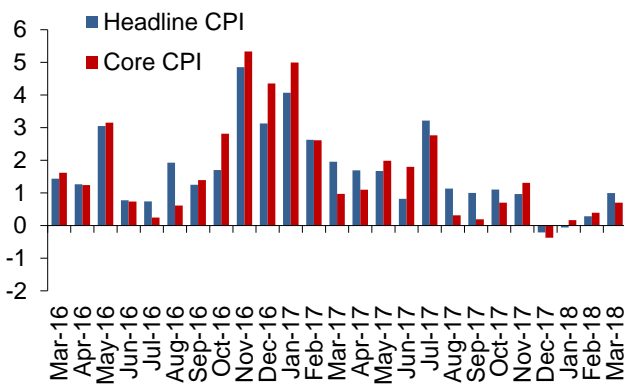


## Headline and Core Inflation – March 2018

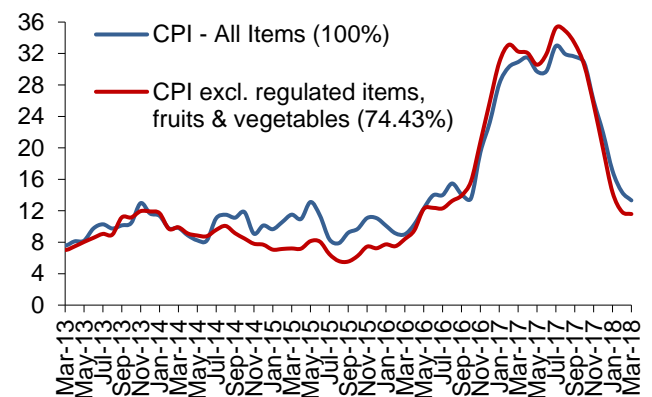
- Annual headline<sup>1/</sup> and core<sup>2/</sup> (urban) inflation continued to decline, recording 13.3 percent and 11.6 percent in March 2018 compared to 14.4 percent and 11.9 percent in February 2018, after peaking in July 2017 at 33.0 percent and 35.3 percent, respectively. The headline and core annual rates thereby registered the lowest since May and April 2016, respectively.
- This decline was supported by tighter real monetary conditions aimed at containing underlying inflation, and was accelerated by favorable base effects since November 2017. The recent annual headline inflation data release remains consistent with the CBE’s inflation outlook and with achieving its average inflation target of 13% (±3%) during 2018 Q4.
- Monthly headline inflation in March 2018 registered 1.0 percent, compared to 0.3 percent in February 2018. The relatively higher monthly inflation rate is in line with seasonal patterns witnessed historically. Monthly headline inflation was largely driven by higher food prices for the second consecutive month and by higher prices of Omra trips by a lesser extent.

**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.

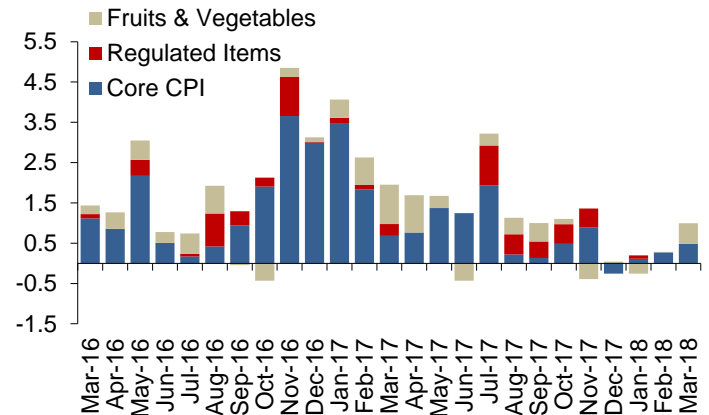
4/ It is important to underscore that the monthly percentage changes of both headline and core CPI between September 2009 and July 2010 do not match rates of changes presented in previous inflation notes given the replacement of the 8<sup>th</sup> CPI series by the 9<sup>th</sup> series starting from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

- Higher prices of food items in March 2018 were mainly driven by seasonally higher prices of fresh vegetables and by higher prices of some core food items, mainly poultry and fish, while other core food prices remained stable.
- Given increases of core food and Omra prices, monthly core inflation recorded 0.7 percent in March 2018, compared to 0.4 percent in February 2018.

## Key Highlights:

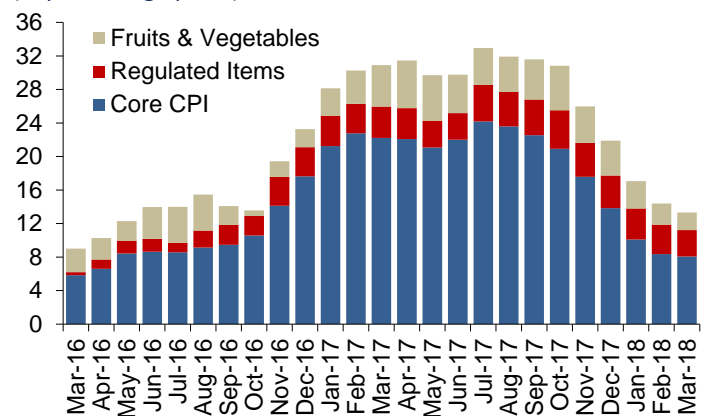
- Prices of fresh vegetables and fruits increased by 4.24 percent and 2.08 percent and contributed by 0.46 percentage points and 0.05 percentage points to monthly headline inflation, respectively.
- Poultry prices increased by 5.30 percent to contribute by 0.21 percentage points to monthly headline inflation.
- Fish and seafood prices increased by 5.07 percent to contribute by 0.17 percentage points to monthly headline inflation.
- Prices of red meat and other core food items remained stable.
- Prices of services increased by 0.47 percent after remaining broadly stable since December 2017 due to higher prices of Omra trips, which contributed by 0.10 percentage points to monthly headline inflation.
- Prices of retail items increased slightly by 0.07 percent due to higher personal vehicle prices, to contribute by 0.01 percentage points to monthly headline inflation.

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



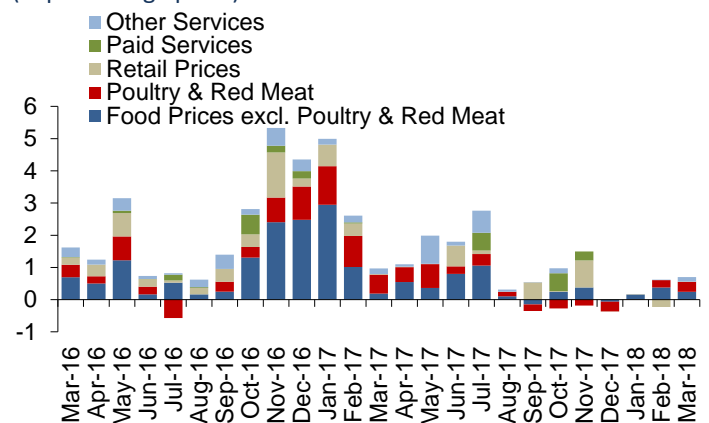
Source: Central Bank of Egypt.

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



Source: Central Bank of Egypt.

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

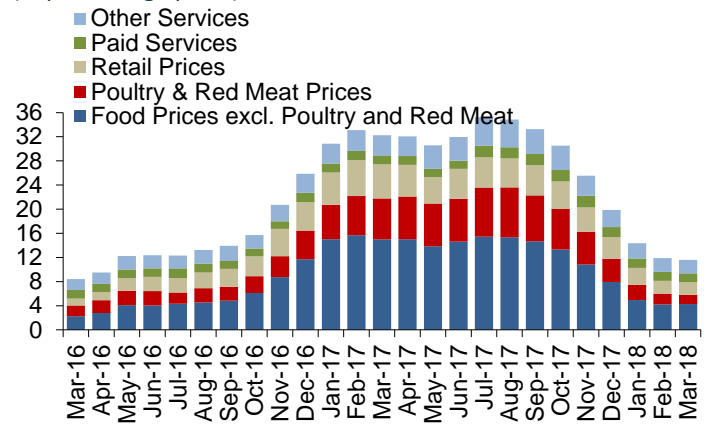


Source: Central Bank of Egypt.

- Monthly core inflation was affected by price increases of the aforementioned core food items, which contributed by 0.55 percentage points to monthly core inflation. Meanwhile, prices of services contributed by 0.14 percentage points to monthly core inflation, while the contribution of retail prices was marginal at 0.01 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/	March 2017	March 2018	March 2018 to February 2018	March 2018 to March 2017
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
<b>Headline - All items</b>	<b>100.00</b>	<b>230.50</b>	<b>261.20</b>	<b>0.99</b>	<b>13.32</b>
Food and beverages	39.92	298.44	333.80	1.75	11.85
Tobacco and related products	2.19	429.47	518.35	0.00	20.70
Clothing and footwear	5.41	156.93	190.99	0.00	21.71
Housing, water, electricity, gas and other fuels	18.37	140.89	155.85	0.00	10.62
Furnishings, household equipment and routine maintenance of the dwelling	3.77	201.31	223.46	0.00	11.00
Medical care	6.33	194.31	209.06	0.00	7.59
Transportation	5.68	181.36	205.51	0.20	13.32
Communications	3.12	98.59	109.41	0.00	10.97
Recreation and Culture	2.43	219.19	304.00	3.45	38.70
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	263.97	293.23	0.00	11.08
Miscellaneous goods and services	3.73	159.06	185.31	0.04	16.50
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	450.50	520.38	3.811	15.51
Regulated items	18.66	208.83	247.87	0.000	18.70
Food excl. fruits & vegetables	31.08	276.79	306.68	1.04	10.80
Retail items	14.48	180.14	203.26	0.07	12.83
Paid services	5.87	215.04	255.51	0.00	18.82
Other services	23.00	155.14	170.68	0.64	10.02
Core CPI	74.43	215.53	240.50	0.70	11.59

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits