



Press Release

June 25, 2020

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 9.25 percent, 10.25 percent, and 9.75 percent, respectively. The discount rate was also kept unchanged at 9.75 percent.

Annual headline urban inflation declined to 4.7 percent in May 2020 from 5.9 percent in April 2020, supported by muted inflationary pressures as well as favorable base effects where monthly headline inflation recorded zero in May 2020 compared to 1.1 percent in May 2019. The decline of annual headline inflation was mainly driven by lower annual food contribution, supported by favorable base effects stemming mainly from Ramadan and Eid-Al-Fitr being in May in 2019 compared to April and May in 2020, as well as lower annual non-food contribution by a lesser extent as the monthly increases in non-food items were weaker compared to previous year. Meanwhile, annual core inflation declined to 1.5 percent in May 2020 from 2.5 percent in April 2020, the lowest rate on record.

Real GDP growth recorded a preliminary figure of 5.0 percent in 2020 Q1 as expected, down from 5.6 percent in 2019 Q4, as economic activity in the month of March 2020 was partially affected by the impact of COVID-19 and the resulting containment measures. Additionally, the unemployment rate recorded 9.2 percent in April 2020, compared to 7.7 and 8.0 percent in 2020 Q1 and 2019 Q4, respectively. Nevertheless, the recently announced gradual easing of lockdown measures is expected to support the recovery of economic activity.

Globally, economic activity and employment have deteriorated significantly, which was also reflected in the weakness of international oil prices, despite production cuts by major producers. Meanwhile, global financial conditions have improved despite the present uncertainty.

In light of the above, and given the preemptive measures taken by the Central Bank of Egypt, including the reduction of 300 basis points during the unscheduled MPC meeting on March 16, 2020, the MPC decided that keeping key policy rates unchanged remains consistent with achieving the inflation target of 9 percent (± 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 utilize all available tools to support the recovery of economic activity, within its price stability mandate.

Monetary Policy Sector

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