

Press Release
February 3rd, 2022

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 8.25 percent, 9.25 percent, and 8.75 percent, respectively. The discount rate was also kept unchanged at 8.75 percent.

Annual headline inflation increased to 5.9 percent in December 2021 from 5.6 percent in November 2021, resuming its upward trend since May 2021. The upward trend was driven by unfavorable base effects resulting from the low inflation levels that were recorded in the second half of 2020, as well as higher international commodity prices and various fiscal consolidation measures. Furthermore, annual inflation developments in December 2021 in specific were affected by the reversal of a short-lived tomato supply shock witnessed during December 2020. In addition, annual core inflation increased for the fourth consecutive month in December 2021 to record 6.0 percent from 5.8 percent in November 2021, partly affected by unfavorable base effects which reflect the muted inflationary pressures during December 2020. The increase was also driven by the higher annual contribution of services and retail items.

Domestically, economic activity extended its robust recovery in 2021 Q3, recording a preliminary figure of 9.8 percent, the highest real GDP growth rate since the beginning of the quarterly series in fiscal year 2001/02. Furthermore, growth on an annual basis was amplified by the return of normalcy in economic activity compared to the corresponding period last year, which witnessed the gradual lifting of COVID-19 containment measures. Over the near-term, domestic economic activity is expected to be mainly driven by domestic demand, and in specific, gross domestic investments. Additionally, leading indicators point towards a continued expansion across most economic sectors.

Regarding the labor market, the unemployment rate broadly stabilized in 2021 Q3, hovering around its pre-COVID 19 level. The witnessed stability stemmed from the increase in employment, largely offsetting the increase in the labor force.

Global economic activity continues to recover from the COVID-19 pandemic, but has shown some signs of slowdown due to global supply chain disruptions. Additionally, prospects of global economic recovery remain contingent on the efficacy of vaccines and the ability of countries to contain the spread of the virus, in light of the emergence of new variants. Global financial

conditions remain broadly accommodative but are expected to tighten over the medium-term as monetary policy is expected to normalize sooner than was projected. International prices for oil have continued to increase, recording the highest level since the outbreak of the pandemic. Concurrently, international prices for select mineral commodities have begun to increase.

Against this background, the MPC decided that keeping policy rates unchanged remains consistent with achieving the inflation target of 7 percent (± 2 percentage points) on average in 2022 Q4 and price stability over the medium term.

The MPC closely monitors all economic developments and will not hesitate to utilize all available tools to achieve its price stability mandate.

Monetary Policy Sector

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