

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 prevailing and forecasted inflation dynamics amid an unfavorable external environment.

Globally, economic activity continues to grow, albeit at a modest pace due to ongoing geopolitical tensions, persistent trade policy uncertainty, and subdued demand conditions. Regarding inflation, recent upticks have prompted central banks to maintain a cautious policy stance. Within commodity markets, energy prices witnessed heightened volatility, with Brent crude and natural gas rising sharply amid geopolitical tensions affecting energy supply routes. Meanwhile, agricultural commodity prices experienced upward pressures, partly reflecting higher fertilizer costs linked to rising gas prices, as well as elevated trade-related risk premiums. Against this backdrop, the global outlook remains subject to risks, particularly from heightened geopolitical tensions, supply-chain disruptions, and adverse shifts in trade policies.

Domestically, real GDP growth moderated to 5.0 percent in Q1 2026 from 5.3 percent in Q4 2025. A further slowdown in economic activity is also expected in Q2 2026, driven by the repercussions of the ongoing conflict in the region. As such, the CBE projects real GDP growth to reach around 5.0 percent in FY 2025/26, with economic activity remaining below potential, although expected to converge toward full capacity by H1 2027. Accordingly, the current output gap trajectory indicates that demand-side inflationary pressures are expected to remain limited over the short term, given the prevailing monetary stance over the forecast horizon. Regarding the labor market, the unemployment rate registered 6.0 percent in Q1 2026 from 6.2 percent in the previous quarter.

Inflation outturns in April 2026 reflected a modest deceleration, with annual headline inflation easing to 14.9 percent from 15.2 percent in March 2026, and annual core inflation declining to 13.8 percent from 14.0 percent over the same period. On a monthly basis, headline inflation decelerated, driven primarily by a significant decline in food inflation that reversed the seasonal

increase in the previous month. The moderation extended to non-food inflation, suggesting that the pass-through from the March 2026 energy price adjustments was transitory, thereby preventing broader inflationary spillovers.

With respect to outlook, annual headline inflation is expected to accelerate through Q3 2026, partially due to unfavorable base effects, as well as supply-side pressures from the current conflict and its impact on the exchange rate and fiscal consolidation measures. Accordingly, annual headline inflation is likely to exceed the target of 7 percent (± 2 p.p.), on average in Q4 2026, before gradually declining in Q1 2027 and aligning with the target level in H2 2027. This path will be ensured through a tight monetary stance, and supported by closely assessing underlying inflation dynamics and sources of price pressures, gauging inflation expectations, and continued commitment toward exchange rate flexibility. Nevertheless, the forecasted inflation trajectory remains subject to upside risks, including a prolonged conflict and a higher-than-expected pass-through from fiscal consolidation measures.

In view of the above, the MPC has decided to maintain key policy rates, with the decision partially predicated on the drivers of inflationary pressures and their realized dynamics in light of prevailing uncertainty. Considering an adequately positive real interest margin over the forecast horizon, this approach avails more room for assessing possible second-round effects from the current supply shock and its impact on underlying inflation. Moving forward, the Committee will calibrate its monetary stance in a manner conducive to bringing inflation toward the target level in H2 2027, guided by evolving economic conditions, forecasted inflation trajectory, and prevailing balance of risks.

Monetary Policy Sector

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