



**Press Release
December 24, 2009**

In its meeting held on December 24, 2009, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate and overnight lending rate unchanged at 8.25 percent and 9.75 percent, respectively. The discount rate was also kept unchanged at 8.5 percent.

Annual headline CPI inflation remained largely unchanged at 13.3 percent in November 2009, reflecting the accumulated sharp acceleration in the prices of fruits and vegetables that had occurred between February and October 2009, which has accounted for more than 50 percent of the annual headline inflation. On a monthly basis, headline CPI declined by 0.1 percent (m/m) in November 2009 compared to the strong monthly increase of 2.2 percent witnessed in October 2009, marking the first negative reading since December 2008. In the meantime, annual core inflation registered 6.6 percent in November 2009 compared to 6.5 percent in October and remains within the CBE's comfort zone. It is important to underscore that the December inflation outturn is expected to reflect unfavorable base effects from last year, which has already been factored into the CBE's assessment of the monetary policy stance.

Meanwhile, annual real GDP growth recorded 4.9 percent in 2009/10 Q1 compared to the four year low of 4.1 percent witnessed in 2008/09 Q2. While this outturn remains below the 7 percent average registered over the past three years, it reflects a steady improvement in economic activity. There are encouraging signs that the global slowdown has stabilized somewhat over recent months and the outlook for the international economy appears to have improved as well. This coupled, with the domestic fiscal and monetary measures undertaken so far will continue to provide a conducive environment for the domestic economy.

Against this background, the MPC assesses that the current level of policy interest rate is appropriate and supportive of the economic recovery while consistent with maintaining core inflation within the CBE's comfort zone in the medium-term.

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.

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