

## **MPC decided to keep key policy rates unchanged**

**In its meeting today, 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 18.25 percent, 19.25 percent, and 18.75 percent, respectively. The discount rate was also kept unchanged at 18.75 percent.**

On the global front, forecasts for key international commodity prices continue to be revised downwards compared to those underlying the previous MPC meetings. In addition, while monetary policy tightening and lower energy prices have contributed to easing global inflationary pressures, inflation rates remain above their respective target levels in key global economies. Financial conditions in key advanced economies have also tightened compared to the May MPC meeting, supporting the slight decline in forecasts for global economic growth.

Domestically, growth of real economic activity moderated to 3.9 percent in 2022 Q4 compared to 4.4 percent in 2022 Q3, implying that growth during the first half of the fiscal year 2022/23 registered 4.2 percent. Detailed figures for 2022 Q4 portray that growth was mainly driven by the positive contribution of net exports, in line with exchange rate developments. Furthermore, growth continues to be led by private sector economic activity, supported by the positive contributions of trade, agriculture and construction. Leading indicators for 2023 Q1 point towards a slowdown of real GDP growth. Given the above, real GDP growth is expected to slow down in fiscal year 2022/23 compared to the previous fiscal year, before recovering thereafter. Meanwhile, the unemployment rate slightly declined to 7.1 percent in 2023 Q1 compared to 7.2 percent in the previous quarter, mainly due to an increase in employment.

Annual urban headline and core inflation recorded 32.7 and 40.3 percent in May 2023, respectively. The recent increase was mainly driven by higher food prices and supported by higher non-food prices; impacted by recent government measures and seasonal demand on select core food items.

Incoming data since the May MPC, including the recent inflation outturns, came broadly in line with expectations. In light of the above, the MPC decided to keep policy rates unchanged and to continue assessing the cumulative impact of previously enacted tightening policies and its transmission to the economy in a data-driven manner. The MPC reiterates that the path of future

policy rates remains a function of forecasted inflation rather than prevailing inflation rates. The MPC will continue to monitor the incoming developments underlying the economic outlook. The committee will not hesitate to utilize all its available tools, including liquidity management operations, with the aim of ensuring a tight monetary stance and attaining the CBE's upcoming inflation targets of 7 percent ( $\pm 2$  percentage points) on average by 2024 Q4 and 5 percent ( $\pm 2$  percentage points) on average by 2026 Q4.

**Monetary Policy Sector**  
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