

Press Release
October 29, 2015

In its meeting held on October 29, 2015, 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 8.75 percent, 9.75 percent, and 9.25 percent, respectively. The discount rate was also kept unchanged at 9.25 percent.

Headline CPI increased by 2.47 percent (m/m) in September following 0.63 percent in August, leading the annual rate to jump to 9.21 percent from 7.88 percent. On the other hand, core CPI increased by 0.79 percent in September compared to a decline of 0.23 percent in August, while the annual rate remained largely unchanged at 5.55 percent, on the back of a favorable base effect from the previous year. The continued acceleration in the prices of volatile food items explain the bulk of monthly headline CPI developments and has widened the divergence between the headline and core inflation rates. Upside risks to the inflation outlook from domestic supply shocks are largely mitigated by contained imported inflation, against the background of broad-based declines in international commodity prices.

Meanwhile, real GDP grew by 3.0 percent (y/y) in 2014/15 Q3 to record 4.6 percent (y/y) in the first nine months of the fiscal year. This comes after real GDP growth recorded 2.2 percent (y/y) during 2013/14. The main contributors to growth during 2014/15 Q3 were the internal trade, construction, building and the real estate sectors, while the extractions sector remained weak. In the meantime, investment growth more than compensated for the negative contribution of the widening trade deficit. Looking ahead, while investments in domestic mega projects are expected to contribute to economic growth, the downside risks and uncertainty that surround the global economy on the back of softening growth in emerging markets and challenges facing the Euro Area could pose downside risks to domestic GDP.

At this juncture, the MPC judges that the key CBE rates are currently appropriate given the balance of risks surrounding the inflation and GDP outlooks.

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: 0227701315
Email: monetary.policy@cbe.org.eg