



**Press Release**  
December 16<sup>th</sup>, 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 declined in October and November 2021, to record 6.3 percent and 5.6 percent from 6.6 percent in September 2021, respectively. The decline came supported by favorable base effects in November 2021 stemming from the transitory supply shock witnessed in tomato prices during November 2020. Hence, the deceleration in November 2021 was driven by the lower annual contribution of food items, which more than offset the higher annual contribution of non-food items. Annual food inflation declined in November 2021 for the first time since April 2021, to record 8.1 percent in November 2021 from 11.6 percent in October 2021, due to the decline in the annual contribution of volatile food items, despite higher annual contribution of core and regulated food items. On the other hand, annual non-food inflation increased to 4.5 percent in November 2021 from 4.0 percent in October 2021, mainly reflecting higher annual contribution of rental values as well as higher prices of cafes and restaurants. Meanwhile, annual core inflation continued to increase, for the third consecutive month, to record 5.2 and 5.8 percent in October and November 2021, respectively, from 4.8 percent in September 2021 partially affected by unfavorable base effects.

Real GDP growth recorded a preliminary figure of 9.8 percent in 2021 Q3 compared to 7.7 percent in 2021 Q2. The aforementioned development reflects the sustained pick-up of domestic economic activity, as well as the partial impact of a positive base effect. Additionally, leading indicators point towards a continued expansion across most economic sectors. Meanwhile, the unemployment rate stabilized at 7.5 percent in 2021 Q3, compared to 7.3 percent during the preceding quarter. Along the near outlook horizon, domestic economic activity is expected to be mainly driven by domestic demand, and in specific, gross domestic investments. Furthermore, real GDP growth is expected to continue being partially impacted by a positive base effect up until 2021 Q4.

Global economic activity continues to recover from the COVID-19 pandemic, but has shown some signs of slowdown due to global supply chain disruptions. 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 are expected to remain accommodative and supportive of economic activity over the medium-term. International prices for oil have increased at a slower pace, driven by both supply

and demand factors. In the meantime, international prices for select mineral commodities have begun to decrease.

Against this background, the MPC decided that keeping policy rates unchanged remains consistent with achieving the inflation target of 7 percent ( $\pm 2$  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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