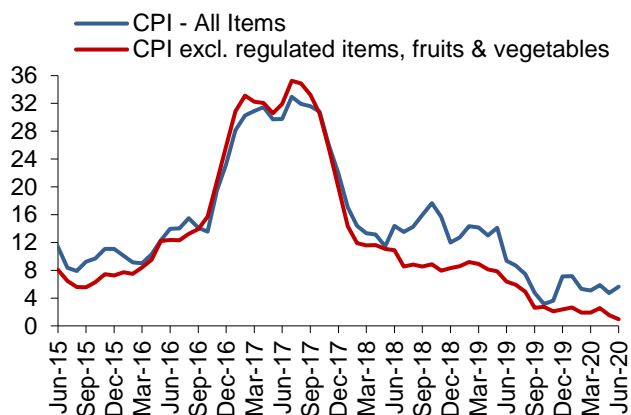


Headline and Core Inflation – June 2020

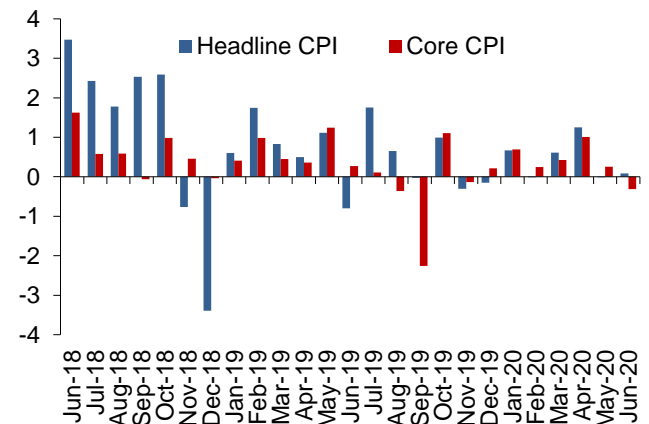
- Annual headline urban inflation^{1/} increased to 5.6 percent in June 2020 from 4.7 percent in May 2020, driven by unfavorable base effects and despite of broadly muted monthly prices increases. Monthly headline inflation recorded positive 0.1 percent in June 2020 compared to negative 0.8 percent in June 2019.
- June 2020 monthly headline urban inflation^{1/} continued to reflect muted inflationary pressures. It was driven by higher prices of non-food items which more than offset lower prices of food items. Non-food monthly inflation reflected mainly higher prices of services items, tobacco as well as seasonally higher prices of clothing. Meanwhile, food inflation reflected lower prices of core food items and fresh vegetables, both of which more than offset higher prices of fresh fruits.
- However, annual non-food inflation inched up only in June 2020 after declining for two consecutive months, mainly due to higher annual contribution of tobacco as well as clothing by a lesser extent and notwithstanding lower annual contribution of pilgrimage services. These developments are broadly attributed to the impact of COVID-19. Meanwhile, annual food inflation increased due to higher annual contribution of volatile food items, due to lower magnitude of price declines of fresh vegetables compared to previous year, which more than offset the lower annual contribution of core food items. Accordingly, the increase of annual headline inflation was mainly driven by higher annual food contribution as well as higher annual non-food contribution but by a lesser extent.
- Against this background and driven by lower prices of core food items, monthly core inflation^{2/} recorded negative 0.3 percent in June 2020 compared to positive 0.3 percent in June 2019. Hence, annual core inflation^{2/} declined to 1.0 percent in June 2020 from 1.5 percent in May 2020, the lowest rate on record.
- Nationwide and rural annual inflation^{1/} increased to record 6.0% and 6.4% in June 2020 from 5.0% and 5.4% in May 2020, respectively.

Headline and Core CPI Inflation ^{3/}
(y/y, in percent)



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

Headline and Core CPI Inflation ^{3/}
(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.

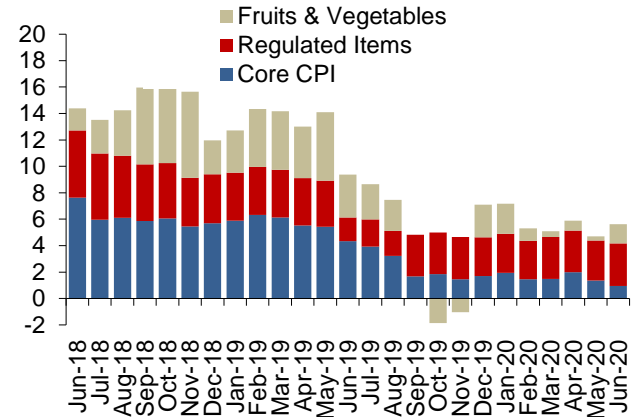
2/ Computed by the Central Bank of Egypt.

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:

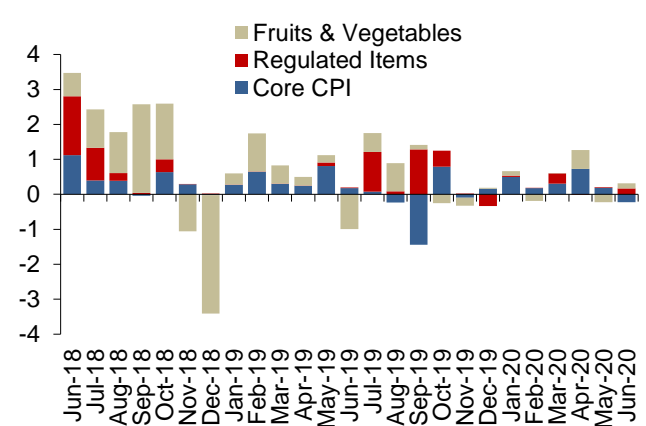
- Prices of fresh vegetables declined by 5.26 percent. Meanwhile, prices of fresh fruits increased by 15.88 percent, largely driven by an increase in prices of citrus fruits by 44.61 percent for the fourth consecutive month. Prices of fresh vegetables and fruits contributed together by 0.14 percentage points to monthly headline inflation.
- Prices of poultry declined by 10.24 percent after increasing for six consecutive months, to contribute by negative 0.46 percentage points to monthly headline inflation.
- Prices of eggs declined by 6.73 percent, recording the second consecutive decline, to contribute by negative 0.07 percentage points to monthly headline inflation.
- Prices of Fish and seafood declined by 3.19 percent, recording the second consecutive decline, to contribute by negative 0.07 percentage points to monthly headline inflation.
- Prices of other core food items, including red meat, rice, fats, tea and sugar increased only slightly to contribute by 0.02 percentage points to monthly headline inflation.

Contribution to Annual Headline CPI Inflation
(in percentage points)



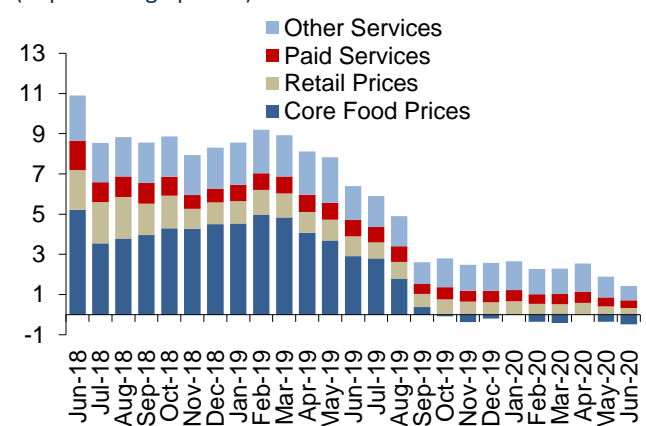
Source: Central Bank of Egypt.

Contribution to Monthly Headline CPI Inflation
(in percentage points)



Source: Central Bank of Egypt.

Contribution to Annual Core CPI Inflation
(in percentage points)

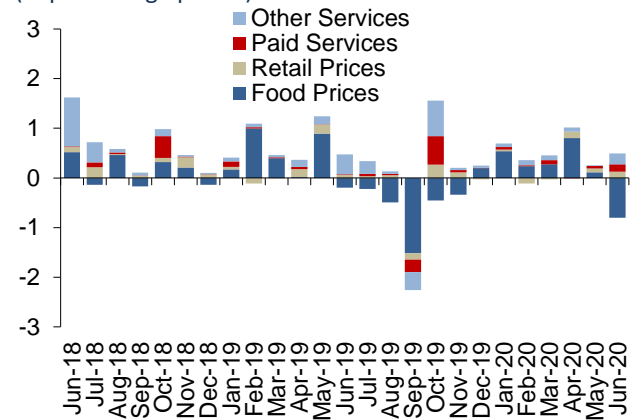


Source: Central Bank of Egypt.

- Prices of regulated items increased by 0.75 percent to contribute by 0.17 percentage points to monthly headline inflation. This was mainly due to higher tobacco prices.
- Prices of retail items increased by 0.65 percent, recording the third consecutive increase, to contribute by 0.09 percentage points to monthly headline inflation. This was mainly due to seasonally higher prices of clothing.
- Prices of services increased by 0.77 percent to contribute by 0.26 percentage points to monthly headline inflation. This was mainly due to higher rental values, outpatient services, haircuts as well as expenditure of cafes' and restaurants.
- Monthly core inflation was affected by price changes of the aforementioned core CPI items. Core food items contributed by negative 0.80 percentage points to monthly core inflation. On the other hand, services and retail items contributed by positive 0.37 percentage points and 0.13 percentage points to monthly core inflation, respectively.

Contribution to Monthly Core CPI Inflation

(in percentage points)



Source: Central Bank of Egypt.

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		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 ^{1/}

	Weight in basket 2/	June 2019	June 2020	June 2020 to May 2020	June 2020 to June 2019
	(in percent)	(index)		(percentage change)	
	(Average 2018/2019 = 100)				
Headline - All items	100.00	101.92	107.66	0.09	5.63
Food and beverages	32.73	101.41	101.55	-1.40	0.13
Tobacco and related products	4.41	100.52	112.88	3.42	12.30
Clothing and footwear	4.38	104.04	106.54	1.94	2.40
Housing, water, electricity, gas and other fuels	19.46	100.38	106.06	0.61	5.65
Furnishings, household equipment and routine maintenance of the dwelling	3.93	100.56	104.47	0.04	3.89
Medical care	8.59	103.71	113.11	0.84	9.06
Transportation	6.66	100.69	115.74	0.43	14.95
Communications	2.75	100.02	104.56	0.01	4.53
Recreation and Culture	2.24	110.91	112.64	0.22	1.55
Education	5.49	103.30	125.86	0.00	21.83
Hotels, cafes and restaurants	4.98	104.78	113.09	0.51	7.93
Miscellaneous goods and services	4.37	102.26	106.73	0.83	4.37
Selective aggregates					
Fruits & vegetables 3/	5.46	97.91	106.11	2.70	8.38
Regulated items	21.44	101.32	113.86	0.75	12.38
Food excl. fruits & vegetables	24.51	103.05	100.74	-2.47	-2.24
Retail items	14.34	102.49	107.47	0.65	4.87
Paid services	6.96	102.97	114.26	1.43	10.96
Other services	27.30	103.61	107.74	0.59	3.99
Core CPI	73.09	103.07	104.06	-0.31	0.95

1/ Source: CAPMAS and CBE calculations

2/ Based on Household Income, Expenditure and Consumption Survey (HIECS) 2017/2018

3/ Excluding pulses, processed vegetables and dried fruits