

**Press Release**

**May 29, 2014**

***In its meeting held on May 29, 2014, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate, overnight lending rate, and the rate of the CBE's main operation unchanged at 8.25 percent, 9.25 percent, and 8.75 percent, respectively. The discount rate was also kept unchanged at 8.75 percent.***

Headline CPI increased by 0.60 percent (m/m) in April compared to an increase of 0.68 percent (m/m) in March, while the annual rate decreased to 8.87 percent in April down from 9.82 percent recorded in the previous month, on the back of favorable base effect. While monthly developments in headline inflation have been largely driven by higher prices of several food items since the beginning of 2014, April marks the first month during which food prices have been relatively muted. On the other hand, core CPI increased by 0.25 percent (m/m) in April following an increase of 0.70 percent in March, while the annual rate decreased to 9.11 percent in April down from 9.90 in March on the back of favorable base effect from last year. Upside risks to the inflation outlook continue to be contained as the possibility of a sharp rebound in international food prices is unlikely in light of recent global developments.

Meanwhile, real GDP picked up slightly in 2013/2014 Q2, growing by 1.4 percent compared to the 1.04 percent recorded in the quarter ending September 2013. This brought the annual growth for the first half of 2013/2014 to a feeble 1.2 percent compared to the growth rate of 2.1 percent recorded in 2012/2013. Economic activity remained sluggish in 2013/2014 Q2 on the back of modest growth rates in most of the key sectors, namely manufacturing and construction in addition to the contraction in the tourism and petroleum sectors. In the meantime, investment levels remained low given the heightened uncertainty that faced market participants since early 2011 and the weak credit growth to the private sector. Looking ahead, downside risks that surround the global recovery on the back of challenges facing the Euro Area and the softening growth in emerging markets could pose downside risks to domestic GDP going forward.

The downside risks to domestic GDP combined with the negative output gap since 2011 will limit upside risks to the inflation outlook going forward. Given the mixed balance of risks surrounding the inflation and the GDP outlooks at this juncture, MPC judges that the current key CBE rates are appropriate.

The MPC will continue to closely monitor all economic developments and will not hesitate to adjust the key CBE rates to ensure price stability over the medium-term.

Dr. Rania Al-Mashat  
Sub Governor, Monetary Policy  
Telephone number: 27701315  
E-mail address: [monetary.policy@cbe.org.eg](mailto:monetary.policy@cbe.org.eg)