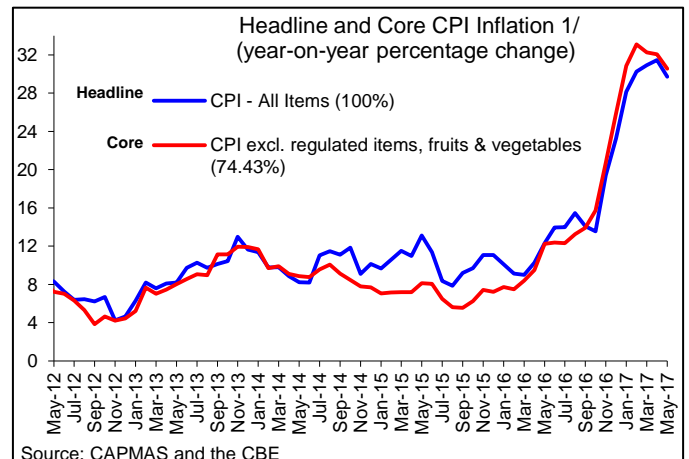
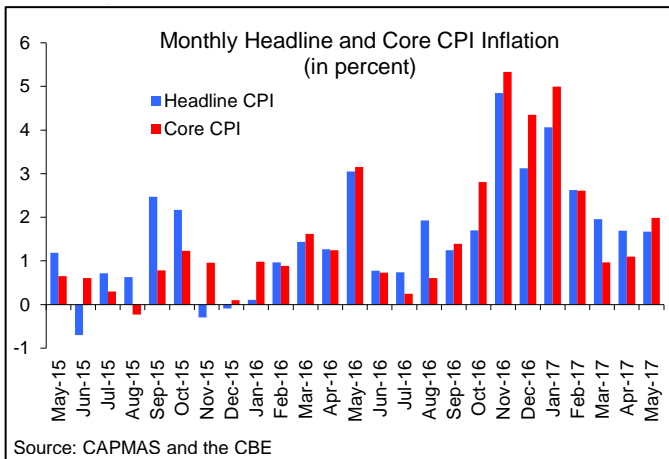


Headline and Core Inflation – May 2017

Headline urban CPI inflation – published by the Central Agency for Public Mobilization and Statistics on June 8, 2017 – remained broadly unchanged in May 2017, recording 1.67 percent (m/m) compared to 1.69 percent (m/m) in April. The annual rate fell for the first time since October 2016, declining to 29.71 percent in May 2017 from 31.46 percent in April due to a favorable base effect. Monthly inflation was mainly driven by higher food as well as Haj and Omra prices. Given that price increases were mainly in core items, core inflation computed by the Central Bank of Egypt recorded 1.99 percent (m/m) in May 2017 compared to 1.10 percent (m/m) in April. Meanwhile, annual core inflation declined for the third consecutive month, recording 30.57 percent in May 2017 compared to 32.06 percent in April, also due to a favorable base effect.¹

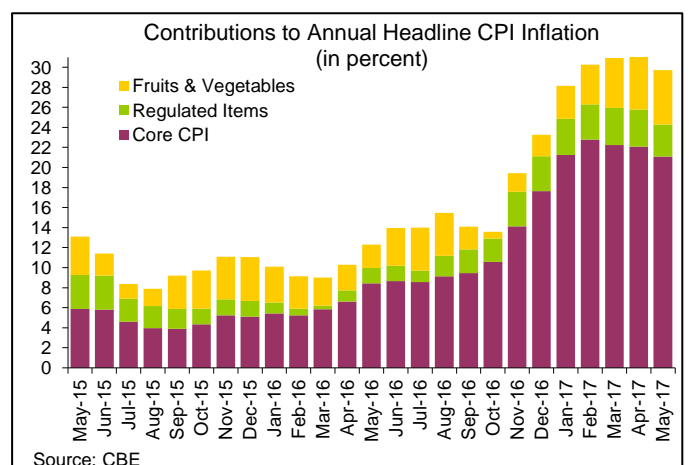
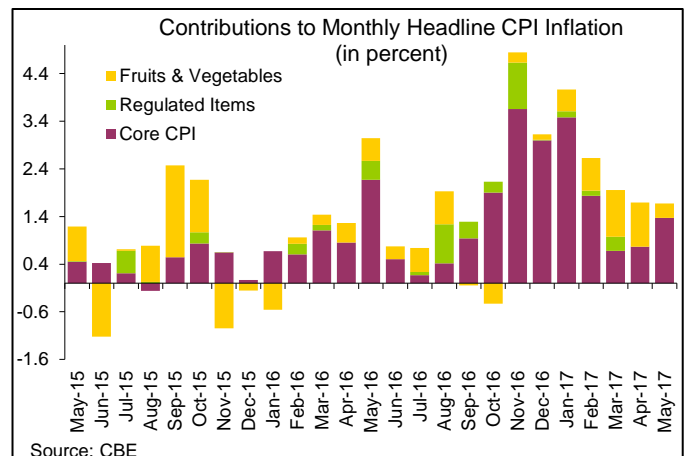


1. Headline CPI²

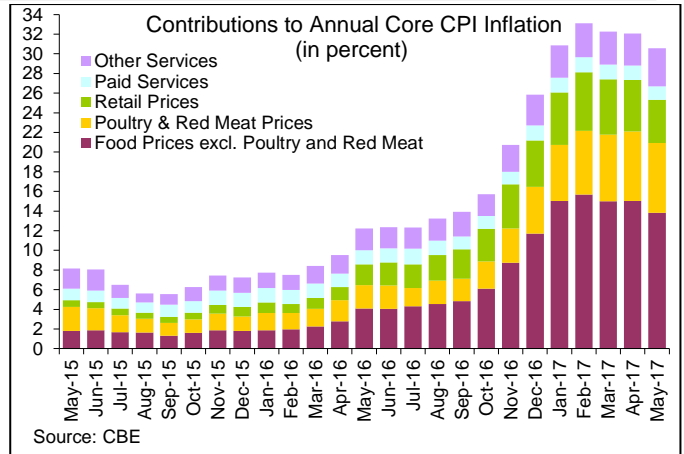
Headline CPI inflation remained broadly unchanged, recording 1.67 percent (m/m) in May 2017 compared to 1.69 percent (m/m) in April 2017. The annual rate fell for the first time since October 2016, declining to 29.71 percent in May 2017 from 31.46 percent in April 2017.

Key Highlights

- The prices of fresh vegetables and fruits increased by 1.53 and 4.63 percent, respectively. Together they contributed by 0.30 percentage points to monthly headline inflation.
- The prices of red meat and poultry increased by 3.63 and 4.18 percent, respectively. Both contributed jointly by 0.51 percentage points to monthly headline inflation.
- The prices of fish and seafood increased by 2.13 percent to contribute by 0.08 percentage points to monthly headline inflation.
- The prices of dried fruits increased by 18.27 percent. they contributed by 0.08 percentage points to monthly headline inflation.



- The prices of other food items including oil and fats, pulses and tea picked up to contribute jointly by 0.06 percentage points to monthly headline inflation.
- The prices of retail items increased slightly by 0.05 percent to contribute by 0.01 percentage points to monthly headline inflation due to the increase of prices of HH appliances.
- While the prices of paid services remained unchanged, the prices of other services increased by 3.96 percent to contribute by 0.61 percentage points to monthly headline inflation. This was mainly driven by the increase in the prices of Haj and Omra.



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 Inflation²

Core CPI inflation computed by the Central Bank of Egypt recorded 1.99 percent (m/m) in May 2017 compared to 1.10 percent (m/m) in April 2017. The annual rate declined for the third consecutive month, recording 30.57 percent in May 2017 compared to 32.06 percent in April.

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).

The monthly dynamics were mainly driven by the price developments of previously mentioned core food items, which contributed by 1.10 percentage points to monthly core inflation. This came in addition to the increase in the prices of other services that contributed by 0.87 percentage points to monthly core inflation, while prices of retail items and paid services remained broadly unchanged.

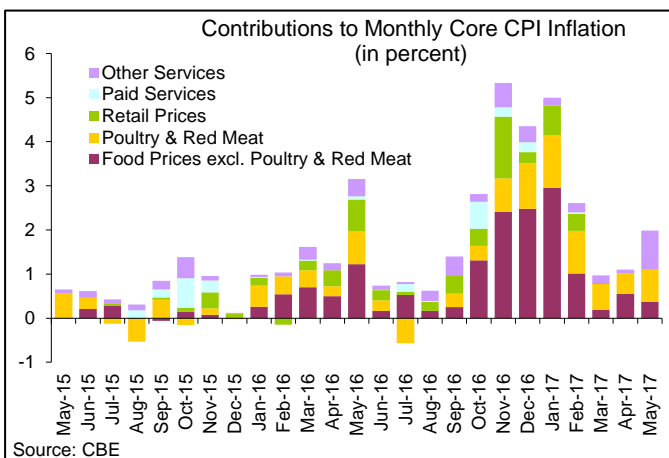


Table 1.
Classification of All Items included in Core CPI

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/	May 2016	May 2017	May 2017 to April 2017	May 2017 to May 2016
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	183.74	238.32	1.67	29.71
Food and beverages	39.92	222.61	314.10	2.03	41.10
Tobacco and related products	2.19	320.79	429.47	0.00	33.88
Clothing and footwear	5.41	131.73	156.93	0.00	19.13
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	155.94	201.50	0.10	29.22
Medical care	6.33	172.48	194.31	0.00	12.66
Transportation	5.68	144.24	181.54	0.08	25.86
Communications	3.12	96.88	98.59	0.00	1.77
Recreation and Culture	2.43	187.52	277.39	26.55	47.92
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	214.39	266.71	0.00	24.41
Miscellaneous goods and services	3.73	120.52	159.50	0.00	32.35
Selective aggregates					
Fruits & vegetables 3/	6.90	346.89	491.60	2.11	41.72
Regulated items	18.66	177.38	208.83	0.00	17.73
Food excl. fruits & vegetables	31.08	202.43	287.77	2.04	42.16
Retail items	14.48	141.98	180.34	0.05	27.02
Paid services	5.87	185.79	215.04	0.00	15.74
Other services	23.00	140.41	161.84	3.96	15.26
Core CPI	74.43	170.19	222.22	1.99	30.57
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					