



**Press Release
February 4, 2010**

In its meeting held on February 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 declined by 1.3 percent (m/m) in December 2009, to maintain the annual inflation rate broadly unchanged at 13.24 percent compared to 13.29 percent in November 2009. For the second consecutive month, the negative monthly inflation rate was largely due to lower prices of fruits and vegetables which have been the key drivers of headline inflation since February 2009. In the meantime, annual core inflation inched up to 6.85 percent in December compared to 6.59 percent in November on the back of the unfavorable base effects from last year and remains within the CBE's comfort zone.

Meanwhile, annual real GDP growth recorded 4.9 percent in 2009/10 Q1 compared to the four year low of 4.1 percent witnessed in 2008/09 Q2. While this outturn remains below the 7 percent average registered over the past three years, it reflects a steady improvement in economic activity. There are encouraging signs that the global slowdown has stabilized somewhat over recent months and the outlook for the international economy appears to have improved as well. This coupled, with the domestic fiscal and monetary measures undertaken so far will continue to provide a conducive environment for the domestic economy.

Against this background, the MPC assesses that inflationary pressures remain subdued and that the current level of policy interest rate is appropriate and supportive of the economic recovery while consistent with maintaining core inflation within the CBE's comfort zone in the medium-term.

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.

Dr. Rania Al-Mashat
Division Chief, Monetary Policy Unit
Telephone number: 27701315
E-mail address: monetary.policy@cbe.org.eg