



Central Bank of Egypt

**Press Release
December 14, 2006**

The Central Bank of Egypt decided to raise its overnight deposit rate by 25 bps to 8.75 percent per annum.

In its meeting held on December 14, 2006, the Monetary Policy Committee (MPC) decided to raise its overnight deposit and overnight lending rates to 8.75 percent and 10.75 percent from 8.5 percent and 10.5 percent, respectively.

The decision was based on the observations of emerging inflationary trends, driven by the demand pressures arising from accelerating economic growth mostly in the construction and manufacturing sectors. In addition, supply factors, chiefly the outbreak of Avian flu as well as administered price adjustments, most importantly the July fuel price hike, have had varying degrees of initial cost-push effects on inflation and the second round effects are becoming evident.

The annual inflation rates are expected to remain high until the base effect from the previous price increases related to the supply shocks and administered price adjustments level off.

The MPC will continue to monitor all economic developments. Future decisions will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming data releases.

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