

View: Positive

Analyst

Esraa Ahmed Abd Al-Majeed

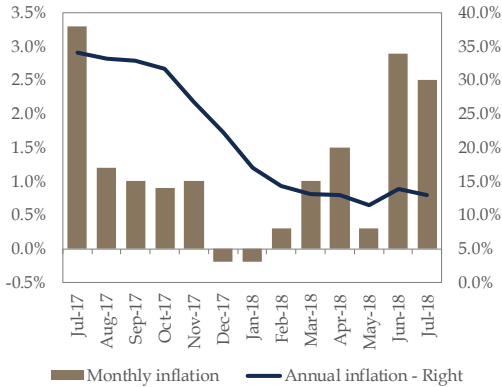
Senior Economist

ealmajeed@shuaasecurities.com

Inflation loses some momentum in July

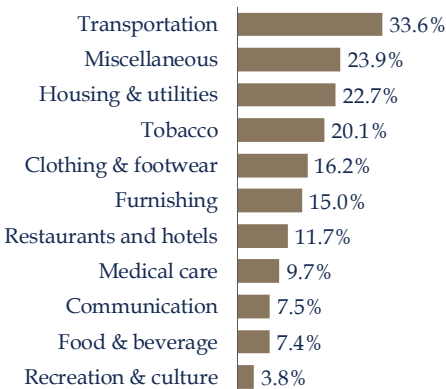
July inflation data released by CAPMAS earlier today showed price levels increasing at a slower pace than the previous month. As prices responded in June to fuel price hikes, they responded less severely to electricity price hikes. Annual inflation for total republic decelerated from 13.8% in June to 13% in July, while urban inflation (closely watched by the CBE) decreased from 14.4% in June to 13.5% in July. Monthly inflation had the same pattern; it retreated from 2.9% in June to 2.5% in July for total republic, while monthly urban inflation recorded 2.4%. Although inflation decelerated, we highlight that this was due in part to the base effect as July 2017 annual inflation was 34.2%, one of the highest ever.

Headline inflation rates (total republic)



Source: CAPMAS

Annual inflation by consumption item (total republic, July 2018)



Source: CAPMAS

- **Transportation, housing & utilities recorded the highest annual increases:**

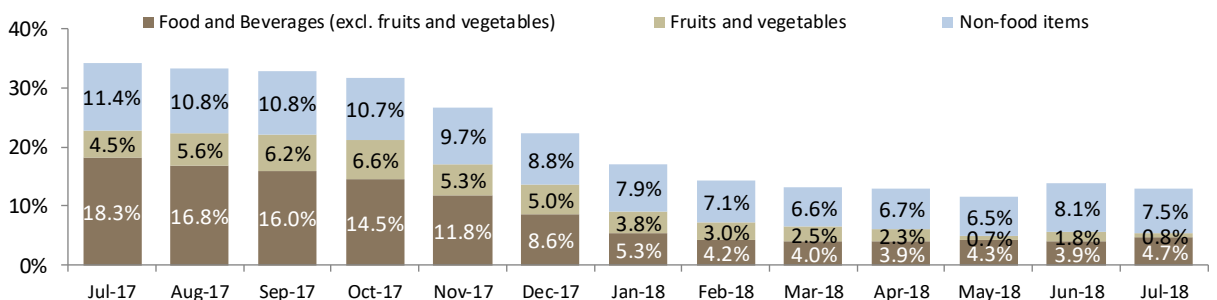
- On an annual basis, transportation increased 33.6% y/y in July 2018. This increase reflects the impact of the fuel price hikes that took place mid-June 2018.
- Housing, water, electricity and fuels increased 22.7% y/y and 5.2% m/m, reflecting the increase in electricity prices. Meanwhile, repricing natural gas is not yet reflected (expected to show up in August readings).

- **Core inflation is the happy news:** Core inflation (which excludes highly volatile and administratively-set prices) has declined substantially from 10.9% in June to 8.5% in July, with the monthly rate declining as well from 1.62% to 0.58%.

- **We expect the disinflation path to continue until further notice:** We expect inflation to continue cooling down as the shock resulting from fiscal discipline measures is gradually absorbed and also because annual rates are benefiting from high base readings. We expect August inflation to be around 12.5% y/y and 1.2-1.5% m/m.

- **Still, we expect CBE to maintain rates:** We reiterate our view that the CBE will likely keep interest rates unchanged over the coming period, maybe until year-end. This is despite lower inflation readings as we believe inflation is not anymore the only factor that the CBE monitors when revising key policy rates. We think tightening global monetary conditions are to be considered as well.

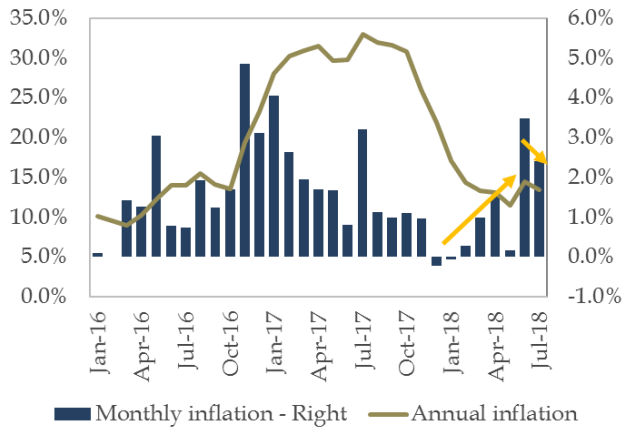
Contribution to the overall annual inflation (total republic)



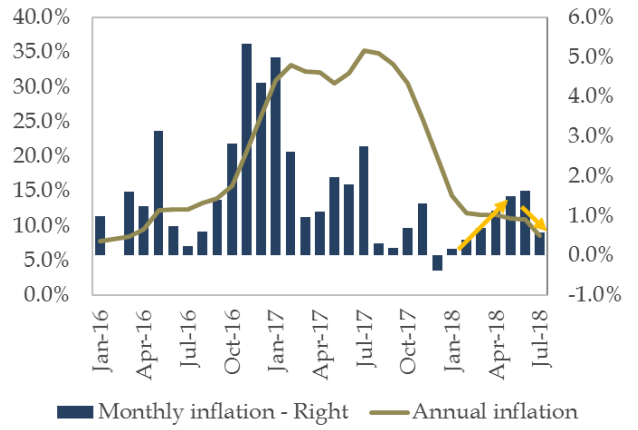
*Rural and urban inflation

Source: CAPMAS

Headline inflation (urban)



Core inflation (urban)





Contact Details

☎ 16331

📍 143, Bank Zone, 5th Settlement,
New Cairo, First Abu Dhabi Bank Building (6th Floor)
Cairo, Egypt

Disclaimer

This document has been issued by SHUAA Securities Egypt for informational purposes only. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment or subscribe to any investment management or advisory service. SHUAA Securities Egypt has based this document on information obtained from sources it believes to be reliable. It makes no guarantee, representation or warranty as to its accuracy or completeness and accepts no responsibility or liability in respect thereof or for any reliance placed by any person on such information. Accordingly, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by SHUAA Securities Egypt or by any of its respective officers, employees, agents or affiliates in relation to the accuracy, completeness or fairness of the information or opinions contained herein or any other written or oral information made available to any interested party or its advisers and any such liability is expressly disclaimed. All opinions expressed herein are subject to change without notice. This document may not be reproduced or circulated without the prior written consent of SHUAA Securities Egypt. SHUAA Securities Egypt is regulated by the Financial Regulatory Authority under license number 91.

Issuer of Report

SHUAA Securities Egypt

Website: www.shuaasecurities.com