



An expected rise as the new school year began

Mona Bedeir

Senior Economist

T +202 3300 5722

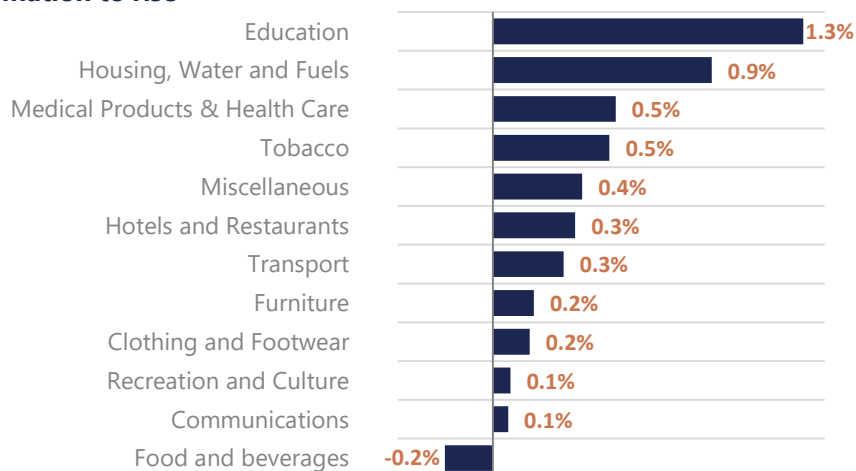
MBedeir@egy.primegroup.org

Driven by non-food items, inflation rose further on both monthly and annual bases: Annual urban headline rose for the second consecutive month to 4.5% in October, up from 3.7% in September. Yet, it is still significantly below the Central Bank of Egypt's (CBE) target range of 9%±3%. On a monthly basis, inflation accelerated further to 1.8% in October, up from +0.3% in September, on the back of the improvement in consumer sentiment, driven by the back-to-school season.

Food prices fell at a slower pace, while non-food baskets agitated the inflation readings: On an annual basis, food prices remained on a deflationary trend y/y for the fourth consecutive month in October, falling at a slower pace (-0.7% vs. -2.6% on September). This slashed the contribution of the F&B basket in the headline figure to -0.2% compared to -0.85% in September. Meanwhile, the contribution of non-food items was notable, mainly the education basket, of which contribution to annual inflation increased to 1.3% in October from 1.1% in September. On a monthly basis, after five months of negative food inflation readings, food prices increased by 0.06% from -0.1% in September. Food prices were driven mainly by the increase in the prices of vegetables (+6.3% in October vs. +1.7% in September) and poultry basket (+0.7% vs. -1.5%). Meanwhile, non-food inflation surged m/m to +3.1% from +0.4%, mainly due to the acceleration in the education basket prices by 1.8% versus a flat reading in September.

The room for a rate cut is ample, but the 'status quo' is our call: The MPC is scheduled to meet this Thursday with inflation readings accelerating in the last two months, albeit still below the CBE's lower target. Yet, we expect the MPC to keep policy rates on hold. The decision will most likely be based on (1) evaluation of the fundamental impact of the aggressive rate-cutting policy over the past six months, (2) a cautious stance by the CBE favoring a wait-and-see approach at times of global uncertainty triggered by the U.S. Presidential election and the second-wave effect, and (3) a limited impact from a further rate cut on sectors that are still hard hit by the pandemic turmoil.

Chart 1: The contribution of the education basket spurred the annual inflation to rise



Source: CAPMAS, Prime Research.



Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFE

Team Head –Institutional Desk

T +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 5110

SRaslan@egy.primegroup.org

Mohamed El Henawy

Nasr City Branch Manager

T +202 3300 5166

MElhenawy@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elhegag Square
Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Nasr City

9 Elbatrawy St.
Nasr City, Cairo, Egypt

T +202 3300 8160

F +202 3305 4622

Alexandria

7 Albert Al Awal St.
Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2020, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.