

Monthly Inflation Jumped

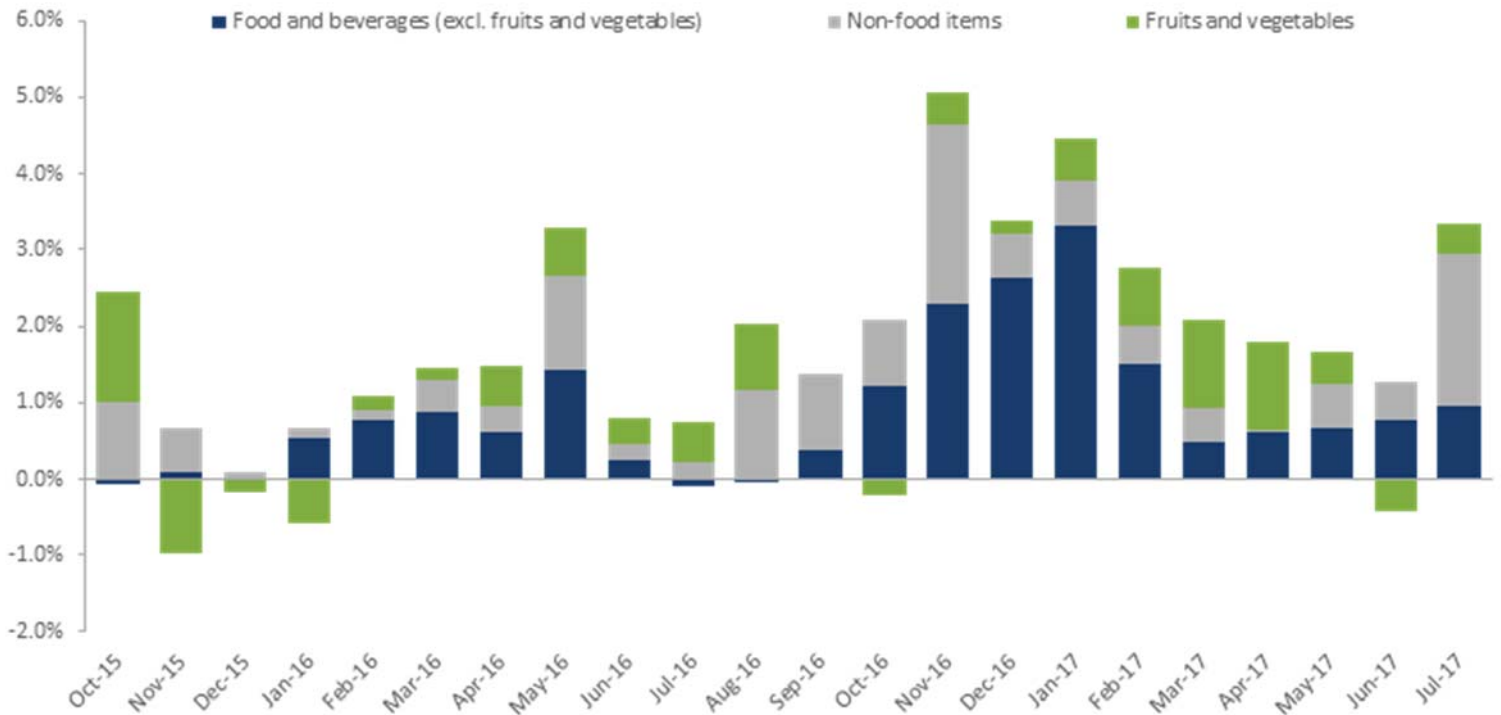
Following the Second Round of the Energy Subsidy Cut

August 10, 2017

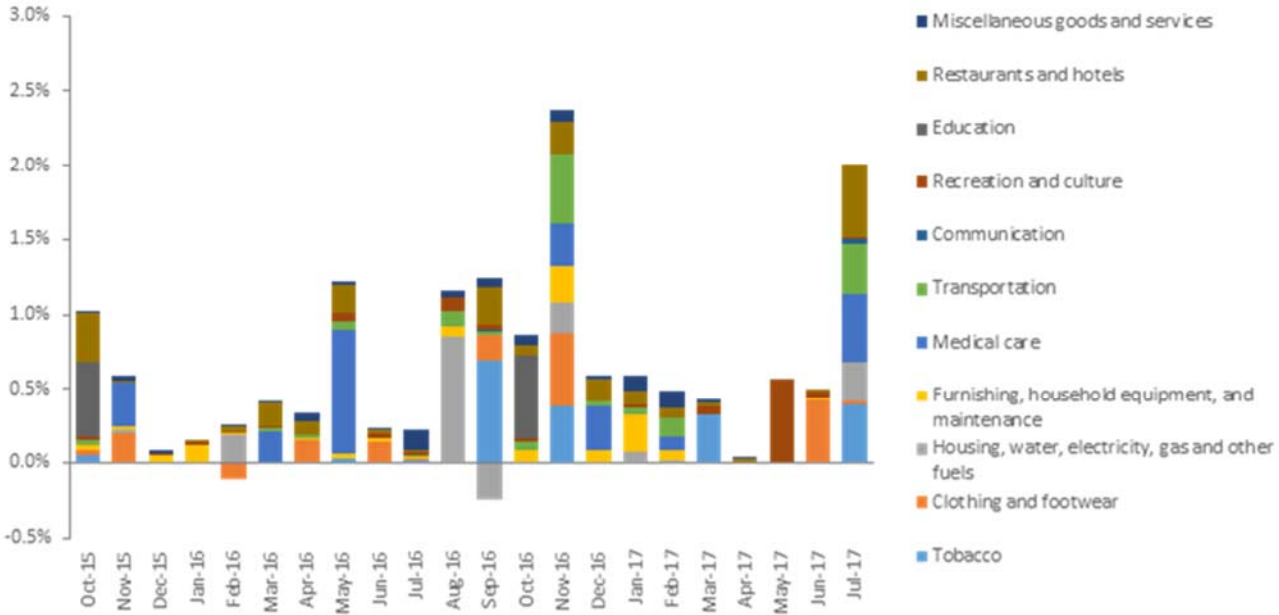
The annual headline inflation rate rose from 29.8% YoY in June to 33.0% YoY in July, due to the inflationary reaction to July's second round of the energy subsidy cuts, in addition to the VAT rate increase to 14%. Whilst, the monthly headline inflation rate jumped from 0.8% MoM in June to 3.2% MoM in July. Inflationary pressures have been spotted across all the CPI sub-items, but the major contribution to July's monthly inflation rate acceleration was attributed to the non-food items.

We expect the monthly inflation pace to decelerate going forward, despite the seasonal inflationary pressures on the horizon (Haj/ Eid Adha season). **This remains in line with our projection that the average headline inflation rate would register 33% YoY in 1Q FY2017/18.**

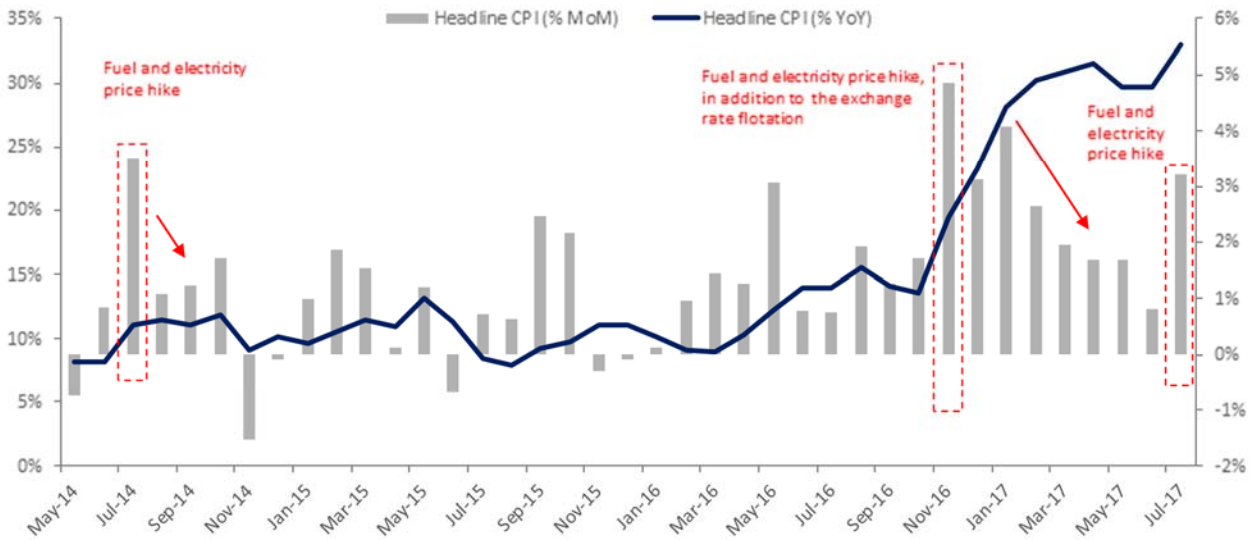
Contribution to the overall monthly inflation



Non-food items contribution to the overall monthly inflation



We estimate the headline inflation rate to average 33% YoY in 1QFY2016/17



Source: CBE, CAPMAS



Ramy Oraby
Ramy.oraby@pharosholding.com

Disclaimer

This Report is compiled and furnished solely for informative purposes to be considered by the intended recipients who have the knowledge to assess the information contained herein. Pharos Research ('Pharos') makes no representation or warranty, whether expressed or implied, as to the accuracy and/or completeness of the information contained herein or any other information that may be based on the data/ information enclosed. Furthermore, Pharos hereby disclaims any and all liabilities of any nature relating to or resulting from the use of the contents of this Report. This Report shall not be approached as an investment solicitation nor shall it be considered as legal or tax advice. Pharos highly recommends that those viewing this Report seek the advice of professional consultants. None of the materials provided in this Report may be used, reproduced or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from Pharos.

This report was prepared, approved, published and distributed by Pharos Securities Brokerage company located outside of the United States (a "non-US Group Company"). This report is distributed in the U.S. by LXM LLP USA, a U.S. registered broker dealer, on behalf of Pharos Securities Brokerage only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through LXM LLP USA.

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

Analyst Certification. Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. Please bear in mind that (i) Pharos Securities Brokerage is the employer of the research analyst(s) responsible for the content of this report and (ii) research analysts preparing this report are resident outside the United States and are not associated persons of any US regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Important US Regulatory Disclosures on Subject Companies. This material was produced by Analysis Pharos Securities Brokerage solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by LXM LLP USA and elsewhere in the world by Pharos Securities Brokerage or an authorized affiliate of Pharos Securities Brokerage. This document does not constitute an offer of, or an invitation by or on behalf of Pharos Securities Brokerage or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Pharos Securities Brokerage or its Affiliates consider to be reliable. None of Pharos Securities Brokerage accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

LXM LLP USA assumes responsibility for the research reports content in regards to research distributed in the U.S. LXM LLP USA or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. LXM LLP USA has never owned any class of equity securities of the subject company. There are not any other actual, material conflicts of interest of LXM LLP USA at the time of the publication of this research report. As of the publication of this report LXM LLP USA, does not make a market in the subject securities.