



Press Release

April 02, 2020

The Monetary Policy Committee (MPC) decided to keep the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the 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.

Annual headline urban inflation declined to 5.3 percent in February 2020 from 7.2 percent in January 2020, supported by favorable base effect as well as contained underlying inflationary pressures. The decline of annual headline inflation was mainly driven by lower annual food contribution, mainly volatile food items, while the contribution of non-food items remained broadly stable. Meanwhile, annual core inflation declined to 1.9 percent in February 2020 from 2.7 percent in January 2020, the lowest rate on record.

Real GDP growth had stabilized around 5.6 percent in 2019 H2, which was the same level recorded in FY2018/19. Meanwhile, the unemployment rate had recorded 8.0 percent in 2019 Q4 compared to 7.8 percent in 2019 Q3. Nevertheless, employment had been recovering on a quarterly basis for the fourth consecutive quarter.

However, the COVID-19 outbreak as well as the associated containment measures induce a considerable disruption to economic activity and financial markets globally. Furthermore, international oil prices witnessed substantial decline affected by weaker demand in addition to the lack of agreement between OPEC and non-OPEC members on additional production cuts.

The Central Bank of Egypt (CBE) moved preemptively, within its mandate, to support economic activity especially businesses and households. This should support employment in these exceptional times which is essential in order to avoid a prolonged slowdown in economic activity and help speed the recovery once the outbreak is contained.

Against this background, and following the reduction of 300 basis points during the previous unscheduled MPC meeting on March 16, 2020, the MPC decided that keeping key policy rates unchanged remains consistent with achieving the inflation target of 9 percent (± 3 percentage points) in 2020 Q4 and price stability over the medium term.

The MPC closely monitors all economic developments and will not hesitate utilize all available tools to support the recovery of economic activity, within its price stability mandate, supported by the previous macroeconomic reforms.

Monetary Policy Sector

E-Mail: monetary.policy@cbe.org.eg