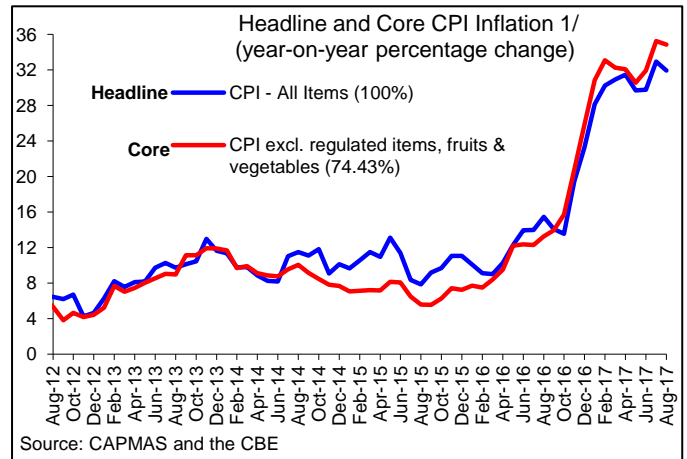
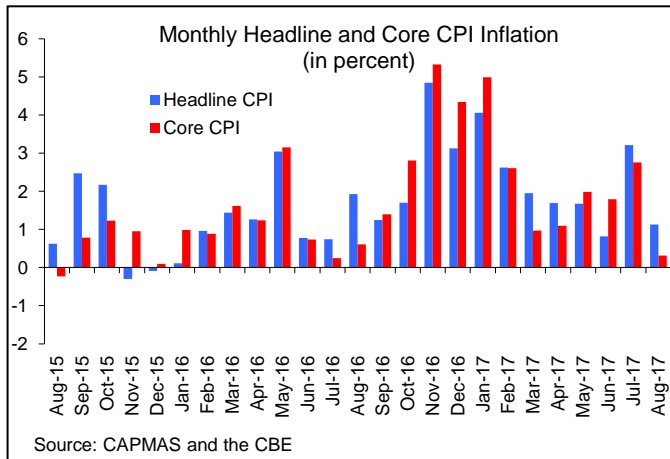


Headline and Core Inflation – August 2017

Monthly headline (urban) CPI inflation for August 2017, published by the Central Agency for Public Mobilization and Statistics on September 10, 2017, declined to 1.13 percent from 3.22 percent in July 2017. Given the favorable base effect due to the relatively lower monthly inflation rate in August 2017 compared to August 2016, annual headline inflation declined to 31.92 percent from 32.95 percent in July 2017. Headline inflation was mainly driven by regulated items, affected by the increase in electricity prices, as well as fresh vegetables. Core food items registered the lowest increase since August 2016. Prices of services were only affected by higher inland transportation prices – an indirect effect of the hydrocarbon-subsidy reforms implemented end of June 2017, while prices of retail items remained broadly unchanged. Excluding the increase of electricity and inland transportation prices, monthly headline inflation narrows to 0.58 percent, registering the lowest since January 2016. Consequently, monthly core inflation, computed by the Central Bank of Egypt, registered the lowest since July 2016, dropping to 0.31 percent in August 2017 from 2.76 percent in July 2017. Accordingly, annual core inflation declined to 34.86 percent in August 2017 from 35.26 percent in July due to a favorable base effect.¹

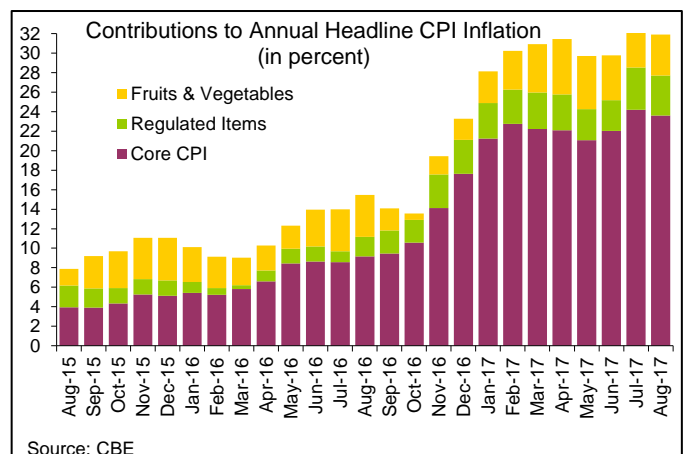
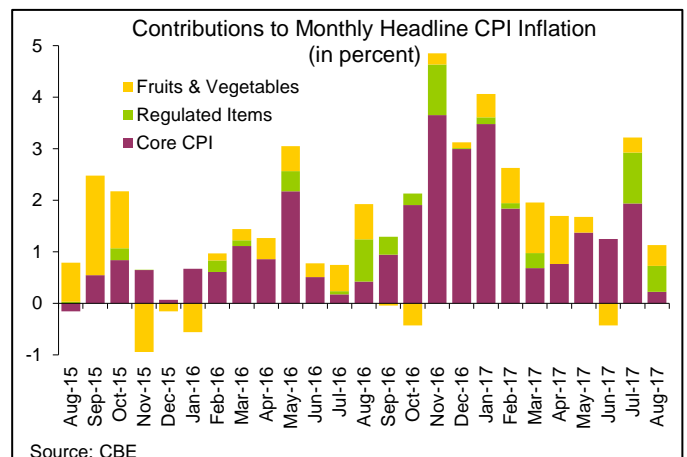


1. Headline CPI²

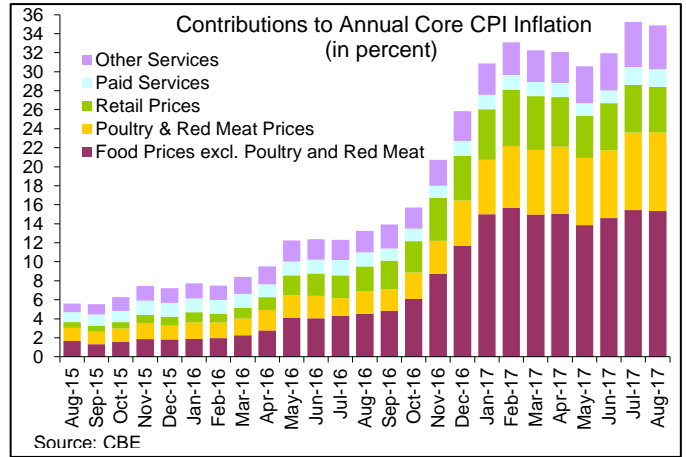
Monthly headline (urban) CPI inflation declined to 1.13 percent in August 2017 from 3.22 percent in July. Annual headline inflation declined to 31.92 percent in August 2017 from 32.95 percent in July due to a favorable base effect.

Key Highlights

- Prices of regulated items rose by 3.01 percent to contribute by 0.50 percentage points to monthly headline inflation. This was mainly due to the upward adjustment of electricity prices by 26.21 percent in the context of the fiscal reform program.
- Prices of fresh vegetables increased by 4.83 percent while prices of fresh fruits declined by 4.16 percent. Together they contributed by 0.41 percentage points to monthly headline inflation.
- Prices of red meat continued to increase, rising by 2.06 percent, while prices of poultry decreased by 1.87 percent for the third consecutive month. Together they contributed by 0.10 percentage points to monthly headline inflation.



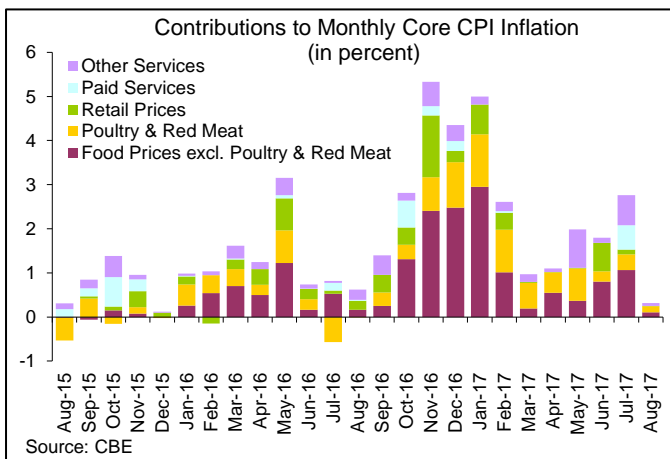
- Prices of fish and sea food decreased by 0.90 percent to contribute by negative 0.03 percentage points to monthly headline inflation.
- Prices of other food items, including fats, dried fruits and processed vegetables, contributed jointly by 0.11 percentage points to monthly headline inflation.
- Prices of other services increased slightly by 0.30 percent to contribute by 0.05 percentage points to monthly headline inflation, driven by higher inland transportation prices.
- Prices of retail items and paid services remained broadly unchanged.



2. Core Inflation²

Monthly core CPI inflation, computed by the Central Bank of Egypt, dropped to 0.31 percent in August 2017 from 2.76 percent in July. Annual core inflation declined to 34.86 percent in August 2017 from 35.26 percent in July due to a favorable base effect.

Monthly price dynamics were mainly driven by previously mentioned core food items, which contributed by 0.24 percentage points to monthly core inflation. This came in addition to the increase in the prices of other services which contributed by 0.07 percentage points to monthly core inflation, while the contribution of paid services and retail items was negligible.



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/	August 2016	August 2017	August 2017 to July 2017	August 2017 to August 2016
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
Headline - All items	100.00	190.13	250.81	1.13	31.92
Food and beverages	39.92	231.03	327.16	1.11	41.61
Tobacco and related products	2.19	323.94	464.24	0.00	43.31
Clothing and footwear	5.41	136.42	177.58	0.00	30.17
Housing, water, electricity, gas and other fuels	18.37	138.73	149.94	4.27	8.08
Furnishings, household equipment and routine maintenance of the dwelling	3.77	161.89	202.27	0.00	24.94
Medical care	6.33	172.48	209.06	0.00	21.21
Transportation	5.68	148.17	205.11	2.04	38.42
Communications	3.12	96.92	101.63	0.00	4.86
Recreation and Culture	2.43	202.35	285.46	0.00	41.07
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	216.62	292.35	0.00	34.96
Miscellaneous goods and services	3.73	129.76	159.53	0.16	22.94
Selective aggregates					
Fruits & vegetables 3/	6.90	386.24	501.70	3.02	29.89
Regulated items	18.66	186.22	228.23	3.01	22.56
Food excl. fruits & vegetables	31.08	204.51	302.31	0.45	47.82
Retail items	14.48	146.46	189.04	0.04	29.07
Paid services	5.87	190.28	230.81	0.00	21.30
Other services	23.00	142.45	168.20	0.30	18.08
Core CPI	74.43	172.92	233.20	0.31	34.86
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					