



Central Bank of Egypt

**Press Release
September 18, 2008**

The Central Bank of Egypt decided to raise its overnight deposit by 50 bps to 11.5 percent per annum.

The discount rate was also raised by 50 bps to 11.5 percent per annum.

In its meeting held on September 18, 2008, the Monetary Policy Committee (MPC) decided to raise the overnight deposit and lending rates by 50 bps to 11.5 percent and 13.5 percent, respectively.

While the headline CPI inflation reached 23.6% in August compared to 22.1% in July, the monthly pace of acceleration in food prices excluding fruits and vegetables almost halved, falling from an average of 3.88% between January and May 2008 to 1.68% over the last three months. This comes on the backdrop of the decline in international food prices (particularly wheat), imposing a temporary ban on local rice exports and scrapping import tariffs on some basic staple food products. Nonetheless, non-food inflation remains high.

The declining trend in international food prices suggest that the international food price shock might be waning. Nonetheless, the impact on domestic food inflation might not be fully reflected given downward price rigidities in domestic markets. Moreover, the MPC is mindful of the underlying inflationary pressures.

Having weighed both the international and domestic information available, the MPC judges that an additional rate hike is needed today to contain inflation expectations.

The MPC will continue to closely monitor all economic developments, especially the factors underlying inflation, and will not hesitate to adjust the key CBE rates to ensure price stability over the medium-term.

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