

Egypt Okdah: Weaker pound is good

Contributed by Egypt News
Thursday, 23 October 2008

The governor of the Central Bank of Egypt (CBE) said on Thursday he favoured a weaker Egyptian pound

"A weaker pound, if it happens, is good," Governor Farouk el-Okdah told reporters on the sidelines of a conference.

Okdah also said he expected inflation to fall below 10 percent by the second quarter of 2009. Urban inflation peaked at 23.6 percent in the year to August, falling to 21.5 percent in the year to September.

Investment minister Mahmoud Mohieldin said this week he expected inflation to fall to 12 or 13 percent by the time the 2008/9 fiscal year ends next June.

The Egyptian pound has slipped 5.2 percent against the dollar since August, when it hit a five-year peak at 5.3 pounds to the dollar. It now stands at 5.5879 pounds.

Elaborating on the Egyptian pound, Okdah said a weaker pound "helps in term of inflation". He did not elaborate and bankers said that on the contrary a weaker pound would add to inflation because Egypt consumes so many imported goods.

Some members of the cabinet favour a weaker pound because it would stimulate exports, tourism and foreign investment. But Egyptian public opinion prefers a strong pound.

A weaker pound would have the side-effect of making Egyptian treasury bills less attractive to foreign buyers, who have large holdings.

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