



**Press Release
July 30, 2009**

The Central Bank of Egypt decided to cut its overnight deposit rate by 50 bps to 8.5 percent per annum.

The discount rate was also cut by 50 bps to 8.5 percent per annum.

In its meeting held on July 30, 2009, the Monetary Policy Committee (MPC) decided to cut its overnight deposit rate and overnight lending rate by 50 bps to 8.5 percent and 10 percent, respectively.

Annual headline CPI inflation continued to decline reaching an 18-month low of 9.9 percent in June 2009, compared to 10.2 percent in May, down from the 23.6 percent peak recorded in August 2008. It is important to underscore that during the first six months of 2009, transient supply shocks mainly related to volatile food items, namely fruits and vegetables, have emerged. While these shocks have flattened the disinflation path, they do not characterize the underlying inflationary pressures. Inflation excluding fruits and vegetables accumulated in the first six months of 2009 reached 3.1 percent compared to the 11.5 percent accumulated in 2008H1, reflecting the evident change in the inflation dynamics.

In the meantime, the global financial crisis continues to interrupt the domestic growth momentum, bringing domestic GDP growth in 2008/09 Q3 to 4.3 percent compared to 7 percent on average over the past three years. Moreover, despite tentative signs that the worst of the global downturn may be over, consensual projections point to a sluggish and uneven global economic recovery in 2010. Accordingly, current CBE projections point to a further softening of domestic GDP growth, pushing the output gap to negative territory.

Against this background, the MPC's assessment of the balance of risks surrounding the inflation and growth outlook over the medium-term remains unchanged as risks to the domestic growth outlook continue to be on the downside while inflationary pressures are subsiding.

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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