Central Bank of Egypt

Press Release
September 17, 2015

In its meeting held on September 17, 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 0.63 percent (m/m) in August compared to an increase of 0.71 in July, while the annual rate decelerated to 7.88 percent in August from 8.38 percent in July, supported by a favorable base effect. During the month, the sharp decline in the prices of poultry largely offset the increase in the prices of vegetables, while paid services and restaurant services increased reflecting indirect and second round effects from previously implemented fiscal reform measures. In the meantime, core CPI declined by 0.23 percent in August compared to an increase of 0.30 in July, leading the annual rate to drop to 5.61 percent in August from 6.49 percent in July. Looking ahead, 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) during 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, strong 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.

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