

**Press Release
April 28, 2016**

In its meeting held on April 28, 2016, 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 10.75 percent, 11.75 percent, and 11.25 percent, respectively. The discount rate was also kept unchanged at 11.25 percent.

Annual headline CPI remained at around 9 percent in February and March 2016, after registering 10 percent in January 2016 and 11 percent in December 2015. On the other hand, annual core CPI increased to 8.4 percent in March from 7.5 percent in February. Monthly developments have been largely driven by the rise in food prices.

Looking ahead, while the upside risks to the domestic inflation outlook are mitigated by contained imported inflation, in light of the subdued international commodity prices, potential underlying domestic inflationary pressures are still under watch.

Preliminary data reveal that during 2015/16 H1 GDP at market prices grew by 3.5 percent. Growth came mainly from the construction and real estate services, despite the continued contraction in tourism and the weaknesses in the extractions sector. In the meantime, growth was largely driven by consumption, in addition to a positive contribution of investment. On the other hand, net exports contributed negatively to GDP in H1, driven by weaker exports, while imports have been contributing positively, given their relative decline.

Looking ahead, while investments in domestic mega projects are expected to continue to contribute to economic growth, the downside risks that surround the global economy could pose downside risks to domestic GDP.

At this juncture, and given the expected lagged effect from the previous interest rate hike, the MPC judges that the key CBE rates are currently appropriate given the balance of risks surrounding the inflation and GDP outlooks.

The MPC reiterates its price stability mandate and will continue to closely monitor all economic developments, particularly fiscal policy and its effect on the inflation outlook, 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