



Press Release
August 5th, 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 marginally increased to 4.9 percent in June 2021 from 4.8 percent in May 2021, reflecting an unfavorable base effect for the second consecutive month. Annual inflation readings are expected to continue to be affected by unfavorable base effects in the near term. The slight uptick in June 2021 was driven by the higher annual inflation of food items, which accelerated to 3.4 percent in June 2021 from 1.7 percent in May 2021, reflecting higher annual contribution of subsidized and core food items. Meanwhile, annual nonfood inflation declined to 5.6 percent in June 2021 from 6.3 percent in May 2021, which is its lowest recorded level since June 2014. On the other hand, annual core inflation increased to 3.8 percent in June 2021 from 3.4 percent in May 2021.

Real GDP growth is estimated to have recorded a preliminary figure of 2.8 percent in fiscal year 2020/21, compared to 3.6 percent in the previous fiscal year, reflecting the full year impact of the pandemic's outbreak and its related containment measures on economic activity. Additionally, sectoral growth continued to pick up, as detailed data up to 2021 Q1 showed that it remains supported by the positive contributions of trade, construction, and communications, as well as natural gas extractions. Furthermore, leading indicators point towards a sustained improvement across most sectors. Meanwhile, the unemployment rate registered 7.4 percent in 2021 Q1, compared to 7.2 percent in 2020 Q4.

Global economic activity continues to recover from the COVID-19 pandemic, although growth remains uneven across regions, as the pace of vaccinations varies across countries. Additionally, prospects of global economic recovery remain contingent on the efficacy of vaccines and the ability of countries to contain the spread of the virus, in light of the emergence of newer variants. Global financial conditions are expected to remain accommodative and supportive of economic activity over the medium term. International prices for oil have continued to increase driven by both supply and demand factors. In the meantime, international prices for food and some other commodities remain at multi-year highs despite their drop recently.

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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