

Press Release
November 15, 2018

The Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged at 16.75 percent, 17.75 percent, and 17.25 percent, respectively. The discount rate was also kept unchanged at 17.25 percent.

Headline inflation rose to 16.0 percent and 17.7 percent in September and October 2018, respectively, affected by inflation of select fresh vegetables. This comes after fiscal consolidation measures led headline inflation to rise from the twenty-five-month low of 11.4 percent in May 2018. Nevertheless, excluding regulated and volatile food items, core inflation continued to decline to average 8.7 percent between July and October 2018.

Meanwhile, annual real GDP growth stabilized at 5.4 percent in 2018 Q2, after rising for six consecutive quarters. The positive contribution of private domestic demand and net exports declined, while that of public domestic demand increased.

Moreover, the pass-through to domestic inflation from global financial market developments remained contained due to domestic policy measures that support improving macroeconomic fundamentals. International oil prices recently declined yet remain subject to volatility due to potential supply-side factors.

As headline inflation for October 2018 has been affected by a higher-than-forecasted increase in the prices of fresh vegetables, there is an upside risk of a slight deviation from the inflation target announced in May 2017, which records 13 percent (± 3 percent) on average during 2018 Q4.

However, monetary policy tools are utilized to anchor inflation expectations, contain demand-side pressures and second-round effects of supply shocks. Given the contained underlying inflationary pressures and the transitory nature of the supply shock related to select fresh vegetables, the MPC decided to keep key policy rates unchanged.

Current policy rates remain in line with achieving single digit inflation as soon as the effects of fiscal consolidation measures dissipate. The Ministry of Finance is targeting to achieve a primary surplus of 2.0 percent of GDP in fiscal year 2018/19, up from a preliminary 0.2 percent in the previous year.

The MPC closely monitors all economic developments and will not hesitate to adjust its stance to achieve its mandate of price stability over the medium term.

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