



**Press Release**  
August 13, 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 declined to 4.2 percent in July 2020 from 5.6 percent in June 2020, the lowest rate recorded since November 2019. The decline was due to continued muted inflationary pressures and supported by favorable base effects. Monthly headline urban inflation recorded 0.4 percent in July 2020 compared to 1.8 percent in July 2019, which incorporated the impact of the implemented fiscal consolidation measures to reach cost recovery for fuel products in 2019. July 2020 monthly headline urban inflation continued to reflect higher non-food prices and lower food prices for the third consecutive month. In the meantime, annual core inflation declined to 0.7 percent in July 2020 from 1.0 percent in June 2020, the lowest rate on record.

Preliminary data show that real GDP growth for FY19/20 recorded 3.8 percent compared to 5.6 percent in the first half of the fiscal year. This reflects the impact of the COVID-19 outbreak and the accompanying containment measures. Nevertheless, the contribution of the public sector to growth increased in 2020 Q1, particularly in the petroleum manufacturing sector, which supported economic activity during this period. Meanwhile, a number of leading indicators started showing signs of recovery in June and July 2020, in tandem with the easing of the containment measures. The unemployment rate recorded 9.2 percent in April 2020, compared to 7.7 and 8.0 percent in 2020 Q1 and 2019 Q4, respectively.

Globally, economic activity remained weak despite some recovery associated with some ease of the COVID-19 related lock-down measures, which partly supported the recent increase of international oil prices. Meanwhile, global financial conditions continued to improve, supported mainly by policy measures despite the ongoing uncertainty.

Annual headline inflation rate is expected to remain below the inflation target's mid-point of 9.0 percent on average during 2020 Q4. Yet with the ongoing high level of global uncertainty, and given the preemptive measures taken by the Central Bank of Egypt, including the reduction of 300 basis points during the unscheduled MPC meeting on March 16, 2020, the MPC decided to keep key policy rates unchanged.

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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