

Press Release
May 17, 2018

In its meeting on May 17, 2018, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate, overnight lending rate, and the rate of the Central Bank of Egypt's (CBE) main operation unchanged at 16.75 percent, 17.75 percent, and 17.25 percent, respectively. The discount rate was also kept at 17.25 percent.

Annual headline inflation continued to decline in March and April 2018 to record 13.1 percent, while annual core inflation continued to decline in March to 11.6 percent and remained roughly unchanged in April. The headline and core annual rates thereby registered in April 2018 the lowest since May and April 2016, respectively.

Real GDP growth continued to improve for the fifth consecutive quarter, to record 5.3 percent in December 2017 and an average of 5.0 percent during 2017, the highest since 2010. The unemployment rate registered further improvement in March 2018, declining to 10.6 percent, the lowest since December 2010.

The increase in international oil prices gained momentum in April and May 2018, leading to the materialization of an upside risk to the domestic inflation outlook. Nevertheless, the outlook remains consistent with achieving the inflation target of 13 percent (± 3 percent) in 2018 Q4 and single digits thereafter.

Domestic risks surrounding the inflation outlook continue to include potential fiscal reform measures, the evolution of inflation expectations, as well as demand-side pressures. In addition to oil price developments, risks from the external economy continue to include the pace of tightening financial conditions.

The MPC's decision to keep the CBE's key policy rates unchanged is consistent with achieving the targeted disinflation 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.

Monetary Policy Sector

Phone: +20227701315

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