



**Press Release**  
January 16, 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 12.25 percent, 13.25 percent, and 12.75 percent, respectively. The discount rate was also kept unchanged at 12.75 percent.**

Annual headline urban inflation recorded 7.1 percent in December 2019 compared to 3.6 percent in November 2019, as monthly inflation recorded negative 0.2 percent in December 2019 compared to negative 3.4 percent in December 2018. This came in line with the expectations of the Central Bank of Egypt reflecting the strong unfavorable base effect stemming from the reversal of transitory shock to prices of fresh vegetables in the previous year. Meanwhile, annual core inflation recorded 2.4 percent in December 2019 compared to 2.1 percent in November 2019, mainly due to higher poultry prices.

Real GDP growth stabilized, recording a preliminary estimate of 5.6 percent in 2019 Q3, after recording 5.6 percent in fiscal year 2018/19, the highest growth since fiscal year 2007/08. Latest available data in 2019 Q2 showed that private domestic demand outpaced net exports as the main driver of economic activity since the beginning of 2019, driven by the acceleration in private investment growth, which recorded the highest growth in 2018/19 since 2005/06, as well as the gradual recovery in private consumption. Meanwhile, unemployment rate recorded 7.8 percent in 2019 Q3 compared to 7.5 percent in 2019 Q2, the lowest level on record. Nevertheless, employment continued to recover for the third consecutive quarter.

Globally, the expansion of economic activity stabilized, financial conditions and uncertainty regarding trade policies eased. Meanwhile, international oil prices remain subject to volatility due to potential supply-side factors that include geopolitical risks.

Against this background, and following the cumulative reduction of 350 basis points over the previous three MPC meetings, the MPC decided that keeping key policy rates unchanged remains consistent with achieving the inflation target of 9 percent ( $\pm 3$  percentage points) in 2020 Q4 and price stability over the medium term. The MPC closely monitors all economic developments and will not hesitate to resume its easing cycle subject to further moderation of inflationary pressures.

**Monetary Policy Sector**

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