

Press Release
June 2, 2005

The Central Bank of Egypt sets its deposit rate at 9.5 % per annum.

In its monthly meeting, the monetary policy committee of the Central Bank of Egypt (CBE) decided today to set its key interest rates, the overnight deposit rate and the overnight lending rate, at 9.5 percent and 12.5 percent, respectively. This reduces the overnight interest rates from their current levels.

The economic recovery in Egypt gained momentum in 2004/2005 driven mainly by strong growth in exports of goods and services. The indicators of real economic activity suggest, on balance, that the recovery continues and that real output growth is now gradually approaching its targeted rate.

The annual rate of inflation declined in the first quarter of 2005. This was mainly due to the non expansionary monetary policy adopted by the CBE, the sustainability of the new exchange rate regime that lowered inflation expectations, in addition to the decline of the international prices of commodities

At the same time, the annual growth rate of the broad money supply in domestic currency (M2D) has increased significantly. However this has mainly been on account of the portfolio shift associated with the gradual disappearance of dollarization since the launching of the inter-bank foreign exchange market. Growth of bank credit to the private sector is still running at a low level.

Overall, the CBE believes that the balance of risks to price stability over the medium term is neutral. The CBE remains committed to take all actions necessary to ensure price stability over the medium term.

The Central Bank of Egypt
2 June 2005

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