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## Main Monetary and Financial Indicators

<b>GDP (LE bn)</b>	<b>July/Sept.</b>	
	<b>2009/2010</b>	<b>2010/2011</b>
GDP at Market Price	311.1	364.3
Annual Growth Rate (%)	13.8	17.1
GDP at Factor Cost	209.9	221.4
Annual Growth Rate (%)	4.6	5.5
<hr/>		
<b>GDP Growth Rate (at Factor Cost) by Sector (%)</b>		
<b><u>A) Productive Sectors</u></b>		
Of which:		
Construction & Building	13.8	12.5
Electricity	7.6	7.9
Manufacturing (Oil Refining & Others)	4.9	6.3
Water	6.2	6.2
<b><u>B) Services Sectors</u></b>		
Of which:		
Tourism	5.4	12.1
Communications	13.5	12.0
Suez Canal	-19.0	12.0
Wholesale and Retail Trade	6.2	7.2
Finance	4.8	4.9
<hr/>		
<b>Price Index (%)</b>	<b>2009/2010</b>	<b>2010/2011</b>
- Change in consumer price index (urban) (January 2007 = 100)	6.5	7.2
- Change in producer price index (2004/2005 =100)	2.8	8.1
<hr/>		
<b>Monetary Survey (LE bn)</b>	<b>July/Sept.</b>	
	<b>2009/2010</b>	<b>2010/2011</b>
<b>End of Period</b>		
Reserve money	191.5	216.7
Growth rate %	9.4	6.7
Domestic liquidity (M2)	847.8	948.2
Growth rate (%)	2.0	3.3
Money supply (M1)	192.8	220.5
Growth rate (%)	5.3	3.0
Currency in circulation/Money supply (%)	66.1	65.2

Banking system foreign assets, of which:	297.7	359.7
CBE foreign assets	182.1	200.1
Banking system foreign liabilities, of which:	35.9	47.5
CBE foreign liabilities	8.8	8.4
Total deposits with banks (excluding the CBE)	821.7	915.8
In local currency	616.7	709.0
In foreign currencies	205.0	206.8
Foreign currency deposits/Total deposits (%)	22.4	19.7
Total lending and discount balances extended by banks (excluding the CBE), of which:	429.8	467.4
To government and public economic authorities	32.4	37.1
To business sector (public and private)	296.4	316.3
Portfolio of securities and TBs with banks (excluding the CBE), of which:	348.1	423.4
TBs and government bonds	291.2	307.6
Loans/Deposits with banks (%)	52.3	51.0
Investment in securities, TBs and equity participations/Deposits (%)	42.4	46.2

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**- Annual Discount and Interest Rates (%)**

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CBE Lending and Discount Rate		
<b><u>CBE Overnight Deposit and Lending Rates</u></b>		
Deposit		
Lending		
Interest Rate on Deposits from More than 1 month to 3 months		
Interest Rate on Loans of One Year or Less		

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**July/Sept.**

**2009/2010      2010/2011**

**End of Period**

	8.5	8.5
	8.25	8.25
	9.75	9.75
	6.0	6.4
	11.6	10.9

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**US Dollar Exchange Rate Announced by the CBE**

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- Buy and Sell Exchange Rates (Average of the period)
- End of the Period (Average Market Buy Rate)

**(PT/Dollar)**

	554.3	569.8
	548.97	568.32

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**Consolidated Fiscal Operations of the General Government (Budget Sector)**

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- Total Revenues
- Total Expenditures
- Cash Deficit (or Surplus)
- Net Acquisition of Financial Assets

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**2010/2011**

**Estimates      Actual**

**FY      (July/Sept.)**

**LE bn**

	285.8	36.8
	403.2	74.3
	117.4	37.5
	-8.3	-0.3

<b>Overall Deficit (or Surplus)</b>	<b><u>109.1</u></b>	<b><u>37.2</u></b>
Total Finance	109.1	37.2
- Domestic Finance	118.5	55.0
Banking	53.2	17.8
Non-Banking	65.3	37.2
- Foreign Borrowing	-9.7	3.9
- Arrears	-	-
- Others	-0.7	-
- Revaluation Differences	-	-
- Net Privatization Proceeds	0.3	-
- Difference between TBs Face Value and Present Value	-	-
- Foreign Debt Reclassification Diff. and Related FX Diff.	-	-
- Discrepancy	0.7	-21.7
- Cash Deficit (or Surplus) as a Percentage of GDP	8.5	2.7
- Overall Fiscal Balance as a Percentage of GDP	7.9	2.7
- Expenditures as a Percentage of GDP	29.3	5.4
- Revenues as a Percentage of GDP	20.7	2.7
<b>Domestic Public Debt (LE bn)</b>	<b><u>End of</u></b>	
	<b><u>June 2010</u></b>	<b><u>Sept. 2010</u></b>
<b><u>Gross, due on:</u></b>	<b><u>888.7</u></b>	<b><u>938.9</u></b>
- Government (net)	663.8	718.8
- Public Economic Authorities (net)	67.8	67.3
- NIB (Minus Intra-Debt)	157.1	152.8
<b>Balance of Payments (US\$ bn)</b>	<b><u>July/Sept.</u></b>	
	<b><u>2009/2010</u></b>	<b><u>2010/2011</u></b>
<b>Current Account &amp; Transfers</b>	<b>(0.5)</b>	<b>(0.8)</b>
<b>Trade Balance</b>	<b>(6.3)</b>	<b>(6.6)</b>
Merchandise Exports	5.4	6.1
Oil and its Products %	45.0	45.8
Others %	55.0	54.2
Merchandise Imports	11.6	12.7
Intermediate Goods %	32.1	31.1
Investment Goods %	23.4	25.6
Consumer Goods %	23.3	23.3
Fuel, Raw Materials and Others %	21.2	20.0

<b>Services Balance</b>	<b>3.3</b>	<b>2.6</b>
Receipts, of which:	6.3	6.7
Transportation %	27.2	30.1
Travel %	51.5	54.6
Investment Income %	4.1	1.2
Payments, of which:	3.0	4.1
Transportation %	9.8	9.3
Travel %	24.0	15.5
Investment Income %	32.7	46.8
<b>Transfers</b>	<b>2.5</b>	<b>3.2</b>
Official %	26.6	4.6
Private %	73.4	95.4
<b>Capital and Financial Account</b>	<b>2.8</b>	<b>1.0</b>
<b>Overall Surplus/(Deficit)</b>	<b>2.1</b>	<b>0.01</b>
<b>Outstanding External Debt (at End of Sept.)</b>	<b>32.4</b>	<b>34.7</b>

## **The Leading Article**

## **Output Gap and Its Determinants: The Experience of Egypt<sup>1</sup>**

### **Introduction**

Although the classical economists denied the existence of output gap, which for quite a long time was dominated by Keynes's thought, the phenomenon has continued to be an important part of the economic literatures, particularly after World War II. The notion of output gap mostly has captured the bulk of the debate triggered among different economic schools since the 1980s. Such a debate has produced a sizeable body of literature that contributed, in one way or another, to crystallizing the policies needed to curb the said phenomenon.

According to some studies, the output gap is defined as the difference between the actual and potential output of a given economy, measured as a percentage of potential GDP. Potential output is essentially conditional to the optimal and efficient allocation of resources, where the optimal situation necessitates that the value of output gap is zero, or close to zero.

Measuring output gap helps to formulate the appropriate form of intervention adopted by the state's concerned authorities to stabilize the economy when it undergoes an overheating (where an aggregate demand outpaces that of supply) or when the economy faces recession, and hence there is a dire need to fuel economic growth.

This paper mainly aims at measuring the output gap of the Egyptian economy to identify the key factors contributing to it. The study is structured around five main parts. **Part I** provides a brief review of the main literatures which tackled the output gap from the empirical perspectives. **Part II** explains the methodology used in measuring the output gap. **Part III** tackles the application of the methodology (referred to in part II), on the Egyptian economy. **Part IV** exhibits the theoretical and empirical framework of the output gap determinants. Finally, **Part V** sheds light on the relationship between the output gap and inflation.

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<sup>1</sup> This study is considered an extension to an earlier study published in Economic Review No.1 for 2009/2010 under the title "Sources of Economic Growth in Egypt". The two studies were prepared mainly by: Dr. Adel Abd El Latif with the assistance of Mr. Hazem El Sayed Shehata, Mr. Ahmed Ramy, and Hamis Abd El Rashid, under the supervision of the Research, Development, and Publishing Sector.

## **First: Literatures of the Output Gap**

Empirically, most of the studies focused on the measurement of the output gap and the factors affecting it both in the developed and developing countries. The findings of these studies provided results and guidance that were undoubtedly useful to the researchers and policy makers. For example, a study conducted by Bjornland et al. in 2005 on the Norwegian economy showed that the degree of fluctuation in the output gap differs from one period to another because of the divergence in some measurement methods. The study suggested that the average value, from 1982-04, of output gap, using the Hodrick Prescott (HP) Filter, is -0.06. By applying Production Function (PF) approach, the estimated average output gap is 0.7, while the average values of the gap obtained by using Multivariate Unobserved Component (MVUC) method and Structural Vector Auto Regression (SVAR) method is -0.17 and 0.10, respectively. Therefore, the authors of this study warned against the risks of misjudging an economic situation, if the assessment of the pressures in the economy is based solely on one method of output gap measurement. Musso and Westermann (2005) appear to share the apprehensions of Bjornland et al. (2005) from another perspective. They measured the potential output growth of the Euro area countries over the period 1981- 2003.

Although Billmeier applied in 2004 various and alternative methods to estimate the output gap of the Finnish economy, and obtained different results, he was of the view that the most appropriate method was the Production Function (PF) approach, given its reliance on the derivation of both potential employment and potential total factor productivity (TFP). Indeed, an earlier study for the Euro area countries utilized the PF approach to estimate the output gap in the region (Willman, 2002). The PF approach has also been used to measure the output gap of Cyprus. Interestingly, the findings of this study showed that the potential output growth of Cyprus, from 1985-2001, outpaced that of the fifteen European Union (EU) member countries (Haroutunian, 2003). In addition, some studies including Claus (2000), Fox (2003), and Gerlach and Peng (2006) suggest a close relationship between the actual output and inflation, and that the output gap remains an important indicator which reflects future inflationary pressures.

It is worthy to note that a number of studies were conducted to determine the output gap by estimating the potential output. Salient of these studies was that of Bautista (2002). The findings of this study include comparisons of the

output gaps estimates over the period 1993-02, in four Asian countries; namely Thailand, Philippines, Indonesia and Malaysia. The work done by Filho (2004) on the Brazilian economy merits the credit for having the largest number of observations (1947-03). Filho recommends a demand-led increase in investment to raise the potential output levels of the country. In addition, a study conducted by DeSerres (1995) utilizes quarterly data during the period 1965-94, to estimate the output gap in Mexico. This is an addition to estimating the potential output used in generating the output gap by taking into account the impact of the world oil shocks on the Mexican economy. Finally, the two studies of Arora and Bhundia (2003) and Njuguna (2005) estimated the output gap in the Kenyan economy from 1972-01, and in South Africa from 1980-01, respectively. Both studies have reported significant variations in the sign and size of the average output gap, as estimated by applying different methods.

## **Second: Methodology of Measuring the Output Gap**

The economic literatures, as mentioned before, indicate that there are various methods for measuring the output gap empirically. These methods include Hoderick-Prescott (HP), Multivariate Unobserved Component (MVUC), Structural Vector Auto Regression (SVAR) as well as the Linear Trend, Quadratic Trend, Exponential Trend, and Production Function.

It is worthy to note that some economists like Willman (2002), Haroutunian (2003), and Billmeier (2004) believe that the Production Function approach is the most appealing method, as it specifically focuses on the derivation of full capacity labor input and total factor productivity (TFP). In this study, the output gap will be measured using the Cobb-Douglas Production Function as follows:

### **Measuring the Output Gap Using the Production Function (PF) Approach**

According to some empirical studies, the output gap is defined as the difference between the actual and potential output of an economy, measured as a percentage of the latter. As such, estimating the potential output is essential for measuring the gap. The former can be estimated by using the Cobb-Douglas Production Function which takes the following form:

(1)

$$Q = F ( A , H _ t , K _ t )$$

Where Q is the real GDP, A is Total Factor Productivity (TFP), H is the human capital, and K is the total capital stock. Thus, the general form of the PF is as follows:

(2)

$$Q_t = A \times H_t^\beta \times K_t^\alpha$$

Where  $\alpha$  and  $\beta$  are the shares of capital and human capital in total production respectively.

In order to estimate the production function (PF), the first assumption applied on the model is that of constant return to scale, that is:

(3)

$$Q_t = A \times H_t^{1-\alpha} \times K_t^\alpha$$

After having divided the two sides of equation (3) by H, we obtain the following:

(4)

$$(Q / H)_t = A \times (K / H)_t^\alpha$$

Taking natural log on both sides transforms the above function as:

(5)

$$\ln(Q / H)_t = \ln A + \alpha \ln(K / H)_t$$

Equation (5) is estimated, using least-squares method, for the value of  $\alpha$  which is the share of capital in total GDP relative to human capital<sup>2</sup> (1- $\alpha$ ). The next step is calculation of the TFP and this is performed, as given in the following, by using the estimated value of  $\alpha$ , and actual values of H, K and Q:

(6)

$$\ln A = \ln Q_t - \alpha \ln K_t - (1 - \alpha) \ln H_t$$

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<sup>2</sup> The capital stock was calculated using the Perpetual Inventory Method according to Nehru-Dhareshwar (ND) 1993 to build the series of the accumulated capital stock. As for calculating the human capital, the following form was used:  $H = L \times e^{S \times E}$ , where L represents the labor force, S denotes the return on education that was estimated at 10 percent, and E refers to the average educational years per worker.

The next step is the estimation of the potential TFP, using form (3) after being modified to be:

(7)

$$Q_t^* = A^* \times (PE)_t^{1-\alpha} \times K_t^\alpha$$

Where  $Q^*$  is the potential output,  $A^*$  is the potential level of total factor productivity (TFP),  $K$  is the physical capital stock, and  $PE$  is the potential employment which can be calculated through the following relationship:

(8)

$$(PE)_t = (1 - U_t^*)L_t$$

Where  $L_t$  is the labor force,  $U_t^*$  is the natural rate of unemployment or what is called “the non-accelerating inflation rate of unemployment (NAIRU)”. Hence, for the potential output to be estimated, the natural rate of unemployment (NAIRU) represented by  $U_t^*$  and the potential total factor productivity represented by  $A^*$  must be estimated first. These estimates can be obtained by deriving the trend values of these two series by using the HP Filter. After obtaining the potential output in accordance with formula (7) above, the output gap of the Egyptian economy can be estimated by using the following formula:

(9)

$$OG_t = \frac{Q_t - Q_t^*}{Q_t^*} \times 100$$

Where  $OG_t$  is the output gap,  $Q_t$  is the actual output and  $Q_t^*$  is the potential output.

### **Third: Application of the Methodology of the Output Gap Estimation to the Egyptian Economy**

This part of the paper investigates the application of the methodology tackled in Part II to estimate the output gap of Egypt's economy. The methodology relies mainly on Cobb-Douglas Production Function. To estimate

the production function of Egypt, formula (5) was used, based on the data of the time series for all variables (dependent and independent) over the period 1975-2009, by employing the Ordinary Least Squares (OLS) method. The results were as follows:

**Table (1)**  
**Results of the Estimated Cobb-Douglas Production Function**  
**1975-2009**

Dependent Variable	ln (Q/H)	No. of Observations =34
Independent variables	Coefficients	T-Statistic
Constant	3.625	6.8999
Ln (K/H)	0.4596	7.518
$R^2=0.6992$		

The results of the aforementioned estimates reveal that the value of the estimated parameter  $\alpha$  (the physical capital as a percentage of human capital) amounted to 0.5. This is largely consistent with the results of some empirical studies<sup>3</sup>, and also with the particular conditions of most developing countries; including Egypt, that make extensive use of the labor intensive technique.

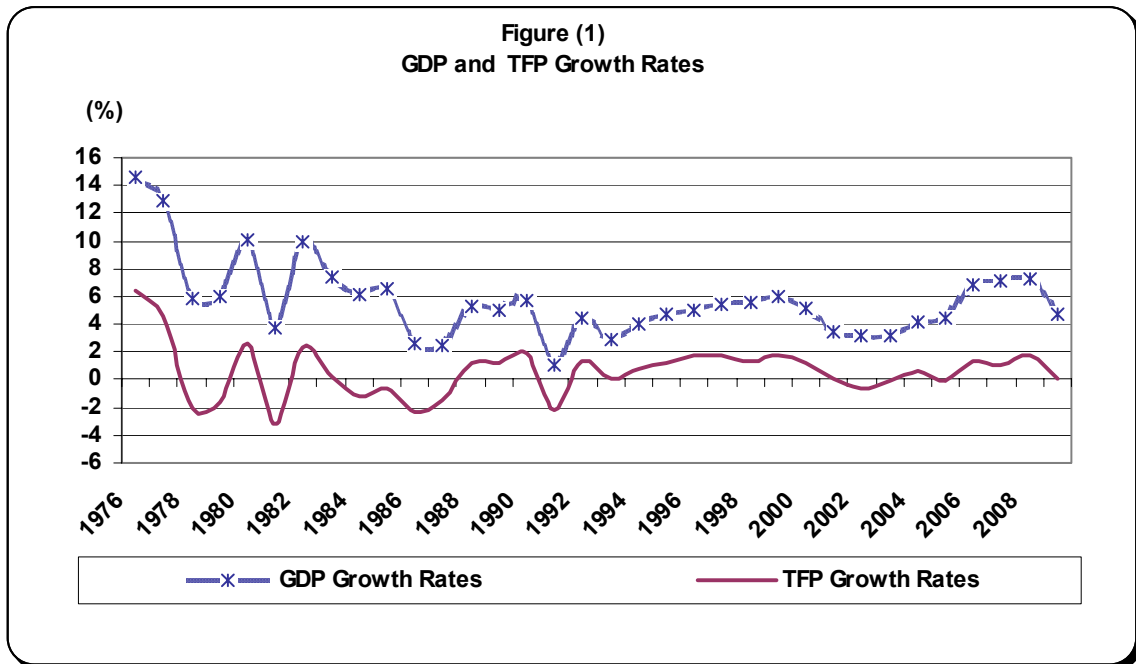
After obtaining the estimated values of  $\alpha$  and  $\beta$ , equation (6) is used to calculate the TFP growth rate. In figure (1) which compares the TFP growth with that of the real GDP, a high degree of convergence and consistency is observed in the relative movements of these two variables, giving evidence of the accuracy of the method used to calculate the TFP growth.

The HP Filter is employed to estimate the potential level of TFP ( $A^*$ ) and NAIRU ( $U_t^*$ ). Equation (8) is used to identify the potential employment ( $PE_t$ ). Using  $A^*$  and  $PE_t$  with Equation (7), the potential output ( $Q_t^*$ ) can be obtained. Finally, equation (9) can be used to estimate the output gap of the Egyptian economy. This gap reveals that the actual output widely deviates from the potential output, with the result that the average annual output gap turned into a

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<sup>3</sup> Examples of these studies include: Senhadji (2000), Naqvi (2003), Sabir and Ahmed (2003).

negative 35% during the period under review. The conspicuous increase in the annual average of the output gap is attributable to some difficulties encountering the measurement of the PE variable, which is determined by NAIRU and L.



Interestingly, the large disparity between the actual output and the potential output neither reflects the developments in the Egyptian economy during the period of study, nor explains the pressures it had been facing. Therefore, the alternative variable of potential human capital ( $H^*$ ) is used to replace PE. After estimating  $H^*$  by the use of HP Filter, equation (7) can be re-estimated and rewritten as:

(10)

$$Q_t^{**} = A^* \times (H_t^*)^{1-\alpha} \times K_t^\alpha$$

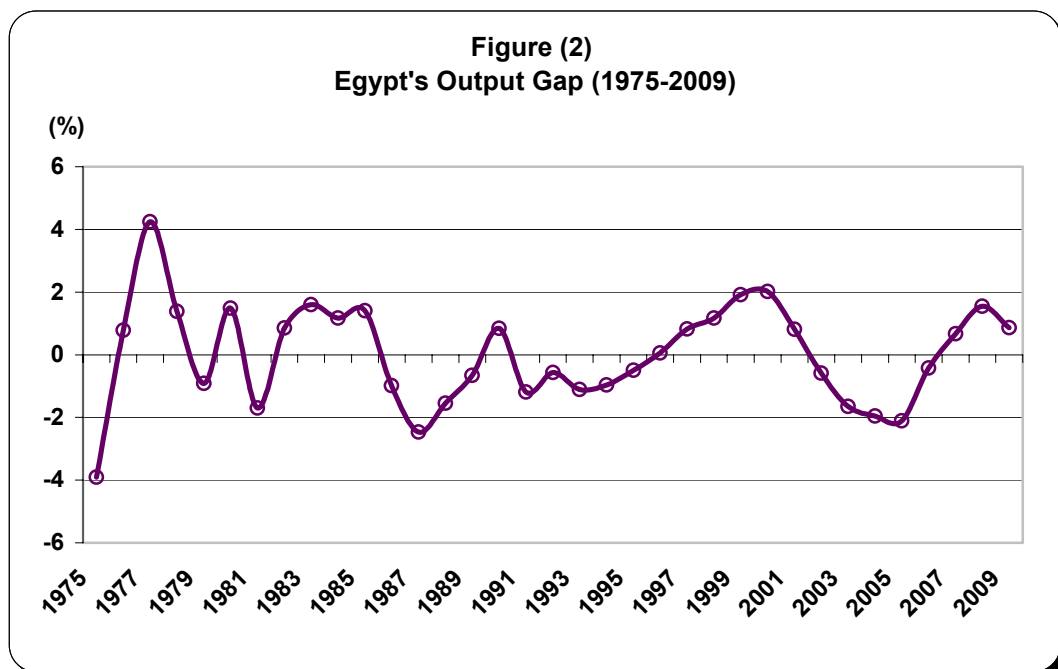
Where  $Q^{**}$  is the adjusted potential output,  $A^*$  is the TFP,  $H^*$  is the potential human capital and  $K$  is the physical capital stock.

Then, the adjusted output gap (OG\*) can be re-estimated through substituting Q\*\* for Q\* in Equation (9) as follows:

(11)

$$OG_t^* = \frac{Q_t - Q_t^{**}}{Q_t^{**}} \times 100$$

According to the previous equation, the average annual output gap amounted to 0.0017%, which suggests close proximity of the actual and potential output. Figure (2) below clarifies that the gap ranged between  $\pm 2\%$  approximately during most of the years of study (1975-2009), except for 3 years (1975, 1977, 1987) wherein the gap posted a negative 2.5%, a negative 3.9% and a positive 4.2%, in order. Figure (2) also underscores the fact that the output gap was not characterized by a specific pattern but was rather notably volatile during the period from 1975 until before mid-1990s. Later, it appeared to follow an evident pattern (consistent with the business cycle) that lasted until the end of the period of study. One explanation for that is the implementation of economic reforms in this period (mid 1990s-2009). In the forefront of these reforms came the comprehensive economic reform program initiated in the early 1990s, which focused - in its early stages - on the reform of the financial sector; being considered the driving force of growth and development.



In detail, figure (2) above shows a noticeable fluctuation in the output gap over the period 1975-1981. As such, the output gap reversed from a negative 3.9% in 1975 (the lowest level during the period of study) to a positive 4.2% in 1977 (the highest level during the period). Then, it continued to fluctuate between  $\pm 2\%$ , recording a negative 1.7% in 1981, with an average of 0.20% during that period. The developments denote the acceleration of the average real GDP growth, relative to that of potential output, owing to the policies adopted to spur economic growth during that period, particularly the open-door policy; along with the world oil price hikes and the reopening of navigation in the Suez Canal. The interaction of these factors helped attract further foreign capital inflows, associated with superior technology, that translated into higher production efficiency.

In 1982, the output gap reversed into a positive 0.85% (against a negative 1.7% in 1981). It continued to be positive till 1985, recording 1.4% in that year and averaging 0.79% per annum during the period 1983-1985. Thus, the annual average growth of actual output continued to rise compared with potential output, influenced by the positive conditions in the wake of the introduction of the open-door economic policy. However, as of 1986, the output gap began to narrow, registering a negative 2.5% in 1987, being the second remarkable reversal in the output gap during the period under review (after that of 1975). That reversal was traced to some endogenous and exogenous structural imbalances that occurred in that period, due to the plunge in world oil prices and the resultant dramatic drop in oil proceeds, the remittances of Egyptians working abroad and Suez Canal receipts and, worse enough, the exacerbation of the external debt crisis.

Starting from 1988, the output gap began to gradually widen once more, registering a positive 0.84% in 1990. However, it fluctuated again; hovering slightly below zero before moving very close to zero in 1996. However, the gap continued to enlarge, reaching a peak (a positive 2%) in 2000, for the second time, following the first peak in 1977. Thus, the gap recorded an annual average of about 1.2% during 1996-2000, reflecting the increase in the average growth rate of actual output, compared with that of the potential output. The increase was due to the policies and actions of the economic reform program, mainly the liberalization of interest rates and foreign exchange; elimination of credit ceilings; liberalization of the prices of goods and services; and adoption of the mechanisms of market forces. All these reforms paid off in terms of higher production efficiency.

As of 2001, the output gap began to gradually diminish, recording a negative 2.1% in 2005, thus marking the third noticeable reversal during the period under review. One explanation for such a reversal can be the impact of the sluggish economic performance on the Egyptian economy, following a number of endogenous and exogenous shocks. Foremost of these were the Luxor attack (given the ensuing pressures on the LE exchange rate, and the adjustment of the exchange rate regime in response); the aftereffects of the financial crises that had erupted in East Asian countries, Russia and some South American countries.

Moreover, the fiscal deficit aggravated, entailing borrowing from the banking sector to raise finance and, as a result, the private sector began to lose ground as a recipient of banking credit. Another factor to be taken into account was the lower net flows of foreign direct investment. Undoubtedly, these factors concurred to negatively influence the production efficiency that registered an annual average of - 0.1 during 2001-2005.

The gap started to widen since 2006 to reach a positive 1.54 percent in 2008, reflecting the increase in the average annual growth of real GDP, relative to potential GDP. The reason was the introduction of a package of policies and measures since July 2004 to complete the financial and economic reform drive, with the aim of boosting the efficiency and competitiveness of economic activities. Among these were support and activation of the dollar interbank market and reform of the banking sector and tax and customs systems, to improve the investment climate and encourage domestic and foreign investment. As a result, the production efficiency rose to 1.5 percent annually on average during the period 2006-2008. Subsequently, in 2009, the gap tended to shrink to a positive 0.86 percent, owing to the onset of the global financial crisis in September 2008 and the unfolding of its repercussions which prevented somehow or another the gap from widening.

#### **Fourth: Determinants of the Output Gap**

##### **1- Theoretical Framework of the Output Gap Determinants**

Some empirical studies showed the possibility of studying the relationship between the output gap and some of its affecting and determinant variables, using the following formulation:

(12)

$$OG_t = \alpha + \beta_1 PI_t + \beta_2 X_t + \beta_3 M_t + \beta_4 SE_t + \beta_5 MS_t + u_t$$

Where, OG is the output gap, PI is public investment, X is export proceeds, M import payments, SE is secondary education enrollment, MS is domestic liquidity (the broader definition of money supply), and U is the stochastic error.

On the one side, equation (12) measures the relationship between the gap as a dependent variable, and the fiscal policy; external trade; monetary policy and education as independent variables. The fiscal policy is represented by the public sector investment PI (that part of government revenues spent on infrastructure development and other essential investment ventures which private investors seem to be reluctant to undertake). Nevertheless, in developing countries, PI happens to be one of the most strategic macro variables in terms of its impact on the aggravation or diminution of the output gap.

The impact of external trade on the output gap was represented by X and M variables (export proceeds and import payments, respectively). Theoretically, the increase in export proceeds is expected to control or even reduce the negative output gap, while an increase in import payments may widen the positive gap. Regarding the impact of the monetary policy on the gap, it is demonstrated by adding the MS variable to equation (12), to represent domestic liquidity (money supply in its broad definition). From the theoretical perspective, money supply is expected to control the output gap in case the monetary policy manages to provide adequate money for the economy within the limits of safety, and vice versa in case of its failure to keep under control the inflationary pressures caused by excessive monetary expansion. Meanwhile, the impact of education on the gap is expressed by the SE variable, representing the number of students enrolled in secondary stage.

## **2- Results of the Application of the Determinants of the Output Gap Model to the Egyptian Economy**

By applying model (12) of the determinants of output gap to the Egyptian economy in the period 1983-2009, the estimation results revealed the insignificance of most explanatory variables, economically or statistically. In addition, the coefficient of determination ( $R^2$ ) value was tiny, i.e. less than the acceptable level of the goodness of fit or, in other words, the explanatory variables failed to satisfactorily explain changes in the output gap during the period in question. This might be ascribed to the pattern of the gap's behavior during the period prior to the mid-nineties of the last century, which witnessed sharp ups and downs as elucidated by the foregoing part of the paper.

For these reasons, the above-mentioned model was re-estimated, yet for the period 1996-2009. Though the sample is small (only 14 observations), it is deemed informative to review and comment on the estimation results shown in the following table (table 2). Hopefully, this may be an encouraging debut to be built upon in the future, by more elaborate research and study of this phenomenon. The ultimate aim is to develop a conceptual framework compatible with the gap determinants in Egypt, by using an inclusive model characterized by more accurate specification and fitting.

**Table (2): Determinants of the Output Gap in Egypt  
(1996-2009)**

Dependent Variable	OG	No. of Observations = 14
Independent Variables	Coefficients	T-Statistics
Constant	91.736	2.2441
PI	-5.642	-2.2890**
X	-8.904	-3.3882*
M	14.292	3.4621*
SE	-4.165	-1.9666***
MS	-2.8009	-1.3121
$R^2 = 0.8626$	$R^2 = 0.777$	DW = 2.2389

\* Significant at 1%.

\*\* Significant at 5%.

\*\*\* Significant at 10%.

The above table shows that the estimation results of all explanatory variables are statistically significant (according to the calculated test values t), excluding the variable of money supply (MS). The table also reveals an economically significant increase of all variables with no exception (in terms of signs and elasticities), implying the consistency of the findings with what is theoretically expected. Add to this, the relative increase in the estimated elasticities was commensurate with the relative annual increase of 0.22 percent in the average of the output gap during the period under review. On the other hand, the annual average of the gap reached 0.0017 percent throughout the whole period (1975-2009).

As for the public investment variable (PI), the sign of its estimated parameter is negative and significant at 5 percent level. In other words, a one percent increase in PI reduces the output gap by 5.6 percent, assuming that the other variables remain constant, thus signifying the importance of such a

variable as a determinant of the output gap. Similarly, the variable of export earnings (X) carries a negative sign and is significant at 1.0 percent level. Hence, its estimated parameter suggests that a 1.0 percent increase in export earnings reduces the output gap by about 8.9 percent.

In this context, the results shown in table (2) demonstrate that the estimated parameter of the secondary education enrollment variable carries the theoretically expected negative sign. Moreover, the estimated parameter denotes that this variable is significant at 10 percent level and indicates that a one percent increase in secondary enrollment reduces the output gap by 4.2 percent. This mirrors the vital role the human capital assumes in boosting the production efficiency by increasing the Total Factor Productivity (TFP), thus hindering the aggravation and widening of the gap.

Though not statistically significant, the estimated parameter of the MS variable carries a negative sign in accordance with what is theoretically expected. Its value indicates that a one percent increase in money supply decreases the output gap by 2.8 percent. The results reflect the success of the monetary policy in securing sound money for the Egyptian economy within comfortable levels (i.e. the increase in money supply entailed no extra inflationary pressures, especially during the estimated period 1996-2009 which witnessed numerous reforms in the financial sector.

Finally, the estimates of the foregoing Table indicate that the estimated parameter of the import payments variable (M) carries a positive sign, as theoretically assumed, and is significant at 1 percent level. In this sense, a one percent increase in M enlarges the output gap of the country by 14.3 percent, thus being the largest of all explanatory variables in the model. This provides evidence of the gap's sensitivity to any rise in import payments.

On the other hand, the findings of table (2) show that the explanatory variables managed to explain about 78% of the changes in the gap in Egypt over the period 1996-2009. This means that the aforementioned model is a good-fitting one. This is especially true as no problems of specification were shown by the misspecification test results. Nevertheless, the matter requires further research and study in order to reach better results.

## **Fifth: The Output Gap and Inflation**

Typically, monetary authorities depend in their policies on a number of benchmark indicators that may provide some information about the future inflationary trends. Among these indicators that have recently gained greater attention at both the academic and empirical levels are the output and unemployment gaps. The two gaps express the deviation of output and unemployment from their equilibrium levels.

The findings of some empirical studies in this respect show that the output gap -as a significant variable- can play a crucial role in implementing the monetary policy, as the fluctuations of this gap often precede the developments in inflation rate. Concerning its definition, the output gap reflects the deviation of the actual gap from its potential. The deviation also reflects -if positive for example- the existence of inflationary pressures. These pressures are mostly attributed to the existence of some imbalances in commodities and employment markets. In this event, the intervention of the authorities concerned will be necessary to restore the balance between the actual and potential output.

Against this background, this part of the paper sheds light on the relationship between the output gap and inflation by exploring the modern version of Phillips Model, which can be called "the triangle model of inflation". It is worth mentioning that this paper deals only with the theoretical framework of this model, while the empirical part on the Egyptian economy will be tackled in another research paper for two main reasons. **First**, the data used in this paper is annual data, while the said model requires quarterly data. **Second**, recognizing its importance, as being closely related to one of the CBE's key objectives, namely formulating and implementing the monetary policy, this subject needs to be given its due share of analytic consideration and investigation.

### **The Theoretical Framework of the Triangle Model of Inflation**

This model can be expressed in the following equation:

(13)

$$\pi_t = \alpha(L)\pi_{t-1} + \beta(L)d_t + \gamma(L)s_t + \varepsilon_t$$

Where  $\pi$  is the inflation rate,  $d$  is the variable expressing demand,  $s$  is the variable expressing supply and  $\alpha(L)$ ,  $\beta(L)$ ,  $\gamma(L)$  are polynomials and  $L$  is the

term Lag Operator whose purpose can be shown in the following relationship, for example:  $LX_t = X_{t-1}$ . As for  $\varepsilon$ , it stands for the random error item.

Equation (13) that deals with the relationship between the output gap and inflation is considered the latest version of Phillips's curve model that is well known to the economists, and can be called "the triangle model of inflation"<sup>4</sup>. The model assumes that there is a direct relationship between the output gap and inflation as inflation rate is regarded - according to this model- as being derived from three different types of inflation:

- 1- **Built-in inflation**, also called -according to economic literatures- inertia inflation, is the type of inflation that results from previous events and persists in the current economic situations of a country. In other words, it is the inflation that is caused at some point in the past and continues to be a key factor to this moment. Such a type of inflation makes up the base of the triangle and is expressed in the above model as the term  $\alpha(L)\pi_{t-1}$ . Practically, the CPI is often used as a measure for this kind of inflation. If no quarterly and consistent time series for CPI are available, the private consumption deflator can be used.
- 2- **Cost-push Inflation**, also called supply shock inflation, occurs when the aggregate supply decreases below the aggregate demand, due to two main factors: namely the increase in wages and the increase in the prices of raw materials, leading to a higher cost. Accordingly, the resultant inflation is called cost-push inflation and is expressed in the said model as the item  $\gamma(L)s_t$ . Empirically, in order to show the effect of the supply shocks on inflation, the real prices of goods and services imports are often used, expressed mainly by the prices of energy and other raw materials, in addition to the PPI in importing and exporting countries.
- 3- **Demand-pull Inflation** is that kind of inflation which is caused when aggregate demand outpaces aggregate supply ie. there is an excess demand, due to certain factors, the most important of which are: the increase in money supply, the rise in government purchases, or higher level of prices in other countries. That kind of inflation is expressed in model (13) as  $\beta(L)d_t$  term. Empirically, the output gap (defined as the difference between the actual and potential output) is often used as a measure of excess demand. Moreover, this variable is often included in

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<sup>4</sup> See for example Lown and Rich (1997) and, Gordon (1997).

the model as an explanatory variable with lag periods only. The variable can sometimes be expressed in the form of rolling averages for the output and with also lag periods. The aim is to avoid the simultaneity problem in case it is included in the model in time  $t$  because the estimated parameters in this case will be biased.

## **Conclusion**

Though the views of different Keynesian schools concerning the output gap were theoretically different, that gap is considered one of the key macroeconomic indicators that is widely used to depict the state of an economy. From this viewpoint, the main objectives of this paper are to measure the output gap of the Egyptian economy and study the key macroeconomic factors and variables that determine the output gap, besides shedding light on the relationship between the output gap and inflation rate.

In order to measure the output gap - defined as the difference between the actual and potential output measured as a percentage of the latter- it was necessary to estimate the potential output. Although there are several methods for measuring the potential output, the Cobb-Douglas production function, which depends on deriving the PE and potential TFP, was used. Yet, the average annual output gap as measured by this method, showed a noticeable increase in the period of study, hence, it neither reflects the developments that took place in the Egyptian economy, nor explains the pressures that faced the economy at that particular timing. The noticeable increase in the average gap may be attributed to problems relating to the measurement of the PE variable, which depends on both the NAIRU and the size of the labor force ( $L$ ). To avoid such problems, the potential human capital (estimated by using the HP filter) was employed instead of the PE. The potential output was calculated and used for the calculation of the output gap.

According to this revised method, the annual average of the output gap amounted to 0.0017 percent, which indicates a close proximity between the actual and potential output. When analyzing this gap, we can see that it hovered around  $\pm 2\%$  during most of the years of the study period (1975-2009), except for only 3 years (1975, 1977 and 1987) as the gap posted a negative 2.5%, a negative 3.9% and a positive 4.2% over the three years in order. It is also clear that the output gap did not show a specific pattern and witnessed noticeable fluctuations during the period from 1975 till before the mid-1990s. However, after that date and till the end of the study period, the gap began to take

a specific pattern consistent with the business cycle. This may be attributed to the fact that the period (from mid-1990s- till the end of the study period) has witnessed a number of economic reforms, the most prominent of which was the comprehensive economic reform program initiated at the beginning of the 1990s. Such a program focused, in its primary stages, on reforming the fiscal sector being a cornerstone for growth and development.

On the other hand, and with the aim of identifying the main factors responsible for the output gap of the Egyptian economy, the time series for the measured gap was used in an estimation model that provides a link between the gap (as a dependent variable) on the one hand, and a number of macroeconomic variables that are believed to have a significant effect on the Egyptian economy (as independent variables), on the other hand. The independent variables included the public sector's investments, export proceeds of goods and services, import payments for goods and services, money supply in its broader definition (M2) and the number of students enrolled in secondary education.

The estimation results showed that all the variables were both economically and statistically significant, except for money supply that only showed a statistical significance. The results also showed that the increase in the public sector's investments, the export proceeds, the number of students enrolled in secondary education and in money supply effectively contributes to minimizing the gap, while the increase in import payments effectively contributes to widening that gap.

To illustrate the crucial role the output gap can play as a significant variable in implementing the monetary policy, and considering that the fluctuations of this gap often precede the developments in inflation rate, the paper sheds light on the relationship between the gap and inflation. It is made by presenting the theoretical framework of the triangle model of inflation. The empirical part on the Egyptian economy will also be covered in another research paper for the two reasons mentioned earlier.

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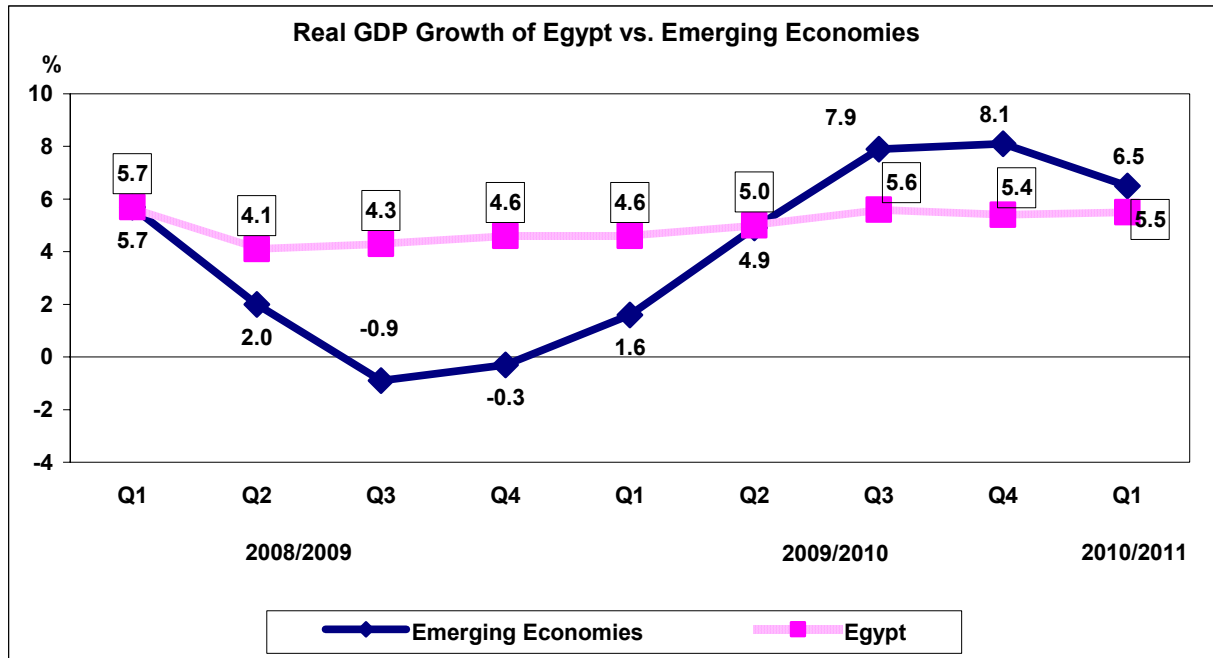
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## 1: Macroeconomic Performance

### 1/1- Gross Domestic Product (GDP)

Preliminary indicators during July/September 2010/2011 proved the resilience of the Egyptian economy in the face of the adverse effects of the global financial crisis and its spillovers. That was evident in the gradual recovery of the annual real GDP growth at factor cost that recorded 5.5 percent in the period under review, against 4.6 percent in the period of comparison. The rate was close to the estimated average real GDP growth of the emerging economies.

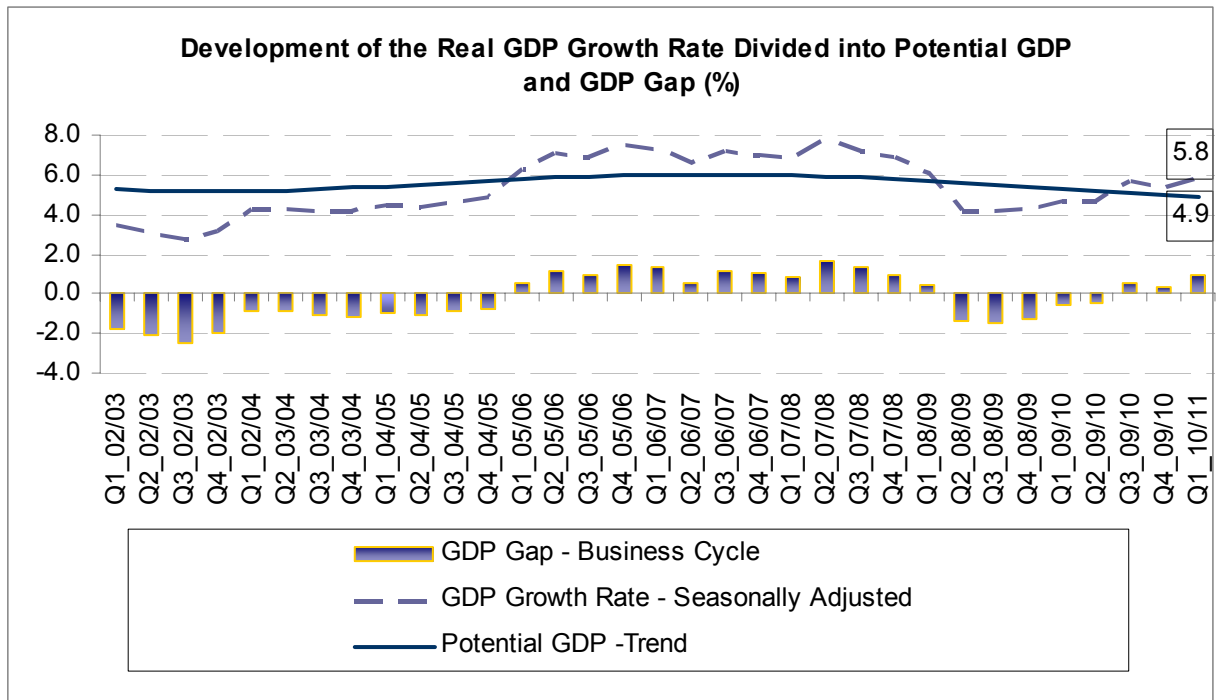


Source: Ministry of Economic Development (in relation to emerging economies) – JP Morgan World Financial Markets Sept. 2010.

After deriving the Trend Component of GDP growth rates, and comparing them to actual rates (excluding seasonal factor), it is found that real GDP growth recorded 5.8 percent during the first half of FY 2010/2011, rising 0.9 percentage point above the long-term growth (potential GDP)<sup>1</sup> of 4.9 percent, as illustrated in the following graph.

<sup>1</sup> Trend Component was calculated on the basis of the quarterly data of real GDP and economic sectors during 2001/2002-2010/2011. The approach of Hodrick-Prescott Filter (HP Filter) was applied to calculate the Trend Component or the Permanent Component, before deriving the Cyclical Component impact, which reflects at the same time the GDP gap and uncovers whether the economy suffers from overheating of inflationary pressures or not.

The momentum gained by real growth indicated a turnaround in the economy, as the recession experienced in the first half of FY 2009/2010 (a negative gap of 0.6 percentage point) gave way to a positive gap of 0.9 percentage point during the corresponding period of FY 2010/2011. In other words, the economy has begun to recuperate to the pre-global crisis levels.



On the **supply** side, the rebound in economic growth was attributed above all to the higher contributions (4.7 percentage points) of domestic demand-driven sectors. The manufacturing sector came in the forefront; followed by wholesale and retail trade; construction and building; agriculture; communications; and general government.

## GDP Growth by Domestic and External Demand-Driven Sectors in July/Sept. 2010/2011

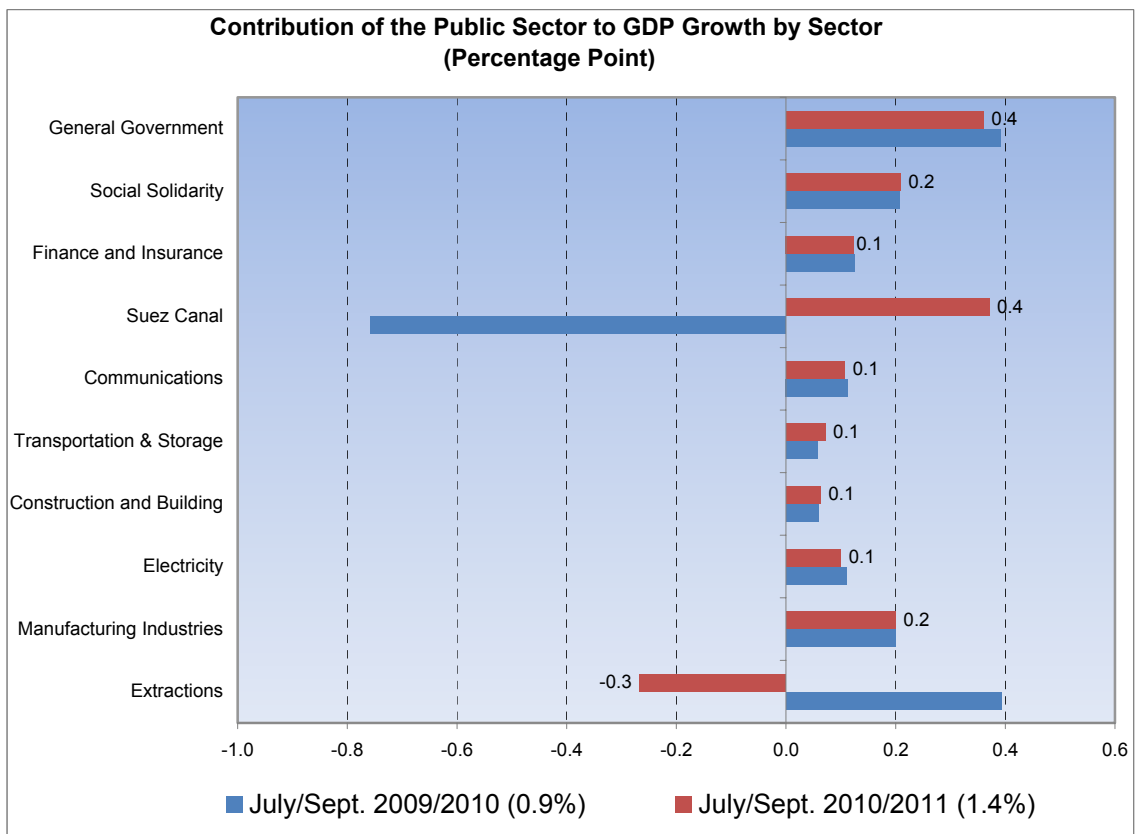
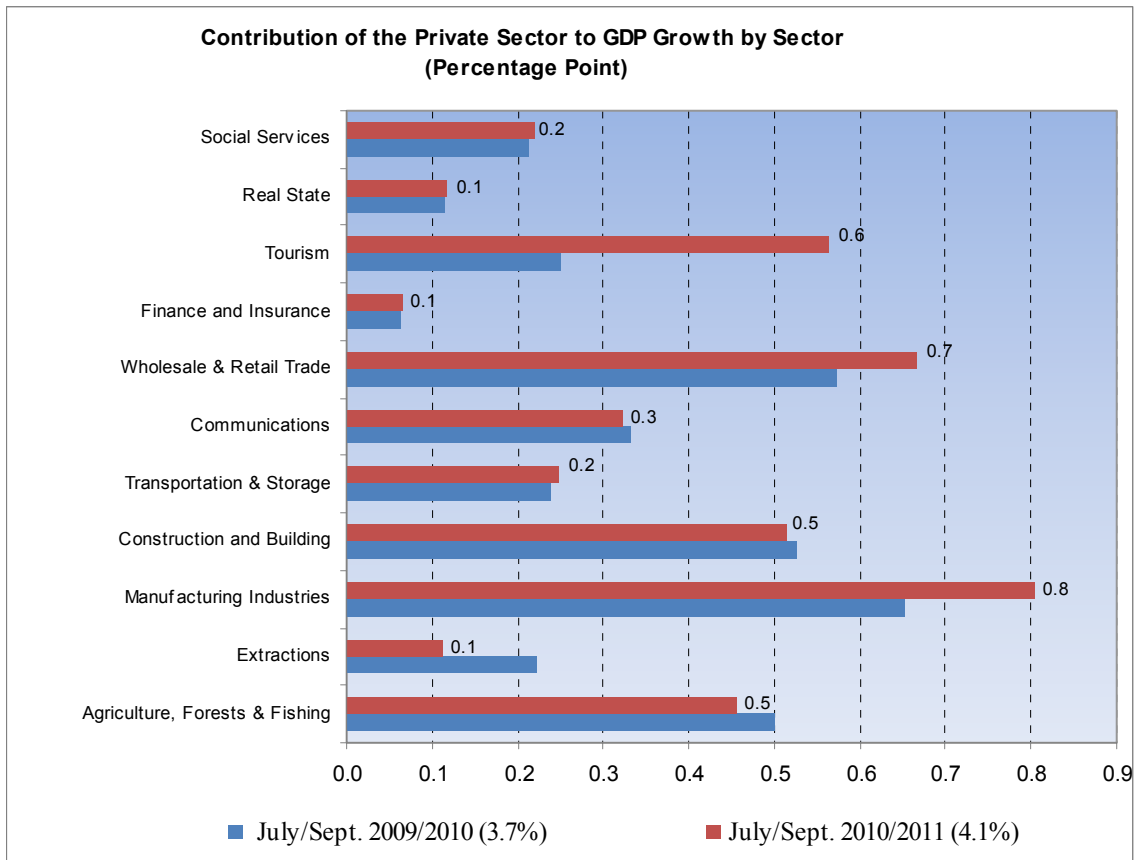
(Percentage Point)

<b>Domestic Demand-Driven Sectors</b>		
<b>Sector</b>	<b>Growth Rate (%)</b>	<b>Share in Real GDP Growth (5.5%)</b>
Manufacturing	6.3	1.0
Wholesale and retail Trade	7.2	0.7
Construction & building	12.5	0.6
Agriculture, irrigation & fishing	2.9	0.5
Communications	12.0	0.4
General government	4.1	0.4
Transportation & storage	7.4	0.3
Financial intermediaries	4.9	0.2
Electricity	7.9	0.1
Other sectors		0.5
<b>Total</b>		<b>4.7</b>
<b>External Demand-Driven Sectors</b>		
<b>Sector</b>	<b>Growth Rate (%)</b>	<b>Share in Real GDP Growth</b>
Tourism	12.1	0.6
Suez Canal	12.0	0.4
Extractions	-1.1	-0.2
<b>Total</b>		<b>0.8</b>

Source: Based on the Ministry of Economic Development data for July/September 2010/2011.

The external demand-driven sectors, mainly tourism and Suez Canal, added 0.8 percentage point to GDP growth. The contribution of tourism rose to 0.6 percentage point, with the increase in tourism revenues. Moreover, the Suez Canal made a positive contribution of 0.4 percentage point, due to the uptrend in the number of transiting ships and tolls. On the other hand, extractions recorded a negative 0.2 percentage point, compared to a higher contribution in the corresponding period.

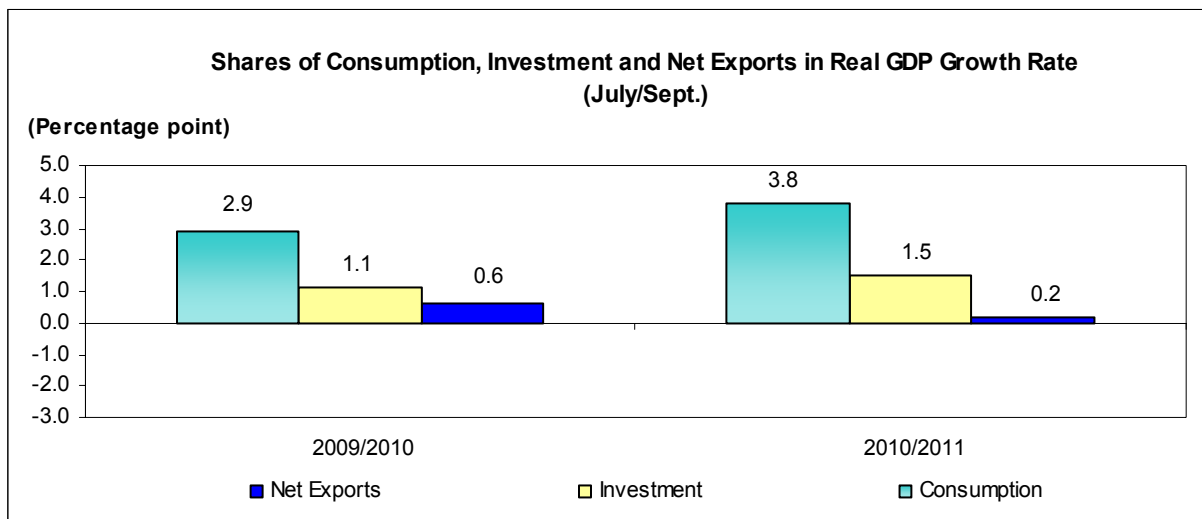
Turning to the public and private sectors as drivers of economic growth (5.5 percentage points), the former generated 1.4 percentage point (against 0.9 point in the period of comparison), while the latter added 4.1 points (against 3.7 points). In this way, the private sector continued to be the main player in economic development, particularly in the sectors of manufacturing, wholesale and retail trade, tourism, construction and building, and agriculture. At the level of the public sector, the main contributors were the Suez Canal and the general government (in the light of the increased salaries).



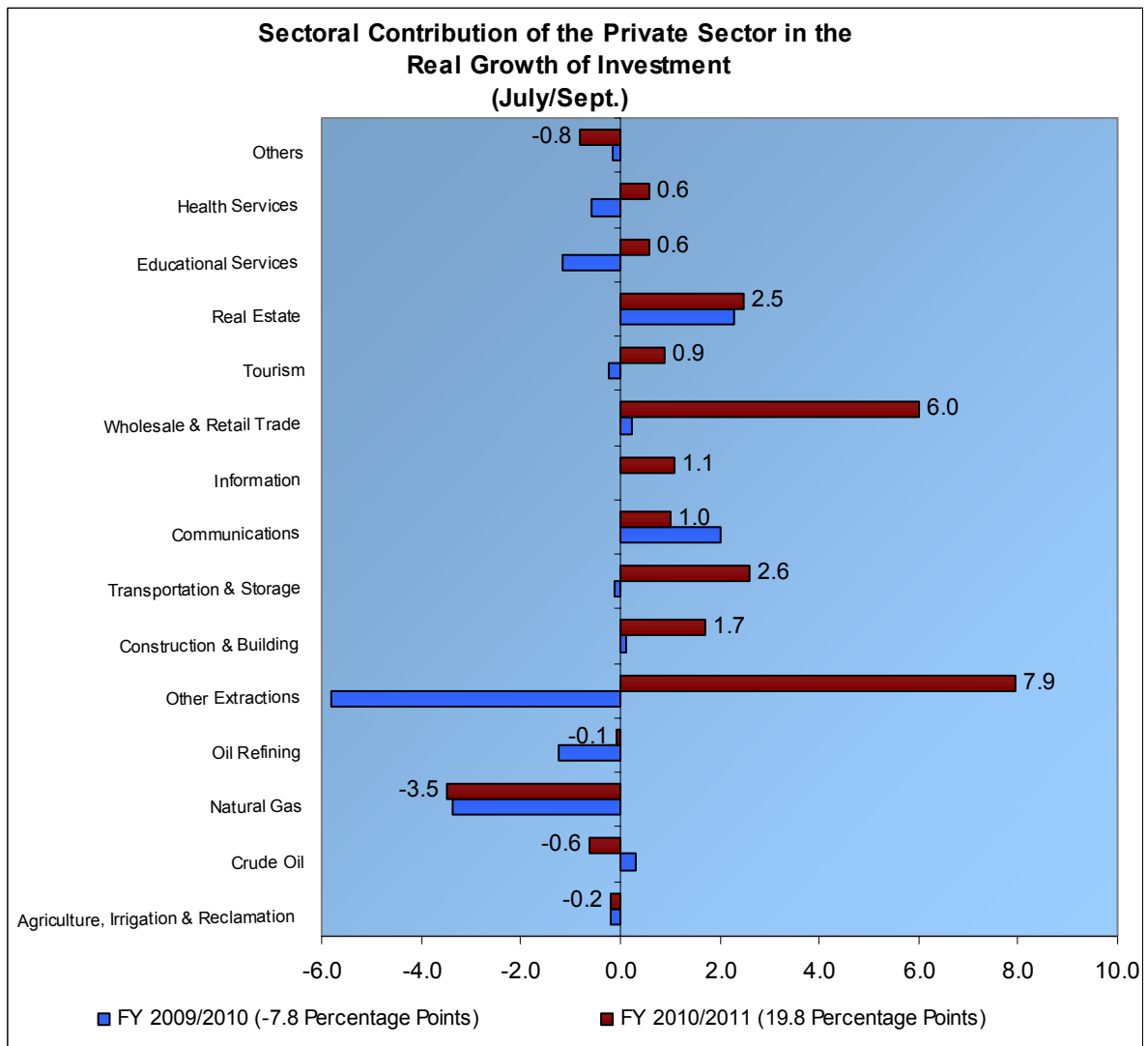
On the **demand** side, the upturn in real GDP growth at market prices (5.5 percent against 4.6 percent) was essentially the result of the higher contribution of private consumption, which added 3.3 percentage points, or 60 percent of the overall growth (against 2.6 points during the corresponding period). In addition, the upturn was partly driven by the noticeable increase in the share of total investment (including change in stock), which posted 1.5 percentage point (against 1.1 point), because of the acceleration in private investment growth. The higher share of domestic demand in GDP growth made up for the poor contribution of net external demand (exports of goods and services less imports of goods and services) which fell to 0.2 percentage point in the reporting period (from 0.6 percentage point in the period of comparison).

### Share of Demand Components in Real GDP Growth

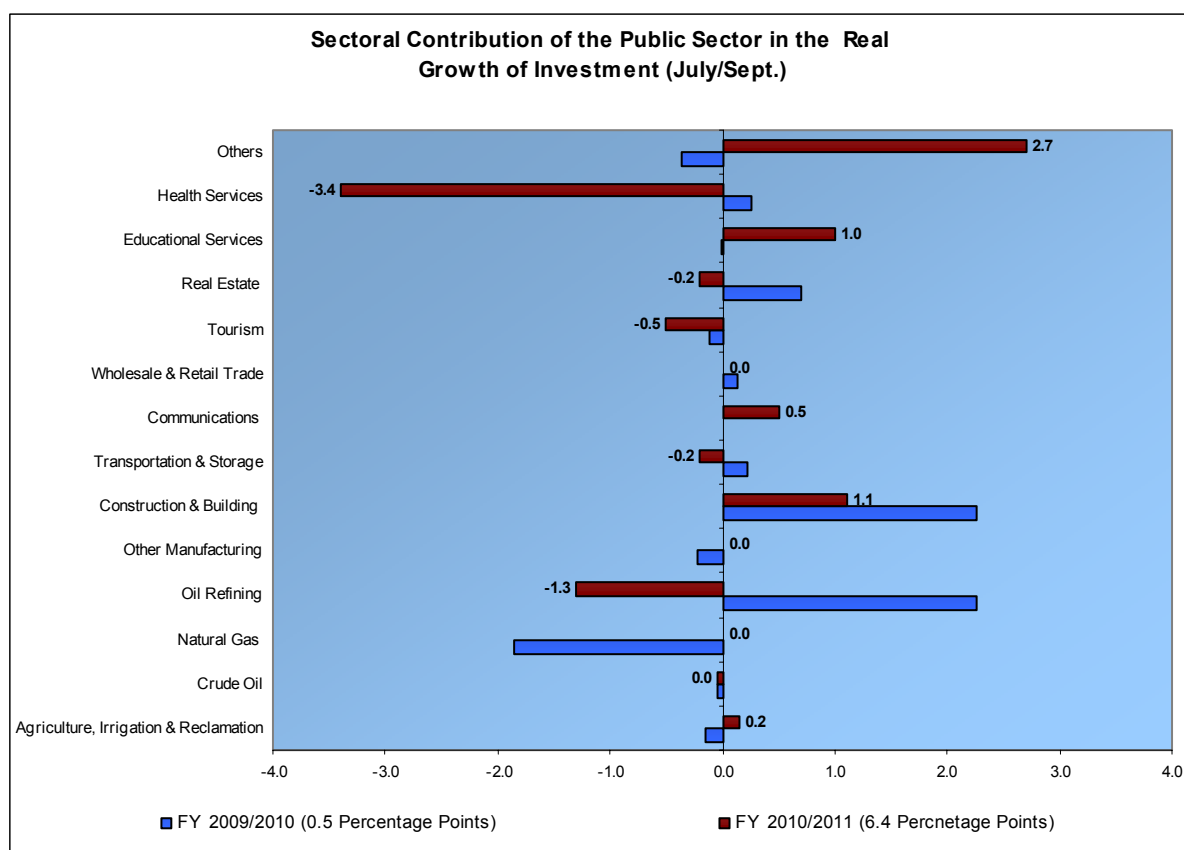
	Growth Rate in July/Sept. (%)		Share in GDP Growth in July/Sept. (Percentage Point)	
	2009/10	2010/11	2009/10	2010/11
<b><u>Real GDP Growth</u></b>	<b><u>4.6</u></b>	<b><u>5.5</u></b>	<b><u>4.6</u></b>	<b><u>5.5</u></b>
<b><u>1-Domestic Demand</u></b>	<b><u>3.9</u></b>	<b><u>5.1</u></b>	<b><u>4.0</u></b>	<b><u>5.3</u></b>
<b><u>A- Final Consumption</u></b>	<b><u>3.3</u></b>	<b><u>4.3</u></b>	<b><u>2.9</u></b>	<b><u>3.8</u></b>
Private	3.3	4.2	2.6	3.3
Public	3.0	5.0	0.3	0.5
<b><u>B- Capital Formation</u></b> <b><u>(Including Change in Stock)</u></b>	<b><u>7.8</u></b>	<b><u>10.1</u></b>	<b><u>1.1</u></b>	<b><u>1.5</u></b>
<b><u>2- Net External Demand</u></b>	<b><u>20.0</u></b>	<b><u>9.6</u></b>	<b><u>0.6</u></b>	<b><u>0.2</u></b>
A- Exports of goods & services	-15.5	8.6	-5.4	2.4
B- Imports of goods & services	-15.8	7.2	6.0	-2.2



Implemented investments (at 2006/07 prices) reached LE 35.0 billion, with a growth rate of 20.3 percent in the reporting period (against a negative 1.4 percent). The stronger growth of investments was largely generated by the private sector (19.7 percentage points), particularly the sectors of other manufacturing industries (7.9 percentage points), wholesale and retail trade (6.0 points), transportation and storage (2.6 points) and real estate (2.5 points). The breakdown of total implemented investments (at constant prices)\* by economic sector during the period ran as follows: 15.6 percent in oil, gas and other extractions, 14.3 percent in manufacturing, 8.1 percent in electricity and water, 3.2 percent in construction and building, 2.8 percent in agriculture and irrigation, about 32.3 percent in productive services, and 22.4 percent in social services.



\* Excluding change in stock.



## 1/2- Employment and Unemployment

According to the follow-up data of the economic and social development plan during July/Sept. 2010/2011, unemployment decelerated to 8.9 percent (from 9.4 percent), consequent upon the fall in male unemployment from 5.3 percent to 4.7 percent. In contrast, female unemployment increased to 23.4 percent (from 22.8 percent).

### Developments in Unemployment Rates

FY	2008/2009				2009/2010				2010/2011
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Unemployment	8.6	8.8	9.4	9.4	9.4	9.4	9.1	9.0	8.9

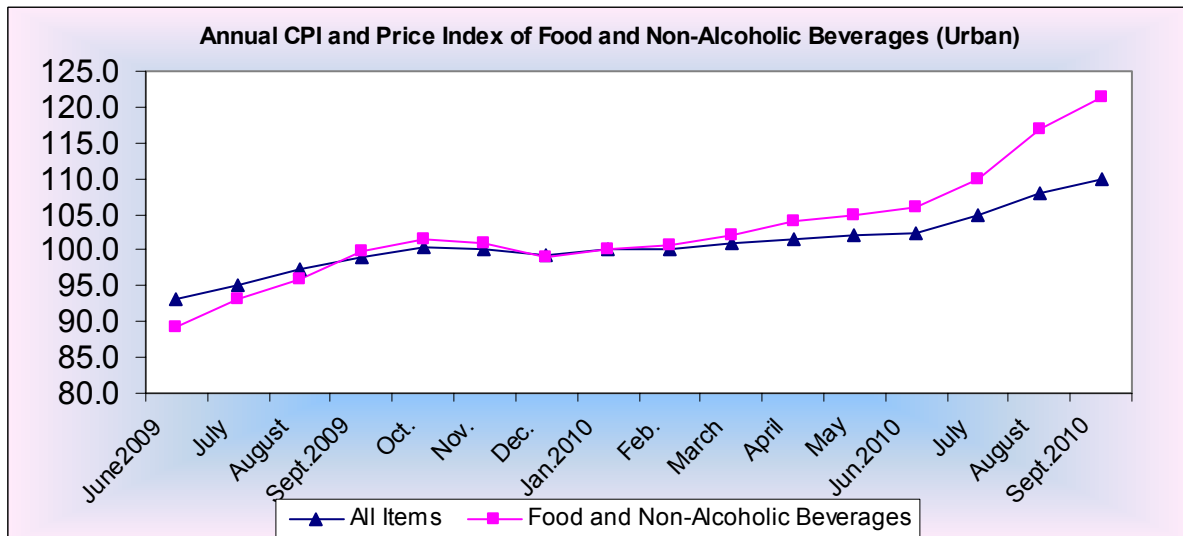
Source: Labor Force Survey, CAPMAS.

According to the Labor Market Bulletin issued by the Ministry of Manpower and Migration, about 87.3 thousand new job opportunities were created during the reporting period, compared with 116.8 thousand in the corresponding period. The Social Development Fund provided about 41.0 thousand of those jobs during July and August 2010.

### 1/3- Inflation

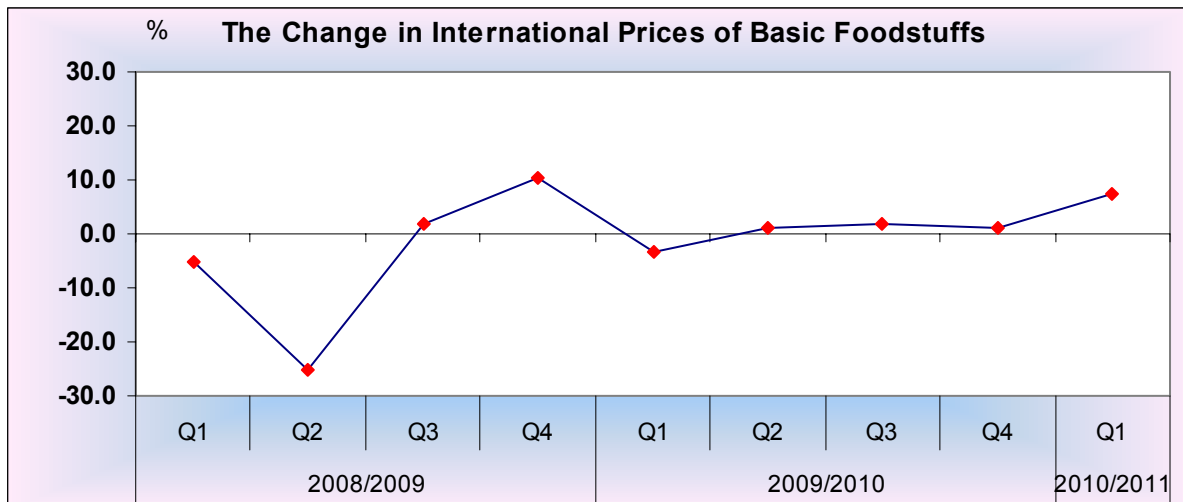
#### A- Consumer Price Index (CPI)

In July/September of 2010/2011, annual CPI inflation (urban) rose to 7.2 percent, from 6.5 percent a year earlier. The increase was largely pronounced in the prices of food and non-alcoholic beverages, whose share in headline inflation surged to 6.0 percentage points (against 4.5 points).



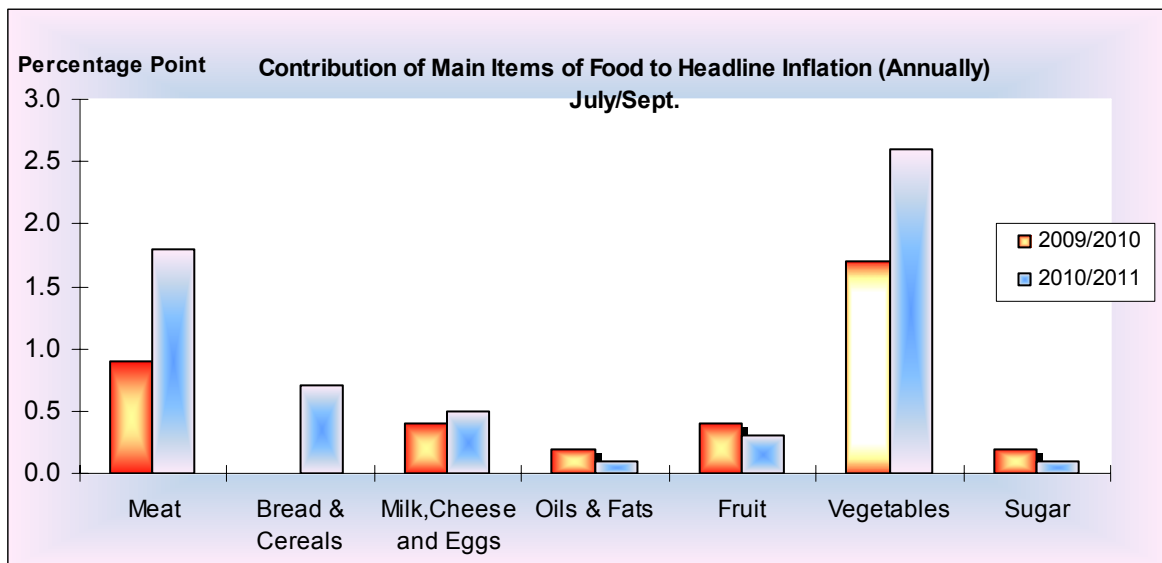
Source: The CAPMAS.

Food and non-alcoholic beverages added 14.5 percent to headline inflation (against 11.8 percent), driven by the 18.1 percent increase in world food prices in the year ending September 2010, particularly wheat, maize, rice, palm oil and meat.



Source: The IMF.

The high share of food and non-alcoholic beverages is traced to the larger contributions of vegetables (2.6 percentage points, against 1.7 point), meat and poultry (1.8 point against 0.9 point) bread and cereals (0.7 percent against nil), milk, cheese and eggs (0.5 percent against 0.4 percent). Such higher contributions were the result of the acceleration of the inflation of these groups, especially vegetables, and meat and poultry. By contrast, declines were observed in the groups of fruits, and sugar and confectionary (0.1 percent each).

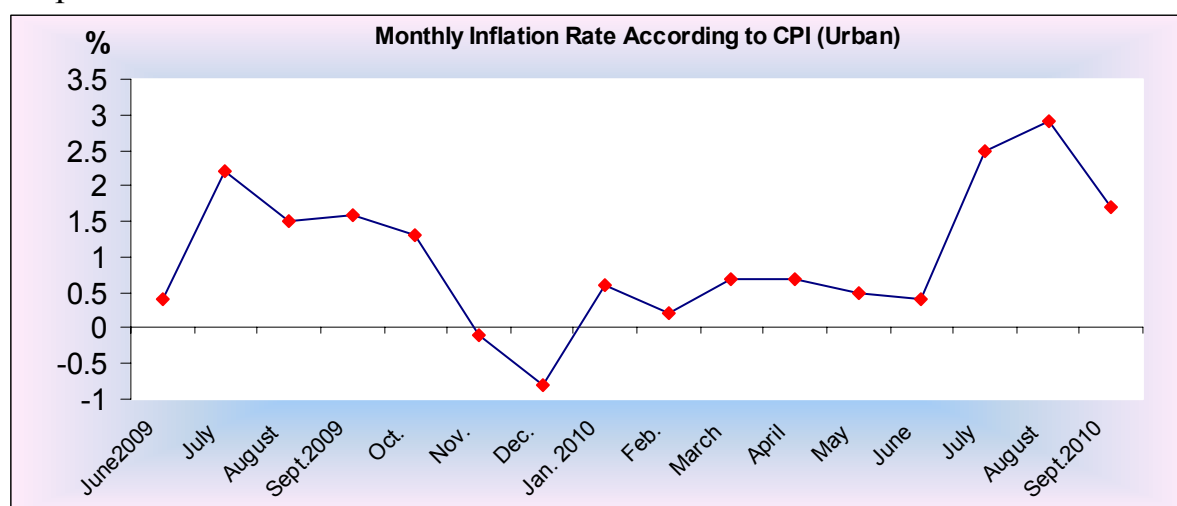


The following table illustrates the share of CPI groups (urban) in headline inflation during the periods of review and comparison:

### Share of CPI Groups in Headline Inflation (January 2010=100)\*

Main CPI Groups	Inflation Rate in Q1		Share in Headline Inflation in Q1	
	( <u>%</u> )		<u>(Percentage Point)</u>	
	2009/2010	2010/2011	2009/2010	2010/2011
<b>General index</b>	<b>6.5</b>	<b>7.2</b>	<b>6.5**</b>	<b>7.2</b>
Food and non-alcoholic beverages	11.8	14.5	4.5	6.0
Alcoholic beverages, tobacco and narcotics	0.0	43.2	--	1.0
Clothing and footwear	0.0	2.0	--	0.1
Housing, water, electricity, Gas & fuel	2.3	0.0	--	0.0
Furnishings, household equipment and routine maintenance	0.3	0.1	--	0.0
Health care	0.3	0.0	--	0.0
Transportation	0.4	0.3	--	0.0
Communications	0.0	0.0	--	0.0
Culture and recreation	1.0	0.3	--	0.0
Education	2.2	0.0	--	0.0
Restaurants and hotels	3.9	2.8	--	0.1
Miscellaneous goods & services	4.5	0.1	--	0.0

CPI (urban) monthly inflation stood at 1.7 percent in September 2010, against 1.9 percent in September 2009. The rate peaked in July and August 2010 (2.5 percent and 2.9 percent, in order), following the decision taken to increase taxes on tobacco (40 - 50 percent) as of the first of July 2010. Other factors at work were the price hikes of meat and poultry, and vegetables during the period under review.

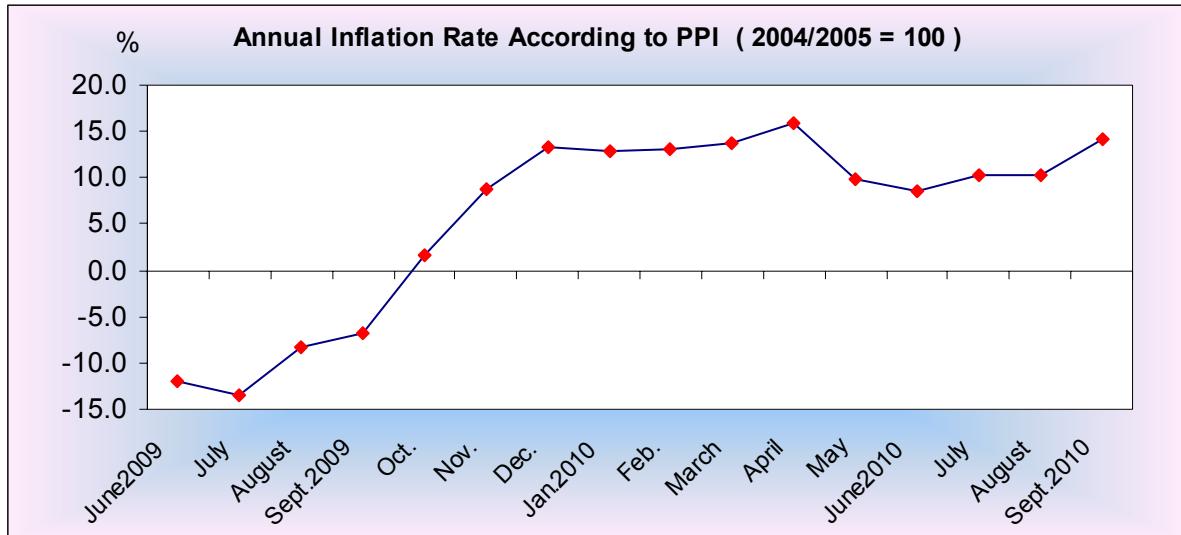


\* As of August 2010, CAPMAS issued a new series of CPIs; data of the period of comparison is not available as the weights changed in this series.

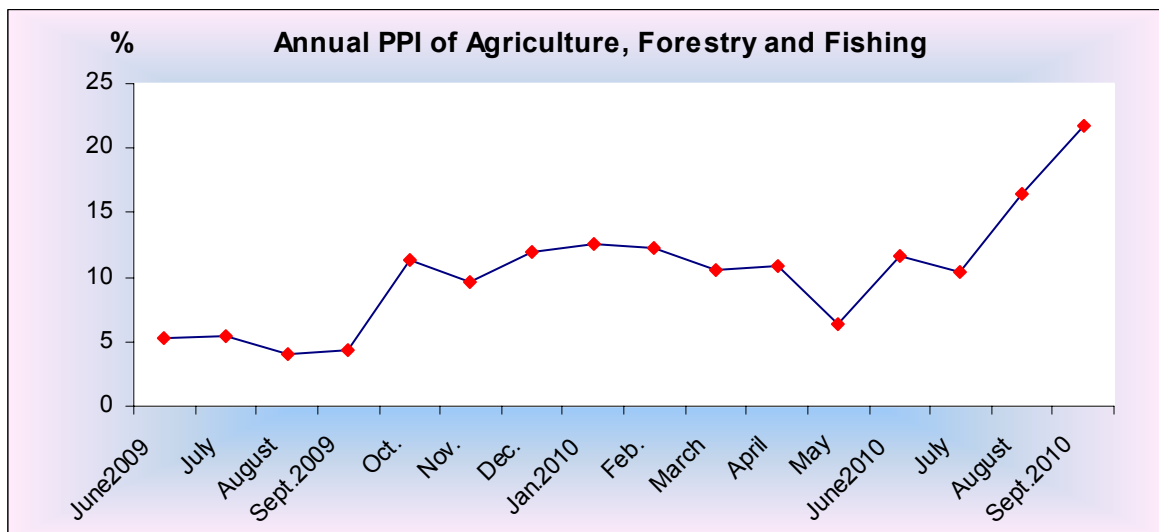
\*\* The relative weights of subgroups are not available, except for the group of food and non-alcoholic beverages.

## **B - Producer Price Index (PPI)**

The annual PPI inflation has been also on the rise in the quarter under review, recording 8.1 percent, up from 2.8 percent in the corresponding quarter a year earlier.



The rise in PPI inflation was explained - to a large extent - by the higher contribution of the group of agriculture and fishing (6.1 percentage points against 2.8 points). To elaborate, the rise reflected mainly the significant contributions of some subgroups; particularly vegetables (3.9 percentage points against 2.1 points), cereals and leguminous crops (0.6 point against nil), rice (0.2 point against a negative 0.3 point). The higher shares of these groups were ascribed to the marked acceleration in their inflation rates, especially the groups of vegetables (56.6 percent against 38.7 percent, cereals and leguminous crops (14.6 percent against a negative 0.1 percent) and rice (16.4 percent against a negative 26.8 percent).



Among the factors leading to the rise in inflation was the larger share of mining and quarrying (0.5 point against -0.5 point). That was primarily due to the significant contribution of crude oil and natural gas (some 0.4 percentage point against a negative 0.5 point). Likewise, the share of manufacturing picked up (1.4 point against 0.7 point) largely due to the higher contributions of iron and steel industry (0.3 point against nil), dairy products (0.1 point against nil), and the food services group (0.1 point against a negative 0.2 point).

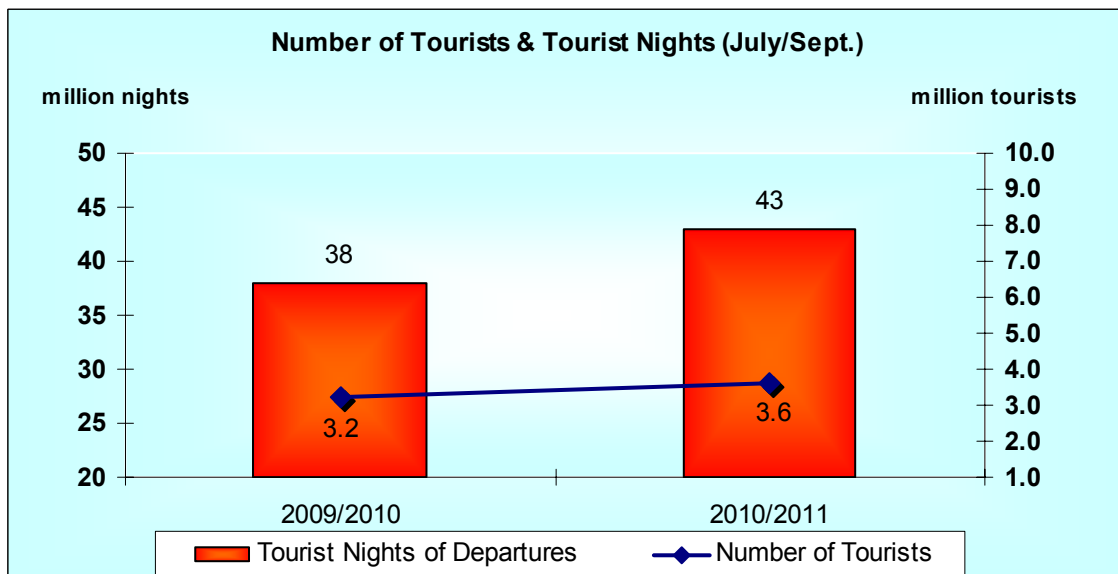
The following table shows the inflation rates and the shares of the PPI groups during the two periods of review and comparison

**Share of PPI Groups in Headline Inflation  
(2004/2005=100)**

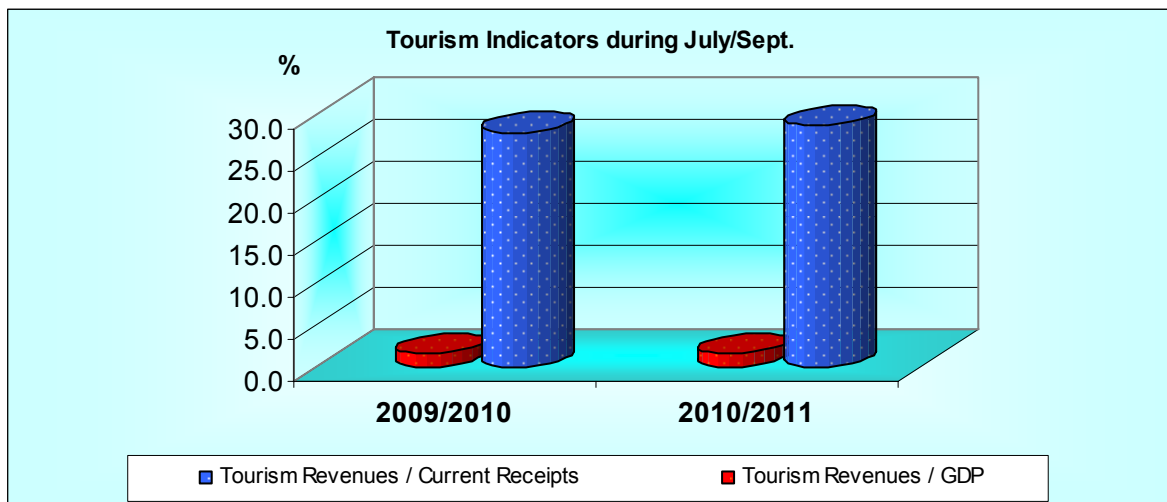
Main PPI Groups	Inflation Rate (%) <u>during July/Sept.</u>		Share in Headline Inflation (Percentage Point) July/Sept. 2009/10	Share in Headline Inflation (Percentage Point) July/Sept. 2010/11
	2009/10	2010/11		
<b>General Index</b>	<b>2.8</b>	<b>8.1</b>	<b>2.8</b>	<b>8.1</b>
<b>1- Agriculture, Forestry and Fishing, of which:</b>	<b>8.6</b>	<b>18.4</b>	<b>2.8</b>	<b>6.1</b>
Cereals and leguminous crops	-0.1	14.6	0.0	0.6
Rice	-26.8	16.4	-0.3	0.2
Vegetables	38.7	56.6	2.1	3.9
Fruits	8.1	11.3	0.6	0.8
Poultry and eggs	12.6	9.8	0.4	0.4
Fish	-2.5	2.8	-0.1	0.1
<b>2- Mining &amp; Quarrying, of which:</b>	<b>-2.4</b>	<b>2.2</b>	<b>-5.0</b>	<b>0.5</b>
Crude oil & natural gas	-2.4	2.2	-5.0	0.4
Stone, sand and clay	0.0	1.1	0.0	0.0
<b>3- Manufacturing, of which:</b>	<b>1.9</b>	<b>3.9</b>	<b>0.7</b>	<b>1.4</b>
Processed food products, of which:	4.3	6.0	0.4	0.5
Oils and fats	1.8	0.0	0.0	0.0
Dairy products	0.0	7.6	0.0	0.1
Fertilizers	13.9	0.0	0.1	0.0
Wood & products	0.0	-0.3	0.0	0.0
Cement	1.5	0.0	0.0	0.0
Iron and steel	0.3	7.4	0.0	0.3
<b>4- Electricity and Gas, of which:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Electric power generation, transmission and distribution	0.0	0.0	0.0	0.0
<b>5- Water Supply Activities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>6-Transportation and Storage, of which:</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Land transport	3.5	0.0	0.0	0.0
<b>7- Accommodation and Food Services, of which:</b>	<b>-5.2</b>	<b>2.7</b>	<b>-0.2</b>	<b>0.1</b>
Meal serving services in limited service facilities	0.0	1.5	0.0	0.0
<b>8- Information and Communications</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 1/4- Tourism

During the first quarter of 2010/2011, a slight improvement was witnessed across the tourism indicators in Egypt, relative to the corresponding quarter a year earlier. According to the Ministry of tourism statistics, the number of visitors rose by 12.6 percent to some 3.6 million (against 3.2 million), and so did that of tourist nights for departures by 13.1 percent to 43.0 million (against 38.0 million nights).



Against this background, and although the average spending of a tourist per night remained unchanged at US\$ 85, tourism revenues went up by 13.1 percent to US\$ 3.65 billion (against US\$ 3.23 billion). The figure accounts for 1.5 percent of GDP at current market prices, and makes up 28.5 percent of total current receipts in the reporting period (against 27.7 percent a year earlier).



Investments in the tourism industry amounted to about LE 1.6 billion during the first quarter of 2010/2011, representing 2.8 percent of total implemented investments (against 2.5 percent). The private sector undertook the majority of these investments (93.7 percent).

### Tourism Indicators

July/Sept.	2009/2010	2010/2011	Change + (-) %
Number of visitors (000s)	3226	3631	12.6
Number of nights for departures (000s)	37998	42979	13.1
Tourism revenues (US\$ million)	3229.8	3653.2	13.1
Tourism revenues (LE million)	17893	20823	16.4
Visible and invisible receipts (US\$ mn)	11662	12797	9.7
Visible and invisible receipts (LE mn)	64607	72943	12.9
GDP at current prices (LE bn) - quarterly basis	311.1	364.3	17.1
GDP at current prices (LE bn) - annual basis	1206.6	1378.0	14.2
		(estimated)	
Estimated average spending per tourist a night (US\$)	85	85	-
Average exchange rate (LE/US\$)	5.54	5.70	
Average tourist stay (night)	11.78	11.84	0.5

Source: CBE and the Ministries of Tourism & Economic Development.

### Number of Tourists

Visitors heading from all source markets recorded 3.6 million, up by 405 thousand or 12.6 percent, in comparison with the previous corresponding period. The growing number of arrivals attests to the gradual recovery in tourism activity, following the marked downturn during the global financial crisis.

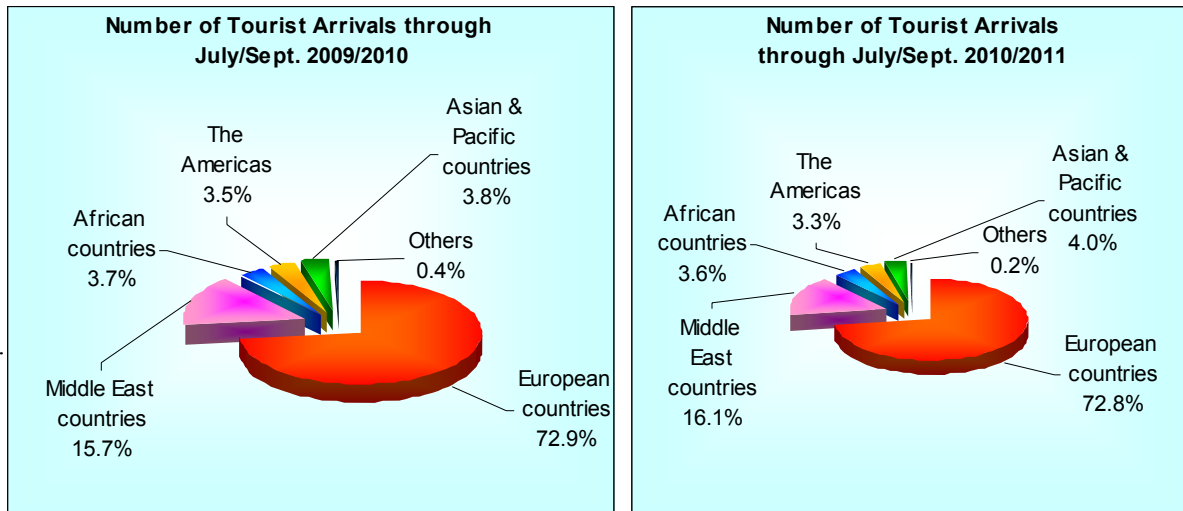
### Number of Tourist Arrivals

(thousand)

	2009/2010		July/Sept.		2010/2011	Change + (-) %
	Number	Relative Weight	Number	Relative Weight		
<b>Total</b>	<b>3226</b>	<b>100.0</b>	<b>3631</b>	<b>100.0</b>	<b>12.6</b>	
Europe	2353	72.9	2642	72.8	12.3	
Middle East	505	15.7	583	16.1	15.4	
Africa	119	3.7	132	3.6	11.6	
The Americas	113	3.5	120	3.3	6.2	
Asia and the Pacific	122	3.8	146	4.0	19.9	
Others	14	0.4	8	0.2	-44.2	

Source: Ministry of Tourism.

Percentages are calculated using figures that are not rounded up.



With a relative weight of 72.8 percent of total tourist flows, **the European group** stayed in the lead, scoring a rise of 289.0 thousand tourists or 12.3 percent. The **Middle East group** ranked second with a share of 16.1 percent, registering a rise of about 78.0 thousand tourists or 15.4 percent. Ranking third, **the Asian and Pacific group** accounted for 4.0 percent, as the number of visitors therefrom rose by 19.9 percent - the highest, relative to the other groups. The **African markets** came fourth, with a share of 3.6 percent of the total, registering a growth rate of 11.6 percent. The **Americas group** came last at 3.3 percent, up by 6.2 percent.

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### **Tourist Nights**

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Consistent with the increase in the number of tourists, tourist nights followed the same upward trend during the first quarter of 2010/2011. The number of nights spent by all departure groups totaled some 43.0 million, up by 5.0 million nights or 13.1 percent compared with a year earlier.

### Number of Tourist Nights by Departures

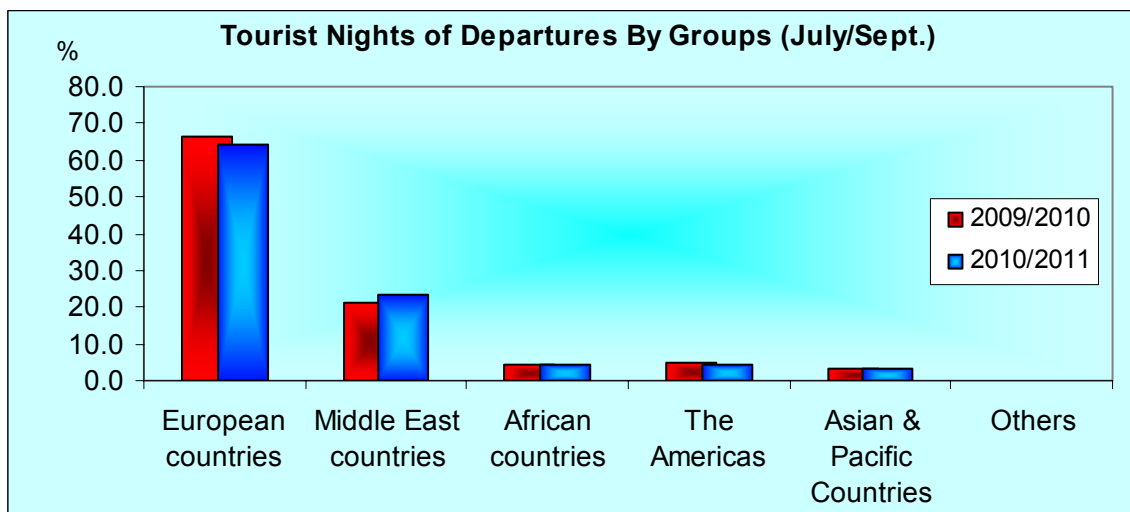
(thousand)

	July/Sept.		2010/2011		Change + (-) %
	2009/2010	2010/2011	2009/2010	2010/2011	
	Number	Relative Weight	Number	Relative Weight	
<b>Total</b>	<b>37998</b>	<b>100.0</b>	<b>42979</b>	<b>100.0</b>	<b>13.1</b>
Europe	25241	66.4	27620	64.3	9.4
Middle East	8081	21.3	10099	23.5	25.0
Africa	1590	4.2	1891	4.4	18.9
The Americas	1789	4.7	1947	4.5	8.8
Asia and the Pacific	1206	3.2	1347	3.1	11.7
Others	91	0.2	75	2.0	-18.1

Source: Ibid

Percentages are calculated, using figures that are not rounded up.

The **European group** ranked first, with a share of 64.3 percent of total tourist nights, posting a rise of some 2.4 million nights or 9.4 percent above the previous corresponding period. Such a rise accounted for some 47.8 percent of the total increase in the number of tourist nights.



Though the **Middle East group** ranked second, with a relative importance of 23.5 percent, tourist nights by departures therefrom scaled up by about 2.0 million, recording the highest rate of growth (25.0 percent) relative to the other groups. The **Americas' group** occupied the third position, with a share of 4.5 percent and a growth rate of 8.8 percent. The **African, Asian and Pacific countries** came next, sharing with 4.4 percent and 3.1 percent, in order.

## **2: Monetary and Banking Developments**

### **2/1- Monetary and Banking Policy and Monetary Aggregates**

#### **2/1/1- Monetary Policy**

The CBE exerts strenuous efforts to achieve the overriding objective of the monetary policy (price stability), by endeavoring to bring inflation to a low and stable level that helps deepen confidence and sustain adequate levels of investment and economic growth.

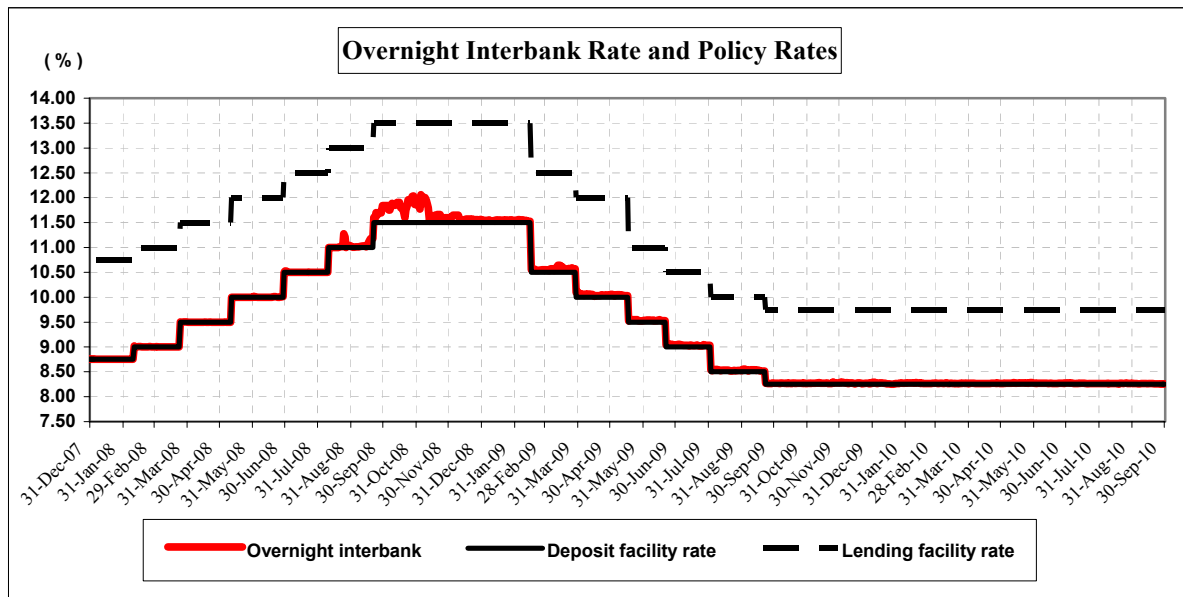
The Central Bank adopted the overnight interbank interest rate as the operational target of the monetary policy, by applying a framework based on the corridor system, within which the ceiling is the overnight interest rate on lending from the Bank, and the floor is the overnight deposit interest rate at the Bank.

The decisions taken by the MPC in the two periodic meetings held in July/Sept. 2010/2011, were responsive to changes in inflation and the Committee's assessments of inflationary pressures. In these meetings (dated 29 July, and 16 Sept. 2010), the Committee decided to keep the CBE key interest rates (the overnight deposit and lending rates) and discount rate unchanged at 8.25 percent, 9.75 percent and 8.50 percent, respectively. Subsequently, in the meetings of 4 November and 16 December 2010 (at the time of preparing this review), the MPC decided to maintain the same levels of the overnight deposit and lending rates and discount rate.

The following are the CBE's key interest rates according to the MPC's decisions during the reporting period:

	<b>Overnight Deposit Rate</b>	<b>Overnight Lending Rate</b>	<b>Lending &amp; Discount Rate</b>
17 June 2010	8.25%	9.75%	8.50%
29 July 2010	Unchanged	Unchanged	Unchanged
16 Sept. 2010	Unchanged	Unchanged	Unchanged

The above decisions of the MPC influenced the overnight interbank interest rates. Given the excess liquidity at the banking system, the weighted average of the overnight interbank interest rate moved closer to the CBE overnight deposit rate during the period under review (see the following chart):



The MPC’s decisions were supportive of the stability of market interest rates, as the interest rates on the deposits of three and six months and one year averaged some 6.4 percent, 7.0 percent and 7.2 percent in Sept. 2010, against 6.3 percent, 6.9 percent and 7.3 percent in June 2010, respectively. However, rates on one-year or less loans averaged 10.9 percent\* in Sept. 2010 against 11.1 percent in June 2010.

**Open Market Operations :**

The reporting period witnessed a rise in the outstanding balance of liquidity, which the CBE had absorbed from the market. It registered LE 134.6 billion at end of Sept. 2010 against LE 101.5 billion at the end of June 2010. The increase was induced by the pickup in the CBE purchases of foreign exchange from banks.

**2/1/2- Reserve Money (M0)**

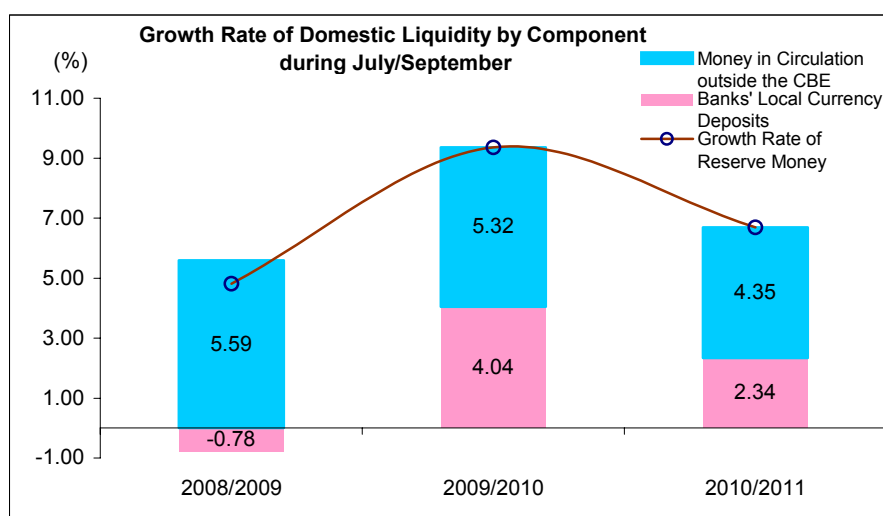
Reserve money rose by LE 13.6 billion or 6.7 percent in the first quarter of 2010/2011 (against LE 16.4 billion and 9.4 percent a year earlier), recording LE 216.7 billion at end of Sept. 2010. The rise resulted from the growth in banks' local currency deposits with the CBE by LE 4.8 billion to LE 63.6 billion, constituting 29.3 percent of reserve money at end of Sept. 2010. In addition, the currency in circulation outside the CBE mounted by LE 8.8 billion, posting LE 153.1 billion or 70.7 percent of reserve money at end of Sept. 2010.

\* Data on interest rates (deposits and loans) were compiled using the Domestic Money Monitoring System (DMMS) launched in June 2010.

### Reserve Money and Counterpart Assets\*

	<u>Balances at</u>	<u>Change in July/Sept. + (-)</u>			
	<u>End of</u>	<u>2009/10</u>		<u>2010/11</u>	
	<u>Sept. 2010</u>	<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>
<b><u>A- Reserve Money</u></b>	<b><u>216655</u></b>	<b><u>16393</u></b>	<b><u>9.4</u></b>	<b><u>13584</u></b>	<b><u>6.7</u></b>
- Currency in circulation outside the CBE	153079	9315	7.4	8826	6.1
- Banks' local currency deposits	63576	7078	14.5	4758	8.1
<b><u>B- Counterpart Assets</u></b>	<b><u>216655</u></b>	<b><u>16393</u></b>	<b><u>9.4</u></b>	<b><u>13584</u></b>	<b><u>6.7</u></b>
<b><u>Net Foreign Assets</u></b>	<b><u>191648</u></b>	<b><u>1602</u></b>	<b><u>0.9</u></b>	<b><u>1414</u></b>	<b><u>0.7</u></b>
Foreign assets	200054	9084	5.2	1449	0.7
Foreign liabilities	8406	7482	565.5	35	0.4
<b><u>Net Domestic Assets</u></b>	<b><u>25007</u></b>	<b><u>14791</u></b>	<b><u>438.6</u></b>	<b><u>12170</u></b>	<b><u>94.8</u></b>
Claims on the government (net)	109835	25695	37.4	29224	36.3
Claims on banks (net )	56622	8476	2537.7	27612	95.2
<b><u>Other Items (Net)</u></b>	<b><u>-141450</u></b>	<b><u>(19380)</u></b>	<b><u>29.6</u></b>	<b><u>(44666)</u></b>	<b><u>46.2</u></b>

\* Derived from the CBE's balance sheet.



The breakdown of the currency in circulation by denomination denoted a relative change in favor of the medium denominations (5, 10 and 20 notes). The relative importance of these notes inched up to 7.8 percent of the total currency in circulation at end of Sept. 2010, from 6.8 percent at end of June 2010. By contrast, the relative importance of large denominations (50, 100 and 200) declined to 91.1 percent from 92.1 percent. However, that of small denominations remained unchanged at 1.1 percent. The decline in the relative importance of large notes was particularly pronounced in LE 50 and LE 100, in

contrast to LE 200 note which gained momentum, after its circulation with modified specifications and size in August 2010. However, despite the decline in their relative importance, large notes still accounted for the bulk of the currency in circulation. In fact, preference for large notes remained the same, in view of the increasing value of transactions associated with higher prices. Against these developments, the average value per note decreased to LE 33 at end of Sept. 2010 against LE 33.4 at end of June 2010.

### Currency in Circulation outside the CBE\*

(LE mn)						
Banknotes	<u>June 2010</u>		<u>Sept.2010</u>		<u>Change during</u>	
	Value	Relative Importance	Value	Relative Importance	2009/10	2010/11
<b><u>Total</u></b>	<b><u>144253</u></b>	<b><u>100.0</u></b>	<b><u>153079</u></b>	<b><u>100.0</u></b>	<b><u>7.4</u></b>	<b><u>6.1</u></b>
<b><u>Banknote in Circulation</u></b>	<b><u>143947</u></b>	<b><u>99.8</u></b>	<b><u>152768</u></b>	<b><u>99.8</u></b>	<b><u>7.4</u></b>	<b><u>6.1</u></b>
PT 25	184	0.1	178	0.1	54.4	(3.3)
PT 50	292	0.2	298	0.2	0.0	2.1
LE 1	843	0.6	868	0.6	(2.3)	3.0
LE 5	1495	1.0	2434	1.6	45.3	62.8
LE 10	2844	2.0	3291	2.1	13.0	15.7
LE 20	5480	3.8	6246	4.1	3.4	14.0
LE 50	18704	13.0	18457	12.0	(4.7)	(1.3)
LE 100	68641	47.6	69576	45.5	9.5	1.4
LE 200	45464	31.5	51420	33.6	11.1	13.1
<b><u>Subsidiary Currencies</u></b>	<b><u>306</u></b>	<b><u>0.2</u></b>	<b><u>311</u></b>	<b><u>0.2</u></b>	<b><u>1.7</u></b>	<b><u>1.6</u></b>

\* The difference between banknote issue and cash at the CBE vaults.

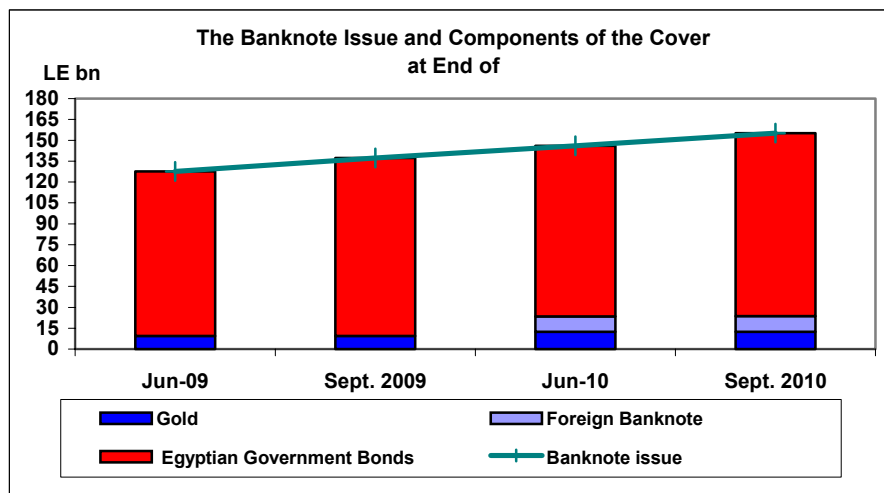
The pickup in the currency in circulation outside the CBE was ascribed to the increase in banknote issue by LE 9.2 billion or 6.3 percent in July/Sept. 2010/2011 (against LE 9.7 billion and 7.6 percent a year earlier), reaching LE 155.1 billion at end of Sept. 2010. As for the components of the issue cover, the value of gold made up LE 12.4 billion worth, Egyptian government bonds LE 131.5 billion, and foreign currencies LE 11.2 billion worth. Accordingly, the structure of the cover at end of Sept. 2010 was as follows: government bonds (84.8 percent), gold (8.0 percent), and foreign currencies (7.2 percent).

### Banknote Issue\*

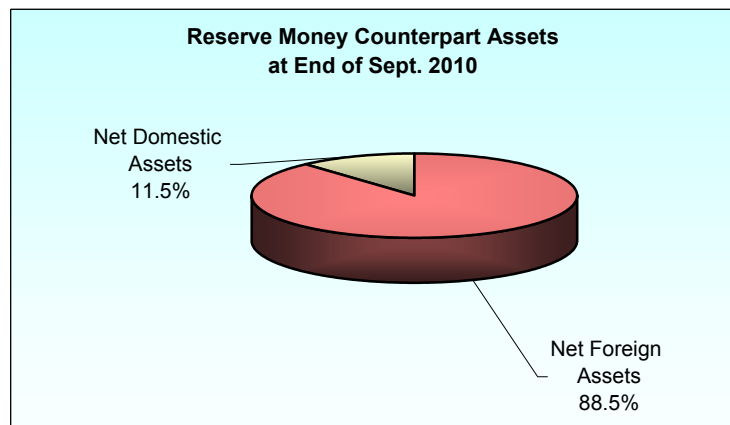
(LE mn)

At End of	Balance of Banknote Issue	Annual Change		Change during July/Sept.	
		Value	%	Value	%
June 2009	127625	15195	13.5		
Sept. 2009	137333	15414	12.6	9708	7.6
June 2010	145914	18289	14.3		
Sept. 2010	155138	17805	13.0	9224	6.3

\* Including subsidiary coins issued by the Ministry of Finance.



The increase in **the counterpart assets of reserve money** emanated from the pickup in net domestic assets and net foreign assets. The former was the main contributor (adding 6.0 percentage points to the increase), while the latter added only 0.7 point.



The rise in net domestic assets at the CBE (LE 12.2 billion) resulted from the increase in its net claims on the government and banks, and the decline in net balancing items. The CBE's net claims on the government went up by LE 29.2 billion (due to the pickup in its claims on the government by LE 32.2 billion, and in government deposits therewith by LE 3.0 billion). Moreover, the CBE's net claims on banks rose by LE 27.6 billion, because of the increase in its claims on banks by LE 27.4 billion (including a rise of LE 26.2 billion worth in foreign currency deposits at banks) and the drop in their foreign currency deposits at the CBE by LE 0.2 billion worth. Other net balancing items had a contractional effect of LE 44.6 billion on reserve money, owing to the LE 33.1 billion increase in the deposits accepted by the CBE under open market operations (for the purpose of monetary policy management), and the LE 11.5 billion drop in net unclassified assets and liabilities.

The rise of LE 1.4 billion worth in net foreign assets with the CBE was supported by the pickup in its foreign assets, due to the increase in the investments in foreign securities.

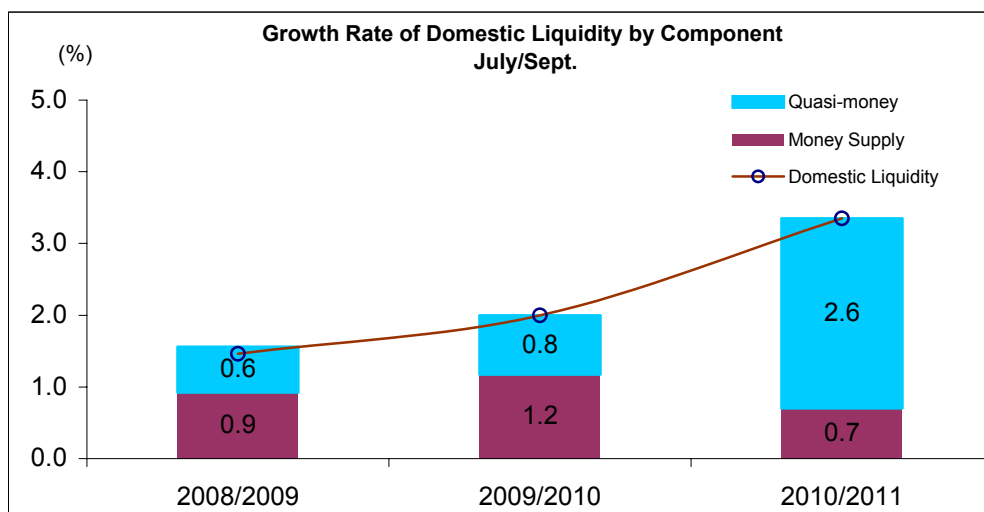
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### **2/1/3- Domestic Liquidity (M2) and Counterpart Assets**

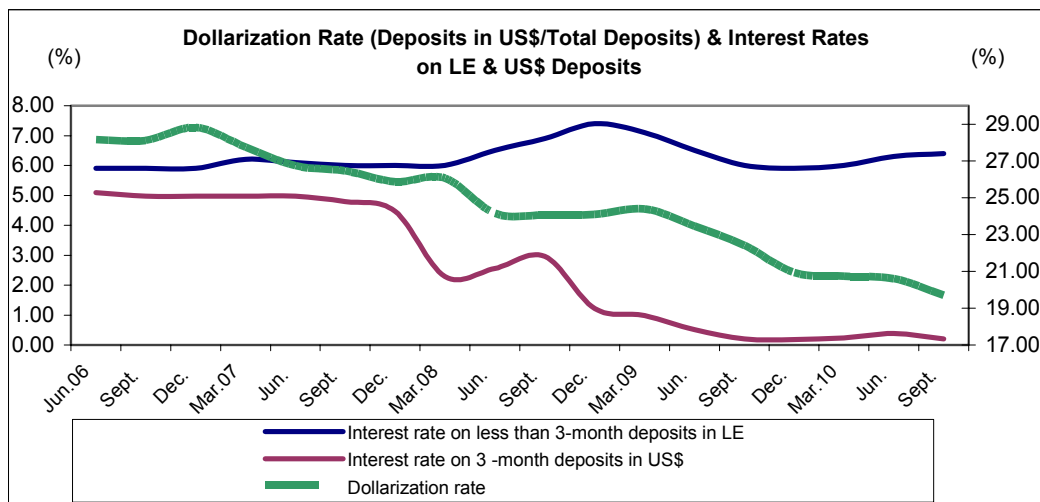
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Domestic liquidity reached LE 948.2 billion at end of Sept. 2010, up by LE 30.7 billion or 3.3 percent during July/Sept. 2010/2011 (against a rise of LE 16.6 billion and 2.0 percent a year earlier).

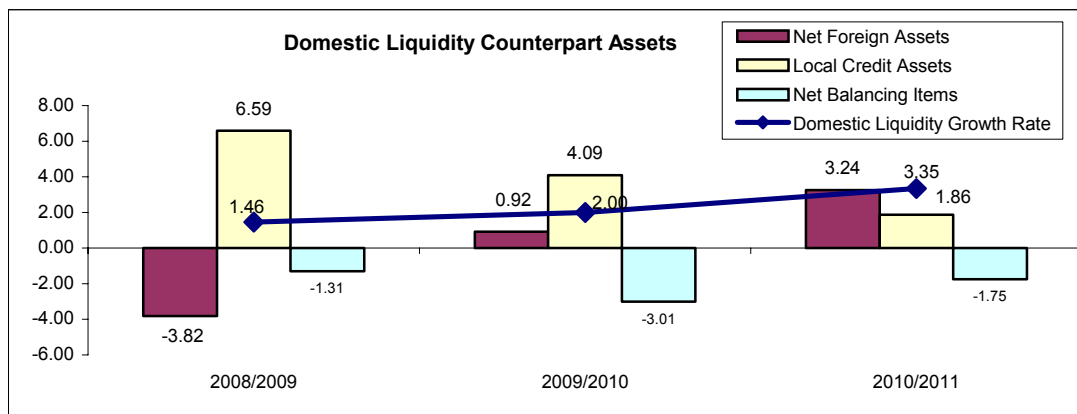


The rise in domestic liquidity reflected the growth of money supply and quasi-money. Money supply scaled up by LE 6.4 billion or 3.0 percent in the reporting quarter (against LE 9.8 billion and 5.3 percent), amounting to LE 220.5 billion or 23.3 percent of total domestic liquidity at end of Sept. 2010. The rise in money supply was the outcome of the pickup in the currency in circulation outside the banking system by LE 8.6 billion or 6.4 percent, and the fall in local currency demand deposits at banks by LE 2.2 billion or 2.7 percent.

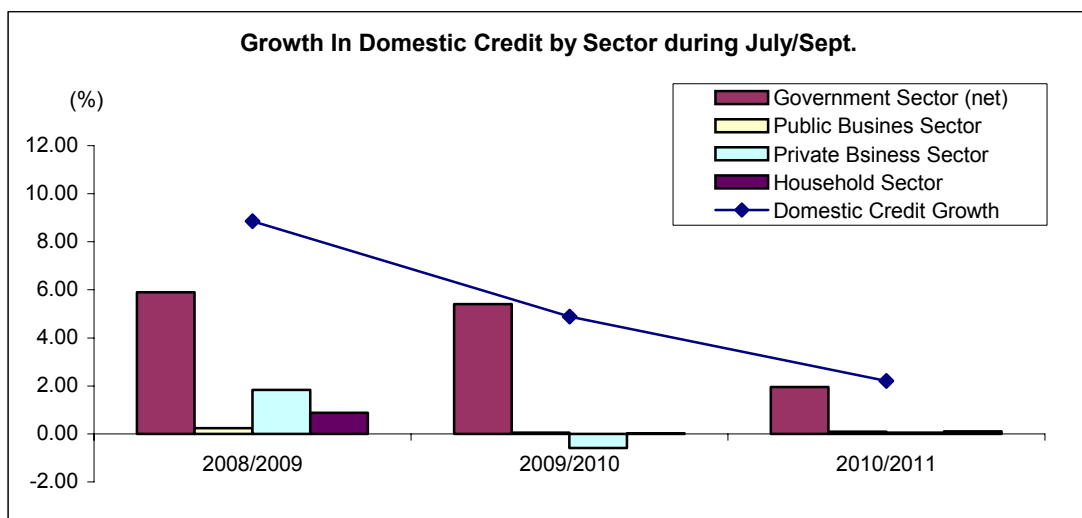
Quasi money went up by LE 24.3 billion or 3.5 percent during the period under review (against LE 6.8 billion and 1.1 percent), registering LE 727.7 billion or 76.7 percent of total domestic liquidity at end of Sept. 2010. The rise was a direct result of the step-up of LE 24.2 billion or 4.4 percent in LE time and saving deposits placed by all sectors. The deposits of the household sector accounted for almost two thirds of the increase (64.6 percent), showing a rise of LE 15.7 billion or 3.5 percent to LE 464.0 billion (representing 81.5 percent of total LE time and saving deposits, and 63.8 percent of total quasi-money) at end of Sept. 2010. On the other hand, the foreign currency deposits rose during the period by LE 42.0 million to LE 158.2 billion worth at end of Sept. 2010, driving down the ratio of foreign currency deposits to total deposits (dollarization) from 20.2 percent at end of June 2010, to 19.7 percent at end of Sept. 2010. That gave evidence of the propensity for saving in the Egyptian pound rather than foreign currencies. The main reason was the strengthened confidence in the efficient management of the forex market that reassured dealers about the stability of the LE exchange rate. Another factor was the higher interest rates on local currency deposits relative to the US dollar and other main currencies.



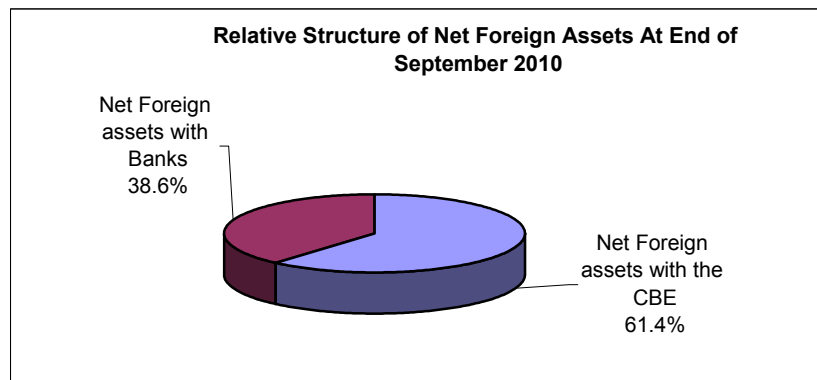
As for the contribution of the components of domestic liquidity to its growth, net foreign assets accounted for some 3.2 percentage points, compared with 0.1 point by net domestic assets. The rise in net domestic assets (LE 1.0 billion) stemmed from the pickup in domestic credit by LE 17.1 billion or 2.2 percent (against LE 34.0 billion and 4.9 percent in the period of comparison), standing at LE 792.3 billion at end of Sept. 2010. The rise in domestic credit was curbed by the increase in the negative balance of net balancing items by LE 16.1 billion or 11.5 percent, to LE 156.3 billion at end of Sept. 2010.



The major part of the increase in credit (88.9 percent) was attributed to the rise in net claims on the government by LE 15.2 billion or 4.7 percent (against LE 37.6 billion or 13.8 percent), reaching LE 341.3 billion, or 43.1 percent of total credit at end of Sept. 2010. The acceleration resulted from the increase in government borrowing by LE 20.9 billion, on the one hand, and the decline in banks' holdings of government securities and treasury bills by LE 2.2 billion, and the rise in government deposits at banks by LE 3.5 billion, on the other.



Credit to the household sector stepped up by LE 0.8 billion or 0.8 percent (against LE 0.1 billion and 0.2 percent), to LE 93.6 billion or 11.8 percent of total credit at end of Sept. 2010. Credit to the public business sector edged up by LE 0.7 billion or 2.5 percent, to LE 30.7 billion or 3.9 percent of the total. Moreover, credit to the private business sector rose by LE 0.4 billion or 0.1 percent (against a decline of LE 4.1 billion or 1.4 percent), amounting to LE 326.7 billion or 41.2 percent of total domestic credit at end of Sept. 2010. Consequently, credit to the private sector (private business and household sectors) picked up by LE 1.2 billion or 0.3 percent (against a fall of LE 4.0 billion or 1.0 percent in the period of comparison), reflecting signs of recovery from the adverse effects of the global financial crisis.



Net foreign assets at the banking system posted LE 312.2 billion worth at end of Sept. 2010, up by LE 29.7 billion worth or 10.5 percent during the period, against LE 7.7 billion worth or 3.0 percent a year earlier. The increase resulted from the pickup in net foreign assets at banks by LE 28.3 billion worth or 30.7 percent, and at the CBE by LE 1.4 billion worth or 0.7 percent.

### Change in Foreign Assets and Liabilities at the Banking System

(LE mn)

	<b>July/Sept. + (-)</b>			
	<b>2009/2010</b>		<b>2010/2011</b>	
	Value	Growth %	Value	Growth %
<b><u>Net Foreign Assets at the Banking System</u></b>	<b><u>7685</u></b>	<b><u>3.0</u></b>	<b><u>29736</u></b>	<b><u>10.5</u></b>
<b><u>Net Foreign Assets at the CBE</u></b>	<b><u>1602</u></b>	<b><u>0.9</u></b>	<b><u>1414</u></b>	<b><u>0.7</u></b>
- Foreign assets	9085	5.2	1449	0.7
- Foreign liabilities	7483	565.6	35	0.4
<b><u>Net Foreign Assets at Banks</u></b>	<b><u>6083</u></b>	<b><u>7.4</u></b>	<b><u>28322</u></b>	<b><u>30.7</u></b>
- Foreign assets	5691	5.2	35995	29.1
- Foreign liabilities	(392)	(1.4)	7673	24.4

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## **2/1/4- Payment Systems and Information Technology (IT)**

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The CBE made progress in the reinforcement and development of the infrastructure of payment systems, in view of its importance for the stability of the financial system. In this respect, the following achievements were made in July/Sept. 2010:

- The development of the operating systems (core banking and financial systems) is currently underway. An international bid was made for this purpose and offers were received from leading international companies. The project aims at raising the efficiency of the CBE's branches (including the Printing Press) and different departments and sectors. By facilitating the Ministry of Finance's access to its data and reports, with timeliness and accuracy, the aforementioned system will enable it to monitor - on a real time basis - the transactions that affect its accounts at the CBE. Moreover, the project aims to apply the international accounting standards.
- The CBE is in the process of developing the database of the banking sector units, by setting up a data warehouse conforming to the international standards. The warehouse is designed to help the different sectors of the CBE to have access to accurate and transparent reports, to be able to monitor the performance of the banking sector's units and make the appropriate decisions.
- The establishment of a permanent backup site for the CBE is on track, to be functional in emergencies as an alternative to the main center at El-Gomhoria building. This is intended to ensure the continuity of services, with accuracy and timeliness, taking into account that the backup site should meet international rules and standards. The site is to be located in the CBE building in Tanta, and a study was approved for this purpose. Moreover, the requisite procedures for implementing the project are underway, and offers are being received from specialized companies.
- Out of its keenness to secure the data of banks, to face the mounting risks associated with internet use and the provision of banking services via the internet, the CBE embarked on a project that obliges banks to identify and assess the weaknesses of the data network that serves the banking operations system and the CBE's website. Banks should also overhaul the design of their data security systems, and conduct penetration tests in cooperation with specialized companies. Under this project, banks must

present a plan proposing solutions to any detected weaknesses, in agreement with the specialized companies. Moreover, three respective reports are to be submitted by each bank to the CBE on the diagnosis and assessment of weaknesses; the remedial plan; and the penetration tests.

- The electronic “Auction Portal System” was introduced to automate the procedures of submitting offers for the auctions of treasury bills and bonds, and the CBE certificates of deposits (CDs). By virtue of this system, the primary and secondary dealers can bid online, according to specific regulations, via the secure and private data network whereby banks and the CBE are interlinked.
- The RTGS has been efficiently managed, thus allowing monthly settlements of roughly LE 1.0 trillion to be effected among banks.
- A noticeable progress was made to achieve the goal of the electronic payment of the salaries of government employees by smart cards, in cooperation with the Ministry of Finance. More than 800 thousand of e-cards were distributed to the recipients of salaries, and one million bank cards for pensioners, in addition to other one million and five hundred thousand cards to dispense pension payments from the outlets of the National Organization for Social Insurance.
- The Direct Credit service was officially operative in the Automated Clearing House (ACH), between banks in the Egyptian Banks Company (EBC) on the 1<sup>st</sup> of June 2010. The number of monthly transactions processed through this service is about 200 thousand, and a gradual increase is expected. Moreover, preparations for the launch of the Direct Debit service are under way. It is planned that the initial operation of this service will start at the beginning of the next year. By enabling the expansion of the electronic payment operations base, these services will help speed up money transfers among individuals, and in turn stimulate the economic performance.
- The CBE, in cooperation with the Ministry of Finance, has been working to shift to cashless (electronic) government payments, through banks in the ACH. This process is expected to be completed by the beginning of 2011, with the aim of improving the efficiency of government procedures and tightening control over government payment transactions.

- The development of Qasr El Nil building is in progress, with participation by the payment systems and information technology sector that has been assigned with the design and monitoring of the IT infrastructure of the building.

### **2/1/5- RTGS and SWIFT Local Services**

In the first quarter of 2010/2011, data on local banking transfers under the RTGS system, applied as of mid-March 2009, showed an increase in the number and value of executed messages, registering 316.7 thousand messages, at a value of LE 3802.1 billion (against 263.7 thousand messages, at a value of LE 2794.0 billion a year earlier).

#### **RTGS and SWIFT Local Services in Local Currency**

<b>July/Sept.</b>	<b>Number of Messages (Unit)</b>	<b>Value of Transfers (LE mn)</b>	<b>Change</b>	
			<b>Number</b>	<b>Value</b>
2008/2009	203069	741304	45962	3084
2009/2010	263660	2793983	60591	2052679
2010/2011	316691	3802138	53031	1008155

According to the statistics of the CBE Automated Clearing House; included in the RTGS since its operation; the number of exchanged cheques increased in the reporting period to 3.2 million from 3.1 million. Their total value went up to LE 154.1 billion from LE 135.8 billion. As a result, the average value per cheque rose to LE 48.3 thousand during the period, from LE 43.7 thousand a year earlier.

#### **CBE Automated Clearing House Activity**

<b>July/Sept.</b>	<b>Number of Cheques (Thousand)</b>	<b>Value of Cheques (LE mn)</b>	<b>Change %</b>	
			<b>Number</b>	<b>Value</b>
2008/2009	2860	138377	2.1	30.1
2009/2010	3106	135772	8.6	(1.9)
2010/2011	3193	154102	2.8	13.5

Transactions executed in foreign currencies under the Fin-Copy system, via SWIFT, showed a rise in number and value. The number of executed transactions reached 3.2 thousand at a value of US\$ 19.6 billion (against 2.5 thousand at a value of US\$ 14.1 billion).

### SWIFT Local Service Activity in US Dollar

July/Sept.	Number of Messages (Unit)	Value of Transfers (US\$ mn)	Change	
			Number	Value
2008/2009	3765	28963	527	4541
2009/2010	2532	14111	(1233)	(14852)
2010/2011	3179	19624	647	5513

## **2/2- Banking and Credit Developments**

### **2/2/1- Banking Reform**

Pressing forward with its banking reform plan, launched in September 2004, the Central Bank has completed the preparations for the second stage (2009 - 2011). This stage aims at raising the efficiency and soundness of the Egyptian banking sector, and enhancing its competitiveness and ability for risk management so that it can perform its role in financial intermediation in a way that serves the national economy, and achieve the targeted development. The reform plan is based on the following pillars:

- ❖ Preparing and implementing a comprehensive program for the financial and managerial restructuring of specialized state-owned banks (The Principal Bank for Development and Agricultural Credit, Egyptian Arab Land Bank, and Industrial Development and Workers Bank of Egypt). This step is expected to positively affect the performance of the said banks by the end of the second stage of the banking reform plan (2009-2011).
- ❖ Following up -on a periodic basis- the results of the first stage of the restructuring program of the National Bank of Egypt (NBE), Banque Misr (BM) and Banque du Caire (BdC), which revealed that the first stage of the reform plan (2004-2008) had already yielded fruit and positively affected their performance levels. This is in addition to the fulfillment, in the second stage, of all requirements for upgrading the efficiency of these banks in financial intermediation, risk management, human resources, and IT to ensure the continued improvement of their financial performance and competitiveness.
- ❖ Applying Basel II standards in Egyptian banks to enhance their risk management practices. In this context, a protocol had been signed with the European Central Bank and seven European central banks to provide a three-year technical assistance program launched in January 2009, to implement Basel II requirements in the Egyptian banking sector. It is worthy to note that the strategy of the CBE in implementing Basel II framework, which was announced for Egyptian banks and the relevant parties in an extensive meeting held in Oct. 2009, is based on the two main principles of simplicity and consultation with banks, to ensure banks' compliance with these standards. According to the above-said strategy, Basel II standards should be phased in over the following stages:

- **The first stage** (January 2009 - June 2009) focused on the capacity-building of the CBE's core team and elaboration on the Egyptian strategy for Basel II implementation. That stage was successfully completed.
  - **The second stage** (July 2009 - June 2011) - the pivotal stage of the reform plan - covers extensive coordination with the banking sector, through discussion papers related to the most important topics and selection of the most appropriate methods for application in Egypt, taking into consideration similar experiences in other countries that have implemented Basel II. Moreover, the quantitative impact of the possible consequences of Basel II standards will be measured before the mandatory application.
  - **The third stage** (July 2011 - December 2011) will focus on the fine tuning of future supervisory regulations related to Basel II, taking into account the legal aspects and development of corrective action plans commensurate with the different types of banks, according to the simulation results for each bank on a case-by-case basis. Also, a parallel run of existing regulations and Basel II will be applied upon issuance, and a new data warehousing framework will be implemented to support the future updated supervisory regime.
  - **The fourth stage** (implementation is under way) - A parallel run of Basel II and existing regulations concerning capital adequacy will be applied upon issuance. Moreover, the data warehousing framework will be completed.
- ❖ Adopting an initiative promoting the development and growth of banking activities/services catering and access to finance for various sectors, especially small- and medium-sized enterprises (SMEs). In this context, to encourage banking credit to small- and medium-sized enterprises (SMEs), the CBE exempted banks' deposits -equivalent to the size of loans extended thereby to finance SMEs- from the reserve requirement ratio (14 percent). It is noteworthy that poor access to adequate, timely and reliable statistical data and information is one of the main obstacles to the improvement and finance of small and medium-sized enterprises (SMEs). Hence, the Central Bank of Egypt and the Egyptian Banking Institute (EBI), in collaboration with the Central Agency for Public Mobilization and Statistics (CAPMAS), embarked on a field survey of small and medium-sized enterprises (SMEs)

covering all the governorates of Egypt, on the basis of the full count approach. The first stage, conducted in Al Sharqiya Governorate, had been completed, and in the light of its results, the survey was carried out in the rest of the governorates. Furthermore, the other nine governorates were surveyed up to Sept. 2010. According to the findings, a database will be set up and is to be periodically updated.

- ❖ Reviewing and strictly applying the international governance rules to the Egyptian banking sector and the CBE.

Preparations for the second stage of the banking reform plan have proceeded, after the first stage was successfully implemented. The first stage was centered on four pillars: (1) consolidation and privatization of the banking sector, (2) financial and managerial restructuring of state-owned banks, (3) addressing of the nonperforming loans issue, and (4) upgrading of the Supervision Sector at the CBE.

As for **the first pillar**, some voluntary and state-forced mergers took place, leading to a decrease in the number of banks operating in Egypt from 57 at the end of December 2004 to 39 banks at the end of December 2008. Under this plan, 80 percent of the stake of the Bank of Alexandria was sold to Italy's Sanpaolo Bank, besides the divestiture of the shareholdings of state-owned banks in a number of joint venture banks.

With respect to **the second pillar**, state-owned banks were restructured under a comprehensive and time-lined plan, designed by the Banking Reform Unit at the CBE. The plan was intended to reform the practices of all departments and technological systems, besides establishing new departments, particularly for risk management, information technology (IT), and human resources. To this end, a project on the application of the international best practices - implemented with the assistance of foreign consultants - was completed on time. In addition, a full audit of state-owned banks was conducted according to the international accounting standards, covering the years from 2004 to 2008. Finally, the recruitment of highly qualified banking cadres and leaderships at state-owned banks (with finance from the Banking Reform Fund) enabled those banks to push ahead with reform and development.

Concerning **the third pillar**, to address the problem of non-performing loans, the CBE's NPL Management Unit worked out a variety of approaches and programs that helped settle more than 90 percent of NPLs (excluding debts of the public business sector). With regard to the irregular debts of public business sector enterprises to public banks, about 62 percent was repaid in cash to the public commercial banks. As for the remaining debts (38 percent), an agreement was signed on 14/9/2009 whereby the in-kind repayment of the remaining debt was made by the end of June 2010.

A program for the reform of **the Supervision Sector** was devised to achieve the following targets: enhance the efficiency of this sector by benefiting from the international best practices, and apply the concept of risk-based supervision to ensure the sector's robustness and soundness. Furthermore, efforts were exerted to recruit highly qualified staff versed in advanced technology, enhance the efficiency of human cadres to be capable of managing this key sector, and upgrade the management information system (MIS) to ensure timely access to accurate data. In this context, a technical assistance program in collaboration with the European Central Bank (ECB) and four European central banks, was completed in the last quarter of 2007.

It is worthy to note that the successful and timely implementation of the first stage of the CBE's banking reform plan has helped this sector to weather the adverse effects of the global financial crisis.

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### **2/2/2- Supervision Sector**

The CBE is the authority in charge of bank supervision in Egypt, to ensure the soundness of banks' financial positions and evaluate their performance from the perspective of risk-based supervision. In addition, it ascertains banks' compliance with the established regulatory requirements, including the minimum reserve requirement and liquidity ratios, the maximum limits of a bank's exposure to a single customer, his related parties, and exposures abroad, as well as the asset-liability matching in terms of maturity and currency. This is in addition to a number of qualitative standards that ensure the soundness of banks' performance and the safety of depositors' funds, including corporate governance rules; information systems efficiency rules; and eligibility and competency criteria for the officials and managers of the key sectors at banks.

The implications of the financial crisis bore out that the instructions and reform policies adopted by the CBE to restructure banks, raise their capitals and strengthen their risk management systems were instrumental in containing the effects of this crisis. Moreover, the CBE had thoroughly monitored the financial crisis in Dubai, Greece, Ireland and some other countries in the euro area, so as to be capable of making immediate decisions - when necessary - to counteract the spillovers in due time. The CBE's Board of Directors issued a decision, on its session dated 22 June 2010, approving the regulations relating to the maximum exposure of banks operating in Egypt to their customers of financial institutions abroad.

The CBE issued other regulations that obliged each bank to specify the cash cover requirement for opening documentary credits; confirming the bills submitted under suppliers' credit; or issuing letters of guarantee to import commodities on behalf of traders for trading purposes; or on behalf of government entities. The minimum limit for the foreign exchange cover was fixed at 50 percent for each individual case, in accordance with the bank's credit policy and its customer case studies. In order to complete its role in supporting the national economy and satisfying the needs of the domestic market, the CBE made the following decisions:

The CBE permitted banks to exempt the importation of meat and poultry (all types) - on behalf of traders for the purpose of trading, or on behalf of government entities - from the minimum foreign exchange cover requirement (50 percent) for six months starting from October 2010. Accordingly, banks were entitled to set the cash cover at their sole discretion, unrestricted by a minimum limit. Moreover, banks shall comply with the CBE's credit regulations, and the results of credit studies conducted by each bank on its customers in this concern.

As for enhancing the framework of governance at the Egyptian banking sector, the CBE's Board of Directors approved - on its session dated 6 April 2004 - the competency criteria for chairmen, board members and executive managers of banks to make sure that they are qualified for their positions. Moreover, the Board agreed, on its session dated 24 November 2009, to modify these criteria by adding a new criterion stipulating that it shall be prohibited for any one to simultaneously occupy the two positions of a senior manager in one bank and a member of the board of directors of another bank. This shall only be applicable to future nominations, but an exception shall be made for any bank

entirely owned by the CBE. The criterion in question is intended to prevent any conflict of interests, in compliance with sound corporate governance practices. In addition, interviews should be made with the chairmen and their deputies, delegated members, executive board members of banks and the executive managers to ensure that they are eligible for the positions they are nominated for, with a focus on the occupants of risk- and compliance-related positions.

As for foreign nominees at banks (board members and executive managers), a regulatory control was set to the effect that the regulatory authority of the parent bank or that of the last bank where the nominees were employed should be consulted about their eligibility for the positions they are nominated for. In this context, about 18 nominees at banks were added and recorded in the register of banks during the period under review.

On the other hand, the modifications made to certain articles of the statute of four banks were recorded in the register of banks. This move came in the light of the provisions of Article No. 32/3 of Law No. 88 of 2003 of the Central Bank, the Banking Sector and Money, stipulating that the Governor of the Central Bank, following consent of the Board of Directors, shall approve the statute of a bank, as well as any modifications made thereto. In addition, the CBE is about to set regulations for the promotion of the products of real estate finance companies by banks and their branches.

The Egyptian Financial Supervisory Authority (EFSA) issued Decision No. (3) for 2010 concerning the regulation of the activities of depository banks and the issuance of Egyptian depository receipts. These regulations shall be applicable to banks that request license from the CBE to practice such activities.

In line with the policy of the CBE that promotes the growth and geographical expansion of banks by opening new branches nationwide, the applicable criteria for approving the establishment of new branches/agencies for banks were revised, with a view to organizing and simplifying the relevant procedures. Moreover, a number of guidelines were set for the applicant banks, that give due regard to the soundness of banks' financial positions, internal control systems, the efficiency of their information systems and capital adequacy to ensure that they can better face the risks arising from the expansion in their activities. In this context, 26 branches of 13 banks were recorded in the register of banks. Moreover, a foreign exchange bureau, affiliate to a single bank in Egypt, has been recorded in the register of banks.

The CBE is currently in the process of updating the rules of examining the documents required from the houses of expertise (that are qualified for participating in the evaluation of collaterals/guarantees provided to banks) to be listed in the register of houses of expertise at the CBE (63 houses of expertise were listed). This step is bound to raise the efficiency and effectiveness of the credit decisions made by banks to prevent the recurrence of the problem of nonperforming loans.

On the other hand, the auditors authorized to audit the financial statements of banks shall be registered in a special register, in conformity with specific criteria that ensure a satisfactory degree of efficiency and expertise.

Nowadays, banks have been eager to provide e-banking services to keep pace with the technological progress in this field. Such services are either traditional or innovative (effected via electronic networks) and had been regulated earlier by the rules issued by the CBE Board of Directors on 28 February 2002. More recently, on 2 February 2010, the CBE Board of Directors approved the regulations governing the operation of payment orders via mobile phones in Egypt. Furthermore, the CBE has proceeded with updating the rules of internet banking, so as to reduce the risks resulting from the provision of e-banking services. It is worth mentioning that three banks were licensed, during the period under review, to introduce electronic bill payment service via the ATM in cooperation with Fawry; Egypt's leading banking and payment technology services company.

The CBE allowed banks to participate in the establishment of mutual funds, regardless of the type, to cater for risk-averse investors who have cash money but lack the necessary experience, know-how, or time to invest in tools that yield good returns. Moreover, in order to encourage individuals to save, banks operating in Egypt have been allowed to issue saving systems of three year or more, with some privileges, to be able to raise their market interest rates above short-term interest rates.

To organize dealing in the foreign exchange market in Egypt and increase the savings received from workers abroad, the off-site supervision is conducted on foreign exchange dealer, and money transfer, companies in Egypt, according to the Law of the Central Bank, Banking System and Money.

In the field of tourism services, the CBE - in accordance with the above mentioned Law - provides license to the commercial stores in the free zones and tourism companies operating in Egypt, to deal in the foreign exchange to generate part of the national resources of foreign currencies and encourage tourism.

In pursuit of enhancing the efficiency and transparency of the credit registration system, the general department of credit risk pooling held an extensive meeting on 15 July 2010, attended by the deputy governor of supervision sector and bank officials, to discuss the data received by the department. The aim of the meeting was to pinpoint the problems and difficulties facing banks when sending data, and the preventive actions to be taken in this respect, to ensure that informed credit granting decisions be made. In conclusion, it was emphasized that a periodic meeting should be held with banks each 6 months to address such difficulties. The department continued to perform its assigned role (concerning on-site supervision over banks) through the inspection teams. A step forward in this direction was the inspection made recently on a number of banks, in accordance with the plan of the Supervision Sector. As for the statement on the finance and credit facilities granted by banks to customers, a study is being prepared at present with the aim of including more detailed items in the statement, on the basis of the type of guarantee, to enhance the availability of information on disbursed facilities.

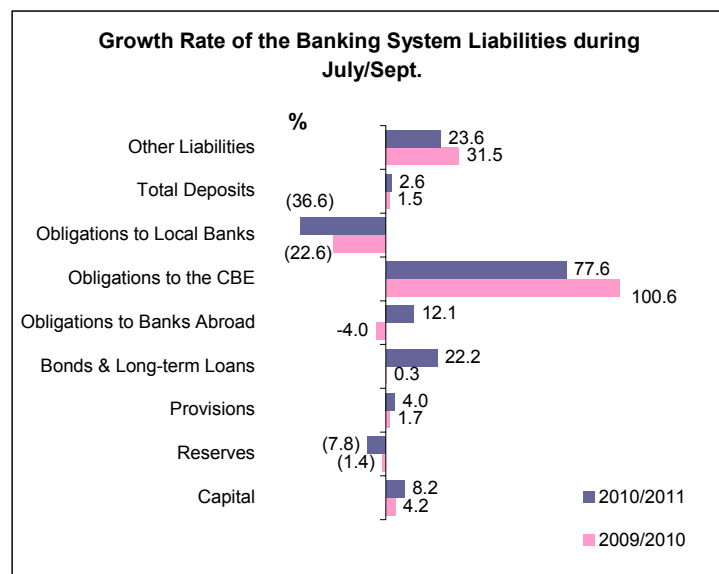
As regards **on-site supervision**, the Central Bank made progress with its 2010 plan for the inspection of the banking sector units (banks) and exchange dealer companies. Under this plan, the inspection is expected to cover as many banks as possible, and each bank is inspected annually (either in a comprehensive or a limited manner) according to the level of its risks and the quality of its products and activities. Moreover, an examination of certain aspects of specific bank customers has been under way, to help take immediate corrective actions as deemed necessary, needless of waiting for the full examination over these banks to be finished. In addition, the system of examination on the basis of specialization was adopted to enable the inspection of banks by inspectors specialized in the relevant activities (e.g. retail banking, market risks, IT, etc.). That approach makes inspection more effective and in-depth by providing a thorough profile of the risks of any inspected bank. In this context, a core team was formed to follow up and manage the IT systems in collaboration with off-site supervision. The aim is to identify risk areas at banks, especially those of high incidence, and monitor progress on the execution of corrective actions.

The inspection reports made lately have helped to upgrade the risk management framework in several banks and further the application of the international best practices in various fields. On the other hand, the Supervision Sector at the CBE continued to cooperate with the other supervisory and judicial authorities in resolving a number of money and banking issues. Moreover, the sector examines the complaints filed by bank customers and provides the required banking expertise.

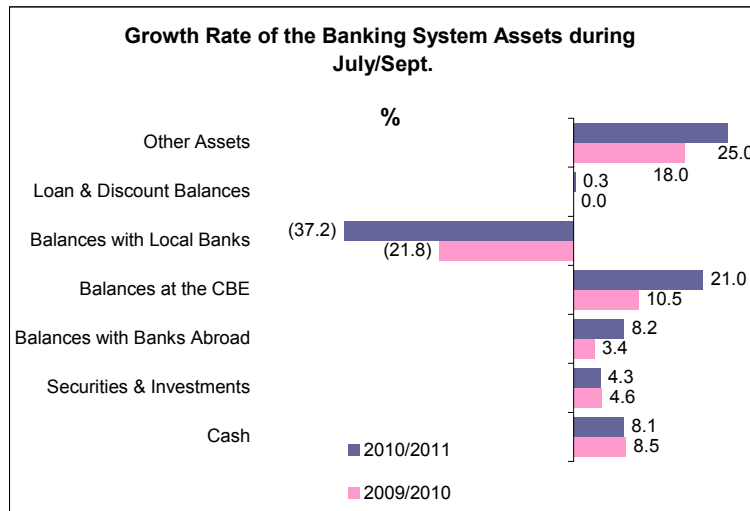
### **2/2/3- Overview of Banks' Aggregate Financial Position**

The aggregate financial position of registered banks operating in Egypt (39 in number) posted LE 1.3 trillion at end of September 2010, rising by LE 74.8 billion or 6.1 percent in July/Sept. 2010/2011 (against LE 41.8 billion and 3.8 percent a year earlier).

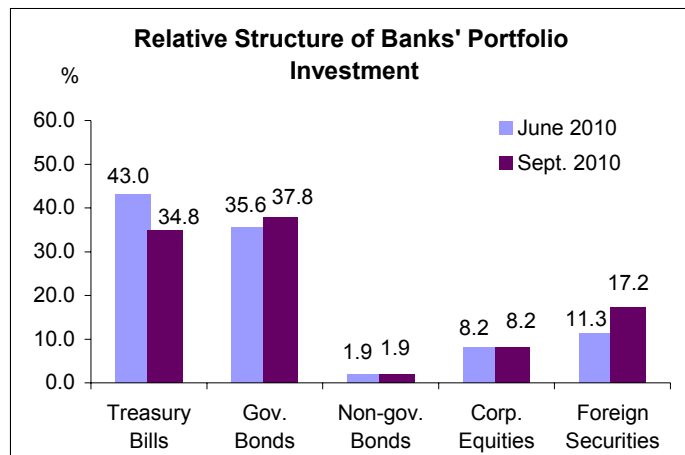
On the **liabilities side**, about one third of the rise stemmed from the pickup in deposits at banks by LE 23.3 billion or 2.6 percent. Obligations to local banks increased as well by LE 19.3 billion (reflecting the LE 26.5 billion rise in obligations to the CBE and the LE 7.2 billion decline in obligations to other banks). Increases were also seen in banks' provisions (by LE 2.8 billion or 4.0 percent) and their equities (by LE 1.6 billion). Likewise, other liabilities went up by LE 20.5 billion or 23.6 percent.



On the **assets side**, around 41.0 percent of the increase was ascribed to the surge of LE 30.7 billion in the balances with local banks (due to the rise in the balances at the CBE by LE 38.0 billion and the drop in those at other banks by LE 7.3 billion). Banks' investments in securities and bills augmented by LE 17.5 billion or 4.3 percent to LE 423.4 billion, representing 32.7 percent of the aggregate financial position of banks at end of September 2010. Balances with banks abroad also picked up by LE 4.7 billion worth or 8.2 percent. Likewise, lending and discount balances accelerated by LE 1.4 billion.



The increase in banks' investments in securities and bills during the period was attributed to the rise in their investments in foreign securities by LE 27.0 billion worth and in government bonds by LE 15.8 billion. Banks' investments in corporate equities were as modest as LE 1.4 billion. However, the increase in banks' investments was mitigated by the LE 27.0 billion drop in their TB investments.



**Interbank Transactions**  
**Transactions with Banks Abroad**

In July/Sept. 2010/2011, net transactions of local banks with correspondents abroad unfolded a rise in their net position by an amount equivalent to LE 2.2 billion or 6.0 percent, pushing up their net transactions to LE 39.3 billion worth at end of September 2010 (against LE 37.1 billion worth at end of June). The increase was ascribed to the pickup in their balances with banks abroad by the equivalent of LE 4.7 billion, on the one hand, and the rise in their obligations thereto by LE 2.5 billion worth, on the other hand.

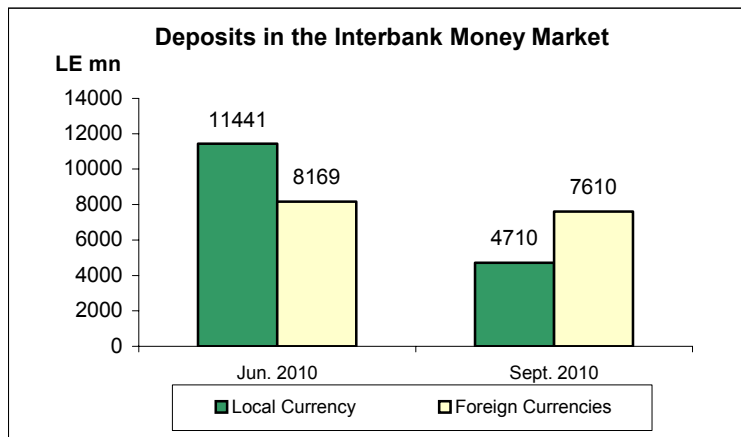
**Transactions with Banks Abroad**

(LE mn)

At End of	June <u>2009</u>	Sept. <u>2009</u>	June <u>2010</u>	Sept. <u>2010</u>	<u>Change during July/Sept.</u>			
					<u>2009/2010</u>		<u>2010/2011</u>	
					Value	%	Value	%
<b><u>Net Position</u></b>	<b><u>58925</u></b>	<b><u>62297</u></b>	<b><u>37066</u></b>	<b><u>39277</u></b>	<b><u>3372</u></b>	<b><u>5.7</u></b>	<b><u>2211</u></b>	<b><u>6.0</u></b>
Balances at banks abroad	77120	79758	57371	62049	2638	3.4	4678	8.2
Obligations to banks abroad	18195	17461	20305	22772	(734)	(4.0)	2467	12.1

**2/2/4- Interbank Transactions in Egypt**

The volume of transactions in the interbank money market (in terms of deposits) dropped by LE 7.3 billion or 37.2 percent during the reporting period (against a decline of LE 5.1 billion and 21.8 percent) totaling LE 12.3 billion at end of September 2010. The decline came on the back of the fall in both local and foreign currency deposits (by LE 6.7 billion and LE 0.6 billion worth, consecutively).



## 2/2/5- Deposits

Banks' deposits (including government deposits) grew by LE 23.3 billion or 2.6 percent in the reporting quarter (against LE 12.0 billion and 1.5 percent in the corresponding quarter), to stand at LE 915.8 billion or 70.7 percent of banks' aggregate financial position at end of September 2010. The increase was attributed to the pickup in local currency deposits by LE 22.9 billion or 3.3 percent (constituting 98.4 percent of the total increase in deposits) to reach LE 709.0 billion. The LE deposits accounted for more than three quarters (77.4 percent) of the total deposits at banks at end of September 2010. In the meantime, deposits in foreign currencies went up by only LE 0.4 billion worth or 0.2 percent, to LE 206.8 billion worth. That was indicative of the continued propensity for saving in Egyptian pound, driven by the continuing high interest rates on LE deposits as compared with other main currencies. Add to this the confidence in the efficient management of the foreign exchange market, which in turn dispelled concerns about the LE fluctuations.

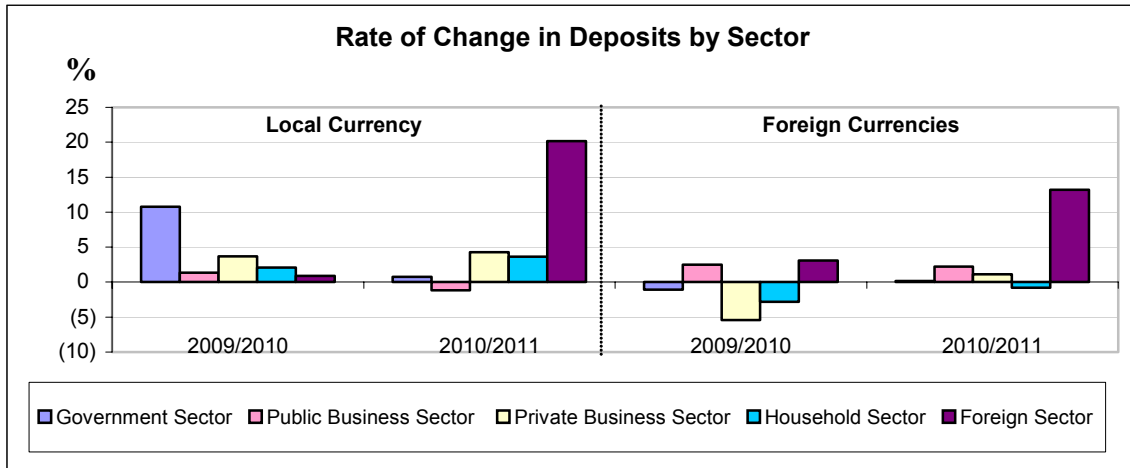
### Deposits at Banks by Sector

(LE bn)

End of	<u>Local Currency</u>		<u>Foreign Currencies</u>	
	June 2010	Sept. 2010	June 2010	Sept. 2010
<b><u>Total</u></b>	<b><u>686.1</u></b>	<b><u>709.0</u></b>	<b><u>206.4</u></b>	<b><u>206.8</u></b>
Government sector	58.5	58.9	45.6	45.7
Public business sector	32.8	32.4	6.5	6.6
Private business sector	114.4	119.3	54.9	55.5
Household sector	477.8	495.3	96.9	96.1
External sector	2.6	3.1	2.5	2.9

The household sector was the key contributor to the increase in **local currency deposits** (76.0 percent). Its deposits in local currency scaled up by LE 17.4 billion or 3.6 percent to LE 495.3 billion, thereby representing 69.9 percent of total LE deposits at end of September 2010. The deposits of the private business sector rose by LE 4.9 billion or 4.3 percent, while those of the public business sector declined by LE 0.4 billion.

The slight increase in **foreign currency deposits** was attributed to the augmentation in the deposits of the private business sector by the equivalent of LE 0.6 billion, of the external sector by LE 0.4 billion worth, and of the public business and government sectors by the equivalent of LE 0.1 billion for each. On the other hand, a decrease was seen in the household sector's deposits by LE 0.8 billion worth.



## 2/2/6- Lending Activity

Banks expanded their lending activity. Lending and discount balances grew by LE 1.4 billion, totaling LE 467.4 billion (36.1 percent of total assets and 51.0 percent of total deposits at end of September 2010). That increase was attributed to the rise in the balances granted in local currency by LE 1.8 billion or 0.6 percent. The increase could have been higher, but for the drop of LE 0.4 billion worth or 0.3 percent in the balances granted in foreign currencies.

### **Change in Bank Loans by Sector During July/Sept. 2010/2011**

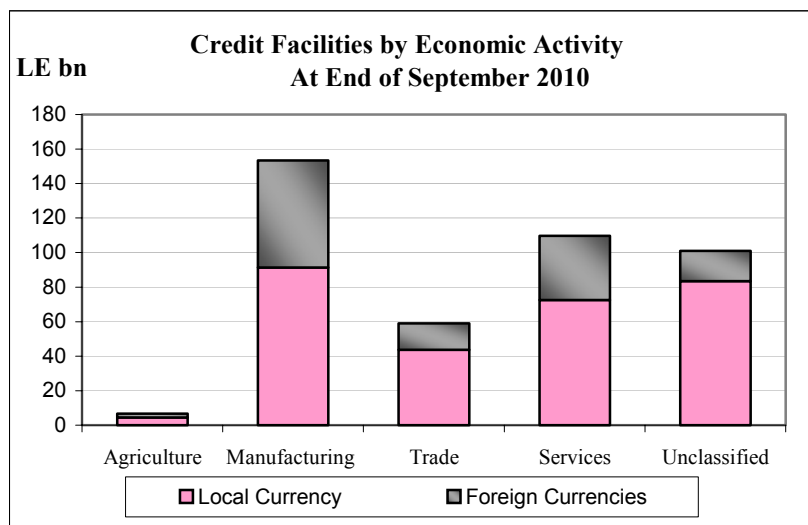
(LE mn)

	<u>Change</u>	
	Local Currency	Foreign Currencies
<b>Total</b>	<b>1834</b>	<b>(427)</b>
Government sector	3566	(5848)
Public business sector	867	(133)
Private business sector	(3175)	1827
Household sector	521	240
External sector	55	3487

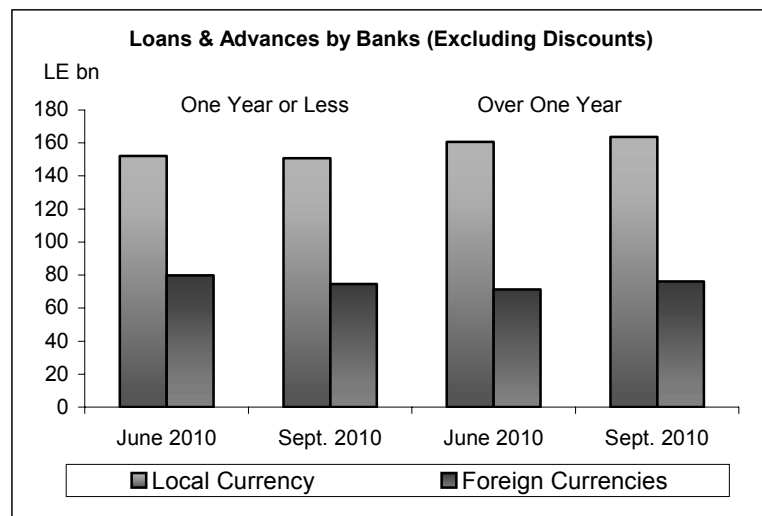
Breakdown of the increase in the lending and discount balances in **local currency** ran as follows: LE 3.6 billion or 23.2 percent of the increase went to the government sector (against LE 1.1 billion and 8.6 percent); LE 0.9 billion to the public business sector; and LE 0.5 billion to the household sector. However, loans extended to the private business sector declined by LE 3.2 billion or 1.7 percent (against a decline of LE 4.3 billion and 2.4 percent). That was partly attributed to the fact that under the continuous repercussions of the global financial crisis, banks have become more cautious when granting credit to this sector, to hedge against the potential risks.

On the other hand, the lending and discount balances in **foreign currencies** decreased by LE 0.4 billion worth or 0.3 percent (against a decline of LE 0.3 billion worth and 0.2 percent), to post LE 151.9 billion worth at end of September 2010. The decrease was attributed to the lower credit to the government sector by LE 5.8 billion worth or 24.4 percent, and to the public business sector by LE 0.1 billion worth or 1.5 percent. In contrast, credit to the external sector rose by LE 3.5 billion worth or 22.4 percent, to the private business sector by the equivalent of LE 1.8 billion, and to the household sector by LE 0.2 billion worth.

The relative distribution of local and foreign currency loans by economic activity, at end of September 2010, was as follows: 36.4 percent to the manufacturing sector, 26.0 percent to the services sector, 24.4 percent to the unclassified sectors (including the household sector), 11.9 percent to trade, and 1.3 percent to agriculture.



At end of September 2010, loans and advances (excluding discounts) - by maturity - registered LE 465.3 billion, up by LE 1.4 billion or 0.3 percent during the period under review. The increase was due to the pickup in long-term loans by LE 8.1 billion or 3.5 percent, reflecting the expansion in local and foreign currency loans by LE 3.2 billion and LE 4.9 billion worth, in order. In contrast, short-term loans (less than one year) declined by LE 6.7 billion or 2.9 percent, driven by lower local and foreign currency loans by LE 1.4 billion and LE 5.3 billion worth, in order.



### **3: Non-Banking Financial Sector\***

In July/Sept. 2010, EFSA proposed a draft amending some of the provisions of the Executive Regulations of the Capital Market Law No. 95 of 1992, regarding the re-regulation of the mutual funds in accordance with best practices. The amendments included: shortcutting the procedures of establishing a fund to one step; obliging management services companies to appoint specialists for evaluating the assets that are invested in the fund; submitting quarterly and other semi-annual and annual reports regarding the fund's performance; allowing the establishment of open-ended mutual funds whose component securities are included in one of the price indices in the stock markets, without being restricted by the percentages of investment allocation of the open-ended mutual funds that invest in stocks.

In order to set the supervisory regulations organizing the capital market, the EFSA proposed a draft of the basic standards of professional performance for securities financial advisors. Moreover, the EFSA announced the regulations set for applying Article (16) of the rules of listing and delisting of securities on the Egyptian Exchange. The regulations state that any company practising activity in the market has to provide the EFSA and the EGX with a briefing of the minutes of its board of directors' meetings, prior to the first trading session following such meetings. This shall be done in case these minutes embody a fundamental event that should be disclosed, without violating the confidentiality of the company's business.

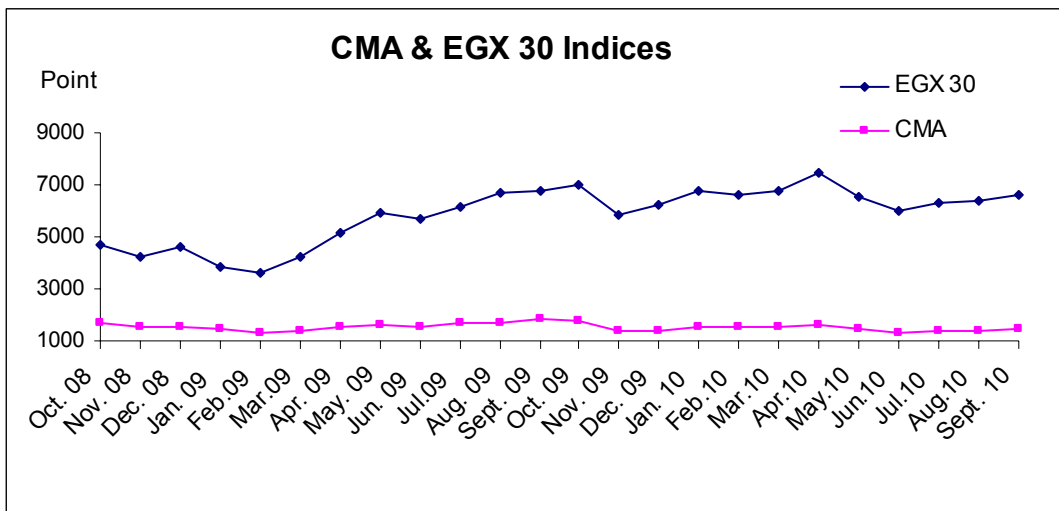
In light of the semi-annual periodical review carried out by the EGX over the constituent-companies of the benchmark index (EGX 30) to reflect the latest developments in the market, the EGX announced the delisting of 8 companies and the listing of other 8 in EGX 30. In addition, 18 companies listed in EGX 70 and 11 companies in EGX 100 were replaced. Likewise, some companies listed in sectors' indices were replaced as of the first trading session in August 2010.

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\* Source: The Egyptian Financial Supervisory Authority (EFSA), and monthly reports of the EGX

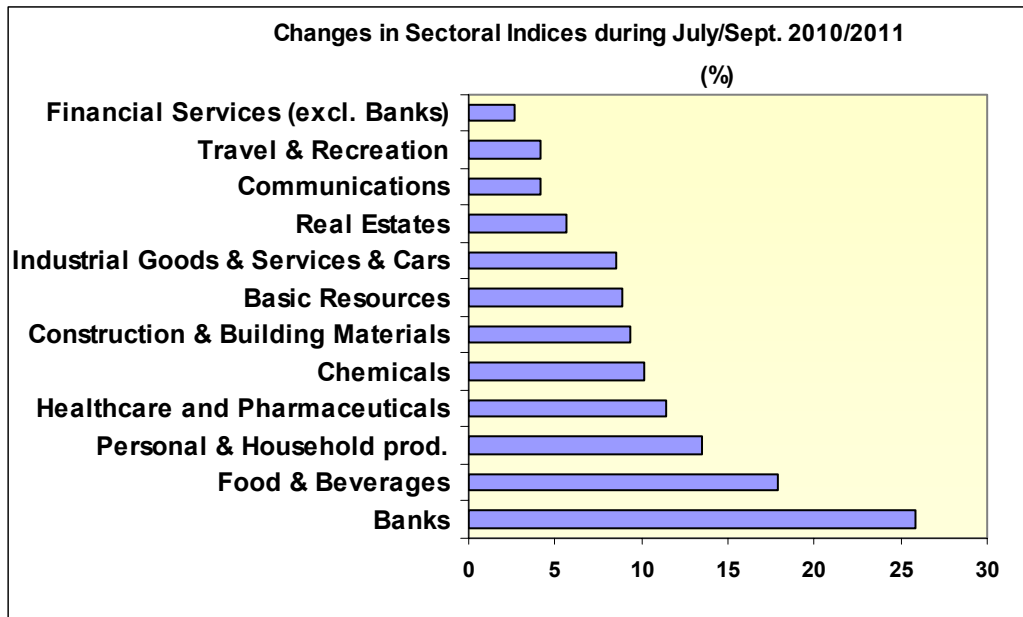
### 3/1- Stock Market

The EGX benchmark index (EGX 30) increased by 10.0 percent during the period under review, posting 6634.3 points at end of September 2010 (against 6033.1 points at end of June). The increase was helped by banks' positive performance and the announcement of some Egyptian companies that they had achieved profits in the first half of 2010 surpassing those realized in the same period of 2009. Despite the pickup in EGX 30, it remained lower than its level in September 2009 (6761.7 points). Moreover, EGX 70 and EGX 100 went up by 25.2 percent and 18.6 percent, recording 660.6 points and 1077.3 points, in order, at end of September 2010, against 527.7 points and 908.7 points at end of June 2010. Likewise, the CMA's index rose by 8.7 percent, posting 1445.1 points, against 1329.0 points.



### Sectoral Indicators

All sectoral indicators climbed in the first quarter of 2010/2011. The banking sector came on top, with a rise of 25.8 percent. Foodstuff and beverages came next at 17.9 percent, followed by personal and household products (13.5 percent). The financial services sector (excluding banks) recorded the lowest increase (2.7 percent) during the period.



As for **the primary market**, the number of new issues approved by EFSA during the period reached 750, at a total value of LE 15.3 billion (against 602 issues, at a total value of LE 11.4 billion in the previous corresponding period). Issues for new incorporations reached 477 in number, at a value of LE 2.4 billion, or 63.6 percent of total issues. Issues for capital increases reached 273, at a value of LE 12.9 billion or 84.1 percent of the total.

Regarding the listing on the EGX, the number of listed companies declined to 213 at end of September 2010, from 215 at end of June. In addition, the nominal capital of those companies increased by 4.0 percent, reaching LE 140.1 billion, against LE 134.7 billion. Their market capitalization also picked up by 9.2 percent to LE 447.9 billion at end of September 2010 (against LE 410.1 billion at end of June) supported by the increase in the prices of most shares on EGX.

During July/Sept. 2010/2011, the value of listed bonds increased by LE 21.6 billion, or 12.6 percent to some LE 193.3 billion at end of September 2010, against LE 171.7 billion at end of June. That was driven by the rise of LE 21.5 billion in the value of Egyptian treasury bonds (primary dealers) during the period, to register LE 181.3 billion or 93.8 percent of the total value of listed bonds at end of September 2010. Another contributing factor was the pickup of LE 0.2 billion in securitization bonds. In contrast, corporate bonds declined by LE 0.1 billion.

Concerning **the secondary market**, its three indicators (number of transactions, number of traded securities and their value) revealed a decline during the period under review, as compared with the corresponding period a year earlier. As such, the number of transactions declined by 45.8 percent, reaching 1679 thousand. Also, the number of traded securities (shares and bonds) scaled down by 1294 million papers, or 16.4 percent as compared with the corresponding period, posting 6592 million papers. Their value decreased as well by LE 24.8 billion or 29.5 percent, recording some LE 59.3 billion.

Share transactions accounted for the bulk of trading on the EGX during the period (72.3 percent of total transactions against 86.8 percent in the corresponding period). In the meantime, trading in bonds represented 27.7 percent (against 13.2 percent).

### Trading in Securities

July/September	2009/2010	2010/2011
<b><u>No. of Transactions (000)</u></b>	<b><u>3663</u></b>	<b><u>1984</u></b>
A- Shares, bonds and mutual funds' certificates (listed)	3458	1959
B- Shares, bonds and mutual funds' certificates (unlisted)	205	24
C- Small- and Medium- Enterprises Market (NILEX)*	-	1
<b><u>No. of Traded Securities (mn)</u></b>	<b><u>7886</u></b>	<b><u>6592</u></b>
A- Shares, bonds and mutual funds' certificates (listed)	6480	5978
B-Shares, bonds and mutual funds' certificates (unlisted)	1406	610
C- Small- and Medium- Enterprises Market (NILEX)*	-	4
<b><u>Value of Transactions (LE mn)</u></b>	<b><u>84122</u></b>	<b><u>59296</u></b>
A- Shares, bonds and mutual funds' certificates (listed)	77394	54697
B-Shares, bonds and mutual funds' certificates (unlisted)	6728	4554
C- Small- and Medium- Enterprises Market (NILEX)*	-	45

Source: EFSA - monthly reports of the EGX.

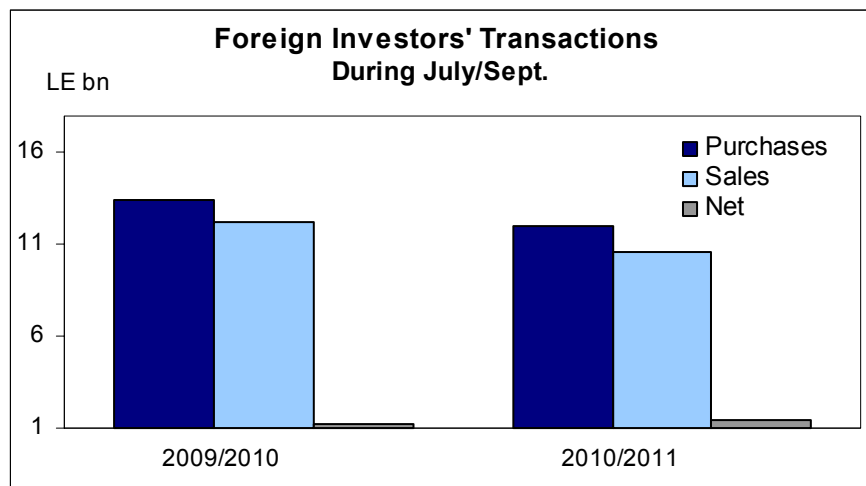
\* Trading on NILEX started on June 3, 2010.

As regards **the small and medium enterprises market (NILEX)**, where trading started on June 3, 2010, 6 new companies were listed on NILEX in the reporting period, bringing the number of listed companies to 16. The market capitalization of listed shares on NILEX amounted to LE 0.6 billion at end of September 2010, against LE 0.4 billion at end of June. The number of traded securities posted 3.8 million papers through 977 transactions, with a total value of LE 45.4 million during the first quarter of FY 2010/2011.

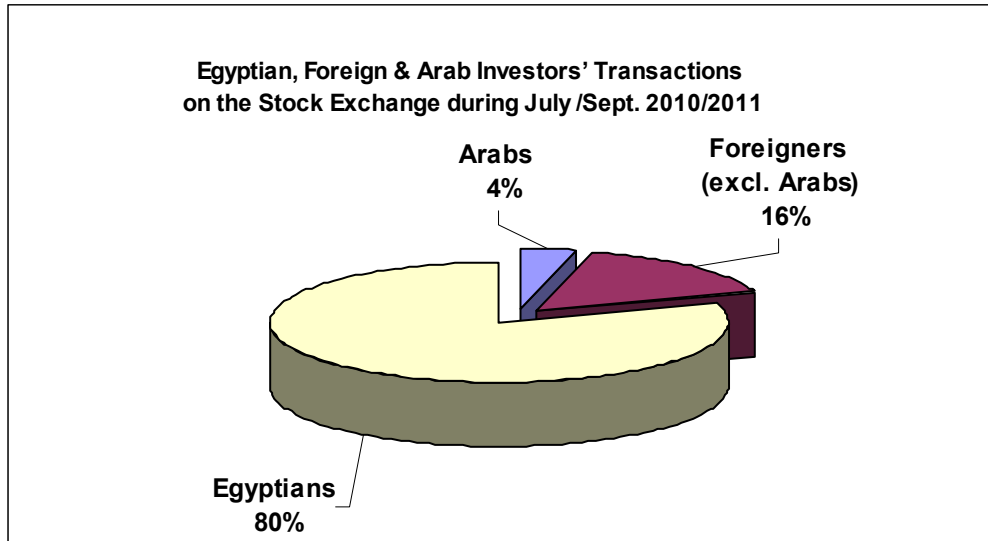
### **Foreigners' Transactions**

Foreigners' transactions on EGX declined during the reporting period, to stand at LE 22.6 billion (against LE 25.6 billion in the period of comparison). Their dealings unfolded net purchases of LE 1.4 billion (against LE 1.3 billion).

It is worthy noting that non-Arab foreigners' trading on the EGX unfolded net purchases of some LE 1.7 billion during the period under review, against LE 2.0 billion in the period of comparison. On the other hand, Arab transactions unfolded net sales of LE 144.9 million during the reporting period, against LE 776 million (excluding bargains).



Egyptian investors accounted for 80 percent of total transactions on the EGX during the period under review. Foreign investors (non-Arabs) accounted for 16 percent of the total, while Arab investors' dealings recorded 4 percent.



### 3/2- Mutual Funds

The number of mutual funds amounted to 70 at end of September 2010 (67 open-end and 3 close-end funds), against 57 funds at end of September 2009 (54 open-end and 3 close-end funds).

#### **4: Public Finance and Domestic Public Debt**

##### **4/1- Consolidated Fiscal Operations of the General Government**

The **fiscal policy** that shaped the public budget for FY 2010/2011, revealed the increase of public expenditure to LE 403.2 billion, up by LE 37.2 billion or 10.2 percent above the actual figures of the previous FY.

More than half of the estimated increase in total public expenditure (50.6 percent), is attributable to the rise of LE 18.8 billion or 26.1 percent in interest paid on public debt (especially domestic debt), to LE 91.1 billion. The estimated allocations for subsidy; grants; and social benefits registered LE 116.6 billion, with a rise of LE 13.6 billion or 13.2 percent over the actual figures of the preceding FY, thus accounting for 36.7 percent of the increase in total public spending. Moreover, the estimates of wages and compensations of employees mounted by LE 9.9 billion or 11.6 percent, posting some LE 95.3 billion. Conversely, budget investment spending decreased by LE 8.2 billion or 17.0 percent below the executed investments of FY 2009/2010.

Public revenues were projected to pick up by LE 17.7 billion or 6.6 percent, compared with the actual figure a year earlier, to post some LE 285.8 billion.

Hereunder are the estimates of the consolidated fiscal operations of the general government for FY 2010/2011, and the actual follow-up results of their execution in the first quarter of the said year:

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#### **4/1/1- Estimates of the Consolidated Fiscal Operations of the General Government**

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##### **Budget Sector**

Revenues of the budget sector for FY 2010/2011 are estimated at LE 285.8 billion (20.7 percent of GDP). Tax revenues were estimated at about LE 200.4 billion or 70.1 percent of the total budgeted revenues, including LE 88.7 billion from the collected taxes on income and business profits, that stood for 44.2 percent of total taxes revenues. The oil sector was projected to generate LE 35.8 billion or 40.3 percent of the taxes on income and business profits, and the

rest would come from taxes on individual income and companies and the Suez Canal Authority. Taxes on goods and services were projected to generate LE 80.9 billion or 40.4 percent of the total tax revenues, and customs receipts LE 15.5 billion or 7.7 percent.

The other revenues (mainly property income; the selling proceeds of goods and services; financial investments and other miscellaneous taxes) totaled LE 80.2 billion or 28.1 percent of the total estimated revenues.

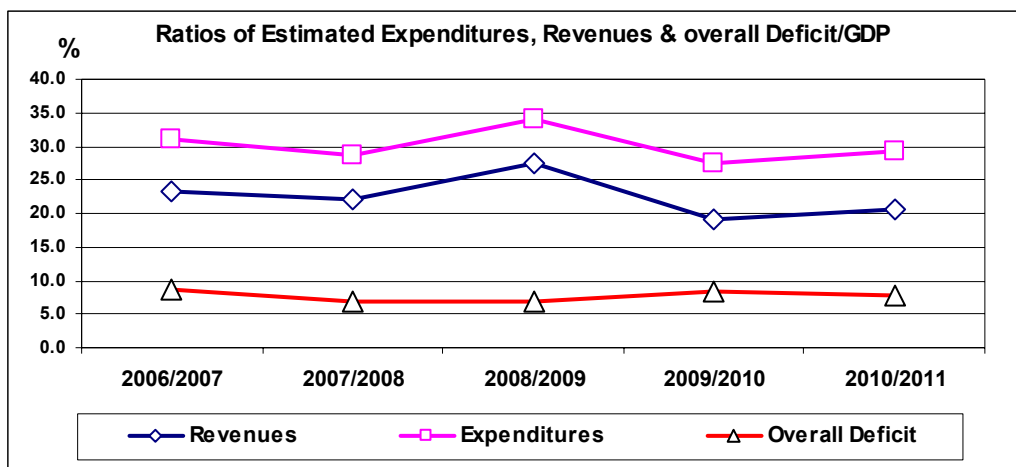
On the other hand, expenditures were estimated at LE 403.2 billion (29.3 percent of GDP). Wages and compensations of civil servants in the government absorbed LE 95.3 billion or 23.6 percent of total spending (including all annual raises and incentives). Interest payments on external and domestic public debts were estimated at LE 91.1 billion or 22.6 percent of total expenditures. Subsidy appropriations for oil products were estimated at LE 67.8 billion or 16.8 percent of total expenditures, and for supply commodities at LE 13.6 billion or 3.4 percent. Other subsidy allocations in the amount of LE 20 billion were directed to electricity (LE 6.3 billion); export promotion (LE 4.0 billion); farmers (LE 2.2 billion); low-cost housing (LE 1.0 billion); passenger transport (LE 0.9 billion); interest payments on concessional lending (LE 0.8 billion); student health insurance (LE 0.4 billion); industrial production (LE 0.4 billion); Upper Egypt development (LE 0.2 billion); and other miscellaneous items. Moreover, grants and social benefits were estimated at LE 5.1 billion and LE 6.3 billion, consecutively.

Investments of the administrative system, local administration and service authorities stepped down by 17.0 percent to LE 40.1 billion, mostly earmarked for infrastructure projects, as well as education and health services.

### State Budget Sector

	(LE mn)			
	2007/08	2008/09	2009/10	2010/11
	Actual	Actual	Actual	Estimates
Total revenues	221404	282505	268114	285810
Total expenditures	282290	351500	365987	403168
Cash deficit	60886	68995	97873	117358
Net acquisition of financial assets	236	2831	165	-8283
Overall deficit	61122	71826	98038	109075
Primary deficit	10594	19016	25705	17932

Against this background, the cash deficit was estimated at LE 117.4 billion (8.5 percent of GDP) in FY 2010/2011, and net acquisition of financial assets at negative LE 8.3 billion. Accordingly, the overall budget deficit was projected to reach LE 109.1 billion (7.9 percent of GDP). On the other hand, the primary budget deficit was estimated at LE 17.9 billion (only 1.3 percent of GDP). Evidently, interest payments on the domestic and external public debt (LE 91.1 billion or 21.5 percent of total government spending) have weighed heavily on the budget deficit, given that interest payments on domestic debt accounted alone for LE 86.6 billion.



In FY 2010/2011, finance for the overall budget deficit, along with some miscellaneous external and domestic repayments, were expected to be funded by banking and non-banking domestic sources (LE 53.2 billion and LE 65.3 billion, respectively).

### **Budget Sector, NIB and SIFs**

Adding the fiscal operations of SIFs and NIB to the budget sector's, total revenues would reach LE 322.7 billion, and total expenditures LE 438.6 billion. Likewise, the cash deficit was expected to hit LE 115.9 billion (8.4 percent of GDP). With the addition of the estimated net acquisition of financial assets (LE 5.8 billion) to the cash deficit, the overall deficit would swell to LE 110.1 billion or 8.0 percent of GDP.

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## 4/1/2- Follow-up of the Execution of the Consolidated Fiscal Operations of the General Government in July/Sept. 2010

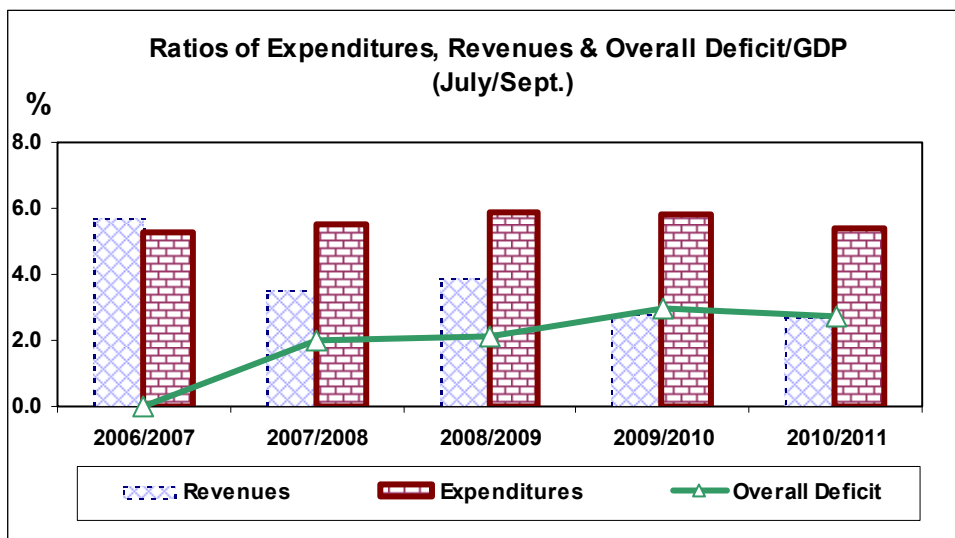
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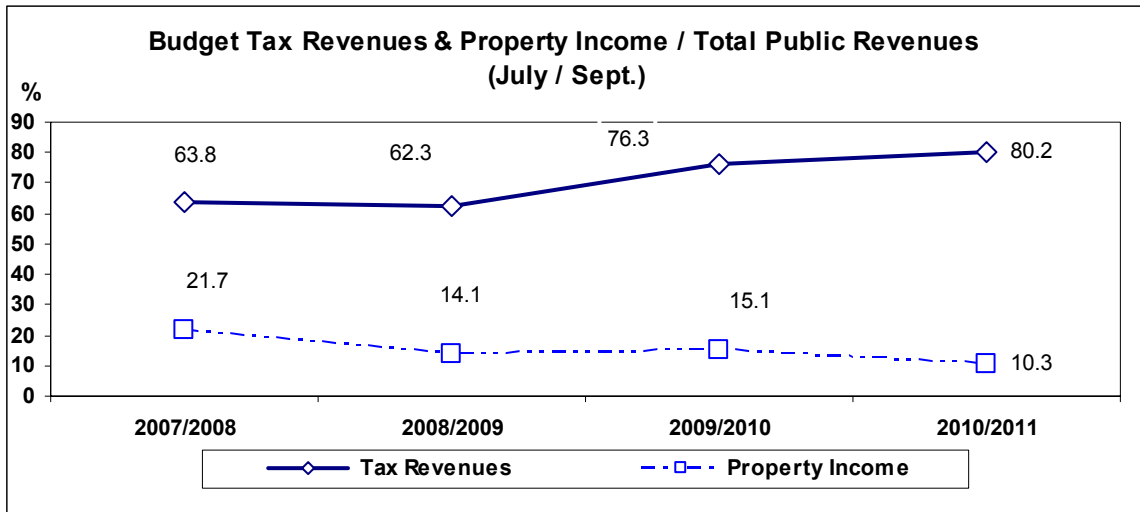
### Budget Sector

According to the actual figures of the budget sector during July/Sept. 2010/2011, collected revenues reached some LE 36.8 billion, total expenditures LE 74.3 billion, and net acquisition of financial assets a negative LE 0.3 billion. Therefore, the overall budget deficit posted LE 37.2 billion (2.7 percent of GDP) in the period under review.

Public revenues registered LE 36.8 billion (2.7 percent of GDP), with a rise of some LE 3.7 billion or 11.4 percent above the period of comparison (against a decline of LE 9.6 billion or 22.6 percent).



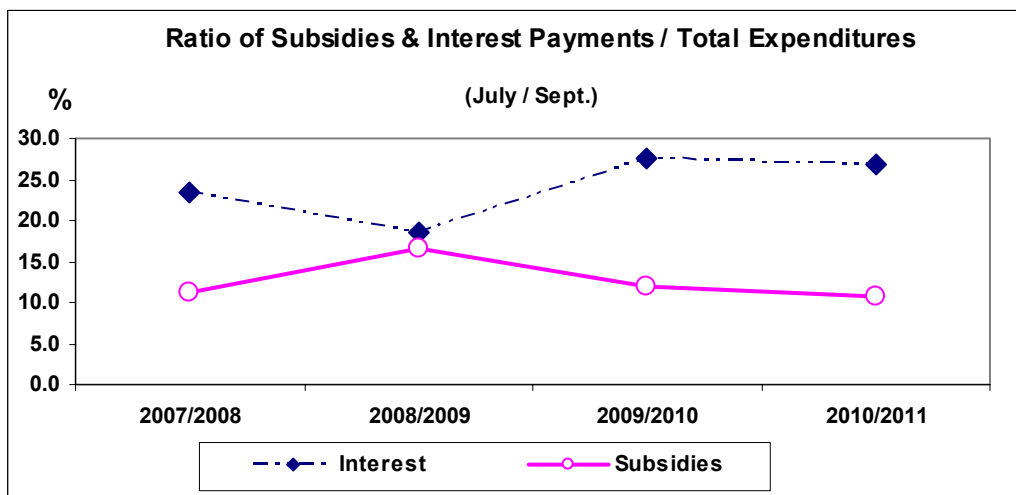
Tax revenues escalated by LE 4.3 billion or 17.2 percent of total revenues (against a drop of LE 1.4 billion or 5.1 percent), recording LE 29.6 billion. This rise was ascribed to the increase in taxes on goods and services by LE 2.5 billion, earnings from taxes on income and business profits by LE 0.5 billion, customs receipts by LE 0.4 billion, and taxes on property LE 0.9 billion. The higher revenues of taxes on property can be traced to the increased tax earnings from treasury bills and bonds that have been included lately under taxes on property in 2009/2010 budget.



Furthermore, grants from foreign governments edged up by LE 0.3 billion, while property income scaled down by LE 1.2 billion.

The follow-up results of the budget sector's actual execution in the first quarter of 2010/2011 denoted that total budget expenditures rose by LE 6.0 billion or 8.7 percent, standing at LE 74.3 billion (5.4 percent of GDP).

Defense outlays surged by LE 2.9 billion or 48.5 percent, swallowing a considerable part of the increase in expenditures (48.9 percent). Rising by LE 1.6 billion or 8.2 percent, wages and compensations for employees absorbed the major part of 60 percent of total revenues and 31.6 percent of total current spending of the government.



It is inescapable to say that the budget was overburdened with public debt interest payments, taking into account their rise by LE 1.1 billion or 5.7 percent to LE 19.9 billion (29.6 percent of the total current spending of the government). Also, subsidies, grants and social benefits reached LE 12.5 billion, up by LE 1.1 billion or 9.7 percent, including 23.0 percent for the promotion of exports and 15.0 percent for low-cost housing and health insurance.

On the other hand, declines were observed in some items, especially investments (down by LE 0.8 billion to LE 7.0 billion), after the government had discontinued the fiscal stimulus packages under which funds were injected to boost the domestic market during the past couple of fiscal years. Likewise, purchases of goods and services decreased by LE 0.2 billion, amounting to LE 3.7 billion.

In the light of the above mentioned developments, the overall fiscal deficit widened by LE 2.2 billion to LE 37.2 billion (2.7 percent of GDP) during the reporting period, against LE 35.0 billion (3.0 percent of GDP) in the period of comparison. The budget deficit was mainly financed by local sources, especially subscriptions for treasury bills and bonds; while external sources covered only LE 3.9 billion.

### **Budget Sector, NIB and SIFs**

After adding the fiscal operations of the NIB and SIFs to those of the budget sector, revenues would total LE 43.7 billion (3.2 percent of GDP), up by 18.7 percent.

**Execution of the Consolidated Fiscal Operations  
of the General Government  
(Budget Sector, NIB and SIFs)  
(Total Revenues)**

(LE bn)

	<b>July/Sept. 2010/2011</b>					
	Budget Sector	Relative Structure %	Execution Ratio/Total Estimates for the Year %	Budget Sector, NIB & SIFs	Relative Structure %	Execution Ratio/Total Estimates for the Year %
<b>Total Revenues</b>	<b><u>36.8</u></b>	<b><u>100.0</u></b>	<b><u>12.9</u></b>	<b><u>43.7</u></b>	<b><u>100.0</u></b>	<b><u>13.5</u></b>
<b>Tax Revenues</b>	<b><u>29.6</u></b>	<b><u>80.2</u></b>	<b><u>14.7</u></b>	<b><u>29.6</u></b>	<b><u>67.6</u></b>	<b><u>14.7</u></b>
Taxes on income and profits	7.6	20.5	8.5	7.6	17.3	8.5
The EGPC	0.0	0.0	0.0	0.0	0.0	0.0
The SCA	2.0	5.4	18.8	2.0	4.6	18.8
The CBE	0.0	0.0	0.0	0.0	0.0	0.0
Other entities	2.3	6.2	10.0	2.3	5.2	10.0
Payable by individuals	3.3	8.9	16.9	3.3	7.5	16.9
Taxes on property	2.7	7.2	21.5	2.7	6.1	21.5
Taxes on goods and services	15.7	42.6	19.4	15.7	35.9	19.4
Taxes on international trade (customs)	3.4	9.3	22.0	3.4	7.8	22.0
Other taxes	0.2	0.6	8.4	0.2	0.5	8.4
<b>Grants</b>	<b><u>0.0</u></b>	<b><u>0.1</u></b>	<b><u>0.8</u></b>	<b><u>0.0</u></b>	<b><u>0.1</u></b>	<b><u>0.8</u></b>
<b>Other Revenues</b>	<b><u>7.2</u></b>	<b><u>19.7</u></b>	<b><u>9.0</u></b>	<b><u>14.1</u></b>	<b><u>32.4</u></b>	<b><u>12.1</u></b>
Property income	3.8	10.3	7.1	4.7	10.6	7.7
Selling proceeds of goods and services	2.4	6.4	15.9	2.3	5.4	15.9
Financial investments	0.5	1.5	7.1	0.5	1.2	7.1
Others	0.5	1.5	12.8	6.6	15.1	19.3

Source: Ministry of Finance.

Percentages are calculated in terms of LE million.

Expenditures also rose by 13.0 percent above the period of comparison, posting LE 83.9 billion or 6.1 percent of GDP.

**Execution of the Consolidated Fiscal Operations  
of the General Government  
(Budget Sector, NIB and SIFs)  
(Total Expenditures)**

(LE bn)

<u>July/Sept. 2010/2011</u>						
	Budget Sector	Relative Structure %	Execution Ratio / Total Estimates for the Year %	Budget Sector, NIB & SIFs	Relative Structure %	Execution Ratio /Total Estimates for the Year %
<b><u>Total</u></b>						
<b><u>Expenditures</u></b>	<b><u>74.3</u></b>	<b><u>100.0</u></b>	<b><u>18.4</u></b>	<b><u>83.9</u></b>	<b><u>100.0</u></b>	<b><u>19.1</u></b>
<b><u>Wages &amp; Compensations of Employees</u></b>	<b><u>21.3</u></b>	<b><u>28.6</u></b>	<b><u>22.3</u></b>	<b><u>21.5</u></b>	<b><u>25.7</u></b>	<b><u>22.3</u></b>
<b><u>Purchases of Goods &amp; Services</u></b>	<b><u>3.7</u></b>	<b><u>5.0</u></b>	<b><u>12.8</u></b>	<b><u>4.0</u></b>	<b><u>4.8</u></b>	<b><u>13.7</u></b>
<b><u>Interest</u></b>	<b><u>19.9</u></b>	<b><u>26.8</u></b>	<b><u>21.9</u></b>	<b><u>17.2</u></b>	<b><u>20.5</u></b>	<b><u>21.0</u></b>
<b><u>Subsidies, Grants &amp; Social Benefits</u></b>	<b><u>12.5</u></b>	<b><u>16.9</u></b>	<b><u>10.7</u></b>	<b><u>24.2</u></b>	<b><u>28.9</u></b>	<b><u>15.2</u></b>
Subsidies	7.9	10.7	7.8	7.9	9.5	7.8
Grants	1.7	2.3	32.9	1.7	2.0	32.9
Social benefits	2.7	3.6	42.9	14.4	17.2	29.3
Others	0.2	0.3	5.0	0.2	0.2	5.0
<b><u>Other Expenditures</u></b>	<b><u>9.9</u></b>	<b><u>13.3</u></b>	<b><u>31.8</u></b>	<b><u>9.9</u></b>	<b><u>11.8</u></b>	<b><u>31.8</u></b>
<b><u>Purchases of Non- Financial Assets (Investments)</u></b>	<b><u>7.0</u></b>	<b><u>9.4</u></b>	<b><u>17.4</u></b>	<b><u>7.0</u></b>	<b><u>8.3</u></b>	<b><u>17.4</u></b>

Source: Ministry of Finance.

Percentages are calculated in terms of LE million.

The cash deficit of the consolidated fiscal operations of the general government in the relevant period reached LE 40.2 billion. By adding the net acquisition of financial assets (a negative LE 2.1 billion) to the cash deficit, the overall deficit would post LE 38.2 billion (2.8 percent of GDP), constituting 34.6 percent of the overall deficit estimated for the whole year.

**Execution of the Consolidated Fiscal Operations  
of the General Government  
(Budget Sector, NIB and SIFs)  
(Cash and Overall Deficit/Surplus & Financing Sources)**

(LE bn)

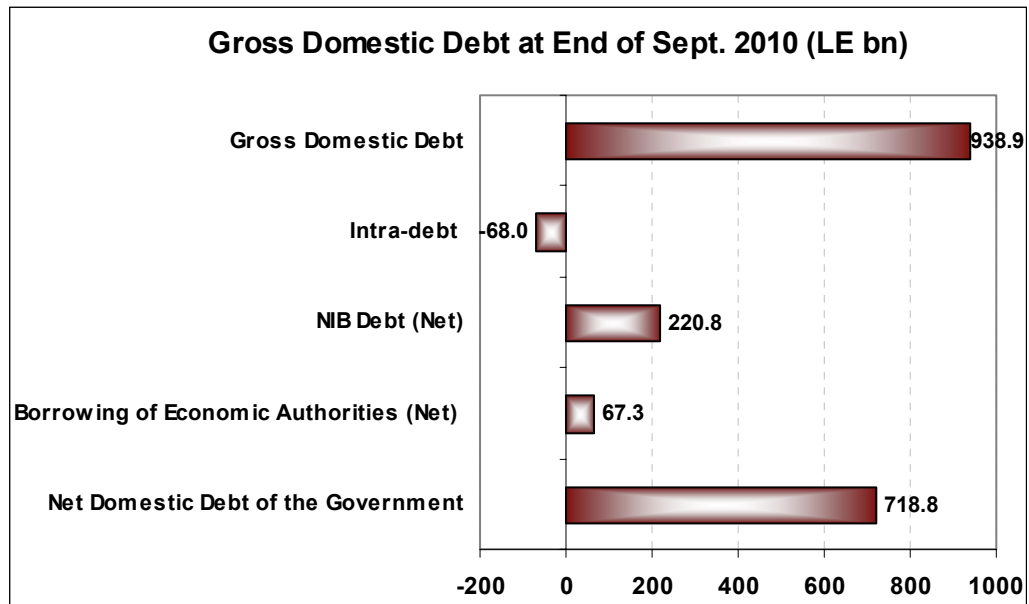
	<u>July/Sept. 2010/2011</u>					
	Budget Sector	Relative Structure %	Execution Ratio / Total Estimates for the Year %	Budget Sector, NIB & SIFs	Relative Structure %	Execution Ratio /Total Estimates for the Year %
<b><u>Total Revenues</u></b>	<b><u>36.8</u></b>		<b><u>12.9</u></b>	<b><u>43.7</u></b>		<b><u>13.5</u></b>
<b><u>Total Expenditures</u></b>	<b><u>74.3</u></b>		<b><u>18.4</u></b>	<b><u>83.9</u></b>		<b><u>19.1</u></b>
Cash deficit	37.5		31.9	40.2		34.7
Net acquisition of financial assets	-0.3		3.5	-2.1		35.7
<b><u>Overall Deficit</u></b>	<b><u>37.2</u></b>		<b><u>34.1</u></b>	<b><u>38.1</u></b>		<b><u>34.7</u></b>
<b><u>Finance Sources</u></b>	<b><u>37.2</u></b>	<b><u>100.0</u></b>	<b><u>34.1</u></b>	<b><u>38.1</u></b>	<b><u>100.0</u></b>	<b><u>34.7</u></b>
<b><u>Domestic Finance</u></b>	<b><u>55.0</u></b>	<b><u>147.7</u></b>	<b><u>46.4</u></b>	<b><u>52.1</u></b>	<b><u>136.4</u></b>	<b><u>43.6</u></b>
Banking finance	17.8	47.7	33.4	19.8	51.8	41.7
Non-banking finance	37.2	100.0	57.0	32.3	84.6	44.8
<b><u>Blocked Account Used in Amortizing Part of the</u></b>						
<b><u>CBE Bonds</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>
<b><u>External Borrowing</u></b>	<b><u>3.9</u></b>	<b><u>10.5</u></b>	<b><u>-40.8</u></b>	<b><u>3.9</u></b>	<b><u>10.3</u></b>	<b><u>40.8</u></b>
<b><u>Others</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>14.3</u></b>	<b><u>3.7</u></b>	<b><u>9.8</u></b>	<b><u>559.5</u></b>
<b><u>Revaluation Differences</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>
<b><u>Net Privatization</u></b>						
<b><u>Proceeds</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.1</u></b>	<b><u>0.0</u></b>
<b><u>The Difference between the TBs Face &amp; Present Value</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.1</u></b>	<b><u>0.0</u></b>
<b><u>Foreign Debt Reclassification Diff. and Related FX Diff.</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>-4.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>
<b><u>Discrepancy</u></b>	<b><u>-21.7</u></b>	<b><u>-58.2</u></b>	<b><u>0.0</u></b>	<b><u>-21.6</u></b>	<b><u>-56.7</u></b>	<b><u>0.0</u></b>

Source: Ministry of Finance.

Percentages are calculated in terms of LE million.

#### 4/2- Domestic Public Debt

During the period of July/September 2010/2011, **domestic public debt** went up by LE 50.2 billion or 5.7 percent, reaching LE 938.9 billion at end of September 2010, or 68.1 percent of GDP, compared with 73.6 percent at end of June 2010. It consists of the sum of net government debt, public economic authorities' debt and that of the National Investment Bank (minus intra-debts of public economic authorities and the government to the NIB).



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#### 4/2/1- Debt of the Government (Net)

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**The government's domestic debt (net)** reached some LE 718.8 billion at end of September 2010 (52.2 percent of GDP), up by LE 55.0 billion or 8.3 percent in the first quarter of 2010/2011. The rise was an outcome of the LE 33.2 billion pickup in the balances of government bonds and bills and the LE 20.3 billion decline in the credit position of net government balances at the banking system (owing to the remarkable rise in government loans by LE 20.7 billion and the slight increase in its deposits by LE 0.4 billion). Add to this the borrowing of LE 1.5 billion from other entities.

## Debt of the Government (Net)

(value in LE billion)

Balances at the end of	<u>June 2010</u>		<u>September 2010</u>		Change +(-)
	Value	%	Value	%	2010/2011
<b><u>Net Government Debt</u></b>	<b><u>663.8</u></b>	<b><u>100.0</u></b>	<b><u>718.8</u></b>	<b><u>100.0</u></b>	<b><u>55.0</u></b>
<b><u>- Balances of bonds and bills*</u></b>	<b><u>779.2</u></b>	<b><u>117.4</u></b>	<b><u>812.4</u></b>	<b><u>113.0</u></b>	<b><u>33.2</u></b>
. Notes and bonds	513.1	77.3	543.6	75.7	30.5
of which, tradable on Exchanges	169.7	25.6	191.2	26.6	21.5
. Treasury bills	266.1	40.1	268.8	37.4	2.7
<b><u>-Credit Facilities from SIFs</u></b>	<b><u>2.4</u></b>	<b><u>0.3</u></b>	<b><u>2.4</u></b>	<b><u>0.3</u></b>	<b><u>0</u></b>
<b><u>- Borrowing from Other Entities</u></b>	<b><u>0</u></b>	<b><u>0.0</u></b>	<b><u>1.5</u></b>	<b><u>0.2</u></b>	<b><u>1.5</u></b>
<b><u>-Net Balances at the</u></b>					
<b><u>Banking System</u></b>	<b><u>-117.8</u></b>	<b><u>17.7</u></b>	<b><u>-97.5</u></b>	<b><u>-13.6</u></b>	<b><u>20.3</u></b>
. Credit facilities	26.8	4.0	47.5	6.6	20.7
. Deposits(-)	144.6	21.8	145.0	20.2	0.4
Net government debt/GDP (%)	55.0		52.2		

Sources: Ministry of Finance, CBE and NIB

Percentages are calculated in terms of LE million.

\* Including Treasury bonds; housing bonds; bonds denominated in foreign currencies with public commercial banks; the 5 percent ratio retained from the profits of corporations subject to Law No. 97 of 1983 for the purchase of government bonds; the holdings of resident financial institutions (banking system and insurance sector) of bonds floated abroad; and the SIFs bonds against the transfer of NIB obligations to the Public Treasury.

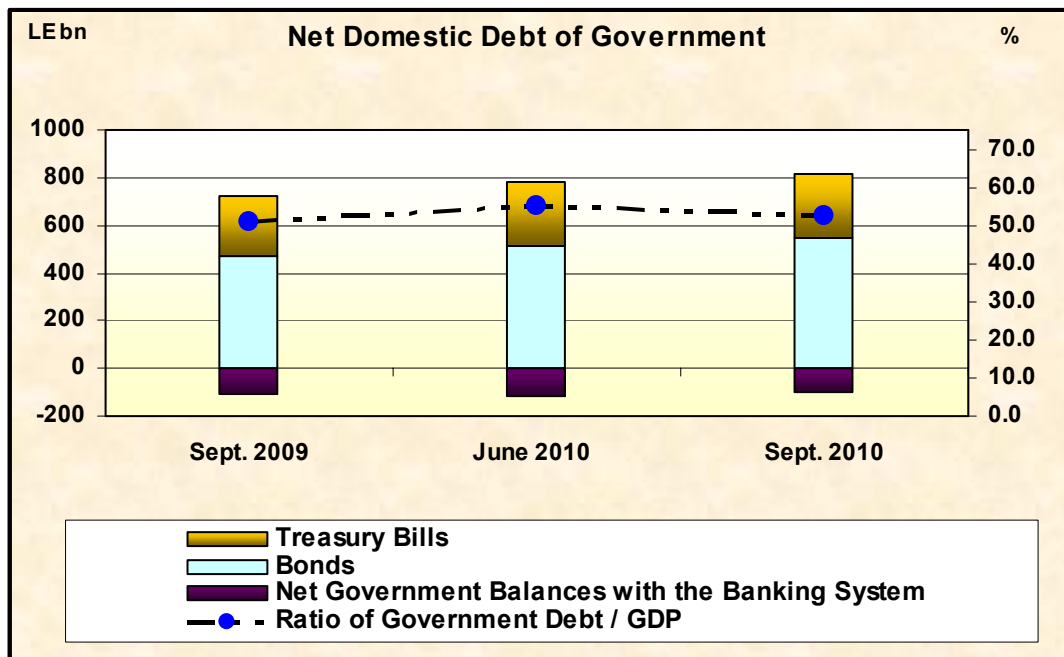
The increase of LE 33.2 billion in the balance of government bonds and bills was an outcome of :

A- The pickup in the balance of government bonds by LE 30.5 billion to LE 543.6 billion at end of September 2010, as a result of the following developments:

1- The LE 21.5 billion rise in the Egyptian Treasury bonds in July/September 2010/2011, represented in:

- The LE 3.0 billion rise in the 40<sup>th</sup> tranche of 7-year Egyptian Treasury bonds, issued on 9 June 2009 at an annual interest rate of 11.0 percent (on the same conditions of issuance).
- The LE 3.0 billion rise in the 50<sup>th</sup> tranche of 7-year Egyptian Treasury bonds, issued on 16 February 2010, at an annual interest rate of 12.6 percent. The rise took place in August and September 2010 by LE 1.5 billion for each (on the same conditions of issuance).

- The issuance of the 53<sup>rd</sup> tranche of 3-year bonds in July 2010, at a value of LE 3.0 billion and an annual interest rate of 11.55 percent. The tranche was increased by LE 7.0 billion (LE 4.5 billion in August and LE 2.5 billion in September 2010) on the same conditions of issuance, thus raising the total value of these bonds to LE 10.0 billion.
  - The issuance of the 54<sup>th</sup> tranche of 5-year bonds in July 2010, at a value of 3.0 billion and an interest rate of 12.55 percent. The tranche was augmented by LE 4.5 billion (LE 1.5 billion in August and LE 3.0 billion in September 2010) on the same conditions of issuance, driving up the total value of these bonds to LE 7.5 billion.
  - The issuance of the 55<sup>th</sup> tranche of 10-year bonds in August 2010, at a value of 1.0 billion and an annual interest rate of 13.0 percent. The tranche was increased by LE 1.0 billion in September 2010 on the same conditions of issuance, thus raising the total value of these bonds to LE 2.0 billion.
  - The redemption of Egyptian Treasury bonds at a value of LE 4.0 billion in July/September 2010 (of which, LE 2.0 billion represented the 15<sup>th</sup> tranche falling due on 12 July 2010 and LE 2.0 billion represented the 17<sup>th</sup> tranche due on 16 August 2010).
- 2- The issuance of 10-year Public Treasury bonds (non-interest bearing) at a value of LE 9.1 billion on the 1<sup>st</sup> of July 2010.
  - 3- A decrease in the balance of bonds tradable abroad in the US dollar by LE 38 million, along with the bonds issued in the Egyptian pound by LE 11 million and the foreign currency bonds at public commercial banks by LE one million.
- B- A pickup in the outstanding balance of Public Treasury bills by about LE 2.7 billion to LE 268.8 billion at end of September 2010, compared with LE 266.1 billion at the end of June 2010.




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#### **4/2/2- Debt of Public Economic Authorities (Net)**

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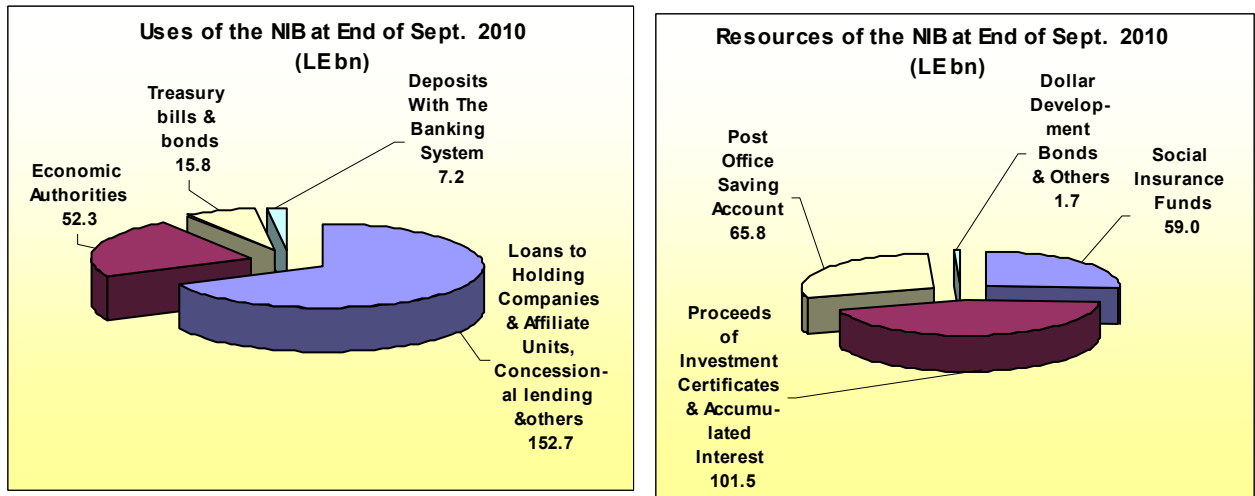
**Debt of the public economic authorities (net basis)** went down by LE 0.5 billion to LE 67.3 billion at end of September 2010. The decrease was traceable to the retreat in their net borrowing from the banking system by LE 1.3 billion (due to the rise in deposits by about LE 1.4 billion and the increase of claims thereon by about LE 0.1 billion), in addition to the increase in their borrowing from the National Investment Bank (NIB) by LE 0.8 billion.

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#### **4/2/3- Debt of the National Investment Bank (Net)**

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**Net debt of the NIB** (including the intra-debt) reached some LE 220.8 billion, down by LE 1.4 billion at end of September 2010, compared with the end of June. The decline in the NIB's debt was a result of the pickup in its deposits at the banking system by about LE 1.7 billion, to register LE 7.2 billion at the end of September 2010. Add to this the rise in its total invested resources by LE 0.3 billion above the level of the end of June, thereby reaching LE 228.0 billion at the end of September.



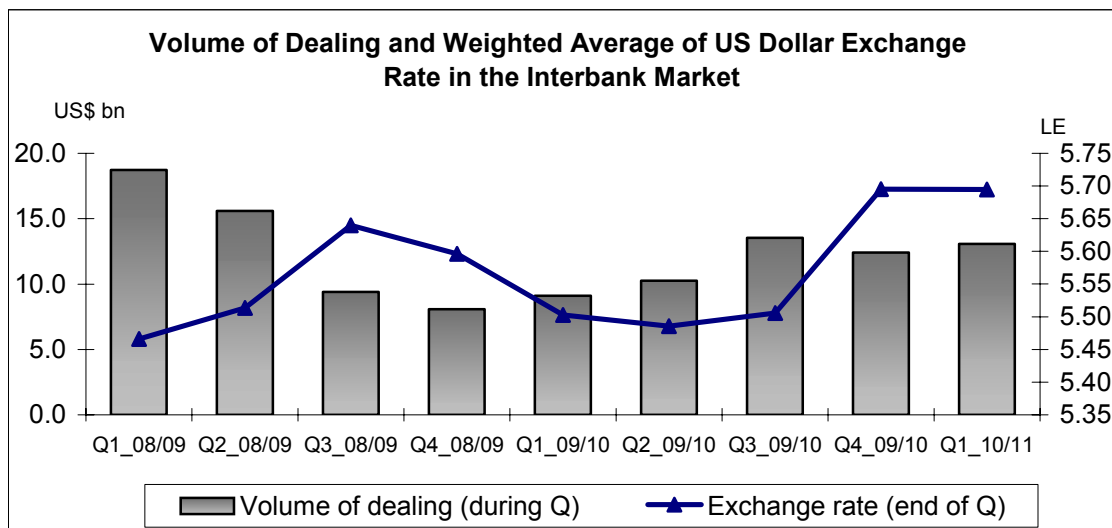
#### 4/2/4- Intra-Debt

The intra-debt of the public economic authorities and the government to the NIB reached about LE 68.0 billion at end of September 2010, compared with LE 65.1 billion at end of June. Loans granted by the NIB to these authorities posted about LE 52.3 billion, with an increase of LE 0.8 billion during the period July/September 2010/2011. NIB's investments in government securities (bills and bonds) reached some LE 15.8 billion, up by LE 2.1 billion during the period under review.

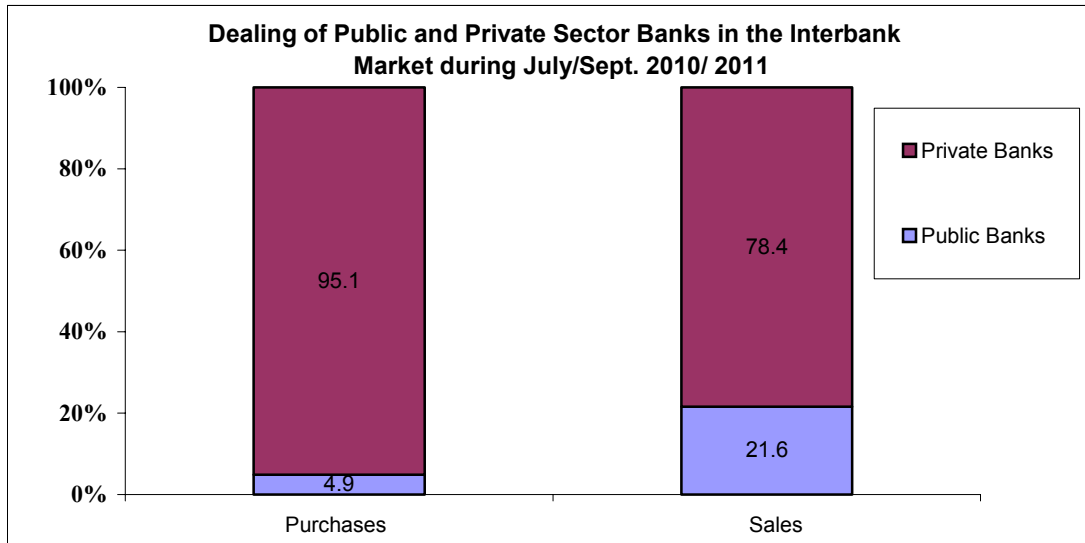
## 5: External Transactions 5/1- Foreign Exchange Market

The foreign exchange market continued to perform well, through the dollar interbank market. Its good performance is a testament to the CBE's successful management which has eventually contributed to deepening dealers' confidence in the market, and to dispelling their concerns about the LE fluctuations.

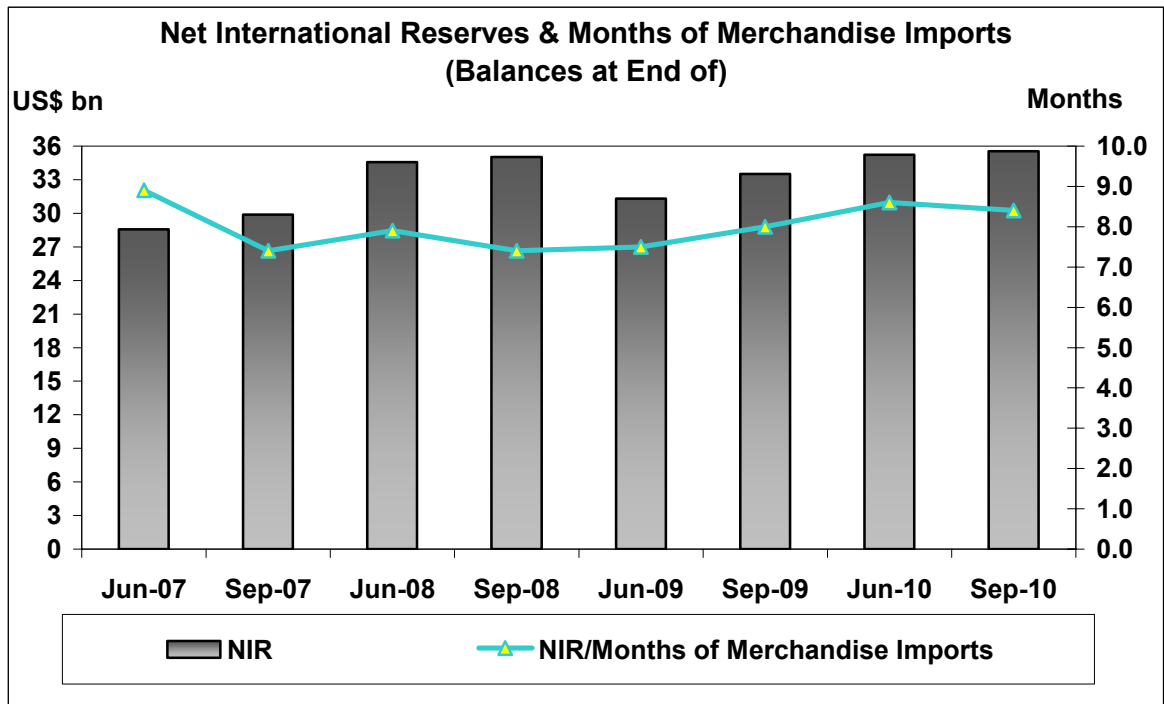
The weighted average of the US dollar interbank rate posted LE 5.6945 on 30 Sept. 2010, against LE 5.6952 on 30 June. As such, there was a slight rise in the value of the Egyptian pound (0.01 percent) during the reporting period, reflecting the relative stability in the LE exchange rate.



As for the dollar interbank market (initiated on 23/12/2004), the volume of transactions during the period reached US\$ 13.1 billion, up by US\$ 4.0 billion or 43.5 percent, relative to the same period a year earlier. Thus, the total volume of transactions since the initiation of the market up to the end of Sept. 2010 posted US\$ 260.2 billion. Sales by public banks in the market reached 21.6 percent of the total volume of transactions, and their purchases 4.9 percent. Private banks' sales recorded 78.4 percent and purchases 95.1 percent.

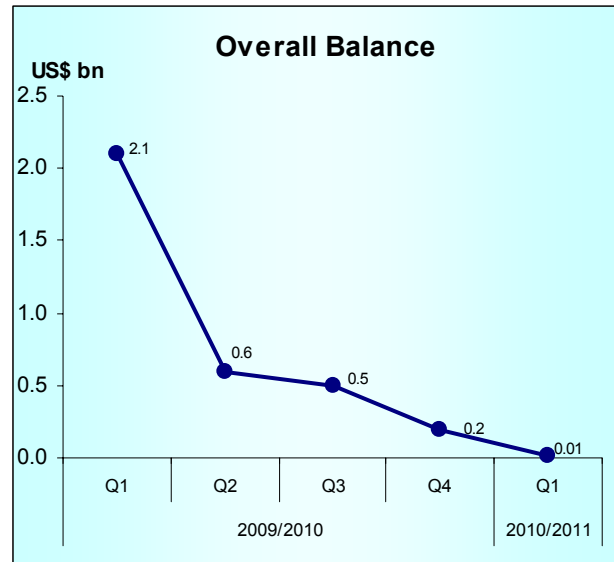


NIR with the CBE rose by US\$ 0.3 billion or 0.9 percent during July/Sept. 2010/2011 to US\$ 35.5 billion, covering 8.4 months of merchandise imports at end of Sept. 2010, against US\$ 35.2 billion at end of June. It is worthy to note that, during the preparation of this review, NIR increased to US\$ 35.6 billion at end of Nov. 2010.



## 5/2- Balance of Payments\*

Over the first quarter of FY 2010/2011, Egypt's transactions with the external world recorded an overall BOP surplus of US\$ 14.7 million (against US\$ 2.1 billion in the same quarter a year earlier), with the current account deficit widening by 62.6 percent to US\$ 802.2 million. The capital and financial account unfolded a net inflow of US\$ 1.0 billion (against US\$ 2.8 billion).



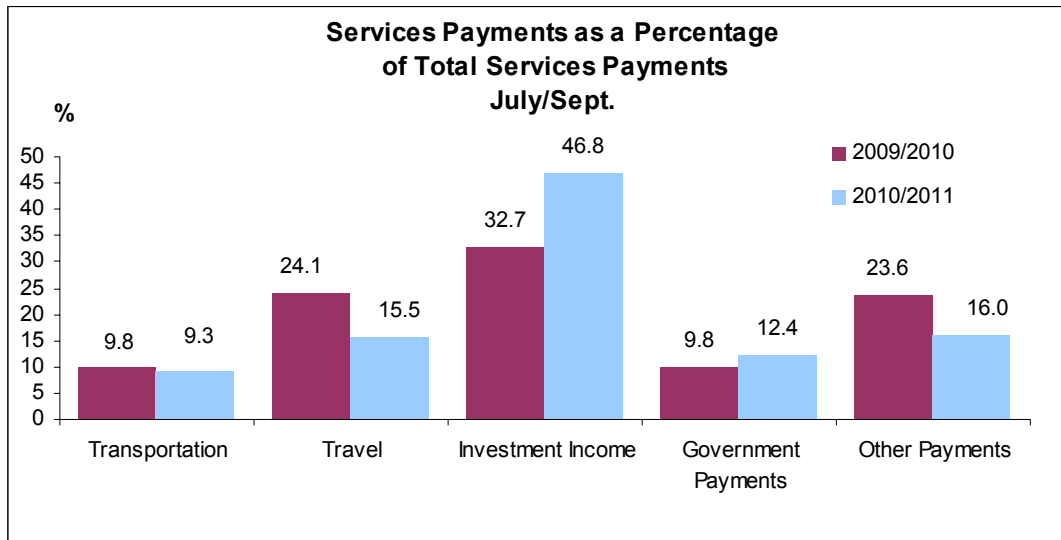
### 5/2/1- Trade Balance

The trade deficit rose by 6.0 percent, to reach some US\$ 6.6 billion (2.7 percent of GDP). The pickup in both merchandise import payments and export proceeds explains the widening deficit. Import payments went up by 9.3 percent to US\$ 12.7 billion, fueled by higher oil and non-oil imports (14.3 percent and 8.7 percent, in order). Export proceeds scaled up by 13.2 percent to US\$ 6.1 billion supported by the increase in oil exports (15.1 percent) and non-oil exports (11.7 percent).

\* Compiled in accordance with the Fifth Edition of the IMF's Balance of Payments Manual, September 1993.

## **5/2/2- Balance of Services and Transfers**

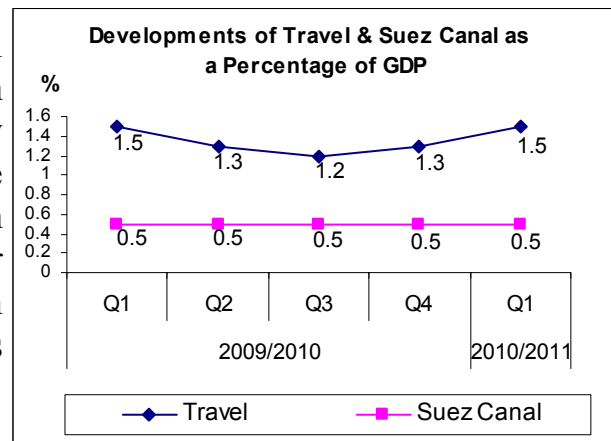
Services surplus fell by 20.6 percent, to stand at US\$ 2.6 billion (against US\$ 3.3 billion). Hereunder are the main causes:



- **Services payments** increased by 37.1 percent to roughly US\$ 4.1 billion (against US\$ 3.0 billion), reflecting the following factors:
  - **Investment income payments** rose to US\$ 1.9 billion (against US\$ 972.3 million), as a result of the increase in both the profit transfers of foreign companies operating in Egypt and financial investments income (portfolio).
  - **Government expenditures** accelerated by 72.4 percent to US\$ 504.3 million (against US\$ 292.5 million) supported by the pickup in other government expenditures, expenses of Egyptian embassies abroad and salaries and expenses of government employees seconded abroad.
  - **Transportation payments** also rose by 31.0 percent to US\$ 380.0 million (against US\$ 290.0 million), owing to larger transfers by foreign navigation and aviation companies, and Egyptian navigation companies and transfers for repairing ships at foreign ports.
  - **Travel payments** decreased by 11.4 percent to only US\$ 632.3 million (against US\$ 714.0 million), reflecting the drop in the expenses of tourism and medical treatment abroad, as well as lower payments of tourism companies and hotels abroad.

- **Other services payments** also retreated by 7.0 percent to US\$ 652.0 million (against US\$ 701.2 million), due to the decline in royalties and license fees, communication services payments, insurance services and transfers by Egyptian companies abroad.
- **Services receipts** increased by 6.8 percent to about US\$ 6.7 billion (against US\$ 6.3 billion) as an outcome of the following developments:
  - **Travel receipts (tourism revenues)\*** rose by 13.1 percent to US\$ 3.7 billion (against US\$ 3.2 billion) prompted by the increase in the number of tourist nights from 38.0 million to 43.0 million in the reporting period.

Interestingly, the seasonal factors have had a positive effect in the period July/September of every year. Over the last three years, the said period recorded higher tourism revenues in comparison with other periods. Hence, a boom is noticed in tourism flows to Egypt in this particular timing every year.



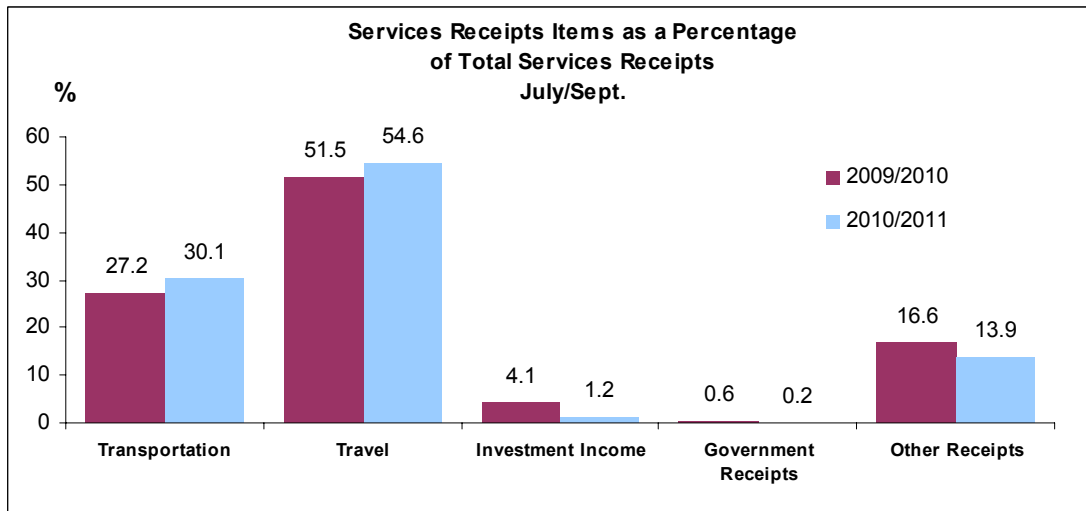
- **Transportation receipts** increased by 17.9 percent, to US\$ 2.0 billion (against US\$ 1.7 billion), due to the rise in Suez Canal earnings by 13.3 percent and in the receipts of Egyptian navigation and aviation companies.

It is to be noted that the **Suez Canal quarterly revenues** continued to improve at the beginning of this FY, following their stability a year earlier, denoting their recovery from the repercussions of slackened world trade in the wake of the global financial crisis and from the effects of piracy on Suez Canal navigation.

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\* Calculated on the basis of the number of tourist nights multiplied by the average tourist spending per night.

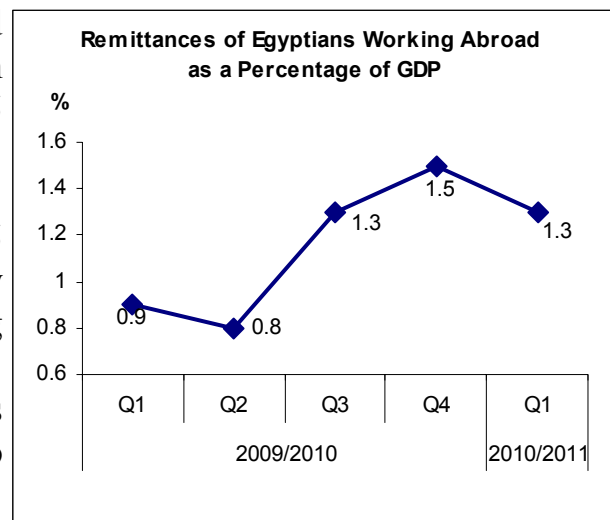
- **Investment income receipts** retreated by 68.2 percent to US\$ 82.0 million (against US\$ 258.2 million), because of the deceleration in portfolio income and interest payments on deposits abroad (whether held by the banking system or residents).



- **Government receipts** halved to US\$ 15.2 million (from US\$ 34.6 million) due to the low expenses of foreign embassies in Egypt, the Arab League and international institutions, along with other government receipts.
- **Other services receipts** decreased by 10.6 percent to about US\$ 930.5 million (against US\$ 1.0 billion) caused by weak invisible receipts of the oil sector.

- **Net unrequited transfers** accelerated by 30.3 percent to US\$ 3.2 billion in the reporting period (against US\$ 2.5 billion) due to the following factors:

- **Net private transfers** rose by 69.5 percent to US\$ 3.1 billion (mainly remittances of Egyptians working abroad that increased by 68.1 percent), whereas net official transfers retreated from US\$ 655.1 million to US\$ 148.4 million.



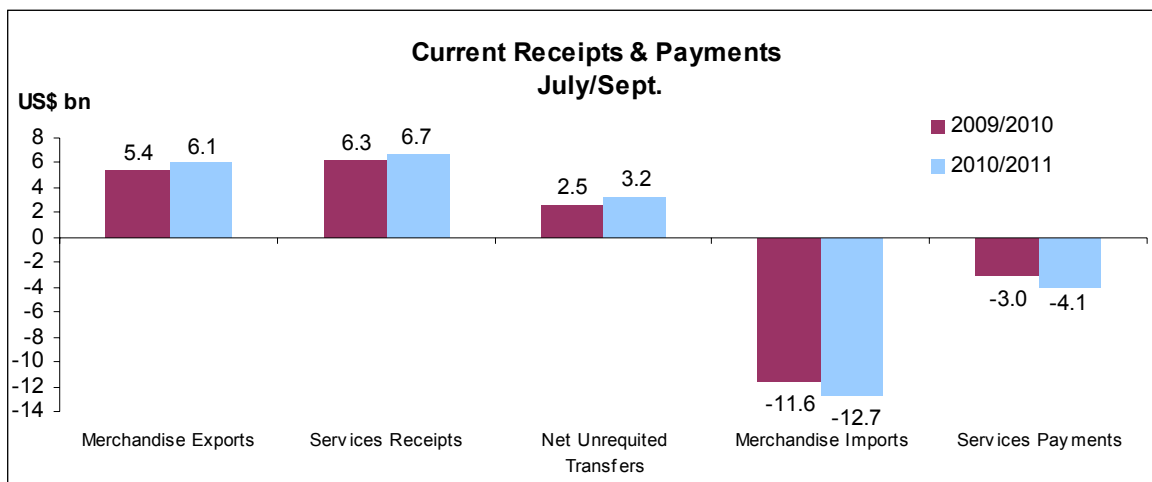
## Net Current Transfers (Unrequited)

(US\$ mn)

	<u>July/September</u>		<u>Change</u>	
	<u>2009/2010</u>	<u>2010/2011</u>	<u>Value</u>	<u>%</u>
<b><u>Net Current Transfers (Unrequited)</u></b>	<b><u>2459.1</u></b>	<b><u>3205.4</u></b>	<b><u>746.3</u></b>	<b><u>30.3</u></b>
<b><u>1- Official Transfers (Net) (a+b-c)</u></b>	<b><u>655.1</u></b>	<b><u>148.4</u></b>	<b><u>-506.7</u></b>	<b><u>-77.3</u></b>
a- Inward cash grants	224.8	2.9	-221.9	-98.7
b- Other inward grants	439.2	146.9	-292.3	-66.6
c- Official outward transfers	8.9	1.4	-7.5	-84.3
<b><u>2- Private Transfers (Net) (a+b-c)</u></b>	<b><u>1804.0</u></b>	<b><u>3057.0</u></b>	<b><u>1253.0</u></b>	<b><u>69.5</u></b>
a- Workers' remittances	1855.7	3119.4	1263.7	68.1
b- Other transfers	12.2	20.9	8.7	71.3
c- Private transfers abroad	63.9	83.3	19.4	30.4

Against this backdrop, the current account ran a deficit of US\$ 802.2 million, as a dual effect of the increase in current payments (by US\$ 2.2 billion or 15.0 percent to US\$ 16.8 billion) and current receipts (by US\$ 1.9 billion or 13.3 percent to US\$ 16.0 billion).

The following chart clarifies current receipts and payments in both the reporting and previous corresponding periods:



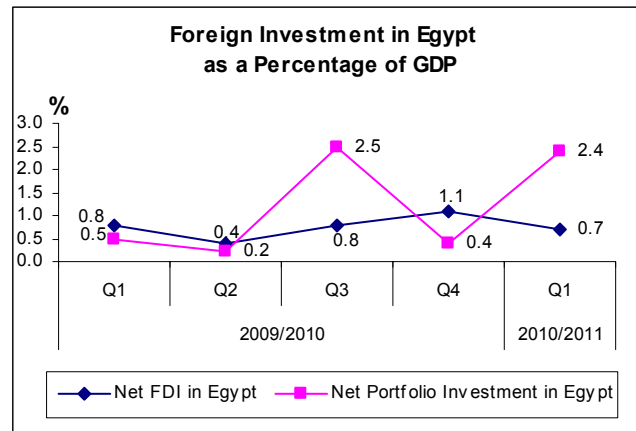
### 5/2/3- Capital and Financial Account

The **capital and financial account** showed a lower net inflow of US\$ 1.0 billion in the reporting period (against US\$ 2.8 billion), explained by the following developments:

- 1- Portfolio investments in Egypt\* recorded a net inflow of US\$ 5.9 billion (against US\$ 1.2 billion). Such an inflow consisted of foreigners' net

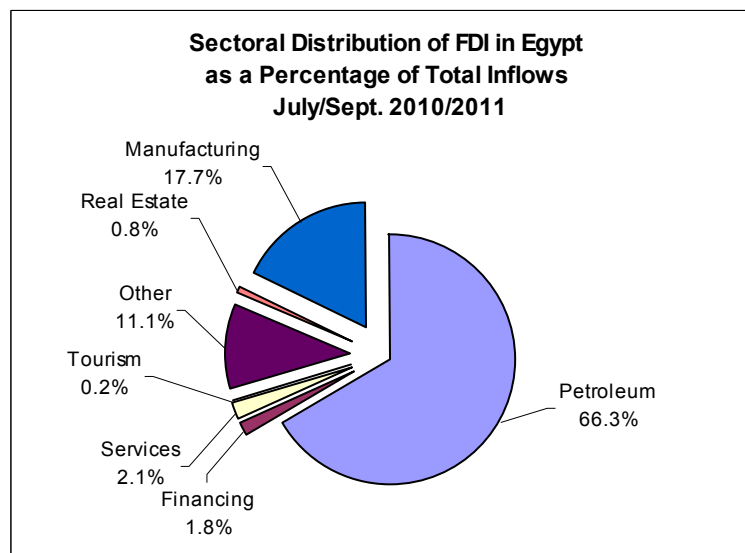
\* Representing foreigners' net dealings in securities and Egyptian bonds and notes.

transactions on Egyptian TBs (some US\$ 4.7 billion), their net transactions on shares (US\$ 478.8 million) and on other Egyptian bonds and notes (US\$ 722.7 million).



2- Foreign direct investment (FDI)\*\* in Egypt registered a net inflow of US\$ 1.6 billion (against US\$ 1.7 billion), down by 7.7 percent, as an outcome of the following developments:

- Net direct investments in the oil sector retreated to US\$ 575.7 million (from US\$ 1.3 billion).
- Net greenfield investments increased to US\$ 978.3 million (from US\$ 348.5 million).
- Privatization proceeds (selling of companies and productive assets to non-residents) recorded US\$ 19.2 million, against nil in the period of comparison.



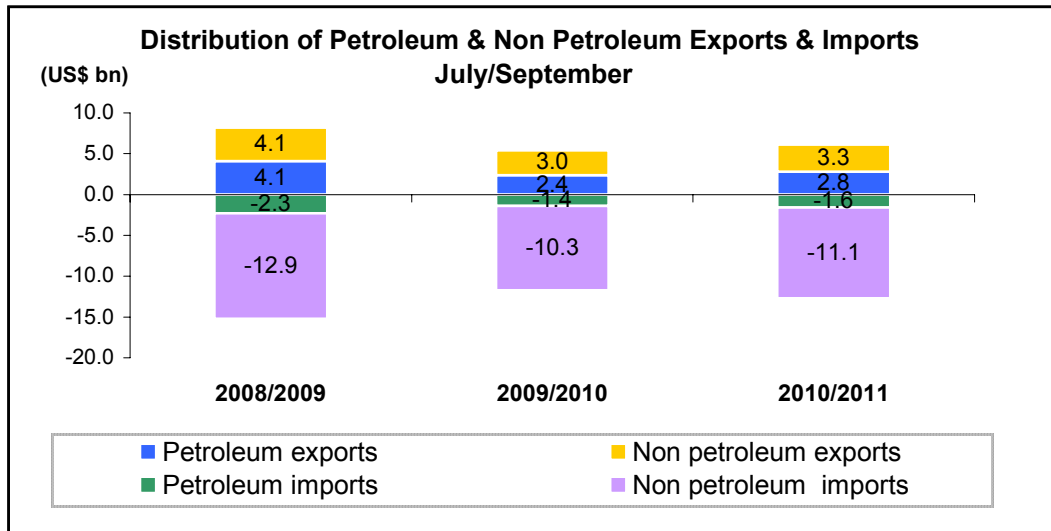
\*\* FDI represents foreign investors that own 10 percent or more of the capital of any resident economic entity, or have an effective voice in its management. In Egypt, a foreign investor's equity participation shall be not less than 10 percent of the capital of any enterprise.

- 3- Other assets and liabilities (representing the change in banks' foreign assets and liabilities, the CBE's non-reserve foreign assets and foreign liabilities and the counterpart of some items included in the current account) posted a net outflow of US\$ 6.0 billion (against US\$ 550.5 million).
- 4- Medium- and long-term loans and facilities showed a net repayment of US\$ 641.4 million (against US\$ 427.8 million) reflecting the increase in total repayments from US\$ 681.9 million to US\$ 769.6 million and the decline in total disbursements from US\$ 254.1 million to US\$ 128.2 million.

### 5/3- External Trade

#### 5/3/1- Trade

In the first quarter of 2010/2011, the volume of external trade rose to hit about US\$ 18.8 billion, up by 10.6 percent relative to the previous corresponding period. The pickup in trade reflects the increase in export proceeds\* by 13.2 percent to US\$ 6.1 billion (2.5 percent of GDP) driven by the rise in oil exports by 15.1 percent and non-oil exports by 11.7 percent. Moreover, import payments\*\* picked up by 9.3 percent to US\$ 12.7 billion (5.3 percent of GDP) brought about by the rise in oil imports by 14.3 percent and non-oil imports by 8.7 percent.



The following are some of the factors that influenced the exports and imports during the reporting period:

#### A- Export Proceeds:

- The government took a number of measures to contain the effects of the financial crisis, mainly enhancing trade cooperation, entering into new trade agreements with other European and Arab countries, as well as

\* Calculated on FOB basis, as their value is calculated at the customs borders of the Egyptian economy, i.e. excluding the costs of shipment, freight and insurance. They include exports of the free zones to the rest of the world.

\*\* Calculated on CIF basis; i.e. including the costs of shipment, freight and insurance. They include imports of free zones from the rest of the world.

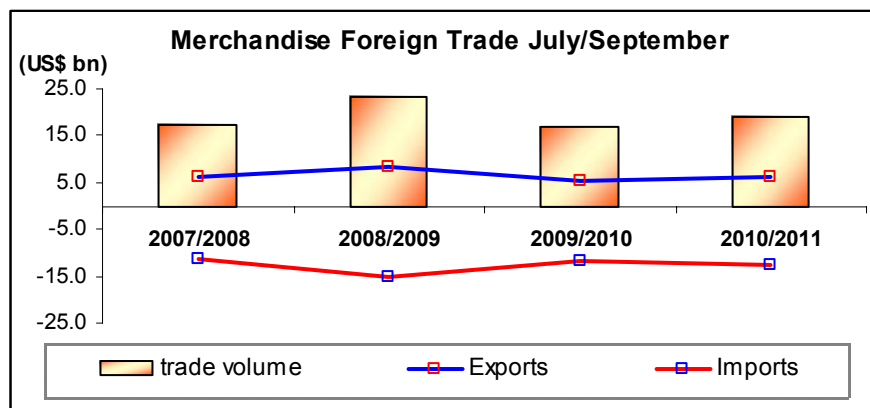
diversifying export markets in an attempt to reduce their concentration in the euro area that account for more than one-third of the total exports (especially after the eruption of successive crises in the euro area which forced some countries there to adopt austerity policies).

- Joint cooperation strengthened between Egypt and Turkey in the field of textiles.
- Investments and exports were directed to Africa, with the aim of opening new markets for the Egyptian exports.

### **B- Import Payments:**

- Imports of some commodities increased to benefit from the decline in their prices on the back of the economic recession and the war of currencies.
- World prices of wheat increased, affected by the low production in Russia; a matter that increased the demand for American wheat. Add to this the rise in the world price of sugar.
- Imports of meat increased.
- The world price of cotton doubled more than once in 2010, causing a drop in the volume of cotton imports, a matter that adversely affected the yarn industry together with other related industries, and eventually slowed the exports of such products.

When comparing the reporting period with the corresponding periods of the last four years, it is found that the export proceeds and import payments decreased in the first quarter of FY 2008/2009, then returned to their pre-crisis levels in the same quarters of FYs 2009/2010 and 2010/2011. This indicated that the Egyptian economy began to recover from the effects of the global economic crisis.



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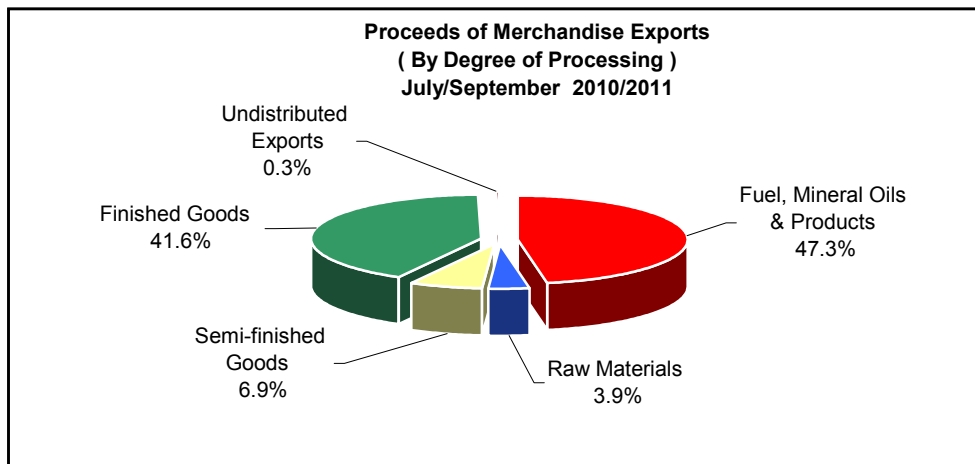
## **5/3/2- Structure of Export Proceeds and Import Payments**

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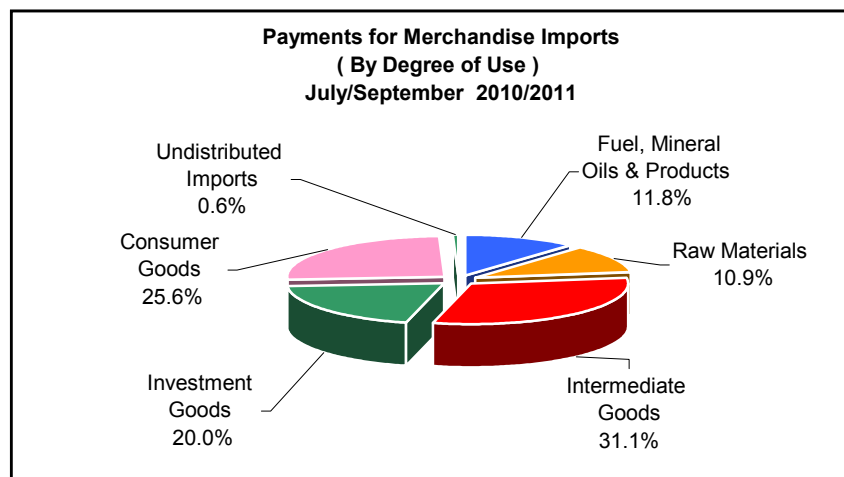
### **A- Merchandise Export Proceeds by Degree of Processing**

Earnings of exports increased by 13.2 percent, posting US\$ 6.1 billion, namely, semi-finished goods (35.0 percent), finished goods (18.0 percent) and fuel, mineral oils and products (15.6 percent). In contrast, raw materials decreased by 31.4 percent.



### **B- Merchandise Import Payments by Degree of Use**

Import payments increased by 9.3 percent to some US\$ 12.7 billion, reflecting the rise in all groups. As such, raw materials rose by 28.9 percent, fuel, mineral oils and products by 20.1 percent, consumer goods by 19.4 percent, intermediate goods by 6.1 percent and investment goods by 3.2 percent.



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### **5/3/3- Sectoral Distribution of Commodity Transactions**

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The private sector came first, accounting for 64.4 percent of the total volume of trade (against 65.4 percent in the period of comparison). The public sector came next with 26.0 percent (against 28.2 percent) then the investment sector with 9.6 percent (up from 6.4 percent). That was attributed to the twofold increase in both exports of finished goods and imports of intermediate goods during the period under review as compared with the corresponding period.

#### **A- Private Sector:**

The volume of trade of this sector increased by 8.7 percent, reaching about US\$ 12.1 billion. The increase was ascribed to the pickup in export proceeds by 4.2 percent, recording US\$ 2.8 billion (45.3 percent of the total export proceeds) against US\$ 2.7 billion. Of the total exports of this sector, finished goods represented 77.2 percent. The increase was also attributed to the rise in import payments by 10.1 percent, reaching about US\$ 9.4 billion (intermediate goods constituted 36.4 percent and consumer goods 31.0 percent of the total imports of this sector).

#### **B- Public Sector:**

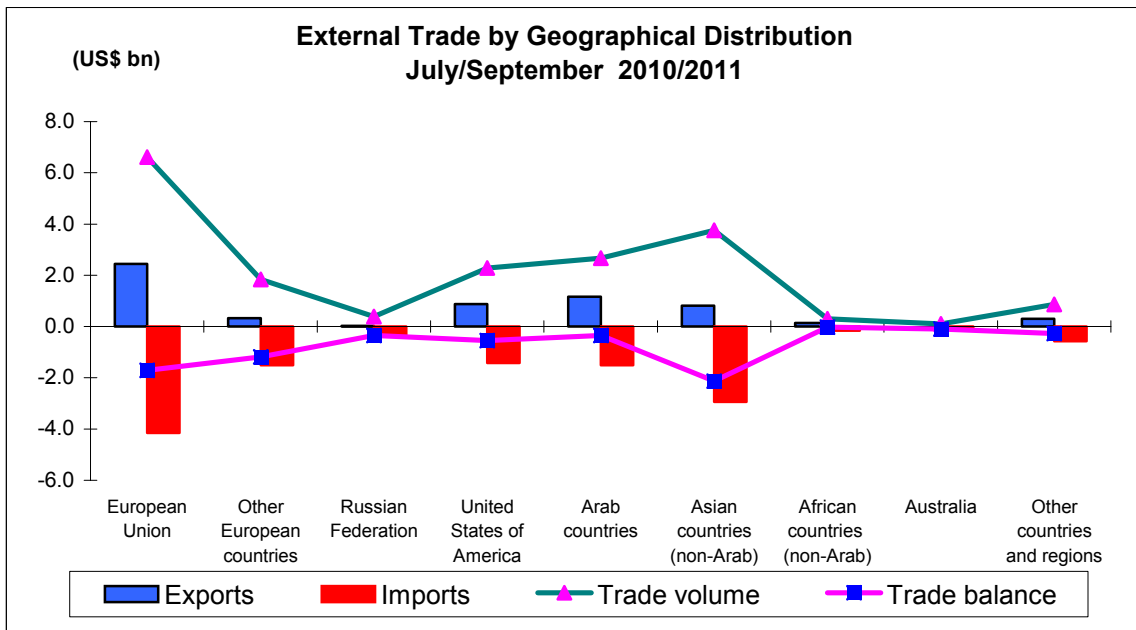
Its volume of trade rose by 2.1 percent to about US\$ 4.9 billion due to the higher export proceeds by 8.3 percent to US\$ 2.6 billion (42.9 percent of total export proceeds) against US\$ 2.4 billion (fuel and mineral oils and products represented 95.2 percent of the sector's total exports). Import payments retreated by 4.1 percent to US\$ 2.3 billion (fuel, mineral oils and products represented 48.9 percent and raw materials 21.1 percent of its imports).

#### **C- Investment Sector:**

The volume of trade of this sector increased by 66.7 percent to about US\$ 1.8 billion due to the twofold increase in both export proceeds and import payments. Export proceeds went up from US\$ 0.3 billion to US\$ 0.7 billion (finished goods constituted 45.5 percent and fuel, mineral oils and products 43.0 percent of its total exports). Import payments recorded US\$ 1.1 billion (intermediate goods represented 37.1 percent and investment goods 22.4 percent of total imports of this sector) against US\$ 0.8 billion.

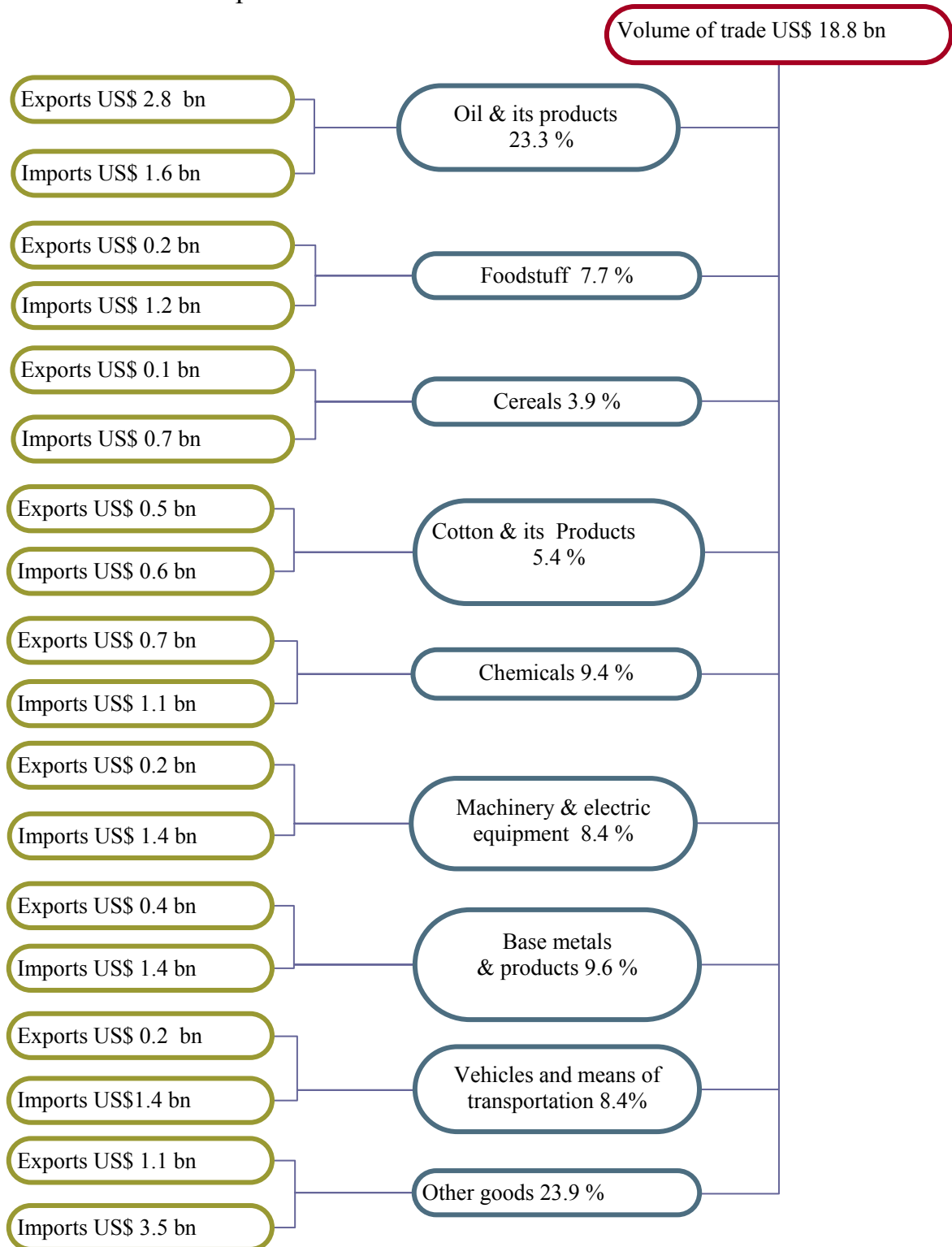
### 5/3/4- Geographical Distribution of Commodity Transactions

The volume of trade between Egypt and all economic groupings increased to US\$ 18.8 billion in the reporting period, except for trade with the USA that retreated by 20.0 percent on the back of low exports and imports. The EU came first, accounting for 33.5 percent of the total volume of trade, followed by the Asian countries (20.0 percent), then the Arab countries (14.2 percent).



### 5/3/5- A Breakdown of Trade by Main Commodity

The following chart illustrates a rise in the volume of trade of all merchandise groups in July/September 2010/2011, except for vehicles, cars and other means of transportation.



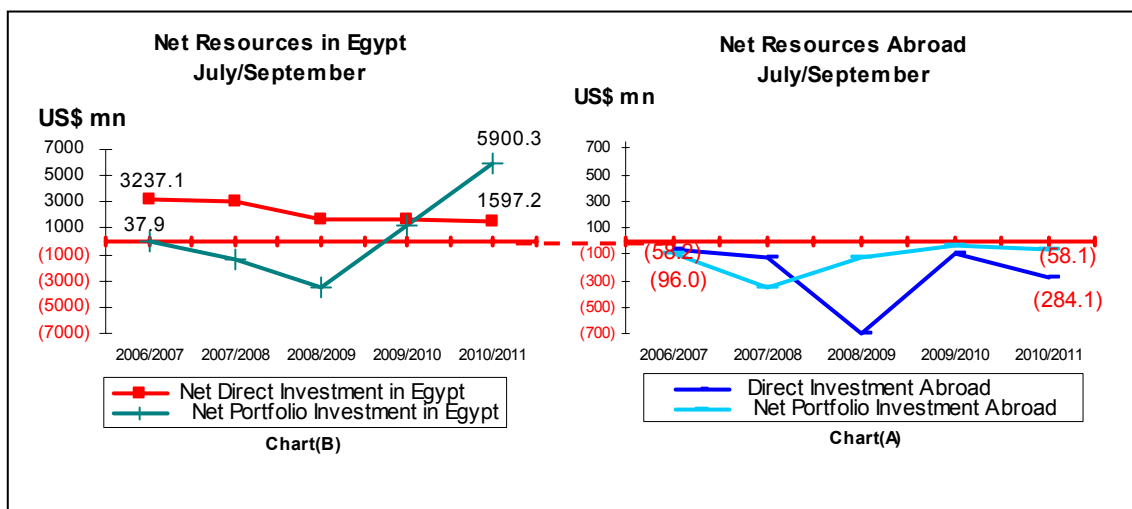
## 5/4- International Finance

According to the international finance data during July/Sept. 2010/2011, net finance rose by US\$ 2.1 billion, achieving a net inflow of US\$ 5.2 billion (against US\$ 3.1 billion in the previous corresponding period). The pickup was primarily ascribed to the rise in total net resource inflows to US\$ 7.1 billion in the reporting period (against US\$ 4.1 billion in the period of comparison), and the increase in outflows from US\$ 972.3 million to US\$ 1.9 billion.

### A) Total Net Resource Flows from Abroad:

- Net foreign investment in Egypt (direct and portfolio) [inflows] accelerated by some US\$ 4.6 billion, as portfolio investment in Egypt recovered, posting a net inflow of US\$ 5.9 billion (against US\$ 1.2 billion), mainly foreigners' net transactions on securities\*, and Egyptian bonds and notes\*\*. By contrast, net FDI in Egypt decelerated, registering a net inflow of US\$ 1.6 billion, against US\$ 1.7 billion. (See chart A)
- Both types of net foreign investment abroad increased [outflows], thus decreasing the available finance by US\$ 206.8 million. The limited finance was ascribed to a pickup in the outflows of FDI by Egyptians (up by US\$ 189.9 million to US\$ 284.1 million), and a rise in net portfolio investment abroad by US\$ 16.9 million to US\$ 58.1 million. (See chart B)

The following charts illustrate the development in net foreign investment (direct and portfolio) in Egypt and abroad in July/Sept. of 2010/2011 and the last four years.

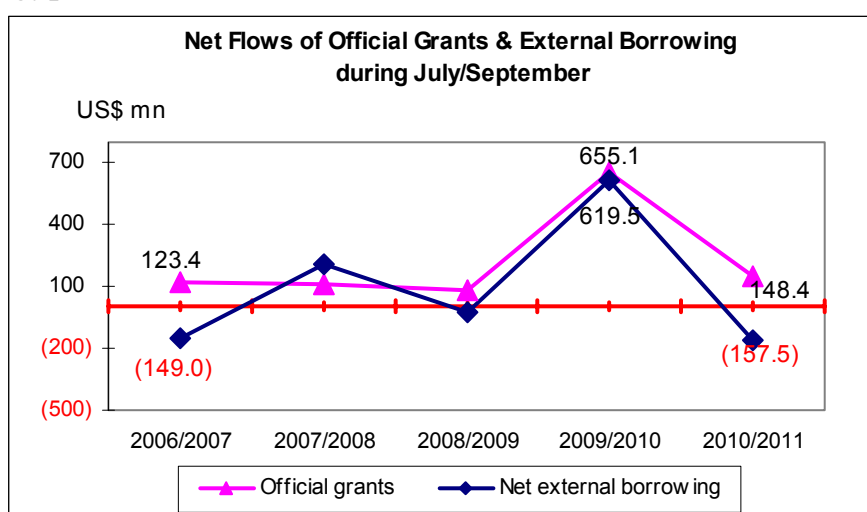


\* Including US\$ 4.7 billion of net foreign investments in Egyptian Treasury bills (inflows).

\*\* Including US\$ 3.1 billion of sovereign bonds issued abroad (holdings of non-residents).

- Net official grants rolled back by 77.3 percent to US\$ 148.4 million.
- There were net repayments of external borrowing (medium, long and short term loans and facilities) amounting to some US\$ 157.5 million, (compared with a net disbursement of US\$ 619.5 million in the corresponding period).

B) Total flows abroad (interest payments and profit transfers abroad): almost doubled to register US\$ 1.9 billion, mainly due to the rise in profit transfers abroad (of direct investment) from foreign companies operating in Egypt.



### Finance Resources from Abroad (Net)

	(US\$ mn)		
	<u>July/September</u>		Change
	2009/2010	2010/2011 <sup>+</sup>	(+)-
<b><u>Net International Finance from Abroad</u></b>	<b>3083.9</b>	<b>5242.1</b>	<b>2158.2</b>
<b><u>A- Total Net Resources from Abroad</u></b>	<b>4056.2</b>	<b>7146.2</b>	<b>3090.0</b>
1 - Official grants (net)	655.1	148.4	(506.7)
2 - External borrowing (net)	619.5	(157.5)	(777.0)
3 - Direct investment in Egypt (net)	1731.0	1597.2	(133.8)
4 - Portfolio investment in Egypt (net)	1186.0	5900.3	4714.3
5 - Direct investment abroad (net)	(94.2)	(284.1)	(189.9)
6 - Portfolio investment abroad (net)	(41.2)	(58.1)	(16.9)
<b><u>B- Interest Payments and Profit Transfers</u></b>			
<b><u>(Outflows)</u></b>	<b>(972.3)</b>	<b>(1904.1)</b>	<b>(931.8)</b>
1- Interest on external loans and facilities	(191.4)	(178.6)	12.8
2- Interest on non-residents' deposits at Egyptian banks	(5.1)	(5.8)	(0.7)
3- Profit transfers of direct investment**	(669.4)	(1525.6)	(856.2)
4- Profit transfers of investment in securities	(106.4)	(194.1)	(87.7)

<sup>+</sup> Provisional.

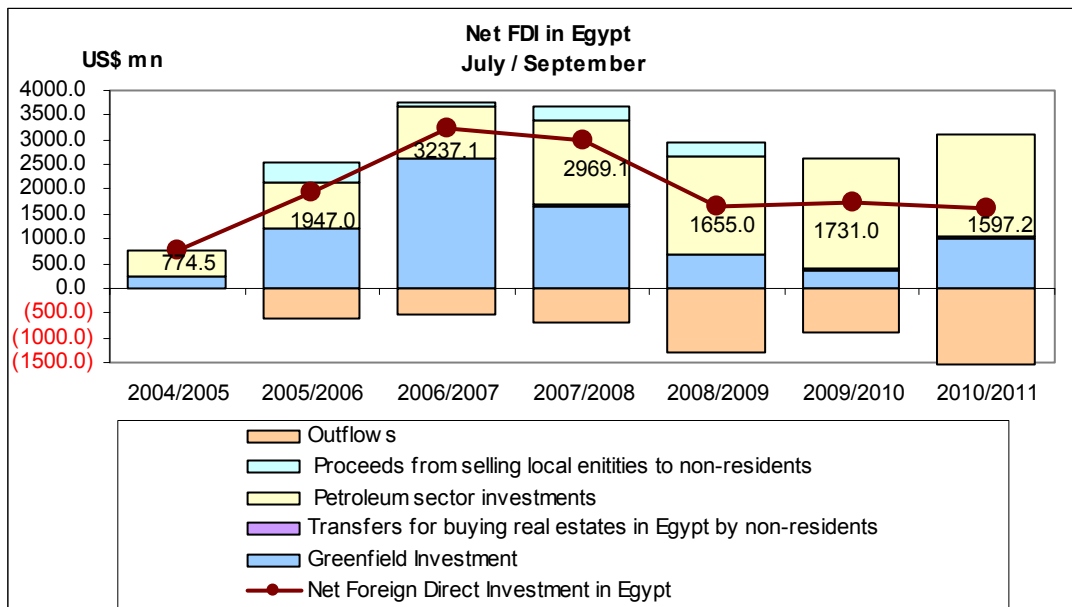
\*\* Including profit transfers abroad by foreign companies operating in Egypt.

### 5/4/1- Foreign Direct Investment (FDI) in Egypt\*

In the first quarter of 2010/2011, net FDI in Egypt contracted by US\$ 133.8 million (7.7 percent) to only US\$ 1.6 billion (0.7 percent of GDP), against US\$ 1.7 billion (0.8 percent of GDP) a year earlier. That was an outcome of the increase in capital repatriation by 70.2 percent to US\$ 1.5 billion, despite the rise in total investment inflows by 18.8 percent to US\$ 3.1 billion.

The higher inflows of investments were ascribed to the rise in flows from the EU countries by 57.3 percent, to post US\$ 2.3 billion (70.3 percent of which were in oil investments); and from the USA by 18.5 percent to US\$ 427.3 million (of which, 89.1 percent was in oil investments). In contrast, inflows from the Arab countries declined by 14.1 percent to only US\$ 218.7 billion (greenfield investments made up 81.6 percent); and from the other countries by 69.5 percent, to stand at US\$ 165.3 million.

The following chart shows a comparative review of FDI distribution in Egypt by investment purpose.



\* FDI is a category of international investment that implies the existence of a long-term relationship (between a resident in a given economy and an enterprise resident in another economy), in which a direct investor owns 10 percent or more of the ordinary shares or voting power in an incorporated enterprise, or its equivalent in an unincorporated enterprise. (Source: IMF's BOP Manual, Fifth Edition).

The **sectoral distribution** of total inflows of FDI in Egypt during July/Sept. 2010/2011 indicated that inflows to the petroleum sector accounted for US\$ 2.1 billion (66.3 percent of total inflows) against US\$ 2.2 billion in the corresponding period (84.8 percent), as illustrated by the following table. In the meantime, total inflows to non-oil sectors reached US\$ 1.0 billion, mostly absorbed by the manufacturing sector (US\$ 551.7 million or 17.7 percent of total inflows), followed by the finance sector (US\$ 54.8 million or 1.8 percent), investments in services (US\$ 66.4 million or 2.1 percent), and real estate investments (US\$ 24.0 million or 0.8 percent).

### Sectoral Distribution of Total FDI in Egypt

(US\$ mn)

Sector	<u>July/September</u>			
	<u>2009/2010</u>		<u>2010/2011*</u>	
	Value	%	Value	%
<b>Total Inflows</b>	<b>2627.1</b>	<b>100.0</b>	<b>3122.3</b>	<b>100.0</b>
Petroleum	2228.3	84.8	2069.7	66.3
Manufacturing	37.4	1.4	551.7	17.7
Finance	130.4	5.0	54.8	1.8
Services	78.1	3.0	66.4	2.1
Real Estate	38.2	1.4	24.0	0.8
Construction	14.9	0.6	17.0	0.5
Tourism	26.6	1.0	5.0	0.2
Agriculture	4.5	0.2	16.9	0.5
Communications & IT	47.7	1.8	1.0	0.0
Undistributed	21.0	0.8	315.8	10.1

\* Provisional.

The **geographical distribution** of FDI in Egypt showed that the bulk of those flows came from the EU countries (74.0 percent), mainly the UK (60.5 percent); followed by the USA (13.7 percent), then the Arab countries (7.0 percent), chiefly Saudi Arabia; and other countries (5.3 percent), mainly Switzerland and China.

According to the World Investment Report for 2009, issued by the United Nations Conference of Trade and Development (UNCTD), Egypt ranked first among the host countries receiving FDI in North Africa, and third at the level of the African continent.

## FDI in Egypt by Geographical Distribution

(US\$ mn)

	2009/2010	<u>July/September</u> 2010/2011*	Change (+)-
<b><u>Flows of FDI in Egypt (Net)</u></b>	<b><u>1731.0</u></b>	<b><u>1597.2</u></b>	<b><u>(133.8)</u></b>
<b><u>Inflows</u></b>	<b><u>2627.1</u></b>	<b><u>3122.3</u></b>	<b><u>495.2</u></b>
<b>USA</b>	<b>360.5</b>	<b>427.3</b>	<b>66.8</b>
<b>EU Countries</b>	<b>1469.2</b>	<b>2311.0</b>	<b>841.8</b>
Germany	20.3	43.4	23.1
France	98.5	29.1	(69.4)
UK	936.1	1887.7	951.6
Italy	17.6	35.2	17.6
Greece	26.5	12.1	(14.4)
Spain	31.5	25.3	(6.2)
The Netherlands	6.8	85.7	78.9
Belgium	281.4	184.1	(97.3)
Luxemburg	1.5	0.1	(1.4)
Sweden	45.8	0.3	(45.5)
Austria	1.1	0.6	(0.5)
Cyprus	0.2	2.9	2.7
Estonia	0.0	0.2	0.2
Ireland	1.2	2.2	1.0
Poland	0.6	0.5	(0.1)
Others	0.1	1.6	1.5
<b>Arab Countries</b>	<b>254.7</b>	<b>218.7</b>	<b>(36.0)</b>
Saudi Arabia	48.5	112.8	64.3
UAE	69.7	42.8	(26.9)
Algeria	15.4	6.4	(9.0)
Kuwait	53.6	5.0	(48.6)
Lebanon	0.7	2.9	2.2
Libya	5.4	2.1	(3.3)
Jordan	38.2	0.8	(37.4)
Bahrain	13.1	16.6	3.5
Qatar	0.0	15.6	15.6
Oman	3.3	3.3	0.0
Yemen	2.2	6.2	4.0
The Sudan	0.2	0.1	(0.1)
Others	4.4	4.1	(0.3)
<b>Other Countries</b>	<b>542.7</b>	<b>165.3</b>	<b>(377.4)</b>
Switzerland	22.3	24.1	1.8
Japan	3.4	0.7	(2.7)
Canada	0.7	3.1	2.4
China	1.2	17.0	15.8
Australia	0.2	2.1	1.9
India	6.8	0.1	(6.7)
Turkey	10.1	3.5	(6.6)
Norway	1.5	0.3	(1.2)
Other Countries	496.5	114.4	(382.1)
<b><u>Capital Repatriation**</u></b>	<b><u>-896.1</u></b>	<b><u>-1525.1</u></b>	<b><u>(629.0)</u></b>

\* Provisional.

\*\* Capital repatriation (outflows) means that a direct investor recovers his share in the capital investment enterprise - in case of partial or full disposal - and transfers part or all of it abroad.

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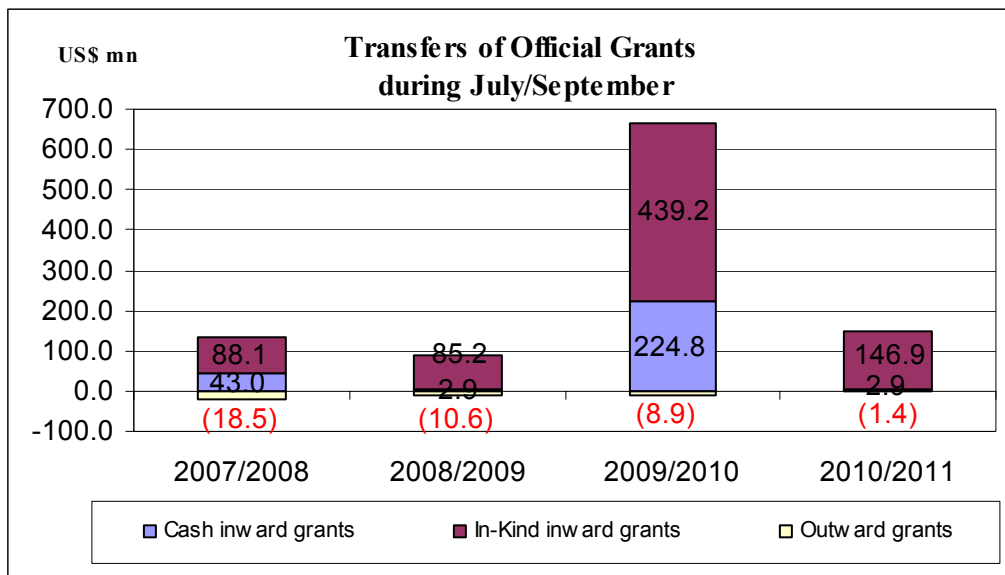
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## 5/4/2- External Official Grants

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The following chart illustrates that net transfers of official grants (cash and in-kind) reached roughly US\$ 148.4 million during July/Sept. 2010/2011, against US\$ 655.1 million in the previous corresponding period, down by US\$ 506.7 million. The decline was attributable to the marked retreat in both inward and outward grants. To explain, inflows of cash grants slackened by 98.7 percent to US\$ 2.9 million, and of in-kind grants by 66.6 percent to US\$ 146.9 million. The retreat was largely in grants from the USA, and in new grants from Saudi Arabia. In addition, official grants to abroad went down by US\$ 7.5 million, to reach US\$ 1.4 million.



According to the Ministry of International Cooperation, total **new grant commitments** during the reporting period decreased by 15.1 percent to US\$ 223.3 million, mainly because of lower grant commitments with the USA.

### Official Grants: New Commitments and Net Actual Flows

(US\$ mn)

	<u>July/September</u>		<u>2009/2010</u>	<u>2010/2011*</u>
	<u>2009/2010</u>	<u>2010/2011*</u>		
	<u>Actual Flows</u>		<u>Commitments</u>	
<b>Net Inflows</b>	<b><u>655.1</u></b>	<b><u>148.4</u></b>		
<b>Inflows, of which:</b>	<b><u>664.0</u></b>	<b><u>149.8</u></b>	<b><u>263.1</u></b>	<b><u>223.3</u></b>
USA	436.4	141.9	262.7	161.6
Japan		1.4		
Germany	5.4	5.9		17.8
Austria		0.4		
Norway				6.2
Canada	0.3	0.2		
Saudi Arabia	200.1			
World Bank			0.4	11.9
European Commission				25.8
The Netherlands	0.2			
Switzerland	0.5			
Belgium	21.1			
<b>Outflows</b>	<b><u>(8.9)</u></b>	<b><u>(1.4)</u></b>		

\* Provisional.

**Sectoral distribution of grant commitments** indicated that grants for the services sector were largely directed to the general government, health and education, and financial intermediaries.

### Breakdown of Official Grant Commitments (By Beneficiary)

(US\$ mn)

	<u>July/September</u>		<u>2009/2010</u>	<u>2010/2011*</u>	<u>%</u>
	<u>2009/2010</u>	<u>%</u>			
<b>Total</b>	<b><u>263.1</u></b>	<b><u>100.0</u></b>	<b><u>223.3</u></b>	<b><u>100.0</u></b>	
<b>Productive Sectors:</b>	<b><u>0.0</u></b>	<b><u>0.0</u></b>	<b><u>58.5</u></b>	<b><u>26.2</u></b>	
Agriculture and irrigation			32.7	14.6	
Energy & electricity			25.8	11.6	
<b>Services Sectors:</b>	<b><u>263.1</u></b>	<b><u>100.0</u></b>	<b><u>164.8</u></b>	<b><u>73.8</u></b>	
Financial intermediaries & supporting services	15.3	5.8	24.6	11.0	
General government	0.4	0.2	61.9	27.7	
Education and health	61.3	23.3	78.3	35.1	
Others	186.1	70.7			

\* Provisional.

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### **5/4/3- External Debt**

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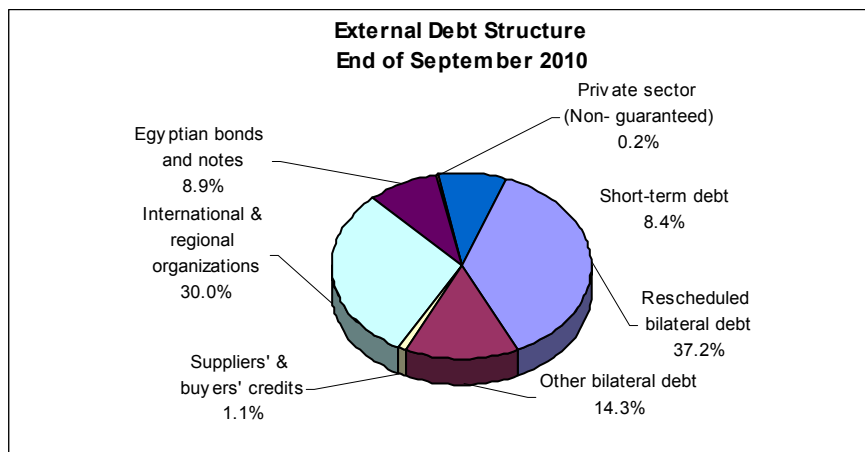
The stock of external debt (public and private – all maturities) increased by 3.0 percent or about US\$ one billion, reaching US\$ 34.7 billion at end of September 2010 (against US\$ 33.7 billion at end of June). That was an outcome of the appreciation of most currencies of borrowing versus the US dollar, (raising the stock of debt by some US\$ 1.5 billion), and the net payment of loans and facilities in the amount of US\$ 488.7 million (owing to disbursements of about US\$ 407.3 million and principal repayments of some US\$ 896.0 million).

At end of September 2010, the public sector was the major obligor, with a share of US\$ 32.6 billion or 94.0 percent of the total external debt. The private sector accounted for the remainder (6.0 percent) or about US\$ 2.1 billion.

#### **External Debt Components\***

The breakdown of external debt by maturity indicated that medium- and long-term loans and facilities (guaranteed and non-guaranteed) accounted for 91.7 percent of total external debt (US\$ 31.8 billion) at end of September 2010 (of which US\$ 31.3 billion were long-term loans, and US\$ 528.3 million were medium-term loans). The short-term debt of US\$ 2.9 billion accounted for the remainder (8.3 percent).

Around US\$ 17.4 billion\*\* of long-term loans were owed to Paris Club members (50 percent of the total). Debt to countries other than Paris Club members registered around US\$ 904.0 million (2.6 percent).



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\* The structure of Egypt's external debt by currency of borrowing is one of the key indicators used by the CBE to determine the structure of international reserves by currency.

\*\* Representing bilateral loans (rescheduled and non-rescheduled) and suppliers' and buyers' credit.

Debt to international and regional organizations reached US\$ 10.4 billion or 30.0 percent of the total at end of September 2010 (the public sector owed 98.6 percent).

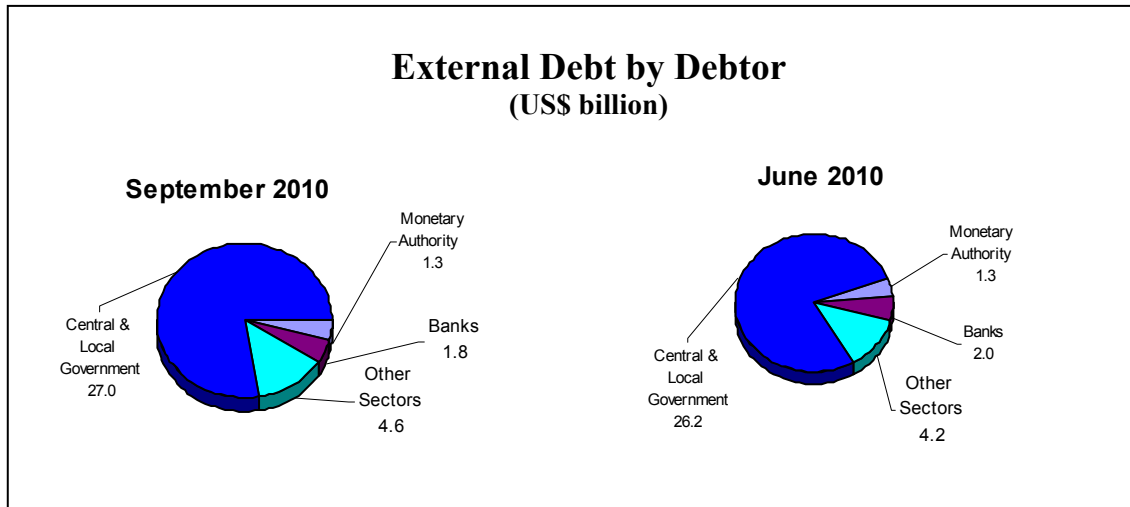
The stock of Egyptian bonds and notes (holdings of non-residents) amounted to some US\$ 3.1 billion or 8.9 percent of total external debt. That figure comprised US\$ 214.6 million of dollar-denominated sovereign bonds issued by the government in July 2001, and falling due in July 2011; US\$ 1.3 billion of guaranteed government securities issued by the government in September 2005, and reaching maturity in September 2015; and US\$ 387.6 million of LE bonds issued in July 2007 and falling due in July 2012. This is in addition to the dollar-denominated sovereign bonds issued in April 2010 (of which US\$ 1.2 billion were held by non-residents), and falling due over two tranches in 2020 and 2040.

Non-guaranteed debt of the private sector constituted US\$ 57.4 million or 0.2 percent of the total at end of September 2010. The balance of short-term debt (8.3 percent of the total) fell by 2.8 percent to US\$ 2.9 billion (64.8 percent of which was owed by the private sector). The decrease was an outcome of the decline in short-term deposits of non-residents by 17.5 percent to US\$ 1.1 billion and the rise in short-term trade facilities by 9.7 percent to US\$ 1.8 billion.

### **External Debt by Debtor**

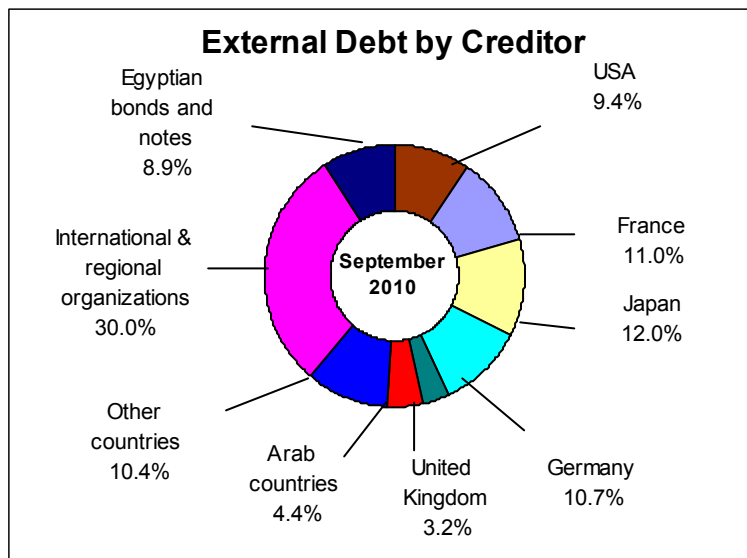
The breakdown of external debt by debtor at end of September 2010 showed an increase in the debt of the central government by US\$ 693.9 million to US\$ 27.0 billion and other sectors by around US\$ 365.9 million to US\$ 4.6 billion. Increases were also seen in debts of the monetary authority by US\$ 68.9 million to US\$ 1.3 billion (including the US\$ 1.2 billion rise in long-term obligations to cover the IMF's allocations of SDRs for Egypt). In contrast, the debt of banks moved down by US\$ 122.6 million to US\$ 1.8 billion.

Nonetheless, the aforementioned developments did not affect the structure of external debt by debtor as the central government remained the major obligor (77.6 percent of the total debt) at end of September 2010, followed by the other sectors (13.2 percent), then banks (5.4 percent) and the monetary authority (3.8 percent).



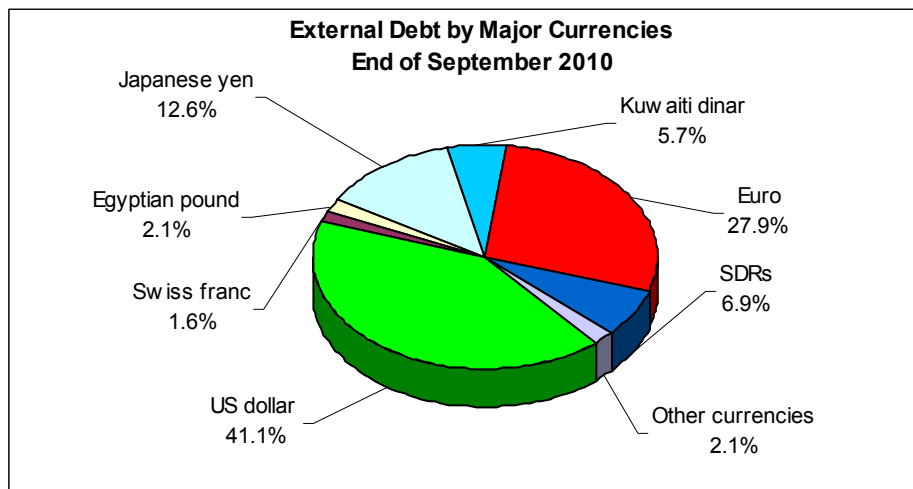
### Debt by Main Creditor

The breakdown of external debt by creditor showed that 43.1 percent of the total was owed to the four main Paris Club members; namely Japan (12.0 percent), France (11.0 percent), Germany (10.7 percent), and the USA (9.4 percent). Meanwhile, debt to the Arab countries combined posted 4.4 percent, mainly to Kuwait (2.1 percent), Saudi Arabia (0.9 percent) and the UAE (0.3 percent).



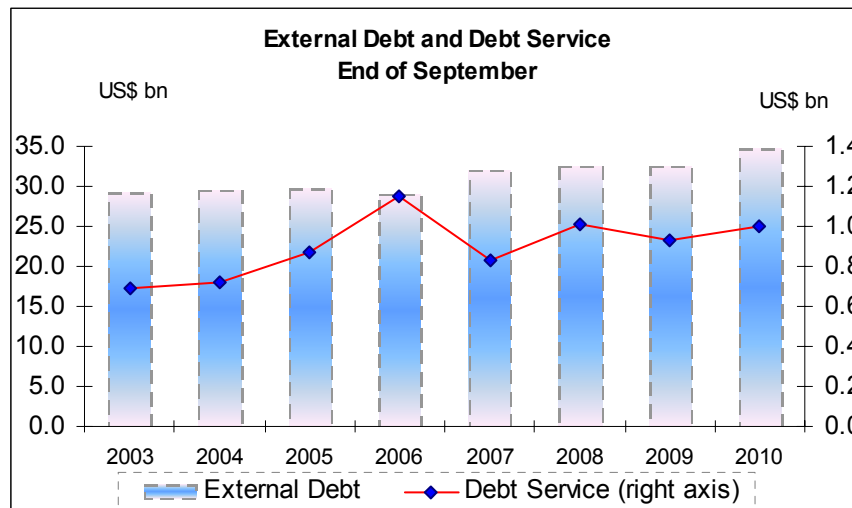
### External Debt by Currency of Borrowing

The distribution of external debt by main component currencies revealed that the US dollar was the main currency of borrowing, with a relative importance of 41.1 percent, because of the outstanding obligations in US dollar to creditors other than the USA. The euro came next with 27.9 percent, then the Japanese yen with 12.6 percent, the special drawing rights (SDRs) with 6.9 percent, and the Kuwaiti dinar with 5.7 percent.



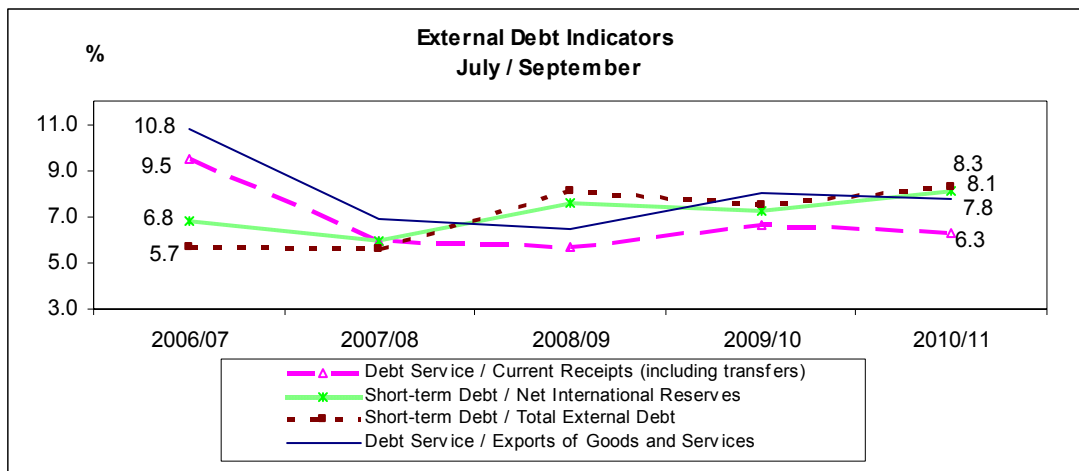
### Debt Service

Turning to external debt service (medium- and long-term), total debt service payments went up by US\$ 72.2 million, registering US\$ one billion during July/September 2010/2011. That was traceable to the increase in principal repayments by US\$ 87.7 million or 12.9 percent, to reach US\$ 769.6 million, and the fall in interest payments by about US\$ 15.5 million or 6.2 percent to some US\$ 233.2 million.

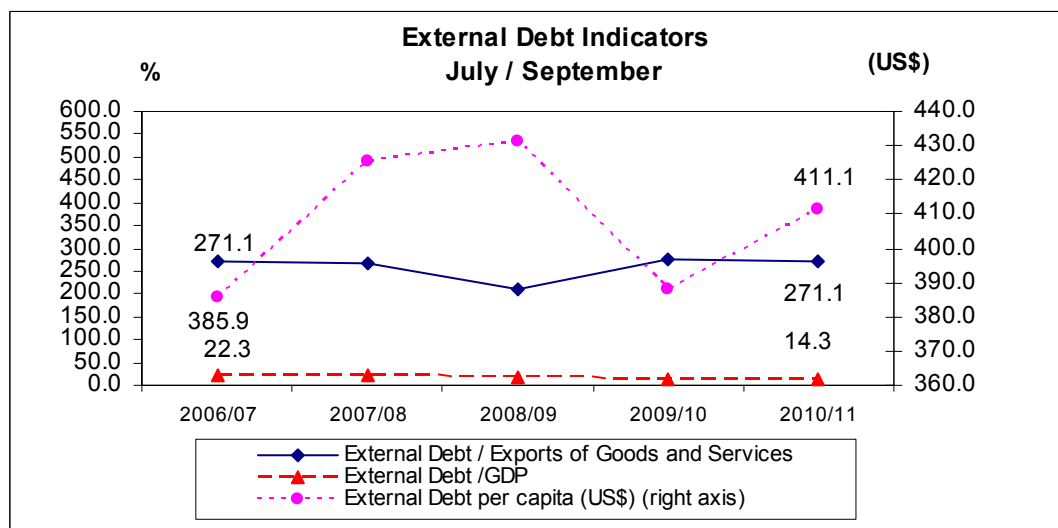


## Main Indicators of External Debt

During the period under review, the **key indicators of external debt** showed that the rise of 13.3 percent in the export proceeds of goods, and services, as well as transfers, drove down the ratio of debt service to current receipts to 6.3 percent, and to the exports of goods and services to 7.8 percent (from 6.6 percent and 8.0 percent, in order in the previous corresponding period).



With the GDP growth outpaces the rise in the balance of external debt, the indicator of total external debt/GDP ratio improved, posting 14.3 percent at the end of September 2010, against 14.7 percent at the end of September 2009.



The ratio of short-term debt to total debt increased to 8.3 percent at the end of Sept. 2010 from 7.5 percent at the end of Sept. 2009 and its ratio to NIR to 8.1 percent from 7.2 percent. Moreover, the external debt per capita scaled up to US\$ 411.1 from US\$ 388.0 in the period of comparison.

### **New Commitments on Loans and Facilities**

In the first quarter of 2010/2011, new commitments on loans and facilities registered US\$ 516.5 million. Most of these loans came from international and regional organizations (European Investment Bank) recording some US\$ 410.3 million or 79.4 percent of total commitments. Bilateral loans came next, recording some US\$ 106.2 million or 20.6 percent of total commitments. Consequently, total commitments in the reporting period scaled up by US\$ 233.7 million; due to the higher commitments concluded with international organizations, particularly with Germany and France.

## **Annex**

## **Statistical Section**

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### **(1) Indicators of Development and Economic Growth**

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- (1/1) GDP at Factor Cost by Economic Sector (at 2006/2007 Prices)
- (1/2) GDP by Expenditure
- (1/3) Consumer Price Index (Urban) (January 2010=100)
- (1/4) Producer Price Index (2004/2005=100)

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### **(2) Monetary Aggregates**

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- (2/1/1) CBE Financial Position: Reserve Money and Counterpart Assets
- (2/1/2) Banking Survey: Domestic Liquidity and Counterpart Assets
- (2/1/3) Banking Survey: Deposits in Local Currency
- (2/1/4) Banking Survey: Deposits in Foreign Currencies
- (2/1/5) Banking Survey: Foreign Assets and Liabilities
- (2/1/6) Banking Survey: Domestic Credit and Other Items (Net)
- (2/1/7) Total Saving Vessels
- (2/1/8) Bank Lending and Discount Balances to Business Sector

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### **Financial Sector**

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- (2/2/1) Structure of the Egyptian Banking System as at 30/9/2010
- (2/2/2) Local Mutual Funds Authorized and Operating as at 30/9/2010

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### **Activity of the Banking System**

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### **Central Bank of Egypt**

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- (2/3/1) Note Issued, Including Cash in CBE Vaults, by Denomination
- (2/3/2) Currency in Circulation outside CBE by Denomination
- (2/3/3) CBE: Transactions via RTGS and SWIFT

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## **Banks**

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- (2/4/1) Aggregate Financial Position
- (2/4/2) Deposits by Maturity
- (2/4/3) Deposits by Sector
- (2/4/4) Deposits by Economic Activity
- (2/4/5) Portfolio Investments by Sector
- (2/4/6) Lending and Discount Balances by Sector
- (2/4/7) Credit by Sector
- (2/4/8) Lending and Discount Balances by Economic Activity

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## **Interest Rates**

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- (2/5/1) Discount and Interest Rates on Deposits and Loans in Egyptian Pound
- (2/5/2) Domestic Interest Rates on 3- Month Deposits in Major Currencies
- (2/5/3) Interest Rates on Treasury Bills (Weekly Weighted Averages)

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## **(3) Non-Banking Financial Sector**

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- (3/1) Companies Listed on the Stock Exchange
- (3/2) Trading in Shares on the Stock Exchange
- (3/3) Trading in Bonds on the Stock Exchange
- (3/4) Foreign Transactions on the Stock Exchange
- (3/5) Global Depository Receipts (GDRs)
- (3/6) Outstanding Balance of Treasury Bills (Quarterly)
- (3/7) Outstanding Balance of Treasury Bills (Weekly)
- (3/8) Outstanding Balance of Treasury Bonds

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**(4) Public Finance & Domestic Public Debt**

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- (4/1) Consolidated Fiscal Operations of the General Government  
(Expenditures)
- (4/2) Consolidated Fiscal Operations of the General Government  
(Revenues)
- (4/3) Summary of the Consolidated Fiscal Operations of the General  
Government
- (4/4) Gross Domestic Debt
- (4/5) National Investment Bank (Resources & Uses)

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**(5) External Transactions**

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- (5/1) Balance of Payments (US\$)
- (5/2) Exports by Degree of Processing
- (5/3) Imports by Degree of Use
- (5/4) Regional Distribution of Exports and Imports
- (5/5) Average LE Foreign Exchange Rates
- (5/6) External Debt by Type
- (5/7) Distribution of External Debt by Main Currencies

### (1/1) GDP at Factor Cost by Economic Sector

At 2006/2007 prices  
July / Sept.

(LE mn)

Sectors	2009/2010			2010/2011			Growth Rate (%) 2010/2011		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
<b>Total GDP</b>	<b>77111.0</b>	<b>132787.5</b>	<b>209898.5</b>	<b>80132.9</b>	<b>141308.0</b>	<b>221440.9</b>	<b>3.9</b>	<b>6.4</b>	<b>5.5</b>
Agriculture, Irrigation & Fishing	4.1	33410.0	33414.1	4.3	34367.0	34371.3	4.9	2.9	2.9
<b>Extractions</b>	<b>23420.0</b>	<b>5175.0</b>	<b>28595.0</b>	<b>22860.0</b>	<b>5412.0</b>	<b>28272.0</b>	<b>-2.4</b>	<b>4.6</b>	<b>-1.1</b>
Oil	10025.0	1799.0	11824.0	10225.0	1834.0	12059.0	2.0	1.9	2.0
Natural gas	13303.0	2677.0	15980.0	12539.0	2846.0	15385.0	-5.7	6.3	-3.7
Others	92.0	699.0	791.0	96.0	732.0	828.0	4.3	4.7	4.7
<b>Manufacturing Industries</b>	<b>5224.0</b>	<b>26874.0</b>	<b>32098.0</b>	<b>5558.0</b>	<b>28563.0</b>	<b>34121.0</b>	<b>6.4</b>	<b>6.3</b>	<b>6.3</b>
Oil refining	919.0	690.0	1609.0	992.0	740.0	1732.0	7.9	7.2	7.6
Others	4305.0	26184.0	30489.0	4566.0	27823.0	32389.0	6.1	6.3	6.2
<b>Electricity</b>	<b>2583.0</b>	<b>399.0</b>	<b>2982.0</b>	<b>2918.0</b>	<b>301.0</b>	<b>3219.0</b>	<b>13.0</b>	<b>-24.6</b>	<b>7.9</b>
<b>Water</b>	<b>664.0</b>	<b>0.0</b>	<b>664.0</b>	<b>705.0</b>	<b>0.0</b>	<b>705.0</b>	<b>6.2</b>	<b>0.0</b>	<b>6.2</b>
<b>Sewerage</b>	<b>167.2</b>	<b>0.0</b>	<b>167.2</b>	<b>177.0</b>	<b>0.0</b>	<b>177.0</b>	<b>5.9</b>	<b>0.0</b>	<b>5.9</b>
<b>Construction &amp; Building</b>	<b>1135.0</b>	<b>8587.0</b>	<b>9722.0</b>	<b>1267.0</b>	<b>9666.0</b>	<b>10933.0</b>	<b>11.6</b>	<b>12.6</b>	<b>12.5</b>
<b>Transportation &amp; Storage</b>	<b>2048.0</b>	<b>7043.0</b>	<b>9091.0</b>	<b>2199.0</b>	<b>7561.0</b>	<b>9760.0</b>	<b>7.4</b>	<b>7.4</b>	<b>7.4</b>
<b>Communications</b>	<b>2520.0</b>	<b>4999.0</b>	<b>7519.0</b>	<b>2745.0</b>	<b>5678.0</b>	<b>8423.0</b>	<b>8.9</b>	<b>13.6</b>	<b>12.0</b>
<b>Information</b>	<b>155.4</b>	<b>296.4</b>	<b>451.8</b>	<b>165.0</b>	<b>319.0</b>	<b>484.0</b>	<b>6.2</b>	<b>7.6</b>	<b>7.1</b>
<b>Suez Canal</b>	<b>6479.4</b>	<b>0.0</b>	<b>6479.4</b>	<b>7257.0</b>	<b>0.0</b>	<b>7257.0</b>	<b>12.0</b>	<b>0.0</b>	<b>12.0</b>
<b>Wholesale &amp; Retail Trade</b>	<b>801.0</b>	<b>19601.0</b>	<b>20402.0</b>	<b>867.0</b>	<b>21001.0</b>	<b>21868.0</b>	<b>8.2</b>	<b>7.1</b>	<b>7.2</b>
<b>Finance</b>	<b>5251.0</b>	<b>2912.0</b>	<b>8163.0</b>	<b>5511.0</b>	<b>3051.0</b>	<b>8562.0</b>	<b>5.0</b>	<b>4.8</b>	<b>4.9</b>
<b>Insurance</b>	<b>501.0</b>	<b>155.0</b>	<b>656.0</b>	<b>527.0</b>	<b>165.0</b>	<b>692.0</b>	<b>5.2</b>	<b>6.5</b>	<b>5.5</b>
<b>Social Solidarity</b>	<b>7300.0</b>	<b>0.0</b>	<b>7300.0</b>	<b>7739.0</b>	<b>0.0</b>	<b>7739.0</b>	<b>6.0</b>	<b>0.0</b>	<b>6.0</b>
<b>Restaurants &amp; Hotels</b>	<b>80.8</b>	<b>9741.3</b>	<b>9822.1</b>	<b>85.0</b>	<b>10923.0</b>	<b>11008.0</b>	<b>5.2</b>	<b>12.1</b>	<b>12.1</b>
<b>Real Estate</b>	<b>139.0</b>	<b>5265.0</b>	<b>5404.0</b>	<b>144.0</b>	<b>5508.0</b>	<b>5652.0</b>	<b>3.6</b>	<b>4.6</b>	<b>4.6</b>
Real Estate Ownership	90.0	2766.0	2856.0	93.0	2894.0	2987.0	3.3	4.6	4.6
Business Services	49.0	2499.0	2548.0	51.0	2614.0	2665.0	4.1	4.6	4.6
<b>General Government</b>	<b>18464.0</b>	<b>0.0</b>	<b>18464.0</b>	<b>19221.0</b>	<b>0.0</b>	<b>19221.0</b>	<b>4.1</b>	<b>0.0</b>	<b>4.1</b>
<b>Education, Health &amp; Personal Services</b>	<b>174.1</b>	<b>8329.8</b>	<b>8503.9</b>	<b>183.6</b>	<b>8793.0</b>	<b>8976.6</b>	<b>5.5</b>	<b>5.6</b>	<b>5.6</b>
Education	0.0	2260.0	2260.0	0.0	2373.0	2373.0	0.0	5.0	5.0
Health	166.0	2575.0	2741.0	175.0	2717.0	2892.0	5.4	5.5	5.5
Others*	8.1	3494.8	3502.9	8.6	3703.0	3711.6	6.2	6.0	6.0

Source : Ministry of Economic Development.

\*The two items of "Sanitation" and "Information" were excluded from "Other Services" item, in accordance with the International Classification ISIC, Rev.4.

**(1/2) GDP by Expenditure**  
**July/Sept.**  
 ( At 2006/ 2007 prices )

	<u>Value at LE bn</u>		<u>Structure (%)</u>		<u>Growth Rate (%)</u>	
	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011
<b><u>1-GDP at Market Price(2+3+4-5)</u></b>	<b><u>219.2</u></b>	<b><u>231.2</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>4.6</u></b>	<b><u>5.5</u></b>
<b><u>2- Final Consumption</u></b>	<b><u>192.6</u></b>	<b><u>200.9</u></b>	<b><u>87.8</u></b>	<b><u>86.9</u></b>	<b><u>3.3</u></b>	<b><u>4.3</u></b>
Final private consumption	168.6	175.7	76.9	76.0	3.3	4.2
Final government consumption	24.0	25.2	10.9	10.9	3.0	5.0
<b><u>3- Gross Capital Formation</u></b>	<b><u>31.8</u></b>	<b><u>35.0</u></b>	<b><u>14.5</u></b>	<b><u>15.1</u></b>	<b><u>7.8</u></b>	<b><u>10.1</u></b>
Investments	29.1	35.0	13.3	15.1	-1.4	20.3
Change in stock	2.7	-	1.2	-	-	-
<b><u>4- Exports of Goods &amp; Services</u></b>	<b><u>61.7</u></b>	<b><u>67.0</u></b>	<b><u>28.2</u></b>	<b><u>29.0</u></b>	<b><u>-15.5</u></b>	<b><u>8.6</u></b>
<b><u>5- Imports of Goods &amp; Services</u></b>	<b><u>66.9</u></b>	<b><u>71.7</u></b>	<b><u>30.5</u></b>	<b><u>31.0</u></b>	<b><u>-15.8</u></b>	<b><u>7.2</u></b>
<b><u>6- Gross Domestic Saving (1-2)</u></b>	<b><u>26.6</u></b>	<b><u>30.3</u></b>	<b><u>12.1</u></b>	<b><u>13.1</u></b>	<b><u>15.7</u></b>	<b><u>13.9</u></b>

Source : Ministry of Economic Development.

**(1/3) Consumer Price Index (Urban) (Jan. 2010 = 100) \***

Groups	Relative Weights	<u>2009</u>		<u>2010</u>		<u>Inflation Rate (%)</u>	
		<u>June</u>	<u>Sept.</u>	<u>June</u>	<u>Sept.</u>	<u>July/Sept.</u> 2009/2010	<u>2010/2011</u>
<b><u>General Index</u></b>	<b><u>100.00</u></b>	<b><u>93.0</u></b>	<b><u>99.0</u></b>	<b><u>102.4</u></b>	<b><u>109.8</u></b>	<b><u>6.5</u></b>	<b><u>7.2</u></b>
Food & Non-Alcoholic Beverages	39.92	89.3	99.8	105.9	121.3	11.8	14.5
Tobacco	2.19	100.0	100.0	100.0	143.2	0.0	43.2
Clothing & Footwear	5.41	99.4	99.4	100.0	102.0	0.0	2.0
Housing , Water, Electricity, Gas & Fuel	18.37	96.5	98.7	99.3	99.3	2.3	0.0
Furnishings, Household Equipment & Routine Maintenance of the House	3.77	99.3	99.6	102.6	102.7	0.3	0.1
Health Care	6.33	99.7	100.0	100.0	100.0	0.3	0.0
Transportation	5.68	99.6	100.0	100.6	100.9	0.4	0.3
Communications	3.12	100.0	100.0	99.9	99.9	0.0	0.0
Recreation & Culture	2.43	99.5	100.5	102.4	102.7	1.0	0.3
Education	4.63	91.4	93.4	100.0	100.0	2.2	0.0
Hotels & Restaurants	4.43	95.9	99.6	100.2	103.0	3.9	2.8
Miscellaneous	3.73	86.5	90.4	100.7	100.8	4.5	0.1

Source: Central Agency for Public Mobilization and Statistics (CAPMAS) (Monthly CPI Bulletin).

\* The 9<sup>th</sup> series of CPI was introduced in August 2010. The weights involved in the formation of the Index were taken from the results of the 2008/2009 survey of income, expenditure and consumption using January 2010 as a base period.

**(1/4) Producer Price Index (2004/2005 = 100)**

Groups	Relative Weights	2009		2010		Inflation Rate (%)	
		June	Sept.	June	Sept.	July/Sept. 2009/2010	2010/2011
<b><u>All Items</u></b>	<b><u>100.0</u></b>	<b><u>148.2</u></b>	<b><u>152.4</u></b>	<b><u>160.9</u></b>	<b><u>173.9</u></b>	<b><u>2.8</u></b>	<b><u>8.1</u></b>
Agriculture, Forestry and Fishing	25.1	188.9	205.2	210.9	249.8	8.6	18.4
Mining and Quarrying	21.8	134.6	131.4	147.8	151.1	-2.4	2.2
Manufacturing Industries	38.9	140.0	142.6	149.6	155.5	1.9	3.9
Electricity, Gas, Steam and Air Conditioning Supply	2.3	115.0	115.0	140.3	140.3	0.0	0.0
Water Supply, Sewerage, Waste Management and Remediation Activities	2.0	138.7	138.7	146.5	146.5	0.0	0.0
Transportation and Storage	2.8	124.2	124.8	124.8	124.8	0.5	0.0
Accommodation and Food Service Activities	5.0	114.6	108.6	110.6	113.6	-5.2	2.7
Information and Communication Activities	2.1	112.5	112.5	112.5	112.5	0.0	0.0

Source: Central Agency for Public Mobilization and Statistics (CAPMAS) ( Monthly PPI Bulletin issued every two months ).

## (2/1/1) CBE Financial Position: Reserve Money and Counterpart Assets

(LE mn)

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Reserve Money</u></b>	<b><u>142261</u></b>	<b><u>169911</u></b>	<b><u>178091</u></b>	<b><u>175104</u></b>	<b><u>191497</u></b>	<b><u>203071</u></b>	<b><u>216655</u></b>	
Currency in circulation outside CBE *	98166	111412	120913	126268	135583	144253	153079	
Banks' deposits in local currency	44095	58499	57178	48836	55914	58818	63576	
<b><u>Counterpart Assets</u></b>	<b><u>142261</u></b>	<b><u>169911</u></b>	<b><u>178091</u></b>	<b><u>175104</u></b>	<b><u>191497</u></b>	<b><u>203071</u></b>	<b><u>216655</u></b>	
<b><u>Net Foreign Assets</u></b> +	<b><u>100365</u></b>	<b><u>180333</u></b>	<b><u>187077</u></b>	<b><u>171732</u></b>	<b><u>173334</u></b>	<b><u>190234</u></b>	<b><u>191648</u></b>	
<b><u>Foreign Assets</u></b>	<b><u>164579</u></b>	<b><u>182021</u></b>	<b><u>188652</u></b>	<b><u>173055</u></b>	<b><u>182139</u></b>	<b><u>198605</u></b>	<b><u>200054</u></b>	
Gold	6744	8695	8695	9385	9385	12393	12393	
Foreign securities	118972	151175	172955	150556	154116	162247	167404	
Foreign currencies	38863	22151	7002	13114	18638	23965	20257	
<b><u>Foreign Liabilities**</u></b>	<b><u>64214</u></b>	<b><u>1688</u></b>	<b><u>1575</u></b>	<b><u>1323</u></b>	<b><u>8805</u></b>	<b><u>8371</u></b>	<b><u>8406</u></b>	
<b><u>Net Domestic Assets</u></b>	<b><u>41896</u></b>	<b><u>-10422</u></b>	<b><u>-8986</u></b>	<b><u>3372</u></b>	<b><u>18163</u></b>	<b><u>12837</u></b>	<b><u>25007</u></b>	
<b><u>Net Claims on Government</u></b>	<b><u>121187</u></b>	<b><u>81872</u></b>	<b><u>101571</u></b>	<b><u>68613</u></b>	<b><u>94308</u></b>	<b><u>80611</u></b>	<b><u>109835</u></b>	
Claims; of which:	196529	159697	175828	146899	164474	150288	182528	
Government securities**	165688	123123	123123	121708	130771	121533	130597	
Deposits	75342	77825	74257	78286	70166	69677	72693	
<b><u>Net Claims on Banks</u></b>	<b><u>51898</u></b>	<b><u>77581</u></b>	<b><u>42437</u></b>	<b><u>334</u></b>	<b><u>8810</u></b>	<b><u>29010</u></b>	<b><u>56622</u></b>	
Claims	70061	97828	62458	21786	29938	49863	77225	
Deposits in foreign currencies	18163	20247	20021	21452	21128	20853	20603	
<b><u>Other Items (Net)</u></b>	<b><u>-131189</u></b>	<b><u>-169875</u></b>	<b><u>-152994</u></b>	<b><u>-65575</u></b>	<b><u>-84955</u></b>	<b><u>-96784</u></b>	<b><u>-141450</u></b>	
Assets**	42504	25233	33196	28978	16027	15431	1795	
Liabilities	173693	195108	186190	94553	100982	112215	143245	

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Source : Central Bank of Egypt.

\* Including subsidiary coins & notes issued by the Ministry of Finance

\*\* At the end of June 2008, the CBE and the government agreed on using part of the rescheduled debts -under Paris Club agreement- which are not yet due, to settle part of the government debt to the CBE.

+ According to the updated statistical treatment adopted by the IMF, SDR allocations are to be classified as foreign liabilities rather than capital accounts, as of August 2009.

**(2/1/2) Banking Survey: Domestic Liquidity and Counterpart Assets**

( LE mn )

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>1- Domestic Liquidity</u></b>	<b><u>681900</u></b>	<b><u>766664</u></b>	<b><u>777871</u></b>	<b><u>831211</u></b>	<b><u>847808</u></b>	<b><u>917459</u></b>	<b><u>948172</u></b>	
<b><u>A- Money Supply</u></b>	<b><u>141922</u></b>	<b><u>170579</u></b>	<b><u>177641</u></b>	<b><u>182991</u></b>	<b><u>192759</u></b>	<b><u>214040</u></b>	<b><u>220472</u></b>	
Currency in circulation outside the banking system	92244	104656	112984	118146	127479	135209	143799	
Demand deposits in local currency	49678	65923	64657	64845	65280	78831	76673	
<b><u>B- Quasi-Money</u></b>	<b><u>539978</u></b>	<b><u>596085</u></b>	<b><u>600230</u></b>	<b><u>648220</u></b>	<b><u>655049</u></b>	<b><u>703419</u></b>	<b><u>727700</u></b>	
Time & saving deposits in local currency	384004	436268	440268	481054	493662	545303	569542	
Demand and time & saving deposits in foreign currencies	155974	159817	159962	167166	161387	158116	158158	
<b><u>2- Counterpart Assets</u></b>								
Net foreign assets *	215080	303680	274385	254134	261819 <sup>+</sup>	282408	312144	
Domestic credit *	552226	570953	621486	695326	729295	775268	792347	
Other items (net)*	-85406	-107969	-118000	-118249	-143306 <sup>+</sup>	-140217	-156319	

Source : Central Bank of Egypt.

\* Due to the agreement between the CBE and the government, as mentioned in the footnote of table (2/1/1).

+ According to the new classification of SDR allocations referred to in Table (2/1/1)

## (2/1/3) Banking Survey: Deposits in Local Currency

	(LE mn)							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total Deposits in Local Currency</u></b>	<b><u>433682</u></b>	<b><u>502191</u></b>	<b><u>504925</u></b>	<b><u>545899</u></b>	<b><u>558942</u></b>	<b><u>624134</u></b>	<b><u>646215</u></b>	
<b><u>1- Demand Deposits</u></b>	<b><u>49678</u></b>	<b><u>65923</u></b>	<b><u>64657</u></b>	<b><u>64845</u></b>	<b><u>65280</u></b>	<b><u>78831</u></b>	<b><u>76673</u></b>	
Public business sector *	5600	8698	6068	7145	5768	8938	7385	
Private business sector	23697	34301	33735	33240	33300	41246	38729	
Household sector	21243	24003	25636	25235	26707	29510	31279	
Minus: Purchased cheques & drafts	862	1079	782	775	495	863	720	
<b><u>2- Time and Saving Deposits</u></b>	<b><u>384004</u></b>	<b><u>436268</u></b>	<b><u>440268</u></b>	<b><u>481054</u></b>	<b><u>493662</u></b>	<b><u>545303</u></b>	<b><u>569542</u></b>	
Public business sector *	18772	20736	22856	21654	23415	23788	24964	
Private business sector	57889	85415	75532	71076	74855	73183	80594	
Household sector	307343	330117	341880	388324	395392	448332	463984	

Source : Central Bank of Egypt

\*Including all public sector companies subject or not to Law No. 203 for 1991.

**(2/1/4) Banking Survey : Deposits in Foreign Currencies**

	(LE mn)						
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>
End of	Sept.	June	Sept.	June	Sept.	June	Sept.
<b><u>Total Deposits in Foreign Currencies</u></b>	<b><u>155974</u></b>	<b><u>159817</u></b>	<b><u>159962</u></b>	<b><u>167166</u></b>	<b><u>161387</u></b>	<b><u>158116</u></b>	<b><u>158158</u></b>
<b><u>1- Demand Deposits</u></b>	<b><u>25030</u></b>	<b><u>26581</u></b>	<b><u>27896</u></b>	<b><u>32050</u></b>	<b><u>30807</u></b>	<b><u>33901</u></b>	<b><u>34013</u></b>
Public business sector *	1385	943	1507	1334	922	1055	1115
Private business sector	15987	17417	18158	21104	20109	22313	22342
Household sector	7847	8404	8369	9712	9883	10673	10622
Minus: Purchased cheques & drafts	189	183	138	100	107	140	66
<b><u>2- Time and Saving Deposits</u></b>	<b><u>130944</u></b>	<b><u>133236</u></b>	<b><u>132066</u></b>	<b><u>135116</u></b>	<b><u>130580</u></b>	<b><u>124215</u></b>	<b><u>124145</u></b>
Public business sector *	6290	8202	7993	7401	8032	5419	5503
Private business sector	34947	39785	38644	37217	35049	32594	33176
Household sector	89707	85249	85429	90498	87499	86202	85466

Source: Central Bank of Egypt

\* Including all public sector companies subject or not to Law No. 203 for 1991.

## (2/1/5) Banking Survey: Foreign Assets and Liabilities

	(LE mn)							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Net Foreign Assets</u></b>	<b><u>215080</u></b>	<b><u>303680</u></b>	<b><u>274385</u></b>	<b><u>254134</u></b>	<b><u>261819</u></b>	<b><u>282408</u></b>	<b><u>312144</u></b>	
<b><u>Foreign Assets</u></b>	<b><u>305398</u></b>	<b><u>330770</u></b>	<b><u>303411</u></b>	<b><u>282913</u></b>	<b><u>297689</u></b>	<b><u>322209</u></b>	<b><u>359653</u></b>	
Central Bank of Egypt	164579	182021	188652	173055	182139	198605	200054	
Banks	140819	148749	114759	109858	115550	123604	159599	
<b><u>Foreign Liabilities</u></b>	<b><u>90318</u></b>	<b><u>27090</u></b>	<b><u>29026</u></b>	<b><u>28779</u></b>	<b><u>35870</u></b>	<b><u>39801</u></b>	<b><u>47509</u></b>	
Central Bank of Egypt *	64214	1688	1575	1323	8806 <sup>+</sup>	8371	8406	
Banks	26104	25402	27451	27456	27064	31430	39103	

Source: Central Bank of Egypt

\* Due to the agreement between the CBE and the government, as mentioned in the footnote of table (2/1/1).

+ According to the new classification of SDR allocations referred to in Table (2/1/1)

**(2/1/6) Banking Survey: Domestic Credit and Other Items (Net)**

	(LE mn)							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>1- Domestic Credit</u></b>	<b><u>552226</u></b>	<b><u>570953</u></b>	<b><u>621486</u></b>	<b><u>695326</u></b>	<b><u>729295</u></b>	<b><u>775268</u></b>	<b><u>792347</u></b>	
Net claims on the government (A+B-C)	188857	174005	207687	273122	310727	326141	341319	
A-Securities*	288980	271788	291217	397804	421924	440410	438244	
B-Credit facilities	57192	67732	83637	55939	66142	68140	89033	
C-Government deposits	157315	165515	167167	180621	177339	182409	185958	
Claims on public business sector **	25729	26897	28251	33146	33506	29985	30727	
Claims on private business sector	272675	291719	302170	304470	300342	326350	326748	
Claims on household sector	64965	78332	83378	84588	84720	92792	93553	
<b><u>2- Other Items (Net)</u></b>	<b><u>-85406</u></b>	<b><u>-107969</u></b>	<b><u>-118000</u></b>	<b><u>-118249</u></b>	<b><u>-143306</u></b>	<b><u>-140217</u></b>	<b><u>-156319</u></b>	
Capital accounts +	-119183	-135401	-141450	-148332	-150493	-170877	-168878	
Net unclassified assets and liabilities*	33777	27432	23450	30083	7187	30660	12559	

Source: Central Bank of Egypt

\* Due to the agreement between the CBE and the government, as mentioned in the footnote of table (2/1/1)

\*\* Including all public sector companies subject or not to Law No. 203 for 1991.

+ According to the new classification of SDR allocations referred to in Table (2/1/1)

## (2/1/7) Total Saving Vessels

(LE mn)

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total Saving Vessels</u></b>	<b><u>666056</u></b>	<b><u>742177</u></b>	<b><u>743760</u></b>	<b><u>803063</u></b>	<b><u>738450</u></b>	<b><u>794350</u></b>	<b><u>820435</u></b>	
<b><u>Savings at the Banking System</u></b>	<b><u>539978</u></b>	<b><u>596085</u></b>	<b><u>600230</u></b>	<b><u>648220</u></b>	<b><u>655049</u></b>	<b><u>703419</u></b>	<b><u>727700</u></b>	
Time & saving deposits in local currency	384004	436268	440268	481054	493662	545303	569542	
Demand and time & saving deposits in foreign currencies	155974	159817	159962	167166	161387	158116	158158	
<b><u>Net Sales of Investment Certificates</u></b>	<b><u>70072</u></b>	<b><u>79354</u></b>	<b><u>78630</u></b>	<b><u>81262</u></b>	<b><u>83401</u></b>	<b><u>90931</u></b>	<b><u>92735</u></b>	
<b><u>Post Office Saving Deposits</u></b>	<b><u>56006</u></b>	<b><u>66738</u></b>	<b><u>64900</u></b>	<b><u>73581</u></b>	<b><u>Not available</u></b>	<b><u>Not available</u></b>	<b><u>Not available</u></b>	

Source: Central Bank of Egypt

(2/1/8) Bank Lending and Discount Balances to Business Sector

Public Business Sector \*

(LE mn)

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total</u></b>	<b><u>25395</u></b>	<b><u>26652</u></b>	<b><u>28039</u></b>	<b><u>32880</u></b>	<b><u>33218</u></b>	<b><u>29812</u></b>	<b><u>30546</u></b>	
<b><u>In Local Currency</u></b>	<b><u>18486</u></b>	<b><u>19475</u></b>	<b><u>20159</u></b>	<b><u>23725</u></b>	<b><u>25126</u></b>	<b><u>21051</u></b>	<b><u>21918</u></b>	
Agriculture	7	11	9	3	4	3	109	
Manufacturing	8857	9066	9300	13167	11478	9258	9008	
Trade	3980	4114	4333	4098	4547	1737	1662	
Services	5642	6284	6517	6457	9097	10053	11139	
<b><u>In Foreign Currencies</u></b>	<b><u>6909</u></b>	<b><u>7177</u></b>	<b><u>7880</u></b>	<b><u>9155</u></b>	<b><u>8092</u></b>	<b><u>8761</u></b>	<b><u>8628</u></b>	
Agriculture	-	-	-	-	-	-	-	
Manufacturing	3269	3440	3676	4176	3085	3294	3143	
Trade	689	709	772	1281	1434	1566	1419	
Services	2951	3028	3432	3698	3573	3901	4066	

Source: Central Bank of Egypt

\* Including all public sector companies subject or not to Law No. 203 for 1991.

(2/1/8) Bank Lending and Discount Balances to Business Sector (Contd.)

Private Business Sector

(LE mn)

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total</u></b>	<b><u>240936</u></b>	<b><u>258087</u></b>	<b><u>270570</u></b>	<b><u>267885</u></b>	<b><u>263216</u></b>	<b><u>287148</u></b>	<b><u>285800</u></b>	
<b><u>In Local Currency</u></b>	<b><u>163102</u></b>	<b><u>167258</u></b>	<b><u>171294</u></b>	<b><u>177107</u></b>	<b><u>172851</u></b>	<b><u>185694</u></b>	<b><u>182519</u></b>	
Agriculture	6180	5326	5186	4718	4061	4461	3986	
Manufacturing	61922	62693	64709	74053	71278	76229	75092	
Trade	35816	38342	39556	39881	39041	49486	37936	
Services	59184	60897	61843	58455	58471	55518	65505	
<b><u>In Foreign Currencies</u></b>	<b><u>77834</u></b>	<b><u>90829</u></b>	<b><u>99276</u></b>	<b><u>90778</u></b>	<b><u>90365</u></b>	<b><u>101454</u></b>	<b><u>103281</u></b>	
Agriculture	899	843	1833	2145	2071	1534	1591	
Manufacturing	34428	43349	45801	41240	42230	53355	53278	
Trade	13106	14599	17562	13356	13999	13563	14356	
Services	29401	32038	34080	34037	32065	33002	34056	

Source: Central Bank of Egypt

### (2/2/1) Structure of Egyptian Banking System

<b>End of</b>	<b><u>Total Number of Banks Operating in Egypt</u></b>	<b><u>Total Number of Branches</u></b>
September 2007	41	3116
June 2008	40	3297
September 2008	40	3320
June 2009	39	3443
September 2009	39	3462
June 2010	39	3502
September 2010	39	3523

Source : Central Bank of Egypt.

(2/2) Local Mutual Funds Authorized and Operating as at 30/9/2010

Fund Name	Fund Manager	Par Value (LE)	Document Value (LE) at End of June 2010	Document Value (LE) at End of Sept. 2010
<b>Open-end Balance Funds</b>				
National Bank of Egypt I +	Al Ahly Fund Management	10	37.42	39.14
Banque Misr I	Concord International Investments	100	102.23	100.22
National Bank of Egypt II	Al Ahly Fund Management	100	81.60	81.63
National Bank of Egypt III	HC Securities	100	74.52	75.61
El Watany Bank of Egypt	Hermes Fund Management	100	126.95	124.30
National Bank of Egypt V	Al Ahly Fund Management	10	9.21	9.57
Al-Massi	Hermes Fund Management	100	99.65	104.64
Kheir Fund	Beltone Asset Management	10	9.91	10.13
<b>Open-end Equity Funds</b>				
Credit Agricole Egypt I *	Hermes Fund Management	100	223.38	225.90
Bank of Alexandria I	Hermes Fund Management	100	214.12	224.31
Arab Misr Insurance Group **	Prime Investments Fund Management	100	148.53	155.72
Banque Misr II	Concord International Investment	66.67	51.77	46.90
Banque de Caire ***	Hermes Fund Management	10	51.58	54.48
Export Development Bank I ( El-Khabeer) ++	HC Securities	33.33	73.74	76.31
Suez Canal Bank I	HC Securities	500	290.34	303.13
Credit Agricole Egypt II *	Hermes Fund Management	100	103.68	106.13
Egyptian Gulf Bank	Hermes Fund Management	100	153.60	162.85
Banque Misr III ****	HC Securities	100	406.42	425.52
Shield Fund *****	Arab African Investment Management	50	103.83	108.55
Misr Iran Development Bank I	HC Securities	100	339.53	355.12
Commercial International Bank II (Istethmar)	CI Asset Management	100	74.81	76.58
Piraeus Bank-Egypt I	Phoneix Kato Asset Management	100	93.70	98.37
Housing & Development Bank (Al-Taameer)	Prime Investments Fund Management	100	99.07	102.85
ABC Bank	Delta Rasmala	100	84.66	88.19
Suez Canal Bank II (Al-Agyal)	Beltone Asset Management	10	10.40	10.62
Blom Bank	Prime Investment	100	94.99	99.81
Pharos Fund I	Pharos Asset Management	100	94.48	99.98
Pioneers Fund I	Annual for Financial Investments	100	-	103.17
<b>Open-end Fixed Income Funds</b>				
Al Rabeh Fund +++	Prime Investment Fund Management	100	101.81	100.47
Credit Agricole Egypt III *	Egyptian Fund Management Group	1000	1039.30	1061.43
Misr Money Mareket	Beltone Asset Management	10	16.20	16.51
Commercial International Bank I (Osoul)	CI Asset Management	100	154.01	157.19
Misr Iran Development Bank II	HC Securities	1000	1037.12	1019.56
Bank of Alexandria II	EFG-Hermes	10	14.04	14.34
National Bank of Egypt IV	Al Ahly Fund Management	100	137.59	140.28
National Societe Generale Bank (Themar)	EFG-Hermes	100	134.83	137.61
Export Development Bank II	Delta Rasmala	100	133.55	136.29
ABC Bank ( Mazaya )	Beltone Asset Management	10	10.95	11.15
HSBC Egypt Bank Fund (Kol Youm)	Beltone Asset Management	100	109.14	111.31
AAIB( Juman)	Arab African Investement Management	100	108.77	111.01
Piraeus bank- Egypt II	Phoneix Kato Asset Management	10	10.82	11.03
Audi Bank Fund	EFG-Hermes	10	10.81	11.02
Banque du Caire II	Beltone Asset Management	10	10.62	10.81
Blom Bank Fund II	C I Capital Asset Management	100	105.40	107.47
Al Watany Bank of Egypt Fund (Eshrak)	NBK Capital Asset Management Egypt	10	10.32	10.52
Arab Bank Fund (Youmati)	Beltone Asset Management	10	10.29	10.49
Housing & Development Bank (Mawared)	Prime Investments Fund Management	10	10.25	10.45
Bank of Alexandria III	EFG-Hermes	10	10.16	10.42
Principial Bank for Development & Agricultural Credit (Hasad)	HC Securities	10	10.15	10.34
Arab Investment Bank Fund	EFG-Hermes	10	10.02	10.21
Egyptian Gulf Bank Fund (Tharaa)	Prime Investments Fund Management	10	-	10.05
<b>Open-end Islamic Funds</b>				
Faisal Islamic Bank	EFG-Hermes	100	106.74	109.33
Al Baraka Bank Egypt +++++	EFG-Hermes	100	75.60	77.38
Faisal Islamic Bank - CIB (Al Amman)	CI Asset Management	100	57.58	57.98
Banque Misr IV	HC Securities	100	73.77	76.67
Sanabel Fund	Prime Investment Fund Management	100	80.52	84.06
Egyptian Saudi Finance -National Bank of Egypt (Bashayer)	Al Ahly Fund Management	100	73.22	73.77
<b>Open-end Islamic Balanced Funds</b>				
Al Baraka Bank Egypt	AT. Asset Management	100	-	101.43
<b>Closed-end Funds</b>				
Orient Trust	Egyptian Investment & Finance Co.	1000	1207.21	1239.44
Misr Direct Investment Fund	Al Ahly Development & Investment	1000	1035.00	1035.00
Arab Land Direct	Prime Investment Fund Management	1000	707.33	715.95
<b>Capital Guaranteed Funds</b>				
Misr Bank Capital Guaranteed	Cairo Funds Management	100	218.96	224.41
<b>Asset Allocator Funds</b>				
Societe Arab Int'l Banque I +++++	Prime Investment Fund Management	100	427.07	447.36
Societe Arab Int'l Banque II	Prime Investment Fund Management	100	297.59	311.84
<b>Capital Protected Funds</b>				
HSBC Egypt Fund II	EFG-Hermes	100	96.01	98.37
CIB Fund IV (Hamaya)	CI Capital Asset Management	100	-	101.07
<b>Foreign Currency Funds</b>				
Misr Money Market (\$)	Beltone Asset Management	10\$	10.66\$	10.68\$
Misr Money Market (Euro)	Beltone Asset Management	10 €	10.70 €	10.71 €
<b>Fund of Funds</b>				
Misr Iran Development Bank III (Wafi)	El Rashad Asset Management	10	9.88	10.26
National Bank of Egypt VII	El Rashad Asset Management	100	99.10	103.41

Source: Monthly Bulletin of Egyptian Stock Exchange

+ The fund's document has been split into ratio of 1: 50 as of 29/11/2007. The fund has also changed its structure from Balanced to Equity during the period (12 March 2009 - 4 February 2010).

++ Two free documents has been distributed for each original document on 28/6/2007.

+++ The fund's name has changed to Al Rabeh Fund instead of Societe Arab Int'l Banque III.

++++ Previously known as Egyptian Saudi Finance Bank.

+++++ The fund's document has been split into ratio of 1: 5 and the par value has also changed from LE 500 to LE 100 as of 29/3/2007.

\* The name of Egyptian American Bank Fund I,II,III has changed to Credit Agricole Egypt starting from 3/9/2006.

\*\* The document has been split into ratio of 1:5 as of 10/11/2009.

\*\*\* The price of issuing the document has also changed from LE 100 to LE 10 as of 3/6/2007.

\*\*\*\* The name of Misr Exterior Bank fund has changed to Banque Misr III Fund starting from 16/9/2004 after the merger of Misr Exterior Bank with Banque Misr. The price of issuing the document has also changed from LE 1000 to LE100 after the amendment of Article (5) of the fund's prospectus as of 27/8/2006.

\*\*\*\*\* The name of Misr International Bank fund has changed to Shield Fund starting from 2/4/2006 and the document has been split into a ratio of 1:2 on the same date. The par value has also changed from LE 100 to LE 50.

(2/3/1) Note Issued by Denomination

(LE mn)

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<u>Currency By Denomination</u>	<u>99353</u>	<u>112430</u>	<u>121919</u>	<u>127625</u>	<u>137333</u>	<u>145914</u>	<u>155138</u>	
PT 25	147	147	185	160	245	184	178	
PT 50	242	252	356	309	308	294	299	
LE 1	577	608	905	772	754	845	871	
LE 5	1043	1169	1489	1309	1905	1619	2550	
LE 10	3165	2938	3433	2991	3400	2930	3359	
LE 20	8325	7394	7880	6419	6692	5619	6510	
LE 50	27936	25646	25120	23045	22072	18836	18770	
LE 100	49274	54987	57494	61561	67455	69299	70427	
LE 200 *	8644	19289	25057	31059	34502	46288	52174	

Source: Central Bank of Egypt

\* The LE 200 note has been in circulation as of May 2007.

**(2/3/2) Currency in Circulation Outside CBE by Denomination**

(LE mn)

End of	<u>2007</u>	<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.
<b><u>Total</u></b>	<b><u>98168</u></b>	<b><u>111412</u></b>	<b><u>120913</u></b>	<b><u>126268</u></b>	<b><u>135583</u></b>	<b><u>144253</u></b>	<b><u>153079</u></b>
Subsidiary Coins & Notes*	269	275	281	287	292	306	311
PT 25	143	145	182	158	244	184	178
PT 50	235	242	347	308	308	292	298
LE 1	566	591	896	770	752	843	868
LE 5	968	1105	1424	1257	1827	1495	2434
LE 10	3038	2845	3286	2911	3290	2844	3291
LE 20	8102	7194	7628	6297	6513	5480	6246
LE 50	27723	25422	24932	22898	21831	18704	18457
LE 100	48785	54529	57100	60867	66635	68641	69576
LE 200+	8339	19064	24837	30515	33891	45464	51420

Source: Central Bank of Egypt

\* Issued by the Ministry of Finance

+ The LE 200 note has been in circulation as of May 2007.

**(2/3/3) CBE: Transactions via RTGS and SWIFT**

During	Fiscal Year					July/September	
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2009/2010	2010/2011
<u>Local Currency Transactions via RTGS*</u>							
1- Automated Clearing House (ACH)							
Number of transactions (thousand)	9508	10481	11724	12062	12994	3106	3193
Value of transactions (LE mn)	288715	356900	483113	548038	584546	135772	154102
2- Other Transactions via RTGS**							
Number of transactions (in unit)	404776	525236	700668	897205	1191374	263660	316691
Value of transactions (LE mn)	1658794	2280198	3092401	5294357	13274677	2793983	3802138
<u>Foreign Currency Transfers (Dollar Interbank Transactions) via the Fin-Copy System***</u>							
Number of transactions (in unit)	11049	12070	13925	12365	12204	2532	3179
Value of transactions (US\$ mn)	39773	78997	105587	83019	70008	14111	19624

Source: Central Bank of Egypt.

\* The RTGS was launched on 15 /3/ 2009.

\*\* Including corridor operations and deposits for monetary policy purposes as of 15/3/2009.

\*\*\* This service was introduced on 19/ 9/ 2004.

**(2/4/1) Banks : Aggregate Financial Position**

	( LE mn )							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Assets</u></b>								
Cash	8671	10261	11485	11128	12070	12448	13459	
Securities & investments in TBs; of which:	180406	201858	219146	332597	348061	405895	423444	
CBE notes	6259	0	0	0	0	0	0	
Balances with banks in Egypt	234428	278185	250323	173482	184166	200719	231385	
Balances with banks abroad	116980	122792	86038	77120	79758	57371	62049	
Loan and discount balances	364015	401425	422706	429957	429793	465990	467397	
Other assets	74264	68790	87404	67709	79913	78232	97769	
<b>Assets =Liabilities</b>	<b>978764</b>	<b>1083311</b>	<b>1077102</b>	<b>1091993</b>	<b>1133761</b>	<b>1220655</b>	<b>1295503</b>	
<b><u>Liabilities</u></b>								
Capital	33556	37576	39215	41550	43294	46598	50423	
Reserves	12461	19763	17628	21371	21076	28486	26273	
Provisions	63336	62314	71281	69748	70917	70418	73228	
Bonds & Long-term loans	21542	22285	22644	22045	22107	21697	26518	
Obligations to banks in Egypt	75533	98699	59423	31004	34172	53881	73218	
Obligations to banks abroad	14645	13327	14982	18195	17461	20305	22772	
Total deposits	668335	747199	755020	809694	821675	892492	915782	
Other liabilities	89356	82148	96909	78386	103059	86778	107289	

Source : Central Bank of Egypt

(2/4/2) Banks : Deposits by Maturity

( LE mn )

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total Deposits</u></b>	<b><u>668335</u></b>	<b><u>747199</u></b>	<b><u>755020</u></b>	<b><u>809694</u></b>	<b><u>821675</u></b>	<b><u>892492</u></b>	<b><u>915782</u></b>	
Demand deposits	81866	100569	103240	102853	101969	119518	119987	
Time & saving deposits and saving accounts	555357	612737	619640	673048	686847	738650	762577	
Blocked or retained deposits	31112	33893	32140	33793	32859	34324	33218	
<b><u>Local Currency Deposits</u></b>	<b><u>478937</u></b>	<b><u>552079</u></b>	<b><u>558475</u></b>	<b><u>598587</u></b>	<b><u>616723</u></b>	<b><u>686052</u></b>	<b><u>708970</u></b>	
Demand deposits	55141	71971	73184	69262	69794	84152	84458	
Time & saving deposits and saving accounts	406947	460285	466468	509156	527319	580020	603322	
Blocked or retained deposits	16849	19823	18823	20169	19610	21880	21190	
<b><u>Foreign Currency Deposits</u></b>	<b><u>189398</u></b>	<b><u>195120</u></b>	<b><u>196545</u></b>	<b><u>211107</u></b>	<b><u>204952</u></b>	<b><u>206440</u></b>	<b><u>206812</u></b>	
Demand deposits	26725	28598	30056	33591	32175	35366	35529	
Time & saving deposits and saving accounts	148410	152452	153172	163892	159528	158630	159255	
Blocked or retained deposits	14263	14070	13317	13624	13249	12444	12028	

Source : Central Bank of Egypt.

(2/4/3) Banks : Deposits by Sector

( LE mn )

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total Deposits</u></b>	<b><u>668335</u></b>	<b><u>747199</u></b>	<b><u>755020</u></b>	<b><u>809694</u></b>	<b><u>821675</u></b>	<b><u>892492</u></b>	<b><u>915782</u></b>	
<b><u>Local Currency Deposits</u></b>	<b><u>478937</u></b>	<b><u>552079</u></b>	<b><u>558475</u></b>	<b><u>598587</u></b>	<b><u>616723</u></b>	<b><u>686052</u></b>	<b><u>708970</u></b>	
Government sector	41265	44789	49359	49564	54911	58496	58944	
Public business sector *	24372	29434	28925	28800	29184	32726	32349	
Private business sector	81587	119716	109197	104250	108093	114372	119270	
Household sector	328585	354119	367516	413558	422099	477842	495263	
Foreign sector **	3128	4021	3478	2415	2436	2616	3144	
<b><u>Foreign Currency Deposits</u></b>	<b><u>189398</u></b>	<b><u>195120</u></b>	<b><u>196545</u></b>	<b><u>211107</u></b>	<b><u>204952</u></b>	<b><u>206440</u></b>	<b><u>206812</u></b>	
Government sector	31530	33203	34018	41481	41026	45618	45682	
Public business sector *	7675	9146	9499	8735	8954	6474	6619	
Private business sector	50934	57202	56802	58321	55157	54907	55518	
Household sector	97554	93653	93798	100210	97382	96875	96088	
Foreign sector**	1705	1916	2428	2360	2433	2566	2905	

Source : Central Bank of Egypt

\* Including all public sector companies subject or not to Law No. 203 for 1991.

\*\* Including counterpart deposits of USAID .

**(2/4/4) Banks : Deposits by Economic Activity**

	( LE mn )							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total Deposits</u></b>	<b><u>668335</u></b>	<b><u>747199</u></b>	<b><u>755020</u></b>	<b><u>809694</u></b>	<b><u>821675</u></b>	<b><u>892492</u></b>	<b><u>915782</u></b>	
<b><u>Local Currency Deposits</u></b>	<b><u>478937</u></b>	<b><u>552079</u></b>	<b><u>558475</u></b>	<b><u>598587</u></b>	<b><u>616723</u></b>	<b><u>686052</u></b>	<b><u>708970</u></b>	
Agriculture	2831	5673	5055	6323	6950	5072	4513	
Manufacturing	26149	36169	36271	37537	37685	38302	41220	
Trade	18102	23928	23050	20850	22357	27829	25312	
Services	42809	59337	55784	53846	55980	64895	66824	
Unclassified sectors	389046	426972	438315	480031	493751	549954	571101	
<b><u>Foreign Currency Deposits</u></b>	<b><u>189398</u></b>	<b><u>195120</u></b>	<b><u>196545</u></b>	<b><u>211107</u></b>	<b><u>204952</u></b>	<b><u>206440</u></b>	<b><u>206812</u></b>	
Agriculture	608	1002	1099	904	792	930	729	
Manufacturing	25623	26223	24668	27757	27877	23772	23697	
Trade	7682	10263	12184	12046	9734	11065	10817	
Services	25982	30202	28659	25848	24571	25767	26770	
Unclassified sectors	129503	127430	129935	144552	141978	144906	144799	

Source : Central Bank of Egypt

(2/4/5) Banks : Portfolio Investments by Sector+

( LE mn )

End of	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total</u></b>	<b><u>174147</u></b>	<b><u>201858</u></b>	<b><u>219146</u></b>	<b><u>332597</u></b>	<b><u>348061</u></b>	<b><u>405895</u></b>	<b><u>423444</u></b>	
<b><u>In Local Currency</u></b>	<b><u>139833</u></b>	<b><u>168182</u></b>	<b><u>185305</u></b>	<b><u>297194</u></b>	<b><u>313160</u></b>	<b><u>338834</u></b>	<b><u>329315</u></b>	
Government sector	108854	135129	154317	262044	277272	303297	292131	
Public business sector *	1577	1414	1381	1338	1392	1052	1047	
Private business sector	29402	31609	29577	33755	34439	34394	36047	
Household sector	-	-	-	-	-	-	-	
Foreign sector	-	30	30	57	57	91	90	
<b><u>In Foreign Currencies</u></b>	<b><u>34314</u></b>	<b><u>33676</u></b>	<b><u>33841</u></b>	<b><u>35403</u></b>	<b><u>34901</u></b>	<b><u>67061</u></b>	<b><u>94129</u></b>	
Government sector	14438	13536	13777	14051	13880	15579	15516	
Public business sector *	-	-	-	-	-	-	-	
Private business sector	5153	4914	4717	5532	5334	5597	5728	
Household sector	-	-	-	-	-	-	-	
Foreign sector	14723	15226	15347	15820	15687	45885	72885	

Source : Central Bank of Egypt

+ Excluding CBE notes.

\*Including all public sector companies subject or not to Law No. 203 for 1991.

**(2/4/6) Banks : Lending and Discount Balances by Sector**

	<u>( LE mn )</u>							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total</u></b>	<b><u>364015</u></b>	<b><u>401425</u></b>	<b><u>422706</u></b>	<b><u>429957</u></b>	<b><u>429793</u></b>	<b><u>465990</u></b>	<b><u>467397</u></b>	
<b><u>In Local Currency</u></b>	<b><u>252543</u></b>	<b><u>267166</u></b>	<b><u>275899</u></b>	<b><u>295192</u></b>	<b><u>295330</u></b>	<b><u>313654</u></b>	<b><u>315488</u></b>	
Government sector	10392	9698	8783	12946	14062	15389	18955	
Public business sector *	18486	19475	20158	23725	25125	21051	21918	
Private business sector	163102	167258	171294	177107	172851	185694	182519	
Household sector	59570	69838	74352	78827	81589	90266	90787	
Foreign sector	993	897	1312	2587	1703	1254	1309	
<b><u>In Foreign Currencies</u></b>	<b><u>111472</u></b>	<b><u>134259</u></b>	<b><u>146807</u></b>	<b><u>134765</u></b>	<b><u>134463</u></b>	<b><u>152336</u></b>	<b><u>151909</u></b>	
Government sector	15960	21459	22149	17802	18377	23995	18147	
Public business sector *	6909	7178	7880	9155	8092	8761	8628	
Private business sector	77834	90829	99276	90778	90365	101454	103281	
Household sector	5395	8494	9026	5762	3208	2526	2766	
Foreign sector	5374	6299	8476	11268	14421	15600	19087	

Source : Central Bank of Egypt

\*Including all public sector companies subject or not to Law No. 203 for 1991.

(2/4/7) Banks : Credit by Sector

	( LE mn )							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total</u></b>	<b><u>538163</u></b>	<b><u>603283</u></b>	<b><u>641852</u></b>	<b><u>762554</u></b>	<b><u>777854</u></b>	<b><u>871885</u></b>	<b><u>890841</u></b>	
<b><u>In Local Currency</u></b>	<b><u>392376</u></b>	<b><u>435348</u></b>	<b><u>461204</u></b>	<b><u>592386</u></b>	<b><u>608490</u></b>	<b><u>652488</u></b>	<b><u>644803</u></b>	
Government sector	119246	144827	163100	274990	291334	318686	311086	
Public business sector *	20063	20889	21539	25063	26517	22103	22965	
Private business sector	192504	198867	200871	210862	207290	220088	218566	
Household sector	59570	69838	74352	78827	81589	90266	90787	
Foreign sector	993	927	1342	2644	1760	1345	1399	
<b><u>In Foreign Currencies</u></b>	<b><u>145787</u></b>	<b><u>167935</u></b>	<b><u>180648</u></b>	<b><u>170168</u></b>	<b><u>169364</u></b>	<b><u>219397</u></b>	<b><u>246038</u></b>	
Government sector	30398	34996	35926	31853	32257	39574	33663	
Public business sector *	6909	7177	7880	9155	8092	8761	8628	
Private business sector	82987	95743	103993	96310	95699	107051	109009	
Household sector	5396	8494	9026	5762	3208	2526	2766	
Foreign sector	20097	21525	23823	27088	30108	61485	91972	

Source : Central Bank of Egypt

\* Including all public sector companies subject or not to Law No. 203 for 1991.

**(2/4/8) Banks : Lending and Discount Balances by Economic Activity**

	( LE mn )							
	<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
End of	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Total</u></b>	<b><u>364016</u></b>	<b><u>401425</u></b>	<b><u>422706</u></b>	<b><u>429957</u></b>	<b><u>429793</u></b>	<b><u>465990</u></b>	<b><u>467397</u></b>	
<b><u>In Local Currency</u></b>	<b><u>252543</u></b>	<b><u>267166</u></b>	<b><u>275899</u></b>	<b><u>295192</u></b>	<b><u>295330</u></b>	<b><u>313654</u></b>	<b><u>315488</u></b>	
Agriculture	6251	5758	5626	5137	4498	4856	4412	
Manufacturing	76384	76793	78203	94674	91387	94810	96818	
Trade	39796	42456	43888	44079	43588	51241	39689	
Services	69275	71208	72300	69766	72440	70931	82189	
Unclassified sectors	60837	70951	75882	81536	83417	91816	92380	
<b><u>In Foreign Currencies</u></b>	<b><u>111473</u></b>	<b><u>134259</u></b>	<b><u>146807</u></b>	<b><u>134765</u></b>	<b><u>134463</u></b>	<b><u>152336</u></b>	<b><u>151909</u></b>	
Agriculture	900	863	1853	2165	2091	1554	1591	
Manufacturing	52423	67690	71000	61808	62043	79423	73167	
Trade	13807	15319	18344	14646	15440	15134	15781	
Services	33574	35594	38102	39117	37259	38084	39512	
Unclassified sectors	10769	14793	17508	17029	17630	18141	21858	

Source : Central Bank of Egypt

(2/5/1) Discount and Interest Rates on Deposits and Loans  
in Egyptian Pound

(Annually %)

End of	Discount Rate	Average Interest Rates in Banks*				Interest Rate on Investment Certificates		Interest Rate on Post Office Saving Deposits**
		More than one-month and less than or equal to three-month deposits	More than three-month and less than or equal to six-month deposits	More than six-month and less than or equal to one year deposits	Less than or equal to one year loans	Simple Return	Of increasing certificate value	
<b>January 2008</b>	9.00	6.00	6.50	6.80	12.10	10.00	9.50	9.50
February	„	6.00	6.50	6.80	12.10	„	„	„
March	„	6.00	6.50	6.90	12.20	„	„	„
April	„	6.10	6.50	6.90	12.10	„	„	„
May	„	6.30	6.60	7.10	12.00	„	„	„
June	10.00	6.50	6.70	7.10	12.00	„	„	„
July	10.00	6.60	6.80	7.20	12.20	„	„	9.25
August	11.00	6.80	7.00	7.30	12.30	„	„	„
September	11.50	6.90	7.10	7.40	12.40	„	„	„
October	„	7.20	7.40	7.80	12.40	„	„	„
November	„	7.30	7.50	7.90	12.50	„	„	„
December	„	7.40	7.70	8.20	12.50	„	„	„
<b>January 2009</b>	„	7.30	7.60	8.30	12.60	„	„	„
February	10.50	7.30	7.60	8.30	12.60	„	„	„
March	10.00	7.10	7.50	8.30	12.40	„	„	„
April	10.00	7.00	7.30	8.20	12.30	„	„	„
May	9.50	6.70	7.10	7.90	12.30	„	„	„
June	9.00	6.50	7.00	7.80	12.10	„	„	„
July	„	6.20	6.90	7.50	12.10	„	„	9.00
August	8.50	6.10	6.60	7.30	12.00	„	„	„
September	„	6.00	6.50	7.10	11.60	9.50	9.00	„
October	„	5.90	6.40	6.90	11.40	„	„	„
November	„	5.90	6.30	6.80	11.30	„	„	„
December	„	5.90	6.30	6.70	11.00	„	„	„
<b>January 2010</b>	„	5.90	6.40	6.70	11.10	„	„	„
February	„	5.90	6.40	6.70	11.00	„	„	„
March	„	6.00	6.40	6.70	11.10	„	„	„
April	„	6.00	6.40	6.70	11.10	„	„	„
May	„	5.90	6.50	6.80	11.20	„	„	„
June	„	6.30	6.90	7.30	11.10	„	„	„
July	„	6.30	6.90	7.20	11.10	„	„	„
August	„	6.30	6.90	7.20	10.90	„	„	„
September	„	6.40	7.00	7.20	10.90	„	„	„

Source: Central Bank of Egypt and the Egyptian National Post Authority

\* As of June 2010, maturities have been changed and the data on interest rates (on deposits and loans) have been compiled according to the Domestic Money Monitoring System (DMMS).

\*\* Up till June 2008, the deposits remaining for more than one year earned an additional 0.25% interest rate, but this was abolished as of July 2008.

**(2/5/2) Domestic Interest Rates on 3-Month Deposits  
in Major Currencies**

**( Annually % )**

End of	US Dollar		Sterling Pound		Euro	
	Min.	Max.	Min.	Max.	Min.	Max.
<b>January 2008</b>	2.75	2.94	4.44	5.19	3.63	3.88
February	2.56	2.75	4.56	5.31	3.63	3.88
March	2.19	2.38	4.88	5.63	3.94	4.19
April	2.42	2.62	4.63	4.88	3.82	4.07
May	2.14	2.34	4.61	4.86	3.86	4.11
June	2.46	2.66	4.70	4.95	3.96	4.21
July	2.45	2.65	4.54	4.79	3.96	4.21
August	2.46	2.66	4.50	4.75	3.96	4.21
September	2.86	3.06	4.81	5.06	4.05	4.30
October	3.12	3.32	4.69	4.94	3.85	4.10
November	1.85	2.05	2.71	2.96	2.93	3.18
December	1.12	1.32	1.65	1.90	2.01	2.26
<b>January 2009</b>	0.83	1.03	0.92	1.17	1.13	1.38
February	0.90	1.10	0.82	1.07	0.86	1.11
March	0.88	1.08	0.47	0.72	0.55	0.80
April	0.69	0.89	0.62	0.87	0.63	1.13
May	0.31	0.51	0.43	0.68	0.52	1.02
June	0.41	0.61	0.62	0.87	0.66	1.16
July	0.29	0.49	0.31	0.56	0.33	0.83
August	0.18	0.38	0.15	0.35	0.26	0.76
September	0.12	0.29	0.15	0.22	0.16	0.66
October	0.13	0.28	0.15	0.41	0.20	0.54
November	0.12	0.26	0.15	0.43	0.20	0.54
December	0.11	0.25	0.15	0.42	0.20	0.53
<b>January 2010</b>	0.11	0.24	0.15	0.43	0.18	0.49
February	0.11	0.25	0.16	0.45	0.18	0.48
March	0.13	0.28	0.16	0.45	0.17	0.47
April	0.15	0.32	0.17	0.46	0.18	0.47
May	0.24	0.53	0.18	0.50	0.19	0.51
June	0.24	0.53	0.18	0.51	0.20	0.53
July	0.21	0.47	0.19	0.52	0.25	0.66
August	0.14	0.30	0.18	0.50	0.25	0.66
September	0.13	0.28	0.18	0.51	0.25	0.66

Source: National Bank of Egypt.

**(2/5/3) Interest Rates on Treasury Bills  
(Weekly Weighted Averages)**

(%)

	91 days	182 days	252 days	259 days	266 days	273 days	350 days	357 days	364 days	
<b><u>July 2010</u></b>										
First week (6/7)	10.146	10.497	..	..	..	10.732	..	..	..	
Second week (13/7)	10.162	10.499	..	..	10.740	..	..	..	10.836	
Third week (20/7)	10.146	10.500	..	..	..	..	..	10.862	..	
Fourth week (27/7)	10.159	10.455	10.690	..	..	..	10.827	..	..	
<b>Monthly Average</b>	<b>10.153</b>	<b>10.488</b>	<b>10.690</b>	<b>0.00</b>	<b>10.740</b>	<b>10.732</b>	<b>10.827</b>	<b>10.862</b>	<b>10.836</b>	
<b><u>August 2010</u></b>										
First week (3/8)	10.013	10.369	..	..	..	10.534	..	..	..	
Second week (10/8)	9.501	..	..	..	9.948	..	..	..	10.380	
Third week (17/8)	9.708	10.108	..	..	..	..	..	10.388	..	
Fourth week (24/8)	9.656	10.086	10.238	..	..	..	10.472	..	..	
(31/8)	9.662	10.084	..	..	..	10.298	..	..	10.503	
<b>Monthly Average</b>	<b>9.708</b>	<b>10.162</b>	<b>10.238</b>	<b>0.00</b>	<b>9.948</b>	<b>10.416</b>	<b>10.472</b>	<b>10.388</b>	<b>10.442</b>	
<b><u>September 2010</u></b>										
First week (7/9)	9.637	10.122	..	..	10.330	..	..	10.547	..	
Second week (14/9)	9.583	10.116	..	..	..	..	10.549	..	..	
Third week (21/9)	9.499	10.052	10.358	..	..	..	..	..	10.584	
Fourth week (28/9)	9.422	9.936	..	..	..	10.275	..	10.610	..	
<b>Monthly Average</b>	<b>9.535</b>	<b>10.057</b>	<b>10.358</b>	<b>0.00</b>	<b>10.330</b>	<b>10.275</b>	<b>10.549</b>	<b>10.579</b>	<b>10.584</b>	

Source: Central Bank of Egypt.

.. No issuance during the week.

### (3/1) Companies Listed on the Stock Exchange

End of	2007		2008		2009		2010	
	Sept.	June	Sept.	June	Sept.	June	Sept.	
<b><u>Number of Companies (in Unit)</u></b>	<b><u>515</u></b>	<b><u>377</u></b>	<b><u>380</u></b>	<b><u>333</u></b>	<b><u>323</u></b>	<b><u>215</u></b>	<b><u>213</u></b>	
On the official schedules	143	121	120	119	119	115	-	
On the unofficial schedules	371	255	259	213	203	100	-	
On the temporary schedule*	1	1	1	1	1	0	-	
Number of shares (mn)	15416	19809	20950	22430	22392	29002	29804	
Nominal value of capital (LE mn)	119892	137974	143351	149587	147846	134748	140108	
Market value of capital (LE mn)	645618	813341	622159	463644	564667	410144	447857	
<b><u>The Market of Medium and Small Enterprises (Nilex)**</u></b>								
Number of companies (in unit)						10	16	
Number of shares (mn)						5	1	
Market value of capital (LE mn)						407	601	
<b><u>The Egyptian Exchange Indexes***</u></b>								
EGX 30	8687.8	9827.3	7059.2	5702.9	6761.7	6033.1	6634.3	
EGX 70				623.1	929.8	527.7	660.6	
EGX 100					1405.5	908.7	1077.3	

Source: Monthly Bulletin of the Egyptian Exchange.

\* Companies which have not adjusted their statuses according to the new listing rules.

\*\* Trading in the Nilex Started on 3/6/2010.

\*\*\* The Egyptian Exchange CASE 30 Index was renamed EGX 30, while the EGX 70 index was introduced as of March 2009 to cover 70 companies other than the 30 constituent companies of EGX 30. EGX 100 was also introduced, encompassing those companies constituting EGX 30 and EGX 70, as of August 2009.

### (3/2) Trading in Shares on the Stock Exchange

	<u>During July/September</u>					
	<u>2009/2010</u>			<u>2010/2011</u>		
	Number of Transactions (Unit)	Amount (Thousand)	Market Value (mn)	Number of Transactions (Unit)	Amount (Thousand)	Market Value (mn)
<b><u>In Egyptian Pound</u></b>	<b><u>3567688</u></b>	<b><u>7626233</u></b>	<b><u>70233</u></b>	<b><u>1938784</u></b>	<b><u>6402492</u></b>	<b><u>40330</u></b>
Floor Transactions	3365012	6225627	63830	1915104	5803426	37061
Over the Counter Trading	202676	1400606	6403	23680	599066	3269
<b><u>Foreign Currencies (US Dollar)</u></b>	<b><u>94973</u></b>	<b><u>248207</u></b>	<b><u>488</u></b>	<b><u>44270</u></b>	<b><u>169432</u></b>	<b><u>415</u></b>
Floor Transactions	92999	243087	439	43854	158698	212
Over the Counter Trading	1974	5120	49	416	10734	203
<b><u>Foreign Currencies (Euro)</u></b>	<b><u>10</u></b>	<b><u>305</u></b>	<b><u>7</u></b>	<b><u>1</u></b>	<b><u>48</u></b>	<b><u>18</u></b>
Floor Transactions	0	0	0	0	0	0
Over the Counter Trading	10	305	7	1	48	18

Source : Egyptian Financial Supervisory Authority.

**(3/3) Trading in Bonds on the Stock Exchange**

	<u>During July/September</u>					
	<u>2009/2010</u>			<u>2010/2011</u>		
	Number of Transactions (Unit)	Amount	Market Value (Thousand)	Number of Transactions (Unit)	Amount	Market Value (Thousand)
<b><u>In Egyptian Pound</u></b>	<b><u>277</u></b>	<b><u>10991238</u></b>	<b><u>11141272</u></b>	<b><u>328</u></b>	<b><u>15995425</u></b>	<b><u>16424247</u></b>
Floor Transactions	277	10991238	11141272	328	15995425	16424247
Over the Counter Trading	-	-	-	-	-	-
<b><u>In US Dollar</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
Floor Transactions	0	0	0	0	0	0
Over the Counter Trading	0	0	0	0	0	0

Source : Egyptian Financial Supervisory Authority.

### (3/4) Foreign Transactions on the Stock Exchange

	<u>During July/September</u>			
	<u>2009/2010</u>		<u>2010/2011</u>	
	Egyptian Pound	US Dollar	Egyptian Pound	US Dollar
<b><u>Net Number of Transactions (Unit)</u></b>	<b><u>35514</u></b>	<b><u>-476</u></b>	<b><u>49082</u></b>	<b><u>1240</u></b>
Purchases	235934	9726	235936	9688
Sales	200420	10202	186854	8448
<b><u>Net Volume of Securities (mn)</u></b>	<b><u>80</u></b>	<b><u>-8</u></b>	<b><u>117</u></b>	<b><u>1</u></b>
Purchases	719	40	907	36
Sales	639	48	790	35
<b><u>Net Value of Securities (mn)</u></b>	<b><u>1266</u></b>	<b><u>-2</u></b>	<b><u>1684</u></b>	<b><u>-42</u></b>
Purchases	12957	86	11717	53
Sales	11691	88	10033	95

Source :Egyptian Financial Supervisory Authority.

### (3/5) Global Depository Receipts (GDRs)

Company	GDRs Listed on Global Exchanges						Corporate Stocks Issued on Egyptian Exchange		
	Order & Date of Offering	Depository Bank	Sub Custodian Bank	Conversion Ratio	Volume on Offering Date (000s)	Price (\$) at end of		Price (LE) at end of	
						June-10	Sept.-10	June-10	Sept.-10
Comercial International Bank / Egypt (CIB)	July-96	Bank of New York	CIB / HSBC	1.00	9999	12.20	7.61	67.55	42.90
Suez Cement	July-96	Bank of New York	CIB / HSBC	1.00	7310	5.80	7.70	35.73	42.32
Paints & Chemicals Industries (Pachin)	Oct.-97	Bank of New York	CIB / HSBC	3.00	6297	2.80	2.80	48.50	58.00
EFG-Hermes	Aug.-98	Bank of New York	HSBC / CIB	0.50	4324	11.10	10.39	29.20	29.08
Ezz Steel	June-99	Bank of New York	CIB / HSBC	0.33	573	32.50	32.50	17.58	19.25
Holding Company for Financial Investments (Lakah Group)*	July-99	Bank of New York	CIB / HSBC	0.33	35000	0.44	0.44	-	-
Orascom Telecom Holding (OT)**	July-00	Bank of New York	CIB / HSBC	0.20	11713	4.40	4.34	4.98	5.04
Orascom Construction Industries (OCI)***	Aug.-02	Bank of New York	CIB / HSBC	1.00	50	38.70	44.99	227.44	250.35
Egypt Lebanon Ceramics (Lecico)	Nov.-04	Bank of New York	CIB / HSBC	1.00	8796	3.00	3.70	13.02	15.61
Telecom Egypt	Dec.-05	Bank of New York	CIB / HSBC	0.20	8522	15.50	15.10	15.74	17.48
Naeem Holding	Feb.-08	Bank of New York	CIB / HSBC	0.25	5625	1.72	2.16	0.43	0.54
Palm Hills Development	May-08	Bank of New York	CIB / HSBC	0.20	5435	4.70	4.50	4.89	5.78
G B Auto	May-09	Bank of New York	CIB	0.20	100	34.43	38.47	39.22	43.80
Remco for Touristic Villages Construction	May-10	JPMorgan	HSBC	0.20	1000	-	-	3.90	4.11

Source: Monthly Bulletin of the Egyptian Exchange.

\* Last closing price was on 3 March 2005 as no trading has occurred after this date.

\*\* The conversion ratio has changed to be 5 shares: 1 GDR, as of 12 April 2007.

\*\*\* The conversion ratio has changed to be 1 share: 1 GDR, as of 7 May 2009.

**(3/6) Outstanding Balance of Treasury Bills (Quarterly)**

(LE mn)

End of	91 days	182 days	252 days	259 days	266 days	273 days	350 days	357 days	364 days	Total
<b><u>2005</u></b>										
March	0	34550	-	-	-	-	-	-	82358	<b>116908</b>
June	2750	23900	-	-	-	-	-	-	98257	<b>124907</b>
Sept.	8900	22350	-	-	-	-	-	-	71726	<b>102976</b>
Dec.	5500	22600	-	-	-	-	-	-	67816	<b>95916</b>
<b><u>2006</u></b>										
March	6000	24100	-	-	-	-	-	-	69016	<b>99116</b>
June	7100	26500	-	-	-	-	-	-	69544	<b>103144</b>
Sept.	9900	27500	-	-	-	-	-	-	69957	<b>107357</b>
Dec.	8200	27000	-	-	-	-	-	-	71157	<b>106357</b>
<b><u>2007</u></b>										
March	11000	26000	-	-	-	-	-	-	73657	<b>110657</b>
June	9000	27500	-	-	-	-	-	-	82157	<b>118657</b>
Sept.	8500	31500	-	-	-	-	-	-	90657	<b>130657</b>
Dec.	12000	33000	-	-	-	-	-	-	100957	<b>145957</b>
<b><u>2008</u></b>										
March	10500	32500	-	-	-	-	-	-	106457	<b>149457</b>
June	6800	33000	-	-	-	-	-	-	106639	<b>146439</b>
Sept.	17000	42500	-	-	-	-	-	-	105940	<b>165440</b>
Dec.	14500	48500	-	-	-	28000	-	-	114940	<b>205940</b>
<b><u>2009</u></b>										
March	9500	51500	-	-	-	55500	6000	-	97940	<b>220440</b>
June	6021	43119	-	6000	-	77500	15000	3000	88440	<b>239080</b>
Sept.	11000	28990	-	6000	-	88500	18000	15000	82890	<b>250380</b>
Dec.	8480	32767	-	6000	10025	79442	18000	32419	64618	<b>251751</b>
<b><u>2010</u></b>										
March	20000	47264	6000	-	16025	69442	19000	39419	68118	<b>285268</b>
June	13000	46867	6000	3000	27025	45442	15000	45169	64618	<b>266121</b>
Sept.	19000	45000	15000	3000	26000	39000	21000	42169	58618	<b>268787</b>

Source : Central Bank of Egypt.

### (3/7) Outstanding Balance of Treasury Bills (Weekly)

		(LE mn)									
		91 days	182 days	252 days	259 days	266 days	273 days	350 days	357 days	364 days	Total
<b><u>July 2010</u></b>											
First week	(6/7)	13000	47000	6000	3000	27025	45442	15000	45169	64618	266254
Second week	(13/7)	13500	46500	6000	3000	30025	45442	12000	45169	64618	266254
Third week	(20/7)	13500	46500	6000	3000	30025	42942	12000	48169	64618	266754
Fourth week	(27/7)	14000	47000	9000	3000	30025	42942	15000	48169	64618	273754
<b>End of Month</b>		<b>14000</b>	<b>47000</b>	<b>9000</b>	<b>3000</b>	<b>30025</b>	<b>42942</b>	<b>15000</b>	<b>48169</b>	<b>64618</b>	<b>273754</b>
<b><u>August 2010</u></b>											
First week	(3/8)	14000	47000	9000	3000	27025	42942	15000	45169	61618	264754
Second week	(10/8)	15000	45000	9000	3000	30025	42942	15000	45169	64618	269754
Third week	(17/8)	15000	45500	9000	3000	27025	39942	15000	45169	61618	261254
Fourth week	(24/8)	15500	46000	12000	3000	27025	39942	18000	45169	61618	268254
<b>End of Month</b>		<b>16000</b>	<b>46500</b>	<b>12000</b>	<b>3000</b>	<b>26000</b>	<b>41442</b>	<b>18000</b>	<b>42169</b>	<b>61618</b>	<b>266729</b>
<b><u>September 2010</u></b>											
First week	(7/9)	16000	46000	12000	3000	29000	41442	18000	45169	61618	272229
Second week	(14/9)	16500	45000	12000	3000	26000	38442	21000	42169	58618	262729
Third week	(21/9)	17500	44500	15000	3000	26000	38442	21000	42169	61618	269229
Fourth week	(28/9)	19000	45000	15000	3000	26000	39000	21000	42169	58618	268787
<b>End of Month</b>		<b>19000</b>	<b>45000</b>	<b>15000</b>	<b>3000</b>	<b>26000</b>	<b>39000</b>	<b>21000</b>	<b>42169</b>	<b>58618</b>	<b>268787</b>

Source: Central Bank of Egypt.

**(3/8) Outstanding Balance of Treasury Bonds\***

**End of Sept. 2010**

<b>Tranche</b>	<b>Date of Issue</b>	<b>Value (LE bn)</b>	<b>Interest Rate%</b>	<b>Duration</b>	<b>Maturity &amp; Due Date</b>
<b><u>Bonds under the Primary Dealers System **</u></b>					
Eleventh Tranche	26/10/2004	5.0	11.500	7 years	26/10/2011
Twelveth Tranche	16/11/2004	5.0	11.625	10 years	16/11/2014
Fourteenth Tranche	18/01/2005	1.0	11.400	20 years	18/01/2025
Eighteenth Tranche	20/09/2005	6.0	9.100	7 years	20/09/2012
Twentieth Tranche	18/10/2005	2.0	9.100	5 years	18/10/2010
Twenty First Tranche	15/11/2005	5.0	9.300	10 years	15/11/2015
Twenty Third Tranche	24/01/2006	6.0	8.850	7 years	24/01/2013
Twenty Fifth Tranche	28/02/2006	4.0	8.600	5 years	28/02/2011
Twenty Seventh Tranche	29/05/2007	2.0	9.450	7 years	29/05/2014
Twenty Eighth Tranche	25/09/2007	2.0	8.450	7 years	25/09/2014
Twenty Ninth Tranche	23/10/2007	2.0	8.600	8 years	23/10/2015
Thirtieth Tranche	13/11/2007	5.0	8.550	6 years	13/11/2013
Thirty First Tranche	22/01/2008	3.0	8.700	8 years	22/01/2016
Thirty Second Tranche	12/02/2008	1.5	9.150	10 years	12/02/2018
Thirty Third Tranche	19/02/2008	3.0	9.200	6 years	19/02/2014
Thirty Fourth Tranche	27/05/2008	3.0	10.650	7 years	27/05/2015
Thirty Fifth Tranche	10/06/2008	2.0	10.950	8 years	10/06/2016
Thirty Sixth Tranche	13/01/2009	6.0	12.000	3 years	13/01/2012
Thirty Seventh Tranche	10/02/2009	6.0	12.000	5 years	10/02/2014
Thirty Eighth Tranche	14/04/2009	5.0	10.550	5 years	14/04/2014
Thirty Ninth Tranche	28/04/2009	3.0	10.350	3 years	28/04/2012
Fortieth Tranche	09/06/2009	6.0	11.000	7 years	09/06/2016
Forty First Tranche	07/07/2009	3.5	10.600	2 years	07/07/2011
Forty Second Tranche	28/07/2009	6.0	10.800	4 years	28/07/2013
Forty Third Tranche	11/08/2009	6.0	10.450	3 years	11/08/2012
Forty Fourth Tranche	15/09/2009	5.1	10.900	5 years	15/09/2014
Forty Fifth Tranche	29/09/2009	6.0	10.900	4 years	29/09/2013
Forty Sixth Tranche	24/11/2009	2.0	12.170	4 years	24/11/2013
Forty Seventh Tranche	08/12/2009	6.5	12.500	5 years	08/12/2014
Forty Eighth Tranche	15/12/2009	5.1	12.800	6 years	15/12/2015
Forty Ninth Tranche	05/01/2010	8.0	12.350	3 years	05/01/2013
Fiftieth Tranche	16/02/2010	10.5	12.600	7 years	16/02/2017
Fifty First Tranche	02/03/2010	10.0	12.250	5 years	02/03/2015
Fifty Second Tranche	06/04/2010	9.5	11.350	3 years	06/04/2013
Fifty third	06/07/2010	10.0	11.550	3 years	06/07/2013
Fifty fourth	20/07/2010	7.5	12.550	5 years	20/07/2015
Fifty fifth	03/08/2010	2.0	13.000	10 years	03/08/2020
<b>181.2</b>					

\* According to Law No. (4) for 1995.

\*\* This system was put into force as of July 2004, in virtue of the Minister of Finance's Decree No. 480 for 2002 and the provisions governing it, issued by the Minister of Finance's Decree No. 723 for 2002, in accordance with the provisions of Article (7) of Law No. 92 for 2004.

**(4/1) Consolidated Fiscal Operations of the General Government**  
**( The Budget Sector, NIB and SIFs )**  
**(Total Expenditures)**

( LE mn )

	2010/2011			
	Estimates		3 Months (Actual)	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<b><u>Total Expenditures</u></b>	<b><u>403168</u></b>	<b><u>438619</u></b>	<b><u>74324</u></b>	<b><u>83953</u></b>
<b><u>Compensation of Employees</u></b>	<b><u>95308</u></b>	<b><u>96525</u></b>	<b><u>21275</u></b>	<b><u>21545</u></b>
Salaries and wages	76334	77445	17869	18107
Social contributions	9445	9531	2051	2069
Other	9529	9549	1355	1369
<b><u>Purchases of Goods and Services</u></b>	<b><u>28857</u></b>	<b><u>29103</u></b>	<b><u>3705</u></b>	<b><u>3995</u></b>
Goods	13228	13250	1292	1297
Services	11140	11309	2113	2143
Other	4489	4544	300	555
<b><u>Interests</u></b>	<b><u>91143</u></b>	<b><u>81922</u></b>	<b><u>19944</u></b>	<b><u>17226</u></b>
Foreign interests	4497	4497	1058	1058
Domestic interests:	86646	77425	18886	16168
To NIB& SIFs	19283	0	4435	0
To others	67363	77425	14451	16168
<b><u>Subsidies, Grants and Social Benefits</u></b>	<b><u>116616</u></b>	<b><u>159622</u></b>	<b><u>12514</u></b>	<b><u>24266</u></b>
<b><u>Subsidies</u></b>	<b><u>101272</u></b>	<b><u>101272</u></b>	<b><u>7937</u></b>	<b><u>7937</u></b>
To GASC	13585	13585	5454	5454
To petroleum	67680	67680	0	0
To others	20007	20007	2483	2483
<b><u>Grants</u></b>	<b><u>5114</u></b>	<b><u>5114</u></b>	<b><u>1685</u></b>	<b><u>1685</u></b>
<b><u>Social Benefits</u></b>	<b><u>6283</u></b>	<b><u>49289</u></b>	<b><u>2693</u></b>	<b><u>14445</u></b>
Contribution to SIFs	4100	0	944	0
Other	2183	49289	1749	14445
<b><u>Other</u></b>	<b><u>3947</u></b>	<b><u>3947</u></b>	<b><u>199</u></b>	<b><u>199</u></b>
<b><u>Other Expenditures</u></b>	<b><u>31125</u></b>	<b><u>31201</u></b>	<b><u>9903</u></b>	<b><u>9921</u></b>
Defense	25215	25215	8951	8951
Other	5910	5986	952	970
<b><u>Purchases of Non-Financial Assets (Investments)</u></b>	<b><u>40119</u></b>	<b><u>40246</u></b>	<b><u>6983</u></b>	<b><u>7000</u></b>
Fixed assets	36263	36390	6518	6535
Others	3856	3856	465	465

Source: The Ministry of Finance .

**(4/2) Consolidated Fiscal Operations of the General Government**  
**( The Budget Sector, NIB and SIFs )**  
**(Total Revenues)**

( LE mn )

	2010/2011			
	Estimates		3 Months (Actual)	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<b><u>Total Revenues</u></b>	<b><u>285810</u></b>	<b><u>322732</u></b>	<b><u>36832</u></b>	<b><u>43726</u></b>
<b><u>Tax Revenues</u></b>	<b><u>200424</u></b>	<b><u>200424</u></b>	<b><u>29555</u></b>	<b><u>29555</u></b>
<b><u>Taxes on income, Profits</u></b>	<b><u>88656</u></b>	<b><u>88656</u></b>	<b><u>7550</u></b>	<b><u>7550</u></b>
From EGPC	35765	35765	0	0
From SCA	10666	10666	2000	2000
From CBE	0	0	0	0
From other units	22961	22961	2286	2286
Payable by individuals	19264	19264	3264	3264
<b><u>Taxes on Property</u></b>	<b><u>12306</u></b>	<b><u>12306</u></b>	<b><u>2651</u></b>	<b><u>2651</u></b>
<b><u>Taxes on Goods and Services</u></b>	<b><u>80920</u></b>	<b><u>80920</u></b>	<b><u>15686</u></b>	<b><u>15686</u></b>
<b><u>Taxes on International Trade</u></b>	<b><u>15500</u></b>	<b><u>15500</u></b>	<b><u>3411</u></b>	<b><u>3411</u></b>
<b><u>Other Taxes</u></b>	<b><u>3042</u></b>	<b><u>3042</u></b>	<b><u>257</u></b>	<b><u>257</u></b>
<b><u>Grants</u></b>	<b><u>5156</u></b>	<b><u>5156</u></b>	<b><u>39</u></b>	<b><u>39</u></b>
Current	1458	1458	2	2
Capital	3698	3698	37	37
<b><u>Other Revenues</u></b>	<b><u>80230</u></b>	<b><u>117152</u></b>	<b><u>7238</u></b>	<b><u>14132</u></b>
<b><u>Property Income</u></b>	<b><u>53588</u></b>	<b><u>60538</u></b>	<b><u>3799</u></b>	<b><u>4651</u></b>
From EGPC	25099	25099	221	221
From SCA	14033	14033	20	20
From CBE	805	805	217	217
From economic authorities	2661	2661	2	2
From companies	5340	5340	0	0
Other (TML)*	1280	1280	472	6806
Other	4370	11320	2867	-2615
<b><u>Sales of Goods and Services</u></b>	<b><u>14871</u></b>	<b><u>14871</u></b>	<b><u>2364</u></b>	<b><u>2364</u></b>
<b><u>Financing Investment</u></b>	<b><u>7596</u></b>	<b><u>7596</u></b>	<b><u>541</u></b>	<b><u>541</u></b>
<b><u>Other</u></b>	<b><u>4175</u></b>	<b><u>34147</u></b>	<b><u>534</u></b>	<b><u>6576</u></b>

Source : The Ministry of Finance .

\* third mobile license

**(4/3) Summary of Consolidated Fiscal Operations of the General Government**  
( The Budget Sector , NIB and SIFs )

( LE mn )

	2010/2011			
	Estimates		3 Months (Actual)	
	The Budget Sector	The Budget Sector, NIB & SIFs	The Budget Sector	The Budget Sector, NIB & SIFs
<b>Total Revenues</b>	<b>285810</b>	<b>322732</b>	<b>36832</b>	<b>43726</b>
<b>Total Expenditures</b>	<b>403168</b>	<b>438619</b>	<b>74324</b>	<b>83953</b>
<b>Cash Deficit</b>	<b>117358</b>	<b>115887</b>	<b>37492</b>	<b>40227</b>
Net Acquisition of Financial Assets	-8283	-5751	-292	-2055
<b>Overall Fiscal Balance Finance</b>	<b>109075</b>	<b>110136</b>	<b>37200</b>	<b>38172</b>
<b><u>Financing Sources</u></b>	<b><u>109075</u></b>	<b><u>110136</u></b>	<b><u>37200</u></b>	<b><u>38172</u></b>
<b><u>Domestic Financing</u></b>	<b><u>118479</u></b>	<b><u>119540</u></b>	<b><u>54961</u></b>	<b><u>52083</u></b>
<b><u>Banking Financing</u></b>	<b><u>53150</u></b>	<b><u>47474</u></b>	<b><u>17753</u></b>	<b><u>19799</u></b>
Central Bank	-52707	-52708	29079	29079
Other Banks	105857	100182	-11326	-9280
<b><u>Non-Banking Financing</u></b>	<b><u>65329</u></b>	<b><u>72066</u></b>	<b><u>37208</u></b>	<b><u>32284</u></b>
NIB	900	0	2126	0
SIFs	0	0	6392	0
Other	64429	64429	28305	28305
NIB Borrowing	0	7637	0	3594
Special Accounts for Economic Authorities	0	0	385	385
<b><u>Blocked Account Used in Amortizing Part of CBE Bonds</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><u>Foreign Borrowing</u></b>	<b><u>-9654</u></b>	<b><u>-9654</u></b>	<b><u>3942</u></b>	<b><u>3942</u></b>
<b><u>Arrears</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><u>Others</u></b>	-671	-671	-96	3754
<b><u>Financing Effects for Eliminations</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><u>Exchange Rate Revaluation</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>-10</u></b>	<b><u>-10</u></b>
<b><u>Net Privatization Proceeds</u></b>	<b><u>250</u></b>	<b><u>250</u></b>	<b><u>19</u></b>	<b><u>19</u></b>
Privatization Proceeds	500	500	19	19
Treasury Contribution to the Fund	250	250	0	0
<b><u>Difference between Treasury Bills Face Value &amp; Present Value</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>18</u></b>	<b><u>18</u></b>
<b><u>Foreign Debt Reclassification diff. &amp; FX diff. Related to it</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><u>Discrepancy</u></b>	<b><u>671</u></b>	<b><u>671</u></b>	<b><u>-21634</u></b>	<b><u>-21634</u></b>
<b>Cash Deficit (surplus) as a percentage of GDP</b>	<b>8.5%</b>	<b>8.4%</b>	<b>2.7%</b>	<b>2.9%</b>
<b>Overall fiscal balance as a percentage of GDP</b>	<b>7.9%</b>	<b>8.0%</b>	<b>2.7%</b>	<b>2.8%</b>
<b>Revenues as a percentage of GDP</b>	<b>20.7%</b>	<b>23.4%</b>	<b>2.7%</b>	<b>3.2%</b>
<b>Expenditures as a percentage of GDP</b>	<b>29.3%</b>	<b>31.8%</b>	<b>5.4%</b>	<b>6.1%</b>

Source : The Ministry of Finance .

**(4/4) Gross Domestic Debt**

End of	(LE mn)					
	June 2009	Sept. 2009	June 2010	Sept. 2010	Change + (-) during July/Sept.	
					2009/2010	2010/2011
<b><u>Gross Domestic Debt (1+2+3-4)</u></b>	<b><u>755297</u></b>	<b><u>805039</u></b>	<b><u>888661</u></b>	<b><u>938878</u></b>	<b><u>49742</u></b>	<b><u>50217</u></b>
<b><u>1- Net Domestic Debt of Government (A+B+C+D)</u></b>	<b><u>562327</u></b>	<b><u>611582</u></b>	<b><u>663818</u></b>	<b><u>718779</u></b>	<b><u>49255</u></b>	<b><u>54961</u></b>
<b><u>A- Balances of Bonds &amp; Bills</u></b>	<b><u>681838</u></b>	<b><u>719522</u></b>	<b><u>779232</u></b>	<b><u>812418</u></b>	<b><u>37684</u></b>	<b><u>33186</u></b>
. Treasury bonds with the CBE	121708	130771	121533	130596	9063	9063
. Local currency bonds with public sector banks	4000	4000	4000	4000	0	0
. Bonds offered abroad *						
US\$	4036	4029	6005	5967	(7)	(38)
LE	3773	3801	3808	3797	28	(11)
. Egyptian treasury bonds	92500	110000	159767	181267	17500	21500
. Government notes to compensate for the actuarial deficit in social insurance funds	2000	2000	2000	2000	0	0
. Housing bonds	116	119	114	121	3	7
. Foreign currency bonds with public sector commercial banks	11677	11474	11883	11882	(203)	(1)
. The equivalent of the retained 5% of corporate profits to purchase government bonds	1700	1700	1764	1764	0	0
. Bonds of the Insurance Funds (against the transfer of NIB debt to the Treasury)	201248	201248	202237	202237	0	0
. Treasury Bills	239080	250380	266121	268787	11300	2666
<b><u>B- Borrowing from other Entities</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1500</u></b>	<b><u>0</u></b>	<b><u>1500</u></b>
<b><u>C- Credit Facilities from the Social Insurance Funds</u></b>	<b><u>2343</u></b>	<b><u>2343</u></b>	<b><u>2343</u></b>	<b><u>2343</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b><u>D- Net Government Balances with the Banking System</u></b>	<b><u>-121854</u></b>	<b><u>-110283</u></b>	<b><u>-117757</u></b>	<b><u>-97482</u></b>	<b><u>11571</u></b>	<b><u>20275</u></b>
<b><u>2- Borrowing of Economic Authorities (Net)</u></b>	<b><u>52255</u></b>	<b><u>55135</u></b>	<b><u>67771</u></b>	<b><u>67313</u></b>	<b><u>2880</u></b>	<b><u>(458)</u></b>
. Net Balances of Economic Authorities with the Banking System	2193	3812	16302	15050	1619	(1252)
. Borrowing of Economic Authorities from NIB **	50062	51323	51469	52263	1261	794
<b><u>3- NIB Debt (Net)</u></b>	<b><u>200754</u></b>	<b><u>198252</u></b>	<b><u>222205</u></b>	<b><u>220813</u></b>	<b><u>(2502)</u></b>	<b><u>(1392)</u></b>
. NIB Debt	205560	202778	227715	228031	(2782)	316
. Deposits of the NIB with the banking system (-)	4806	4526	5510	7218	(280)	1708
<b><u>4- Intra-debt</u></b>	<b><u>60039</u></b>	<b><u>59930</u></b>	<b><u>65133</u></b>	<b><u>68027</u></b>	<b><u>(109)</u></b>	<b><u>2894</u></b>
. Government debt to the NIB (investments in government securities)	9977	8607	13664	15764	(1370)	2100
. Loans of economic authorities to NIB	50062	51323	51469	52263	1261	794

Source: Central Bank of Egypt - Ministry of Finance - National Investment Bank.

\* ( Holdings of resident financial institutions in Egypt represented in the banking system and the insurance sector ).

\*\* Apart from the interest payments due on the NIB.

(4/5) National Investment Bank ( Resources and Uses )

End of	(LE mn)					
	June 2009	Sept. 2009	June 2010	Sept. 2010	Change + (-) during July/Sept. 2009/2010	2010/2011
<b><u>Liabilities :of which</u></b>	<b><u>205560</u></b>	<b><u>202778</u></b>	<b><u>227715</u></b>	<b><u>228031</u></b>	<b><u>(2782)</u></b>	<b><u>316</u></b>
. Social Insurance Fund for Gov. Employees	29638	29638	31613	31613	0	0
. Social Insurance Fund for Pub. & Priv. Business Sectors Employees	24895	24895	27384	27384	0	0
. Proceeds from investment certificates	81454	83139	91134	92818	1685	1684
. Accumulated interest on investment certificates (Category A)	8654	8723	8648	8668	69	20
. Proceeds from US dollar development bonds	11	10	10	9	(1)	(1)
. Post office savings	54487	54988	64837	65837	501	1000
. Others*	6421	1385	4089	1702	(5036)	(2387)
<b><u>Assets :of which</u></b>	<b><u>205560</u></b>	<b><u>202778</u></b>	<b><u>227715</u></b>	<b><u>228031</u></b>	<b><u>(2782)</u></b>	<b><u>316</u></b>
. Loans to government						
. Loans to economic authorities	50062	51323	51469	52263	1261	794
. Investments in government securities (bills and bonds)	9977	8607	13664	15764	(1370)	2100
. Deposits of the NIB with the banking system	4806	4526	5510	7218	(280)	1708
. Lending to holding companies and affiliate units, concessional loans, and others (NIB debt minus its intradebt)	140715	138322	157072	152786	(2393)	(4286)

\* Including deposits of the private insurance funds, saving certificates, and loans & deposits of various entities.

(5/1) Balance of Payments

(US\$ mn)

	July/Sept.				Change (-)
	2009/2010*		2010/2011*		
	Value	%	Value	%	
<b><u>Balance of Current Account</u></b>	<b><u>(493.4)</u></b>		<b><u>(802.2)</u></b>		<b><u>(308.8)</u></b>
<b><u>Balance of Current Account (Excluding Transfers)</u></b>	<b><u>(2952.5)</u></b>		<b><u>(4007.6)</u></b>		<b><u>(1055.1)</u></b>
<b><u>Receipts</u></b>	<b><u>11661.8</u></b>	<b><u>100.0</u></b>	<b><u>12797.4</u></b>	<b><u>100.0</u></b>	<b><u>1135.6</u></b>
Export proceeds**	5390.3	46.2	6102.0	47.7	711.7
Transportation, of which	1708.1	14.7	2014.5	15.7	306.4
<i>Suez Canal dues</i>	1106.8	9.5	1254.1	9.8	147.3
Travel	3229.8	27.7	3653.2	28.6	423.4
Investment income	258.2	2.2	82.0	0.6	(176.2)
Government receipts	34.6	0.3	15.2	0.1	(19.4)
Other receipts	1040.8	8.9	930.5	7.3	(110.3)
<b><u>Payments</u></b>	<b><u>14614.3</u></b>	<b><u>100.0</u></b>	<b><u>16805.0</u></b>	<b><u>100.0</u></b>	<b><u>2190.7</u></b>
Import payments**	11644.3	79.7	12732.3	75.8	1088.0
Transportation	290.0	2.0	380.0	2.2	90.0
Travel	714.0	4.9	632.3	3.8	(81.7)
Investment income, of which	972.3	6.6	1904.1	11.3	931.8
<i>Interest paid</i>	196.5	1.3	184.4	1.1	(12.1)
Government expenditures	292.5	2.0	504.3	3.0	211.8
Other payments	701.2	4.8	652.0	3.9	(49.2)
<b><u>Transfers</u></b>	<b><u>2459.1</u></b>	<b><u>100.0</u></b>	<b><u>3205.4</u></b>	<b><u>100.0</u></b>	<b><u>746.3</u></b>
Private (net)	1804.0	73.4	3057.0	95.4	1253.0
Official (net)	655.1	26.6	148.4	4.6	(506.7)

\* Preliminary figures.

\*\* Including the exports & imports of free zones.

(5/1) Balance of Payments (Contd.)

(US\$mn)

	July/Sept.	
	2009/2010*	2010/2011*
	Value	Value
<b><u>Capital &amp; Financial Account</u></b>	<b><u>2836.6</u></b>	<b><u>1032.3</u></b>
<b><u>Capital Account</u></b>	<b><u>-14.0</u></b>	<b><u>-7.9</u></b>
<b><u>Financial Account</u></b>	<b><u>2850.6</u></b>	<b><u>1040.2</u></b>
Direct Investment Abroad	-94.2	-284.1
Direct Investment in Egypt (Net)	1731.0	1597.2
Portfolio Investments Abroad (Net)	-41.2	-58.1
Portfolio Investments in Egypt (Net), of which :	1186.0	5900.3
Bonds	-81.2	722.7
<b>Other Investments (Net)</b>	<b>69.0</b>	<b>-6115.1</b>
<b><u>Net Borrowing</u></b>	<b><u>619.5</u></b>	<b><u>-163.6</u></b>
Medium -and Long-Term Loans	-448.8	-630.0
Drawings	222.0	114.6
Repayments	-670.8	-744.6
Medium-Term Suppliers' and Buyers' Credit	21.0	-11.4
Drawings	32.1	13.6
Repayments	-11.1	-25.0
Short-Term Suppliers' and Buyers' Credit (Net)	1047.3	477.8
<b><u>Other Assets</u></b>	<b><u>-1744.2</u></b>	<b><u>-6557.5</u></b>
CBE	-5.4	-21.7
Banks	-1261.7	-6323.7
Other	-477.1	-212.1
<b><u>Other Liabilities</u></b>	<b><u>1193.7</u></b>	<b><u>606.0</u></b>
CBE	1203.6	0.0
Banks	-9.9	606.0
<b><u>Net Errors &amp; Omissions</u></b>	<b><u>-291.5</u></b>	<b><u>-215.4</u></b>
<b><u>Overall Balance</u></b>	<b><u>2051.7</u></b>	<b><u>14.7</u></b>
<b><u>Change in Reserve Assets, Increase (-)</u></b>	<b><u>-2051.7</u></b>	<b><u>-14.7</u></b>

Source: CBE.

\* Preliminary figures.

## (5/2) Exports by Degree of Processing \*

	(US\$ mn)				
	July/September				Change(-)
	2009/2010		2010/2011**		
	Value	%	Value	%	
<b>Total ***</b>	<b><u>5390.3</u></b>	<b><u>100.0</u></b>	<b><u>6102.0</u></b>	<b><u>100.0</u></b>	<b><u>711.7</u></b>
<b>Fuels , Mineral Oils &amp; Products</b>	<b><u>2498.1</u></b>	<b><u>46.3</u></b>	<b><u>2887.1</u></b>	<b><u>47.3</u></b>	<b><u>389.0</u></b>
Crude oil	1137.0	21.1	1270.0	20.8	133.0
Petroleum products ****	1290.3	23.9	1523.6	25.0	233.3
Coal & types thereof	16.3	0.3	9.9	0.2	(6.4)
<b>Raw Materials</b>	<b><u>348.2</u></b>	<b><u>6.5</u></b>	<b><u>238.8</u></b>	<b><u>3.9</u></b>	<b><u>(109.4)</u></b>
Cotton	14.7	0.3	28.3	0.5	13.6
Potatoes	3.3	0.1	5.3	0.1	2.0
Edible fruits & nuts	27.7	0.5	25.7	0.4	(2.0)
Oil seeds & oleaginous fruits, medicinal plants & plants for manufacturing	8.3	0.2	9.2	0.2	0.9
Spices&vanilla	2.6	0.0	1.5	0.0	(1.1)
Medicinal plants	2.4	0.0	3.4	0.1	1.0
Citrus fruits	0.1	0.0	2.0	0.0	1.9
Raw hides & tanned leather	2.4	0.0	2.5	0.0	0.1
Flax, raw	0.7	0.0	0.2	0.0	(0.5)
Edible vegetables roots & tubers	22.6	0.4	34.0	0.6	11.4
<b>Semi-finished Goods</b>	<b><u>313.2</u></b>	<b><u>5.8</u></b>	<b><u>422.9</u></b>	<b><u>6.9</u></b>	<b><u>109.7</u></b>
Carbon	22.7	0.4	34.3	0.6	11.6
Essential oils & resins	1.9	0.0	11.4	0.2	9.5

(5/2) Exports by Degree of Processing \* (Contd.)

	(US\$ mn)				
	July/September				Change(-)
	2009/2010		2010/2011**		
	Value	%	Value	%	
Cotton yarn	29.0	0.5	44.6	0.7	15.6
Aluminium, unalloyed	8.3	0.2	9.3	0.2	1.0
Animal & vegetable fats, greases & oils & products	27.0	0.5	17.1	0.3	(9.9)
Synthetic fibers	8.2	0.2	16.4	0.3	8.2
Organic & inorganic chemicals	78.8	1.5	93.6	1.5	14.8
Cast iron & semi-finished products & rolled iron	68.0	1.3	102.0	1.7	34.0
Leather, tanned	4.2	0.1	9.7	0.2	5.5
Tanning or dyeing extracts	13.7	0.3	27.3	0.4	13.6
Plastic & articles thereof	50.1	0.9	48.6	0.8	(1.5)
<b>Finished Goods</b>	<b>2150.0</b>	<b>39.9</b>	<b>2536.6</b>	<b>41.6</b>	<b>386.6</b>
Milk & condensed cream	29.2	0.5	8.3	0.1	(20.9)
Dried onion	1.5	0.0	3.9	0.1	2.4
Rice	54.8	1.0	11.2	0.2	(43.6)
Vegetable & fruit preparations	2.8	0.1	7.6	0.1	4.8
Miscellaneous edible preparations	136.8	2.5	90.7	1.5	(46.1)
Manufactured tobacco and tobacco substitutes	21.9	0.4	16.3	0.3	(5.6)
Sugar and its products	12.4	0.2	41.8	0.7	29.4
Pharmaceuticals	65.6	1.2	106.7	1.7	41.1
Fertilizers	105.9	2.0	290.3	4.8	184.4
Cement*****	30.1	0.6	36.5	0.6	6.4

**(5/2) Exports by Degree of Processing \* (Contd.)**

	July/September				(US\$ mn)
	2009/2010		2010/2011**		Change(-)
	Value	%	Value	%	
Extracts of essential oils & resins	25.0	0.5	9.3	0.2	(15.7)
Leather products	9.1	0.2	6.4	0.1	(2.7)
Rubber & articles	7.6	0.1	13.2	0.2	5.6
Paper, cardboard paper & articles thereof	41.8	0.8	70.3	1.2	28.5
Ceramic products	38.1	0.7	51.1	0.8	13.0
Cars, bicycles & tractors	50.0	0.9	43.1	0.7	(6.9)
Cotton textiles	119.4	2.2	121.9	2.0	2.5
Carpets & other floor coverings	48.2	0.9	42.1	0.7	(6.1)
Shoes & accessories	0.6	0.0	0.9	0.0	0.3
Ready-made clothes	141.0	2.6	182.5	3.0	41.5
Glass & glassware	27.0	0.5	65.0	1.1	38.0
Copper & articles	8.3	0.2	32.4	0.5	24.1
Aluminium articles	63.0	1.2	72.0	1.2	9.0
Articles of iron and steel	134.3	2.5	146.3	2.4	12.0
Wood & articles thereof and charcoal	3.8	0.1	5.2	0.1	1.4
Marble & granite	17.7	0.3	24.0	0.4	6.3
Articles of base metals	78.5	1.5	46.9	0.8	(31.6)
Optical appliances	10.1	0.2	37.0	0.6	26.9
Soap & Detergents, fabricated candles	37.1	0.7	81.1	1.3	44.0
<b>Miscellaneous Goods (Undistributed)</b>	<b>80.8</b>	<b>1.5</b>	<b>16.6</b>	<b>0.3</b>	<b>(64.2)</b>

Source: Central Bank of Egypt.

\* According to the Harmonized System.

\*\* Provisional.

\*\*\* Include exports of free zones.

\*\*\*\* Include natural gas, and bunker & jet fuel.

\*\*\*\*\* Taking into consideration the Ministerial Decree No. 340 for 2009 Banning Cement Export from April,13,to Sept. ,1 , 2009; and Decree No. 604 for 2009 Regarding the Continual Ban of Cenmet Export till Oct. , 1 , 2010.

### (5/3) Imports by Degree of Use \*

	July/September				(US\$ mn)
	2009/2010		2010/2011**		Change(-)
	Value	%	Value	%	
<b>Total ***</b>	<b><u>11644.3</u></b>	<b><u>100.0</u></b>	<b><u>12732.3</u></b>	<b><u>100.0</u></b>	<b><u>1088.0</u></b>
<b><u>Fuels, Mineral Oils &amp; Products</u></b>	<b><u>1246.8</u></b>	<b><u>10.7</u></b>	<b><u>1496.8</u></b>	<b><u>11.8</u></b>	<b><u>250.0</u></b>
Petroleum products ****	1156.2	9.9	1218.8	9.6	62.6
Coal & types thereof	4.4	0.0	109.8	0.9	105.4
<b><u>Raw Materials</u></b>	<b><u>1077.4</u></b>	<b><u>9.3</u></b>	<b><u>1389.0</u></b>	<b><u>10.9</u></b>	<b><u>311.6</u></b>
Crude oil	236.8	2.0	374.0	25.0	137.2
Wheat	208.8	1.8	328.9	2.6	120.1
Maize	113.7	1.0	154.6	1.2	40.9
Tobacco	153.2	1.3	130.4	1.0	(22.8)
Metal ores	26.3	0.2	53.4	0.4	27.1
Iron, ore	111.2	1.0	118.2	0.9	7.0
Seeds & oleaginous seeds	104.5	0.9	93.7	0.7	(10.8)
Cotton	28.1	0.2	15.1	0.1	(13.0)
<b><u>Intermediate Goods</u></b>	<b><u>3735.3</u></b>	<b><u>32.1</u></b>	<b><u>3963.2</u></b>	<b><u>31.1</u></b>	<b><u>227.9</u></b>
Sugar, raw	24.7	0.2	58.4	0.5	33.7
Animal and vegetable fats, greases & oils and products	363.3	3.1	286.9	2.3	(76.4)
Cement	148.5	1.3	113.0	0.9	(35.5)
Organic & inorganic chemicals	432.2	3.7	395.7	3.1	(36.5)
Fertilizers	38.6	0.3	90.5	0.7	51.9
Tanning & dyeing extracts	72.8	0.6	72.6	0.6	(0.2)
Essential oils & resinoids	12.2	0.1	29.9	0.2	17.7
Plastic & articles thereof	328.2	2.8	350.2	2.8	22.0

(5/3) Imports by Degree of Use\* (Contd.)

	(US\$ mn)				
	July/September				Change(-)
	2009/2010		2010/2011**		
	Value	%	Value	%	
Wood & articles thereof	177.2	1.5	247.5	1.9	70.3
Paper, cardboard paper & articles thereof	255.7	2.2	236.1	1.9	(19.6)
Cotton textiles	56.9	0.5	34.9	0.3	(22.0)
Synthetic fibers	105.3	0.9	128.7	1.0	23.4
Ceramic products	78.0	0.7	81.1	0.6	3.1
Glass & articles	66.0	0.6	36.1	0.3	(29.9)
Iron & steel products	686.2	5.9	827.7	6.5	141.5
Copper & articles	90.2	0.8	82.9	0.7	(7.3)
Rubber & articles	107.9	0.9	108.0	0.8	0.1
Aluminium & articles	78.3	0.7	75.0	0.6	(3.3)
Articles of base metals	128.4	1.1	125.9	1.0	(2.5)
Parts & accessories of motor vehicles	402.9	3.5	506.0	4.0	103.1
<b>Investment Goods</b>	<b><u>2465.9</u></b>	<b><u>21.2</u></b>	<b><u>2544.8</u></b>	<b><u>20.0</u></b>	<b><u>78.9</u></b>
Pumps, fans & parts thereof	142.8	1.2	182.5	1.4	39.7
Machines and apparatus for ginning and spinning & parts thereof	23.9	0.2	23.7	0.2	(0.2)
Computers	288.1	2.5	217.8	1.7	(70.3)
Motors, generators, transformers & parts thereof	111.4	1.0	163.3	1.3	51.9
Parts of railway and tramway locomotives or rolling stock equipment	34.4	0.3	32.4	0.3	(2.0)
Tractors	5.8	0.0	8.3	0.1	2.5
Vehicles for transport of passengers	9.8	0.1	18.8	0.1	9.0
Vehicles for transport of goods	15.7	0.1	12.2	0.1	(3.5)

## (5/3) Imports by Degree of Use\* (Contd.)

	July/September				(US\$ mn)
	2009/2010		2010/2011**		Change(-)
	Value	%	Value	%	
Tools, implements, cutlery & spoons	66.3	0.6	65.3	0.5	(1.0)
Air conditioners	28.8	0.2	79.7	0.6	50.9
Cranes and bulldozers & parts thereof	306.2	2.6	313.3	2.5	7.1
Agricultural machinery	25.2	0.2	42.4	0.3	17.2
Printing machinery & parts	25.6	0.2	14.1	0.1	(11.5)
Electric appliances for telephones & telegraph	181.2	1.6	204.6	1.6	23.4
Optical appliances	127.6	1.1	137.1	1.1	9.5
<b>Consumer Goods</b>	<b>2727.9</b>	<b>23.4</b>	<b>3255.9</b>	<b>25.6</b>	<b>528.0</b>
<b>A - Durable Goods</b>	<b>677.4</b>	<b>5.8</b>	<b>872.8</b>	<b>6.9</b>	<b>195.4</b>
Household refrigerators & electric freezers	46.5	0.4	54.6	0.4	8.1
Televisions & parts thereof	14.3	0.1	44.1	0.3	29.8
Vehicles for transport of persons	258.1	2.2	304.5	2.4	46.4
Household electric-motor appliances	167.2	1.4	160.1	1.3	(7.1)
<b>B - Non-durable Goods</b>	<b>2050.5</b>	<b>17.6</b>	<b>2383.1</b>	<b>18.7</b>	<b>332.6</b>
Meat and edible offals	164.0	1.4	349.2	2.7	185.2
Fish, crustaceans, molluscs and others	47.3	0.4	69.7	0.5	22.4
Dairy products, eggs, poultry and honey	79.0	0.7	116.1	0.9	37.1
Edible vegetables roots & tubers	41.4	0.4	118.2	0.9	76.8
Tea	24.4	0.2	28.2	0.2	3.8

**(5/3) Imports by Degree of Use\* (Contd.)**

	July/September				(US\$ mn)
	2009/2010		2010/2011**		Change(-)
	Value	%	Value	%	
Miscellaneous edible preparations	197.4	1.7	199.7	1.6	2.3
Pharmaceuticals	466.5	4.0	445.4	3.5	(21.1)
Insecticides	7.5	0.1	3.5	0.0	(4.0)
Residues of foodstuff industries & animal fodder	28.3	0.2	74.1	0.6	45.8
Live animals	14.6	0.1	42.9	0.3	28.3
Ready-made clothes	230.6	2.0	202.4	1.6	(28.2)
Cotton textiles	124.5	1.1	141.1	1.1	16.6
Sugar, refined and products	1.4	0.0	4.5	0.0	3.1
Lentils	11.8	0.1	14.5	0.1	2.7
Soap, detergents & artificial wax	15.8	0.1	33.9	0.3	18.1
<b>Miscellaneous Goods (Undistributed)</b>	<b>391.0</b>	<b>3.3</b>	<b>82.6</b>	<b>0.6</b>	<b>(308.4)</b>

Source: Central Bank of Egypt.

\* According to the Harmonized System.

\*\* Provisional.

\*\*\* Including imports of free zones, and commodity grants & loans.

\*\*\*\* Including gas, and bunker & jet fuel.

## (5/4) Regional Distribution of Exports and Imports

(US\$ mn)

	July/September					
	Proceeds of Exports		Payments for Imports*		Trade Balance	
	2009/2010	2010/2011**	2009/2010	2010/2011**	2009/2010	2010/2011**
<b>Total ***</b>	<b>5390.3</b>	<b>6102.0</b>	<b>11644.3</b>	<b>12732.3</b>	<b>(6254.0)</b>	<b>(6630.3)</b>
European Union	1854.9	2453.5	4442.3	4156.0	(2587.4)	(1702.5)
Other European countries	164.6	329.3	1594.6	1509.0	(1430.0)	(1179.7)
Russian Federation & C.I.S	23.3	20.7	230.3	367.2	(207.0)	(346.5)
United States of America	1198.3	870.9	1663.5	1418.0	(465.2)	(547.1)
Arab countries	939.4	1166.5	1004.0	1508.0	(64.6)	(341.5)
Asian countries (Non Arab)	734.7	815.1	1953.2	2947.1	(1218.5)	(2132.0)
African countries (Non Arab)	74.6	142.7	75.5	162.9	(0.9)	(20.2)
Australia	2.8	4.5	49.9	97.3	(47.1)	(92.8)
Other countries & regions	397.7	298.8	631.0	566.8	(233.3)	(268.0)

Source: Central Bank of Egypt

\* Including commodity grants and loans.

\*\* Provisional.

\*\*\* Including exports & imports of free zones.

**(5/5) Average LE Foreign Exchange Rates**

(In piasters per foreign currency unit)

<b>End of</b>	<b>June 2010</b>		<b>September 2010</b>	
<b>First: Interbank US\$ Rates</b>				
Minimum	569.40		569.00	
Maximum	569.70		570.00	
Weighted average	569.52		569.45	
<b>Second: Market Rates</b>	<b>Buy</b>	<b>Sell</b>	<b>Buy</b>	<b>Sell</b>
US Dollar	568.07	570.96	568.32	571.23
Euro	697.53	701.48	775.69	779.73
Pound Sterling	853.02	857.64	903.45	908.15
Swiss Franc	525.31	528.28	583.91	587.21
100 Japanese Yen	640.44	643.77	681.76	685.67
Saudi Riyal	151.46	152.24	151.53	152.33
Kuwaiti Dinar	1948.12	1966.12	1994.72	2008.63
UAE Dirham	154.63	155.48	154.72	155.53
Chinese Yuan	83.76	84.19	84.91	85.38

Source : Central Bank of Egypt

The interbank system started at 23/12/2004

### (5/6) External Debt by Type

End of	(US\$ mn)					
	June 2010 *		September 2010 *		Change (-)	
	Value	%	Value	%	Value	%
<b>Total External Debt **</b>	<b>33694.2</b>	<b>100.0</b>	<b>34699.9</b>	<b>100.0</b>	<b>1005.7</b>	<b>3.0</b>
1- Medium & Long term debt :	30739.4	91.2	31829.0	91.7	1089.6	3.5
Rescheduled bilateral debt +	12599.3	37.4	12897.9	37.2	298.6	2.4
ODA	7054.6	20.9	7235.6	20.9	181.0	2.6
Non-ODA	5544.7	16.5	5662.3	16.3	117.6	2.1
Other bilateral debt	4692.4	13.9	4976.5	14.3	284.1	6.1
Paris club countries	3774.7	11.2	4072.5	11.7	297.8	7.9
Other countries	917.7	2.7	904.0	2.6	(13.7)	(1.5)
Suppliers & buyers Credits	313.5	0.9	404.3	1.1	90.8	29.0
International & regional organizations	9977.5	29.6	10405.0	30.0	427.5	4.3
Egyptian bonds and notes	3079.5	9.2	3087.9	8.9	8.4	0.3
Private sector (Non guaranteed)	77.2	0.2	57.4	0.2	(19.8)	(25.6)
2- Short term debt :	2954.8	8.8	2870.9	8.3	(83.9)	(2.8)
Deposits	1359.5	4.0	1121.4	3.2	(238.1)	(17.5)
Other Facilities	1595.3	4.8	1749.5	5.1	154.2	9.7

Source: Loans & External Debt Department- CBE

\* Provisional.

\*\* The difference from World Bank data is in short-term debt.

+ According to the agreement signed with Paris club countries on 25/5/1991

**(5/7) Distribution of External Debt by Main Currencies**

End of	(US\$ mn)				
	June 2010 *		September 2010 *		Change
	Value	%	Value	%	
<b>Total</b>	<u>33694.2</u>	<u>100.0</u>	<u>34699.9</u>	<u>100.0</u>	<u>1005.7</u>
US dollar **	14493.2	43.0	14268.7	41.1	(224.5)
Canadian dollar	144.0	0.4	141.7	0.4	(2.3)
Australian dollar	107.0	0.3	113.9	0.3	6.9
Swiss franc	509.0	1.5	540.1	1.6	31.1
Sterling pound	215.0	0.6	230.0	0.7	15.0
Japanese yen	4212.0	12.5	4383.0	12.6	171.0
Danish krone	112.0	0.3	121.0	0.4	9.0
Norwegian krone	4.0	0.0	4.8	0.0	0.8
Swedish krona	26.0	0.1	27.9	0.1	1.9
Kuwaiti dinar	1973.0	5.9	1982.5	5.7	9.5
Saudi riyal	33.0	0.1	39.5	0.1	6.5
UAE dirham	30.0	0.1	29.9	0.1	(0.1)
Euro	8835.0	26.2	9683.9	27.9	848.9
Egyptain Pound	722.0	2.2	746.0	2.1	24.0
SDRs	2279.0	6.8	2387.0	6.9	108.0

Source: Loans & External Debt Department- CBE

\* Provisional.

\*\* Including other liabilities due in US dollar.

## Periodical Publications of the Central Bank of Egypt

<b>Name of Publication</b>	<b>Language</b>	<b>Periodicity</b>
1 -Monthly Statistical Bulletin	Arabic and English	Monthly
2 -Economic Review	Arabic and English	Quarterly
3 -Annual Report	Arabic and English	Every fiscal year
4 -External Position of the Egyptian Economy	English	Quarterly

**Note:**

- All publications of the Central Bank of Egypt are available on the CBE's website: [www.cbe.org.eg](http://www.cbe.org.eg)