



Central Bank of Egypt

**Press Release
July 28, 2016**

In its meeting held on July 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 11.75 percent, 12.75 percent, and 12.25 percent, respectively. The discount rate was also kept unchanged at 12.25 percent.

Headline year-on-year inflation rose to 13.97 percent in June 2016 from 12.30 percent in May 2016, while the month-on-month rate dropped to 0.78 percent in June from 3.05 percent in May. Core inflation rose to 12.37 percent in June 2016 from 12.23 percent in May 2016, while the month-on-month rate dropped to 0.74 percent in June from 3.15 percent in May.

Annual headline inflation in June 2016 was partly affected by unfavorable base effects from the previous year and remained elevated due to the relatively high month-on-month inflation in May 2016. Monthly headline inflation in June 2016 came mainly on the back of higher prices of volatile food items, in addition to core food items, particularly red meat and poultry. Furthermore, monthly headline inflation was affected by retail items, particularly seasonal increases in the prices of clothing and footwear associated with the Eid-Al-Fitr festivities. The pass-through of previous exchange rate movements to domestic prices as measured by the consumer price index remained limited.

Output remained unfavorably impacted by domestic as well as external factors. Domestic demand contributed 4.8 percentage points to the 4.5 percent real GDP growth in the first half of 2015/16, while net external demand contributed negative 0.3 percentage points. By sector, the services sector was the highest contributor to economic growth, particularly construction and real estate, while tourism contributed negatively. Furthermore, growth continued to be supported by internal trade, agriculture and the general government sectors, whereas the industrial sector contributed negatively mainly due to continued weakness in the mining activity, but also due to negative contribution of non-petroleum manufacturing.

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.

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