



Central Bank of Egypt

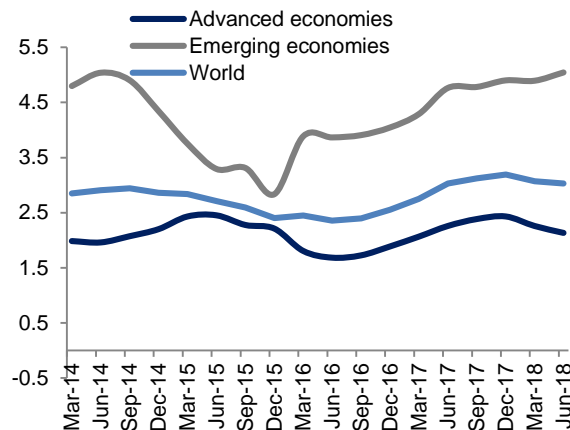
Monetary Policy Report
II / 2018

The cut-off date for the data included in this report is August 16, 2018. Some of the data presented are preliminary or subject to revisions. There has been new incoming data since the cut-off date, including but not limited to the release of the inflation statistics for August, September and October 2018, the Balance of Payments and the Gross Domestic Product statistics for 2018 Q2, as well as updated domestic monetary aggregates and various data releases for Egypt's external environment. Furthermore, in its meetings held on September 27, 2018, and November 15, 2018, the Monetary Policy Committee decided to keep the Central Bank of Egypt's key policy rates unchanged. These and all other incoming data will be incorporated in the following Monetary Policy Report.

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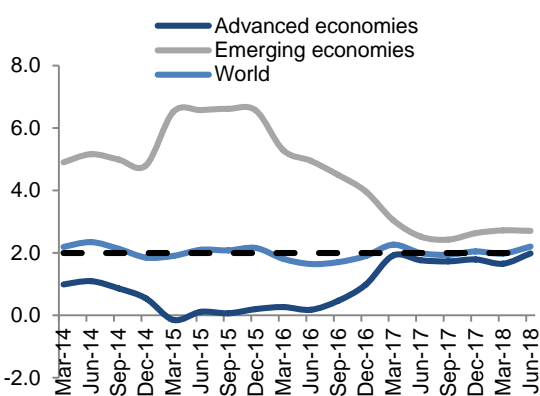
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Figure 1
Economic Growth of Egypt's External Environment^{1/}
 (in %, y/y)



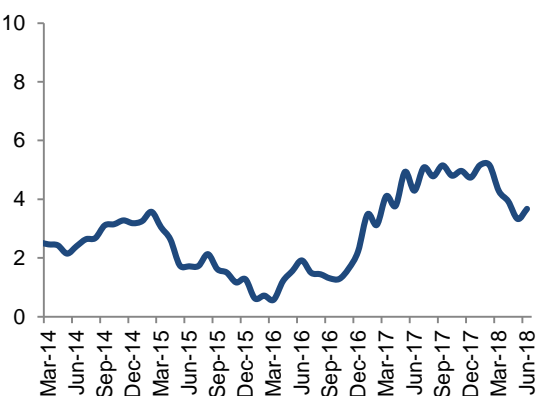
Source: Bloomberg & Central Bank of Egypt calculations.
 1/ The series is weighted using Egypt's trade volume in 2015/16.

Figure 2
Headline Inflation of Egypt's External Environment^{1/}
 (in %, y/y)



Source: Bloomberg & Central Bank of Egypt calculations.
 1/ The series is weighted using Egypt's trade volume in 2015/16.

Figure 3
World Trade Growth
 (in %, y/y, three month moving average)



Source: Netherlands Bureau of Statistics.

The Initial Conditions

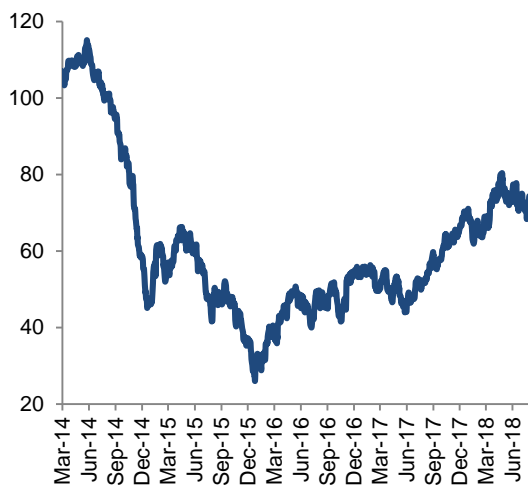
a) The growth of global trade slowed down, international oil prices remained subject to near term volatility, and capital outflows from emerging markets continued.

Economic growth of Egypt's external environment continued to soften slightly due to advanced economies, registering 3.0% in 2018 Q2, compared to 3.2% in 2017 Q4, the highest pace since 2011. Economic growth in advanced economies continued to ease slightly to 2.1% in 2018 Q2 from 2.3% in 2018 Q1, as the slower growth in the euro area more than offset the stronger growth in the US and the UK. On the other hand, economic growth in emerging economies continued to inch upwards to register 5.0% in 2018 Q2, compared to 4.9% in the previous two quarters, thereby maintaining its continuous improvement since 2015 Q4, albeit by a weaker momentum. A slightly slower growth in Brazil and China has partially offset a slightly higher growth in India and Russia during 2018 Q2, compared to the previous quarter.

Meanwhile, headline inflation of Egypt's external environment rose slightly to register 2.2% in 2018 Q2, compared to around 2.0% in 2018 Q1, due to higher inflation in advanced economies. Inflation in advanced economies registered 2.0% in 2018 Q2, up from 1.7% in 2018 Q1, mainly due to a slight acceleration of the euro area and the US inflation rates, and despite the marginal deceleration of inflation rates in Japan and the UK. On the other hand, inflation rates in emerging economies stabilized in 2018 Q2 at 2.7%, after increasing slightly in 2018 Q1. The acceleration of inflation rate in Brazil, India and Russia was offset by the deceleration of the inflation rate in China during 2018 Q2.

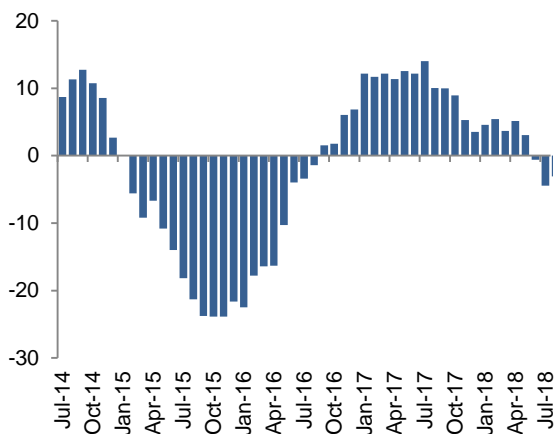
After increasing in 2018 Q1 at the fastest pace since 2011 Q1, global trade growth slowed down in 2018 Q2. According to the World Trade Organization, trade restrictive measures rose and trade facilitating measures fell compared to the previous year. In the latest World Economic Outlook update, the International Monetary Fund slightly lowered world trade growth projections in 2018 and 2019

Figure 4
International Oil Prices
 (USD per barrel)



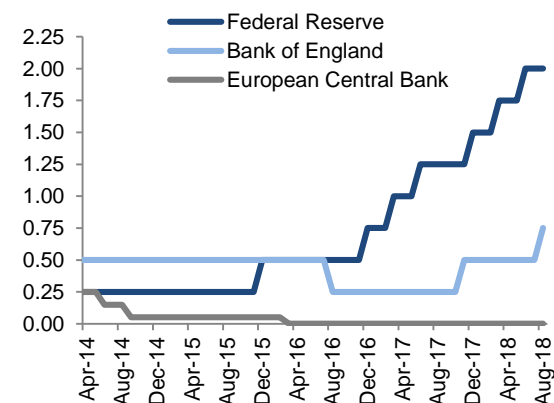
Source: Energy Information Agency.

Figure 5
International Food Prices
 (in %, y/y, using domestic CPI basket weights of core food items)



Source: Central Bank of Egypt calculations, World Bank and Food and Agriculture Organization.

Figure 6
Advanced Economies Central Banks' Policy Rates
 (in %)



Source: Bloomberg and Central Bank of Egypt calculations.

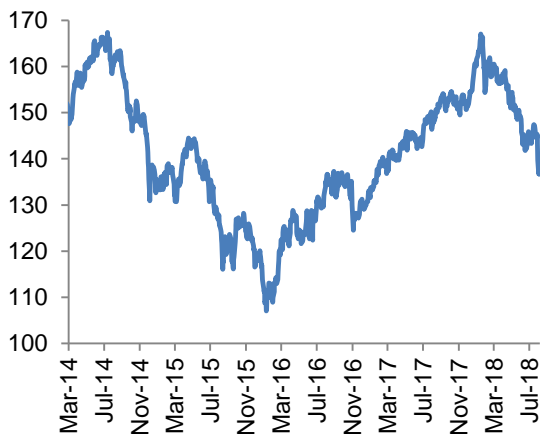
by 0.3p.p. and 0.2p.p. to 4.8% and 4.5%, respectively. This was mainly due to the negative impact of recent trade tensions despite still covering a relatively small share of global trade.

Brent crude oil prices declined to record an average of 71.7 USD/barrel in August 2018, after reaching 80.42 USD/barrel in May 2018. This was mainly driven by the agreement between the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC countries to modestly ease production caps originally introduced in 2016, in addition to global trade concerns. Nonetheless, spot prices remained subject to potential supply disruptions, mainly associated with US sanctions on Iran, which would come into effect in November 2018. Meanwhile, international food inflation, using domestic CPI basket weights of core food items, registered negative 4.4% in July 2018, its largest annual decline since June 2016, being on a downward trend since May 2018. This decline was broad based, particularly due to poultry, red meat and dairy products as production conditions improved.

Monetary policy normalization in advanced economies continued. The Federal Reserve raised its policy rate in June by 25 basis points for the second time in 2018, while the Bank of England raised its policy rate in August 2018 by 25 basis points for the second time since November 2017. Meanwhile, the European Central Bank kept its policy stance unchanged. The three central banks made no changes to their asset purchase programs since the previous CBE monetary policy report. The Federal Reserve maintained its balance sheet unwinding plan which started in October 2017, slowing down the amount of government debt it reinvests, and the European Central Bank's plan for phasing out its asset purchase program continued as it halved the monthly purchases since January 2018 until the end of December 2018.

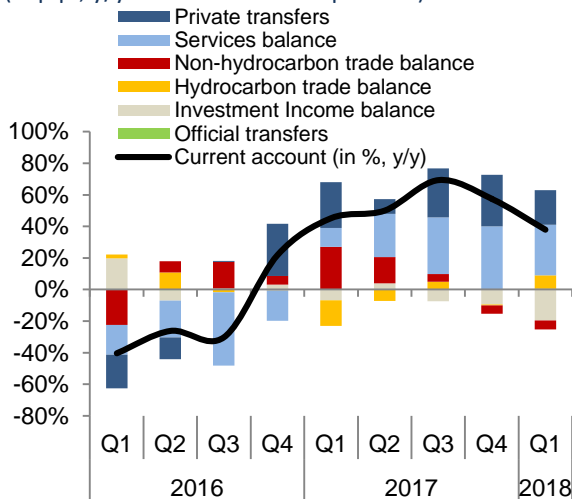
Capital flight from emerging markets, which started in February 2018, continued for the fifth consecutive month, supported by the prospects of further escalation in trade tensions, and tighter global financial conditions as well as weaker fundamentals in some emerging econ-

Figure 7
Emerging Markets Capital Flows Proxy
(index)



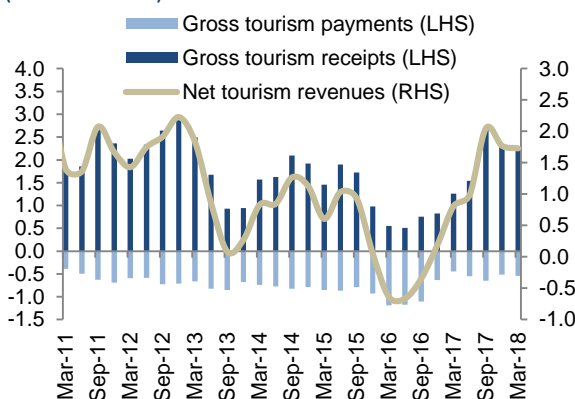
Source: Bloomberg.

Figure 8
Contribution to the Current Account
(in p.p., y/y unless otherwise specified)



Source: Central Bank of Egypt.

Figure 9
Tourism Receipts and Payments
(in USD billion)



Source: Central Bank of Egypt.

omies.

b) The external balance continued to benefit from increased competitiveness and the liberalized exchange rate system.

The current account deficit continued to narrow in 2018 Q1 on annual terms for the sixth consecutive quarter, however, the pace of improvement lost momentum for the second consecutive quarter. While the contribution of the non-hydrocarbon trade deficit roughly stabilized, a less favorable contribution from net services receipts, remittances, and net income payments have more than offset the more favorable contribution from the hydrocarbon trade deficit.

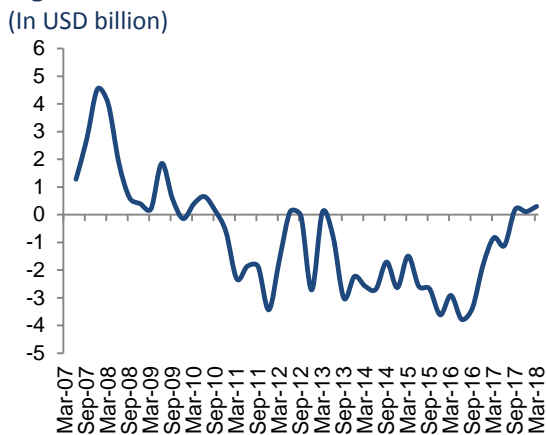
Overall, net imports of goods and services deficit continued to narrow in 2018 Q1 for the fifth consecutive quarter, as higher exports of goods and services continued to more than offset higher imports.

Despite higher oil prices, which increase the value of hydrocarbon exports and imports, the hydrocarbon trade deficit resumed its improvement in 2018 Q1 following its relative stability in the previous quarter, supported mainly by lower import volumes and increased domestic production.

After witnessing a gradual slowdown in its annual improvement since 2017 Q1, the non-hydrocarbon trade deficit continued to increase slightly in 2018 Q1 for the second consecutive quarter. Non-hydrocarbon exports contribution continued to increase for the third consecutive quarter, however, by a lesser extent compared to the annual increase in the contribution of non-hydrocarbon imports.

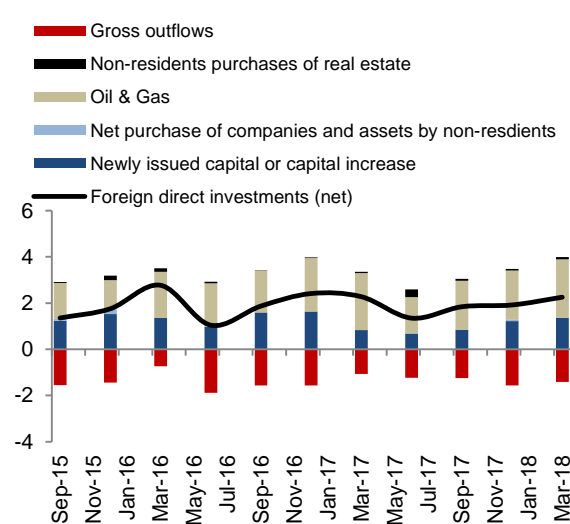
Meanwhile, the annual pace of improvement of the services surplus continued for the sixth consecutive quarter in 2018 Q1, albeit by a weaker momentum. This was mainly due to less favorable contribution from net receipts from tourism and transportation excluding Suez Canal tolls, which have more than offset the more favor-

Figure 10
Difference between Foreign Direct Investments (net) and the Current Account Excluding Official Transfers



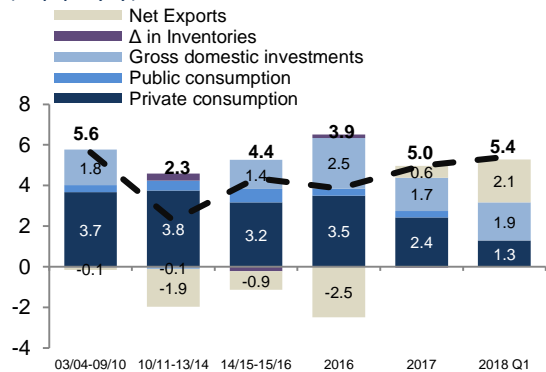
Source: Central Bank of Egypt.

Figure 11
Foreign Direct Investments by Sector



Source: Central Bank of Egypt.

Figure 12
Real GDP Growth at Market Prices



Source: Ministry of Planning, Follow-up and Administrative Reform.

able contribution from Suez Canal tolls, net other services and net government services.

On the other hand, the annual drop in net FDI inflows narrowed significantly in 2018 Q1, compared to the previous quarter. Meanwhile, net portfolio inflows, which weakened in 2017 Q4, regained momentum in 2018 Q1. This was supported by net portfolio inflows excluding bonds as well as by the issuance of USD 4.0 billion Euro-bonds in February 2018.

Gross international reserves recorded USD44.3 billion in June 2018, the highest on record. Accordingly, the ratio of gross international reserves to total external debt in 2018 Q2 remained among the highest levels in the last six years.

c) The pace of economic activity continued to strengthen in 2018 Q1; and preliminary estimates show that it stabilized at 5.4 % in 2018 Q2.

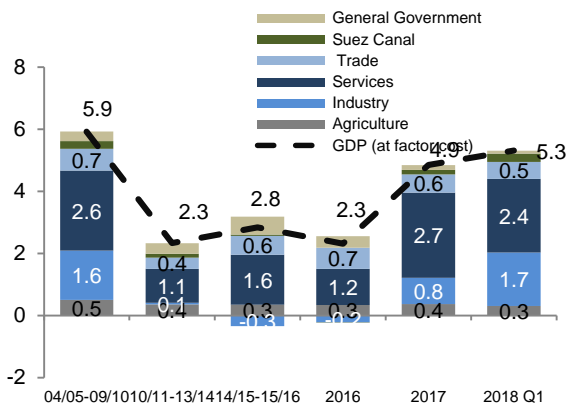
Real GDP growth continued to increase for the sixth consecutive quarter during 2018 Q1 to record 5.4%, after recording an average of 5.0% during 2017. Preliminary estimates show that GDP growth stabilized at 5.4% in 2018 Q2. Strengthening economic activity coincided with the continued drop in the unemployment rate to 9.9% in 2018 Q2, the lowest rate since 2010 Q4.

The pick-up of net external demand due to more competitive exchange rates followed by higher domestic investments, primarily arising from investments in natural gas extractions, were the main drivers of the strengthening economic activity in 2018 Q1 compared to 2017.

Key sectors that contributed to the strengthening of economic activity were natural gas extractions, and to a lesser extent non-petroleum manufacturing and Suez Canal. Meanwhile, the contribution to GDP growth from tourism, communication and general government weakened in 2018 Q1 compared to 2017.

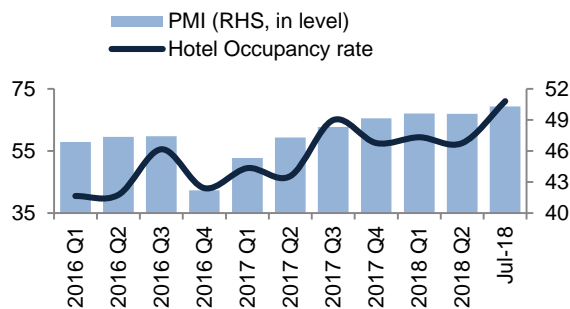
In 2018 Q3, the Purchasing Manager's Index crossed the 50 mark in July for the first time since November 2017,

Figure 13
Contribution to Real GDP Growth by Sector
 (in p.p., y/y)



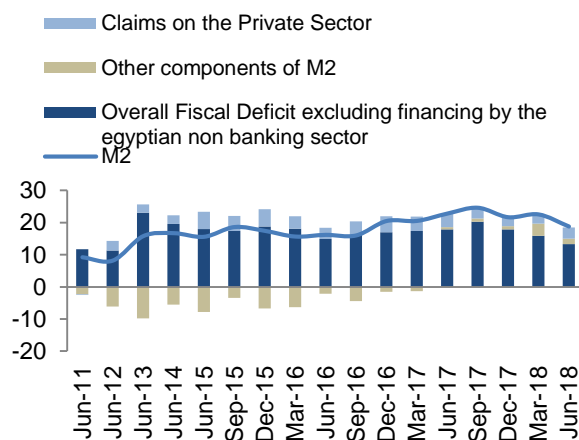
Source: Ministry of Planning, Follow-up and Administrative Reform.

Figure 14
Leading Indicators
 (in %, y/y, unless otherwise specified)



Source: Bloomberg, and NDB.

Figure 15
Contribution to M2 Growth¹
 (in p.p., y/y)



Source: Central Bank of Egypt.

indicating an expansion in the non-oil manufacturing sector. Hotel occupancy rates increased in July to the highest level since November 2010, after standing broadly at lower levels between 2017 Q4 and 2018 Q2 compared to 2017 Q3. Suez Canal net tonnage increased on annual terms, with July levels surpassing that of 2018 Q2. On the other hand, car sales grew on annual terms at a slower pace in July compared the average pace registered in 2018 Q2.

d) Broad money growth continued to decline supported by fiscal consolidation.¹

Annual M2 growth continued to decline in 2018 Q2 for the second consecutive quarter to average 19.7%, supported by fiscal consolidation. The contribution of foreign non-bank and external financing decreased in 2018 Q2, in line with lower net portfolio inflows and Eurobond issuance compared to the previous quarter, more than offsetting the increase in the contribution of bank financing. Declining M2 growth also favorably coincided with annual changes of broad money velocity, which had turned positive since 2017 Q3 after contracting between 2013 Q2 and 2017 Q2, suggesting lower room for noninflationary money growth.

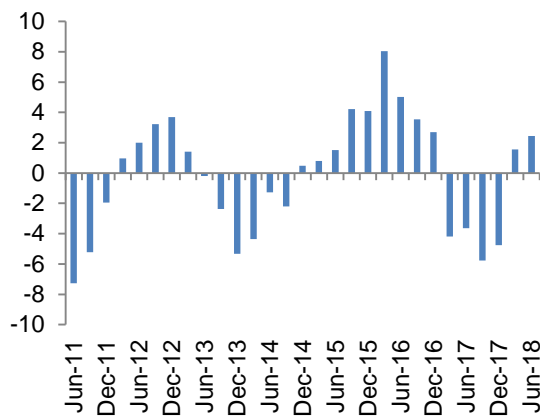
Meanwhile, following its decline between 2017 Q2 and 2018 Q1, the contribution of claims on the private sector to M2 growth increased moderately in 2018 Q2. This is in line with inflation adjusted L/C claims on the private sector, which began to witness annual increases since 2018 Q1, after recording annual contractions in 2017. The recovery was especially evident for claims on the private business sector, while claims on the household sector recovered by a relatively weaker magnitude. Moreover, the contribution from net claims on public economic authorities continued to increase since 2017 Q3, while the contribution from claims on public sector companies stabilized in 2018 Q2 following its decline since 2017 Q2.

Within the components of M2, CIC is expected to have risen slightly to 9.7% of GDP in 2018 Q2 after declining

¹ All F/C components were recalculated excluding foreign exchange rate revaluation.

Figure 16
Inflation Adjusted L/C Claims on the Private Sector

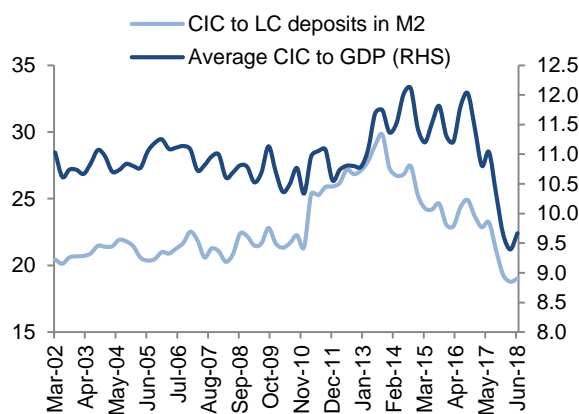
(in %, y/y, average of period)



Source: Central Bank of Egypt.

Figure 17
CIC Outside the Banking System^{1/}

(in %)

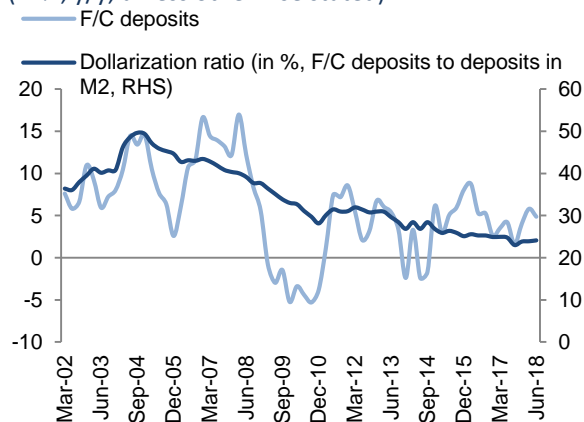


Source: Central Bank of Egypt.

1/ Average CIC to four quarters rolling sum of GDP.

Figure 18
Developments of F/C Deposits

(in %, y/y, unless otherwise stated)



Source: Central Bank of Egypt.

since the liberalization of the foreign exchange market to record a historic low in 2018 Q1 at 9.4%. Nonetheless, the ratio remained well below its long term historical average. Similarly, CIC as a share of L/C deposits rose in 2018 Q2 to 19.0%, after recording a historic low of 18.8% in 2018 Q1, yet remained well below its long term average as well. This suggests continued normalization of currency holding behavior.

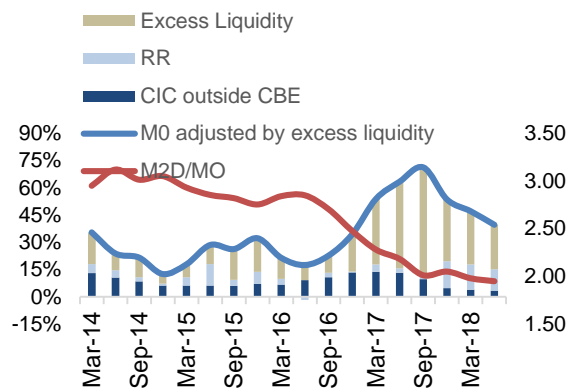
While the annual growth of F/C deposits in USD has been relatively stable, the composition of private sector deposits continued to be increasingly leaning towards L/C. Moreover, the structure of household deposits in L/C became dominated by deposits more than three years since May 2018, following 1.5 years of dominance by deposits less than 3 years amid the introduction of 1.5 year saving certificates at a higher rate compared to longer term certificates. This reversal is consistent with monthly growth of deposits in longer term certificates which began to outpace growth of deposits in certificates less than three years since March 2018, given the relatively higher drop in the rates of short term certificates compared to the rates of longer term certificates following the CBE policy rate cuts in 2018 Q1.

Annual growth of M0, adjusted by total excess liquidity, has been declining since 2017 Q4. This was supported by lower excess liquidity growth, driven by a drop in L/C government securities at the CBE along with other CBE balance sheet items. Higher reserve requirements effective October 10th, 2017 due to the 400 bps increase of the required reserve ratio had a neutral effect on M0 as defined above.

The money multiplier, measured as the ratio between local currency component of broad money and M0 as defined above, remained broadly stable for the third consecutive quarter in 2018 Q2, following its decline between 2016 Q3 and 2017 Q3, as the narrowing of CIC as well as excess liquidity as a share of L/C deposits, compared to their levels in 2017 Q3, offset the effect of the higher required reserve ratio.

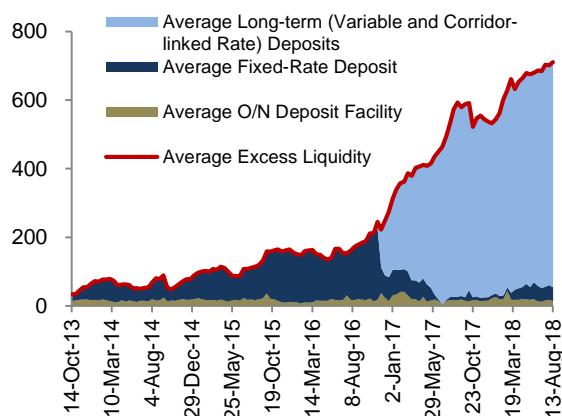
Figure 19
Contribution to Adjusted M0 and the Money Multiplier^{1/}

(in p.p., y/y unless otherwise stated)



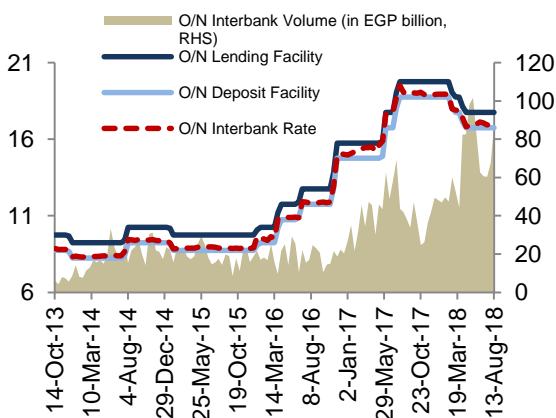
Source: Central Bank of Egypt.
 1/ M0 adjusted by total excess liquidity.

Figure 20
Excess Liquidity^{1/}
 (in EGP billion)



Source: Central Bank of Egypt.
 1/ Excess liquidity is adjusted by O/N lending facility.

Figure 21
O/N Interbank and CBE Policy Rates
 (in %, unless otherwise stated)



Source: Central Bank of Egypt.

e) Real monetary conditions remained tight.

Real monetary conditions remained tight despite being impacted by potential future inflationary pressures from fiscal consolidation measures. This was backed by the previous policy rate increases, notwithstanding the cumulative 200 bps policy rate cuts since the beginning of 2018. Meanwhile, the transmission of the nominal policy rate cuts continued to be strong to nominal interest rates in the economy, except for rates of L/C government securities.

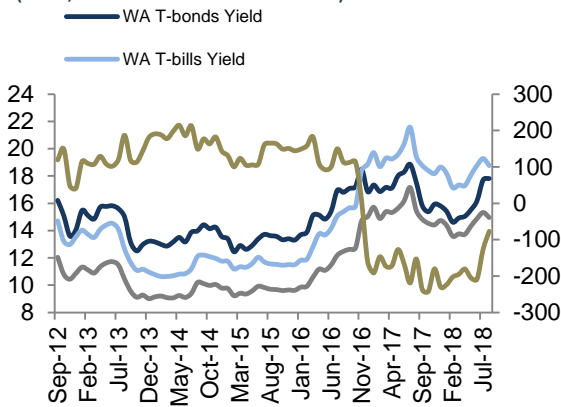
After declining in December 2017, excess liquidity continued to increase since January 2018 to record on average EGP 710.9 billion (13.2% of GDP) during the maintenance period ending on August 13, 2018. The absorption of excess liquidity over the short term rose mainly due to higher volumes in seven-day deposit auctions, which recorded on average EGP 36.1 billion (0.8% of GDP and 5.3% of excess liquidity) since mid-February 2018, while the overnight absorption of excess liquidity continued to average EGP 19.2 billion (0.4% of GDP and 2.5% of excess liquidity). Meanwhile, the effective maturity of liquidity-withdrawing operations greater than seven days increased since March to average 69 days during the maintenance period ending August 13, 2018, compared to 18 days recorded between October 2017 and February 2018.

Meanwhile, interbank activity strengthened since April 2018 and the interbank yield curve remained relatively stable post the 100% transmission of the cumulative 200 bps policy rate cuts on February 15, 2018 and March 29, 2018. Consequently, the interbank rate spreads against the policy rate continued to record around 30 bps since mid-August 2017.

Yields for L/C government securities continued to rise since May 2018 to record 15.0%, net of tax during the first two issuances in August 2018, compared to 13.7% in April 2018 and 14.6% on average in 2017 Q4, before the policy rate cuts. The global events' effect on L/C government securities has more than offset the impact of the

Figure 22
Rates of the Treasury's L/C Marketable Securities^{1/}

(in %, unless otherwise stated)

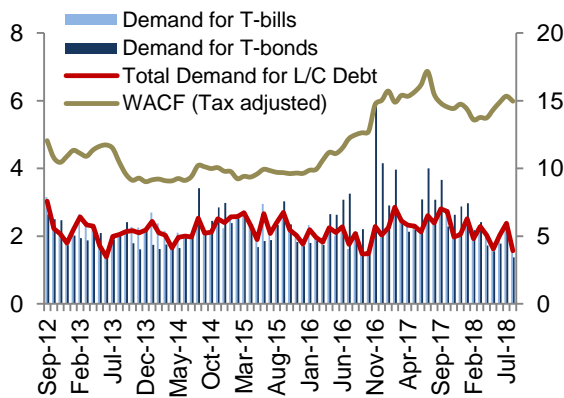


Source: Central Bank of Egypt calculations.

1/ Up to August 14, 2018.

Figure 23
Local Debt Coverage Ratios^{1/}

(in (x), unless otherwise stated)

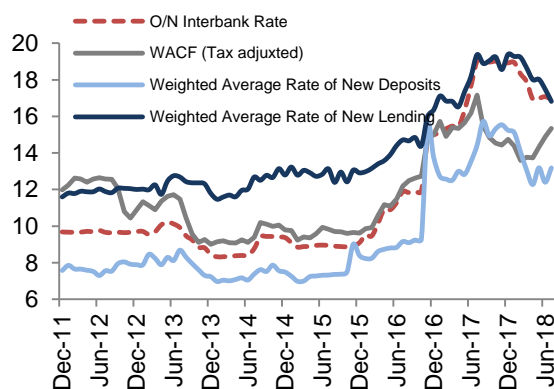


Source: Central Bank of Egypt calculations.

1/ Up to August 14, 2018.

Figure 24
Select Market Interest Rates^{1/}

(in %)



Source: Central Bank of Egypt.

1/ Up to July 2018.

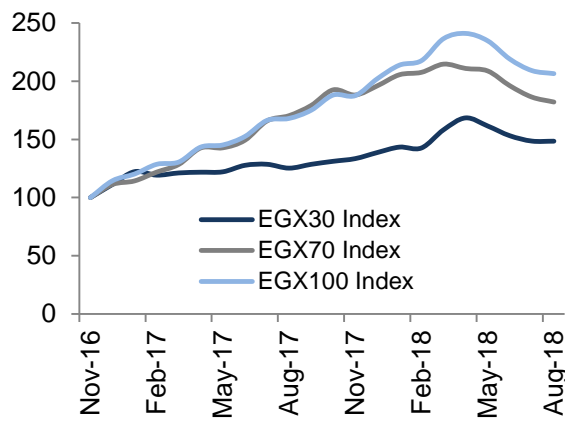
cumulative 200 bps policy rate cuts in February and March 2018. The coverage ratio declined to 1.9x on average between May 2018 and mid-August 2018, compared to 2.1x between February and April 2018 during the period of policy rate cuts and 2.4x in 2017. Moreover, the yield curve remained inverted, yet has been gradually flattening since the beginning of 2018. This was driven by the relatively stronger increase in the yields of T-Bonds due to the weaker relative demand, which has more than offset the effect of lower relative issuance.

Meanwhile, despite continued tightening global financial conditions and higher risk premium of emerging markets since the beginning of 2018, Egyptian Eurobond yields stabilized during July and August 2018 after rising between February and June 2018. Moreover, Egypt's CDS spreads remained relatively low compared to the majority of peers with similar sovereign credit rating and the credit rating was upgraded by S&P in May 2018.

In the banking sector, both the rates for new deposits and new loans remained relatively stable to record 13.0% and 17.5% on average between June and July 2018 after declining in response to the cumulative 200 bps cut in February and March 2018. The pricing of new deposits declined by 1.2x compared to the cumulative 200 bps policy rate cut, mainly driven by strong declines of deposit rates in public sector banks, while the pricing of new loans declined by 0.8x. This has led to the recovery of net interest margins.

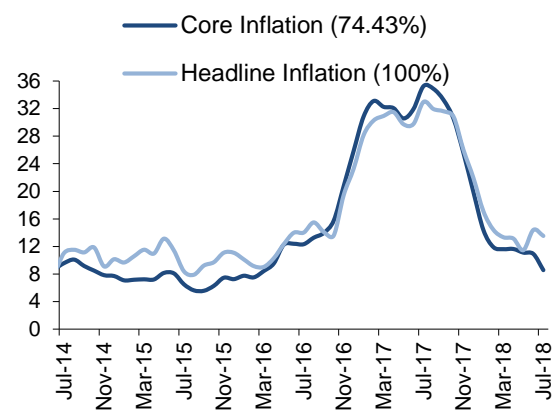
In equity markets, real prices continued to be affected by the negative sentiment on emerging markets. Nevertheless, the EGX 30 USD index continued to outperform the MSCI emerging market index since March 2018, despite its recent cumulative 14% drop since May 2018. Meanwhile, real unit prices in the real estate sector increased during 2018 Q2, albeit at a slower pace due to the increase in competition. The demand in the secondary market shifted towards the primary market, given flexible payment plans offered by numerous developers.

Figure 25
Stock Market Indices^{1,2/}
 (Index, November 1, 2016 = 100)



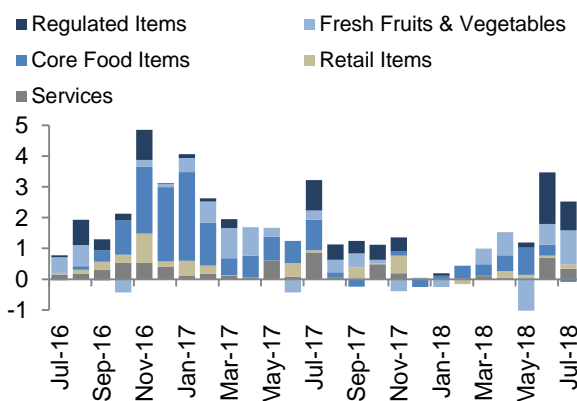
Source: Egyptian Stock Exchange and Central Bank of Egypt calculations.
 1/ Equity performance calculated on EGP basis.
 2/ Up to August 16, 2018.

Figure 26
Headline and Core Inflation^{1/}
 (in %, y/y, weights in parenthesis)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.
 1/Core inflation is headline inflation excluding regulated and volatile food items.

Figure 27
Contribution to Headline Inflation
 (in p.p., m/m)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

f) Annual headline inflation affected by recent fiscal consolidation measures, while annual core inflation continued to decline to reach single digits.

Annual headline inflation rose to 13.5% in July 2018, after declining for ten consecutive months to record 11.4% in May 2018, the lowest rate in more than two years. Meanwhile, annual core inflation continued to decline for the twelfth consecutive months to record 8.5% in July 2018, the lowest rate in more than two years. The spread between annual headline and core inflation widened in June and July 2018 as regulated and volatile food items accounted on average for 75.7% of monthly headline inflation.

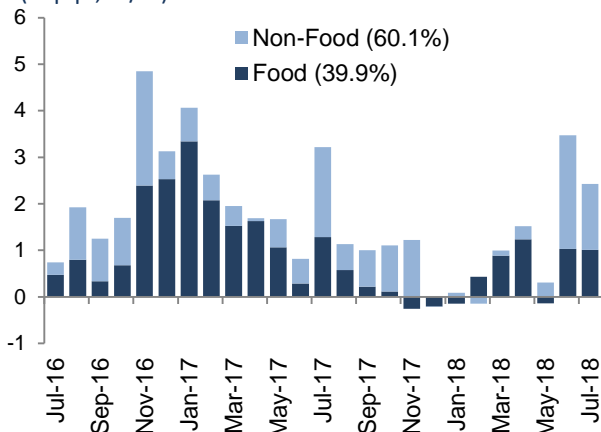
Since May 2018, monthly headline inflation was mainly driven by non-food inflation after being largely tame since December 2017, with exceptions due to direct and indirect effects of upward adjustments of administered prices as well as seasonality. The indirect effects of administered price adjustments were mainly reflected on private inland transportation and restaurant services prices. Meanwhile, inflation of other services and retail items remained broadly contained, except for seasonal effects reflected mainly on pilgrimage and clothing prices, the latter related to Eid El Fitr.

Meanwhile, food inflation also reflected indirect effects of fiscal consolidation measures as well as seasonality patterns in June and July 2018 after registering price declines in May 2018. Food inflation was mainly driven by fresh vegetables between March and July 2018, except in May where their prices declined. On the other hand, core food inflation has been on a downward trend since May 2018, to register a slight price decline in July 2018 for the first time since December 2017. This downward trend was mainly driven by the decline in the prices of poultry and eggs, which was partly offset by the increase in the prices of rice, red meat as well as dairy products, bread, fish and seafood by a lesser extent. Prices of other core food items were largely stable.

In July 2018, domestic and international core food infla-

Figure 28
Contribution to Headline Inflation

(in p.p., m/m)

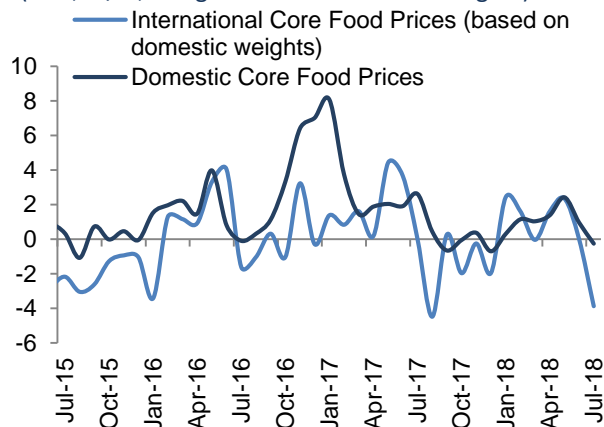


Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

tion resumed to move largely in tandem with a stronger magnitude internationally. This comes after domestic fiscal consolidation measures in June 2018 affected domestic core food prices and led to divergence of domestic and international core food price developments, which have been consistent since the beginning of the year.

Figure 29
International vs. Domestic Core Food Prices

(in %, m/m, using domestic CPI basket weights)

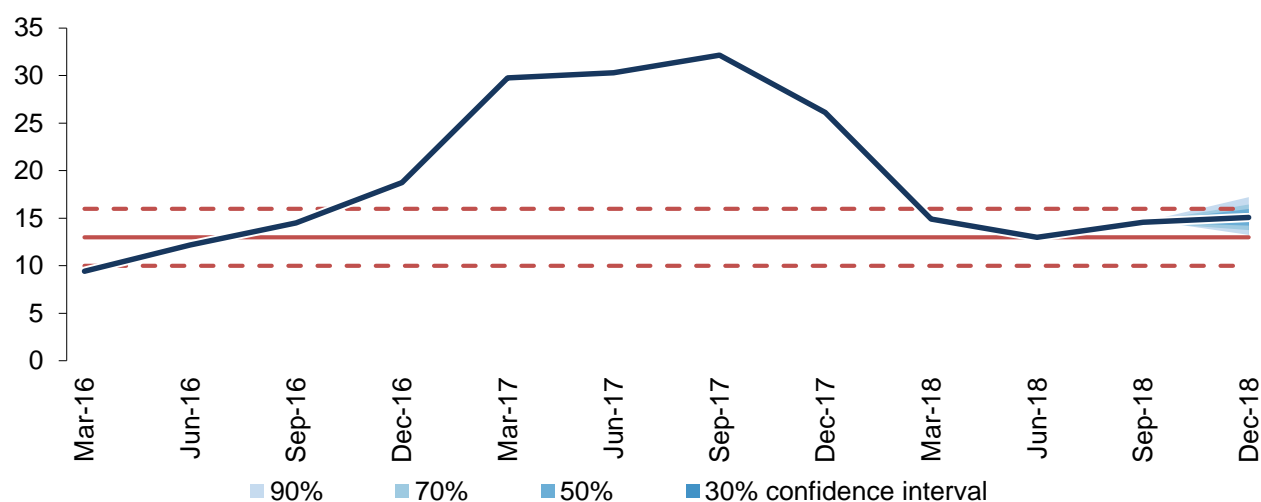


Source: Central Agency for Public Mobilization and Statistics, Central Bank of Egypt, World Bank and Food and Agriculture Organization.

The Outlook²

As the recently implemented fiscal consolidation measures were anticipated, the MPC decided in its recent meetings that existing policy rates remain appropriate to align the inflation outlook with the targeted disinflation path announced in May 2017. The outlook for annual headline inflation continues to record 13% ($\pm 3\%$) on average in 2018 Q4 and single digits after the temporary effect of fiscal supply shocks dissipates.

Figure 30
Inflation Forecast^{1/}
(in %, y/y)



Source: Central Bank of Egypt.

1/ The chart captures uncertainty regarding the inflation forecast with its most likely evolution, given the risks. The band around the center of the forecast shows the range of inflation outcomes that can occur with 30% probability, while the widening bands represent a gradually increasing probability of 50%, 70% and 90%.

Real GDP growth is expected to continue benefiting from structural reform measures, while potential fiscal consolidation measures may temporarily slowdown the recovery of private consumption. Net exports and investments are expected to continue complementing consumption as growth engines.

The overall fiscal deficit is budgeted to decline to 8.4% of GDP in 2018/19, compared to an expected 9.8% in 2017/18 and 10.9% in 2016/17, and is targeted to continue declining thereafter. Meanwhile, the primary fiscal balance is budgeted to record a surplus of 2.0% of GDP in 2018/19, compared to an estimated surplus of 0.2% of GDP in 2017/18 and a deficit of 1.8% of GDP in 2016/17, with the aim of maintaining this surplus thereafter.

The inflation outlook continues to assume the upwardly revised Brent crude oil prices at USD 76.7 per barrel during fiscal year 2018/19, which had reflected the materialization of an upside risk to the inflation outlook. International food price forecasts, relevant to Egypt's consumption basket, were upwardly revised mainly because of higher prices of wheat and sugar as a result of bad weather conditions affecting production prospects for both crops.

² As of the cut-off date of August 16, 2018.

In addition to international commodity price developments, risks from the external economy continue to include the pace of tightening financial conditions as well as trade tensions. Meanwhile, domestic risks surrounding the inflation outlook continue to include the timing and magnitude of potential fiscal consolidation measures and supply shocks, the evolution of inflation expectations, as well as demand-side pressures.

Appendix: Tables and Abbreviations

Table A1: CPI Contribution

	Weights	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Monthly Contributions to Headline CPI Inflation (<i>in p.p.</i>)														
Headline	100.0	3.2	1.1	1.0	1.1	1.0	-0.2	-0.1	0.3	1.0	1.5	0.2	3.5	2.4
Regulated Items	18.7	1.0	0.5	0.4	0.5	0.5	0.0	0.1	0.0	0.0	0.0	0.2	1.7	0.9
Fresh Fruits & Vegetables	6.9	0.3	0.4	0.5	0.1	-0.4	0.0	-0.3	0.0	0.5	0.7	-1.0	0.7	1.1
Core CPI	74.4	1.9	0.2	0.1	0.5	0.9	-0.3	0.1	0.3	0.5	0.8	1.0	1.1	0.4
Food Prices	31.1	1.0	0.2	-0.2	0.0	0.1	-0.3	0.1	0.4	0.4	0.5	0.9	0.4	-0.1
of which												0.0	0.0	0.0
<i>Poultry & Red Meat</i>	10.0	0.3	0.1	-0.1	-0.2	-0.1	-0.2	0.0	0.2	0.2	0.4	0.3	0.0	-0.2
<i>Food excl. Poultry & Red Meat</i>	21.1	0.7	0.1	-0.1	0.2	0.3	0.0	0.1	0.3	0.2	0.1	0.6	0.3	0.2
Retail Prices	14.5	0.1	0.0	0.4	0.0	0.6	0.0	0.0	-0.2	0.0	0.2	0.1	0.1	0.1
Services	28.9	0.9	0.0	0.0	0.5	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.7	0.3
Annual Contributions to Headline CPI Inflation (<i>in p.p.</i>)														
Headline	100	33.0	31.9	31.6	30.8	26.0	21.9	17.1	14.4	13.3	13.1	11.4	14.4	13.5
Regulated Items	18.7	4.4	4.1	4.3	4.6	4.0	3.9	3.7	3.5	3.2	3.1	3.3	5.1	5.0
Fresh Fruits & Vegetables	6.9	4.4	4.2	4.8	5.3	4.4	4.2	3.3	2.5	2.1	2.0	0.5	1.7	2.5
Core CPI	74.4	24.2	23.6	22.5	20.9	17.6	13.8	10.1	8.3	8.1	8.0	7.7	7.6	6.0
Food Prices	31.1	16.2	16.0	15.1	13.7	11.2	8.2	5.2	4.2	4.0	3.8	4.0	3.7	2.5
of which												0.0	0.0	0.0
<i>Poultry & Red Meat</i>	10.0	5.6	5.6	5.2	4.6	3.7	2.7	1.8	1.2	1.1	1.1	1.0	0.8	0.3
<i>Food excl. Poultry & Red Meat</i>	21.1	10.6	10.4	10.0	9.1	7.5	5.5	3.5	3.0	3.0	2.7	3.0	2.8	2.2
Retail Prices	14.5	3.4	3.2	3.4	3.1	2.8	2.5	2.0	1.5	1.5	1.7	1.8	1.4	1.4
Services	28.9	4.6	4.4	4.0	4.1	3.6	3.1	2.9	2.6	2.6	2.5	1.9	2.6	2.1

Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt calculations.

Table A2: Egypt's Balance of Payments (USD billion)

Date	2015/2016*(1)				2016/2017*				2017/18*						
	2013/14	2014/15	2015/16*(1)	2016/17*(1)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Trade Balance	-34.2	-39.1	-38.7	-35.4	-10.0	-9.9	-10.0	-8.8	-9.4	-9.6	-9.3	-8.9	-8.9	-9.8	-9.3
Export proceeds **	38.4	31.1	24.4	28.2	4.7	4.4	4.3	5.3	5.3	5.2	5.5	5.7	5.8	6.2	6.8
<i>Petroleum exports</i>	26.0	22.2	18.7	21.7	1.7	1.5	1.1	1.5	1.5	1.4	1.7	1.9	1.8	2.0	2.2
<i>Other exports</i>	12.4	8.9	5.7	6.5	3.1	2.9	3.2	3.8	3.7	3.8	3.8	3.8	4.1	4.2	4.6
Import payments**	-60.2	-61.3	-57.4	-57.1	-14.7	-14.3	-14.2	-14.1	-14.7	-14.8	-14.9	-14.1	14.7	16.1	16.0
<i>Petroleum imports</i>	-13.2	-12.4	-9.3	-11.2	-2.8	-2.6	-1.6	-2.2	-2.7	-2.6	-3.2	-3.0	2.8	3.2	3.4
<i>Other imports</i>	-46.9	-48.9	-48.1	-45.9	-11.9	-11.6	-12.6	-11.9	-11.9	-12.2	-11.7	-11.1	12.0	12.8	12.6
Services Balance	8.3	10.7	6.5	6.8	2.8	1.8	0.9	1.0	1.0	0.8	1.5	2.3	1.3	0.9	0.9
Receipts	17.4	21.8	16.1	16.6	5.0	4.0	3.4	3.6	3.3	3.3	3.7	5.1	5.9	5.3	5.3
Transportation	9.5	9.9	9.5	9.1	2.6	2.4	2.2	2.3	1.9	1.8	1.8	2.4	2.3	2.1	2.0
<i>Of which: Suez Canal dues</i>	5.4	5.4	5.1	4.9	1.4	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.4	1.4	1.4
Travel (tourism reve- nues)	5.1	7.4	3.8	4.4	1.7	1.0	0.6	0.5	0.8	0.8	1.3	1.5	2.7	2.3	2.3
Payments	9.2	11.1	9.5	9.8	2.2	2.2	2.6	2.6	2.4	2.5	2.2	2.8	4.6	4.3	4.4
Travel	3.0	3.3	4.1	2.7	0.8	0.9	1.2	1.2	1.1	0.6	0.4	0.6	0.6	0.5	0.5
Investment Income Balance	-7.3	-5.7	-4.5	-4.4	-1.1	-1.3	-0.7	-1.4	-1.1	-1.1	-1.1	-1.2	-1.5	-1.5	-1.7
Receipts	0.2	0.2	0.4	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Payments	7.5	5.9	4.9	4.9	1.2	1.4	0.8	1.5	1.2	1.2	1.2	1.4	1.7	1.7	1.9
<i>Of which: Interest paid</i>	0.7	0.6	0.8	1.1	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Current Transfers	30.4	21.9	16.8	17.5	4.3	4.0	4.1	4.4	4.4	5.8	5.8	4.9	6.0	7.1	6.5
Private (net),	18.4	19.2	16.7	17.3	4.3	3.9	4.1	4.3	4.3	5.7	5.8	4.8	5.9	7.1	6.4
Official (net)	11.9	2.7	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Balance of Current Account	-2.8	-12.1	-19.8	-15.6	-4.0	-5.4	-5.7	-4.8	-5.2	-4.2	-3.1	-2.4	-1.6	-1.8	-1.9
Capital & Financial Account	5.2	17.9	21.2	29.0	1.6	4.5	8.4	6.6	8.0	10.7	8.4	4.4	6.2	4.2	8.6
Capital Account	0.2	-0.1	-0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Financial Account	5.0	18.1	21.3	29.1	1.7	4.6	8.4	6.6	8.0	10.7	8.4	4.4	6.3	4.2	8.7
Direct investment abroad	-0.3	-0.2	-0.2	-0.2	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1
Direct investment in Egypt (net)	4.2	6.4	6.9	7.9	1.4	1.8	2.8	1.0	1.9	2.4	2.3	1.4	1.8	1.9	2.3
Portfolio investment abroad	0.1	0.0	0.2	0.2	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Portfolio investment in Egypt (Net)*	1.2	-0.6	-1.3	16.0	-1.4	-0.2	0.1	0.2	-0.8	1.1	7.6	8.2	7.5	0.5	6.9
<i>Of which: Bonds</i>	0.9	-1.1	-1.4	5.5	-1.4	0.0	0.0	0.0	-0.8	0.0	4.0	2.3	0.0	-0.1	3.3
Other Investments (Net)	-0.2	12.5	15.6	5.2	1.7	3.0	5.6	5.4	7.0	7.2	-1.5	-5.1	-3.0	1.8	-0.4
Net Borrowing	0.2	5.0	7.1	7.7	0.8	3.0	1.5	1.8	2.2	4.8	2.6	0.5	0.7	3.9	2.4
Medium- and Long-Term Loans (net)	-1.0	-0.5	-0.2	4.1	-0.6	0.2	0.2	0.0	1.0	2.9	1.3	0.0	1.0	2.1	1.2
Medium- and Long-Term Suppliers' Credit	-0.1	0.3	1.5	1.5	0.1	0.1	0.5	0.8	0.7	0.5	1.0	0.6	0.2	0.2	0.1
Short term Suppliers' Credit (net)	1.2	5.3	5.8	2.1	1.4	2.6	0.8	1.0	0.6	1.5	0.3	0.0	-0.6	1.6	1.0
Other Assets	-2.3	-1.2	-3.5	-12.1	0.2	-3.2	-1.3	0.8	-0.2	-2.1	-3.3	-6.5	-3.6	0.3	-1.9
Other Liabilities	1.9	8.7	12.0	9.6	0.7	3.2	5.4	2.8	5.0	4.5	-0.8	0.8	0.0	-2.4	-0.9
Net Errors & Omissions	-0.9	-2.1	-4.2	0.3	-1.3	1.1	-3.0	-1.0	-0.9	-1.4	-1.3	0.7	0.4	-1.9	-1.3
Overall Balance	1.5	3.7	-2.8	13.7	-3.7	0.3	-0.2	0.8	1.9	5.1	4.0	2.7	5.1	0.5	5.4
Change in CBE Reserve Assets (Increase -)	-1.5	-3.7	2.8	-13.7	3.7	-0.3	0.2	-0.8	-1.9	-5.1	-4.0	-2.7	-5.1	-0.5	-5.4

* Provisional.

** Including exports and imports of free zones.

Including net transactions on Egyptian TBs, as well as Egyptian government bonds issued for the Saudi Fund for Development in the amount of US\$ 500 million in FY 2011/2012, Q4. It also includes foreigners' net transactions on medium-term dollar bonds issued by the Egyptian government in the amount of US\$ 2.5 billion in the fourth quarter of 2012/2013, and of US\$ 1.0 billion in the first quarter of 2013/2014, in addition to dollar bonds issued in the amount of US\$ 1350.0 million in the fourth quarter of 2014/2015.

(1) The data were adjusted according to the latest update.

Table A3: GDP contribution									
	2013/14	2014/15	2015/16	2016/17	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
GDP (at Market Prices)	2.9	4.4	4.3	4.2	4.4	5.0	5.2	5.3	5.4
GDP (at Factor cost)	2.9	3.4	2.3	3.5	4.3	4.8	5.2	5.2	5.3
Public GDP (at Factor Cost)	0.5	0.6	0.4	0.4	0.9	0.4	1.2	1.6	1.7
PrivateGDP (at Factor Cost)	2.4	2.8	1.9	3.1	3.4	4.4	3.9	3.6	3.6
Agriculture, forestry, fishing and hunting	0.3	0.3	0.3	0.4	0.3	0.4	0.4	0.3	0.3
Industry	0.2	-0.1	-0.6	0.1	0.7	-0.5	1.5	1.6	1.7
Extractions	-0.6	-0.6	-0.7	-0.2	0.2	-0.5	0.6	0.7	1.1
Oil	0.1	0.1	-0.1	-0.4	-0.5	-0.3	-0.1	0.0	-0.1
Natural gas	-0.7	-0.7	-0.7	0.1	0.6	-0.3	0.6	0.7	1.1
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Manufacturing	0.8	0.5	0.1	0.3	0.5	0.0	1.0	0.9	0.7
Petroleum	0.1	-0.1	0.1	-0.1	0.1	0.0	0.0	0.3	0.1
Non-Petroleum	0.7	0.6	0.0	0.4	0.4	0.0	0.9	0.6	0.5
Services	1.2	1.9	1.4	2.1	2.7	3.5	2.4	2.4	2.4
Construction	0.3	0.4	0.5	0.5	0.4	0.7	0.4	0.6	0.5
Real Estate Rental and Services	0.6	0.3	0.4	0.5	0.3	0.8	0.4	0.3	0.4
Transportation and Warehousing	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.2
Finance	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.1
Insurance 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Communication	0.2	0.2	0.3	0.3	0.5	0.5	0.2	0.2	0.2
Tourism	-0.7	0.4	-0.7	0.1	0.9	0.6	0.8	0.8	0.6
Educational, Health Care, and Other Services	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Utilities 2/	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.1
Information	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade	0.7	0.5	0.7	0.7	0.5	0.9	0.5	0.5	0.5
Suez Canal	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.3	0.3
General Government	0.5	0.7	0.5	0.3	0.1	0.3	0.2	0.0	0.1

Source: Ministry of Planning.

1/ Includes Social Insurance.

2/ Includes Electricity, Water, and Sewage.

Table A4: Monetary Survey and Central Bank Balance sheet (end of period, in EGP billion)

	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Sep-18	Dec-18	Mar-18	Jun-18
Monetary Survey										
Net Foreign Assets	157.6	123.2	119.2	51.5	-87.4	61.1	188.6	214.1	327.9	309.5
Central Bank	76.1	38.2	37.4	25.3	-44.9	3.7	102.3	157.4	255.1	301.5
Commercial Banks	81.6	85	81.8	26.2	-42.5	57.4	86.3	56.8	72.8	8.0
Net Domestic Assets	936.8	1172.9	1397.4	1714	2181.9	2857.1	2861.8	2988.5	3015.6	3147.5
Net Claims on Government	568.2	790.6	1038.9	1333	1602.7	1808.9	1815.7	1917.9	1866.8	1972.6
Net Claims on Public Economic Authorities	10.5	11.9	6.3	-41.5	52.2	170.7	185.3	208.3	217.6	245.0
Claims on Public Sector Companies	40.6	42.9	45.4	63.2	93.1	148.7	149.8	155.2	162.4	160.2
Claims on Private Sector	453.3	497.7	534.5	623.6	712.1	982.9	977	998	1030.3	1082.6
Net Other Items	-135.8	-170.3	-227.7	-264.2	-278.2	-254.1	-266.1	-290.8	-261.4	-312.8
Broad Money (M2)	1094.4	1296.1	1516.6	1765.5	2094.5	2918.2	3050.4	3202.7	3343.5	3457.0
Local Currency Component (M2D)	908.4	1071.9	1280.5	1502.5	1770.7	2223.9	2385.1	2523.6	2649.8	2740.1
Currency Outside Banks	194	241	270.9	292.7	346.9	419.1	416.1	407.8	416.5	441.6
Local Currency Deposits	714.3	830.9	1009.7	1209.8	1423.8	1804.8	1969	2115.8	2233.3	2298.5
Foreign Currency Deposits	186	224.2	236.1	263	323.8	694.3	665.2	679	693.7	717.0
Central Bank Balance sheet										
Net foreign assets	76.1	38.2	37.4	25.3	-44.9	3.7	102.3	157.4	255.1	301.5
Foreign assets	92.2	101.7	115.8	148.1	149.9	551.5	630.5	643	732.5	776.0
Foreign liabilities	-16.1	-63.4	-78.4	-122.8	-194.8	-547.8	-528.2	-485.6	-477.4	-474.5
Net domestic assets	187.6	279.7	327.1	460.6	522.9	573.9	484.4	489	422.6	417.5
Net claims on government	176	310.4	433.6	585.4	658.3	740.5	742.3	682.4	652.8	730.6
Net claims on public economic authorities	-10.6	-10.6	-14.4	-61.5	-38.9	-31.8	-23	-15	-15.9	-15.1
Claims on Banks	22.3	27.3	25.3	25	120.4	286.9	294.9	291.1	332.1	326.0
Bank's Deposits in Foreign Currency	-25	-33.1	-34.3	-51.4	-60.8	-129.7	-129.8	-122.5	-119.3	-124.6
Open Market Operations /1	33	-4.8	-44.3	0	-150	-467.9	-595.5	-560.5	-668.3	-677.5
Other items net	-8.1	-9.5	-38.8	-37	-6.1	176	195.4	213.4	241.2	178.1
Reserve money (M0) /2	263.7	317.9	364.5	485.9	478.1	577.6	586.6	646.4	677.7	719.0
Currency Outside Banks	194	241	270.9	292.7	346.9	419.1	416.1	407.8	416.5	441.6
Reserves of banks	69.6	76.9	93.6	193.2	131.2	158.5	170.5	238.6	261.2	277.5
Cash at vaults	10.8	19.8	17.8	20.8	21.6	33	33.9	31.6	31.5	43.7
Deposits in local currency	58.8	57.1	75.8	172.4	109.6	125.5	136.6	207	229.7	233.8

Source: Central Bank of Egypt

1/ Deposit auctions and deposit facility.

2/ Reserve money at end of June 2015 was affected by cancellation of deposit renewals at CBE due to unexpected announcement of national holiday on June 30,2015.

Table A5: Market Developments

	Oct-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Aug-18 1/	Latest Vs. Oct. 2016, in bps 2/
Policy Rate									
Mid-Corridor Rate, %	12.25	15.25	17.25	19.25	19.25	18.25	17.25	17.25	500
Money Market									
Interbank WAR, %	11.91	15.60	17.76	19.00	19.00	17.91	16.99	17.03	513
Interbank O/N rate, %	11.89	15.46	17.67	18.98	18.93	17.89	16.94	16.97	508
Interbank O/N average volume, EGP million	1,799	4,016	5,978	4,768	4,830	5,468	9,825	8,187	6,387
Interbank O/N share of total interbank volume, %	62.90	47.64	61.98	84.98	76.74	79.30	81.31	72.85	995
Banking Sector									
Deposit Rates, %	9.27	12.50	13.52	15.51	15.15	13.06	12.27	n/a	391
Time, %	9.03	10.92	12.85	14.71	14.09	13.01	12.07	n/a	387
Short-term Deposits (<1Y), %	8.98	10.86	12.82	14.73	14.17	13.05	12.09	n/a	375
Other Deposits, %	10.53	12.76	13.82	14.44	13.21	11.88	11.88	n/a	294
Saving, %	12.20	18.54	18.68	18.92	19.13	15.43	14.95	n/a	275
< 3 years, %	11.66	19.86	19.91	19.94	19.97	16.84	16.56	n/a	158
> 3 years, %	12.21	15.18	14.79	15.10	14.97	14.73	14.55	n/a	275
Saving Accounts, %	7.98	10.39	10.61	8.96	8.76	9.85	9.99	n/a	112
Lending Rates, %	14.38	16.82	18.16	19.05	19.39	18.66	18.01	n/a	244
W.A. Business Lending Rates, %	14.96	16.75	18.32	19.00	19.51	18.65	17.95	n/a	162
Short term business, %	14.92	17.03	17.80	18.97	19.65	18.54	17.93	n/a	167
Long term business, %	15.08	16.14	18.88	19.17	19.21	18.91	17.98	n/a	149
Retail, %	13.66	17.21	17.34	19.46	18.70	18.70	18.35	n/a	421
Local Debt Market									
T-Bill yield 1Y, %	16.45	19.15	20.35	18.66	18.22	16.69	16.66	18.77	232
W.a T-bill yield, %	15.79	19.32	20.37	18.78	18.67	17.36	17.30	18.81	301
W.a T-bond yield, %	17.22	17.16	18.29	15.81	15.79	14.92	15.05	17.81	59
WACF, % 3/	12.72	15.39	16.18	14.83	14.74	13.76	13.73	14.99	227
Spreads 3/									
O/N interbank - Mid Corridor rate, %	-0.36	0.21	0.42	-0.27	-0.32	-0.36	-0.31	-0.28	8
W.a. Lending rate - Mid Corridor rate, %	2.13	1.57	0.91	-0.20	0.14	0.41	0.76	n/a	-256
Mid Corridor - W. A Deposit Rate, %	2.98	2.75	3.73	3.74	4.10	5.19	4.98	n/a	109
WACF - Mid Corridor rate, %	0.47	0.14	-1.07	-4.42	-4.51	-4.49	-3.52	-2.26	-273
W.a. Yield Curve, %	1.14	-1.73	-1.66	-2.38	-2.30	-1.95	-1.81	-0.80	-194
W.a. Lending rate - WACF, %	2.24	1.36	2.14	4.17	4.76	4.88	4.22	n/a	-99
W.a. Lending rate - T-bill yield, %	1.75	1.36	1.87	4.03	4.46	4.76	4.11	n/a	-117
W.a. Lending rate - W.A. Deposit rate, %	5.12	4.32	4.65	3.55	4.25	5.60	5.74	n/a	-148
Long term Business - Short term Business lending, %	0.16	-0.89	1.08	0.20	-0.44	0.37	0.05	n/a	-18

Source: Central Bank of Egypt.

1/ Up to August 16, 2018.

2/ All changes are in basis points with the exception of Interbank o/n volume, the changes are in EGP million.

3/ Government securities' yields are adjusted for tax.

Abbreviations

bps	Basis points
CBE	Central Bank of Egypt
CIC	Currency in circulation outside the banking system
CPI	Consumer price index
EGP	Egypt Pound
F/C	Foreign currency
GDP	Gross domestic product
L/C	Local currency
m/m	Month on month
M0	Reserve money
M2	Broad money
O/N	Overnight
p.p.	percentage points
US	United States
USD	United States Dollars
w.a.	Weighted average
WACF	Weighted average cost of finance of the Treasury's L/C marketable securities
y/y	Year on year

