



Press Release
March 18th 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 inched up to 4.5 percent in February 2021 from 4.3 percent in January 2021, after having decelerated from 5.4 percent in December 2020. The slight increase in February 2021 was driven by the unfavorable base effect and reflected the higher annual contribution of nonfood items. Meanwhile, annual food inflation remained stable after contributing to the decline in January 2021, in light of the continued reversal of the transitory shock in tomato prices. Furthermore, annual core inflation remained stable at 3.6 percent for the second consecutive month in February 2021.

Real GDP growth at market prices increased in 2020 Q4 to record a preliminary figure of 2.0 percent, up from 0.7 percent during 2020 Q3 and a contraction of 1.7 percent during 2020 Q2. Detailed growth figures in 2020 Q3 illustrate that consumption continued to support economic activity, offsetting the combined unfavorable contributions of gross domestic investments and net exports. Moreover, most leading indicators are gradually recovering to their pre-pandemic levels. Meanwhile, the unemployment rate broadly stabilized at 7.2 percent during 2020 Q4 compared to 7.3 percent during 2020 Q3, after improving markedly from the 9.6 percent recorded during 2020 Q2 due to the sustained improvement in employment levels.

Global economic activity continues to show varying paces of recovery across countries and economic sectors, as the impact of the COVID-19 pandemic continues to weigh on the outlook. Prospects for global economic recovery remain contingent on the scale of distribution, as well as the efficacy of vaccines. Global economic and financial conditions are expected to remain accommodative and supportive of economic activity over the medium term, although global yield curves have steepened recently. Meanwhile, international prices for oil, food and other commodities have surged to post-pandemic highs, with the level of uncertainty increasing regarding their future price trajectories. The surge in international oil prices was largely driven by supply side developments, while the increase in the prices of other commodities stemmed from both supply and demand side factors.

Against this background, the MPC decided that keeping policy rates unchanged remains consistent with achieving the inflation target of 7 percent (± 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

E-Mail: monetary.policy@cbe.org.eg