



Press Release

August 22, 2019

The Monetary Policy Committee (MPC) decided to cut the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 150 basis points to 14.25 percent, 15.25 percent, and 14.75 percent, respectively. The discount rate was also cut by 150 basis points to 14.75 percent.

Annual headline and core inflation continued to decline to record 8.7 percent and 5.9 percent in July 2019, respectively, the lowest rates in almost four years, notwithstanding the recently implemented fiscal consolidation measures that reached cost recovery for most fuel products. This decline was supported by the containment of inflationary pressures, as evident in the relatively tame monthly inflation figures, and by favorable base effects, as the recently implemented measures were weaker compared to the previous year.

Real GDP growth continued to increase slightly to record a preliminary estimate of 5.7 percent in 2019 Q2 and 5.6 percent in fiscal year 2018/19, the highest in eleven years. Meanwhile, the unemployment rate continued to decline to record 7.5 percent in 2019 Q2, thereby narrowing by almost 6 percentage points from its peak in 2013 Q4.

Globally, the expansion of economic activity continued to weaken, financial conditions eased, and trade tensions continued to weigh on the outlook. International oil prices recently declined, yet remain subject to volatility due to geopolitical risks and potential supply-side factors.

As incoming data continued to confirm the moderation of underlying inflationary pressures, the MPC decided to cut key policy rates by 150 basis points. This remains consistent with achieving the inflation target of 9 percent (± 3 percentage points) in 2020 Q4 and price stability over the medium term.

The path for future policy rates remains a function of inflation expectations, rather than of prevailing inflation rates. Accordingly, the pace and magnitude of future policy rates adjustment will continue to be subject to confirmation that inflation expectations are anchored at target levels that are consistent with disinflation and price stability over the medium term.

The MPC closely monitors all economic developments and will not hesitate to adjust its stance to preserve monetary stability.

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