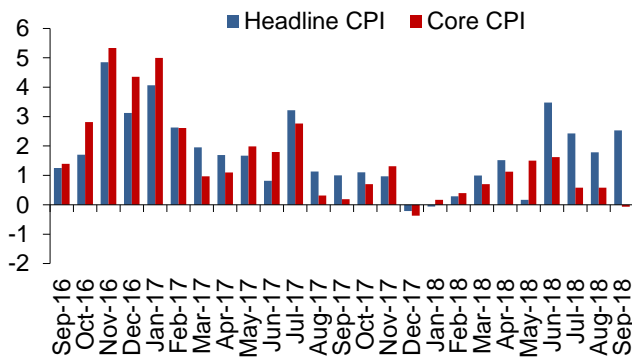


Headline and Core Inflation – September 2018

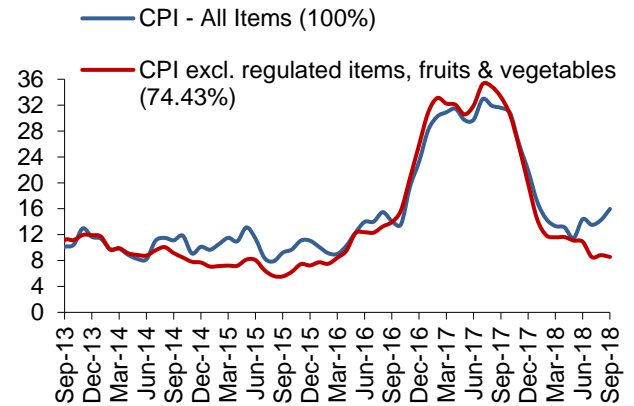
- Annual headline inflation^{1/} recorded 16.0 percent in September 2018 compared to 14.2 percent in August 2018 and a 25-months low of 11.4 percent in May 2018. Monthly headline inflation recorded 2.5 percent in September 2018, entirely driven by prices of fresh fruits and vegetables, mainly tomatoes and potatoes.
- For the first time since April 2018, regulated prices increased only slightly. Meanwhile, retail and services prices increased only slightly for the second consecutive month, and core food prices declined, mainly due to lower poultry prices.
- As a result, monthly core inflation^{2/} registered negative 0.1 percent in September 2018 and annual core inflation declined to 8.6 percent in September 2018, compared to 8.8 percent in August 2018.
- Inflation of fresh fruits and vegetables has been increasing since June 2018 due to seasonal effects that were heightened by indirect effects of fiscal consolidation measures as well as other supply shocks. Accordingly, the spread between annual headline and core inflation continued to widen since June 2018.

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.

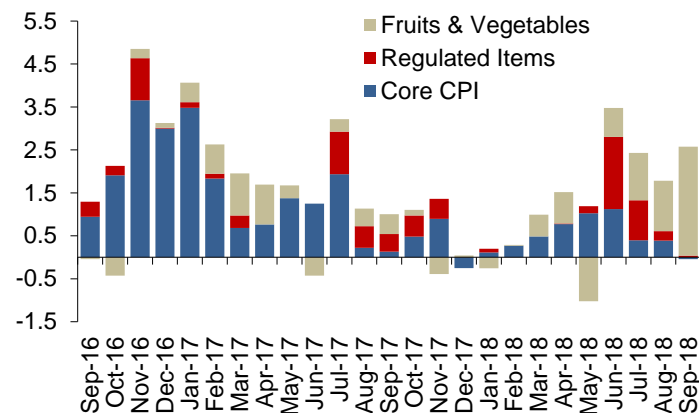
4/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8th CPI series by the 9th series starting from August 2009 (Full details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

- The September 2018 inflation data release remains consistent with achieving the CBE's inflation target of 13 percent (± 3 percent) on average during 2018 Q4. This is expected to be supported by contained underlying inflationary pressures, favorable seasonality patterns towards the end of 2018, and as the effect of transitory supply shocks dissipates.

Key Highlights:

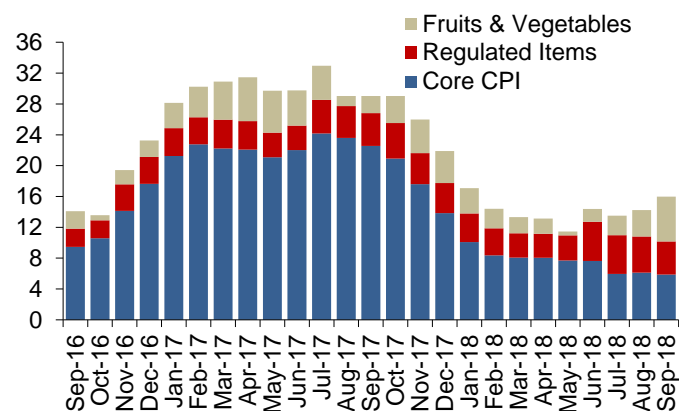
- Prices of fresh vegetables and fruits increased by 18.22 and 10.64 percent, respectively, to contribute jointly by 2.53 percentage points to monthly headline inflation. The increase of potatoes and tomatoes prices registered their seventh and third consecutive monthly increase, contributing together by 1.84 percentage points.
- Prices of regulated items increased slightly by 0.21 percent, mainly due to higher prices of tobacco and butane gas cylinders, to contribute by 0.04 percentage points to monthly headline inflation.
- Prices of poultry declined by 4.38 percent to contribute by negative 0.18 percentage points to monthly headline inflation.
- Prices of red meat increased slightly by 0.30 percent to contribute by 0.02 percentage points to monthly headline inflation. This records the sixth consecutive increase after being largely stable over the previous seven months.
- Prices of rice declined by 0.50 percent to contribute by negative 0.02 percentage points to monthly headline inflation. This records the

Contributions to Monthly Headline CPI Inflation
(in percentage point)



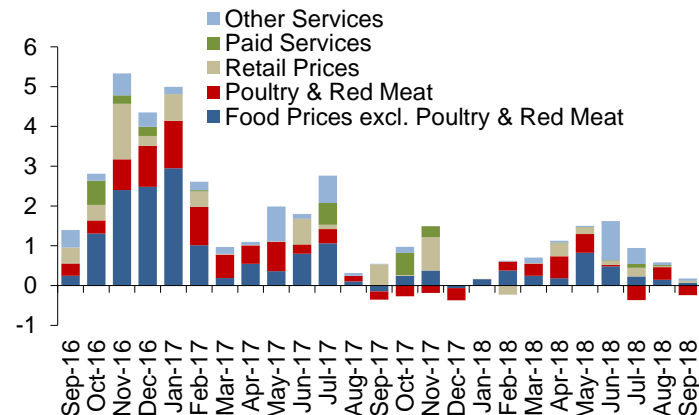
Source: Central Bank of Egypt.

Contributions to Annual Headline CPI Inflation
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Monthly Core CPI Inflation
(in percentage point)

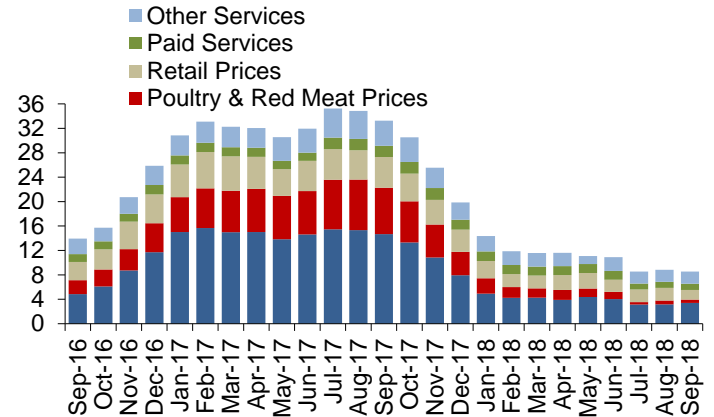


Source: Central Bank of Egypt.

second consecutive decline after recording price increases in the previous four months.

- Prices of other core food items, including bread, milk, cheese and fish registered increases, while the price of eggs declined, contributing jointly by 0.06 percentage points to monthly headline inflation.
- Prices of services increased slightly by 0.21 percent, mainly due to higher prices of cafés and restaurants, to contribute by 0.04 percentage points to monthly headline inflation.
- Prices of retail items increased slightly by 0.25 percent, mainly due to higher prices of footwear and personal care products, to contribute by 0.03 percentage points to monthly headline inflation.
- Monthly core inflation was affected by price changes of the aforementioned core food items, which contributed by negative 0.17 percentage points to monthly core inflation. Meanwhile, prices of services and retail items contributed slightly to monthly core inflation, by 0.07 and 0.04 percentage points, 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/	September 2017	September 2018	September 2018 to August 2018	September 2018 to September 2017
	(in percent)	(index)		(percentage change)	
	(January 2010 = 100)				
Headline - All items	100.00	253.32	293.77	2.53	15.97
Food and beverages	39.92	328.51	382.61	4.76	16.47
Tobacco and related products	2.19	464.24	566.36	0.12	22.00
Clothing and footwear	5.41	177.58	204.11	0.28	14.94
Housing, water, electricity, gas and other fuels	18.37	155.52	178.59	0.22	14.83
Furnishings, household equipment and routine maintenance of the dwelling	3.77	219.30	233.54	-0.33	6.50
Medical care	6.33	209.06	217.38	0.02	3.98
Transportation	5.68	205.11	284.46	0.45	38.69
Communications	3.12	102.22	109.43	-0.03	7.06
Recreation and Culture	2.43	291.57	314.93	0.37	8.01
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	292.35	319.69	0.54	9.35
Miscellaneous goods and services	3.73	163.21	193.99	0.61	18.86
Selective aggregates					
Fruits & vegetables 3/	6.90	518.39	731.46	16.79	41.10
Regulated items	18.66	233.73	291.95	0.21	24.91
Food excl. fruits & vegetables	31.08	300.34	322.46	-0.32	7.37
Retail items	14.48	195.45	214.33	0.25	9.66
Paid services	5.87	230.81	261.06	0.10	13.10
Other services	23.00	168.28	183.45	0.25	9.01
Core CPI	74.43	233.64	253.63	-0.06	8.55

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits