

Press Release
September 27, 2018

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 16.75 percent, 17.75 percent, and 17.25 percent, respectively. The discount rate was also kept unchanged at 17.25 percent.

Annual headline inflation rose to 14.2 percent in August 2018 from 11.4 percent in May 2018, while annual core inflation continued to decline for the twelfth consecutive month to record 8.5 percent in July 2018, before increasing slightly to 8.8 percent in August 2018. As anticipated, upward adjustments of regulated prices as well as higher prices of fresh fruits and vegetables contributed to the widening spread between headline and core inflation since June 2018.

Annual real GDP growth stabilized in 2018 Q2 at the 5.4 percent rate registered in the previous quarter, which was mainly driven by net foreign demand as well as by domestic investment. Meanwhile, job creation supported the decline of the unemployment rate to 9.9 percent in 2018 Q2, the lowest rate since 2010 Q4.

The pass-through to domestic inflation from developments in emerging market economies remained contained due to stabilization and structural policies that support improving macroeconomic fundamentals.

The MPC decided that keeping key policy rates unchanged remains consistent with achieving the target path for headline inflation that was announced in May 2017, namely 13 percent (± 3 percent) in 2018 Q4 and single digits after the temporary effect of fiscal supply shocks dissipates.

The MPC closely monitors all economic developments and will not hesitate to adjust its stance to achieve its mandate of price stability over the medium term.

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