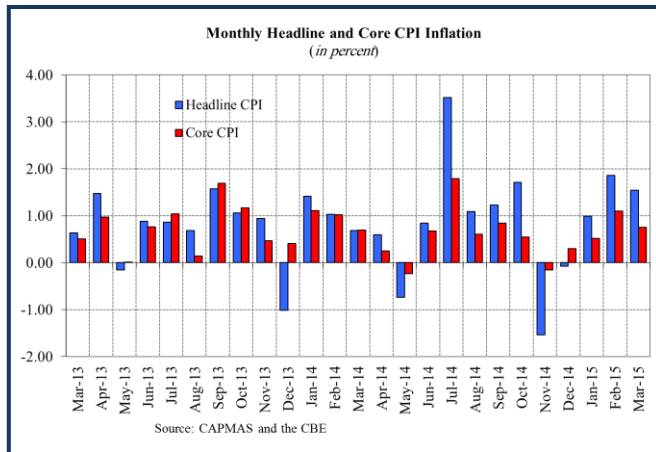


Headline and Core Inflation – March 2015

Headline CPI published by the Central Agency for Public Mobilization and Statistics on April 9, 2015, increased by 1.55 percent (m/m) in March 2015 compared to an increase of 1.86 percent (m/m) in February. The annual rate increased to 11.51 percent in March from 10.56 percent in February. The bulk of the monthly increase was driven by the acceleration in the prices of fresh vegetables and the continuing increase in the prices of regulated items, primarily butane cylinders, due to supply bottlenecks in the distribution channels. Meanwhile, core CPI computed by the Central Bank of Egypt increased by 0.76 percent (m/m) in March 2015 compared to an increase of 1.10 percent (m/m) in February. The annual rate inched up to 7.21 percent in March compared to 7.15 percent in February. Additionally, while the prices of other services increased marginally, prices of retail items and paid services remained broadly unchanged¹.

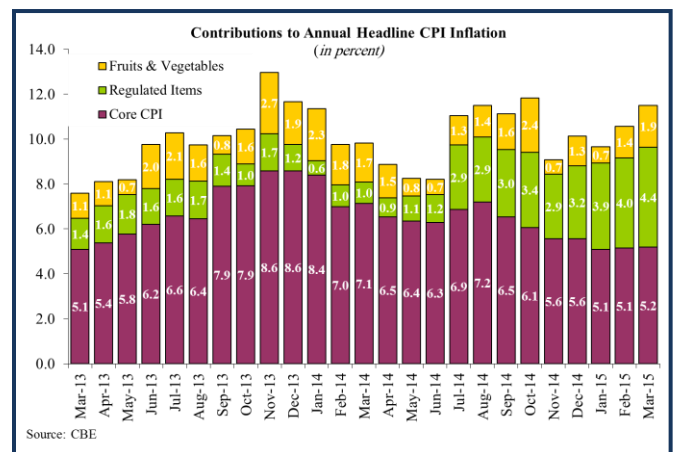
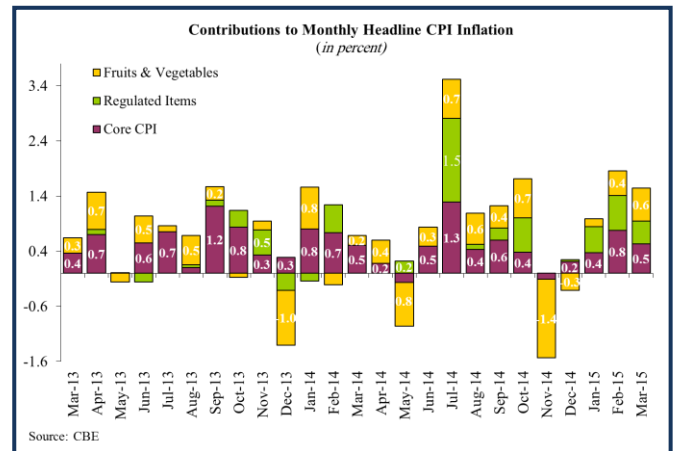


1. Headline CPI²

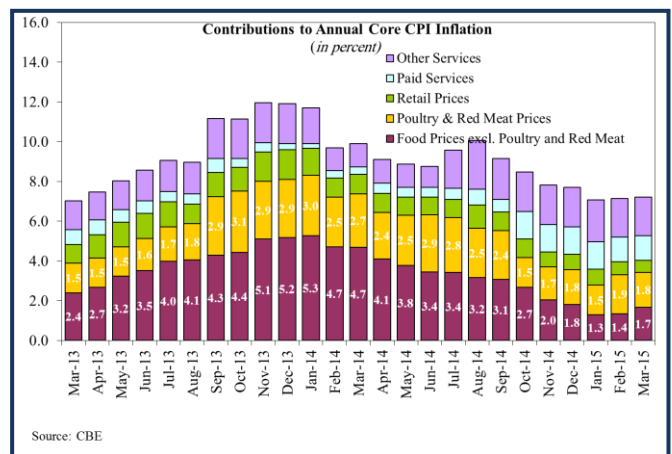
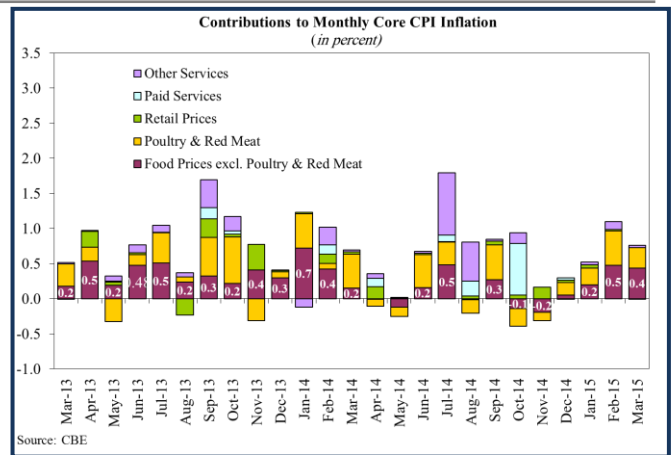
Headline CPI increased by 1.55 percent (m/m) in March 2015 compared to 1.86 percent (m/m) in February, which is above the average monthly pace of 0.81 percent and 1.42 percent recorded during 2014 and the first two months of 2015, respectively. Meanwhile, the annual rate increased to record 11.51 percent in March compared to 10.56 percent in February.

Key Highlights

- Prices of regulated items increased by 2.11 percent (m/m) in March, contributing by 0.41 percentage points to monthly headline inflation. This was attributed to the continuing increase in the prices of butane cylinders by 27.91 percent, due to supply bottlenecks in the distribution channels, as well as the adjustment in the prices of water supply by 2.26 percent.
- The prices of fresh vegetables increased by 6.78 percent (m/m) in March, and the prices of fresh fruits increased by 1.43 percent. Together, they contributed by 0.60 percentage points to monthly headline inflation.



- The prices of poultry increased by 3.92 percent in March to contribute by 0.20 percentage points to monthly headline inflation, while the prices of red meat remained unchanged.
- The prices of fish and seafood increased by 1.93 percent (m/m) in March, contributing by 0.06 percentage points to monthly headline inflation.
- Moreover, the prices of eggs increased by 3.11 percent (m/m) in March to contribute by 0.07 percentage points to monthly headline inflation.
- While the prices of a number of other food items, namely rice, margarine, edible oil and pulses, increased to contribute by 0.17 percentage points to monthly headline inflation.
- The prices of other services increased marginally by 0.13 percent (m/m) in March to contribute by 0.02 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of restaurant services and hotel accommodation.
- Meanwhile, the prices of retail items and paid services remained broadly unchanged.



2. Core Inflation²

Core CPI computed by the Central Bank of Egypt, increased by 0.76 percent (m/m) in March 2015 compared to 1.10 percent (m/m) in February, which is above the average monthly pace of 0.62 percent recorded during the year 2014. The annual rate inched up to 7.21 percent in March from 7.15 percent in February.

The monthly dynamics in March was mainly driven by the developments in the prices of the previously mentioned food items, which contributed by 0.73 percentage points to monthly core inflation. In the meantime, the increase in the prices of other services contributed by 0.03 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/	March 2014	March 2015	March 2015 to February 2015	March 2015 to March 2014
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	144.85	161.51	1.55	11.51
Food and beverages	39.92	172.00	187.73	2.42	9.15
Tobacco and related products	2.19	235.20	314.57	0.00	33.74
Clothing and footwear	5.41	110.65	119.00	0.00	7.55
Housing, water, electricity, gas and other fuels	18.37	115.26	130.65	2.81	13.35
Furnishings, household equipment and routine maintenance of the dwelling	3.77	132.88	138.84	0.00	4.48
Medical care	6.33	128.59	131.17	0.00	2.00
Transportation	5.68	112.97	137.84	0.01	22.01
Communications	3.12	97.02	96.85	0.00	-0.18
Recreation and Culture	2.43	142.35	164.01	0.00	15.22
Education	4.63	157.94	196.93	0.00	24.68
Hotels, cafes and restaurants	4.43	147.85	171.80	0.49	16.20
Miscellaneous goods and services	3.73	106.54	111.33	-0.15	4.49
Selective aggregates					
Fruits & vegetables 3/	6.90	219.02	258.31	5.69	17.94
Regulated items	18.66	135.90	170.34	2.11	25.34
Food excl. fruits & vegetables	31.08	165.84	177.32	1.49	6.92
Retail items	14.48	119.57	124.03	-0.04	3.73
Paid services	5.87	134.83	156.68	0.00	16.20
Other services	23.00	119.94	128.77	0.13	7.36
Core CPI	74.43	140.21	150.32	0.76	7.21
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					