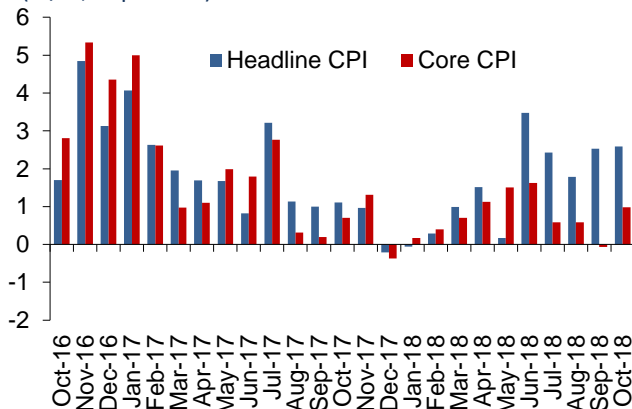


## Headline and Core Inflation – October 2018

- Annual headline inflation<sup>1/</sup> recorded 17.7 percent in October 2018 compared to 16.0 percent in September 2018 and a 25-months low of 11.4 percent in May 2018. Monthly headline inflation recorded 2.6 percent in October 2018 and continued to be mainly driven by prices of fresh vegetables.
- Inflation of fresh vegetables has been elevated since June 2018 due to seasonal effects that were heightened by the indirect effects of the fiscal consolidation measures as well as supply shocks related to potatoes and tomatoes.
- Monthly inflation was also driven by higher public and private education prices, which was expected in terms of timing as well as magnitude, and reflected in regulated as well as services items, respectively. Meanwhile, core food items, mainly poultry, contributed only slightly to monthly inflation and other inflation components such as retail and non-education services items remained broadly contained.
- Monthly core inflation<sup>2/</sup> registered 1.0 percent in October 2018, affected by the aforementioned increases in the prices of private education services and poultry. Annual core inflation registered 8.9 percent in October 2018, compared to 8.6 percent in September 2018, broadly in line with the core inflation figures since July 2018. Accordingly, the spread between annual headline and core inflation continued to widen since June 2018.

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

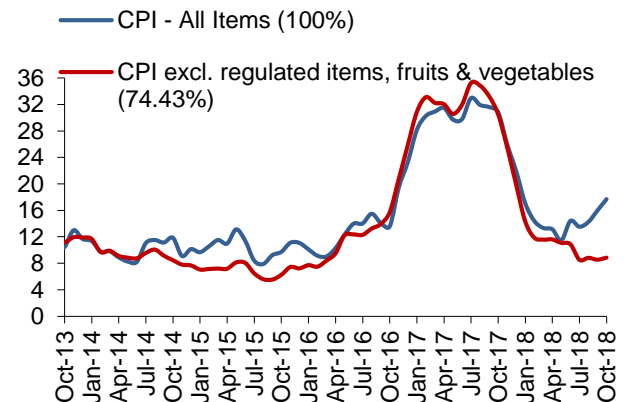
(m/m, in percent)



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.

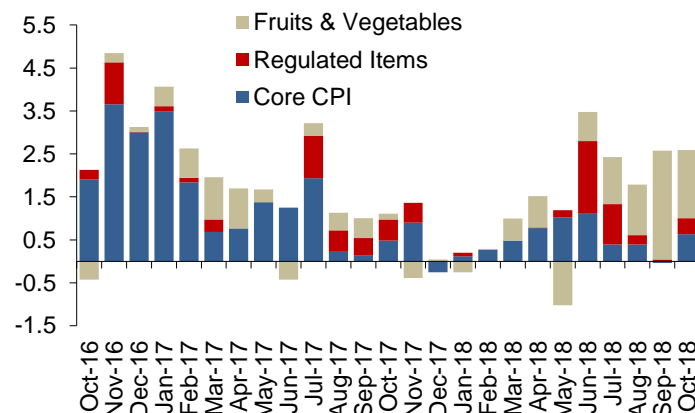
4/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8<sup>th</sup> CPI series by the 9<sup>th</sup> series starting from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

## Key Highlights:

- Prices of fresh vegetables increased by 13.89 percent, recording the fifth consecutive monthly increase, while prices of fresh fruits declined by 12.01 percent for the first time since May 2018. Together, they contributed by 1.59 percentage points to monthly headline inflation. Potatoes and tomatoes prices rose for the eighth and fourth consecutive month, contributing together by 1.93 percentage points to monthly headline inflation.
- Prices of regulated items increased by 1.98 percent to contribute by 0.37 percentage points to monthly headline inflation, mainly due to higher tuition fees of public education services.
- Prices of poultry increased by 3.26 percent to contribute by 0.13 percentage points to monthly headline inflation.
- Prices of red meat increased slightly by 0.16 percent to contribute by 0.01 percentage points to monthly headline inflation.
- Prices of rice increased by 0.53 percent to contribute by 0.02 percentage points to monthly headline inflation.

### Contributions to Monthly Headline CPI Inflation

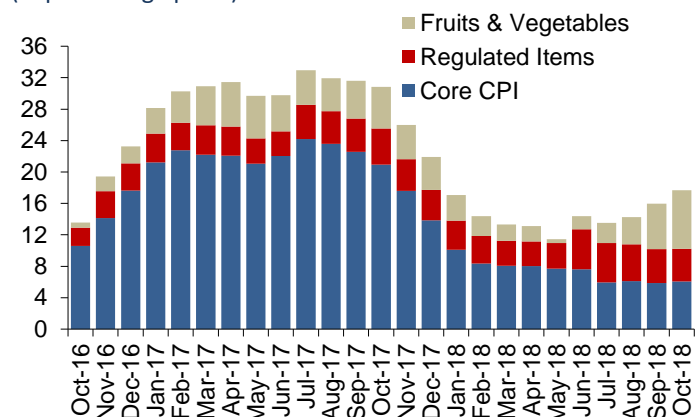
(in percentage point)



Source: Central Bank of Egypt.

### Contributions to Annual Headline CPI Inflation

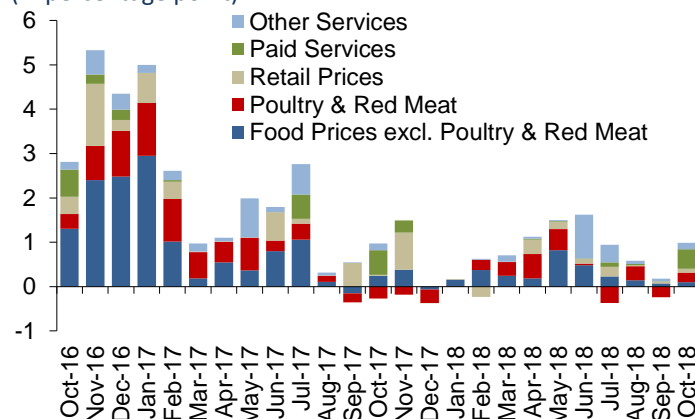
(in percentage point)



Source: Central Bank of Egypt.

### Contributions to Monthly Core CPI Inflation

(in percentage point)

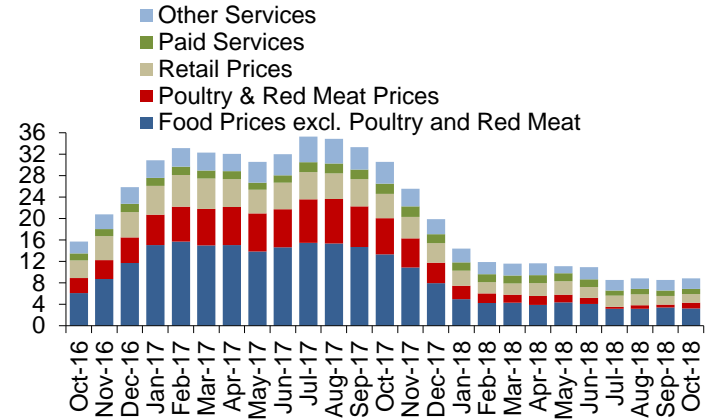


Source: Central Bank of Egypt.

- Prices of other core food items, including bread, pasta, pulses, bakery and dairy products registered increases, while fish prices declined, contributing jointly by 0.05 percentage points to monthly headline inflation.
- Prices of services increased by 1.92 percent to contribute by 0.38 percentage points to monthly headline inflation, mainly due to higher prices of private education services.
- Prices of retail items increased slightly by 0.50 percent to contribute by 0.05 percentage points to monthly headline inflation, mainly due to higher prices of books.
- Monthly core inflation was affected by price changes of the aforementioned services and core food items, which contributed by 0.58 and 0.32 percentage points to monthly core inflation, respectively. Meanwhile, prices of retail items contributed slightly to monthly core inflation, by 0.08 percentage points.

### 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/	October 2017	October 2018	October 2018 to September 2018	October 2018 to October 2017
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
<b>Headline - All items</b>	<b>100.00</b>	<b>256.12</b>	<b>301.38</b>	<b>2.59</b>	<b>17.67</b>
Food and beverages	39.92	329.23	395.81	3.45	20.22
Tobacco and related products	2.19	464.24	570.69	0.76	22.93
Clothing and footwear	5.41	177.58	205.75	0.80	15.86
Housing, water, electricity, gas and other fuels	18.37	155.52	178.57	-0.01	14.82
Furnishings, household equipment and routine maintenance of the dwelling	3.77	219.30	234.08	0.23	6.74
Medical care	6.33	209.06	217.88	0.23	4.22
Transportation	5.68	205.11	284.15	-0.11	38.54
Communications	3.12	109.41	109.44	0.01	0.02
Recreation and Culture	2.43	293.88	317.55	0.83	8.06
Education	4.63	294.16	337.27	14.65	14.65
Hotels, cafes and restaurants	4.43	292.51	320.49	0.25	9.57
Miscellaneous goods and services	3.73	163.01	194.73	0.38	19.46
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	523.22	799.12	9.25	52.73
Regulated items	18.66	240.38	297.74	1.98	23.87
Food excl. fruits & vegetables	31.08	300.18	324.39	0.60	8.06
Retail items	14.48	195.71	215.41	0.50	10.06
Paid services	5.87	247.23	275.31	5.46	11.35
Other services	23.00	169.45	184.62	0.63	8.95
Core CPI	74.43	235.29	256.12	0.98	8.9

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits