



Press Release

July 11, 2019

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 15.75 percent, 16.75 percent, and 16.25 percent, respectively. The discount rate was also kept unchanged at 16.25 percent.

Annual headline and core inflation declined to 9.4 percent and 6.4 percent in June 2019 from 14.1 percent and 7.8 percent in May 2019, respectively, recording the lowest rates since more than three years. This decline was strongly supported by favorable base effects, resulting from the direct and indirect impact of the implemented fiscal consolidation measures in June 2018, in addition to the significant decline of volatile food prices in June 2019.

Meanwhile, real GDP growth continued to increase slightly to record a preliminary estimate of 5.7 percent in 2019 Q2, compared to 5.6 percent in the previous quarter, leading to an estimated growth rate of 5.6 percent for the fiscal year 2018/19, the highest since the fiscal year 2007/08. Moreover, the unemployment rate continued to decline to record 8.1 percent in 2019 Q1, compared to 8.9 percent in the previous quarter.

Globally, the expansion of economic activity weakened. Furthermore, international oil prices remain subject to volatility due to geopolitical risks and potential supply-side factors.

The inflation outlook incorporated the recently implemented fiscal consolidation measures, that include reaching cost recovery for most fuel products as well as fuel price indexation to underlying costs. Since these measures were anticipated, the MPC decided that keeping key policy rates unchanged at this juncture 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 adjust its stance to preserve monetary stability.

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