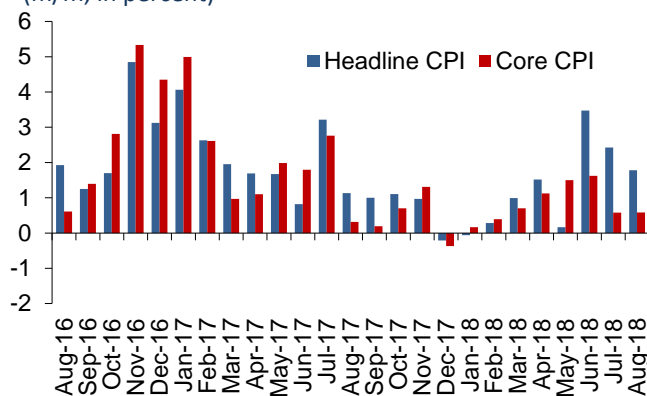


Headline and Core Inflation – August 2018

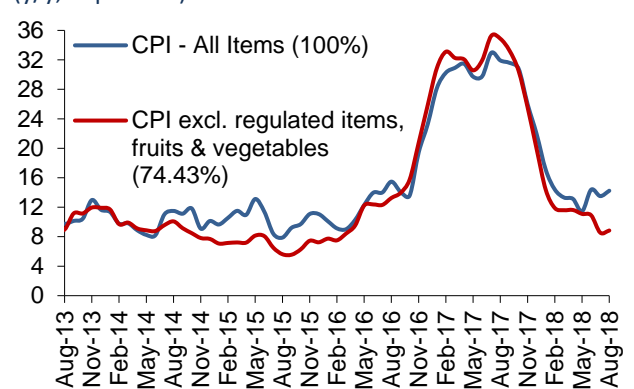
- Annual headline^{1/} and core inflation^{2/} recorded 14.2 percent and 8.8 percent in August 2018 compared to 13.5 percent and 8.5 percent in July 2018, respectively. Meanwhile, monthly headline and core inflation recorded 1.8 percent and 0.6 percent in August 2018, compared to 2.4 percent and 0.6 percent in July 2018, respectively.
- The August 2018 inflation data release remains consistent with achieving the CBE’s inflation target of 13 percent (±3 percent) on average during 2018 Q4.
- Similar to the previous two months, August 2018 inflation was mainly driven by higher prices of fresh fruits and vegetables as well as by upward adjustments of regulated prices. This development contributed to widening the spread between headline and core inflation since June 2018.
- Meanwhile, prices of core food items increased, partly due to seasonal factors, and prices of retail and services items remained broadly unchanged.

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.

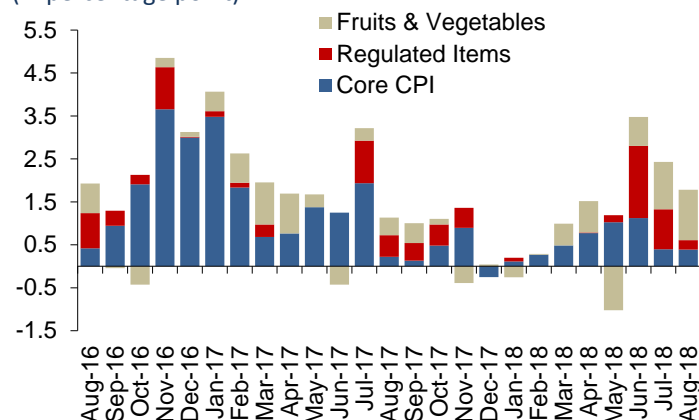
4/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8th CPI series by the 9th series starting from August 2009 (Full details are discussed in the Technical Appendix of the August 2010 Inflation Note).

Key Highlights:

- Prices of regulated items increased by 1.14 percent, mainly due to higher prices of natural gas for housing, to contribute by 0.22 percentage points to monthly headline inflation.
- Prices of fresh vegetables and fruits increased by 8.28 and 8.32 percent, respectively, to contribute jointly by 1.18 percentage points to monthly headline inflation. The increase of potatoes and tomatoes prices contributed by 0.78 percentage points.
- Prices of red meat increased slightly by 0.78 percent to contribute by 0.06 percentage points to monthly headline inflation. This records the fifth consecutive increase after being largely stable over the previous seven months.
- Prices of poultry increased by 3.62 percent to contribute by 0.15 percentage points to monthly headline inflation. This comes after recording price declines in the previous two months.
- Prices of rice declined by 1.45 percent to contribute by negative 0.05 percentage points to monthly headline inflation. This comes

Contributions to Monthly Headline CPI Inflation

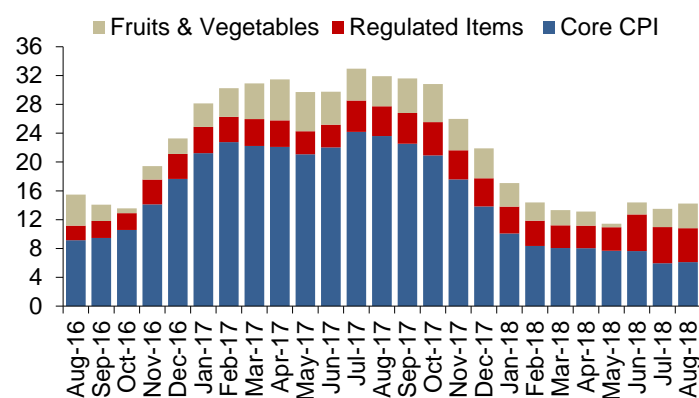
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Annual Headline CPI Inflation

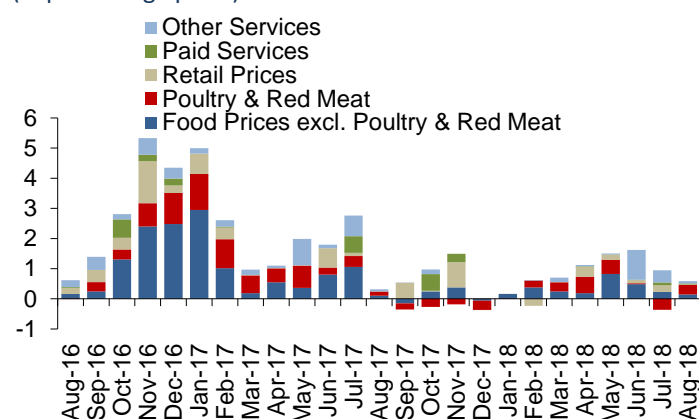
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Monthly Core CPI Inflation

(in percentage point)

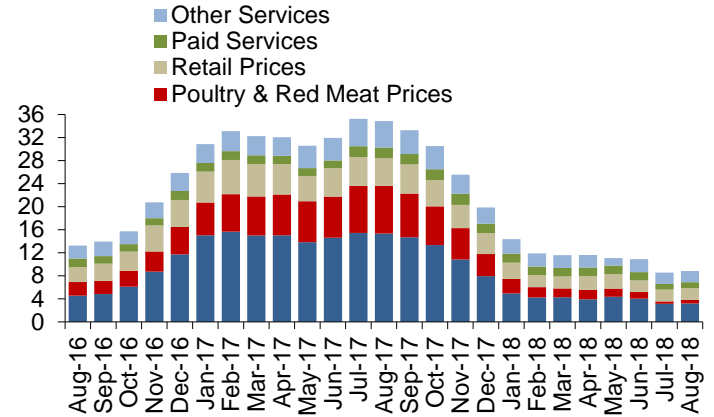


Source: Central Bank of Egypt.

after recording price increases in the previous four months.

- Prices of other core food items, including milk, cheese, eggs and bread increased to contribute jointly by 0.14 percentage points to monthly headline inflation.
- Prices of services increased slightly by 0.33 percent, mainly due to higher prices of cafés and restaurants, to contribute by 0.07 percentage points to monthly headline inflation.
- Prices of retail items increased slightly by 0.13 percent, mainly due to higher prices of cars and personal care products, to contribute by 0.01 percentage points to monthly headline inflation.
- Monthly core inflation was affected by price changes of the aforementioned core food items, which contributed by 0.46 percentage points to monthly core inflation. Meanwhile, prices of services and retail items contributed slightly by 0.10 and 0.02 percentage points to monthly core inflation, respectively.

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/	August 2017	August 2018	August 2018 to July 2018	August 2018 to August 2017
	(in percent)	(index)		(percentage change)	
	(January 2010 = 100)				
Headline - All items	100.00	250.81	286.52	1.78	14.24
Food and beverages	39.92	327.16	365.22	2.95	11.63
Tobacco and related products	2.19	464.24	565.70	0.74	21.85
Clothing and footwear	5.41	177.58	203.55	-0.78	14.62
Housing, water, electricity, gas and other fuels	18.37	149.94	178.19	1.61	18.84
Furnishings, household equipment and routine maintenance of the dwelling	3.77	202.27	234.31	0.72	15.84
Medical care	6.33	209.06	217.33	0.12	3.96
Transportation	5.68	205.11	283.19	0.26	38.07
Communications	3.12	101.63	109.46	0.01	7.71
Recreation and Culture	2.43	285.46	313.77	0.14	9.92
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	292.35	317.98	0.94	8.77
Miscellaneous goods and services	3.73	159.53	192.81	0.80	20.86
Selective aggregates					
Fruits & vegetables 3/	6.90	501.70	626.30	8.28	24.84
Regulated items	18.66	228.23	291.36	1.14	27.66
Food excl. fruits & vegetables	31.08	302.31	323.49	0.87	7.01
Retail items	14.48	189.04	213.79	0.13	13.09
Paid services	5.87	230.81	260.80	0.39	12.99
Other services	23.00	168.20	182.99	0.32	8.79
Core CPI	74.43	233.20	253.79	0.58	8.83

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits