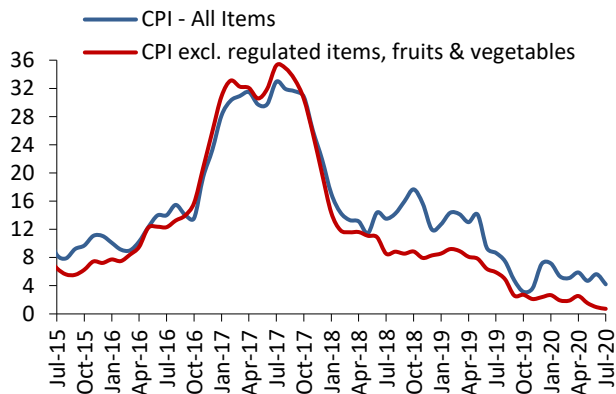


## Headline and Core Inflation – July 2020

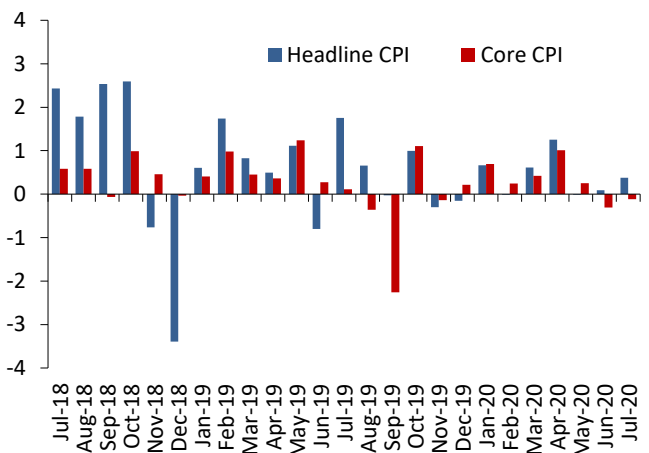
- Annual headline urban inflation<sup>1/</sup> declined to 4.2 percent in July 2020 from 5.6 percent in June 2020, the lowest rate recorded since November 2019. It came due to continued muted inflationary pressures and supported by favorable base effects.
- Monthly headline urban inflation<sup>1/</sup> recorded 0.4 percent in July 2020 compared to 1.8 percent in July 2019, which incorporated the impact of the implemented fiscal consolidation measures to reach cost recovery for fuel products in 2019. July 2020 monthly headline urban inflation continued to reflect higher non-food prices and lower food prices for the third consecutive month. It reflected mainly higher prices of electricity (regulated item) as well as cafes' and restaurants (services item). This was partly offset by lower prices of food items, mainly reflecting lower prices of poultry (core food) as well as lower prices of fresh fruits and vegetables. In addition, prices of clothing declined slightly.
- The decline in annual headline urban inflation was driven by lower annual contribution of food and non-food items with broadly similar magnitudes. Annual food inflation declined in July 2020, driven mainly by lower prices of volatile food items, which came against their historical seasonal pattern. In addition, annual non-food inflation declined as a result of lower annual contributions of regulated, retail and services items, stemming mainly from incorporating the direct and indirect impact of higher fuel prices in 2019.
- Against this background, monthly core inflation<sup>2/</sup> recorded negative 0.1 percent in July 2020 compared to positive 0.1 percent in July 2019. Hence, annual core inflation<sup>2/</sup> declined to 0.7 percent in July 2020 from 1.0 percent in June 2020, the lowest rate on record.
- Nationwide and rural annual inflation<sup>1/</sup> declined to record 4.6 percent and 5.1 percent in July 2020 from 6.0 percent and 6.4 percent in June 2020, respectively.

**Headline and Core CPI Inflation <sup>3/</sup>**  
(y/y, in percent)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

**Headline and Core CPI Inflation <sup>3/</sup>**  
(m/m, in percent)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

1/ Published by the Central Agency for Public Mobilization and Statistics.

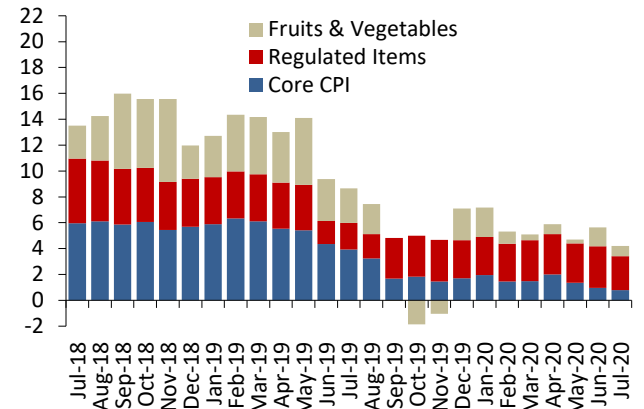
2/ Computed by the Central Bank of Egypt.

3/ 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.

## Key Highlights:

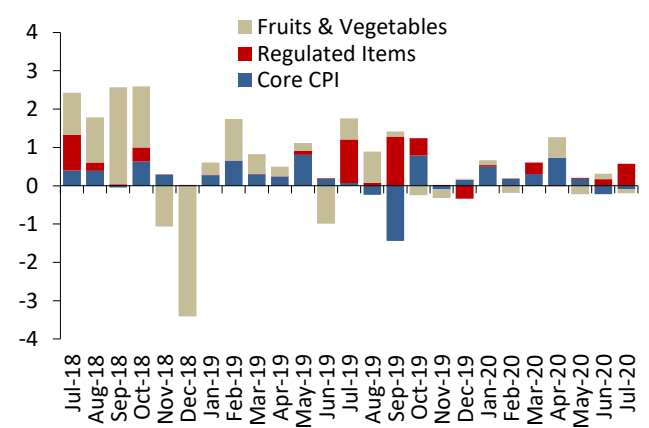
- Prices of regulated items increased by 2.54 percent to contribute by 0.58 percentage points to monthly headline inflation. This was mainly due to higher prices of electricity and tobacco.
- Prices of fresh vegetables and fruits declined by 1.46 percent and 2.93 percent, respectively. Together they contributed by negative 0.11 percentage points to monthly headline inflation.
- Prices of poultry declined for the second consecutive month by 3.84 percent, to contribute by negative 0.15 percentage points to monthly headline inflation.
- Prices of Fish and seafood declined for the third consecutive month by 1.25 percent, to contribute by negative 0.03 percentage points to monthly headline inflation.
- Prices of red meat remained broadly stable after six months of increase.
- Prices of other core food items, including bread and cereals as well as dairy products increased only slightly to contribute by 0.02 percentage points to monthly headline inflation.

**Contribution to Annual Headline CPI Inflation**  
(in percentage points)



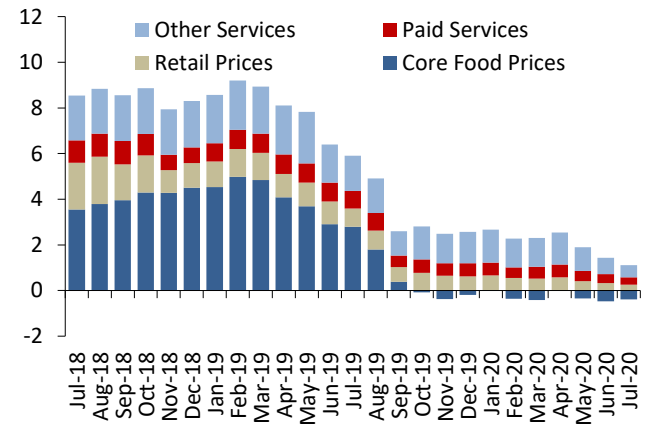
Source: Central Bank of Egypt.

**Contribution to Monthly Headline CPI Inflation**  
(in percentage points)



Source: Central Bank of Egypt.

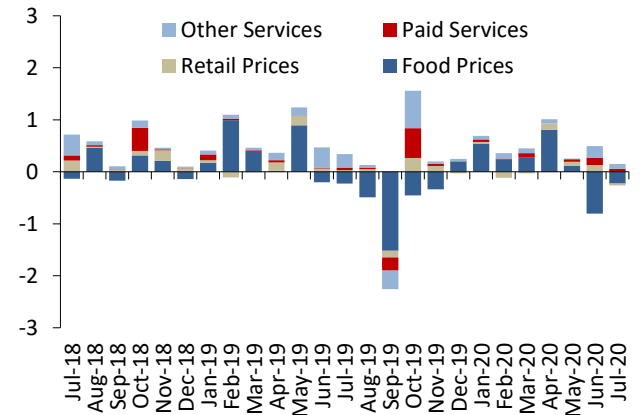
**Contribution to Annual Core CPI Inflation**  
(in percentage points)



Source: Central Bank of Egypt.

- Prices of services increased by 0.31 percent to contribute by 0.11 percentage points to monthly headline inflation. This was mainly due to higher prices of cafes' and restaurants as they recorded the highest monthly increase since July 2018 which is mainly attributed to the partial reopening from COVID-19 lockdown.
- Prices of retail items declined by 0.19 percent after three consecutive months of increase, to contribute by negative 0.03 percentage points to monthly headline inflation. This was mainly due to lower prices of clothing.
- Monthly core inflation was affected by price changes of the aforementioned core CPI items. Core food items and retail items contributed by negative 0.23 and negative 0.04 percentage points to monthly core inflation, respectively. Meanwhile, services contributed by positive 0.15 percentage points to monthly core inflation.

**Contribution to Monthly Core CPI Inflation**  
(in percentage points)



Source: Central Bank of Egypt.

**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		Summer & Winter Vacations
	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 <sup>1/</sup>

	Weight in basket 2/	July 2019	July 2020	July 2020 to June 2020	July 2020 to July 2019
	(in percent)	(index)		(percentage change)	
	(Average 2018/2019 = 100)				
<b>Headline - All items</b>	<b>100.00</b>	<b>103.71</b>	<b>108.07</b>	<b>0.38</b>	<b>4.20</b>
Food and beverages	32.73	102.20	100.64	-0.89	-1.53
Tobacco and related products	4.41	100.90	114.02	1.00	13.00
Clothing and footwear	4.38	104.22	105.85	-0.65	1.56
Housing, water, electricity, gas and other fuels	19.46	107.86	108.35	2.17	0.46
Furnishings, household equipment and routine maintenance of the dwelling	3.93	100.84	104.17	-0.28	3.30
Medical care	8.59	103.91	113.57	0.41	9.30
Transportation	6.66	107.57	115.75	0.01	7.60
Communications	2.75	100.04	104.54	-0.01	4.50
Recreation and Culture	2.24	110.93	113.17	0.47	2.02
Education	5.49	103.30	125.86	0.00	21.83
Hotels, cafes and restaurants	4.98	106.92	116.43	2.96	8.89
Miscellaneous goods and services	4.37	103.43	107.47	0.69	3.90
<b>Selective aggregates</b>					
Fruits & vegetables 3/	5.46	101.41	103.90	-2.09	2.46
Regulated items	21.44	107.49	116.76	2.54	8.62
Food excl. fruits & vegetables	24.51	102.61	100.02	-0.71	-2.53
Retail items	14.34	102.69	107.27	-0.19	4.46
Paid services	6.96	103.54	114.86	0.53	10.93
Other services	27.30	104.81	108.01	0.25	3.05
Core CPI	73.09	103.19	103.93	-0.12	0.72

1/ Source: CAPMAS and CBE calculations

2/ Based on 2017/2018 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits