



Central Bank of Egypt

**Press Release
August 10, 2006**

The Central Bank of Egypt decided not to raise its policy rates.

In its meeting held on August 10, 2006, the Monetary Policy Committee (MPC) decided not to raise its policy rate. It maintained the overnight deposit and the overnight lending rates at 8 percent and 10 percent, respectively.

This decision was based on the assessment of recent domestic and external economic developments since the last MPC meeting.

Domestically, the gradual increase in headline consumer price index since April has been attributed to supply factors chiefly driven by the outbreak of the Avian Flu. This has adversely affected food inflation, which is not expected to persist in light of the measures undertaken by the Government in this respect. In addition, price adjustments in administered items have also contributed to the increase in headline inflation. However, the MPC judges that these factors should not have, in their first round, a permanent effect on inflation.

Externally, risks to global inflation are still skewed to the upside and could be exacerbated by increasing international oil prices if geopolitical tensions heighten and by any further increases in commodity prices.

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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