



Press Release
February 14, 2019

The Monetary Policy Committee (MPC) decided to cut the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 100 basis points to 15.75 percent, 16.75 percent, and 16.25 percent, respectively. The discount rate was also cut by 100 basis points to 16.25 percent.

Headline and core inflation rose to 12.7 percent and 8.6 percent in January 2019, respectively, due to unfavorable base effects. This comes after headline inflation declined to 12.0 percent in December 2018 due to the reversal of the transitory supply shock related to select vegetables. As a result, the CBE's first inflation target of 13 percent (± 3 percent) for 2018 Q4 that was announced in May 2017 has been achieved.

Real GDP growth increased slightly to 5.5 percent in 2018 Q4 from 5.3 percent in 2018 Q3, while the unemployment rate declined to 8.9 percent from 10.0 percent, registering its lowest level since December 2010. Preliminary data for 2018 Q3 indicate that net external demand continued to support economic activity while private domestic demand remained contained.

The expansion of global economic activity weakened, and the tightening of financial conditions eased, while trade tensions continued to weigh on the global outlook. International oil prices recently stabilized, yet remain subject to volatility due to potential supply-side factors.

The Ministry of Finance is targeting to achieve a primary surplus of 2.0 percent of GDP in fiscal year 2018/19, up from a preliminary 0.1 percent in the previous year, and to maintain this surplus thereafter.

Incoming data continued to confirm the moderation of underlying inflationary pressures. Accordingly, the MPC decided to cut key policy rates by 100 basis points. This remains consistent with tight real monetary conditions and with achieving the inflation target of 9 percent (± 3 percent) in 2020 Q4 and price stability over the medium term.

The MPC closely monitors all economic developments and will not hesitate to adjust its stance to preserve monetary stability.

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