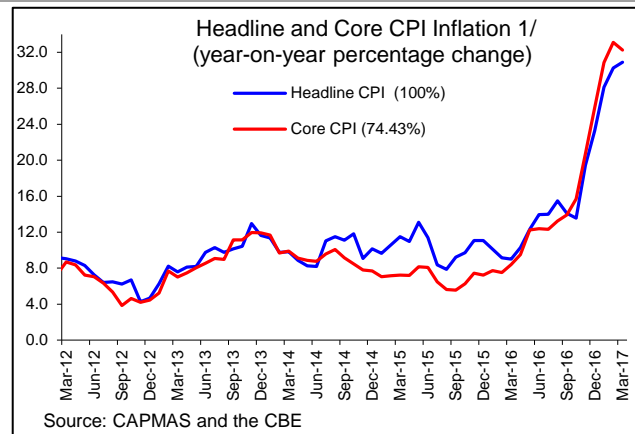
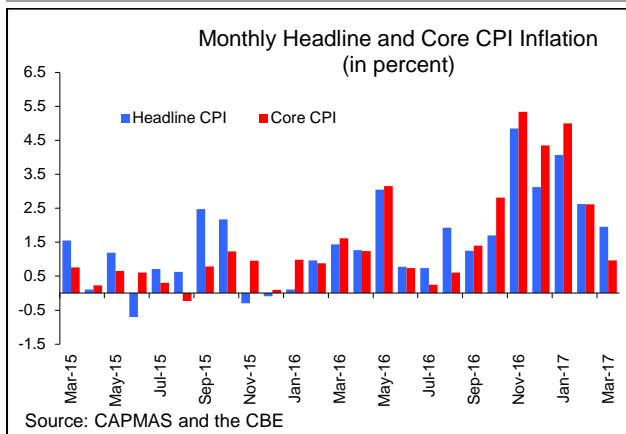


Headline and Core Inflation – March 2017

Headline urban CPI inflation – published by the Central Agency for Public Mobilization and Statistics on April 10, 2017 – continued to decline in March 2017 for the second consecutive month, recording 1.95 percent (m/m) compared to 2.63 percent (m/m) in February. This led the annual rate to record 30.91 percent in March 2017 compared to 30.25 percent in February. The share of the items that experienced price increases has been gradually declining since the generalized price increase in November 2016, registering 9.6 percent in March 2017, the lowest since January 2016. The monthly increase was mainly driven by volatile food as well as by core food items, whose price increases slowed down for the second consecutive month, affected by declines in the prices of sugar, rice, eggs and pulses. Furthermore, regulated prices rose affected by higher tobacco prices. In the meantime, prices of retail items remained broadly unchanged, while prices of services were mainly affected by the increase of the prices of Haj and Omra. Given the slowdown of inflationary pressures from core CPI items, core inflation computed by the Central Bank of Egypt continued to drop, recording 0.97 percent (m/m) in March 2017 compared to 2.61 percent (m/m) in February, the lowest since August 2016. The lower monthly core inflation rate compared to the same month of the previous year led annual core inflation to decelerate to 32.25 percent in March 2017 from 33.10 percent in February, registering its first annual drop since July 2016.¹

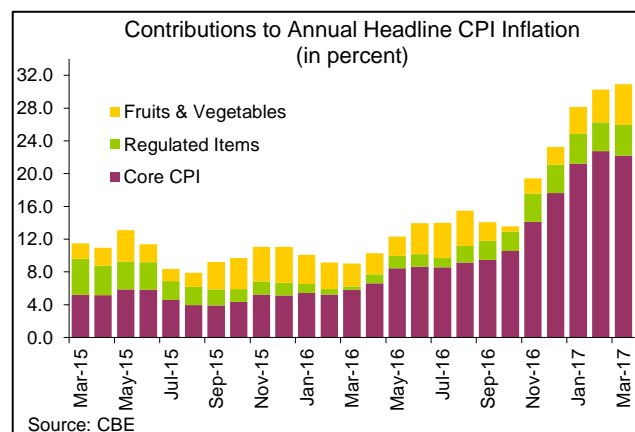
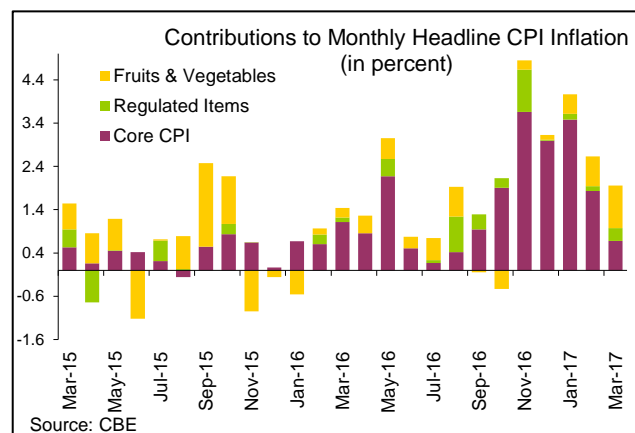


1. Headline CPI²

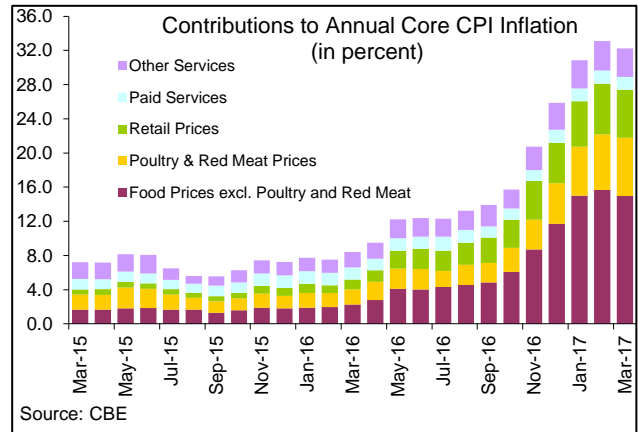
Headline CPI inflation declined to 1.95 percent (m/m) in March 2017 compared to 2.63 percent (m/m) in February 2017, which is below the average 4.01 percent (m/m) recorded between November 2016 and January 2017. The annual rate recorded 30.91 percent in March 2017 compared to 30.25 percent in February 2017.

Key Highlights

- The prices of fresh vegetables and fruits increased by 7.56 and 8.11 percent, respectively. Together they contributed by 0.98 percentage points to monthly headline inflation.
- The prices of red meat and poultry increased by 3.04 and 3.33 percent, respectively. Both contributed jointly by 0.41 percentage points to monthly headline inflation.
- The prices of fish and seafood increased by 10.42 percent to contribute by 0.33 percentage points to monthly headline inflation.
- The prices of soft drinks increased by 18.03 percent to contribute by 0.05 percentage points to monthly headline inflation.



- The prices of sugar, rice, eggs and pulses declined by 6.19, 4.45, 2.82 and 3.17 percent respectively. Together they contributed by negative 0.27 percentage points to monthly headline inflation.
- The prices of regulated items increased by 1.73 percent to contribute by 0.29 percentage points to monthly headline inflation. This was driven by the increase in the prices of cigarettes by 8.2 percent.
- The prices of retail items increased by 0.11 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 0.78 percent to contribute by 0.12 percentage points to monthly headline inflation. This was mainly driven by the increase in the prices of cafés and restaurants as well as Haj and Omra trips.



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 inflation computed by the Central Bank of Egypt dropped to 0.97 percent (m/m) in March 2017 from 2.61 percent (m/m) in February 2017, which is below the average 4.89 percent (m/m) recorded between November 2016 and January 2017. The annual rate declined to 32.25 percent in March 2017 from 33.10 percent in February, registering its first annual drop since July 2016.

The monthly dynamics were mainly driven by the developments in the prices of previously mentioned core food items, which contributed by 0.78 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 0.02 and 0.17 percentage points to monthly core inflation, respectively, while prices of paid services remained unchanged.

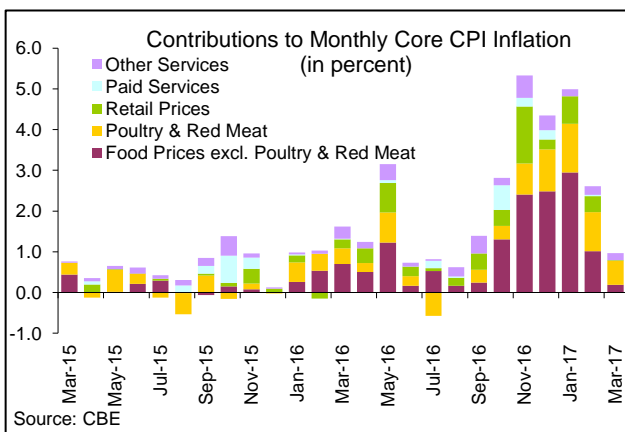


Table 1.
Classification of All Items included in Core CPI

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/	March 2016	March 2017	March 2017 to February 2017	March 2017 to March 2016
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	176.07	230.50	1.95	30.91
Food and beverages	39.92	210.41	298.44	2.98	41.83
Tobacco and related products	2.19	316.60	429.47	7.19	35.65
Clothing and footwear	5.41	127.20	156.93	0.00	23.36
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	153.55	201.31	0.00	31.10
Medical care	6.33	149.26	194.31	0.00	30.19
Transportation	5.68	141.50	181.36	0.00	28.17
Communications	3.12	96.85	98.59	0.00	1.80
Recreation and Culture	2.43	182.85	219.19	3.62	19.87
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	203.69	263.97	0.78	29.60
Miscellaneous goods and services	3.73	116.39	159.06	1.06	36.66
Selective aggregates					
Fruits & vegetables 3/	6.90	324.03	450.50	7.67	39.03
Regulated items	18.66	173.59	208.83	1.73	20.30
Food excl. fruits & vegetables	31.08	191.85	276.79	1.45	44.28
Retail items	14.48	132.81	180.14	0.11	35.64
Paid services	5.87	184.20	215.04	0.00	16.74
Other services	23.00	137.53	155.14	0.78	12.80
Core CPI	74.43	162.97	215.53	0.97	32.25
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					