



**Press Release**  
November 14, 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 100 basis points to 12.25 percent, 13.25 percent, and 12.75 percent, respectively. The discount rate was also cut by 100 basis points to 12.75 percent.**

Annual headline inflation continued to decline to record 4.8 percent in September 2019 and 3.1 percent in October 2019, the lowest rate since December 2005. The decline was driven by lower annual food inflation, supported by favorable base effects stemming from the transitory shock to prices of fresh vegetables in the previous year, while annual non-food inflation inched up in October 2019 due to relatively higher services prices. The decline was further affected by the release of the 10<sup>th</sup> CPI series as well as its linking methodology with the 9<sup>th</sup> CPI series.

The decline of annual food inflation was mostly driven by fresh vegetables. Accordingly, higher annual non-food inflation led annual core inflation to increase slightly to 2.7 percent in October 2019 from 2.6 percent in September 2019, the lowest rate since April 2006.

Real GDP growth stabilized, recording a preliminary estimate of 5.6 percent in 2019 Q3, after recording 5.6 percent in fiscal year 2018/19, the highest growth since fiscal year 2007/08. The contribution of real output growth by the private sector witnessed a broad-based increase in 2019 Q2 for the first time since 2017 Q2, and real private demand growth has been picking up to support the stability of real aggregate demand growth.

Employment rose, contributing favorably to the continued decline of the unemployment rate to 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 uncertainty regarding trade policies continued to weigh on the outlook. Meanwhile, international oil prices remain subject to volatility due to potential supply-side factors that include geopolitical risks.

Incoming data continued to confirm the moderation of underlying inflationary pressures, notwithstanding the expected impact of unfavorable base effects on near-term inflation rates due to the reversal of the transitory shock to prices of fresh vegetables in the previous year. Accordingly, the MPC decided to cut key policy rates by 100 basis points.

The reduction of policy rates in today's and in previous meetings of the MPC provide appropriate support to economic activity, while remaining consistent with achieving the inflation target of 9 percent ( $\pm 3$  percentage points) in 2020 Q4 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.

**Monetary Policy Sector**

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