



Press Release

December 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.

Headline inflation declined to 15.7 percent in November 2018 from 17.7 percent in October 2018, due to the partial reversal of the supply shock related to select vegetables and a favorable base effect. Meanwhile, core inflation declined to 7.9 percent in November 2018 from 8.9 percent in October 2018, recording the lowest rate since February 2016.

Real GDP growth stabilized at 5.4 percent in 2018 Q2, after rising for six consecutive quarters. The positive contribution of private domestic demand and net exports declined, while that of public domestic demand increased. The unemployment rate also stabilized at 10.0 percent in 2018 Q3.

Global financial conditions continued to tighten, while global trade tensions continued to weigh on the global outlook. International oil prices recently declined yet remain subject to volatility due to potential supply-side factors.

The Ministry of Finance is targeting to achieve a primary surplus of 2.0 percent of GDP in fiscal year 2018/19, up from a preliminary 0.1 percent in the previous year, and to maintain this surplus thereafter.

In account of the above, and in support of macroeconomic stability, the CBE's inflation target has been set at 9 percent (± 3 percent) on average during 2020 Q4, down from 13 percent (± 3 percent) on average during 2018 Q4. Exogenous factors that are outside the scope of monetary policy may lead to transitory deviations from pre-announced target rates.

Current policy rates and the inflation outlook remain in line with achieving the targeted disinflation path. 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.

Monetary Policy Sector

Phone: +20227701315

E-mail: monetary.policy@cbe.org.eg