

The Central Bank of Egypt

27 October 2022

Press Release

The world economy has faced many shocks and challenges like never before since years. Recently, world markets have been exposed to COVID-19 and dumping policies followed by a Russia-Ukraine conflict that had dire economic repercussions. All of these have pressured the Egyptian economy that faced an exit of the capitals of foreign investors in addition to a rise of commodity prices.

In the light of the above, reform measures have been taken to secure macro-economy stability and help realize a sustainable and inclusive economic growth. To this end, the exchange rate will reflect the value of the EGP against foreign currencies through supply and demand in the framework of a flexible exchange rate while giving priority to the main goal of the Central Bank represented in realizing stable prices. This will enable the Central Bank of Egypt to form and maintain sufficient levels of international reserves. The Central Bank will gradually delete the instructions issued on 13 February 2022 on using documents of credit in funding import processes until they are fully deleted in December 2022. This is considered an incentive that helps support economic activity on the medium term. Furthermore, the Central Bank of Egypt will work on building and developing the financial derivative market with the goal of bolstering the foreign exchange market and raise the level of foreign currency liquidity.

In order to support medium-term price stability, the Monetary Policy Committee in its extraordinary meeting has decided to raise both the interest rate and lending interest rate for one night by 200 points to reach 13.25%, 14.25%, and 13.75% successively. In addition, the credit and debit interest rates have been risen by 200 points to reach 13.75%.

It is expected that the rise of world and local prices would lead to a rise of inflation more than that targeted by the Central Bank that reaches at average 7% ($\pm 2\%$) over the fourth quarter of 2022. The Committee underlines that the goal of raising interest rates is to contain the inflation pressures emanating from demand, a rise of the growth rates of local liquidity, inflation expectations, and secondary impacts of supply shocks.

The Monetary Policy Committee will continue announcing the targeted rates of inflation that have started ever since 2017 in line with the targeted drop rates of inflation. The policy of targeting inflation has succeeded in lowering inflation rates until the latest world shocks emerged. Worth noting, realizing low and stable inflation rates on the medium term helps support the real income of citizens and maintains the competitive gains of the Egyptian economy.

The Central Bank will follow the economic developments closely and will not hesitate to use all its monetary tools to realize stable prices.