CENTRAL BANK OF EGYPT

Press Release – October 2, 2025

MPC decides to cut key policy rates by 100 basis points

Cairo, Egypt — The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) today decided to cut the CBE's overnight deposit rate, overnight lending rate, and the rate of the main operation by 100 basis points to 21.00 percent, 22.00 percent, and 21.50 percent, respectively. The Committee also decided to cut the discount rate to 21.50 percent. This decision reflects the Committee's updated assessment of inflation dynamics and outlook since the previous MPC meeting.

Globally, growth continued to show signs of recovery, with inflation expectations remaining broadly stable. In this context, central banks in both advanced and emerging economies continued to ease monetary policy, though with caution. Regarding commodity prices, oil prices continued to be largely stable, albeit slightly higher due to supply-side factors, whereas agricultural prices showed divergent dynamics, but remain contained. Looking ahead, both global growth and inflation remain vulnerable to risks, particularly from a possible escalation of geopolitical tensions and trade policy uncertainty.

Domestically, real GDP growth accelerated to 5.0 percent in Q2 2025 compared to 4.8 percent in the previous quarter. Accordingly, FY 2024/25 averaged 4.4 percent compared to 2.4 percent in FY 2023/24, driven by the positive contributions of non-petroleum manufacturing, tourism, and trade. Despite the acceleration in growth, output remains marginally below potential, suggesting that its current trajectory will continue to support the forecasted disinflation path over the short term, as demand-side inflationary pressures are expected to remain limited given the prevailing monetary stance.

With respect to inflation, annual headline inflation decelerated to 12.0 percent in August 2025, down from 13.9 percent in July 2025. Similarly, core inflation slowed to 10.7 percent in August 2025 from 11.6 percent in July 2025. The deceleration reflects mild monthly dynamics in both headline and core inflation, recording 0.4 percent and 0.1 percent in August 2025, respectively, mainly driven by falling food prices and the relative stability of non-food prices. The broad-based easing in price dynamics over the past three months suggests an improvement in inflation expectations and a gradual dissipation of the lingering impact of previous shocks.

Against this backdrop, CBE estimates indicate a sustained slowdown in inflation to range between 12 and 13 percent on average in Q3 2025, down from 15.2 percent in the previous quarter. Over the medium term, inflation is expected to continue moderating, albeit at a slower pace, as the disinflation path remains constrained by the downward stickiness of non-food inflation and the impact of both planned and higher-than-expected fiscal measures. Accordingly, headline inflation is forecasted to average around 14 percent in 2025, converging toward the CBE target range in Q4 2026. Nonetheless, the inflation outlook remains susceptible to both domestic and global upside risks. These include more significant changes to administered prices than previously planned, as well as escalating geopolitical tensions in the region.

In view of the above, the MPC has judged that a 100-basis point reduction in policy rates aligns with upholding an appropriate monetary stance that anchors inflation expectations and sustains the disinflation path. Going forward, the Committee will continue to evaluate the magnitude and pace of monetary easing on a meeting-by-meeting basis. MPC decisions remain a function of the forecast trajectory, incoming data, and the prevailing balance of risks. The MPC will continue to closely monitor economic and financial developments, and stands ready to adjust its policy instruments as needed to fulfil its price stability mandate, steering inflation towards its targets of 7 percent (± 2 p.p.) in Q4 2026, and 5 percent (± 2 p.p.) in Q4 2028, on average.

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