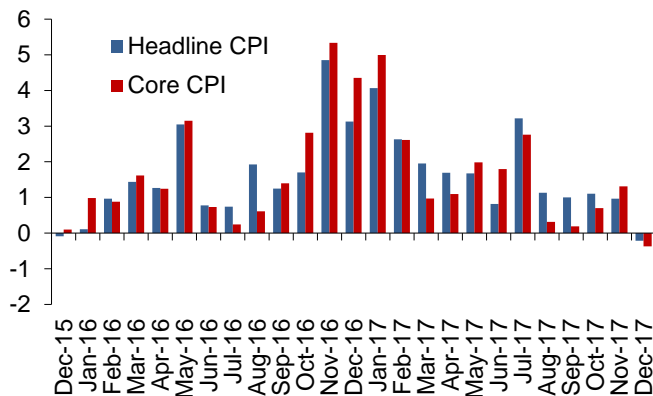


Headline and Core Inflation – December 2017

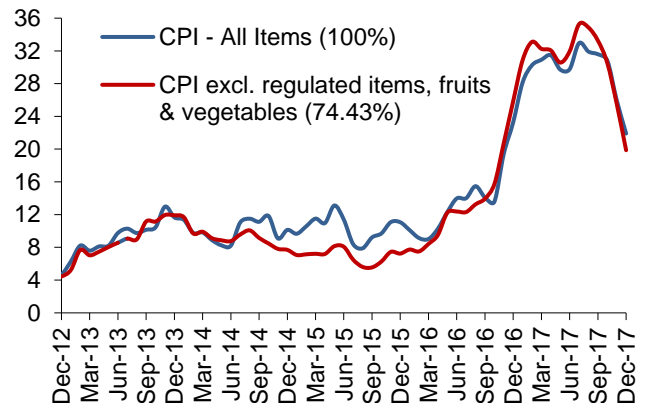
- Annual headline^{1/} and core^{2/} (urban) inflation declined for the fifth consecutive month to record respectively, 21.9 percent and 19.9 percent in December 2017 compared to 26.0 percent and 25.5 percent in November 2017, after peaking in July at 33.0 percent and 35.3 percent due to fiscal reform measures. The headline and core annual rates thereby register the lowest since November and October 2016, respectively.
- The decline was supported by tighter real monetary conditions, and was accelerated by strong favorable base effects since November 2017.
- Meanwhile, monthly headline inflation registered in December 2017 its first negative rate since December 2015, recording -0.2 percent. This comes after stabilizing in the period between August and November 2017 at around 1.1 percent, affected by upward adjustments of regulated prices which accounted on average for 44 percent of monthly headline inflation.

Headline and Core CPI Inflation ^{3/4/}
(m/m, in percent)



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

Headline and Core CPI Inflation ^{3/4/}
(y/y, 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.

4/ 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).

- The inflationary impact of the domestic currency depreciation has largely diminished, including the delayed impact on items that witness delayed or seasonal consumption such as pilgrimage in May, clothing in June and education in October 2017.

- The negative monthly inflation in December was due to the decline of core food prices which has more than offset the slight increase of prices of fresh fruits, while prices of other CPI items remained broadly unchanged. The decline of core food prices was mainly due to the decline of red meat prices for the first time since December 2015 and the continued decline of poultry prices for the seventh consecutive month. Red meat prices declined in December 2017 after stabilizing between September and November 2017 and recording increases since April 2016.

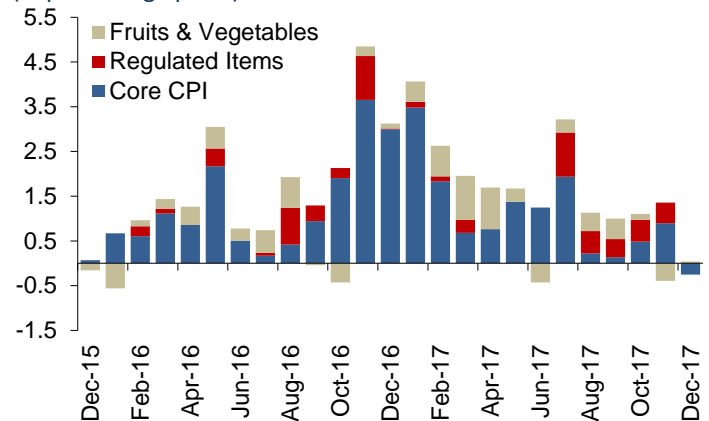
- As the overall decline of prices in December was driven by core food items, monthly core inflation declined by a greater magnitude than headline inflation, recording -0.37 percent and registering the first negative rate since August 2015. This compares to a monthly core inflation rate of 1.3 percent in November and 0.7 percent in October, after averaging 0.25 percent in August and September.

Key Highlights:

- Prices of red meat declined in December 2017 for the first time since December 2015 after stabilizing between September and November 2017 and recording increases since April 2016. The decline of red meat prices recorded 1.10 percent and contributed by negative 0.09 percentage points to monthly headline inflation.
- Prices of poultry declined for the seventh consecutive month. The decline of poultry prices recorded 2.91 percent and contributed by negative 0.11 percentage points to monthly headline inflation.
- Prices of fresh vegetables declined for the second consecutive month, decreasing by 0.31 percent, while prices of fresh fruits increased by 3.14 percent. Together, they contributed by 0.04 percentage points to monthly headline inflation.
- Prices of other food items contributed jointly by negative 0.04 percentage points to monthly headline inflation.

Contributions to Monthly Headline CPI Inflation

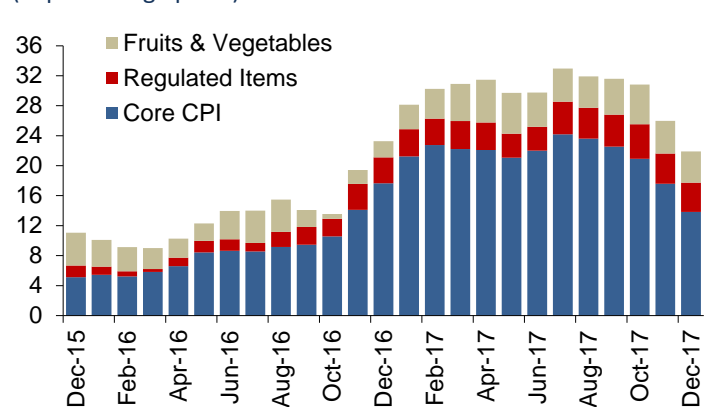
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Annual Headline CPI Inflation

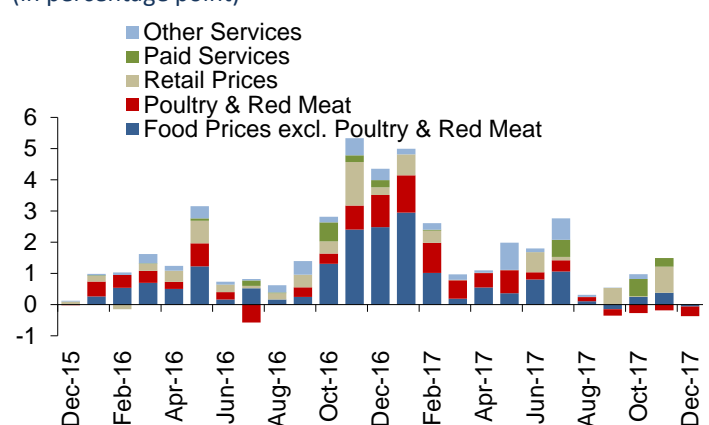
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Monthly Core CPI Inflation

(in percentage point)

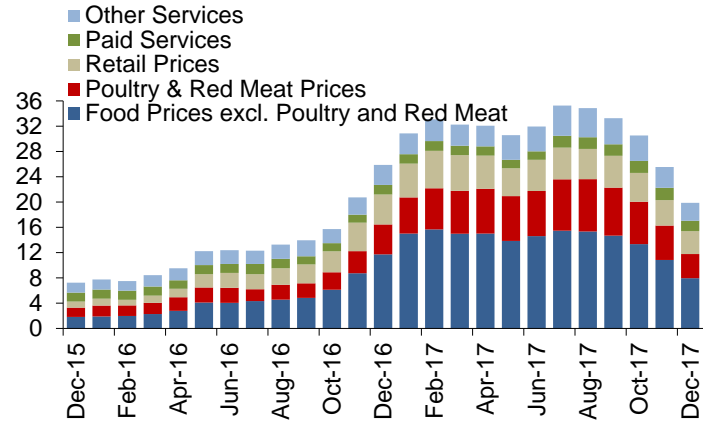


Source: Central Bank of Egypt.

- Prices of regulated, retail and services items remained broadly unchanged.
- Monthly core inflation was affected by price declines of the aforementioned core food items, which contributed by negative 0.37 percentage points to monthly core inflation.

Contributions to Annual Core CPI Inflation

(in percentage point)



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		
	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/	December 2016	December 2017	December 2017 to November 2017	December 2017 to December 2016
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
Headline - All items	100.00	211.69	258.05	-0.21	21.90
Food and beverages	39.92	260.64	326.23	-0.42	25.16
Tobacco and related products	2.19	400.66	518.35	0.00	29.37
Clothing and footwear	5.41	156.93	198.23	0.00	26.32
Housing, water, electricity, gas and other fuels	18.37	139.11	155.52	0.00	11.80
Furnishings, household equipment and routine maintenance of the dwelling	3.77	182.47	223.76	0.00	22.63
Medical care	6.33	190.51	209.06	0.00	9.74
Transportation	5.68	173.52	205.11	0.00	18.21
Communications	3.12	98.59	109.41	0.00	10.97
Recreation and Culture	2.43	209.83	293.88	0.00	40.06
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	251.42	292.51	0.00	16.34
Miscellaneous goods and services	3.73	143.24	180.80	-0.04	26.22
Selective aggregates					
Fruits & vegetables 3/	6.90	382.64	510.31	0.31	33.37
Regulated items	18.66	202.51	246.73	0.00	21.84
Food excl. fruits & vegetables	31.08	243.33	299.19	-0.70	22.96
Retail items	14.48	168.91	205.81	-0.01	21.84
Paid services	5.87	214.20	255.51	0.00	19.29
Other services	23.00	151.35	169.45	0.00	11.96
Core CPI	74.43	198.13	237.49	-0.37	19.86

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits