

**Press Release
February 12, 2009**

The Central Bank of Egypt decided to cut its overnight deposit rate by 100 bps to 10.5 percent per annum.

The discount rate was also cut by 100 bps to 10.5 percent per annum.

In its meeting held on February 12, 2009, the Monetary Policy Committee (MPC) decided to cut the overnight deposit and overnight lending rates by 100 bps to 10.5 percent and 12.5 percent, respectively.

Annual headline CPI inflation dropped to 14.3 percent in January 2009 compared to 20.3 percent and 18.3 percent in November and December 2008, respectively. The downward trend in headline inflation comes on the back of the considerable decline in domestic food inflation. However, it is important to emphasize that the sharp retrenchment in international commodity prices, which had begun since August 2008, has not been fully reflected in domestic price levels due to the downward price rigidities in domestic markets.

The risks to the domestic inflation outlook are lower in light of the deteriorating prospects for global growth in 2009 and given the sharply declining international commodity prices. Against this background, the MPC judged that a less restrictive monetary policy stance is required, at this juncture, in order to stabilize economic growth around its potential.

The MPC will continue to take the necessary measures to contain the adverse effects of the global economic turmoil on the domestic economy, provided that they do not conflict with the price stability objective.

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