

**Press Release  
May 6, 2010**

*In its meeting held on May 6, 2010, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate and overnight lending rate unchanged at 8.25 percent and 9.75 percent, respectively. The discount rate was also kept unchanged at 8.5 percent.*

Annual headline CPI declined to 12.20 percent in March compared to 12.78 percent registered in February 2010, yet remains elevated reflecting the impact of last year's unfavorable shock related to fruits and vegetables. In the meantime, annual core CPI inched up to 7.04 percent in March from 6.90 percent in February and remains within the CBE's comfort zone.

Meanwhile, annual real GDP growth recorded 5 percent in 2009/10 Q2 compared to the four year low of 4.1 percent witnessed in 2008/09 Q2, reflecting a steady improvement in economic activity. Furthermore, the ongoing recovery in the global economy coupled with the domestic fiscal and monetary measures undertaken so far will continue to provide a conducive environment for the domestic economy.

Against this background, the MPC assesses that inflationary pressures remain subdued and that the current level of policy interest rate is appropriate and supportive of the economic recovery while consistent with maintaining core inflation within the CBE's comfort zone in the medium-term.

The MPC will continue to closely monitor all economic developments and will not hesitate to adjust the key CBE rates to ensure price stability over the medium-term.

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