



Central Bank of Egypt

**Press Release
June 18, 2009**

The Central Bank of Egypt decided to cut its overnight deposit rate by 50 bps to 9 percent per annum.

The discount rate was also cut by 50 bps to 9 percent per annum.

In its meeting held on June 18, 2009, the Monetary Policy Committee (MPC) decided to cut its overnight deposit rate by 50 bps to 9 percent and the overnight lending rate by 50 bps to 10.5 percent.

Annual headline CPI inflation continued to decline in May 2009, reaching 10.2 percent down from 11.7 percent in April. This records a cumulative drop of 13.4 percentage points since its peak in August 2008. The downward trend in headline inflation comes on the back of the decline in domestic food inflation, which fell from 31 percent (y/y) in August 2008 to 12.5 percent (y/y) in May 2009.

In the meantime, the global financial crisis continues to interrupt the domestic growth momentum, bringing domestic GDP growth in 2008/09 Q3 to 4.3 percent compared to 7.1 in 2007/08. Moreover, despite tentative signs that the worst of the global downturn may be over, consensual projections point to a slow and gradual global economic recovery in 2010.

Against this background, the MPC's assessment of the balance of risks surrounding the inflation and growth outlook over the medium-term remains unchanged as risks to the domestic growth outlook continue to be on the downside while inflationary pressures are subsiding.

The MPC will continue to take the necessary measures to contain the adverse effects of the global economic turmoil on the domestic economy, provided that they do not conflict with the price stability objective.

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