



Press Release
September 16th, 2021

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 8.25 percent, 9.25 percent, and 8.75 percent, respectively. The discount rate was also kept unchanged at 8.75 percent.

Annual headline urban inflation increased to 5.7 percent in August 2021 from 5.4 percent in July 2021, after having accelerated from 4.9 percent in June 2021. Meanwhile, annual core inflation slightly declined to 4.5 percent in August 2021 from 4.6 percent in July 2021, after having increased from 3.8 percent in June 2021. Annual headline inflation rates were affected by unfavorable base effects during July 2021 and August 2021 as August 2020 and July 2020 reflected the impact of the COVID-19 outbreak and its resulting containment measures on inventory levels and consumption patterns. Accordingly, the acceleration in August 2021 and July 2021 was mainly driven by higher annual contribution of food items. Annual food inflation increased for the fourth consecutive month to 6.6 percent in August 2021 from 4.8 percent in July 2021. Meanwhile, slightly offsetting this acceleration, is the decline in annual non-food inflation to 5.3 percent in August 2021 from 5.7 percent in July 2021, which is the lowest recorded level since April 2014.

Real GDP growth recorded a preliminary figure of 7.7 percent in 2021 Q2, reflecting the sustained recovery of economic activity; as it continues to gather pace and rebound from last year's trough at negative 1.7 percent. The aforementioned development reflects a strong favorable base effect compared to the corresponding quarter's shrunken base during the peak of the pandemic last year. In addition, this implies that growth in fiscal year 2020/21 registered 3.3 percent, an upward revision from the 2.8 percent that was estimated previously and compared to 3.6 percent in the previous fiscal year. Moreover, leading indicators point towards a sustained strong pick-up across most sectors. Meanwhile, the unemployment rate stabilized at 7.3 percent in 2021 Q2 compared to 7.4 percent in 2021 Q1.

Global economic activity continues to recover from the COVID-19 pandemic, although growth remains uneven across regions, as the pace of vaccinations varies across countries. Additionally, prospects of global economic recovery remain contingent on the efficacy of vaccines and the ability of countries to contain the spread of the virus, in light of the emergence of newer variants. Global financial conditions continue to be accommodative. Compared to the last MPC, median forecasts for Brent oil prices are broadly stable, while international prices for food and some other commodities remain at multi-year highs.

Against this background, the MPC decided that keeping policy rates unchanged remains consistent with achieving the inflation target of 7 percent (± 2 percentage points) on average in 2022 Q4 and price stability over the medium term.

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

Monetary Policy Sector

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