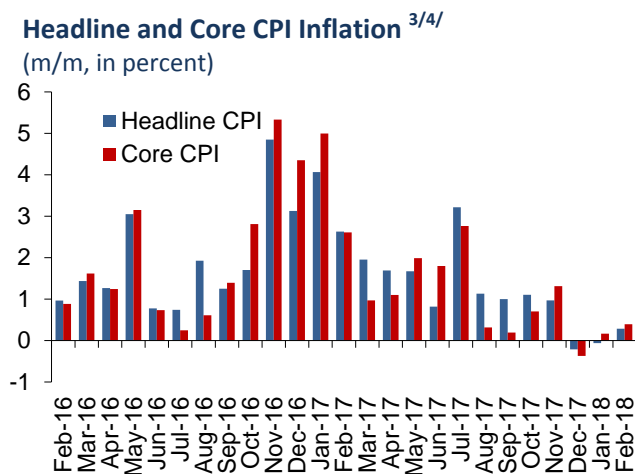
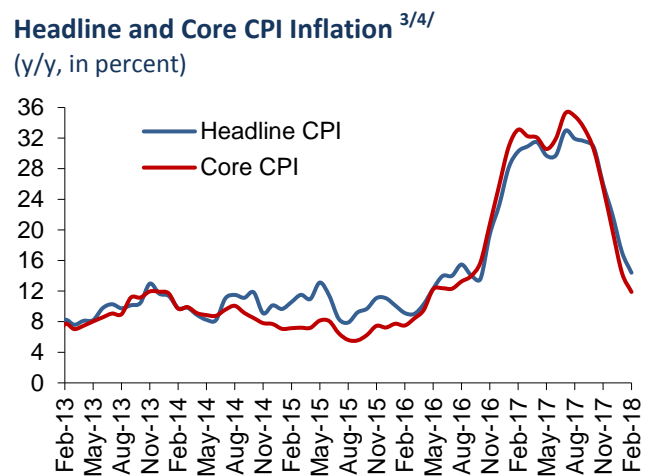


## Headline and Core Inflation – February 2018

- Annual headline<sup>1/</sup> and core<sup>2/</sup> (urban) inflation declined to 14.4 percent and 11.9 percent in February 2018 from 17.1 percent and 14.4 percent in January 2018, after peaking in July 2017 at 33.0 percent and 35.3 percent, respectively. The headline and core annual rates thereby declined for the seventh consecutive month to register the lowest rates since October and April 2016, respectively.
- This decline was supported by tighter real monetary conditions, aimed at containing underlying inflation including potential second-round effects of supply shocks, and was accelerated by favorable base effects since November 2017.
- Monthly headline inflation in February 2018 registered 0.3 percent, after registering negative rates in December 2017 and January 2018 at -0.2 percent and -0.1 percent, respectively. Monthly headline inflation had stabilized in the period between August and November 2017 at around 1.1 percent, affected notably by upward adjustments of regulated prices.



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 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).

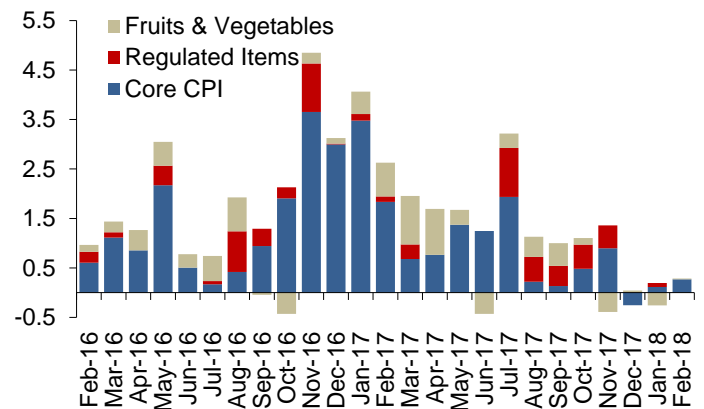
- Monthly headline inflation in February 2018 was driven by higher core food prices, mainly due to poultry and rice prices, which was partly offset by seasonally lower clothing prices. The increase in poultry prices occurred following price declines for eight consecutive months. Meanwhile, prices of red meat have been broadly stable since September 2017 after recording continuous increases since April 2016.
- Given price increases of core CPI items, monthly core inflation inched up by 0.4 percent in February 2018, in line with its average since August 2017.

## Key Highlights:

- Rice prices increased by 6.77 percent to contribute by 0.18 percentage points to monthly headline inflation.
- Poultry prices increased by 4.10 percent to contribute by 0.16 percentage points to monthly headline inflation. This comes after poultry prices declined for eight consecutive months.
- Prices of red meat have been broadly stable since September 2017, after recording continuous increases since April 2016.
- Prices of fresh vegetables declined by 0.26 percent, recording the fourth consecutive monthly decline, while prices of fresh fruits increased by 1.65 percent. Together, they contributed by 0.02 percentage points to monthly headline inflation.
- Prices of other food items, including cheese, fish and seafood, contributed jointly by 0.08 percentage points to monthly headline inflation.

### Contributions to Monthly Headline CPI Inflation

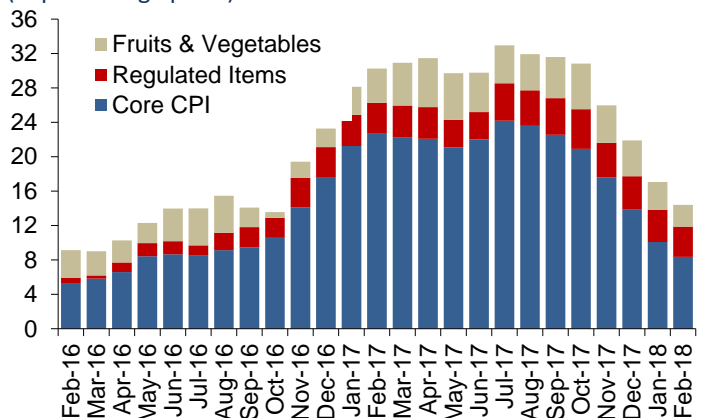
(in percentage point)



Source: Central Bank of Egypt.

### Contributions to Annual Headline CPI Inflation

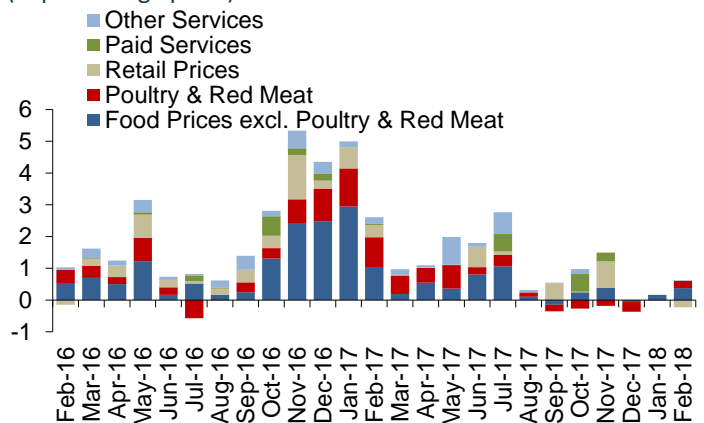
(in percentage point)



Source: Central Bank of Egypt.

### Contributions to Monthly Core CPI Inflation

(in percentage point)

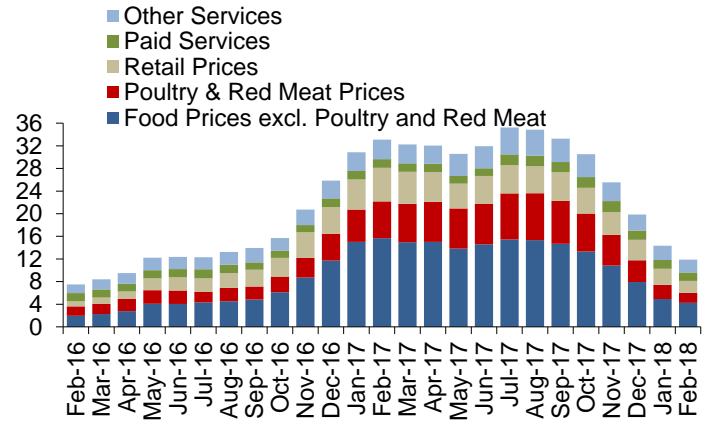


Source: Central Bank of Egypt.

- Prices of retail items declined by 1.36 percent to contribute by negative 0.16 percentage points to monthly headline inflation. This was mainly due to seasonally lower prices of clothing.
- Prices of services increased slightly by 0.06 percent due to higher prices of restaurants, to contribute by 0.01 percentage points to monthly headline inflation. Prices of services were stable over the last two months.
- Monthly core inflation was affected by price increases of the aforementioned core food items, which contributed by 0.61 percentage points to monthly core inflation. Meanwhile, retail items contributed by negative 0.23 percentage points to monthly core inflation, while the contribution of services items was marginal at 0.02 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 1/

	Weight in basket 2/	February 2017	February 2018	February 2018 to January 2018	February 2018 to February 2017
	(in percent)	(index)		(percentage change)	
	(January 2010 = 100)				
<b>Headline - All items</b>	<b>100.00</b>	<b>226.08</b>	<b>258.63</b>	<b>0.29</b>	<b>14.40</b>
Food and beverages	39.92	289.80	328.05	0.86	13.20
Tobacco and related products	2.19	400.66	518.35	0.00	29.37
Clothing and footwear	5.41	156.93	190.99	-3.65	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	-0.14	11.00
Medical care	6.33	194.31	209.06	0.00	7.59
Transportation	5.68	181.36	205.11	0.00	13.10
Communications	3.12	98.59	109.41	0.00	10.97
Recreation and Culture	2.43	211.53	293.88	0.00	38.93
Education	4.63	246.00	294.16	0.00	19.58
Hotels, cafes and restaurants	4.43	261.93	293.23	0.25	11.95
Miscellaneous goods and services	3.73	157.40	185.24	-0.04	17.69
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	418.41	501.28	0.11	19.81
Regulated items	18.66	205.28	247.87	0.00	20.75
Food excl. fruits & vegetables	31.08	272.83	303.54	1.15	11.26
Retail items	14.48	179.94	203.11	-1.36	12.88
Paid services	5.87	215.04	255.51	0.00	18.82
Other services	23.00	153.93	169.59	0.08	10.17
Core CPI	74.43	213.46	238.82	0.39	11.88

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits