

**Press Release**  
November 16, 2017

**In its meeting held on November 16, 2017, 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 18.75 percent, 19.75 percent, and 19.25 percent, respectively. The discount rate was also kept unchanged at 19.25 percent.**

During October 2017, annual headline and core inflation declined for the third consecutive month to record 30.8 percent and 30.5 percent, after peaking in July 2017 at 33.0 percent and 35.3 percent, respectively. This comes as a result of the moderation of monthly headline inflation rates between August and October 2017 to around 1.1 percent, compared to an average of 1.6 percent in the corresponding months in 2016.

Inflation in October was almost entirely driven by the seasonal effect of higher prices of education services. Accordingly, monthly core inflation recorded 0.7 percent in October 2017 compared to an average of 0.3 percent in August and September. Meanwhile, prices of retail items remained roughly unchanged while food inflation continued to drop, supported by the continued decline of core food prices for the second consecutive month.

Real GDP growth continued to increase for the third consecutive quarter to record 5.0 percent at market prices in 2016/17 Q4, thereby averaging 4.6 percent in the second half of 2016/17, growing at the fastest pace since 2009/2010. This coincided with the continued narrowing of the unemployment rate to record 11.9 percent in 2017/18 Q1, the lowest rate since 2011/12. Leading indicators suggest a continued improvement of economic activity.

Meanwhile, the sustainability of economic growth improved with declining contribution of consumption and increasing contribution of net exports. The growth of private investment continued to expand in 2016/17 for the third consecutive year, while public investment maintained its double digit growth. Trade, real estate, construction and tourism were the main sectors driving economic activity.

Real monetary conditions continued to tighten, a necessary requirement to achieve the CBE's inflation target. This process was supported by the combination of previous policy rate increases and the recent appreciation of the Egyptian pound against trading-partner currencies.

The baseline inflation outlook remains consistent with achieving the CBE's inflation targets of 13 percent (+/- 3 percent) in 2018 Q4 and single digits thereafter. Against this background, the MPC decided that current policy rates remain appropriate. The MPC continues to closely monitor 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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