



Press Release

May 14, 2020

The Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged at 9.25 percent, 10.25 percent, and 9.75 percent, respectively. The discount rate was also kept unchanged at 9.75 percent.

Annual headline urban inflation increased to 5.9 percent in April 2020 from 5.1 percent in March 2020 due to a combination of unfavorable base effect stemming from muted price increases in April 2019 as well as higher prices increases in April 2020 which is broadly attributed to the impact of the outbreak of COVID-19 as well as a stronger seasonal factor due to Ramadan. Annual headline inflation in April 2020 was driven by higher annual food contribution, mainly core food items, which more than offset lower annual contribution of non-food items. Accordingly, annual core inflation increased to 2.5 percent in April 2020 from 1.9 percent in March 2020.

Real GDP growth continued to stabilize around 5.6 percent in 2019 Q4, with the recovery in public domestic demand offsetting the moderation in private domestic demand, and the pickup in consumption offsetting the slowdown in investments. Meanwhile, leading indicators showed broad improvement on average in January and February 2020, before reflecting a slowdown in economic activity in March and April 2020. Nevertheless, the diversity of the economy provides some cushion given the resilience of some sectors.

Globally, economic activity and employment have deteriorated significantly, which weighed on the outlook with risks mainly tilted to the downside. This was also reflected in the weakness of international oil prices, despite production cuts by major producers.

Against this background, and following the reduction of 300 basis points during the unscheduled MPC meeting on March 16, 2020, the MPC decided that keeping key policy rates unchanged remains consistent with achieving the inflation target of 9 percent (± 3 percentage points) in 2020 Q4 and price stability over the medium term.

The MPC closely monitors all economic developments and will not hesitate to utilize all available tools to support the recovery of economic activity, within its price stability mandate.

Monetary Policy Sector

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