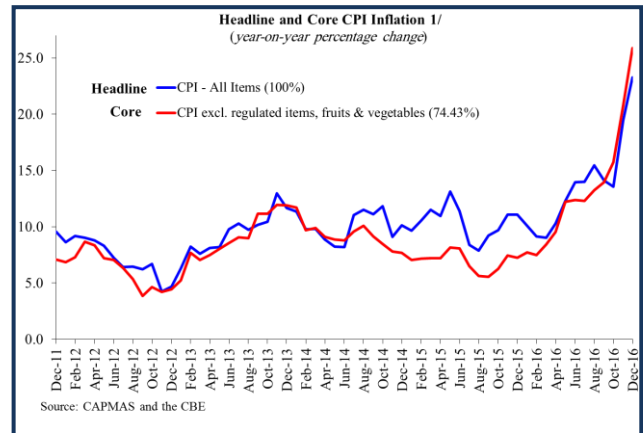
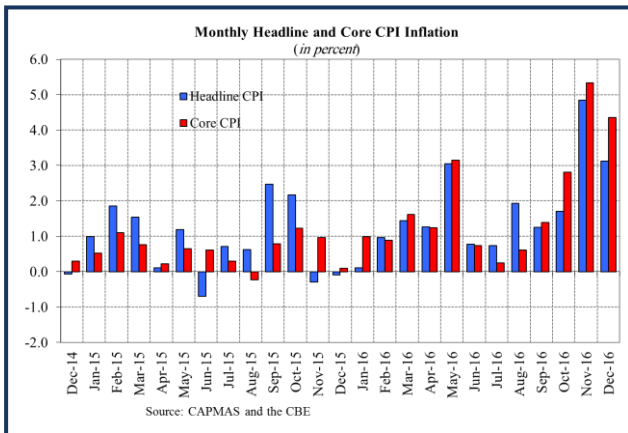


Headline and Core Inflation – December 2016

Headline CPI published by the Central Agency for Public Mobilization and Statistics on January 10, 2017 increased by 3.13 percent (m/m) in December 2016 compared to 4.85 percent (m/m) in November 2016. The annual rate increased to 23.27 percent in December from 19.43 percent in November. The monthly increase was mainly driven by higher prices of core food items due to cost push effects in addition to continued supply shocks related to rice and sugar. The remaining increases were concentrated in healthcare as well as café and restaurant services, while the contribution of retail items narrowed following their significant contribution in the previous month. Given the increase in core items, core CPI computed by the Central Bank of Egypt accelerated by 4.35 percent (m/m) in December 2016 compared to 5.33 percent (m/m) in November 2016 and the annual rate increased to 25.86 percent in December from 20.73 percent in November.¹

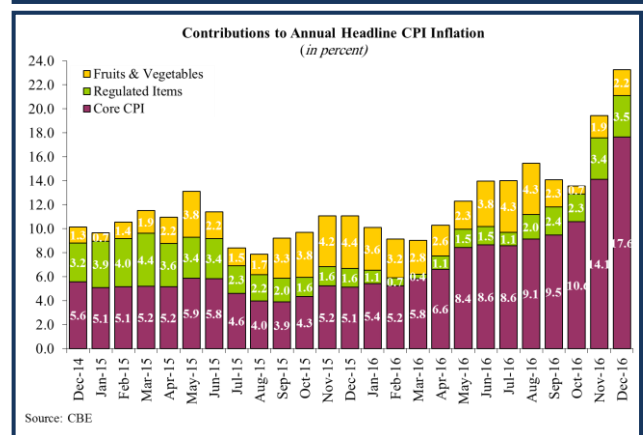
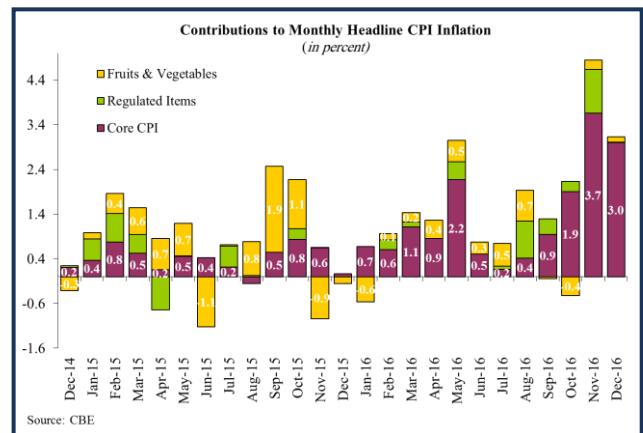


1. Headline CPI²

Headline CPI rose by 3.13 percent (m/m) in December 2016 compared to 4.85 percent (m/m) in November 2016. The annual rate increased to 23.27 percent in December from 19.43 percent in November.

Key Highlights

- The prices of red meat and poultry increased by 6.15 and 5.30 percent, respectively, contributing jointly by 0.71 percentage points to monthly headline inflation. Red meat prices were partly effected by higher international prices.
- The prices of milk, cheese and eggs increased by 5.55 percent, which contributed by 0.34 percentage points to monthly headline inflation. This was mainly due to the increase in the prices of milk by 6.2 percent, cheese by 6.8 percent and eggs by 3.5 percent.
- The prices of oil and fats increased by 7.01 percent, which contributed by 0.23 percentage points to monthly headline inflation. This was mainly due to the increase of edible oil prices which was partly affected by higher international prices, in addition to imported and domestic butter and ghee, as well as margarine.

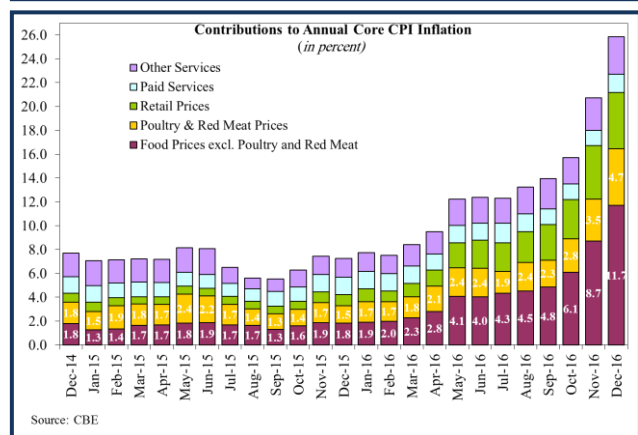
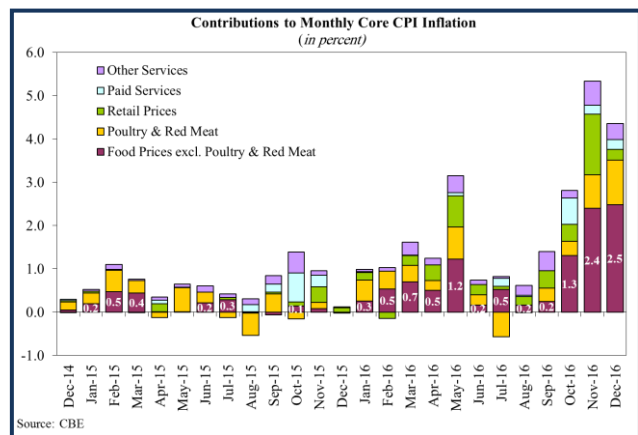


- Rice prices continued to increase, registering 13.99 percent and contributing by 0.38 percentage points to monthly headline inflation. This brings the cumulative monthly increase during 2016 to 65.12 percent due to domestic supply shocks.
- The prices of sugar and confectionary increased for the sixth consecutive month, growing by 6.99 percent to contribute by 0.12 percentage points to monthly headline inflation, partly due to domestic supply shocks and the increase in international prices. This brings the cumulative monthly increase during 2016 to 47.57 percent.
- The prices of fish and sea food increased by 6.11 percent to contribute by 0.18 percentage points to monthly headline inflation, partly effected by higher international prices.
- The prices of other food items including, bakery products, pasta, wheat, wheat flour, processed meat, pulses, dried fruits, processed vegetables, fresh juices and tea picked up to contribute jointly by 0.46 percentage points to monthly headline inflation.
- The prices of fresh fruits increased by 5.89 percent, while price of fresh vegetables declined by 0.18 percent. Together they contributed by 0.11 percentage points to monthly headline inflation.
- The prices of retail items increased by 1.46 percent to contribute by 0.17 percentage points to monthly headline inflation. Increases were witnessed in several items, such as cars and spare parts, HH appliances, cleaning products and small tools, in addition to gold.
- The prices of paid services increased by 2.37 percent to contribute by 0.16 percentage points to monthly headline inflation. This was driven by the increase in the prices of outpatient health services.
- The prices of other services increased by 2.64 percent to contribute by 0.25 percentage points to monthly headline inflation, which was driven by the increase in the prices of cafés and restaurants as well as private hospitals.
- The prices of regulated items increased slightly by 0.09 percent to contribute by 0.02 percentage points to monthly headline inflation. This was driven by the increase in the prices of public hospitals.

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt increased by 4.35 percent (m/m) in December 2016 compared to 5.33 percent (m/m) in November, which is significantly above the average monthly pace during the first eleven months of 2016 that records 1.73 percent. The annual rate increased to 25.86 percent in December from 20.73 percent in November.

The monthly dynamics were mainly driven by the developments in the prices of previously mentioned core food items, which contributed by 3.51 percentage points to monthly core inflation. This came in addition to the increase in the prices of retail items, other services and paid services that contributed by 0.25 , 0.36 and 0.23 percentage points, respectively.



1/ 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 .

2/ 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).

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/	December 2015	December 2016	December 2016 to November 2016	December 2016 to December 2015
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
Headline - All items	100.00	171.73	211.69	3.13	23.27
Food and beverages	39.92	203.07	260.64	5.26	28.35
Tobacco and related products	2.19	316.60	400.66	0.00	26.55
Clothing and footwear	5.41	130.94	156.93	0.00	19.85
Housing, water, electricity, gas and other fuels	18.37	128.62	139.11	0.00	8.15
Furnishings, household equipment and routine maintenance of the dwelling	3.77	147.10	182.47	2.66	24.05
Medical care	6.33	143.32	190.51	4.31	32.92
Transportation	5.68	140.79	173.52	1.06	23.25
Communications	3.12	96.85	98.59	0.00	1.80
Recreation and Culture	2.43	180.60	209.83	0.26	16.18
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	193.64	251.42	3.45	29.84
Miscellaneous goods and services	3.73	114.92	143.24	1.09	24.65
Selective aggregates					
Fruits & vegetables 3/	6.90	329.08	382.64	0.89	16.27
Regulated items	18.66	170.56	202.51	0.09	18.73
Food excl. fruits & vegetables	31.08	181.30	243.33	7.02	34.22
Retail items	14.48	130.74	168.91	1.46	29.20
Paid services	5.87	183.44	214.20	2.64	16.77
Other services	23.00	135.33	151.35	1.49	11.84
Core CPI	74.43	157.42	198.13	4.35	25.86
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					