



**Press Release**

May 23, 2019

**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 15.75 percent, 16.75 percent, and 16.25 percent, respectively. The discount rate was also kept unchanged at 16.25 percent.**

Annual headline and core inflation declined to 13.0 percent and 8.1 percent in April 2019 from 14.2 percent and 8.9 percent in March 2019, respectively. This decline was supported by favorable base effects and a lower contribution from food prices, while the contribution of non-food prices remained broadly unchanged.

Real GDP growth continued to increase slightly to record 5.6 percent in 2019 Q1 compared to 5.5 percent in 2018 Q4, and the unemployment rate continued to decline to record 8.1 percent in 2019 Q1 compared 8.9 percent in 2018 Q4. Available data indicate that net external demand continued to support economic activity, while private domestic demand remained contained.

The expansion of global economic activity weakened, and the pace of tightening financial conditions eased, while trade tensions continued to weigh on the global outlook. Meanwhile, international oil prices continued to increase since the beginning of 2019 and remain subject to volatility due to geopolitical risks and potential supply-side factors, which pose risks to the domestic inflation outlook.

The Ministry of Finance is targeting to achieve a primary surplus of 2.0 percent of GDP in fiscal year 2018/19, up from 0.1 percent in the previous year, and to maintain this surplus thereafter. Accordingly, the inflation outlook incorporates fiscal consolidation measures, which include reaching cost recovery for most fuel products and automatic fuel price indexation to underlying costs.

Against this background, the MPC decided that key policy rates remain appropriate at this juncture, and consistent with achieving the inflation target of 9 percent ( $\pm 3$  percentage points) in 2020 Q4 and price stability over the medium term. The MPC closely monitors all economic developments and will not hesitate to adjust its stance to preserve monetary stability.

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