

Press Release

November 27, 2014

***In its meeting held on November 27, 2014, 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 9.25 percent, 10.25 percent, and 9.75 percent, respectively. The discount rate was also kept unchanged at 9.75 percent.***

Headline CPI inched up by 1.71 percent (m/m) in October 2014, following an increase of 1.23 percent (m/m) in September. This brings the annual rate to 11.84 percent in October, after recording 11.12 percent in September. The monthly developments in October came on the back of increases in public and private education fees, which usually coincide with the beginning of the school year. In the meantime while prices of fresh vegetables inched-up, prices of other food items continued to decelerate supported by the decline in international prices, notwithstanding the seasonal pick-up in September due to Eid Al-Adha. On the other hand, core CPI increased by 0.55 percent (m/m) in October, compared to 0.84 percent (m/m) in September. The annual rate eased to 8.47 percent in October from 9.15 percent in September, partly reflecting the decline in food prices and a favorable base effect. Upside risks from imported inflation continue to be contained on the back of lower international food price forecasts in light of global developments.

Meanwhile, real GDP picked up significantly in 2013/2014 Q4, growing by 3.70 percent compared to 2.50 percent, 1.44 percent and 1.04 percent recorded in Q3, Q2 and Q1, respectively. This brought the annual growth rate for the whole FY2013/2014 to 2.2 percent following a similarly sluggish growth rate of 2.1 percent during FY2012/2013. The expansion in economic activity during 2013/2014 Q4 came on the back of the acceleration in manufacturing and real estate activities, along with a moderate growth in the construction sector. This occurred despite the continued contraction witnessed in the tourism and petroleum sectors. In the meantime, investment continues to be below historical levels despite the relative improvement witnessed in the annual growth rate during 2013/2014 Q3 and Q4, following six quarters of contraction. 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.

Dr. Rania Al-Mashat  
Sub Governor, Monetary Policy  
Telephone number: 27701315  
E-mail address: [monetary.policy@cbe.org.eg](mailto:monetary.policy@cbe.org.eg)