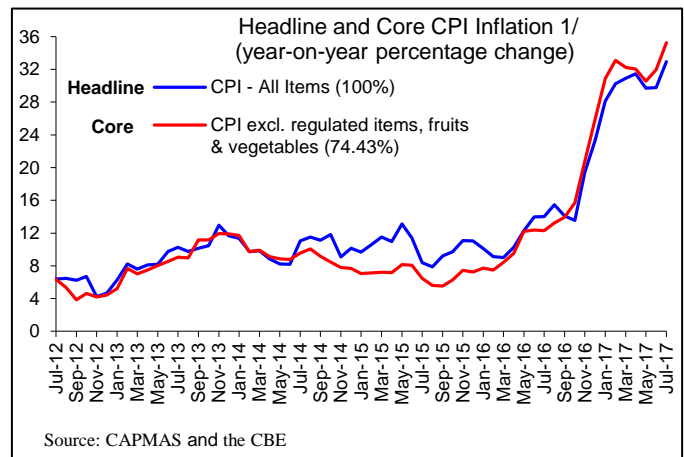
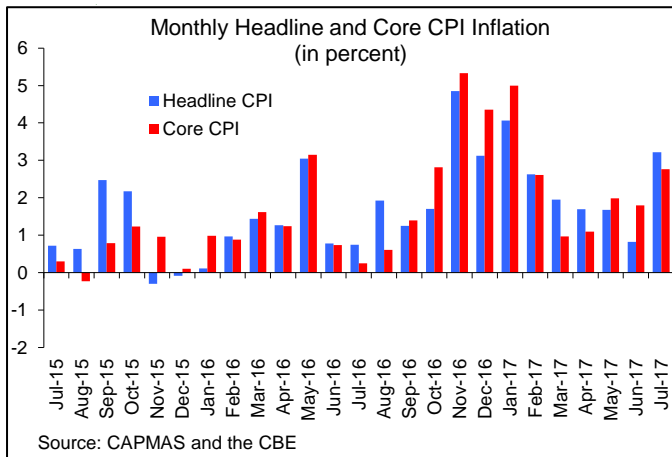


Headline and Core Inflation – July 2017

Headline urban CPI for July 2017, published by the Central Agency for Public Mobilization and Statistics on August 10, 2017, increased by 3.22 percent (m/m) compared to 0.82 percent (m/m) in June. Consequently, the annual headline inflation rate rose to 32.95 percent in July 2017 from 29.76 percent in June. Inflation during July was affected by an expected upward adjustment of regulated prices and a higher VAT rate in the context of the fiscal reform program. Prices of hydrocarbon products increased to improve cost-recovery ratios, which had an indirect impact on prices of inland transportation, food items as well as cafés and restaurants. Given price increases in core items that have a higher relative weight in core CPI vis-à-vis headline CPI, core inflation computed by the Central Bank of Egypt increased by 2.76 percent (m/m) in July 2017 compared to 1.80 percent (m/m) in June, leading the annual rate to increase to 35.26 percent in July 2017 from 31.95 percent in June.¹

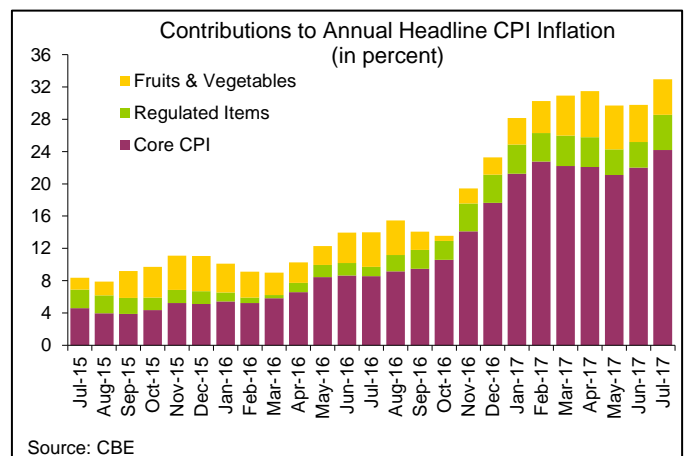
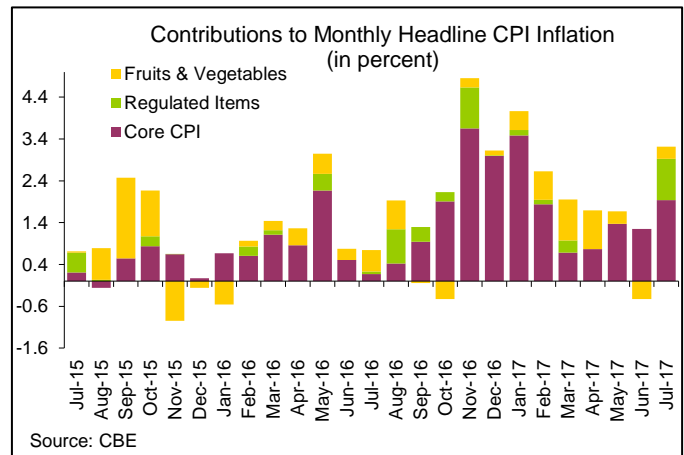


1. Headline CPI²

Headline CPI increased by 3.22 percent (m/m) in July 2017 compared to 0.82 percent (m/m) in June. Accordingly, the annual headline inflation rate rose to 32.95 percent in July 2017 from 29.76 percent in June.

Key Highlights

- As part of the fiscal reform program, prices of motor fuels, fuel oils, butane cylinders and inland transportation were adjusted upward. The price increases registered 33.16, 34.35, 24.63 and 4.01 percent, respectively, and contributed jointly by 0.49 percentage points to monthly headline inflation. Other regulated prices also rose, mainly tobacco, public hospitals, landline telephone and medical products, which contributed jointly by 0.50 percentage points to monthly headline inflation.
- Prices of fresh vegetables and fruits increased by 2.65 and 0.12 percent, respectively. Together they contributed by 0.29 percentage points to monthly headline inflation.
- Prices of red meat continued to increase, rising by 6.40 percent, while prices of poultry decreased by 5.88 percent, contributing by 0.55 percentage points and negative 0.30 percentage points to monthly headline inflation, respectively.

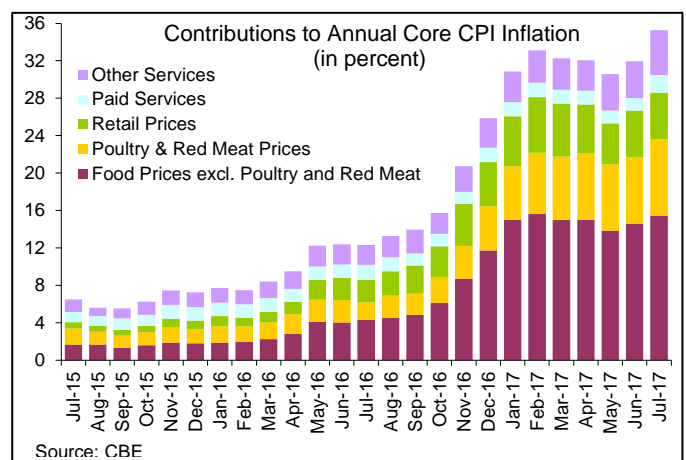
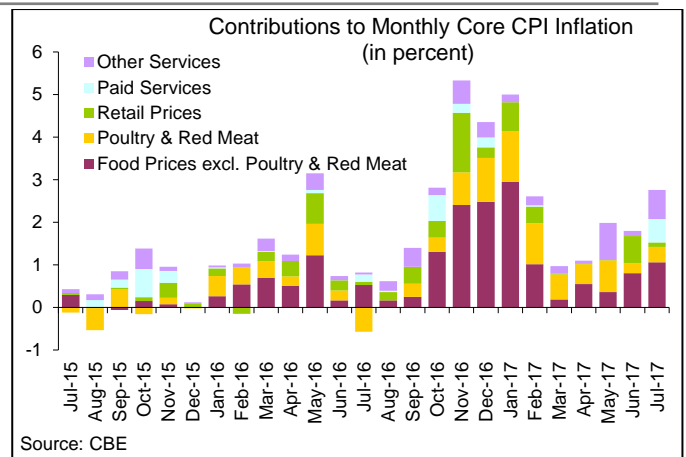


- Prices of milk, cheese and eggs increased by 7.80, 3.68 and 4.11 percent, respectively. Together they contributed by 0.37 percentage points to monthly headline inflation.
- Prices of other food items, including bread, fats, fish and sea food, bakery products, processed vegetables, pulses and tea, picked up to contribute jointly by 0.37 percentage points to monthly headline inflation.
- Prices of other services increased by 3.08 percent to contribute by 0.48 percentage points to monthly headline inflation. The increase was driven by café and restaurant services, inland transportation as well as furniture moving services.
- Prices of paid services increased by 7.33 percent to contribute by 0.39 percentage points to monthly headline inflation. This was mainly due to higher prices of outpatient services, vehicle maintenance, tailoring, laundry and shoe repair as well as maintenance services of dwellings.
- Prices of retail items rose slightly by 0.68 percent to contribute by 0.08 percentage points to monthly headline inflation. This was mainly due to higher prices of motor oil and medical products.

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt increased by 2.76 percent (m/m) in July 2017 compared to 1.80 percent (m/m) in June. Accordingly, the annual core inflation rate rose to 35.26 percent in July 2017 from 31.95 percent in June.

Monthly price dynamics were mainly driven by previously mentioned core food items, which contributed by 1.42 percentage points to monthly core inflation. This came in addition to the increase in the prices of other services, paid services and retail items, which contributed by 0.68, 0.55 and 0.11 percentage points to monthly core inflation, 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/	July 2016	July 2017	July 2017 to June 2017	July 2017 to July 2016
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	186.53	248.00	3.22	32.95
Food and beverages	39.92	227.32	323.57	2.45	42.34
Tobacco and related products	2.19	323.94	464.24	8.10	43.31
Clothing and footwear	5.41	136.42	177.58	0.91	30.17
Housing, water, electricity, gas and other fuels	18.37	130.82	143.80	2.07	9.92
Furnishings, household equipment and routine maintenance of the dwelling	3.77	158.16	202.27	0.06	27.89
Medical care	6.33	172.48	209.06	7.59	21.21
Transportation	5.68	144.83	201.02	10.71	38.80
Communications	3.12	96.91	101.63	3.08	4.87
Recreation and Culture	2.43	192.95	285.46	0.98	47.94
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	216.62	292.35	9.02	34.96
Miscellaneous goods and services	3.73	127.14	159.27	-0.34	25.27
Selective aggregates					
Fruits & vegetables 3/	6.90	367.67	486.98	2.13	32.45
Regulated items	18.66	178.02	221.56	6.10	24.46
Food excl. fruits & vegetables	31.08	203.87	300.96	2.62	47.63
Retail items	14.48	144.70	188.97	0.68	30.60
Paid services	5.87	189.72	230.81	7.33	21.66
Other services	23.00	141.17	167.70	3.08	18.79
Core CPI	74.43	171.87	232.46	2.76	35.26
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					