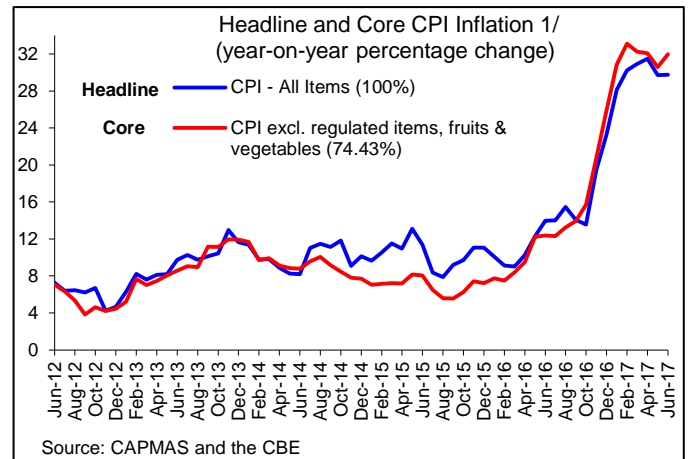
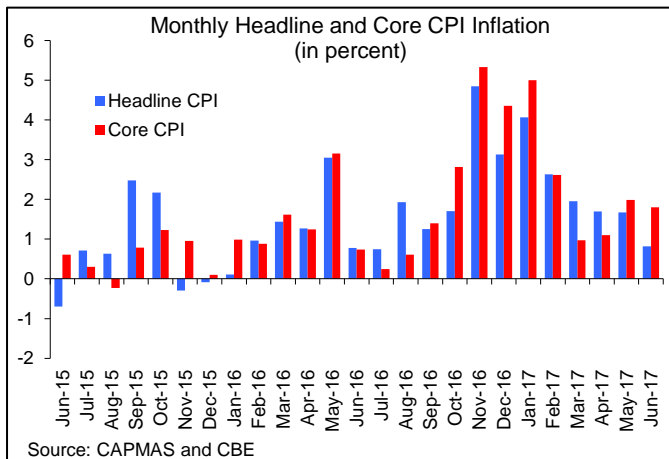


## Headline and Core Inflation – June 2017

Headline urban CPI inflation – published by the Central Agency for Public Mobilization and Statistics on July 10, 2017 – dropped to 0.82 percent in June 2017 from 1.67 percent (m/m) in May. The annual rate remained broadly unchanged in June 2017, recording 29.76 percent compared to 29.71 percent in May, supported by a favorable base effect. Monthly inflation was mainly driven by higher prices of core food items and by a lesser extent retail items, particularly clothing which coincided with Eid-El-Fitr. In the meantime, price increases were partially offset by the negative contribution of fresh vegetables for the first time since December 2016. Given that price increases were mainly in core items, core inflation computed by the Central Bank of Egypt registered 1.80 percent (m/m) in June 2017 compared to 1.99 percent (m/m) in May. Meanwhile, annual core inflation recorded 31.95 percent in June 2017 compared to 30.57 percent in May.<sup>1</sup>

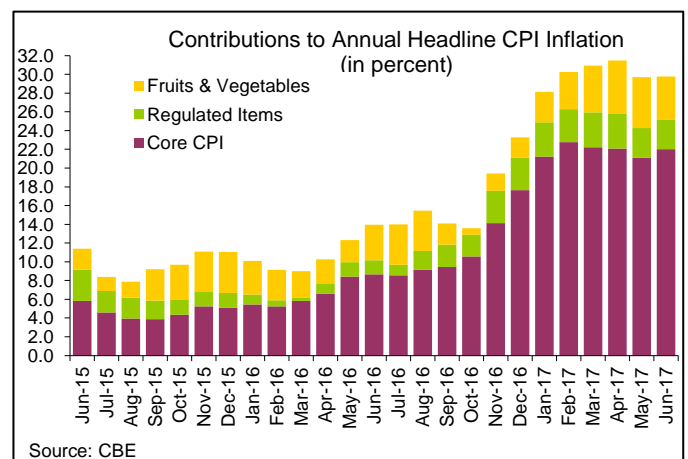
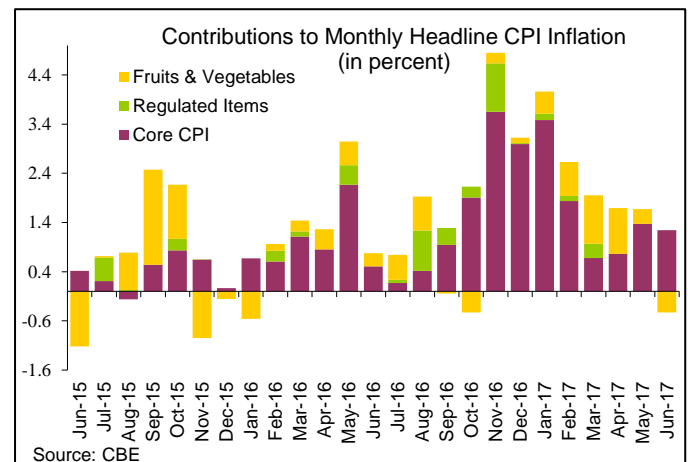


### 1. Headline CPI<sup>2</sup>

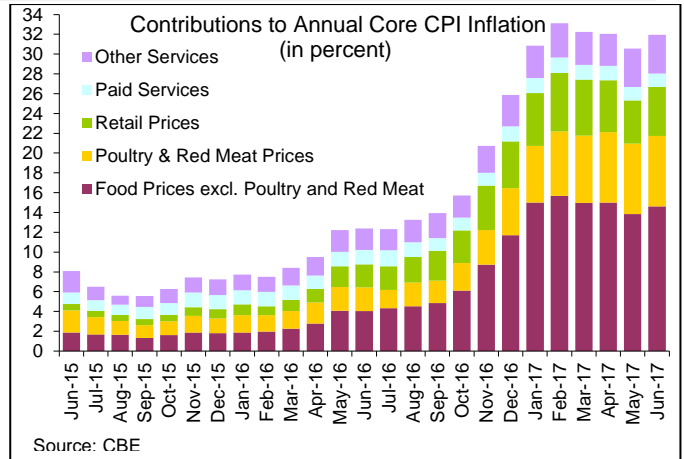
Headline CPI inflation dropped to 0.82 percent (m/m) in June 2017 from 1.67 percent (m/m) in May. The annual rate remained broadly unchanged, recording 29.76 percent in June 2017 compared to 29.71 percent in May, supported by a favorable base effect.

#### Key Highlights

- Prices of fresh vegetables decreased by 4.63 percent while prices of fresh fruits increased by 3.79 percent. Together they contributed by negative 0.43 percentage points to monthly headline inflation.
- Prices of red meat continued to increase, growing by 3.04 percent in June 2017, while prices of poultry decreased by 1.81 percent. Both contributed jointly by 0.16 percentage points to monthly headline inflation.
- Prices of fish and seafood declined by 1.03 percent to contribute by negative 0.04 percentage points to monthly headline inflation.
- Prices of milk and eggs increased by 6.96 and 13.87 percent, respectively. Together they contributed by 0.44 percentage points to monthly headline inflation.



- Prices of other food items including rice, fats, bakery products, pulses, processed meat and sweets picked up to contribute jointly by 0.16 percentage points to monthly headline inflation.
- Prices of retail items rose notably for the first time since February 2017 by 4.08 percent to contribute by 0.45 percentage points to monthly headline inflation. This was mainly due to higher prices of clothing and footwear, which coincided with Eid-El-Fitr.
- While prices of paid services remained unchanged, prices of other services increased slightly to contribute by 0.08 percentage points to monthly headline inflation. The increase was driven by pilgrimage as well as restaurants services.



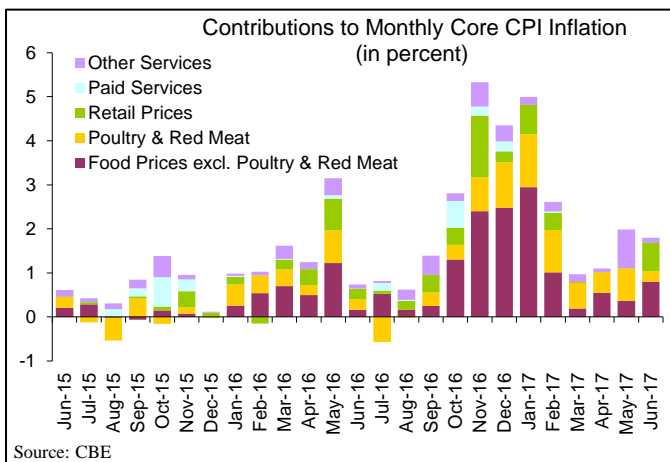
1/ CAPMAS publishes three CPI series: (1) the CPI for urban areas which include Cairo, Alexandria, urban Lower Egypt, urban Upper Egypt, Canal cities and Frontier governorates, (2) the CPI for rural areas, and (3) the CPI for All areas. Numbers quoted in this note refer to CPI-Urban.

## 2. Core Inflation<sup>2</sup>

Core CPI inflation computed by the Central Bank of Egypt recorded 1.80 percent (m/m) in June 2017 compared to 1.99 percent (m/m) in May. The annual rate registered 31.95 percent in June 2017 compared to 30.57 percent in May.

Monthly price dynamics were mainly driven by previously mentioned core food items, which contributed by 1.03 percentage points to monthly core inflation. This came in addition to the increase in the prices of retail items and other services, which contributed by 0.64 and 0.12 percentage points to monthly core inflation, respectively.

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 8<sup>th</sup> 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

<b>Food</b>	<b>Retail</b>	<b>Paid Services</b>	<b>Other Services</b>
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/	June 2016	June 2017	June 2017 to May2017	June 2017 to June 2016
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
<b>Headline - All items</b>	<b>100.00</b>	<b>185.16</b>	<b>240.27</b>	<b>0.82</b>	<b>29.76</b>
Food and beverages	39.92	225.12	315.82	0.55	40.29
Tobacco and related products	2.19	320.79	429.47	0.00	33.88
Clothing and footwear	5.41	135.68	175.97	12.14	29.69
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	157.68	202.14	0.32	28.20
Medical care	6.33	172.48	194.31	0.00	12.66
Transportation	5.68	144.24	181.58	0.02	25.88
Communications	3.12	96.88	98.59	0.00	1.77
Recreation and Culture	2.43	190.63	282.69	1.91	48.29
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	215.41	268.15	0.54	24.48
Miscellaneous goods and services	3.73	121.14	159.81	0.19	31.92
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	354.07	476.80	-3.01	34.66
Regulated items	18.66	177.38	208.83	0.00	17.73
Food excl. fruits & vegetables	31.08	204.06	293.28	1.91	43.72
Retail items	14.48	144.05	187.70	4.08	30.30
Paid services	5.87	185.84	215.04	0.00	15.71
Other services	23.00	140.94	162.69	0.52	15.43
Core CPI	74.43	171.44	226.22	1.80	31.95
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					