Central Bank of Egypt

Press Release

Balance of Payments Performance in July/March 2016/2017

In the first nine months of 2016/2017, Egypt's **BOP ran an overall surplus** of US$ 11.0 billion (**of which about US$ 9.0 billion were realized in the period immediately following the CBE's decision to liberalize the Egyptian pound exchange rate)** against an overall deficit of US$ 3.6 billion in the same period a year earlier. This is because the capital and financial account recorded a net inflow of US$ 24.6 billion (against US$ 14.6 billion) and the current account deficit narrowed to US$ 13.2 billion (from US$ 15.0 billion).

The following is a review of the main developments that affected the BOP performance in July/March 2016/2017:

First: The Current Account

The **current account deficit** fell by 12.4% to US$ 13.2 billion in July/March 2016/17 (from US$ 15.0 billion in the period of comparison). In January/March 2017, the deficit narrowed by 37.7%, to stand at US$ 3.5 billion (versus US$ 5.7 billion in the same quarter a year before).

The developments in the current account over the first nine months of 2016/17 are illustrated below, **along with the key developments that took place in January/March 2017; the period in which the decision to liberalize the exchange rate began to bear fruit:**

- **The trade deficit narrowed** by 9.4% to US$ 27.0 billion in July/March 2016/17 (from US$ 29.8 billion), due to the US$ 2.6 billion rise in merchandise exports and the US$ 212.7 million decline in merchandise imports.

Merchandise export proceeds rose by 19.3% to US$ 16.0 billion (from US$ 13.4 billion), thanks to the rise in non-oil exports by US$ 2.1 billion and oil exports by US$ 445.5 million.

In contrast, merchandise imports slightly retreated by 0.5% to US$ 43.0 billion (from US$ 43.3 billion), owing to the US$ 1.3 billion decline in non-oil imports and the US$ 1.1 billion rise in oil imports.

In January/March 2017, the trade deficit declined by 8.1% to US$ 9.2 billion (from US$ 10.0 billion in the corresponding quarter a year earlier). The decline was driven by the 29.8% increase in merchandise exports to US$ 5.5 billion, due to the competitive advantage of the prices of Egyptian exports in the wake of the decision to liberalize the exchange rate, and the hike in world oil prices. As such, oil and non-oil exports moved up by 58.8% and 19.9%, respectively. Concurrently, merchandise imports rose by 3.3% to US$ 14.7 billion, mirroring the surge in oil imports by US$ 1.4 billion or 87.7%. This increase was, however, mitigated by the decrease in non-oil imports by US$ 1.0 billion or 7.7%.

In March 2017, the non-oil merchandise trade balance witnessed an improvement; as the deficit fell to US$ 2.5 billion (from US$ 3.4 billion a year earlier) down by 24.5%.

- The **services surplus narrowed** by 18.7% in July/March 2016/2017. This was driven by the retreat in **tourism revenues** by 12.8%, to US$ 2.8 billion (from US$ 3.3 billion), on the back of the fall in the number of tourist nights by 25.9%, from 45.1 million nights to 33.4 million.

It is worth mentioning that **tourism revenues noticeably jumped in January/March 2017** by 128.3%, to US$ 1.3 billion (well above the US$ 550.5 million of the same period a year before) spurred by the rise in the number of tourist nights from 6.9 million to 14.2 million.

Travel payments abroad fell to only US$ 448.3 million in January/March 2017 (from US$ 1.2 billion in the period of comparison), due to lower e-card payments abroad, to register as low as US$ 226.7 million (against US$ 751.4 million). Accordingly, the travel balance recorded a surplus of US$ 808.4 million (shifting from a deficit of US$ 641.2 million in the same period a year before).

Suez Canal receipts rolled back by 4.2% to US$ 3.7 billion in July/March 2016/17 (from US$ 3.9 billion a year earlier). The decrease was ascribed to the decline in net tonnage of transiting vessels by 1.7%, and the depreciation in the average value of SDR vis-à-vis the US dollar by 1.6%.

- **Investment income balance** ran a deficit of US$ 3.2 billion in the period under review, primarily because investment income payments registered US$ 3.5 billion (63.1% of which were profit transfers by oil and non-oil foreign companies operating in Egypt). Meanwhile, investment income receipts registered only US$ 305.3 million.

- **Unrequited current transfers (net)** inched up during July/March 2016/2017 by 1.6% to US$ 12.6 billion (from US$ 12.4 billion), due to the increase in both net private transfers from US$ 12.3 billion to US$ 12.5 billion and net official transfers from US$ 60.7 million to US$ 82.5 million.

It is worth noting that **workers' remittances** increased in **January/March 2017** by 10.9%, to register US$ 4.62 billion (against US$ 4.17 billion in the same period a year earlier). Data also show that **in the wake of the CBE's decision to liberalize EGP exchange rate in November 2016**, these remittances increased by US$ 964.8 million or 13.8% in **November/March 2016/2017**, compared with the same period a year earlier, to reach US$ 8.0 billion.

Second: Capital and Financial Account

The capital and financial account recorded a net inflow of US$ 24.6 billion throughout July/March 2016/2017 (against US$ 14.6 billion in the corresponding period a year before). It is worth noting that in **January/March 2017,** this account recorded a net inflow of US$ 7.0 billion (against US$ 8.4 billion). Hereunder are the main developments in the capital and financial account that took place in the first three quarters of 2016/2017, with a special highlight on those witnessed in January/March 2017:

- **Total inflows of foreign direct investment in Egypt in July/March 2016/2017 rose** by 12.1% to US$ 10.8 billion (from US$ 9.6 billion in the corresponding period), while total outflows reached US$ 4.2 billion (against US$ 3.7 billion). Accordingly, the net inflow of FDI mounted to US$ 6.6 billion (versus US$ 5.9 billion), mainly due to the rise in net inflow for oil sector investments by US$ 1.8 billion to US$ 3.3 billion (from US$ 1.5 billion).

- **Portfolio investment in Egypt** in **July/March 2016/2017** unfolded a net inflow of US$ 7.8 billion (against a net outflow of US$ 1.5 billion). This was ascribed to the rise in foreigners' investments in Egyptian TBs, recording net purchases of US$ 4.3 billion (of which US$ 3.6 billion were made in January/March 2017). Add to this the bonds floated by Egyptian government in international markets in the amount of US$ 3.9 billion in the same period (January/March 2017). In addition, foreigners' investments on the Egyptian Exchange (EGX) rose in July/March 2016/2017 to register net purchases of US$ 308.9 million (against net sales of US$ 58.6 million). On the other hand, the Egyptian authorities made repayments of bonds that had fallen due in the reporting period in the amount of US$ 1.0 billion (outflows).

- **Medium- and long-term loans and facilities** unfolded net disbursements of US$ 5.1 billion in July/March 2016/2017 (against US$ 504.1 million).

- **Other assets and liabilities** (the change in banks' foreign assets and liabilities; the CBE non-reserve foreign assets and foreign liabilities; and the counterpart of some items included in the current account) posted a net inflow of US$ 3.1 billion (against US$ 5.0 billion).

* Numbers expressed in US$ billion have been rounded.

Balance of Payments

(US.$m.)

	July/March 2015/16*	July/March 2016/17*
Trade Balance	**-29848.6**	**-27047.6**
Exports	13405.7	15994.0
Petroleum	*4211.1*	*4656.6*
Other Exports	*9194.6*	*11337.4*
Imports	-43254.3	-43041.6
Petroleum	*-7072.1*	*-8197.1*
Other Imports	*-36182.2*	*-34844.5*
Services Balance (net)	**5520.3**	**4488.0**
Receipts	**12515.2**	**11516.2**
Transportation	7253.0	6678.4
of which: Suez Canal dues	*3877.7*	*3716.6*
Travel	3257.1	2840.7
Government Receipts	278.7	191.3
Other	1726.4	1805.8
Payments	**6994.9**	**7028.2**
Transportation	1016.3	931.5
Travel	2913.7	2189.7
Government Expenditures	449.9	700.1
Other	2615.0	3206.9
Income Balance (net)	**-3114.7**	**-3225.9**
Income receipts	273.2	305.3
Income payments	3387.9	3531.2
of which: Interest Paid	*524.4*	*824.6*
Transfers	**12402.5**	**12606.7**
Private Transfers (net)	12341.8	12524.2
of which: Worker Remittances	*12659.6*	*12625.9*
Official Transfers (net)	60.7	82.5
Current Account Balance	**-15040.5**	**-13178.8**

Balance of Payments (cont.)

(US.$m.)

	July/March 2015/16*	July/March 2016/17*
Capital & Financial Account	**14550.1**	**24638.9**
Capital Account	**-130.8**	**-98.6**
Financial Account	**14680.9**	**24737.5**
Direct Investment Abroad	**-113.5**	**-147.7**
Direct Investment In Egypt (net)	**5885.7**	**6565.0**
Portfolio Investment Abroad(net)	**148.6**	**178.7**
Portfolio Investment in Egypt (net)	**-1501.4**	**7801.2**
of which: Bonds	*-1423.7*	*3190.2*
Other Investment (net)	**10261.5**	**10340.3**
Net Borrowing	5272.4	7232.4
M&L Term Loans (net)	-177.4	4180.7
Drawings	*2076.2*	*6214.1*
Repayments	*-2253.6*	*-2033.4*
MT Suppliers Credit (net)	681.5	929.7
Drawings	*703.5*	*1012.3*
Repayments	*-22.0*	*-82.6*
ST Suppliers Credit (net)	4768.3	2122.0
Other Assets	-4275.5	-5635.4
Central Bank	*-14.6*	*-1997.8*
Banks	*1208.9*	*-3091.9*
Other	*-5469.8*	*-545.7*
Other Liabilities	9264.6	8743.3
Central Bank	*4444.2*	*7737.4*
Banks	*4820.4*	*1005.9*
Net Errors & Omissions	**-3150.1**	**-475.4**
Overall Balance	**-3640.5**	**10984.7**
Change in CBE's reserve assets (increase = -)	**3640.5**	**-10984.7**

* **Preliminary.**