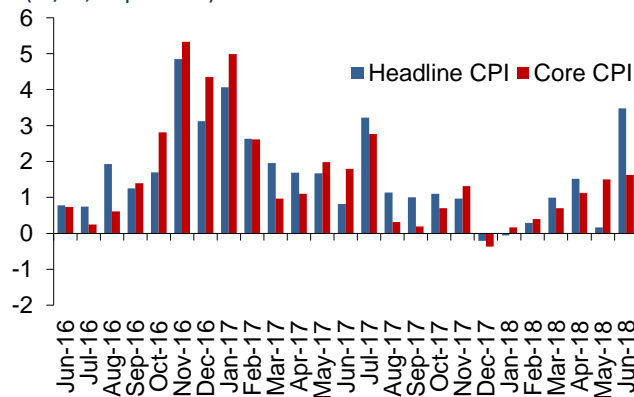


Headline and Core Inflation – June 2018

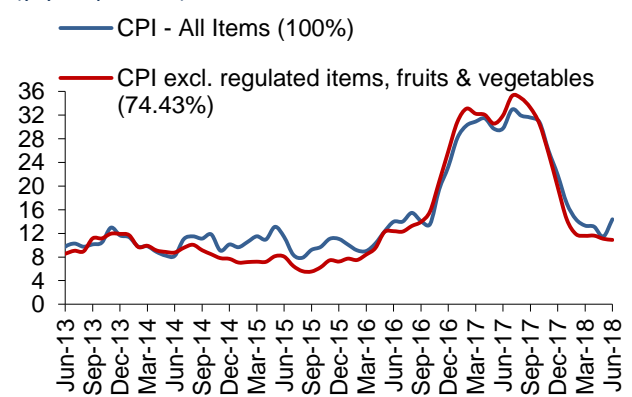
- Headline urban CPI^{1/} increased by a monthly rate of 3.5 percent in June 2018, to record an annual rate of 14.4 percent. This comes after annual headline inflation declined for ten consecutive months to record 11.4 percent in May 2018, the lowest rate since April 2016.
- The increase of annual headline inflation was anticipated and remains consistent with achieving the CBE’s inflation target of 13 percent (±3 percent) on average during 2018 Q4.
- Inflation during June was mainly driven by direct and indirect effects of fiscal consolidation measures. Higher prices of fuel products, private and public inland transportation, butane gas cylinders as well as water supply contributed by 2.3 percentage points to 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.

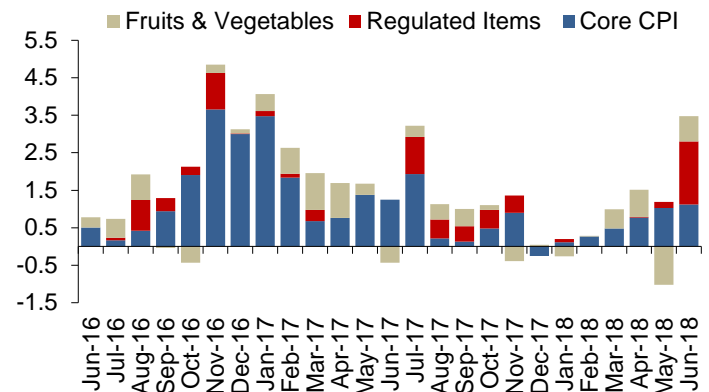
4/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8th CPI series by the 9th series starting from August 2009 (Full details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

- Food prices contributed by 1.0 percentage points to monthly headline inflation, partly reflecting indirect effects of subsidy reforms and driven mainly by fresh vegetables. Meanwhile, inflation of retail items and services other than inland transportation remained broadly contained, despite being further affected by seasonal factors.
- Excluding regulated items as well as fresh vegetables and fruits, core CPI^{2/} increased by a monthly rate of 1.6 percent in June 2018, mainly due to private inland transportation followed by core food items. Meanwhile, annual core inflation continued to decline for the eleventh consecutive month to record 10.9 percent in June, the lowest rate since April 2016, supported by a favorable base effect.

Key Highlights:

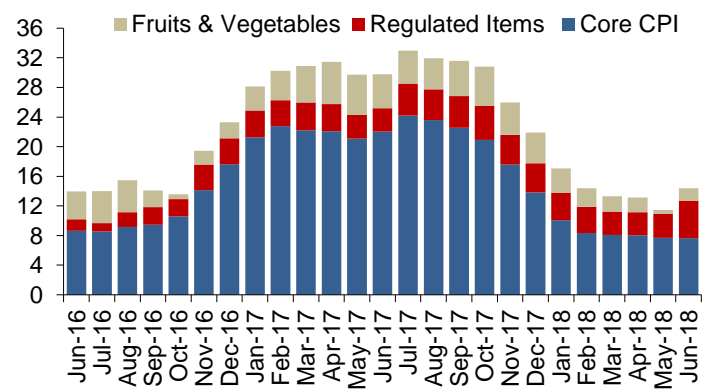
- Prices of regulated items increased by 9.55 percent, mainly due to higher prices of hydrocarbon products, public inland transportation and water supply, to contribute by 1.68 percentage points to monthly headline inflation.
- Prices of fresh vegetables and fruits increased by 5.32 and 4.16 percent, respectively, to contribute jointly by 0.67 percentage points to monthly headline inflation.
- Rice prices increased by 2.87 percent to contribute by 0.09 percentage points to monthly headline inflation. Rice prices had also risen in February, April and May 2018 and have witnessed similar increases during this period in previous years.
- Red meat prices increased slightly by 0.32 percent to contribute by 0.03 percentage points to monthly headline inflation. This records the third consecutive increase after being largely stable over the previous seven months.
- Poultry prices remained largely stable. This comes after recording price increases for four consecutive months, following price declines for eight consecutive months.

Contributions to Monthly Headline CPI Inflation
(in percentage point)



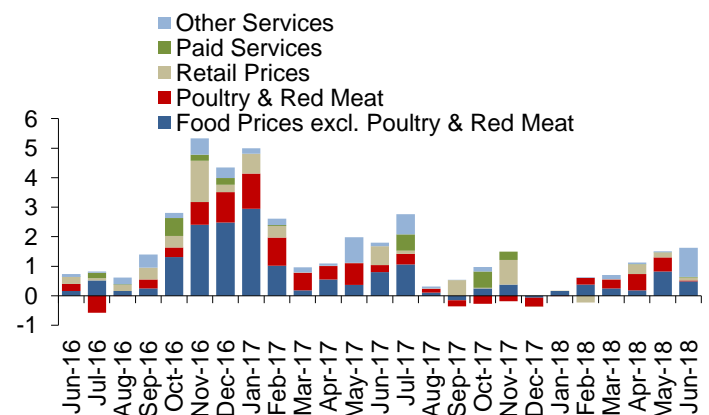
Source: Central Bank of Egypt.

Contributions to Annual Headline CPI Inflation
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Monthly Core CPI Inflation
(in percentage point)

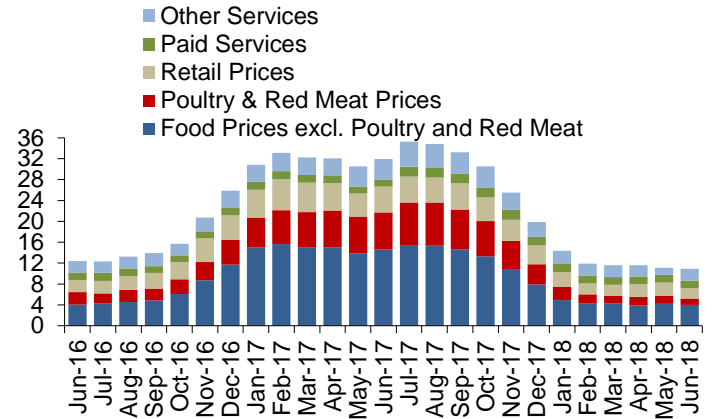


Source: Central Bank of Egypt.

- Fish and seafood prices increased by 2.39 percent to contribute by 0.08 percentage points to monthly headline inflation.
- Prices of other core food items, including bread, milk, cheese, eggs and tea, contributed jointly by 0.16 percentage points to monthly headline inflation.
- Prices of services increased by 3.38 percent due to higher prices of private inland transportation as well as cafés and restaurants, to contribute by 0.69 percentage points to monthly headline inflation.
- Prices of retail items increased by 0.62 percent, mainly due to higher prices of clothing and household cleaning products, to contribute by 0.07 percentage points to monthly headline inflation.
- Monthly core inflation was affected by price increases of the aforementioned services and core food items, which contributed by 1.0 and 0.52 percentage points to monthly core inflation, respectively. Meanwhile, prices of retail items contributed slightly by 0.10 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/	June 2017	June 2018	June 2018 to May 2018	June 2018 to June 2017
	(in percent)	(index)		(percentage change)	
	(January 2010 = 100)				
Headline - All items	100.00	240.27	274.83	3.48	14.38
Food and beverages	39.92	315.82	347.84	2.02	10.14
Tobacco and related products	2.19	429.47	520.70	0.23	21.24
Clothing and footwear	5.41	175.97	202.18	0.92	14.90
Housing, water, electricity, gas and other fuels	18.37	140.89	166.75	6.98	18.36
Furnishings, household equipment and routine maintenance of the dwelling	3.77	202.14	227.53	0.87	12.56
Medical care	6.33	194.31	216.20	0.03	11.27
Transportation	5.68	181.58	281.57	34.24	55.07
Communications	3.12	98.59	109.43	0.01	10.99
Recreation and Culture	2.43	282.69	303.12	-1.14	7.23
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	268.15	302.70	2.11	12.88
Miscellaneous goods and services	3.73	159.81	186.55	0.17	16.73
Selective aggregates					
Fruits & vegetables 3/	6.90	476.80	534.63	5.09	12.13
Regulated items	18.66	208.83	274.32	9.55	31.36
Food excl. fruits & vegetables	31.08	293.28	321.53	0.96	9.63
Retail items	14.48	187.70	210.71	0.62	12.26
Paid services	5.87	215.04	256.70	0.16	19.37
Other services	23.00	162.69	179.16	4.60	10.12
Core CPI	74.43	226.22	250.86	1.62	10.90

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits