



**Press Release**  
February 4<sup>th</sup>, 2021

**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 8.25 percent, 9.25 percent, and 8.75 percent, respectively. The discount rate was also kept unchanged at 8.75 percent.**

Annual headline urban inflation decelerated to 5.4 percent in December 2020 from 5.7 percent in November 2020. The decline in annual headline inflation was mainly driven by lower prices of fresh vegetables, reflecting their seasonal pattern as well as the partial reversal of the transitory shock in tomato prices. In the meantime, annual core inflation decelerated to 3.8 percent in December 2020 from 4.0 percent in November 2020.

Accordingly, annual headline urban inflation registered an average of 5.2 percent during 2020 Q4, coming below the lower target band of 6 percent previously announced in 2018. The deviation from the target was a result of the impact of the COVID-19 pandemic outbreak and its resulting government containment measures on economic activity. Furthermore, the government's successful implementation of several measures to avoid supply shortages in the market contributed to lower inflation rates. Nonetheless, given the balance of risks, the CBE undertook several preemptive measures to support economic activity while remaining consistent with achieving its price stability objective over the medium term.

Real GDP growth recorded a preliminary figure of 0.7 percent during 2020 Q3, up from -1.7 percent during 2020 Q2. Meanwhile, select demand-side leading indicators continue to display signs of recovery in 2020 Q4. Moreover, the unemployment rate decreased to 7.3 percent in 2020 Q3, down from 9.6 percent in 2020 Q2.

Globally, economic activity remains subdued despite the accommodative financial conditions, as the second wave of the COVID-19 pandemic, and its subsequent containment measures continue to weigh on the near-term outlook. On the other hand, the path to global economic recovery remains a function of the efficacy, availability and the rollout speed of vaccines, which could ease the level of uncertainty regarding economic activity over the medium term. Meanwhile, international oil prices have continued to pick up largely due to supply side developments.

Against this background, the MPC decided that keeping policy rates unchanged remains consistent with achieving the inflation target of 7 percent ( $\pm 2$  percentage points) on average in 2022 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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