

Press Release
August 16, 2018

The Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation unchanged at 16.75 percent, 17.75 percent, and 17.25 percent, respectively. The discount rate was also kept unchanged at 17.25 percent.

The anticipated adjustment of regulated prices in the context of the fiscal reform program pushed headline inflation up to 13.5 percent in July 2018 from 11.4 percent in May 2018. On the other hand, core inflation continued to decline for the twelfth consecutive month to record 8.5 percent in July 2018, the lowest rate since more than two years.

Annual real GDP growth stabilized in 2018 Q2 at the 5.4 percent rate registered in the previous quarter, which was mainly driven by net foreign demand as well as by domestic investment. Job creation supported the decline of the unemployment rate to 9.9 percent in 2018 Q2, the lowest rate since 2010 Q4.

Global financial conditions continued to tighten, and trade tensions rose, pressuring among other factors currencies of select emerging economies. Furthermore, international oil prices continued to be subject to geopolitical risks.

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 0.2 percent in the previous year.

The headline inflation outlook continued to be in line with the target path announced in May 2017, namely 13 percent (± 3 percent) in 2018 Q4 and single digits after the temporary effect of fiscal supply shocks dissipates. The MPC decided that keeping key policy rates unchanged remains consistent with achieving this inflation outlook and target path.

The MPC closely monitors all economic developments and will not hesitate to adjust its stance to achieve its mandate of price stability over the medium term.

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