



Central Bank of Egypt

**Press Release
May 8, 2008**

The Central Bank of Egypt decided to raise its overnight deposit by 50 bps to 10 percent per annum.

In its meeting held on May 8, 2008, the Monetary Policy Committee (MPC) decided to raise the overnight deposit and lending rates by 50 bps to 10 percent and 12 percent, respectively.

The headline CPI inflation has maintained its upward trend reaching 16.4% in April as domestic food inflation perpetuated to 22% driven mainly by the elevated international food prices. Moreover, further spillover to non-food prices contributed to the latest inflation outturn.

Despite tentative signs of moderation in international wheat prices, the domestic inflation outlook is affected by the latest regulated price adjustments. While the immediate one-off effect would be reflected in the next inflation reading, the consequent second round effects of these price adjustments pose an upside risk to the inflation prospects. This could be intensified by a potential worsening of inflation expectations.

These unfolding developments will likely keep annual inflation rates high until the combined effects of price increases related to the international food price shock and the current regulated price adjustments taper off.

Given the clear evidence of underlying inflationary pressures, the MPC judges that the balance of risks to the inflation outlook continue to be on the upside and 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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