



Press Release
June 17th, 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 increased to 4.8 percent in May 2021 from 4.1 percent in April 2021, after having decelerated from 4.5 percent in March 2021. Annual headline inflation rates were affected by favorable and then unfavorable base effects during April and May 2021, reflecting the early impact of the outbreak of COVID-19 and its related containment measures on inflation readings during 2020. Inflation readings are expected to continue to be affected by unfavorable base effects in the near term. The acceleration in May 2021 was further driven by the higher annual contribution of volatile food items. The latter largely led annual food inflation to register 1.7 percent in May 2021 from negative 0.3 percent in April 2021. Meanwhile, annual nonfood inflation increased slightly for the second consecutive month to 6.3 percent in May 2021 from 6.1 percent in April 2021. Furthermore, annual core inflation inched up slightly to 3.4 percent in May 2021 from 3.3 percent in April 2021 after having decelerated from 3.7 percent in March 2021.

Real GDP growth recorded a preliminary figure of 2.9 percent during 2021 Q1, up from 2.0 percent during the previous quarter. Detailed data up to 2020 Q4 show that growth continues to be supported by a robust positive consumption contribution and in particular, private consumption. Moreover, the unfavorable contributions of gross domestic investments and net exports continue to subside. Sectoral GDP growth was supported by the positive contributions of trade, construction and communication, while tourism and non-petroleum manufacturing continue to weigh down on growth despite their recent pick-up. Additionally, real GDP growth is expected to remain on an accelerating trajectory, which is partially base effect driven from last year's shrunken base. Furthermore, leading indicators point towards a sustained momentum of recovery across the board. Meanwhile, the unemployment rate stabilized at 7.4 percent during 2021 Q1 compared to 7.2 percent during the previous quarter.

Global economic activity continues to recover from the COVID-19 pandemic, although growth remains uneven across regions, as some countries are yet to contain the spread of the virus. Prospects for global economic recovery remain contingent on the scale of distribution, as well as the efficacy of vaccines. Global financial conditions are expected to remain accommodative and supportive of economic activity over the medium term. Meanwhile, international prices for oil, food and other commodities have risen, maintaining the prevailing level of uncertainty regarding their future price trajectories. The rises in international oil and other commodity prices were driven by both demand and supply 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

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