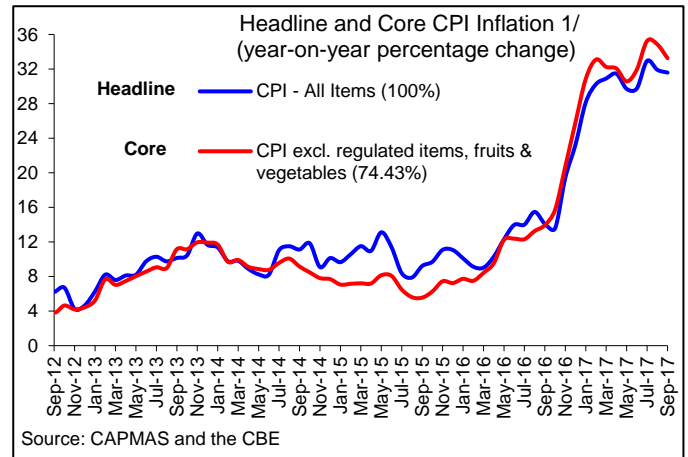
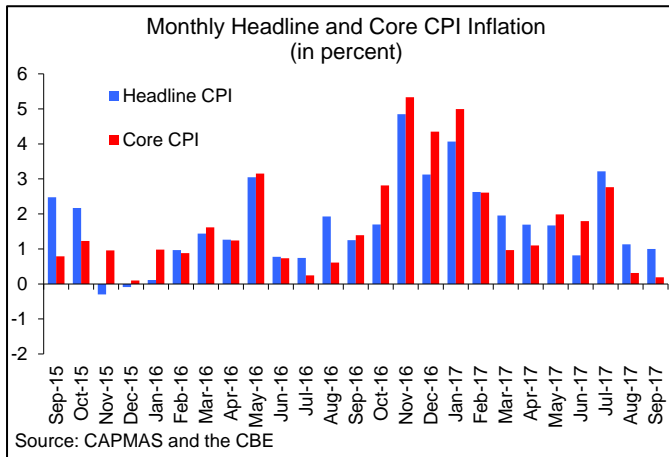


## Headline and Core Inflation – September 2017

The rate of urban CPI inflation eased for the second consecutive month in September 2017. The headline rate - published by the Central Agency for Public Mobilization and Statistics - declined to 31.59 percent (y/y) and 1.0 percent (m/m) from 31.92 percent (y/y) and 1.13 percent (m/m) in August 2017. Price increases during September were mainly witnessed in fresh vegetables, followed by regulated and some retail items. Prices of services remained roughly unchanged and core food prices declined for the first time since July 2016. As the bulk of monthly inflation was due to higher prices of volatile food and regulated items, core inflation - computed by the Central Bank of Egypt - declined to 33.26 percent (y/y) and 0.19 percent (m/m) in September from 34.86 percent (y/y) and 0.31 percent (m/m) in August.<sup>1</sup>

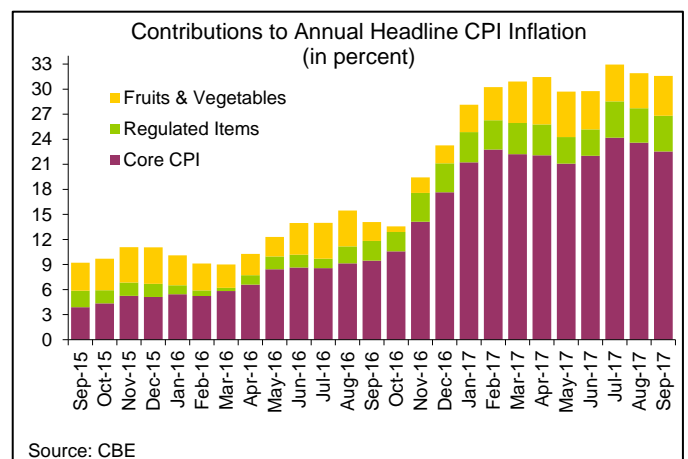
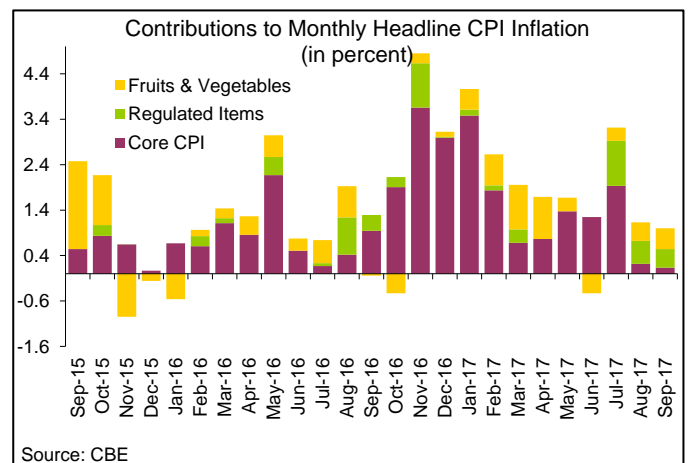


### 1. Headline CPI<sup>2</sup>

Headline inflation in September 2017 declined for the second consecutive month to record 31.59 percent (y/y) and 1.0 percent (m/m) compared to 31.92 percent (y/y) and 1.13 percent (m/m) in August 2017.

#### Key Highlights

- Prices of fresh vegetables and fruits increased by 4.06 percent and 0.17 percent, respectively, to contribute jointly by 0.46 percentage points to monthly headline inflation.
- Prices of regulated items rose by 2.41 percent to contribute by 0.41 percentage points to monthly headline inflation. This was mainly due to the upward adjustment of water supply and natural gas for housing prices in the context of the fiscal reform program.
- Prices of poultry declined for the fourth consecutive month, decreasing by 3.13 percent to contribute by negative 0.14 percentage points to monthly headline inflation. Meanwhile, prices of red meat stabilized for the first time since April 2016.

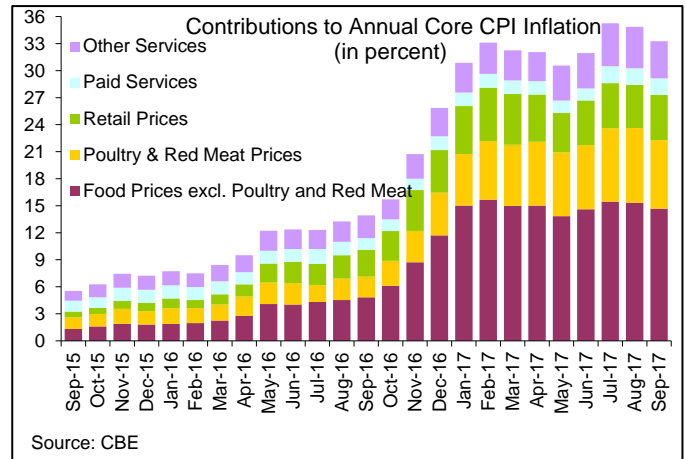


- Prices of fish and seafood declined for the second consecutive month, decreasing by 3.50 percent to contribute by negative 0.12 percentage points to monthly headline inflation.
- Prices of other food items contributed by 0.02 percentage points to monthly headline inflation and reflected the decline in the price of pulses and the increase in tea prices.
- Prices of retail items increased by 3.39 percent to contribute by 0.37 percentage points to monthly headline inflation. This was due to higher prices of household cleaning products, stationary and school supplies, as well as personal care products.
- Prices of services increased slightly by 0.05 percent to contribute by 0.01 percentage points to monthly headline inflation. This was due to higher internet service prices due to the higher VAT-rate.

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

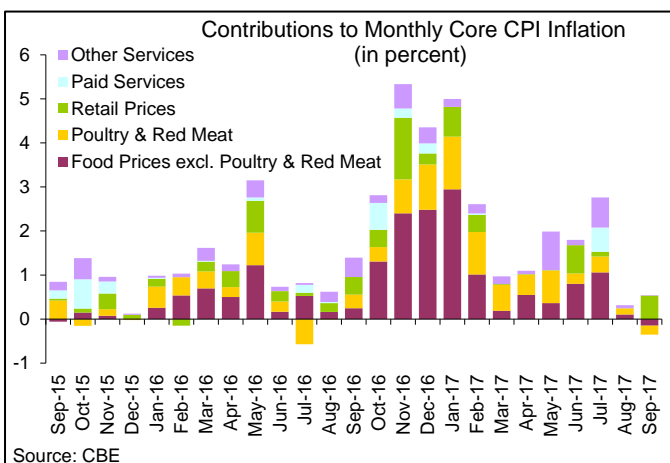
Core inflation in September 2017 declined for the second consecutive month to record 33.26 percent (y/y) and 0.19 percent (m/m) compared to 34.86 percent (y/y) and 0.31 percent (m/m) in August 2017.

Monthly core inflation was affected by price increases of the aforementioned retail items, which contributed by 0.53 percentage points to monthly core inflation. However, this increase was partly offset by the decline of core food prices, which contributed by negative 0.35 percentage points to monthly core inflation. Meanwhile, the contribution of services was negligible.



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 8<sup>th</sup> CPI series by the 9<sup>th</sup> 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/	September 2016	September 2017	September 2017 to August 2017	September 2017 to September 2016
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
<b>Headline - All items</b>	<b>100.00</b>	<b>192.50</b>	<b>253.32</b>	<b>1.00</b>	<b>31.59</b>
Food and beverages	39.92	232.62	328.51	0.41	41.22
Tobacco and related products	2.19	370.82	464.24	0.00	25.19
Clothing and footwear	5.41	142.04	177.58	0.00	25.02
Housing, water, electricity, gas and other fuels	18.37	136.75	155.52	3.72	13.73
Furnishings, household equipment and routine maintenance of the dwelling	3.77	162.05	219.30	8.42	35.32
Medical care	6.33	172.48	209.06	0.00	21.21
Transportation	5.68	149.05	205.11	0.00	37.61
Communications	3.12	98.54	102.22	0.58	3.74
Recreation and Culture	2.43	204.76	291.57	2.14	42.40
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	228.23	292.35	0.00	28.10
Miscellaneous goods and services	3.73	132.38	163.21	2.31	23.29
<b>Selective aggregates</b>					
Fruits & vegetables 3/	6.90	385.06	518.39	3.327	34.63
Regulated items	18.66	189.77	233.73	2.407	23.17
Food excl. fruits & vegetables	31.08	206.81	300.34	-0.65	45.22
Retail items	14.48	150.02	195.45	3.39	30.28
Paid services	5.87	190.28	230.81	0.00	21.30
Other services	23.00	144.90	168.28	0.05	16.13
Core CPI	74.43	175.33	233.64	0.19	33.26
1/ Source: CAPMAS and CBE calculations					
2/ Based on 2008/2009 Household Expenditure Survey					
3/ Excluding pulses, processed vegetables and dried fruits					