

Press Release
March 29, 2018

In its meeting on March 29, 2018, the Monetary Policy Committee (MPC) decided to cut the overnight deposit rate, overnight lending rate, and the rate of the Central Bank of Egypt's (CBE) main operation by 100 basis points to 16.75 percent, 17.75 percent, and 17.25 percent, respectively. The discount rate was also cut by 100 basis points to 17.25 percent.

In its last meeting on February 15, 2018 the MPC began to ease its tight stance on interest rates that successfully managed to tame monthly inflation.

Annual headline and core inflation rates continued to decline to record 14.4 percent and 11.9 percent in February 2018, after peaking in July 2017 at 33.0 percent and 35.3 percent, respectively. The headline and core annual inflation rates thereby registered the lowest since October and April 2016, respectively.

Real GDP growth continued to improve for the fifth consecutive quarter to record 5.3 percent in December 2017 and 5.0 percent during 2017, the highest economic growth since 2010. This coincided with the narrowing of the unemployment rate to 11.3 percent in December 2017, the lowest since December 2010.

The pickup of economic growth was largely boosted by higher net external demand, due to more competitive exchange rates, followed by public domestic demand, which have more than offset lower private domestic demand. Output growth by economic activity was relatively diversified, and continued to be mostly supplied by the private sector.

Cutting key policy rates today remains consistent with tight real monetary conditions and with achieving the inflation target of 13 percent (± 3 percent) in 2018 Q4 and single digits thereafter.

Domestic risks surrounding the inflation outlook include the evolution of inflation expectations, the timing and magnitude of potential subsidy-reform measures, as well as demand-side pressures. Risks from the global economy are crude oil price developments and the pace of tightening financial conditions.

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.

Monetary Policy Sector

Phone: +20227701315

E-mail: monetary.policy@cbe.org.eg