Regional Macro

External risks prompt surprise Egypt rate hike

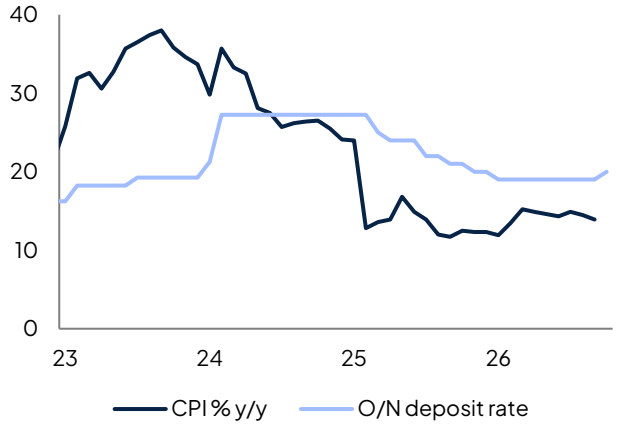
30 October 2026

- CBE raises its main policy rate by 100bps to 20%, against our expectation of a hold; we expect rates to remain unchanged in December.
- Worsening external risks prompt additional tightening despite falling annual inflation; higher oil prices and a weaker pound threaten further price pressures.
- We now expect easing to resume towards mid-2027, provided external pressures stabilise, with 400bps of cuts taking the deposit rate to 16% by the end of 2027.

The Central Bank of Egypt raised rates at its October MPC meeting, against our expectation of unchanged policy through year-end. The decision marks a shift from September's more sanguine assessment of inflation, with rising external risks prompting additional tightening to anchor expectations and safeguard progress on reducing price pressures.

CBE resumes tightening

Egypt inflation and overnight deposit rate, %



Source: Bloomberg, Emirates NBD Research

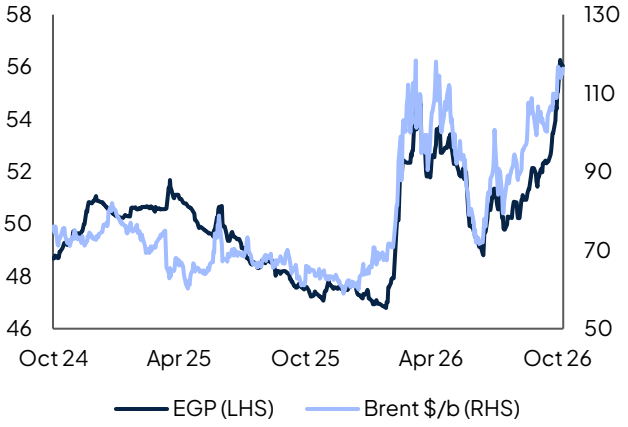
The CBE increased its benchmark overnight deposit rate by 100 basis points to 20.0%, reversing the 100-bp cut earlier this year. This was its first rate hike since 2024.

We now expect rates to remain on hold into 2027, with easing resuming towards mid-year provided external pressures stabilise and inflation continues to slow. Our revised baseline is for 400bps of cuts in 2027, taking the overnight deposit rate to 16.0% by year-end. The later start date and smaller cumulative reduction reflect the greater caution by the CBE amid increased external risks.

The shift in tone was marked. In September, the CBE described inflation developments as "more favourable than expected" and policy as "adequately tight". October's statement instead emphasised "challenging external conditions and elevated uncertainty" and argued that a more restrictive stance was needed. It also highlighted faster monthly inflation before noting the decline in annual rates.

Exchange rate sensitive to oil prices

EGP and Brent crude



Source: Bloomberg, Emirates NBD Research

The external environment has deteriorated since the previous meeting. Renewed upward pressure on oil prices poses risks both to fuel costs and the exchange rate. The October decision to hold domestic fuel prices unchanged through year-end limits the immediate inflationary impact of higher

energy costs but leaves the risk of a price hike in January 2027 if oil remains elevated.

The pound has weakened again over the past month, trading around EGP 56/$ and adding to import-price risks. Tighter global financial conditions could compound the pressure and were noted by the CBE as an additional risk to the outlook. We expect a further rate hike by the US Federal Reserve following September's increase and this week's hold.

The CBE's hike primarily addresses external risks rather than an overheating domestic economy. The CBE still sees output below potential and limited demand-driven inflation in the near term.

Annual headline inflation slowed to 13.9% in September, from 14.5% in August, but monthly inflation accelerated to 1.3%, from 0.1%. Our seasonally adjusted measure also picked up, to 0.8% from 0.4%. The CBE attributed faster monthly price gains to food prices and seasonal factors; monthly non-food inflation slowed but remains elevated. Base effects and the fuel-price hold should help contain annual inflation, but firmer monthly momentum leaves little room to ease while external risks persist.

We expect the CBE to hold rates at its December meeting, but further tightening remains a risk if external conditions deteriorate or upcoming CPI figures show stronger monthly price pressures.

Daniel Richards
Senior Economist
danielricha@emiratesnbd.com

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