CENTRAL BANK OF EGYPT

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MPC decides to keep key policy rates unchanged

Cairo, Egypt — The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) has decided to keep its key policy rates unchanged. The overnight deposit rate, overnight lending rate, and the rate of the main operation remain at 19.00 percent, 20.00 percent, and 19.50 percent, respectively. The discount rate was also maintained at 19.50 percent. This decision reflects the Committee's assessment of recent and forecasted inflation dynamics and the evolving balance of risks surrounding the inflation outlook.

Globally, economic activity has moderated, weighed down by geopolitical volatility and subdued demand, yet supported by resilient global trade and investment. Inflation remains broadly elevated—despite divergent price dynamics across economies—prompting central banks to maintain cautious monetary policy stances aligned with their respective economic conditions. Commodity markets have experienced a broad-based upturn, with energy and agricultural prices driven higher by escalating regional tensions and supply concerns. Overall, the global outlook remains uncertain and susceptible to risks stemming from prolonged geopolitical tensions, tighter financial conditions, and renewed supply chain disruptions.

Domestically, real economic activity continued to moderate, with growth recording 4.7 percent in Q2 2026, down from 5.0 percent in Q1 2026, mainly attributable to the adverse impact of regional tensions. Accordingly, real GDP growth averaged 5.1 percent in FY 2025/26 and is expected to remain broadly stable near this level in FY 2026/27. Nonetheless, output remains below its potential and is projected to gradually converge toward full capacity by H2 2027. Accordingly, the projected output gap suggests that demand-side inflationary pressures will remain limited in the short term, supported by an adequately tight monetary policy stance.

Regarding inflation outturns, annual headline inflation eased marginally to 14.5 percent in August 2026, primarily driven by declining food inflation, which offset increases in electricity tariffs and housing rents. Meanwhile, annual core inflation remained relatively stable at 14.9 percent in August 2026, reflecting broadly stable price developments across core food, retail items and services. Overall, annual price dynamics reflected continued disinflation, supported by broad-based price stability across the CPI basket over the past three months. This is evidenced by monthly headline inflation recording negative 0.4 percent, 0.0 percent and 0.1 percent in June, July, and August 2026, respectively.

Given these inflation developments, which turned out more favorable than expected, the CBE revised its inflation forecast downward relative to the August MPC meeting. Accordingly, annual headline inflation is projected to stabilize on average in Q3 2026, before gradually decelerating then converging toward the target of 7 percent (± 2 p.p.) during H2 2027. The downward revision to the inflation forecast reinforces the current monetary stance that is sufficiently tight, further supporting the forecasted disinflation path. Nonetheless, the balance of risks surrounding the inflation outlook remains tilted to the upside, reflecting the resurgence of regional hostilities. These risks could feed into domestic inflation through a higher-than-anticipated passthrough from fiscal consolidation measures and international food prices, particularly if global energy prices remain elevated for an extended period.

In light of these dynamics, the MPC decided to keep the key policy rates unchanged, given that the current degree of policy restrictiveness serves as a buffer against the above-mentioned risks, preserving the projected disinflation path. Looking ahead, the Committee will continue to evaluate its monetary stance in light of evolving economic conditions, the forecasted inflation trajectory, and the prevailing balance of risks. The MPC will remain vigilant toward risks and developments affecting the inflation outlook and stands ready to deploy all available policy tools to ensure price stability.

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