Central Bank of Egypt

Press Release
January 15, 2015

In its meeting held on January 15, 2015, the Monetary Policy Committee (MPC) decided to cut the overnight deposit rate, overnight lending rate, and the rate of the CBE's main operation by 50 basis points to 8.75 percent, 9.75 percent, and 9.25 percent, respectively. The discount rate was also cut by 50 basis points to 9.25 percent.

Headline CPI decelerated by 1.53 percent (m/m) and 0.07 percent (m/m) in November and December, respectively. This brought the annual inflation rates to 9.09 percent in November then to 10.13 percent in December due to an unfavorable base effect. The monthly developments came broadly on the back of the seasonal deceleration in the prices of fruits and vegetables coupled with the decline in the prices of other food items supported by the decrease in international prices. On the other hand, core CPI inched up by 0.3 percent (m/m) in December after declining by 0.15 percent (m/m) in November. The annual rate continued to ease registering 7.69 percent in December following 7.81 in November. Upside risks from imported inflation continue to be contained on the back of lower oil prices and the consequent revision in international food price forecasts.

Meanwhile, real GDP jumped significantly in 2014/15 Q1, registering at 6.8 percent the highest annual growth rate since 2007/08 Q4. This comes after the 2013/14 fiscal year real GDP growth rate recorded 2.2 percent. Notwithstanding the support stemming from the base effect, the expansion in economic activity during 2014/2015 Q1 came on the back of the continuous growth in the manufacturing sector and the expansion of tourism activities after several quarters of contraction. This came despite the continuous weakness in the extraction sector. In the meantime, investment continued to improve for the third consecutive quarter. Looking ahead, while investments in domestic mega projects such as the Suez Canal are expected to contribute to economic growth, the downside risks that surround the global recovery on the back of challenges facing the Euro Area and the softening growth in emerging markets could pose downside risks to domestic GDP.

In light of recent global developments and the reassessment of risks surrounding the inflation outlook and domestic GDP, the MPC decided to cut the key CBE rates.

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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