

Sunday, 10 February 2019

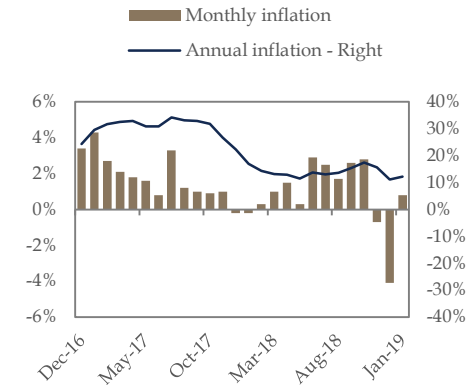
### Analyst

**Esraa Ahmed**

Senior Economist

[ealmajeed@shuaasecurities.com](mailto:ealmajeed@shuaasecurities.com)

### Annual and monthly urban inflation rates (total republic)



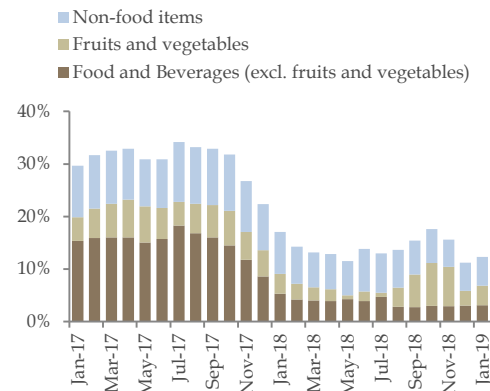
Source: CAPMAS

### Vegetables not always “healthy”: January inflation up at 12.7%

Inflation data released by CAPMAS showed that annual urban inflation picked up from 12.0% in December 2018 to 12.7% in January. Meanwhile, monthly inflation was back to the positive territory recording 0.6% in January, up from -3.4% in December 2018. Total republic’s inflation as well recorded an increase from 11.1% in December to 12.2% in January, while the monthly figure hit 0.8%, up from -4.1% the previous month. However, we do not see a reason to panic as the vegetables’ prices are to blame. We do not see this as largely impacting the CBE’s stance of a potential rate cut later this week.

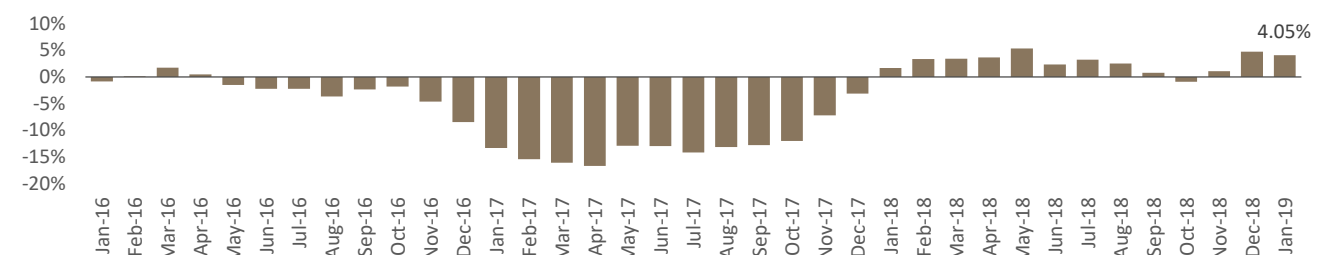
- The food and beverage was the main reason behind the increase:** According to CAPMAS breakdown of total republic’s inflation, the food and beverages contributed by 0.64% in the m/m inflation, and by 6.84% in y/y inflation. This is mainly because of the vegetables sub-group which recorded high hikes (one item recorded 252% y/y increase for example).
- Will not be the last “vegetarian hike” for inflation:** Vegetables are likely to witness volatility in the upcoming months readings, triggered by climate swings, especially in view of the adverse climate witnessed earlier in January. This is likely to affect vegetables’ prices up or down and, in turn, total inflation rates due to their high weight in the index.
- We reiterate our view of a probable rate cut later this week:** We see inflation rates still consistent with the disinflation path. We note that the inflation increase recorded in January is mainly driven by vegetables volatility. In view of the overall picture, we believe it is still suitable for the Central Bank of Egypt to cut rates by 1% on 14 February 2019.

### Contribution to annual headline inflation (total republic)



Source: CAPMAS

### Real O/N deposit down slightly to record 4.05%



Source: CBE, CAPMAS

## Contact Details

☎ +(202) 16331  
📍 143, Bank Zone, 5th Settlement,  
New Cairo, First Abu Dhabi Bank Building (6<sup>th</sup> 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](http://www.shuaasecurities.com)

## Copyright

Copyright © 2019, SHUAA Securities Egypt, ALL RIGHTS RESERVED. No part or excerpt of this document may be redistributed, reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of SHUAA Securities Egypt.