Press Release

Balance of Payments Performance

In the First Half of FY 2018/2019

BOP preliminary data in the first half of FY 2018/2019 revealed the following main developments:

- ✓ **Merchandise exports** surged by US$ 2.2 billion or 18.4%, to register US$ 14.3 billion (against US$ 12.1 billion), limiting the rise in the trade deficit.

- ✓ **Oil imports** fell by 2.1% to US$ 5.8 billion, due to the drop in the quantities imported of oil products and crude oil, and Egypt's achievement of self-sufficiency in natural gas.

- ✓ **Oil trade balance ran a surplus – for the first time in more than four years** – of US$ 150.8 million (compared with a deficit of US$ 2.2 billion).

- ✓ **Services surplus** surged by 36.7%, to stand at US$ 7.3 billion (versus US$ 5.3 billion).

- ✓ **Travel surplus rose to** US$ 5.4 billion (from US$ 3.8 billion).

- ✓ **Suez Canal receipts** increased by 5.8% to US$ 2.9 billion (from US$ 2.8 billion).

- ✓ **The capital and financial account** recorded net inflows of US$ 1.8 billion.

- ✓ **Foreign direct investment (FDI) in Egypt** recorded total inflows of US$ 6.60 billion (compared with US$ 6.57 billion), while total outflows posted US$ 3.8 billion (compared with US$ 2.8 billion). Accordingly, net FDI in Egypt reached US$ 2.8 billion (inflows).

- ✓ **Disbursements of long- and medium-term loans and facilities** fell to US$ 2.2 billion (from US$ 4.7 billion), while total repayments increased to US$ 1.3 billion (from US$ 1.2 billion), resulting in net disbursements of only US$ 872.3 million (compared with US$ 3.5 billion).

- Numbers expressed in US$ billion have been rounded.

Balance of Payments Performance
in the First Half of FY 2018/2019

In the first half of FY 2018/2019, Egypt's transactions with the external world unfolded an overall BOP deficit of US$ 1.8 billion. The current account posted a deficit of US$ 3.9 billion, while the capital and financial account recorded a net inflow of US$ 1.8 billion.

The following is a review of the main developments that affected the BOP performance in the period under review:

First: Current Account

The surge in services surplus by 36.7% and the pickup in merchandise exports by 18.4% mitigated the rise in the current account deficit.

1. **The services surplus surged** by US$ 1.9 billion, to register US$ 7.3 billion (against US$ 5.3 billion), driven mainly by the following developments:

    - **Travel** surplus increased to US$ 5.4 billion (from US$ 3.8 billion).
    - **Suez Canal receipts** rose by 5.8% to US$ 2.9 billion (from US$ 2.8 billion).

2. **The pickup in merchandise exports curbed the rise in the trade deficit.**

    The increase in merchandise exports by US$ 2.2 billion mitigated the rise in the trade deficit, as detailed below:

- Merchandise exports grew by 18.4% to US$ 14.3 billion (against US$ 12.1 billion), reflecting the increase in both:

  - ✓ Oil exports by 57.6% to US$ 6.0 billion, driven by the hike in exports of oil products by 75.8% (due to the surge in exported quantities); and crude oil by 39.7% (due to the rise in both exported quantities and world prices).

  - ✓ Non-oil exports by 0.3% to US$ 8.3 billion, supported mainly by the 4.3% rise in exports of finished goods. The increase was largely manifest in exports of organic and inorganic compounds; aluminum and articles thereof; and wires and cables.

- Merchandise imports went up by 8.8% to US$ 33.5 billion (from US$ 30.8 billion), owing to:

  - ✓ The decline in oil imports by 2.1% to US$ 5.8 billion (from US$ 6.0 billion), on the back of the drop in the quantities imported of oil products and crude oil, and Egypt's achievement of self-sufficiency in natural gas. However, this positive impact was curbed by the 31.5% hike in world oil prices in the period under review.

  - ✓ The pickup in non-oil imports by 11.5% to US$ 27.7 billion (from US$ 24.8 billion), largely supported by the increase in the imports of raw materials (required for production) by 15.7% and consumer goods by 14.0%. The increase was mainly seen in the imports of wheat; passenger vehicles; and spare parts and accessories for cars and tractors.

It is worthy to note that the oil trade balance ran a surplus – for the first time in more than four years – posting US$ 150.8 million (compared with a deficit of US$ 2.2 billion).

3. **Unrequited current transfers** registered net inflows of US$ 12.0 billion.
4. **Investment income deficit recorded** US$ 3.8 billion (against US$ 3.0 billion), due to the rise in investment income payments by US$ 852.1 million (to register

US$ 4.3 billion). This was mainly driven by the increase in foreign petroleum companies' profits, in addition to interest payments on external debt (representing 49.2% and 25.0%, respectively, of total investment income payments). On the other hand, investment income receipts went up to US$ 486.9 million (from US$ 412.7 million) as a result of the rise in interest on Egyptians' deposits abroad and profit transfers of Egyptian companies abroad.

Second: Capital and Financial Account

The capital and financial account unfolded a net inflow of US$ 1.8 billion in the first half of FY 2018/2019, due to the following developments:

- **FDI in Egypt** recorded total inflows of US$ 6.60 billion (against US$ 6.57 billion), while total outflows posted US$ 3.8 billion (against US$ 2.8 billion). Accordingly, net FDI in Egypt amounted to US$ 2.8 billion (inflows), due to the net inflows of US$ 1.5 billion for oil sector investments, the net inflows of US$ 696.6 million for greenfield investments, and the inflows of US$ 582.7 million for real estate investments.

- **Portfolio investment in Egypt** registered a net outflow of US$ 5.9 billion (versus a net inflow of US$ 8.0 billion). This was mainly due to the fact that foreigners' investments in Egyptian TBs reversed to net sales of US$ 5.5 billion (from net purchases of US$ 8.1 billion).

- **Disbursements of medium- and long-term loans and facilities** retreated to US$ 2.2 billion (from US$ 4.7 billion), while total repayments increased to US$ 1.3 billion (from US$ 1.2 billion), resulting in net disbursements of only US$ 872.3 million (against US$ 3.5 billion).

* Numbers expressed in US$ billion have been rounded.

Balance of Payments

(US $mn)

	July/Dec. 2017*	July/Dec. 2018*
Trade Balance	**-18747.8**	**-19251.5**
Exports	12055.1	14273.9
Petroleum	*3811.6*	*6008.7*
Other Exports	*8243.5*	*8265.2*
Imports	-30802.9	-33525.4
Petroleum	*-5984.6*	*-5857.9*
Other Imports	*-24818.3*	*-27667.5*
Services Balance (net)	**5310.0**	**7258.7**
Receipts	**10746.4**	**12833.2**
Transportation	4355.0	4490.5
of which: Suez Canal dues	*2768.5*	*2928.3*
Travel	4979.2	6790.0
Government Receipts	269.7	293.7
Other	1142.5	1259.0
Payments	**5436.4**	**5574.5**
Transportation	733.9	864.6
Travel	1161.2	1376.5
Government Expenditures	989.1	358.4
Other	2552.2	2975.0
Income Balance (net)	**-3039.6**	**-3817.5**
Income receipts	412.7	486.9
Income payments	3452.3	4304.4
of which: Interest Paid	*817.3*	*1074.2*
Transfers	**12938.4**	**11956.7**
Private Transfers (net)	12870.1	11793.2
of which: Worker Remittances	*12923.1*	*12045.9*
Official Transfers (net)	68.3	163.5
Current Account Balance	**-3539.0**	**-3853.6**

Balance of Payments (cont.)

(US.$m.)

	July/Dec. 2017*	July/Dec. 2018*
Capital & Financial Account	**10427.5**	**1786.1**
Capital Account	**-81.3**	**-63.7**
Financial Account	**10508.8**	**1849.8**
Direct Investment Abroad	**-131.9**	**-184.2**
Direct Investment In Egypt (net)	**3762.9**	**2841.0**
Portfolio Investment Abroad(net)	**24.6**	**-50.7**
Portfolio Investment in Egypt (net)	**8019.2**	**-5890.1**
of which: Bonds	*-103.1*	*-303.6*
Other Investment (net)	**-1166.0**	**5133.8**
Net Borrowing	4546.8	1071.3
M&L Term Loans (net)	3058.8	314.9
Drawings	*4166.5*	*1532.7*
Repayments	*-1107.7*	*-1217.8*
MT Suppliers Credit (net)	410.6	557.4
Drawings	*508.7*	*634.4*
Repayments	*-98.1*	*-77.0*
ST Suppliers Credit (net)	1077.4	199.0
Other Assets	-3272.5	741.9
Central Bank	*-26.9*	*-1.5*
Banks	*-625.6*	*5232.1*
Other	*-2620.0*	*-4488.7*
Other Liabilities	-2440.3	3320.6
Central Bank	*-3112.9*	*1827.8*
Banks	*672.6*	*1492.8*
Net Errors & Omissions	**-1295.9**	**293.5**
Overall Balance	**5592.6**	**-1774.0**
Change in CBE's reserve assets (increase = -)	**-5592.6**	**1774.0**

* **Preliminary.**