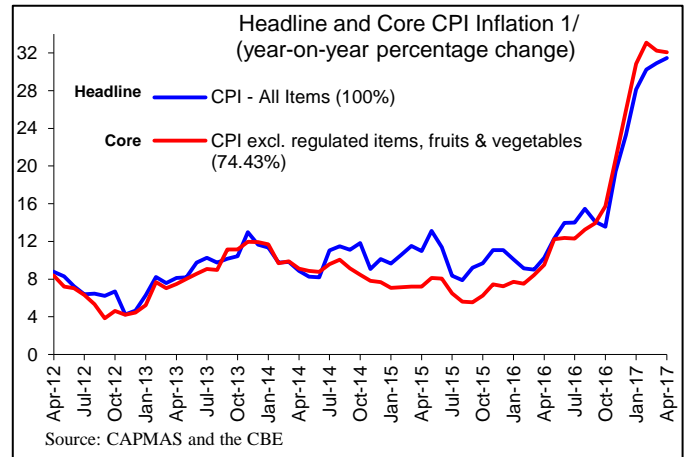
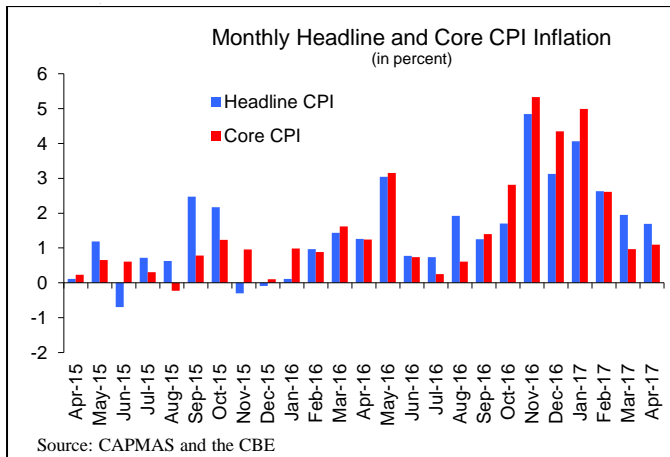


Headline and Core Inflation – April 2017

Headline urban CPI inflation – published by the Central Agency for Public Mobilization and Statistics on May 10, 2017 – continued to decline in April 2017 for the third consecutive month, recording 1.69 percent (m/m) compared to 1.95 percent (m/m) in March. The annual rate recorded 31.46 percent in April 2017 compared to 30.91 percent in March. Monthly inflation was mainly driven by volatile and core food items, while prices of non-food items were almost unchanged with the exception of restaurant services. Accordingly, core inflation computed by the Central Bank of Egypt recorded 1.10 percent (m/m) in April 2017 compared to 0.97 percent (m/m) in March. The lower monthly core inflation rate compared to the same month of the previous year led annual core inflation to decline for the second consecutive month, recording 32.06 percent in April 2017 compared to 32.25 percent in March.¹

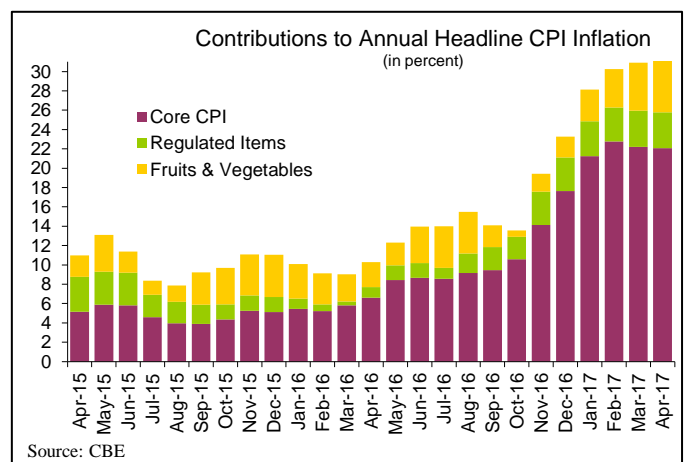
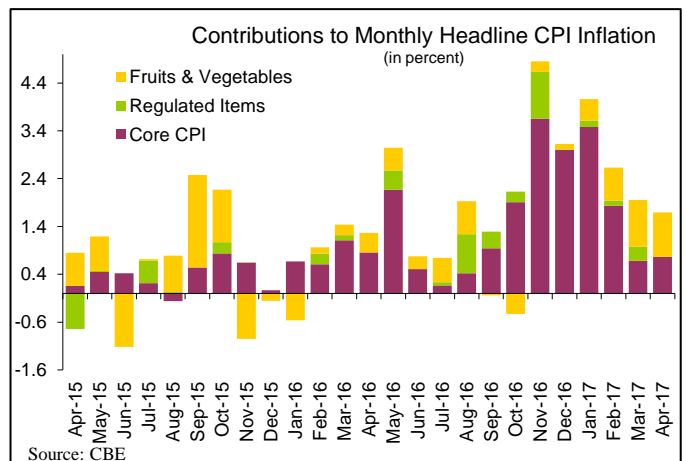


1. Headline CPI²

Headline CPI inflation declined to 1.69 percent (m/m) in April 2017 compared to 1.95 percent (m/m) in March 2017, registering the third consecutive decline after averaging 4.01 percent (m/m) between November 2016 and January 2017. The annual rate recorded 31.46 percent in April 2017 compared to 30.91 percent in March 2017.

Key Highlights

- The prices of fresh vegetables and fruits increased by 7.22 and 5.38 percent, respectively. Together they contributed by 0.93 percentage points to monthly headline inflation.
- The prices of red meat and poultry increased by 3.93 and 0.11 percent, respectively. Both contributed jointly by 0.32 percentage points to monthly headline inflation.
- The prices of fish and seafood increased by 7.70 percent to contribute by 0.27 percentage points to monthly headline inflation.
- The prices of milk and cheese increased by 0.12 and 1.92 percent, respectively. Together they contributed by 0.04 percentage points to monthly headline inflation.

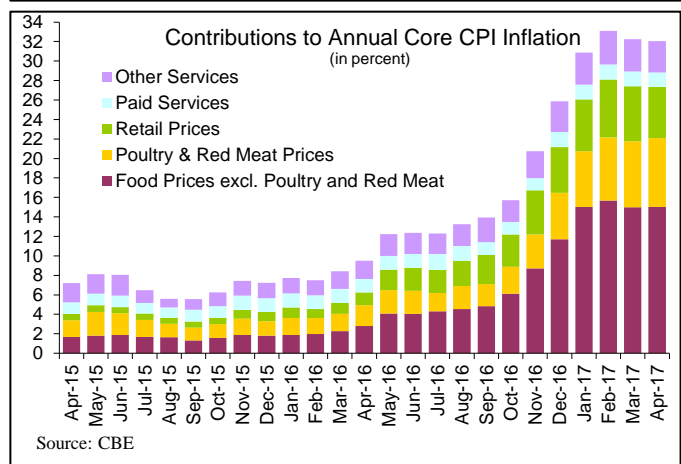
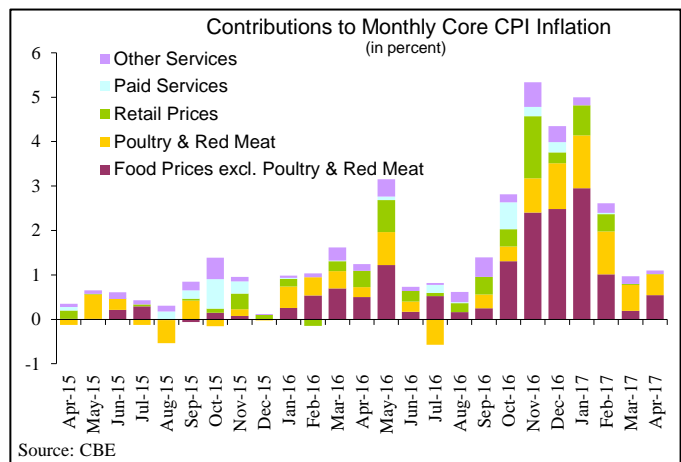


- The prices of other food items including processed meat, processed vegetables, sweets, pulses and soft drinks picked up to contribute jointly by 0.09 percentage points to monthly headline inflation.
- The prices of oils and fats declined for the first time since December 2014 by 0.49 percent, contributing by negative 0.02 percentage points to monthly headline inflation. This was mainly due to the decline in the prices of domestic butter.
- The prices of retail items increased slightly by 0.06 percent to contribute by 0.01 percentage points to monthly headline inflation, due to higher gold prices.
- While the prices of paid services remained unchanged, the prices of other services increased by 0.35 percent to contribute by 0.05 percentage points to monthly headline inflation. This was driven by the increase in the prices of restaurants.

2. Core Inflation²

Core CPI inflation computed by the Central Bank of Egypt recorded 1.10 percent (m/m) in April 2017 compared to 0.97 percent (m/m) in March 2017, printing a slight increase after decelerating in February and March from the average 4.89 percent (m/m) registered between November 2016 and January 2017. The annual rate declined for the second consecutive month, recording 32.06 percent in April 2017 compared to 32.25 percent in March.

The monthly dynamics were mainly driven by the price developments of previously mentioned core food items, which contributed by 1.01 percentage points to monthly core inflation. This came in addition to the increase in the prices of retail items and other services that contributed by 0.01 and 0.08 percentage points to monthly core inflation, respectively, while prices of paid services remained unchanged.



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/ | April 2016 | April 2017 | April 2017 to March 2017 | April 2017 to April 2016 |
|---|------------------------|---------------------------------|---------------|-----------------------------|-----------------------------|
| | (in percent) | (index) (January 2010 = 100) | | (percentage change) | |
| Headline - All items | 100.00 | 178.30 | 234.40 | 1.69 | 31.46 |
| Food and beverages | 39.92 | 214.42 | 307.86 | 3.16 | 43.57 |
| Tobacco and related products | 2.19 | 316.60 | 429.47 | 0.00 | 35.65 |
| Clothing and footwear | 5.41 | 131.73 | 156.93 | 0.00 | 19.13 |
| Housing, water, electricity, gas and other fuels | 18.37 | 130.82 | 140.89 | 0.00 | 7.70 |
| Furnishings, household equipment and routine maintenance of the dwelling | 3.77 | 154.56 | 201.31 | 0.00 | 30.25 |
| Medical care | 6.33 | 149.26 | 194.31 | 0.00 | 30.19 |
| Transportation | 5.68 | 142.24 | 181.39 | 0.02 | 27.53 |
| Communications | 3.12 | 96.88 | 98.59 | 0.00 | 1.77 |
| Recreation and Culture | 2.43 | 182.87 | 219.19 | 0.00 | 19.86 |
| Education | 4.63 | 219.01 | 246.00 | 0.00 | 12.32 |
| Hotels, cafes and restaurants | 4.43 | 207.91 | 266.71 | 1.04 | 28.29 |
| Miscellaneous goods and services | 3.73 | 119.45 | 159.50 | 0.28 | 33.53 |
| Selective aggregates | | | | | |
| Fruits & vegetables 3/ | 6.90 | 334.47 | 481.46 | 6.87 | 43.95 |
| Regulated items | 18.66 | 173.59 | 208.83 | 0.00 | 20.30 |
| Food excl. fruits & vegetables | 31.08 | 194.68 | 282.01 | 1.89 | 44.86 |
| Retail items | 14.48 | 135.84 | 180.25 | 0.06 | 32.69 |
| Paid services | 5.87 | 184.20 | 215.04 | 0.00 | 16.74 |
| Other services | 23.00 | 138.34 | 155.67 | 0.35 | 12.53 |
| Core CPI | 74.43 | 164.99 | 217.90 | 1.10 | 32.06 |
| 1/ Source: CAPMAS and CBE calculations | | | | | |
| 2/ Based on 2008/2009 Household Expenditure Survey | | | | | |
| 3/ Excluding pulses, processed vegetables and dried fruits | | | | | |