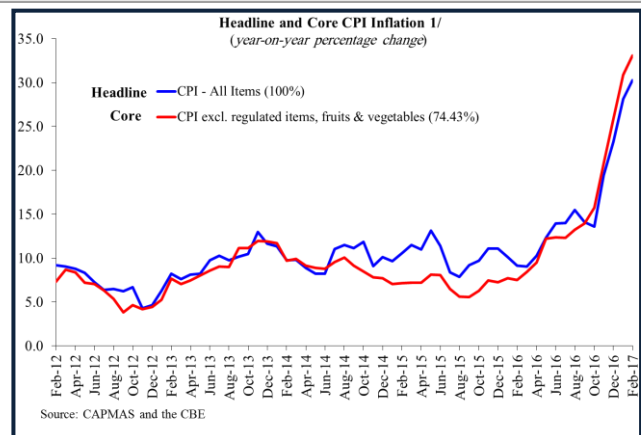
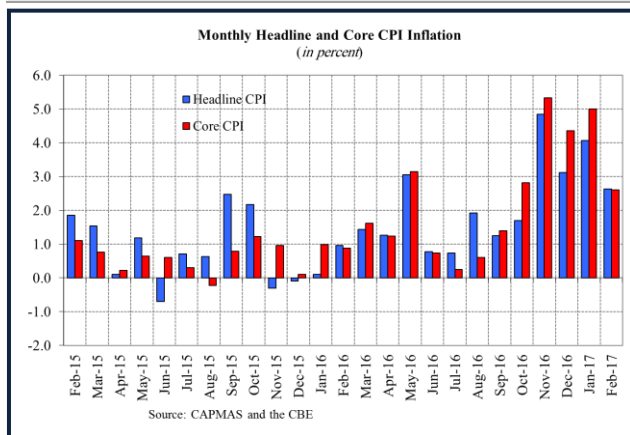


Headline and Core Inflation – February 2017

Headline urban CPI inflation published by the Central Agency for Public Mobilization and Statistics on March 9, 2017 decelerated to 2.63 percent (m/m) in February 2017 from 4.07 percent (m/m) in January 2017. The annual rate recorded 30.25 percent in February 2017 compared to 28.14 percent in January. Albeit moderating, the monthly increase continued to reflect cost-push effects and was partly driven by core items, in addition to a positive contribution by volatile food items, while regulated prices rose due to the adjustment of inland transportation and medical product prices. The prices of core items rose mainly due to food items. The increase in retail prices was witnessed in relatively fewer goods and partly reflected the higher prices of medical products. Meanwhile, the increase in services prices was mainly attributed to inland transportation in addition to cafes and restaurants. Core CPI inflation computed by the Central Bank of Egypt dropped to 2.61 percent (m/m) in February 2017 from 5.0 percent (m/m) in January 2017. The annual rate recorded 33.10 percent in February 2017 compared to 30.86 percent in January.¹

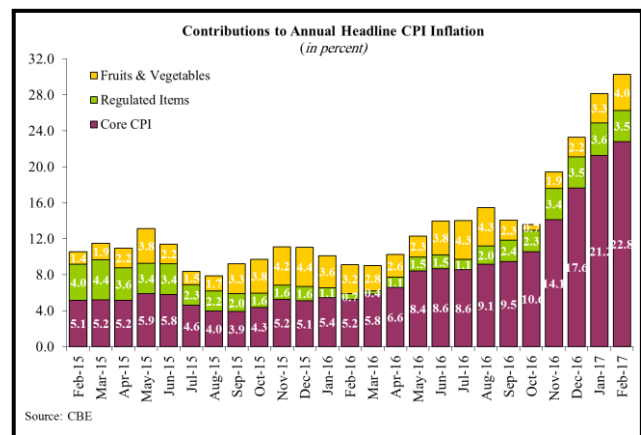
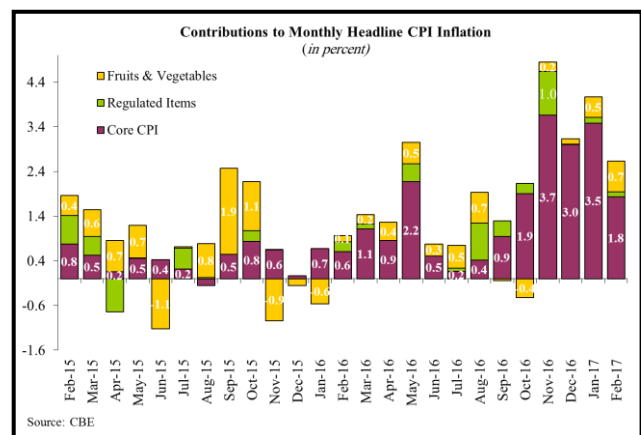


1. Headline CPI²

Headline CPI inflation decelerated to 2.63 percent (m/m) in February 2017 compared to 4.07 percent (m/m) in January 2017, which is below the average monthly pace of the previous three months that records 4.01 percent. The annual rate recorded 30.25 percent in February 2017 compared to 28.14 percent in January 2017.

Key Highlights

- The prices of red meat and poultry increased by 2.02 and 10.84 percent, respectively, contributing jointly by 0.68 percentage points to monthly headline inflation.
- The prices of milk, cheese and eggs increased by 5.72 percent, which contributed by 0.38 percentage points to monthly headline inflation. This was mainly due to the increase in the prices of milk by 5.20 percent, cheese by 8.44 percent and eggs by 3.69 percent.
- The prices of fish and seafood increased by 8.10 percent to contribute by 0.25 percentage points to monthly headline inflation.



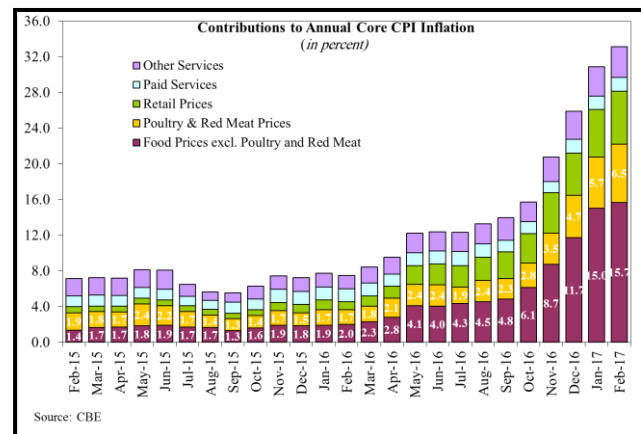
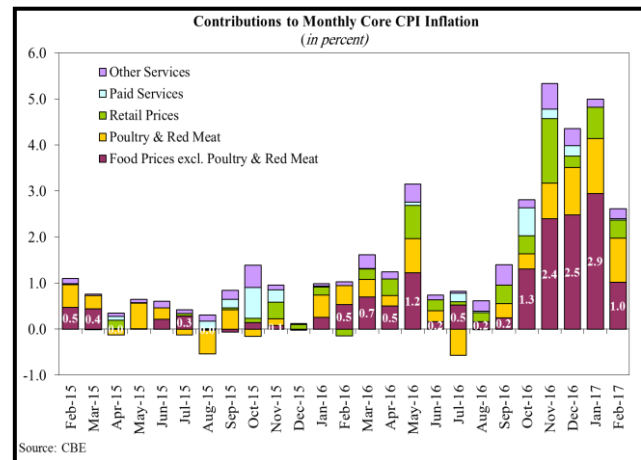
- The prices of oil and fats increased slightly by 0.73 percent, which contributed by 0.03 percentage points to monthly headline inflation. This records the lowest monthly increase since July 2016.
- The prices of other food items including, wheat flour, processed meat, confectionary products, chocolate and processed vegetables picked up to contribute jointly by 0.06 percentage points to monthly headline inflation. It is worth noting that the price increases of other food items dropped markedly in February compared to previous months.
- The prices of fresh vegetables and fruits increased by 5.02 and 7.65 percent, respectively. Together they contributed by 0.68 percentage points to monthly headline inflation.
- The prices of retail items increased by 2.37 percent to contribute by 0.27 percentage points to monthly headline inflation. Increases were witnessed in cars and spare parts, personal care products, HH appliances and HH cleaning products, as well as medical products.
- The prices of other services increased by 0.94 percent to contribute by 0.15 percentage points to monthly headline inflation, which was mainly driven by the increase in the prices of cafés and restaurants as well as inland transportation.
- The prices of paid services increased slightly by 0.39 percentage points to contribute by 0.02 percentage points to monthly headline inflation.
- The prices of regulated items increased by 0.63 percent to contribute by 0.11 percentage points to monthly headline inflation. This was driven by the increase in the prices of inland transportation and medical products.

2. Core Inflation²

Core CPI computed by the Central Bank of Egypt dropped to 2.61 percent (m/m) in February 2017 from 5.0 percent (m/m) in January 2017, which is below the average monthly pace of the previous three months that records 4.89 percent. The annual rate recorded 33.10 percent in February 2017 compared to 30.86 percent in January.

The monthly dynamics were mainly driven by the developments in the prices of previously mentioned core food items, which contributed by 1.98 percentage points to monthly core inflation. This came in addition

to the increase in the prices of retail items, paid services and other services that contributed by 0.39, 0.03 and 0.21 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/	February 2016	February 2017	February 2017 to January 2017	February 2017 to February 2016
	(in percent)	(index) (January 2010 = 100)		(percentage change)	
Headline - All items	100.00	173.58	226.08	2.63	30.25
Food and beverages	39.92	206.24	289.80	4.11	40.52
Tobacco and related products	2.19	316.60	400.66	0.00	26.55
Clothing and footwear	5.41	127.20	156.93	0.00	23.36
Housing, water, electricity, gas and other fuels	18.37	130.71	140.89	0.19	7.79
Furnishings, household equipment and routine maintenance of the dwelling	3.77	153.08	201.31	2.15	31.51
Medical care	6.33	143.32	194.31	2.00	35.58
Transportation	5.68	140.79	181.36	2.97	28.81
Communications	3.12	96.85	98.59	0.00	1.80
Recreation and Culture	2.43	181.95	211.53	0.02	16.26
Education	4.63	219.01	246.00	0.00	12.32
Hotels, cafes and restaurants	4.43	196.28	261.93	1.83	33.45
Miscellaneous goods and services	3.73	115.77	157.40	4.76	35.97
Selective aggregates					
Fruits & vegetables 3/	6.90	318.60	418.41	5.51	31.33
Regulated items	18.66	172.59	205.28	0.63	18.94
Food excl. fruits & vegetables	31.08	187.69	272.83	3.74	45.36
Retail items	14.48	130.97	179.94	2.37	37.38
Paid services	5.87	183.85	215.04	0.39	16.96
Other services	23.00	135.99	153.93	0.94	13.20
Core CPI	74.43	160.38	213.46	2.61	33.10

1/ Source: CAPMAS and CBE calculations

2/ Based on 2008/2009 Household Expenditure Survey

3/ Excluding pulses, processed vegetables and dried fruits