

**Press Release
July 29, 2010**

In its meeting held on July 29, 2010, 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 registered 10.66 percent in June compared to 10.59 percent in May, which continues to be elevated reflecting the impact of last year's unfavorable shock related to fruits and vegetables. In the meantime, annual core CPI remains within the CBE's comfort zone, almost unchanged at 6.70 percent in June.

Meanwhile, annual real GDP growth recorded 5.8 percent in 2009/10 Q3 compared to the four year low of 4.1 percent witnessed in 2008/09 Q2, reflecting a steady improvement in economic activity. Looking ahead, unfolding global economic developments have created uncertainty about the nascent global recovery, which could potentially weigh on domestic investment and external demand.

Against this background, the MPC assesses that inflationary pressures remain subdued and 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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