



Press Release
February 15, 2018

In its meeting held on February 15, 2018, the Monetary Policy Committee (MPC) decided to cut the overnight deposit rate, overnight lending rate, and the rate of the Central Bank of Egypt's (CBE) main operation by 100 basis points to 17.75 percent, 18.75 percent, and 18.25 percent, respectively. The discount rate was also cut by 100 basis points to 18.25 percent.

Inflationary pressures have been contained, a consequence of tighter real monetary conditions. This has been evident by relatively tame monthly inflation figures, despite being affected by upward adjustments of regulated prices.

As incoming data continued to confirm the moderation of underlying inflationary pressures, the MPC decided to cut key policy rates by 100 basis points. This remains consistent with tight real monetary conditions; a necessary requirement to achieve the inflation target of 13 percent (± 3 percent) in 2018 Q4 and single digits thereafter.

Annual headline and core inflation rates declined for the sixth consecutive month in January 2018 to record 17.1 percent and 14.4 percent, in line with projections, after peaking in July 2017 at 33.0 percent and 35.3 percent, respectively. Headline and core annual inflation rates thereby registered the lowest rates since October 2016 and September 2016, respectively. Favorable base effects have been accelerating the decline of annual inflation rates since November 2017.

Meanwhile, real GDP growth continued to improve for the fifth consecutive quarter to record 5.3 percent in December 2017 and 5.0 percent during 2017, the highest economic growth since 2010.

The pickup of economic growth was largely boosted by higher net external demand, due to more competitive exchange rates, followed by public domestic demand, which have more than offset lower private domestic demand. Output growth by economic activity was relatively diversified, and 83 percent of which was supplied by the private sector.

The pick-up of economic activity coincided with the continued narrowing of the unemployment rate to 11.3 percent in December 2017, registering the lowest rate since December 2010.

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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