البنك المركزي المصري
CENTRAL BANK OF EGYPT

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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 20.00 percent, 21.00 percent, and 20.50 percent, respectively. The Committee also decided to cut the discount rate to 20.50 percent. This decision reflects the Committee's current assessment of inflation dynamics and the evolving outlook since the previous MPC meeting.

Globally, economic growth has been relatively resilient, though the outlook is tempered by trade uncertainty, persistent geopolitical tensions, and slower demand growth. Meanwhile, inflation dynamics have been broadly stable, with central banks in both advanced and emerging market economies maintaining a cautious approach through gradual monetary easing. Within commodity markets, oil prices moderated as global supply outpaced demand, while agricultural prices exhibited divergent trends. Nevertheless, the outlook is still subject to risks, particularly from possible supply-chain disruptions and resurgent geopolitical tensions.

Domestically, the CBE's nowcast for Q4 2025 points to a slight moderation in growth, with real GDP growth expected to hover around 5.0 percent, compared to 5.3 percent in the previous quarter. Growth in Q3 2025 was primarily driven by the positive contributions from non-petroleum manufacturing, trade, and communications. Despite this sustained growth, the current output trajectory will continue to support the forecasted disinflation path in the short term, with demand-side inflationary pressures expected to remain contained under the current monetary stance.

With respect to inflation outturns, annual headline inflation resumed its downward trajectory, reaching 12.3 percent in November 2025, despite the recent fuel price adjustment. This downward trend was primarily driven by a sharp drop in annual food inflation, which recorded 0.7 percent—its lowest reading in over four years. Annual core inflation registered 12.5 percent in November 2025, driven by non-food inflation, mainly services. Regarding monthly dynamics in November 2025, both headline and core inflation recorded 0.3 percent and 0.8 percent, respectively, falling below their seasonal historical averages. Accordingly, the recent broad-based easing in monthly price dynamics points to an improvement in inflation expectations and a gradual dissipation of the impact of previous shocks.

Against this backdrop, CBE forecasts annual headline inflation to stabilize near current levels in Q4 2025, averaging around 14.0 percent in 2025, down from 28.3 percent the previous year. In 2026, inflation is projected to decline, converging towards the CBE's target range by Q4 2026. However, this disinflationary path remains constrained by relatively persistent non-food inflation, and the impact of fiscal measures. Furthermore, global geopolitical tensions continue to pose upside risks to the inflation outlook.

In view of the above, the MPC has judged that a 100-basis-point reduction in policy rates is consistent with maintaining a monetary stance that anchors inflation expectations and sustains the disinflation path. Going forward, the Committee will determine the magnitude and pace of monetary easing based on evolving economic conditions, with policy decisions contingent on the forecast trajectory, incoming data, and the balance of risks. The Committee stands ready to adjust its policy instruments as needed to fulfil its price-stability mandate, guiding inflation toward the CBE target of 7 percent (± 2 p.p.) in Q4 2026, on average.

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