

**Press Release
November 4, 2010**

In its meeting held on November 4, 2010, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate and overnight lending rate unchanged at 8.25 percent and 9.75 percent, respectively. The discount rate was also kept unchanged at 8.5 percent.

Headline CPI increased by 1.69 percent in September after accelerating by 2.85 percent in August, while the annual rate remained broadly unchanged at 10.97 percent in September. The intensification of supply shortages related to fruits & vegetables in addition to red meat and poultry have led to a surge in their prices to account for more than 60 percent of annual headline inflation between July and September. On the other hand, after jumping by 2.82 percent in August, core CPI inched up by 0.22 percent in September, while the annual rate declined to 7.59 percent from 8.16 percent in August. The acceleration in the prices of red meat and poultry have accounted for 60 percent of annual core inflation between July and September.

Meanwhile, the annual real GDP growth for 2009/10 Q4 was revised downwards from 5.9 percent to 5.4 percent. Looking ahead, unfolding global economic developments have created uncertainty about the nascent global recovery, which could potentially weigh on domestic investment and external demand.

Against the above and despite the sharp increase in food prices, non-food inflation has remained largely subdued since early 2009, implying that underlying inflation pressures arising from the ongoing economic recovery remain contained. Nonetheless, the MPC is mindful of the risk of possible propagation of shocks related to food items to other prices.

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

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