

## Egypt Macro| Monthly Inflation Spikes on Seasonal Factors

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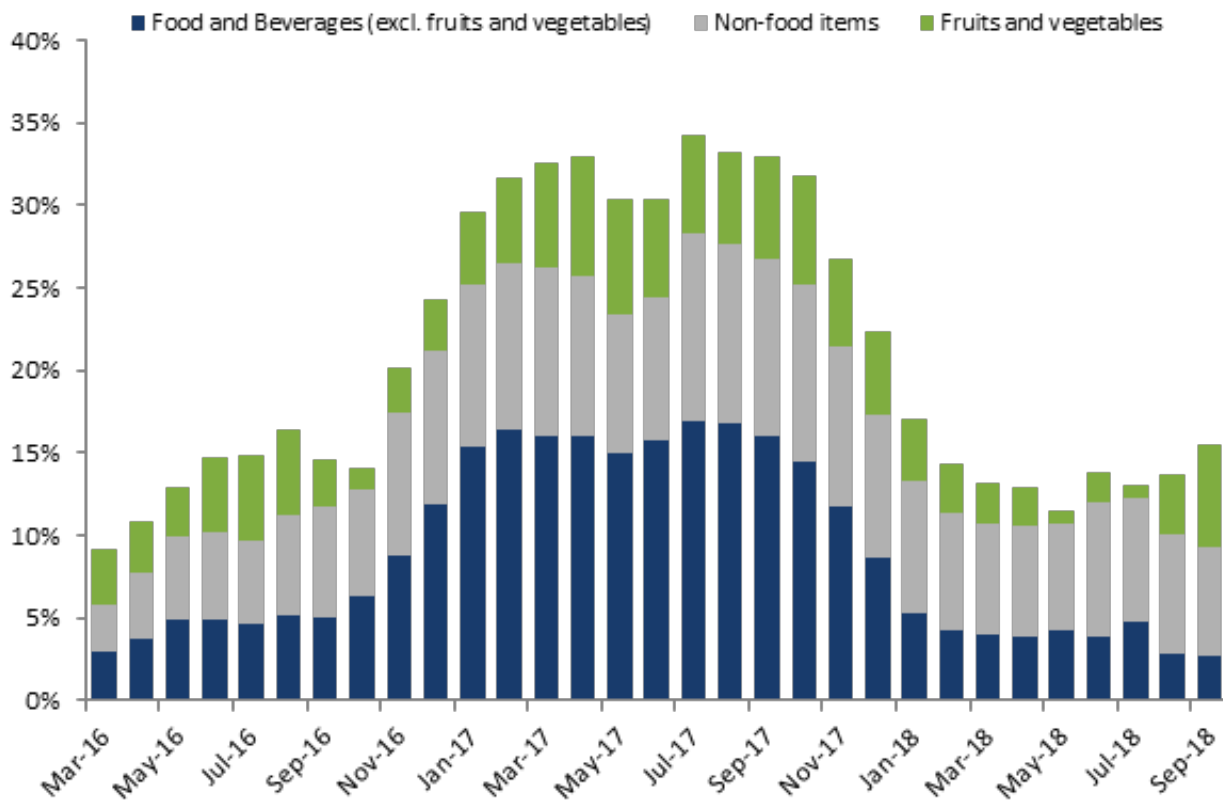


### Monthly and Annual Inflation Accelerate on Seasonal Factors

Monthly inflation recorded 2.6%, pushing annual inflation to 15.5% in September 2018. The monthly inflation was mainly attributed to the increase in vegetables prices by 17.2% MoM and fruits prices by 7.4% MoM.

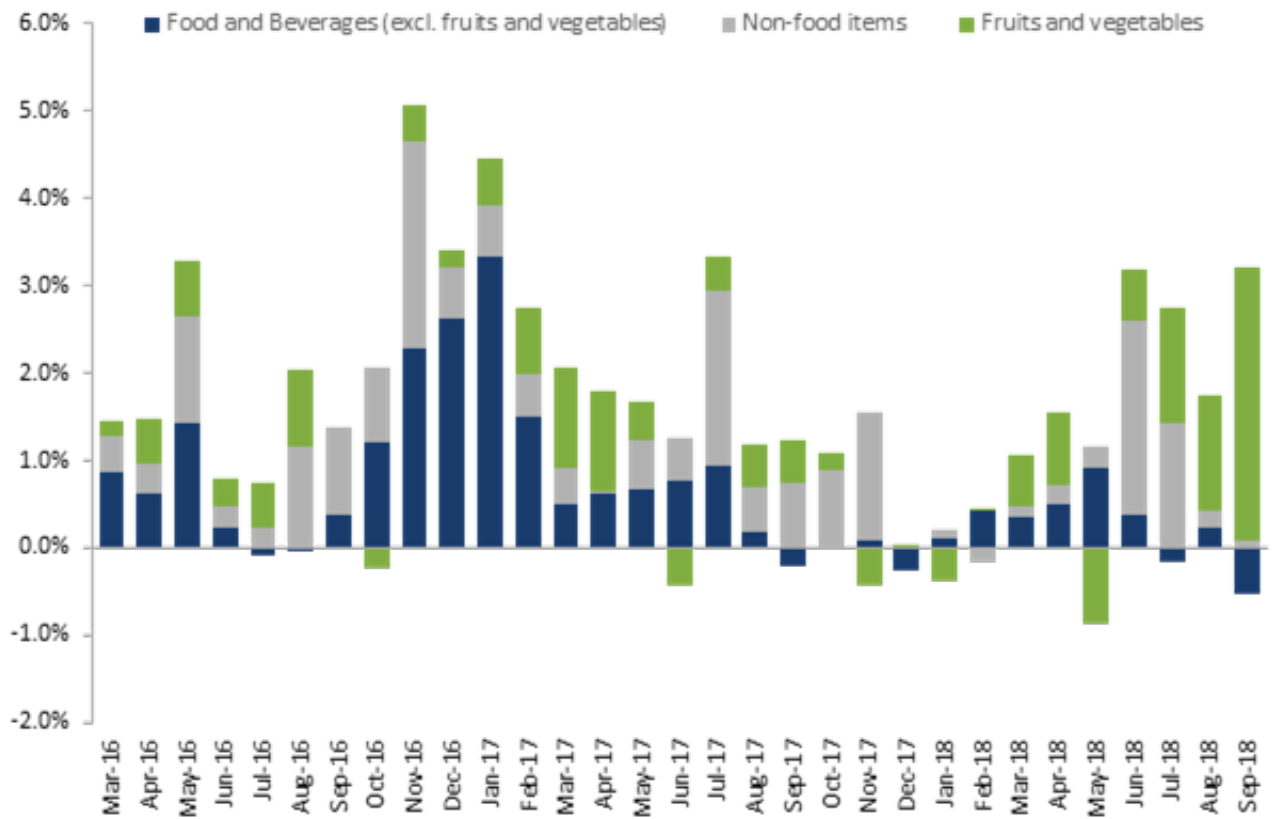
Such increase on a monthly basis is a temporary one and seasonal, which happens occasionally when the agricultural crop is spoiled, which happens to be in September and October 2018 in the Tomato and Potato harvest, whose prices increased by 35% MoM and 18% MoM, respectively.

### Chart 1: Contribution to the Annual Inflation



Source: Pharos Research, CAPMAS

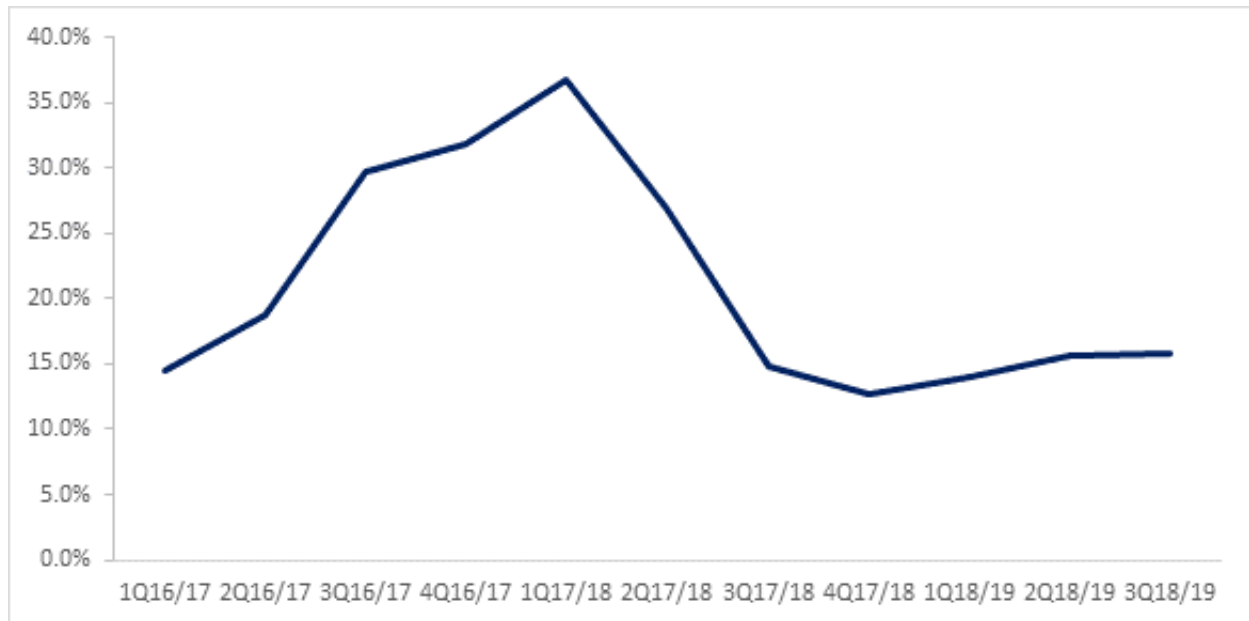
**Chart 2: Contribution to the Monthly Inflation**



Source: Pharos Research, CAPMAS

Going forward, we expect the annual inflation rate to accelerate from 13.9% in 1Q FY2018/19 to 15.7% YoY in 2Q FY2018/19, and 15.8% YoY in 3Q FY2018/19. According to our estimates, the acceleration of inflation should happen due to seasonal factors that affect highly volatile items in the CPI.

**Chart 3: Average Quarterly Inflation**

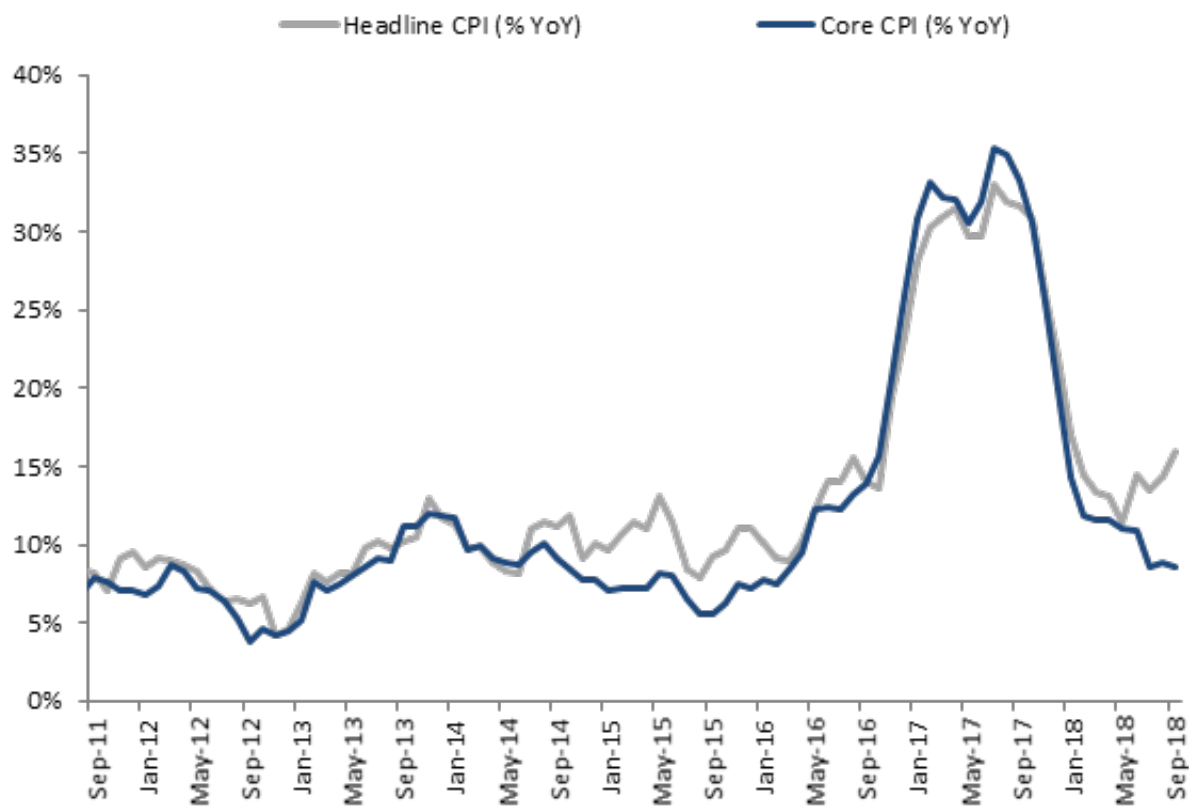


Source: Pharos Research, CAPMAS

### **Core Inflation Decelerates MoM on Lower Prices of Non-Volatile Goods and Services**

The monthly core inflation rate deflated by 0.06% in September 2018. Moreover, the annual core inflation decelerated from 8.83% in August 2018 to 8.55% in September 2018. The difference between headline inflation and core inflation on a monthly basis is attributed to the prices of fruits and vegetables (volatile items). However, the annual difference between headline inflation and core inflation is attributed to the acceleration in the prices of both regulated items by 24.91% YoY and fruits and vegetables by 41.10% YoY.

### **Chart 4: Core Inflation Confirms that the Headline Inflation Hike is Temporary**



Source: Pharos Research, CBE

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