

Inflationary Truce in April: Annual Inflation Eases to 13%

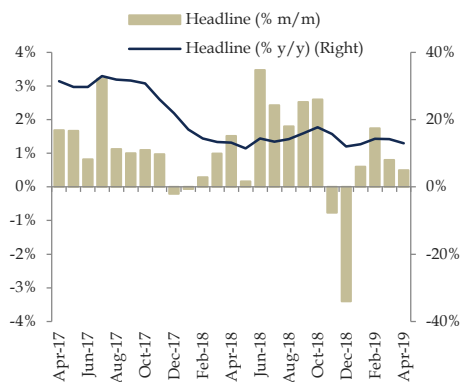
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Annual and monthly inflation rates (urban)

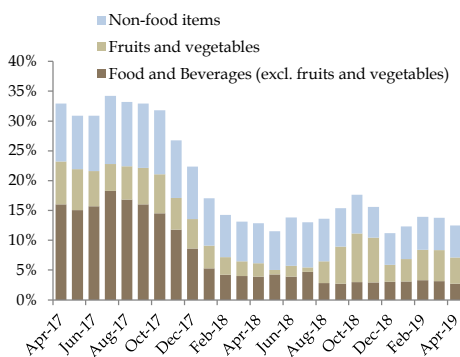


Source: CBE, CAPMAS.

Inflation data released by CAPMAS this morning showed that annual urban inflation eased relatively from 14.2% y/y in March to 13.0% in April. Meanwhile, monthly urban inflation decelerated from 0.8% m/m in March to 0.5% in April. Total republic's inflation showed the same pattern, with annual inflation down from 13.8% y/y in March to 12.5% in April, and monthly inflation down from 0.9% m/m in March to 0.4% in April. Overall, inflation figures were driven by fruits and vegetables with relatively high increases on both annual and monthly basis. Looking at current and expected inflation pattern, we do not expect a move in interest rates any time soon.

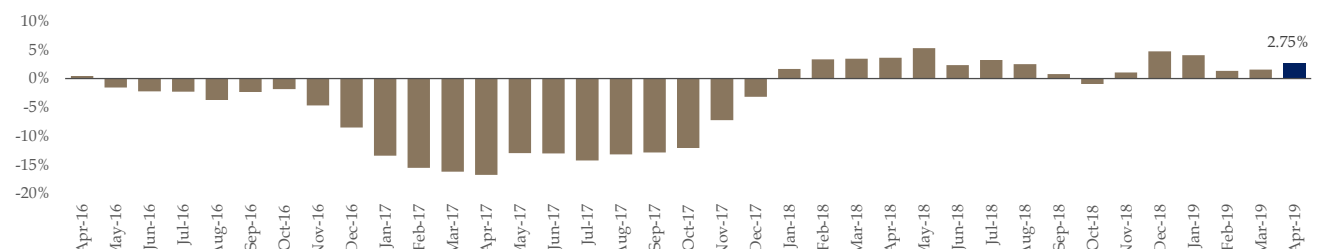
- **Vegetables and fruits contributed the most to annual and monthly inflation rates, respectively:** The vegetables recorded a 29.3% y/y increase, contributing about 4.1% to total annual inflation (total republic). On a monthly basis, fruits recorded a 12.9% m/m increase, mainly caused by lemon and bananas, causing the item to contribute about 0.4% of the total m/m inflation (total republic).
- **We see current and expected inflation patterns not supporting any interest rate cut soon:** Ramadan and Eid seasons that will be followed by fiscal consolidation measures are expected to keep inflationary pressures in motion. We believe the CBE might prefer to keep rates on hold until year end, when they could consider a cut by November or December if the overall scene is supportive.

Contribution to annual headline inflation (total republic)



Source: CAPMAS.

Real O/N deposit recovered to 2.75% in April



Source: CBE, CAPMAS.

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