

**Press Release
January 28, 2016**

In its meeting held on January 28, 2016, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate, overnight lending rate, and the rate of the CBE's 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 CPI remained largely unchanged at 11.06 percent in December 2015, despite the slight monthly decline of 0.09 percent (m/m). The monthly outturn was largely subdued on the back of the seasonal decrease in volatile food prices, in addition to the muted movement in the prices of other food, supported by recent government measures to control the prices of basic food items. On the other hand, annual core CPI declined to 7.23 percent in December from 7.44 percent in November, supported by a favorable base effect from the previous year, despite the slight monthly inch up of non-food prices. Looking ahead, while the upside risks to the domestic inflation outlook are mitigated by contained imported inflation, in light of the broad-based decline in international commodity prices, particularly given the latest global developments, potential underlying domestic inflationary pressures remain a concern.

The latest data available reveals that real GDP grew robustly by 4.2 percent in 2014/15 after recording 2.2 percent (y/y) growth in 2013/14. The main contributors to growth were the manufacturing, construction, real estate and tourism sectors, while the extractions sector remained weak. In the meantime, strong investment growth more than compensated for the negative contribution of net exports. Looking ahead, while investments in domestic mega projects are expected to continue to contribute to economic growth, the downside risks that surround the global economy given the latest global market developments could pose downside risks to domestic GDP.

At this juncture, the MPC judges that the key CBE rates are currently appropriate given the balance of risks surrounding the inflation and GDP outlooks.

The MPC reiterates its price stability mandate and will continue to closely monitor all economic developments, particularly fiscal policy and its effect on the inflation outlook, and will not hesitate to adjust the key CBE rates to ensure price stability over the medium-term.

Dr. Rania Al-Mashat
Sub Governor, Monetary Policy
Telephone number: 0227701315
Email: monetary.policy@cbe.org.eg