Central Bank of Egypt

**Press Release**

**September 19, 2013**

***In its meeting held on September 19, 2013, the Monetary Policy Committee (MPC) decided to cut the overnight deposit rate, overnight lending rate, and the rate of the CBE's main operation by 50 basis points to 8.75 percent, 9.75 percent, and 9.25 percent, respectively. The discount rate was also cut by 50 basis points to 9.25 percent.***

Headline CPI inched up by 0.68 percent (m/m) in August compared to an increase of 0.86 percent in July. The annual rate declined to 9.75 percent from 10.28 percent in July due to a favorable base effect. On the other hand, core CPI inched up by 0.14 percent (m/m) in August after increasing by 1.04 percent in July, bringing the annual rate to 8.97 percent from 9.06 percent recorded in the previous month. The latest monthly developments in both headline and core inflation were largely driven by increases in several food prices. Upside risks to the inflation outlook have moderated as the possibility of a rebound in international food prices is unlikely in light of recent global developments.

Meanwhile, real GDP grew by 2.3 percent in the first nine months of 2012/2013, following a similarly feeble growth rate of 2.2 percent in 2011/2012. This nascent recovery in economic activity came on the back of tentative signs of recovery in the construction and tourism sectors. Nonetheless, GDP growth remains to be partly suppressed by continuing weaknesses, albeit of lesser extent, in the manufacturing sector. Nonetheless, GDP growth remains to be partly suppressed by continuing weaknesses, albeit of lesser extent, in the manufacturing sector. In the meantime, investment levels remained low given the heightened uncertainty that faced market participants since early 2011 and the weak credit growth to the private sector. Moreover, downside risks continue to surround the global recovery on the back of challenges facing the Euro Area and the softening growth in emerging markets. These factors pose downside risks to domestic GDP going forward.

The pronounced downside risks to domestic GDP combined with the persistently negative output gap since 2011 will limit upside risks to the inflation outlook going forward. Given that the downside risks to the GDP outlook still outweigh the upside risks to the inflation outlook, the MPC decided to further cut the key CBE rates.

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