



Central Bank of Egypt

**Press Release
June 26, 2008**

The Central Bank of Egypt decided to raise its overnight deposit by 50 bps to 10.5 percent per annum.

The discount rate was also raised by 100 bps to 10 percent per annum.

In its meeting held on June 26, 2008, the Monetary Policy Committee (MPC) decided to raise the overnight deposit and lending rates by 50 bps to 10.5 percent and 12.5 percent, respectively.

The headline CPI inflation maintained its upward trend escalating to 19.7% in May as domestic food inflation accelerated sharply to 27% and intensified further by the broad-based regulated price adjustments. The spillover to non-food inflation continued to be strong. Concurrently, there were additional price pressures from the ongoing strong economic growth.

Despite the recent slight moderation in international food inflation, there are concerns relating to grain crops in light of adverse weather conditions which might prolong the international food price shock. Moreover, the impact of the second-round effects on inflation remains to unfold over the coming months.

Given the clear evidence of underlying inflationary pressures, the MPC judges that the balance of risks to the inflation outlook continues to be on the upside and today's decision is aimed at containing inflation expectations.

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

Dr. Rania Al-Mashat
Division Chief, Monetary Policy Unit
Telephone number: 27701315
E-mail address: monetary.policy@cbe.org.eg