

MPC decides to raise key policy rates by 100 bps

Cairo, Egypt — The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) decided to raise the key policy rates by 100 bps. Accordingly, the overnight deposit rate, overnight lending rate, and the rate of the main operation were raised to 20.0 percent, 21.0 percent, and 20.5 percent, respectively. The discount rate was also raised to 20.5 percent. This decision comes amid challenging external conditions and elevated uncertainty, and aims to keep expectations anchored and safeguard the disinflation trajectory.

Globally, economic activity remains resilient, underpinned by sustained trade and investment, particularly in technology-related sectors, although geopolitical tensions and uneven growth continued to weigh on the economic landscape. Meanwhile, commodity markets exhibited a broad-based upturn, notably in energy and agricultural prices, amid escalating regional tensions and supply disruptions. Inflationary pressures remained broadly elevated, albeit with divergent dynamics across economies, leading central banks to tighten their monetary policy stances. Against this backdrop, global prospects remain subject to heightened uncertainty, with risks arising from persistent geopolitical tensions, tighter financial conditions, and disruptions to global trade and supply chains.

Domestically, the CBE nowcast suggests that real GDP growth will remain broadly stable in Q3 2026, hovering near the 4.7 growth rate recorded in Q2 2026. This reflects continued resilience of economic activity across key sectors—most notably manufacturing, services, and trade—despite ongoing geopolitical tensions in the region. Nonetheless, output remains below potential, though expected to converge toward full capacity by H2 2027. Accordingly, demand-driven inflationary pressures should remain limited in the short term, supported by the prevailing restrictive monetary policy stance.

Regarding inflation outturns, monthly headline and core inflation accelerated in September 2026 compared to August 2026, recording 1.3 percent and 0.8 percent, respectively. In particular, the acceleration in monthly core inflation reflected higher core food prices and seasonal dynamics. Despite the monthly slowdown in non-food inflation, its level remains broadly elevated. Meanwhile, annual headline and core inflation eased to 13.9 percent and 14.1 percent,

respectively, in September 2026, supported by subdued monthly dynamics from June through August 2026.

Looking ahead, with risks and uncertainty becoming more pronounced relative to the previous MPC meeting, the risk-off sentiment has increased, inducing further global economic and financial volatility. Hence, further anchoring inflation expectations and preserving the disinflation path warrant a more restrictive stance to converge toward the CBE target level of 7 percent (± 2 percentage points), on average, in Q4 2027. Nonetheless, this forecast remains increasingly susceptible to global uncertainty given the regional conflict that proved more persistent than initially envisaged and its spillovers to global energy and other commodity prices, fueling imported inflation. These risks also include tighter global financial conditions, and a higher-than-expected pass-through of domestic fiscal consolidation measures.

In view of the above, and mindful of the balance of risks, the MPC deems it necessary to raise the CBE key policy rates by 100 bps to reinforce its restrictive stance, with a view to anchoring inflation expectations more firmly and containing potential inflationary pressures. This preemptive decision aims to preserve the projected disinflation path and to ensure the achievement of the CBE's inflation target level of 7 percent (± 2 percentage points), on average, in Q4 2027. The Committee will continue to evaluate its monetary stance based on evolving economic conditions, the forecasted inflation trajectory, and the prevailing balance of risks. The MPC remains committed to price stability and will adjust its policy stance as necessary to ensure that inflation returns to target in the near term.

Monetary Policy Sector

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