

Press Release
BOP Performance
In the First Quarter of FY 2011/2012

Egypt's transactions with the external world in July/September of FY 2011/2012, gave rise to an **overall BOP deficit** of about US\$ 2.4 billion (reversing the overall surplus of US\$ 14.7 million in the previous corresponding period). As a result, Net International Reserves (NIR) at the Central Bank of Egypt declined. The deficit was triggered by the transformational events in Egypt and the Arab region, which weighed heavily on tourism revenues and foreign investment inflows to Egypt.

The turnaround in the BOP is ascribed to the higher current account deficit and the lower capital and financial accounts inflows. The current deficit widened to US\$ 2.2 billion (from US\$ 1.3 billion), while the capital and financial accounts unfolded a drop in net inflows to US\$ 502.4 million (from US\$ 1.0 billion).

The **trade deficit** inched up to US\$ 7.8 billion (from US\$ 7.1 billion in July/September 2010), because of the 10.2% rise in merchandise imports to about US\$ 14.6 billion. On the other hand, merchandise exports scaled up by 10.9% to US\$ 6.8 billion.

The **services surplus** went down by 38.2% to about US\$ 1.6 billion (against US\$ 2.6 billion). This decrease came on the back of the 26.0% plunge in tourism revenues, which registered US\$ 2.7 billion (against US\$ 3.7 billion), driven by the fall in the number of visitors by 24%, and of tourist nights by 12.9%. Positively, Suez Canal receipts edged up by 8.5%, recording US\$ 1.4 billion (against US\$ 1.3 billion).

Net unrequited transfers scored US\$ 4.0 billion in the reporting period, up by 25.6%, reflecting the pickup of 31.2% in net private transfers (mainly, the remittances of Egyptian workers abroad) that registered around US\$ 4.0 billion (against US\$ 3.1 billion). Conversely, net official transfers rolled back by 89.3% to

as low as US\$ 15.9 million (against US\$ 148.4 million), due to the drop in cash grants to the Egyptian government.

Capital and financial accounts revealed a reversal of portfolio investments in Egypt into net outflows of about US\$ 1.7 billion (from net inflows of US\$ 5.9 billion). That was ascribed to foreigners' sales of their holdings of securities, especially Egyptian Treasury bills, resulting in net sales of US\$ 1.4 billion in the period under review (against net purchases of US\$ 4.7 billion). **Net FDI in Egypt** fell by 72.4%, standing at US\$ 440.1 million (against US\$ 1.6 billion), partly because of the decline in net investments in the oil sector which recorded net outflows of US\$ 412.4 million (against net inflows of US\$ 575.7 million). This is in addition to the contraction of net greenfield investments to US\$ 521.9 million (against US\$ 978.3 million).

Analysis of the BOP data for the period of January/September of FY 2011, relative to January/September of 2010, showed that Egypt's external transactions **unfolded an overall BOP deficit of US\$ 12.7 billion**, contrasted to an overall surplus of US\$ 719.1 million in January/September 2010. Such a deficit was largely the result of:

- The plunge of tourism revenues to US\$ 6.3 billion (from US\$ 9.2 billion), as a consequence of the drop in the number of visitors from 10.6 million to 6.9 million, and tourist nights from 108.7 million to 80.3 million.
- The reversal of portfolio investments in Egypt from net inflows of US\$ 12.2 billion recorded in January/September 2010, into net outflows of US\$ 8.9 billion in January/September 2011. That was ascribed to the sales of foreigners' holdings of securities, especially Egyptian TBs which registered net sales of US\$ 7.5 billion (against net purchases of US\$ 8.6 billion).
- The dramatic fall in FDI in Egypt to US\$ 375.5 million (from US\$ 5.7 billion).

The overall Bop deficit registered in Jan./Sept. 2011 was relatively mitigated by the step up of the remittances of Egyptians working abroad from US\$ 9.3 billion (Jan/Sept. 2010) to US\$ 10.4 billion, as well as the increase in Suez Canal receipts from US\$ 3.5 billion to US\$ 3.9 billion.

Balance of Payments

	<u>(US.\$m.)</u>	
	<u>July/Sep. 2010*</u>	<u>July/Sep. 2011*</u>
<u>Trade Balance</u>	<u>-7133.7</u>	<u>-7823.1</u>
Exports	6102.0	6764.8
Petroleum	2793.6	3233.7
Other Exports	3308.4	3531.1
Imports	-13235.7	-14587.9
Petroleum**	-2096.2	-2872.6
Other Imports	-11139.5	-11715.3
<u>Services (net)</u>	<u>2622.7</u>	<u>1621.6</u>
<u>Receipts</u>	<u>6695.4</u>	<u>5411.1</u>
Transportation of which,	2014.5	2076.3
<i>Suez Canal</i>	<i>1254.1</i>	<i>1360.4</i>
Travel	3653.2	2701.7
Investment Income	82.0	56.0
Government Receipts	15.2	18.7
Other	930.5	558.4
<u>Payments</u>	<u>4072.7</u>	<u>3789.5</u>
Transportation	380.0	312.4
Travel	632.3	626.8
Investment Income of which,	1904.1	1785.4
<i>Interest Paid</i>	<i>184.4</i>	<i>187.0</i>
Government Expenditures	504.3	321.0
Other	652.0	743.9
<u>Balance of Goods & Services</u>	<u>-4511.0</u>	<u>-6201.5</u>
<u>Transfers</u>	<u>3205.4</u>	<u>4026.4</u>
Private Transfers (net)	3057.0	4010.5
Official Transfers (net)	148.4	15.9
<u>Current Account Balance</u>	<u>-1305.6</u>	<u>-2175.1</u>

* Preliminary.

**Source : Ministry of Petroleum.

Balance of Payments (cont.)

	<u>(US.\$m.)</u>	
	<u>July/Sep. 2010*</u>	<u>July/Sep. 2011*</u>
<u>Capital & Financial Account</u>	<u>1032.3</u>	<u>502.4</u>
<u>Capital Account</u>	<u>-7.9</u>	<u>-20.5</u>
<u>Financial Account</u>	<u>1040.2</u>	<u>522.9</u>
Direct Investment Abroad	-284.1	-79.0
Direct Investment In Egypt (net)	1597.2	440.1
Portfolio Investment Abroad(net)	-58.1	-63.0
Portfolio Investment in Egypt (net)of which,	5900.3	-1729.9
Bonds	722.7	-325.3
Other Investment (net) **	-6115.1	1954.7
<u>Net Borrowing</u>	<u>-163.6</u>	<u>286.7</u>
M&L Term Loans (net)	-630.0	-459.0
Drawings	114.6	313.2
Repayments	-744.6	-772.2
MT Suppliers Credit (net)	-11.4	3.8
Drawings	13.6	24.3
Repayments	-25.0	-20.5
ST Suppliers Credit (net)	477.8	741.9
<u>Other Assets</u>	<u>-6557.5</u>	<u>1911.9</u>
Central Bank	-21.7	15.5
Banks	-6323.7	2421.3
Other	-212.1	-524.9
<u>Other Liabilities</u>	<u>606.0</u>	<u>-243.9</u>
Central Bank	0.0	-4.4
Banks	606.0	-239.5
<u>Net Errors & Omissions</u>	<u>288.0</u>	<u>-683.4</u>
<u>Overall Balance</u>	<u>14.7</u>	<u>-2356.1</u>
<u>Change in CBE's reserve assets (increase = -)</u>	<u>-14.7</u>	<u>2356.1</u>

* Preliminary.

** Includes (Net Borrowing, Other Assets, & Other Liabilities).