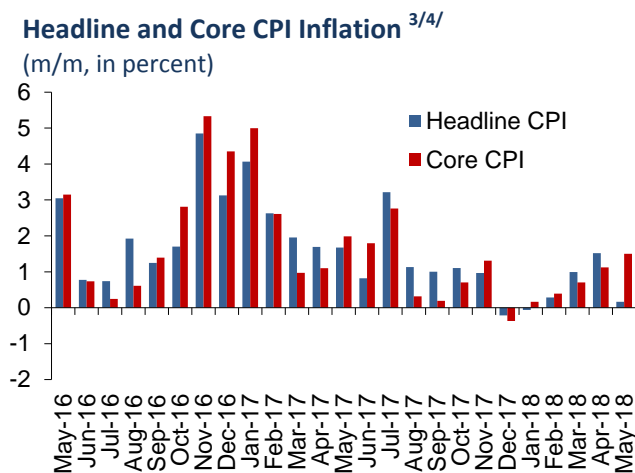
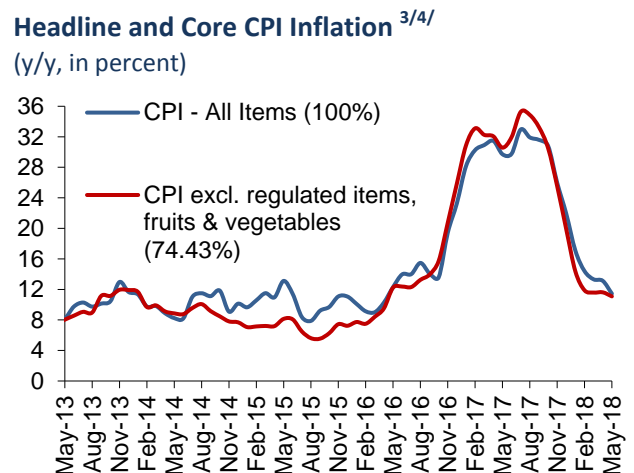


Headline and Core Inflation – May 2018

- Annual headline^{1/} (urban) inflation continued to decline to record 11.4 percent in May 2018 compared to 13.1 percent in April 2018, after peaking in July 2017 at 33.0 percent. Meanwhile, annual core^{2/} inflation declined to 11.1 percent in May 2018 from 11.6 percent in April 2018, after peaking in July 2017 at 35.3 percent. The annual inflation rates thereby registered the lowest rates since April 2016.
- The recent annual headline inflation data release remains consistent with achieving the CBE’s inflation target of 13% ($\pm 3\%$) on average during 2018 Q4.
- Monthly headline inflation registered 0.2 percent in May 2018, compared to 1.5 percent in April 2018. Price increases during May 2018 were largely driven by core food items, mainly rice and poultry, as well as by retail and regulated items, mainly medical products and underground transportation, while services contributed marginally to monthly inflation. These prices increases were partly offset by lower prices of fresh vegetables.
- Given price increases of core CPI items, monthly core inflation recorded 1.5 percent in May 2018, compared to 1.1 percent in April 2018.



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



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.

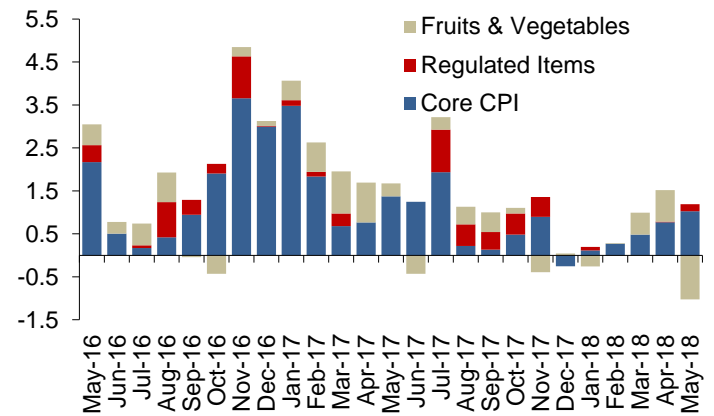
3/ CAPMAS publishes three CPI series: (1) the CPI for urban areas which include Cairo, Alexandria, urban Lower Egypt, urban Upper Egypt, Canal cities and Frontier governorates, (2) the CPI for rural areas, and (3) the CPI for All areas. Numbers quoted in this note refer to CPI-Urban.

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:

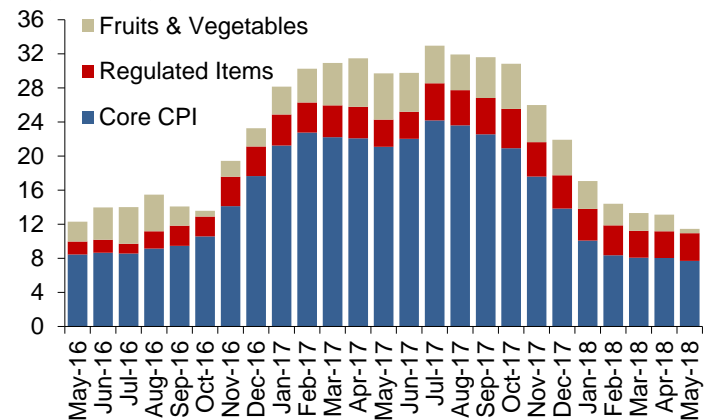
- Rice prices increased by 16.57 percent to contribute by 0.46 percentage points to monthly headline inflation. Rice prices had also risen in February and April 2018 and have witnessed similar increases during this period in previous years.
- Poultry prices increased by 6.24 percent to contribute by 0.28 percentage points to monthly headline inflation. The increase of poultry prices occurred for the fourth consecutive month, following price declines for eight consecutive months.
- Red meat prices increased by 0.56 percent to contribute by 0.05 percentage points to monthly headline inflation. This records the second consecutive increase after being largely stable over the previous seven months.
- Prices of fresh vegetables and fruits declined by 8.58 and 0.99 percent, respectively. They contributed together by negative 1.02 percentage points to monthly headline inflation.
- Fish and seafood prices declined by 1.22 percent to contribute by negative 0.04 percentage points to monthly headline inflation.

Contributions to Monthly Headline CPI Inflation
(in percentage point)



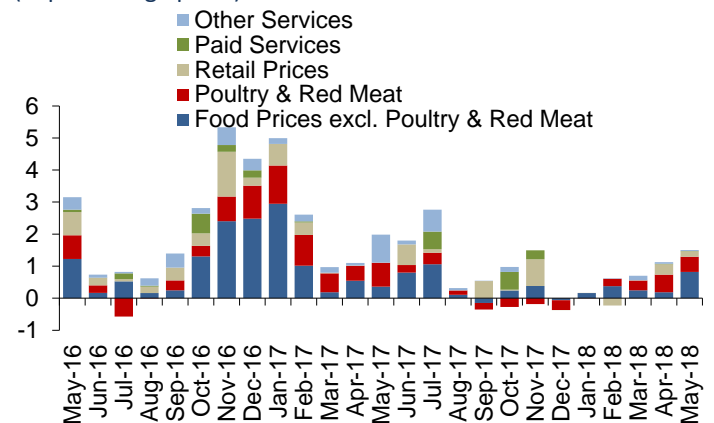
Source: Central Bank of Egypt.

Contributions to Annual Headline CPI Inflation
(in percentage point)



Source: Central Bank of Egypt.

Contributions to Monthly Core CPI Inflation
(in percentage point)

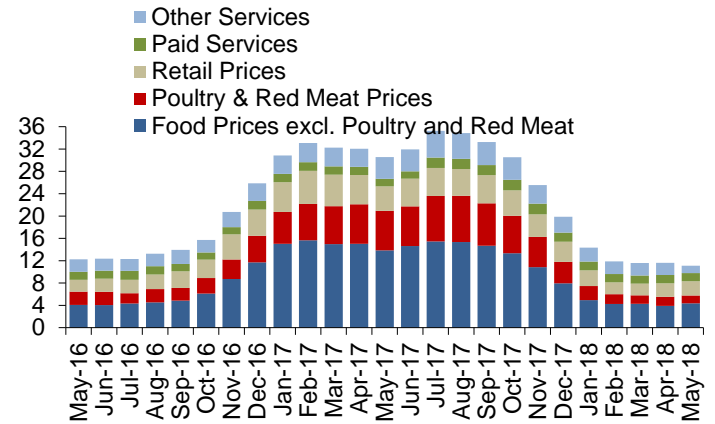


Source: Central Bank of Egypt.

- Prices of other core food items, including pasta, milk, cheese and dried fruits, contributed together by 0.14 percentage points to monthly headline inflation.
- Prices of regulated items increased by 0.94 percent, mainly due to higher prices of underground transportation and medical products, to contribute by 0.16 percentage points to monthly headline inflation.
- Prices of retail items increased by 1.02 percent, mainly due to higher prices of medical products, to contribute by 0.11 percentage points to monthly headline inflation.
- Prices of services increased by 0.13 percent due to higher prices of cafés and restaurants, to contribute by 0.03 percentage points to monthly headline inflation.
- Monthly core inflation was affected by price increases of the aforementioned core food items, which contributed by 1.30 percentage points to monthly core inflation. Meanwhile, prices of retail items contributed by 0.17 percentage points and prices of services contributed marginally by 0.04 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/	May 2017	May 2018	May 2018 to April 2018	May 2018 to May 2017
	(in percent)	(index)		(percentage change)	
	(January 2010 = 100)				
Headline - All items	100.00	238.32	265.60	0.17	11.45
Food and beverages	39.92	314.10	340.97	-0.27	8.56
Tobacco and related products	2.19	429.47	519.48	0.22	20.96
Clothing and footwear	5.41	156.93	200.33	0.27	27.66
Housing, water, electricity, gas and other fuels	18.37	140.89	155.87	0.05	10.63
Furnishings, household equipment and routine maintenance of the dwelling	3.77	201.50	225.58	0.39	11.95
Medical care	6.33	194.31	216.15	3.44	11.24
Transportation	5.68	181.54	209.76	1.67	15.54
Communications	3.12	98.59	109.42	0.00	10.98
Recreation and Culture	2.43	277.39	306.61	0.10	10.53
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	266.71	296.46	0.36	11.15
Miscellaneous goods and services	3.73	159.50	186.24	0.09	16.76
Selective aggregates					
Fruits & vegetables 3/	6.90	491.60	508.73	-7.18	3.48
Regulated items	18.66	208.83	250.41	0.94	19.92
Food excl. fruits & vegetables	31.08	287.77	318.46	2.43	10.66
Retail items	14.48	180.34	209.41	1.02	16.11
Paid services	5.87	215.04	256.28	0.12	19.18
Other services	23.00	161.84	171.27	0.13	5.83
Core CPI	74.43	222.22	246.86	1.50	11.09

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits