

**Press Release
April 28, 2011**

In its meeting held on April 28, 2011, the Monetary Policy Committee (MPC) decided to keep the overnight deposit rate and overnight lending rate unchanged at 8.25 percent and 9.75 percent, respectively, and the 7-day repo at 9.25 percent. The discount rate was also kept unchanged at 8.5 percent.

Headline CPI increased by 1.37 percent (m/m) in March following the 0.12 percent in February, pushing the annual rate to 11.49 up from 10.71 percent registered in February. While the latest monthly increase is relatively high, it has been mainly driven by higher prices of fresh vegetables on the back of weak harvests. On the other hand, core CPI declined by 0.17 percent (m/m) in March following an inch up of 0.11 percent in February, mainly driven by a decline in the prices of red meat. The annual rate fell to 8.54 percent from 9.51 percent recorded the previous month. It is important to underscore that the pick up in international food prices since late 2010 has had limited spillover effects on domestic food prices. Nonetheless, if the recent increases in international food prices prove to be persistent this would pose an upside risk to the inflation outlook.

The current political transformation will continue to have ramifications on both consumption as well as investment decisions, adversely weighing on key sectors within the economy. Moreover, there is heightened uncertainty related to the global recovery on the back of higher international oil prices given political tensions in the region. These factors, combined, increase the downside risks to domestic GDP going forward.

Against the above background, the expected slowdown in economic growth could largely offset the upside risks on inflation from the rising international food prices. Given the balance of risks on the inflation and GDP outlooks and the increased uncertainty at this juncture, the MPC judges that the current key CBE rates are appropriate.

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.

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