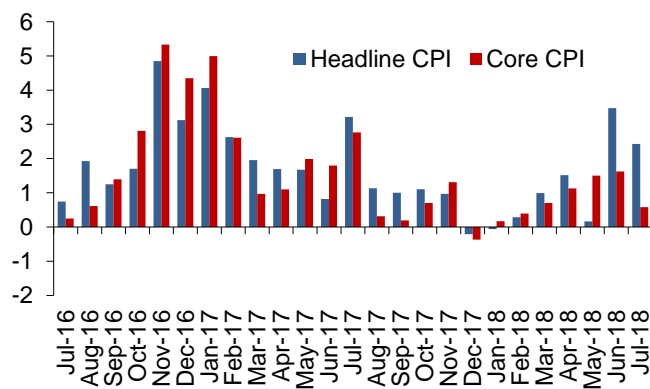


## Headline and Core Inflation – July 2018

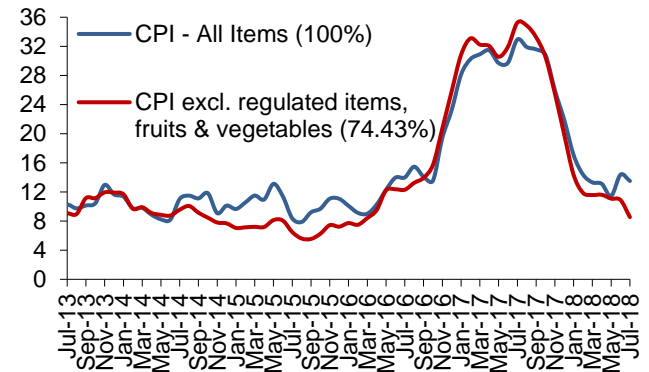
- Annual headline urban inflation<sup>1/</sup> declined to 13.5 percent in July 2018 from 14.4 percent in June 2018, supported by a favorable base effect, as monthly headline inflation registered 2.4 percent in July 2018. This comes after annual headline inflation declined for ten consecutive months to record 11.4 percent in May 2018, the lowest rate since April 2016.
- The July 2018 inflation data release remains consistent with achieving the CBE’s inflation target of 13 percent ( $\pm 3$  percent) on average during 2018 Q4.
- Inflation during July 2018 was mainly driven by upward adjustments of regulated prices as well as higher prices of volatile food items for the second consecutive month, widening the spread between headline and core inflation in June and July 2018.
- Prices of core food items declined<sup>1/</sup> slightly for the first time since December 2017, and inflation of retail items and services, excluding cafes and restaurants, remained broadly contained in light of fiscal consolidation measures and seasonal factors. Monthly core inflation<sup>2/</sup> registered 0.6 percent.
- Consequently, annual core inflation continued to decline for the twelfth consecutive month to 8.5 percent in July 2018 from 10.9 percent in June 2018, registering the lowest rate since March 2016.

**Headline and Core CPI Inflation** <sup>3/4/</sup>  
(m/m, in percent)



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

**Headline and Core CPI Inflation** <sup>3/4/</sup>  
(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.

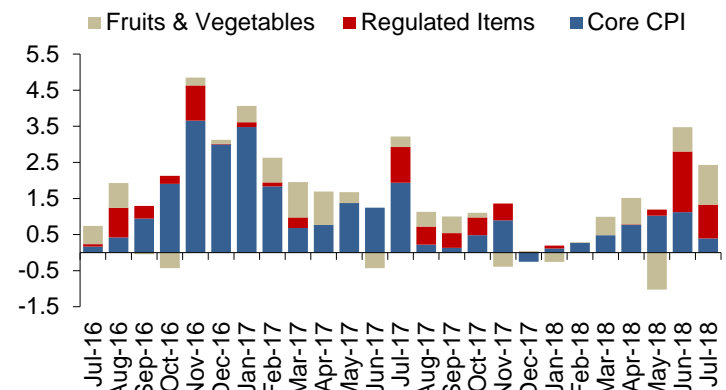
3/ CAPMAS publishes three CPI series: (1) the CPI for urban areas which include Cairo, Alexandria, urban Lower Egypt, urban Upper Egypt, Canal cities and Frontier governorates, (2) the CPI for rural areas, and (3) the CPI for All areas. Numbers quoted in this note refer to CPI-Urban.

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 8<sup>th</sup> CPI series by the 9<sup>th</sup> series starting from August 2009 (Full details are discussed in the Technical Appendix of the August 2010 Inflation Note).

## Key Highlights:

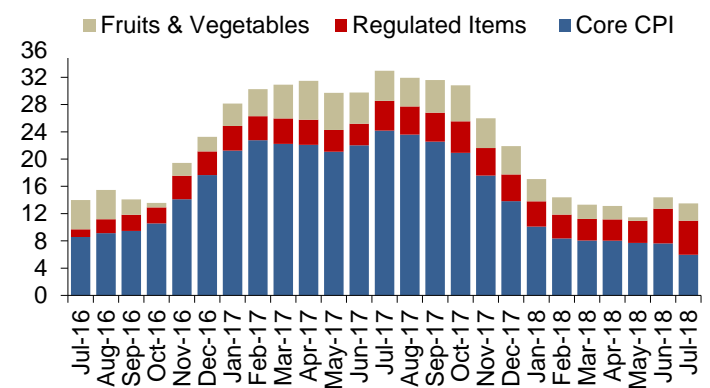
- Prices of regulated items increased by 5.01 percent, mainly due to higher prices of electricity, tobacco and fees for government services, to contribute by 0.93 percentage points to monthly headline inflation.
- Prices of fresh vegetables and fruits increased by 9.01 and 4.79 percent, respectively, to contribute jointly by 1.10 percentage points to monthly headline inflation. The increase of potato prices contributed by 0.79 percentage points.
- Prices of rice increased for the fourth consecutive months by 1.05 percent to contribute by 0.03 percentage points to monthly headline inflation.
- Prices of red meat increased slightly by 0.85 percent to contribute by 0.07 percentage points to monthly headline inflation. This records the fourth consecutive increase after being largely stable over the previous seven months.
- Prices of poultry declined for the second consecutive months by 7.04 percent to contribute by negative 0.32 percentage points to monthly headline inflation.
- Prices of other core food items, including bread, milk, cheese and fish registered

**Contributions to Monthly Headline CPI Inflation**  
(in percentage point)



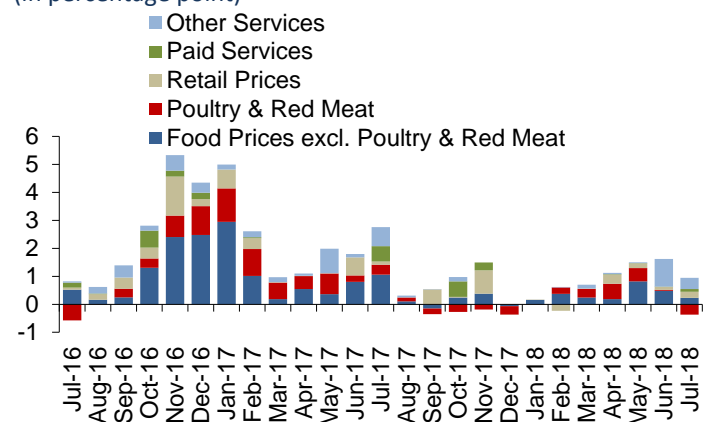
Source: Central Bank of Egypt.

**Contributions to Annual Headline CPI Inflation**  
(in percentage point)



Source: Central Bank of Egypt.

**Contributions to Monthly Core CPI Inflation**  
(in percentage point)

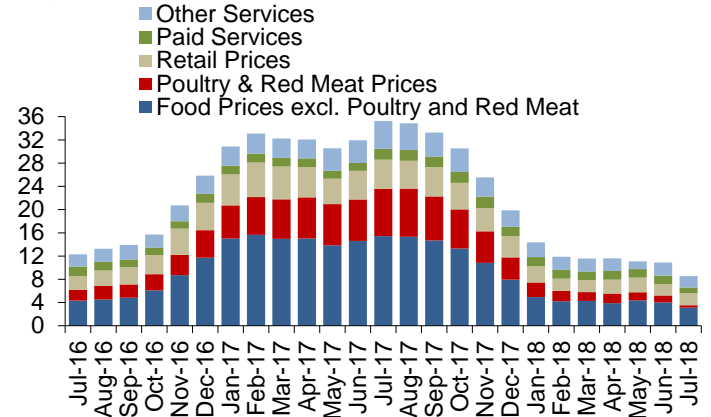


Source: Central Bank of Egypt.

increases while the price of eggs declined, to contribute jointly by 0.13 percentage points to monthly headline inflation.

- Prices of services increased by 1.66 percent, mainly due to higher prices of cafés and restaurants as well as pilgrimage, to contribute by 0.34 percentage points to monthly headline inflation.
- Prices of retail items increased by 1.34 percent, mainly due to higher prices of clothing, household cleaning and personal care products, to contribute by 0.15 percentage points to monthly headline inflation.
- Monthly core inflation was affected by price increases of the aforementioned services and retail items, which contributed by 0.50 and 0.22 percentage points to monthly core inflation, respectively. This was partly offset by lower core food prices, which contributed by negative 0.14 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

<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		
	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 2017	July 2018	July 2018 to June 2018	July 2018 to July 2017
	(in percent)	(index)		(percentage change)	
(January 2010 = 100)					
<b>Headline - All items</b>	<b>100.00</b>	<b>248.00</b>	<b>281.51</b>	<b>2.43</b>	<b>13.51</b>
Food and beverages	39.92	323.57	354.77	1.99	9.64
Tobacco and related products	2.19	464.24	561.56	7.85	20.96
Clothing and footwear	5.41	177.58	205.15	1.47	15.53
Housing, water, electricity, gas and other fuels	18.37	143.80	175.36	5.17	21.95
Furnishings, household equipment and routine maintenance of the dwelling	3.77	202.27	232.62	2.24	15.01
Medical care	6.33	209.06	217.08	0.40	3.84
Transportation	5.68	201.02	282.46	0.31	40.52
Communications	3.12	101.63	109.45	0.02	7.70
Recreation and Culture	2.43	285.46	313.35	3.37	9.77
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	292.35	315.02	4.07	7.76
Miscellaneous goods and services	3.73	159.27	191.27	2.53	20.09
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	486.98	578.39	8.18	18.77
Regulated items	18.66	221.56	288.08	5.01	30.02
Food excl. fruits & vegetables	31.08	300.96	320.71	-0.26	6.56
Retail items	14.48	188.97	213.52	1.34	12.99
Paid services	5.87	230.81	259.80	1.21	12.56
Other services	23.00	167.70	182.42	1.82	8.78
Core CPI	74.43	232.46	252.32	0.58	8.54

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits