



Central Bank of Egypt

**Press Release
August 7, 2008**

The Central Bank of Egypt decided to raise its overnight deposit by 50 bps to 11 percent per annum.

The discount rate was also raised by 100 bps to 11 percent per annum.

In its meeting held on August 7, 2008, the Monetary Policy Committee (MPC) decided to raise the overnight deposit and lending rates by 50 bps to 11 percent and 13 percent, respectively.

The headline CPI inflation showed a modest acceleration in June, reaching 20.2% as domestic food inflation was broadly unchanged. However, the MPC remains concerned about possible propagation of food inflation to non-food inflation.

International food prices are still high but have declined from their recent record levels over the past three months as evidenced in wheat prices. These developments suggest that the international food price shock might be waning, notwithstanding the uncertainty surrounding the outlook of international commodity prices. This, in turn, remains to be a key upside risk to the domestic inflation outlook which is exacerbated by downward price rigidities in domestic markets. Moreover, the MPC is mindful of the underlying inflationary pressures which continue to tilt the balance of risks to the upside.

Having weighed both the international and domestic information available, today's decision is aimed at containing inflation expectations.

The MPC will continue to closely monitor all economic developments, especially the factors underlying inflation, and will not hesitate to adjust the key CBE rates to ensure price stability over the medium-term.

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