البنك المركزي المصري
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 current inflation dynamics and the evolving outlook since the previous MPC meeting.

Globally, economic activity continues to grow at a slower pace, constrained by geopolitical volatility, persistent trade policy uncertainty, and subdued demand conditions. While disinflation has broadly continued across many economies, inflationary pressures remain—though unevenly distributed—prompting central banks to maintain a cautious monetary policy stance in line with respective economic conditions. Within commodity markets, energy prices recently increased amid heightened uncertainty, following a decline from their conflict-triggered peaks. Meanwhile, agricultural commodity prices have exhibited divergent movements, reflecting heterogeneous supply and demand conditions across markets. Overall, the global outlook remains vulnerable to escalating risks, particularly resurgent regional conflict, tighter financial conditions, and supply chain disruptions.

Domestically, the nowcast for real GDP growth in Q2 2026 points to a mild deceleration, reflecting the adverse impact of the regional conflict on economic activity, following a moderation to 5.0 percent in Q1 2026. As such, the CBE projects that real GDP growth will average around 5.0 percent for FY 2025/26, with output remaining below potential, though convergence to that level is expected by H1 2027. Accordingly, the current output gap trajectory suggests that demand-driven inflationary pressures will remain limited in the short term.

Regarding inflation outturns, annual headline inflation in June 2026 eased to 14.3 percent, with monthly headline inflation declining markedly to negative 0.4 percent. Meanwhile, annual core inflation edged up to 14.3 percent, largely reflecting an unfavorable base effect, despite monthly dynamics decelerating to 0.3 percent from the previous month. Both monthly headline and core readings are below their historical averages, reflecting the gradual dissipation of earlier seasonal shocks.

Turning to the outlook, CBE projections indicate that annual headline inflation will accelerate through Q3 2026, albeit at a more moderate pace than projected at the May 2026 MPC meeting. This assessment is supported by favorable exchange-rate developments as well as a broad-based decline in inflationary pressures. These developments will help mitigate unfavorable base effects in Q3 2026, after which inflation is expected to gradually decline and reach single digits, aligning with the targeted level of 7 percent (± 2 p.p.) in H2 2027. The projected disinflation path will be sustained by an adequately tight monetary stance, which will keep medium-term inflation expectations anchored. Nevertheless, the inflation outlook remains subject to heightened risks, notably the resurgence of conflict, which could reverse recent improvements in risk sentiment and intensify uncertainty.

In view of the above, the MPC has decided to keep key policy rates unchanged to maintain an adequately positive real interest margin on average over the forecast horizon, supported by better-than-expected macroeconomic developments compared to the last MPC meeting. The Committee will continue to evaluate its monetary stance based on evolving economic conditions, drivers of inflationary pressures, the forecasted inflation trajectory, and the prevailing balance of risks. Looking ahead, the MPC remains firmly committed to price stability and will not hesitate to tighten policy further to ensure inflation returns to target in the near term.

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