

**Press Release
July 30, 2015**

In its meeting held on July 30, 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 declined by 0.70 percent (m/m) in June compared to an increase of 1.19 percent in May. Accordingly, the annual rate decelerated to 11.39 percent in June from 13.11 percent in May, supported partially by the favorable base effect from the previous year. The bulk of the monthly decline was driven by the drop in the prices of fresh vegetables, which was partly offset by the increase in the prices of other food items. On the other hand, core CPI increased by 0.61 percent in June compared to 0.65 percent in May, while the annual rate remained largely unchanged recording 8.07 percent in June. 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 4.3 percent (y/y) in 2014/15 Q2 to record 5.6 percent (y/y) in the first half of the fiscal year, supported by the record growth witnessed in the first quarter. This comes after the 2013/14 fiscal year real GDP growth recorded 2.2 percent (y/y). The expansion in economic activity during 2014/2015 Q2 came on the back of the continued growth in the manufacturing sector and the expansion of tourism activities for the second consecutive quarter after several quarters of contraction. This came despite the continuous weakness in the extraction sector. In the meantime, while the widening trade deficit is stalling real GDP growth, investment remained positive for the fourth consecutive quarter. Looking ahead, while investments in domestic mega projects are expected to contribute to economic growth, the downside risks that surround the global economy on the back of challenges facing the Euro Area and the softening growth in emerging markets 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