Central Bank of Egypt

Press Release
February 26, 2015

In its meeting held on February 26, 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 0.99 percent (m/m) in January compared to a decline of 0.07 percent (m/m) in December. The annual rate declined to 9.66 percent in January from 10.13 percent in December, supported by the favorable base effect from last year. The bulk of the monthly developments came on the back of the administered price adjustments and supply bottlenecks related to the distribution of butane cylinders. On the other hand, core CPI increased by 0.52 percent in January compared to 0.3 percent in December. The annual rate continued to ease registering 7.06 percent in January following 7.69 percent in December. Upside risks on the inflation outlook from domestic supply shocks are largely mitigated by contained imported inflation, against the background of lower oil prices and the consequent downward revision in international food price forecasts.

Meanwhile, real GDP jumped significantly in 2014/15 Q1, registering at 6.8 percent the highest annual growth rate since 2007/08 Q4. This comes after the 2013/14 fiscal year real GDP growth rate recorded 2.2 percent. Notwithstanding the support stemming from the base effect, the expansion in economic activity during 2014/2015 Q1 came on the back of the continuous growth in the manufacturing sector and the expansion of tourism activities after several quarters of contraction. This came despite the continuous weakness in the extraction sector. In the meantime, investment continued to improve for the third consecutive quarter. Looking ahead, while investments in domestic mega projects such as the Suez Canal are expected to contribute to economic growth, the downside risks that surround the global recovery 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.

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