



**Press Release
November 5, 2009**

In its meeting held on November 5, 2009, the Monetary Policy Committee (MPC) decided to keep its overnight deposit rate and overnight lending rate unchanged. The discount rate was also kept unchanged.

Annual headline CPI inflation increased to 10.8 percent in September 2009, compared to 9 percent in August. CBE's core inflation measure, which excludes volatile food items, namely fruits & vegetables, as well as regulated prices, recorded an annual rate of 6.3 percent, compared to 5.8 percent in the previous month and remains within the CBE's comfort zone. Fruits and vegetables continued to be the determining factor in the headline inflation outturn, contributing by 1.1 percentage points to the monthly increase of 1.8 percentage points recorded in September 2009. This comes as a continuation of a trend that started in February 2009 whereby shocks related to fruits and vegetables, amplified annual headline inflation, accounting for 54 percent of the 10.8 percent recorded in September 2009. In the meantime, the increase in core inflation was mainly driven by higher food prices, particularly meat and sugar, whereas paid services and retail prices have remained broadly unchanged since February and April 2009, respectively.

In the meantime, annual real GDP growth in 2008/09 recorded 4.7 percent. This outturn has been better than previously expected at the outset of the global financial crisis yet remains below the 7 percent average registered over the past three years. 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 help provide a conducive environment for the domestic economy.

Against this background, the MPC assesses 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