

Balance of Payments

Press Release

July/Sept., 2015/2016

In the first quarter of 2015/2016, Egypt's transactions with the external world gave rise to an **overall BOP deficit** of US\$ 3.7 billion (reversing the overall surplus of US\$ 410.0 million witnessed in the same quarter a year earlier). The turnaround in the BOP performance is ascribed to the rise in **the current account deficit**, hitting US\$ 4.0 billion (compared with US\$ 1.6 billion). In contrast, **the capital and financial account** registered net inflows of US\$ 1.5 billion (versus US\$ 387.0 million).

The expansion in **the current account deficit** came on the back of the following developments:

- **The trade deficit** registered US\$ 10.0 billion (the same level of the quarter of comparison), due partly to the decline in world prices of oil and other staple commodities, which had a significant bearing on Egyptian exports and imports. Merchandise export proceeds decreased by 26.5%, to stand at US\$ 4.6 billion (against US\$ 6.3 billion). Such a contraction is traceable to the drop of US\$ 1.2 billion in oil exports (crude oil and products), in the wake of the dramatic fall (51.4%) in global prices of crude oil in the period in question, relative to the period of comparison, notwithstanding the increase in the quantities exported of said item. (It should be noted that Egypt's exports of crude oil have made up 71.3% of its total oil exports, and 24.2% of its total merchandise exports in the reporting period). Proceeds from non-oil exports registered a decline of US\$ 487.5 million, to post US\$ 3.1 billion (against US\$ 3.6 billion).

In parallel, import payments retreated by 10.4%, recording US\$ 14.6 billion (against US\$ 16.3 billion), largely on the back of the declines of US\$ 1.2 billion and US\$ 500.3 million in oil imports and non-oil imports, in order.

- **The services surplus** narrowed by 22.6% to US\$ 1.7 billion (from US\$ 2.2 billion). This figure is largely traced to the fall in services and income receipts, especially tourism revenues which fell by 17.5%, to register US\$ 1.7 billion (against US\$ 2.1 billion) on account of the 9.1% drop in the number of tourist nights, from 26.1 million to 23.7 million nights.
- **Net unrequited transfers** retreated from US\$ 6.2 billion to US\$ 4.3 billion, mainly due to the plunge in net official transfers (commodity and cash) from US\$ 1.5 billion to as low as US\$ 21.9 million.

As stated above, the capital and financial account registered net flows of US\$ 1.5 billion (versus US\$ 387.0 million), mainly as an outcome of:

- The step up in **net inflows of foreign direct investment** from US\$ 1.3 billion to US\$ 1.4 billion, thanks mainly to the 48.5% rise in net inflows for greenfield investments, which recorded US\$ 1.1 billion (compared with US\$ 734.9 million).
- The reversal of **portfolio investment in Egypt** from net inflows of US\$ 316.0 million, to net outflows of US\$ 1.4 billion. Such a reversal is largely ascribable to the Egyptian authorities' repayment of bonds in the amount of US\$ 1250.0 million (outflows) that have been fallen due in the reporting period. These bonds were issued in world markets in 2005.
- **Other investments** recorded net inflows of US\$ 1.6 billion. A key driver was short term suppliers' and buyers' credits which unfolded net inflows of US\$ 1.4 billion (versus US\$ 0.9 billion). This attests to the investor's confidence in the Egyptian economy, given its ability to honor its external obligations, as just indicated.

*Numbers expressed in US\$ billion have been rounded.

Balance of Payments

	<u>July/Sep</u> <u>2014*</u>	<u>July/Sep</u> <u>2015*</u>
<u>Trade Balance</u>	<u>-10000.9</u>	<u>-9985.9</u>
Exports	6325.4	4646.1
<i>Petroleum</i>	2769.1	1577.3
<i>Other Exports</i>	3556.3	3068.8
Imports	-16326.3	-14632.0
<i>Petroleum</i>	-4003.6	-2809.6
<i>Other Imports</i>	-12322.7	-11822.4
<u>Services (net)</u>	<u>2178.8</u>	<u>1686.8</u>
<u>Receipts</u>	<u>6448.8</u>	<u>5142.9</u>
Transportation of which,	2677.2	2640.9
<i>Suez Canal</i>	1474.6	1366.4
Travel	2091.8	1725.5
Investment Income	43.6	101.2
Government Receipts	583.2	123.2
Other	1053.0	552.1
<u>Payments</u>	<u>4270.0</u>	<u>3456.1</u>
Transportation	396.4	381.5
Travel	827.2	791.5
Investment Income of which,	1830.2	1248.8
<i>Interest Paid</i>	211.5	184.7
Government Expenditures	201.6	183.5
Other	1014.6	850.8
<u>Balance of Goods & Services</u>	<u>-7822.1</u>	<u>-8299.1</u>
<u>Transfers</u>	<u>6188.8</u>	<u>4318.8</u>
Private Transfers (net)	4713.5	4296.9
Official Transfers (net)	1475.3	21.9
<u>Current Account Balance</u>	<u>-1633.3</u>	<u>-3980.3</u>

Balance of Payments (cont.)

	<u>July/Sep 2014*</u>	<u>July/Sep 2015*</u>
<u>Capital & Financial Account</u>	<u>387.0</u>	<u>1500.5</u>
<u>Capital Account</u>	<u>-22.0</u>	<u>-36.1</u>
<u>Financial Account</u>	<u>409.0</u>	<u>1536.6</u>
Direct Investment Abroad	-52.5	-40.3
Direct Investment In Egypt (net)	1321.3	1385.5
Portfolio Investment Abroad(net)	-33.2	35.4
Portfolio Investment in Egypt (net)of which,	316.0	-1405.8
<i>Bonds</i>	<i>13.6</i>	<i>-1391.9</i>
Other Investment (net)	-1142.6	1561.8
<u>Net Borrowing</u>	<u>546.4</u>	<u>706.7</u>
<u>M&L Term Loans (net)</u>	<u>-374.7</u>	<u>-678.8</u>
<i>Drawings</i>	<i>532.7</i>	<i>199.5</i>
<i>Repayments</i>	<i>-907.4</i>	<i>-878.3</i>
<u>MT Suppliers Credit (net)</u>	<u>-8.5</u>	<u>6.4</u>
<i>Drawings</i>	<i>0.7</i>	<i>13.3</i>
<i>Repayments</i>	<i>-9.2</i>	<i>-6.9</i>
<u>ST Suppliers Credit (net)</u>	<u>929.6</u>	<u>1379.1</u>
<u>Other Assets</u>	<u>-2077.3</u>	<u>185.0</u>
<i>Central Bank</i>	<i>24.9</i>	<i>3.5</i>
<i>Banks</i>	<i>59.2</i>	<i>871.9</i>
<i>Other</i>	<i>-2161.4</i>	<i>-690.4</i>
<u>Other Liabilities</u>	<u>388.3</u>	<u>670.1</u>
<i>Central Bank</i>	<i>1.3</i>	<i>1.2</i>
<i>Banks</i>	<i>387.0</i>	<i>668.9</i>
<u>Net Errors & Omissions</u>	<u>1656.3</u>	<u>-1176.9</u>
<u>Overall Balance</u>	<u>410.0</u>	<u>-3656.7</u>
<u>Change in CBE's reserve assets (increase = -)</u>	<u>-410.0</u>	<u>3656.7</u>

* Preliminary.