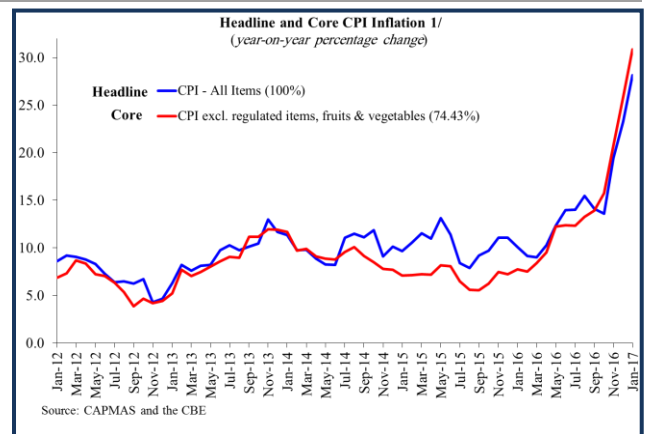
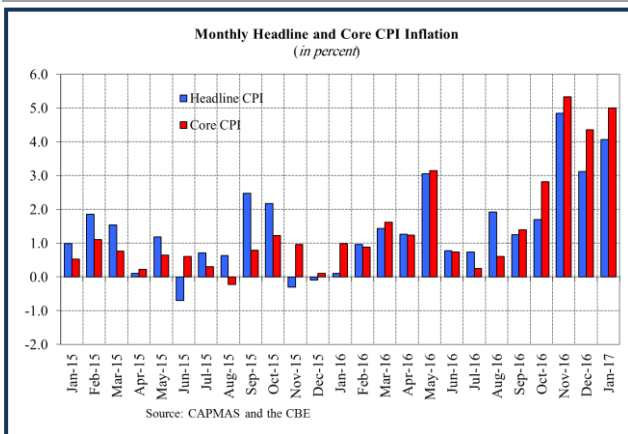


Headline and Core Inflation – January 2017

Headline CPI published by the Central Agency for Public Mobilization and Statistics on February 11, 2017 increased by 4.07 percent (m/m) in January 2017 compared to 3.13 percent (m/m) in December 2016. The annual rate increased to 28.14 percent in January 2017 from 23.27 percent in December 2016. The monthly increase continued to reflect cost-push effects in addition to the new customs tariff, and was mainly driven by core items as well as some positive contribution of volatile food items, while the contribution of regulated price adjustments was marginal. Core items continued to be mainly driven by food, which further reflected continued supply shocks related to rice, while the contribution of retail and services narrowed in January and December compared to November. Given the increase in core items, core CPI computed by the Central Bank of Egypt accelerated by 5.0 percent (m/m) in January 2017 compared to 4.35 percent (m/m) in December 2016 and the annual rate increased to 30.86 percent in January 2017 from 25.86 percent in December 2016.¹

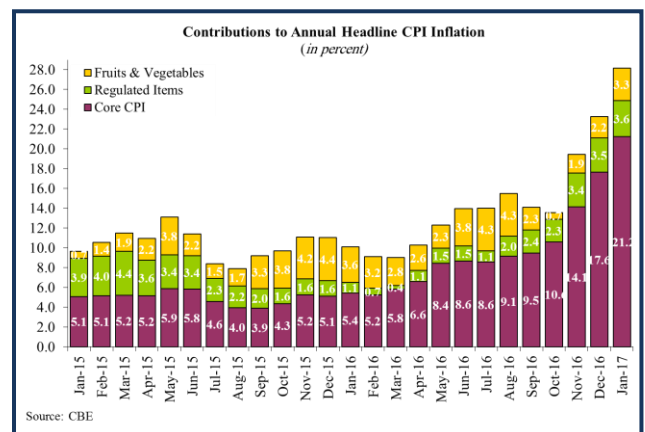
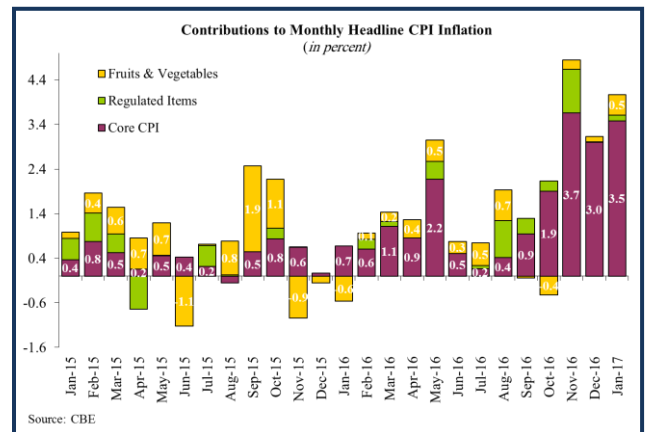


1. Headline CPI²

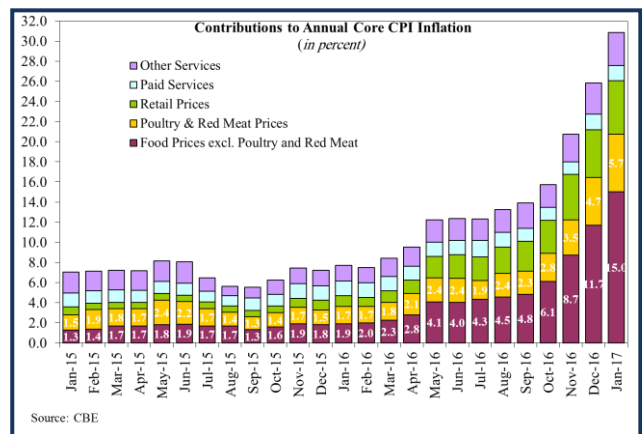
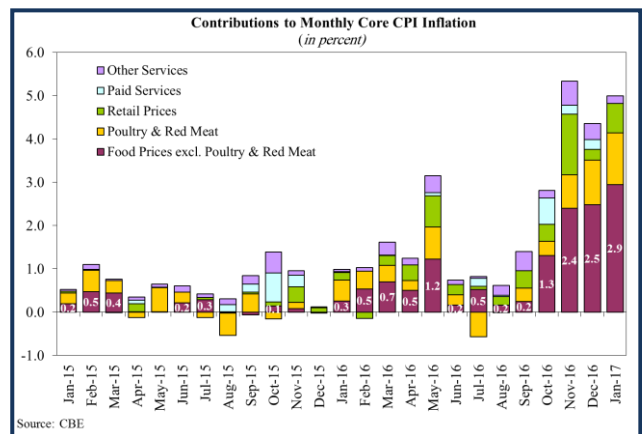
Headline CPI rose by 4.07 percent (m/m) in January 2017 compared to 3.13 percent (m/m) in December 2016. The annual rate increased to 28.14 percent in January 2017 from 23.27 percent in December 2016.

Key Highlights

- The prices of red meat and poultry increased by 4.82 and 10.01 percent, respectively, contributing jointly by 0.83 percentage points to monthly headline inflation. Red meat prices were partly affected by higher international prices.
- The prices of milk, cheese and eggs increased by 10.82 percent, which contributed by 0.67 percentage points to monthly headline inflation. This was mainly due to the increase in the prices of milk by 10.4 percent, cheese by 7.8 percent and eggs by 14.4 percent.
- The prices of oil and fats increased by 11.23 percent, which contributed by 0.38 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 9.54 percent and contributing by 0.29 percentage points to monthly headline inflation. This brings the cumulative monthly increase since January 2016 to 74.66 percent due to domestic supply shocks.
- The prices of fish and sea food increased by 6.90 percent to contribute by 0.20 percentage points to monthly headline inflation, partly affected by higher international prices.
- The prices of other food items including, pasta, wheat, wheat flour, processed meat, pulses, confectionary products, soft drink, coffee, and tea picked up to contribute jointly by 0.51 percentage points to monthly headline inflation.
- The prices of fresh vegetables and fruits increased by 3.49 and 4.31 percent, respectively. Together they contributed by 0.45 percentage points to monthly headline inflation.
- The prices of retail items increased by 4.06 percent to contribute by 0.47 percentage points to monthly headline inflation. Increases were witnessed in several items, such as cleaning products, glassware, tableware products, cars and spare parts, motor oil, HH appliances, and furniture.
- The prices of other services increased by 0.76 percent to contribute by 0.13 percentage points to monthly headline inflation, which was driven by the increase in the prices of cafés and restaurants, while the prices of paid services remained unchanged.
- The prices of regulated items increased by 0.73 percent to contribute by 0.13 percentage points to monthly headline inflation. This was driven by the increase in the prices of natural gas for housing.



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).

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt increased by 5.0 percent (m/m) in January 2017 compared to 4.35 percent (m/m) in December 2016. The annual rate increased to 30.86 percent in January 2017 from 25.86 percent in December 2016.

The monthly dynamics were mainly driven by the developments in the prices of previously mentioned core food items, which contributed by 4.14 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 0.67 and 0.18 percentage points to monthly core inflation, respectively.

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/	January 2016	January 2017	January 2017 to December 2016	January 2017 to January 2016
	(in percent)	(index)		(percentage change)	
		(January 2010 = 100)			
Headline - All items	100.00	171.92	220.29	4.07	28.14
Food and beverages	39.92	202.83	278.36	6.80	37.24
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	128.76	140.62	1.08	9.21
Furnishings, household equipment and routine maintenance of the dwelling	3.77	152.62	197.08	8.00	29.13
Medical care	6.33	143.32	190.51	0.00	32.92
Transportation	5.68	140.79	176.13	1.51	25.11
Communications	3.12	96.85	98.59	0.00	1.80
Recreation and Culture	2.43	182.02	211.48	0.79	16.19
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	194.11	257.23	2.31	32.52
Miscellaneous goods and services	3.73	114.94	150.24	4.89	30.72
Selective aggregates					
Fruits & vegetables 3/	6.90	315.17	396.57	3.64	25.83
Regulated items	18.66	170.56	203.99	0.73	19.60
Food excl. fruits & vegetables	31.08	184.07	262.98	8.08	42.87
Retail items	14.48	132.19	175.77	4.06	32.97
Paid services	5.87	183.85	214.20	0.00	16.50
Other services	23.00	135.57	152.50	0.76	12.49
Core CPI	74.43	158.97	208.03	5.00	30.86

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits