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Major Financial and Monetary Indicators
2002/2003

1) Area

Total	1002	(Thousand km^2)
Populated	53.1	(Thousand km^2)

2) Population and Employment

- Population on 1st January, 2003, (excl., expatriates)	67313	(Thousand persons)
- Annual Growth Rate (%)	1.97	
- Number of Employees	18179	(Thousand Employees)
- Annual Growth Rate (%)	1.7	

3) GDP (2001/2002 Prices)	LE bn
GDP at market prices	393.4
Annual Growth Rate (%)	3.1
GDP at Factor Cost	365.8
Annual Growth Rate (%)	3.2

GDP by Sector at Factor Cost	LE bn	
A) Production Sectors	185.8	(50.8% of GDP)
Of which:		
Agriculture, Irrigation and Fishing	60.0	16.4%
Manufacturing & Petroleum products	71.9	19.7%
Mining & Crude Oil	30.2	8.3%
B) Service Sectors	180.0	(49.2% of GDP)
Of which:		
Wholesale and Retail Trade	43.8	12%
Transportation, communications and warehouses	24.9	6.8%
Financial intermediation and supporting activities	21.6	5.9%
General government	36.2	9.9%

4) Annual Inflation Rate (1995/96 = 100)	2002/2003
CPI during 2002/2003 (%)	4.0%
Average of 2002/2003 to the Average of 2001/2002 (%)	3.2%

5) Annual Discount and Interest Rates (%)	June 2003
- Discount Rate	10.00
- Average interest rate on 3- month deposits with banks	8.46
- Average interest rate on one year or less loans	13.45

6)The CBE Announced US Dollar Exchange Rate	PT per US Dollar 2002/2003
- Buying and selling exchange rates (period average)	512.3
- End of period	603.3

7) Consolidated Fiscal Operations of General Government (Revised Actual)	2002/2003 (LE bn)
- Total expenditure including net lending	125.1
- Total revenues including grants	115.1
The Overall Deficit/Surplus	**-10.0**
Financing	**10.0**
External financing (net)	-5.4
Domestic financing	18.8
Banking	21.8
Non-banking	-3.0
Unclassified	-3.4
- Current revenues/current expenditure %	108.4
- Capital revenues/capital expenditure %	12.6
- Overall deficit or surplus/GDP %	-2.5
- Expenditure including net lending/GDP %	31.0
- Revenues including grants/GDP %	28.5

8) Domestic Public Debt (LE bn)	End of June 2002	End of June 2003
Total, due on:	329.8	370.6
- Government	221.2	252.2
- Public economic authorities	41.2	39.2
- NIB (net)	67.4	79.2

9) Monetary Survey (LE bn)	End of June 2003
Domestic Liquidity (M2)	384.3
Growth Rate (%)	16.9
Reserve Money	89.2
Growth Rate (%)	21.0
Money Supply (M1)	67.2
Growth Rate (%)	12.4
Ratio of currency in circulation/money supply (%)	71.8
Banking system foreign assets	126.1
CBE reserve assets	86.3
Banking system foreign liabilities	100.6
Obligations within rescheduling agreements (included under foreign debt)	68.1
Deposits in local currency with banks (excl. CBE)	278.2
Deposits in foreign currencies with banks (excl. CBE)	125.0
Total lending and discount balances extended by banks, (excl. CBE) of which:	284.7
To government and public economic authorities	13.3
To business sector (public and private)	234.8
Portfolio and TBs with banks (excl. CBE) of which:	111.3
TBs and government securities	87.3
Ratio of loans/deposits with banks (%)	70.6
Ratio of investment in securities, treasury bills and equity participation/deposits (%)	27.6

10) Balance of Payments (in US$ bn)	2002/2003
Balance of Current Transactions & Transfers	1.9
Trade Balance	(6.6)
Commodity exports	8.2
Oil and its products %	38.5
Other %	61.5
Commodity imports	14.8
Intermediary goods %	29.7
Investment goods %	21.4
Consumer goods %	17.5
Fuel, raw materials and others %	31.4
Services Balance	4.9
Receipts, of which:	10.4
Transportation %	28.4
Travel %	36.4
Investment income %	6.1
Payments, of which:	5.6
Transportation %	7.1
Travel %	24.7
Investment income %	14.5
Transfers	3.6
Official %	18.4
Private %	81.6
Capital and Financial Transactions	(2.7)
Overall Surplus/(Deficit)	0.5

11) Outstanding External Debt (in US$ bn)	End of June 2002	End of June 2003
Total	**28.7**	**28.7**
Due on the Government and the public sector	26.4	27.1
Due on the private sector	2.3	1.6

National Developments

1- Development and Growth

According to the fifth quinquennial plan, the range of economic growth rate targeted during 2002/2003-2006/2007 varied from 4.0% to 6.0%. The first year plan (2002/2003) aimed at realizing a growth rate of 4.6%. However, this rate was not realized because of some regional and international developments, together with their adverse repercussions during the year. In order to alleviate the negative impact of these developments and to continue the course of development, a number of policies and actions were adopted. These included activating the markets, stimulating investments and undertaking structural and legislative reforms in some economic sectors. Consequently, it was possible to achieve a real GDP growth rate of 3.2% at factor cost, the same level of the preceding FY.

Hereunder is a review of the outcomes of the implementation of the plan by sector as shown in the data of the Ministry of Planning.

1/1: Gross Domestic Product

During FY 2002/2003, real GDP growth rate at factor cost recorded 3.2%, which is the same rate of the previous FY, as productive and service sectors achieved a growth rate of 2.2% and 4.2% respectively.

Real GDP Growth Rates

(Value at prices of base year 2001/2002)

	Value (LE bn)		Relative Importance%		Growth Rate%	
	2001/2002	**2002/2003**	**2001/2002**	**2002/2003**	**2001/2002**	**2002/2003**
GDP	**354.5**	**365.8**	**100.0**	**100.0**	**3.2**	**3.2**
Productive sectors	181.8	185.8	51.3	50.8	--	2.2
Service sectors	172.7	180.0	48.7	49.2	--	4.2

-- Not available

Growth rates are calculated in terms of LE million.

Productive sectors contributed 50.8% to GDP. The manufacturing sector was the principal contributor, with a share of 19.7%, followed by the agriculture, irrigation and fishing sector with 16.4%, then the mining and petroleum sector with 8.3%.

The contribution of the service sectors to GDP represented 49.2%. At the top of the list was the wholesale and retail trade sector with 12%, followed by the general government services sector (9.9%), then transportation, communications and warehouses sector (6.8%) and finally the sector of financial intermediation and support activities (5.9%).

Relative Importance of Sectors in GDP

(Value at prices of base year 2001/2002)

	2001/2002		2002/2003	
	Value (LE bn)	**Relative Importance**	**Value (LE bn)**	**Relative Importance**
Productive Sectors, of which:	**181.8**	**51.3**	**185.8**	**50.8**
Agriculture, irrigation, and fishing	58.4	16.5	60.0	16.4
Mining and crude oil	29.3	8.3	30.2	8.3
Manufacturing and petroleum products	70.1	19.8	71.9	19.7
Services Sectors, of which:	**172.7**	**48.7**	**180.0**	**49.2**
Transport, communications, and warehouses	23.8	6.7	24.9	6.8
Wholesale and retail trade	43.0	12.1	43.8	12.0
Financial intermediation and support activities	21.1	6.0	21.6	5.9
General Government	35.3	9.9	36.2	9.9

A breakdown of the growth rates by sector during FY 2002/2003 reveals that productive sectors recorded a rate of 2.2%. Electricity posted 7.8%, owing to the expansion in electricity production and distribution. Other sectors achieved growth rates ranging between 2.6% and 5.0%, except for the construction and building sector whose growth rate declined by 4.8%.

Real GDP Growth Rates of Productive Sectors

	2001/2002 Value (LE bn)	2002/2003 Value (LE bn)	Growth Rate %
Productive Sectors	**181.8**	**185.8**	**2.2**
Agriculture, irrigation, and fishing	58.4	60.0	2.8
Mining and crude oil	29.3	30.2	2.8
Manufacturing and petroleum products	70.1	71.9	2.6
Electricity	5.9	6.4	7.8
Water	1.5	1.6	5.0
Construction and building	16.6	15.7	(4.8)

Service sectors grew by 4.2%, exceeding thereby the real growth rate of GDP. Hence, the growth rates of most of the sectors increased; especially Suez Canal at 23.1%, restaurants and hotels at 18.8%, and transportation, communications and warehouses at 4.9%.

Real GDP Growth Rates of Services Sectors

	2001/2002 Value (LE bn)	2002/2003 Value (LE bn)	Growth Rate %
Services Sectors	**172.7**	**180.0**	**4.2**
Transport, communications and warehouses	23.7	24.9	4.9
Suez Canal	8.2	10.1	23.1
Wholesale and retail trade	43.0	43.8	1.9
Financial intermediation and support activities	21.1	21.6	2.3
Insurance and social security	9.1	9.4	3.0
Restaurants and hotels	6.5	7.7	18.8
Real estate activities	13.9	14.0	0.8
General government	35.3	36.2	2.7
Education, health, social, cultural and recreational work, and personal services	11.9	12.3	3.1

As the State continued its policy to enhance the role of the private sector in development, through increasing its contribution to productive activities, the growth rate in the GDP of this sector reached 2.9% during the FY 2002/2003. Such a growth rate is satisfactory, especially under the unfavorable circumstances surrounding the implementation of the plan of the year as mentioned earlier.

The Relative Importance of Public and Private Sectors in GDP

(%)

	2001/2002		2002/2003	
	Private	**Public**	**Private**	**Public**
GDP	**27.9**	**72.1**	**28.1**	**71.9**
Productive Sectors, of which:	**14.0**	**86.0**	**14.0**	**86.0**
Agriculture, irrigation, and fishing	0.4	99.6	0.4	99.6
Mining and crude oil	5.4	94.6	5.4	94.6
Manufacturing and petroleum products	13.5	86.5	13.3	86.7
Construction and building	41.5	58.5	41.4	58.6
Services Sectors, of which:	**43.0**	**57.0**	**43.0**	**57.0**
Transport, communications and warehouses	16.8	83.2	16.6	83.4
Wholesale and retail trade	4.2	95.8	4.2	95.8
Financial intermediation and support activities	65.1	34.9	65.7	34.3
Real estate activities	4.1	95.9	4.1	95.9
General government	100.0	0.0	100.0	0.0
GDP Growth Rate	**1.1**	**4.0**	**3.8**	**2.9**

Analysis of the GDP generated by the private sector - representing 71.9% of GDP - shows that the productive sectors contributed some 61.0% of the sector's GDP during FY 2002/2003, whereas the activities of service sectors contributed the remaining 39%.

Accordingly, the share of the private sector in the total output of the productive sectors represented 86%, and of the public sector only 14.0%. The contribution of the private sector was largely pronounced in the sectors of agriculture, irrigation, and fishing, in mining and crude oil, and in the manufacturing.

As to the activities of service sectors, the private sector contributed 57.0% to their total output, whereas the public sector contributed 43.0%. This contribution was concentrated in the sectors of real estate activities, wholesale and retail trade, and transportation, communications and warehouses.

1/2: GDP by Expenditure

Real GDP at market prices reached some LE 393.4 billion during FY 2002/2003, with a growth rate of 3.1% against 3.2% in the previous FY. This was a result of a steep decline in the growth rate of net indirect taxes. It fell to 1.5% against 3.0% in the previous FY.

(Value at prices of base year 2001/2002)

	2001/2002			2002/2003		
	Value (LE bn)	**Relative Importance %**	**Growth Rate %**	**Value (LE bn)**	**Relative Importance %**	**Growth Rate %**
GDP at market price	**381.7**	**100.0**	**3.2**	**393.4**	**100.0**	**3.1**
GDP (at factor cost)	354.5	92.9	3.2	365.8	93.0	3.2
Indirect taxes (net)	27.2	7.1	3.0	27.6	7.0	1.5

According to the follow-up of the GDP by expenditure, the growth rate of final consumption (both public and private) decreased from 2.7% to 2.6%, as a direct result of the policies implemented during FY 2002/2003 to rationalize public expenditure. As such, the growth rate of public consumption was no more than 2.9% against 5.0%, whereas that of private consumption slightly moved up to 2.5% from 2.4% in the previous FY.

As a result of these fiscal policies, gross capital formation also retreated by 1.7%, owing to a 3% decline in investment and a 47.1% increase in the inventory change . This helped maintain the GDP growth rate during the year at the same level of the previous FY.

Against this background, the growth rate of gross public expenditure fell to merely 1.8% against 3.1%. This led to narrowing the gap in domestic resources, during the year under review, to 2.4% of GDP at market prices compared with 3.7% in the preceding FY.

GDP by Expenditure

(Value at prices of base year 2001/2002)

	2001/2002			2002/2003		
	(LE bn)	**Structure %**	**Growth Rate%**	**(LE bn)**	**Structure %**	**Growth Rate%**
1- Final consumption	326.6	85.5	2.7	335.0	85.1	2.6
- Public	45.2	11.8	5.0	46.5	11.8	2.9
- Private	281.4	73.7	2.4	288.5	73.3	2.5
2- Gross capital formation	69.2	18.1	5.0	68.0	17.3	(1.7)
- Investments	67.2	17.7	5.5	65.5	16.7	(3.0)
- Change in inventory	1.7	0.4	(12.5)	2.5	0.6	47.1
3- Gross domestic expenditure (1+2)	395.8	103.7	3.1	403.0	102.4	1.8
4- GDP at market price	381.7	100.0	3.2	393.4	100.0	3.1
5- Domestic resources gap (4-3)	(14.1)	(3.7)	(1.4)	(9.6)	(2.4)	(31.9)
6- Gross domestic saving (4-1)	55.1	14.5	6.1	58.4	14.9	6.0

The decline to 85.1% of GDP in the relative share of the final consumption contributed to the 14.9% rise in the ratio of domestic savings to GDP during FY 2002/2003, against a ratio of 14.5% in the previous FY.

1/3: Implemented Investments

The investments implemented (at current prices) during the year under review totaled some LE 68.1 billion against LE 67.5 billion in the preceding FY, with a growth rate of 0.9% . Implementation priority was given to investments in the public sector (general government, economic authorities, and the public business sector) to complete the infrastructure of the national mega-projects, according to pre-determined timetables, as well as to some other small projects in the governorates. As such, the value of implemented investments amounted to LE 32.3 billion or 47.5% of the total.

On the other hand, implemented investments of the private sector amounted to LE 35.8 billion or 52.5% of the total, distributed among the economic activity sectors. The bulk of these investments went to the sectors of electricity, water and gas, to transportation and communications, to manufacturing and oil products and to real estates.

Total Implemented Investments

	2001/2002	2002/2003	2001/2002	2002/2003	2002/2003 Growth Rate%
	(LE bn)		Structure (%)		
Total Investments	**67.5**	**68.1**	**100.0**	**100.0**	**0.9**
Public	35.7	32.3	52.8	47.5	(9.4)
Private	31.8	35.8	47.2	52.5	12.4

1/4: Agricultural Production

As the State continued to attach a great importance over the previous years to the agriculture sector, a number of infrastructure projects serving this sector had been completed in various fields such as irrigation, drainage, water lifting stations, and automatic irrigation networks. Furthermore, the programs of agricultural intensification in the cultivated areas were continued and the productivity per feddan was increased to raise the yield of field crops, vegetables and fruits. The State also developed the agricultural research programs to expand the crop area and supported the programs for developing guiding services, particularly for the new cultivated lands.

The said policies positively affected the growth of the cultivated area, the productivity per feddan and the yield of many crops during FY 2002/2003. As such, the expansion of cultivated area and the higher productivity per feddan contributed to the increase in the output of wheat, rice, hey flax, soy beans and onions. In addition, the output of beetroot increased, owing to the rise in productivity, despite the fixed cultivated area. (See the following table)

		Yield (thousand)	Change in Cultivated Area (thousand feddans)	Productivity per feddan
Wheat	Ardebs	220	56	0.22
Rice	Tons	877	206	0.05
Hey flax	Tons	52	10	0.49
Soy beans	Tons	3	1	0.13
Onions	Tons	189	17	4.1
Sugar-beet	Tons	541	0	3.73

Moreover, the expansion of the cultivated area contributed to the increase in the yield in barley, maize, guinea corn, sesame, sugar cane, vegetables and fruits. (See the following table)

		Yield (thousand)	Change in Cultivated Area (thousand feddans)	Productivity per feddan
Barley	Ardebs	52	121	(1.13)
Maize	Ardebs	6	32	(0.51)
Guinea corn	Ardebs	78	38	(0.06)
Sesame	Ardebs	2	4	(0.01)
Sugar-cane	Tons	458	12	(0.09)
Vegetables	Tons	1339	141	(1.69)
Fruit	Tons	492	25	(0.65)

During the year under review, the yield from other crops - such as broad beans, lentils, cotton seed, peanuts, and sunflower- decreased, mainly because of the shrinkage in areas cultivated in these crops, as illustrated hereunder:

		Yield (thousand)	Change in Cultivated Area (thousand feddans)	Productivity per feddan
Broad beans	Ardebs	(69)	(50)	0.13
Lentils	Ardebs	(1)	(1)	0.66
Cotton (seeds)	Metric cantars	(73)	(25)	(0.4)
Peanuts	Ardebs	(14)	(10)	0.12
Sunflowers	Tons	(9)	(9)	(0.01)

1/5: Cotton

1/5/1: Domestic Developments

According to the Ministry of Agriculture and Land Reclamation and the Holding Company for Yarn, Textile and Clothes, a follow-up of the cotton crop developments for 2002/2003 season on both sides of supply and demand revealed the following:

Production

The area cultivated in cotton during the 2002/2003 season expanded by 1.2% above the previous season's, reaching some 740 thousand feddans; however, this was 3.3% lower than the targeted area. The area cultivated in extra long staple was increased, representing, as such, 23.0% of the total, due to expectations of higher demand therefor. By contrast, the area cultivated in long staple was reduced, accounting, thus, for 77% of the total cultivated area.

Area and Production of all Cotton Varieties

	Area * (thousand feddans)				Change + (-) (%)	Production** (thousand metric cantars)				Change + (-) (%)
	2001/2002 (Final)		2002/2003 (Preliminary)			2001/2002 (Final)		2002/2003 (Preliminary)		
Total	**731**	**100.0**	**740**	**100.0**	**1.2**	**6263**	**100.0**	**5767**	**100.0**	**(7.9)**
Extra long staple	122	16.7	170	23.0	39.3	1025	16.4	1341	23.3	30.8
Long staple	609	83.3	570	77.0	(6.4)	5238	83.6	4426	76.7	(15.5)

Source: CBE (Alexandria Branch), Securities and Cotton Dept.
* Ministry of Agriculture and Land Reclamation
** Preliminary estimates of the Holding Company for Yarn, Textile and Clothes.

Total production amounted to some 5.8 million metric cantars, declining by 4.3% below the target level and 7.9% less than the level of the previous season. This was ascribed to the retreat in the average productivity per feddan by 9.3% to reach 7.8 cantars/feddan compared with 8.6 cantars/feddan.

Stock and Total Supply

The 2002/2003 season opened with a stock of 2.3 million metric cantars. When adding this stock to total production, raw cotton supply rises to 8 million metric cantars, i.e. 9.3% higher than the previous season's level, thereby covering both domestic consumption and exports.

Position of Egyptian Cotton

(Thousand metric cantars)

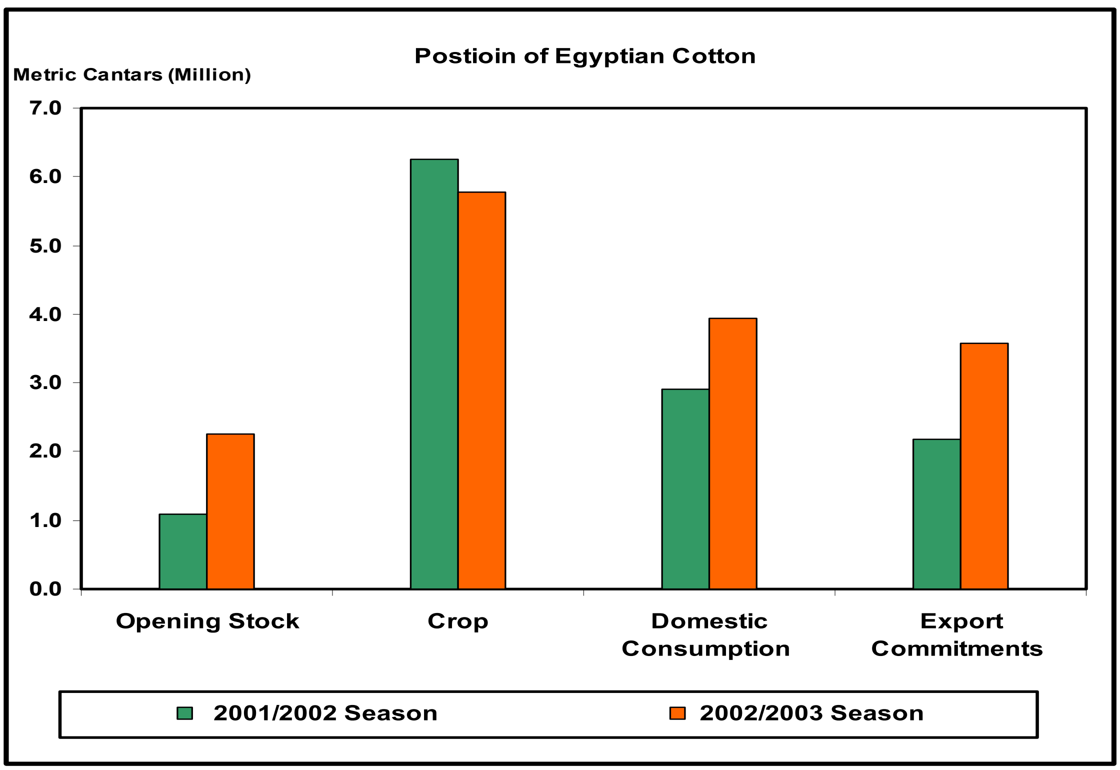
	2001/2002 Season (Final)	2002/2003 Season (Estimated)
Carryover at the Beginning of the Season	**1082**	**2263**
Crop	6263	5767
Total Supply	**7345**	**8030**
Domestic consumption	2905	3940*
Exportation	2177	3567*
Carryover at the end of the season	2263	523

Source: Ibid.
*Until 30/6/2003

Domestic Consumption

The rules and principles of the voluntary domestic marketing system governing the previous season - were applied for the 2002/2003 season. Accordingly, the government did not bear any financial burdens in excess of the limits set by the Cotton Price Stabilization Fund and farmers were entitled to market their cotton freely at the prices they accepted. Moreover, the government is to guarantee marketing all cotton varieties delivered to the marketing rings throughout the season, and is to pay 80% of the price upon delivery. The remainder of the price is to be paid within 48 hours of the completion of the sorting and weighing operations. Furthermore, the government is to bear the costs of storing the carryover; namely interest burdens and storage and insurance fees related to the public business sector and the Principal Bank for Development and Agricultural Credit.

It merits noting that changes in the Egyptian pound exchange rate vis-à-vis the US dollar since January 2003 have had a positive impact and prompted local mills to hasten the receipt of their raw cotton allocations, taking advantage of their low prices compared with import prices. Total deliveries received till end of June 2003 reached some 3.9 million metric cantars - 3.7% above target, and 35.6% higher than the previous season's figure.



Export Commitments

At the beginning of September 2002, the selling terms and conditions for exports of all Egyptian cotton varieties were announced for the 2002/2003 season. A stress was placed on the fact that local cotton prices follow the competitive international prices and are liable to change, and are to be periodically announced. The contracting currency was confined exclusively to the US dollar. Furthermore, the approval of the Federation of Cotton Exporters' of the offers submitted to member companies was a prerequisite for contracting. Contracting was to be made through documentary credits.

Since the beginning of the season under review and till the 41st week ending on 30 June 2003, export commitments reached some 3.6 million metric cantars, 42.7% above the target level and 63.8% higher than the previous season's level. Such an upward trend was partly due to the shift of world demand from the Far East markets to Egyptian cotton, because of the spread of SARS, and importers' keenness on speedy contracting for fear of the problems likely to result from the American war on Iraq.

Commitments on extra long staple varieties represented 36.0% of the total. Long staple varieties accounted for some 62.0%. The share of the public business sector companies of these commitments reached 55.0%, and the remainder went to the private sector companies.

The group of Asian countries was the main importer of Egyptian cotton during the season under review, accounting for some 53.7% of total commitments, being headed by India with 26.8%. European Union countries ranked second with commitments of some 22.5% of the total. Of these, Italy took the lead, as its commitments represented 16.1% of the total. The other European countries, received 12.9% of the total, with Switzerland on top with 8.5% of the total. Contracts with USA increased to 9.5% of the total compared with the 8.4% of the previous season.

Export Commitments by Importing Country

	2001/2002 Season		2002/2003 Season
	Till End	Till End of June 2002	Till End of June 2003
Total (thousand metric cantars)	**2177**	**1954**	**3567.0**
EU countries, of which :	**26.0%**	**27.8%**	**22.5%**
Italy	17.1%	18.0%	16.1%
Germany	3.1%	3.3%	2.1%
Other European countries, of which :	**11.7%**	**13.8%**	**12.9%**
Switzerland	5.0%	6.8%	8.5%
Turkey	5.8%	6.1%	3.3%
Asian countries, of which :	**50.7%**	**46.9%**	**53.7%**
India	17.8%	16.2%	26.8%
South Korea	7.1%	7.3%	7.2%
USA	**8.7%**	**8.4%**	**9.5%**
Others	**2.9%**	**3.1%**	**1.4%**

Source: Table (1/8), Statistical Section.

Export prices announced by the Federation of Cotton Exporters on 16/9/2002 were reduced 5-8 cents/libra at the beginning of the season till end of December 2002 (1st/15th weeks), as world prices tended to decline in response to the slowdown that prevailed in the yarns markets. However, prices rose during the period January/March 2003 (16th / 28th weeks), because of higher demand for Egyptian cotton due to the digression from the Far East markets for the reasons stated earlier. Furthermore, the upward trend in world prices which continued throughout the period April/June 2003 (29th / 41st weeks), brought up export prices by 6-7 cents/libra.

Egyptian Cotton Exporting Prices and Total Commitments

(Cent/Libra)

	Extra-Long Staple Giza		Long Staple Giza				Total Commitments	
	70	88	86	89	85	80, 83, 90	Bales	Thousand Metric Cantars
Opening prices /end of 15th week (14/9-28/12/2002)	97	94	83	78	76	72	338897	2213
16th / end of 20th weeks 29/12/2002-1/2/2003	92	88	75	72	70	66	62022	405
21st / end of 23rd weeks 2-22/2/2003	93	89	76	73	71	66	58652	384
24th / end of 26th weeks 23/2-15/3/2003	95	90	78	75	73	68	53446	348
27th/end of 29th weeks 16/3 - 5/4/2003	95	90	81	78	76	71	17152	112
30th /end of 31st weeks 6-19/4/2003	97	92	81	78	76	71	5819	38
32nd/end of 37th weeks 20/4 -31/5/2003	99	94	83	80	78	73	8116	53
38th/end of 41st weeks 1-28/6/2003	101	96	85	82	80	75	2144	14
Total							**546248**	**3567**

Prices for Good/Fully Good
Bale = 6.53 metric cantars

International Developments

According to the estimates issued by the International Cotton Advisory Committee (ICAC), total world supply of raw cotton for the 2002/2003 season rolled back by 1.4% from the previous season's level, to reach 134.4 million bales. This was basically attributed to a drop in the opening stock by 17.5% to 40.0 million bales, owing to higher demand for raw cotton in the previous season.

On the international front, the output scaled up by 7.5% to reach 94.4 million bales due to the expansion of the area cultivated and a rise in the average productivity per feddan. World consumption also rose 0.5% to 96.8 million bales.

Position of World Cotton

(mn bales)

	2001/2002 Season (Final)	**2002/2003 Season (Estimated)**	**Change +(-) %**
Opening stock	48.5	40.0	(17.5)
World output	87.8	94.4	7.5
Total Supply	**136.3**	**134.4**	**(1.4)**
World consumption	96.3	96.8	0.5
Carryover at the end of the season	40.0	37.6	(6.0)
World trade*	30.1	30.4	1.0

Source: International Cotton Advisory Committee
* Measured by average volume of exports and imports

World prices of raw cotton for the 2002/2003 season took a downward trend because of weak world demand, which was associated with the stagnation in the markets of cotton products and the adverse developments in the Middle East. However, a remarkable pick–up followed, in response to a price increase on New York futures-market, together with the unstable weather conditions and the resultant expectations of lower production estimates for the new season. Later, prices slightly receded again as dealers were discouraged to make new contracts because of the stagnation of yarns and textiles trade and traders' tendency to cut prices to activate demand.

According to estimates of the International Cotton Advisory Committee, the volume of world trade for the 2002/2003 season is expected to reach 30.4 million bales, up by 1.0% over the level of the previous season.

1/6: Industrial Production

The manufacturing sector is considered the main engine for real development, in view of its significant relative weight in the commodity exports of the country, and its ability to absorb most of the labor force. It contributed 19.7% of GDP in the year under review, generated from yarn and textile, engineering, food, and chemical industries.

Data issued by the Ministry of Planning displayed an upward trend in the production, during FY 2002/2003, of a number of manufacturing goods, in particular, aluminum, silk yarn, synthetic fibers, ready-made garments, blankets, animal and poultry fodder, plain and engraved glass, caustic soda, tires, wool yarn and lorries. However, production dropped for some other goods, such as edible salt, phosphate fertilizers and cement.

The private sector's contribution to production sector activities increased for many manufacturing goods, especially, refined sugar, cotton yarn and fiber, wool yarn, blankets, ready-made garments, buses, edible salt, and glass. On the other hand, its contribution decreased for some others, such as animal and poultry fodder, silk yarn, synthetic fibers and tires.

Volume of Production, Growth Rate, and Contribution of the Private Sector to Main Manufacturing Goods

	Unit	Production		Growth Rate	Contribution of the Private Sector (%)	
		2001/2002	2002/2003	2002/2003	2001/2002	2002/2003
- Refined sugar	thousand tons	1490.0	1526.0	2.4	33.6	34.4
-Animal and poultry fodder	thousand tons	8597.0	9536.0	10.9	95.3	95.0
- Cotton yarn and fiber	thousand tons	263.2	265.0	0.7	47.6	58.2
- Wool yarn	thousand tons	23.0	24.6	7.0	73.9	85.4
- Silk yarn	thousand tons	15.8	19.8	25.3	94.9	85.9
- Synthetic fibers	thousand tons	80.9	98.0	21.1	90.2	82.0
- Blankets	million pieces	13.0	15.2	16.9	90.8	94.7
- Ready-made garments	million pieces	235.0	279.6	19.0	89.4	92.0
- Passenger cars	number	58008.0	60902.0	5.0	87.3	87.7
- Buses	number	5286.0	5524.0	4.5	93.8	94.8
- Lorries	number	20196.0	21482.0	6.4	98.2	97.5
- Washing machines	thousand	793.5	839.3	5.8	99.6	99.4
- Refrigerators	thousand	816.5	861.6	5.5	99.3	99.4
- Electric heaters	thousand	161.5	168.0	4.0	52.3	53.0
- Aluminum	thousand tons	153.7	248.0	61.4	0.0	0.0
- Carbonated beverages	million boxes	295.0	309.0	4.7	100.0	100.0
- Edible salt	thousand tons	2294.0	2180.0	(5.0)	27.2	31.2
- Reinforcing iron	thousand tons	4327.3	4405.0	1.8	97.1	97.6
- Cement	thousand tons	26778.2	26750.0	(0.1)	90.2	90.5
- Phosphate	thousand tons	1641.0	1650.0	0.5	0.0	0.0

- Plain and engraved glass	thousand tons	126.0	147.0	16.7	84.1	87.1
- Phosphate fertilizers	thousand tons	1283.7	1235.0	(3.8)	62.5	62.3
- Azote fertilizers	thousand tons	10388.0	10420.0	0.3	70.7	70.8
- Caustic soda	thousand tons	106.3	120.0	12.9	0.0	0.0
- Tires	thousand tons	1021.3	1093.7	7.1	41.1	39.3
- Soap (detergent and cosmetic)	thousand tons	497.7	503.5	1.2	86.2	86.0

1/7: Suez Canal

Suez Canal tolls generated their highest earnings during FY 2002/2003, reaching some US$ 2.2 billion against US$ 1.8 billion in the previous FY, up by 22.9%. This came as a reflection of the increase in both the number of ships transiting the Canal and the net tonnage, as well as the appreciation of the SDR (on the basis of which dues are collected) vis-à-vis the US dollar, by some 6.8%.

Net tonnage scaled up by 60.2 million tons or 13.7%, as tonnage of ships, other than oil tankers, rose by 50.2 million tons or 14.8%; and of oil tankers by 10.0 million tons or 10.1%.

During FY 2002/2003, the number of transiting ships increased by 1164, raising their total number to 14.6 thousand ships. That was ascribable to a rise in the number of oil tankers by 124 to 2.6 thousand, representing 18.0% of the total; and to a surge in the number of the other ships by 1040 to reach 12 thousand ships or 82.0% of total transiting ships.

Traffic in the Suez Canal

	2001/2002	2002/2003	Change %
Total Number of Ships	**13446**	**14610**	**8.7**
Oil tankers	2512	2636	4.9
Others	10934	11974	9.5
Total Net Tonnage (million tons)	**439.7**	**499.9**	**13.7**
Oil tankers	99.4	109.4	10.1
Others	340.3	390.5	14.8

Cargo transiting the Canal during FY 2002/2003 decreased by 12.6 million tons or 3.5% to 346.6 million tons against 359.2 million tons in the previous year, because of the decline in the northbound cargo by 18.2 million tons or 9.5%. By contrast, the southbound cargo stepped up by 5.6 million tons or 3.3%, mainly represented in oil substances and manufactured metals.

Traffic in the Suez Canal

	2000/2001	2001/2002	2002/2003
Oil tankers			
Number	2768	2512	2636
Net tonnage (million tons)	121.8	99.4	109.4
Tonnage, average (thousand tons)	44.0	39.6	41.5
Other ships			
Number	11611	10934	11974
Net tonnage (million tons)	340.5	340.3	390.5
Tonnage, average (thousand tons)	29.3	31.1	32.6
Total			
Number	14379	13446	14610
Net tonnage (million tons)	462.3	439.7	499.9
Tonnage, average (thousand tons)	32.2	32.7	34.2

Distribution of Cargo by Destination

(mn tons)

	2000/2001	2001/2002	2002/2003
Total	**383.9**	**359.2**	**346.6**
Southbound	**159.2**	**168.4**	**174.0**
Oil substances	12.3	14.7	19.6
Cereals	11.9	10.2	15.3
Mineral fertilizers	13.4	17.0	17.3
Manufactured metals	28.5	29.8	33.1
Others	93.1	96.7	88.7
Northbound	**224.7**	**190.8**	**172.6**
Oil substances	51.0	38.4	45.7
Metals and materials thereof	17.7	13.0	15.4
Cereals	1.8	1.5	1.4
Oleaginous plants	1.8	1.5	1.6
Others	152.4	136.4	108.5

1/8: Tourism

During FY 2002/ 2003, the tourism sector managed to withstand the negative expectations of the war on Iraq, as its effects were seen only in the fourth quarter of the year. This was thanks to the adoption of tourism promotion and marketing plans designed to face international and regional crises and the provision of facilities in all areas to arrivals of all nationalities.

According to the CAPMAS statistics on tourist movement, the number of arrivals rose by 20.7%, and the number of tourist nights by departures by 15.7%. As a result, tourism revenues rose 10.9% to reach US$ 3796.4 million, compared with the previous year. However, the average tourist spending per night and average tourist stay declined by 4.1% and 2.9%, respectively.

Tourism Indicators

	2001/2002	Change + (-) %	2002/2003	Change + (-) %
Number of arrivals (000s)*	4341	(18.8)	5239	20.7
Number of departures (000s)	4095	(9.5)	4887	19.3
Number of tourist nights of departures (000s)	28542	(12.7)	33011	15.7
Average spending per tourist a night (US$)	119.92	(9.2)	115.0	(4.1)
Tourism revenues (US$ mn.)	3422.8	(20.7)	3796.4	10.9
Average tourist stay (night)	7.0	(2.8)	6.8	(2.9)

Source: CAPMAS and CBE.

*Excluding non-resident Egyptians coming for temporary purposes.

Number of tourists

The number of arrivals from all tourist groups during the FY 2002/2003 rose by 898 thousand or 20.7% over the previous year's level, reaching 5.2 million tourists. The increase was realized mostly in the winter season (October/ December).

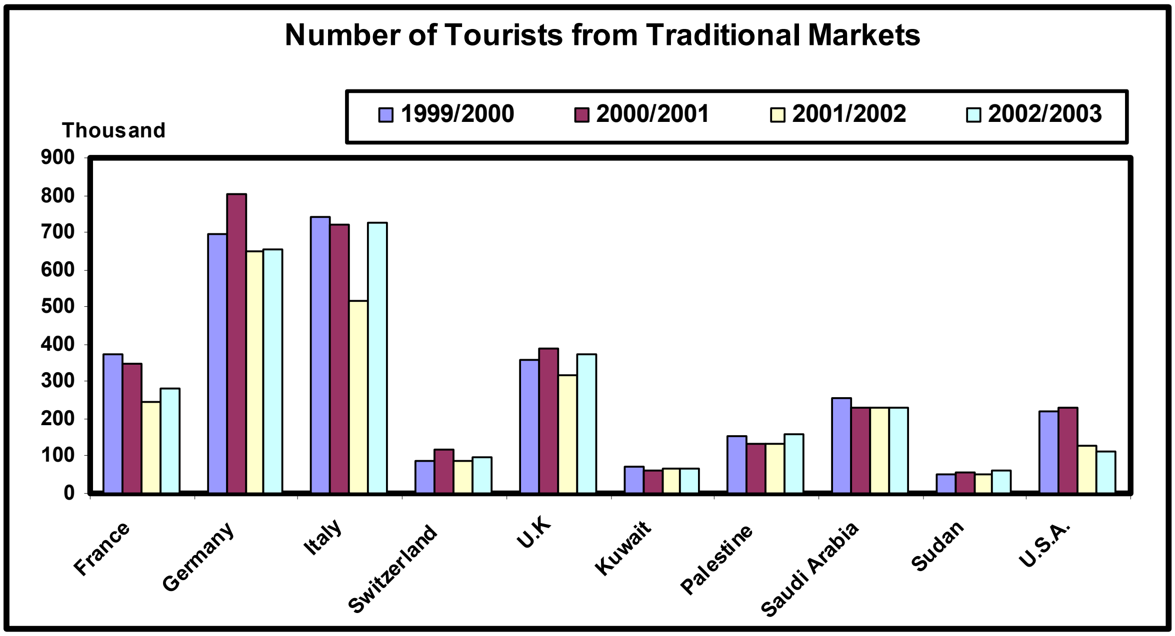
The European countries accounted for the bulk of the increase in the number of arrivals, with a share of about 700 thousand tourists or 25.3% of this increase. Western European countries contributed about 436 thousand tourists or 19.0%, mostly from Italy (209 thousand or 40.4%). The Scandinavian countries accounted for 31 thousand or 31.3%, and the U.K. for 53 thousand or 16.7%, and France for 38 thousand or 15.6%. Eastern Europe contributed 264 thousand tourists or 56.3%, mainly from Russia, the Czech Republic, Slovakia, and Poland.

Number of Arriving Tourists

(In thousand)

	2001/2002			2002/2003		
	No.	Relative weight	Change+(-) %	No.	Relative weight	Change+(-) %
Total	**4341**	**100.0**	**(18.8)**	**5239**	**100.0**	**20.7**
			By Period			
July/Sept.	1339	30.8	(9.2)	1566	29.9	17.0
Oct./Dec.	802	18.5	(41.2)	1426	27.2	77.8
Jan./March	1054	24.3	(16.7)	1184	22.6	12.3
April/June	1146	26.4	(7.7)	1063	20.3	(7.2)
			By Group			
Europe	2769	63.8	(20.9)	3469	66.2	25.3
West Europe	2300	53.0	(26.6)	2736	52.2	19.0
East Europe	469	10.8	27.1	733	14.0	56.3
Middle East Countries	1025	23.6	(4.2)	1179	22.5	15.0
Africa	144	3.3	(0.7)	168	3.1	16.7
Americas	184	4.2	(43.4)	168	3.2	(8.7)
Asia & Pacific	217	5.0	(28.6)	253	4.8	16.6
Others	2	0.1	0.0	2	0.0	0.0

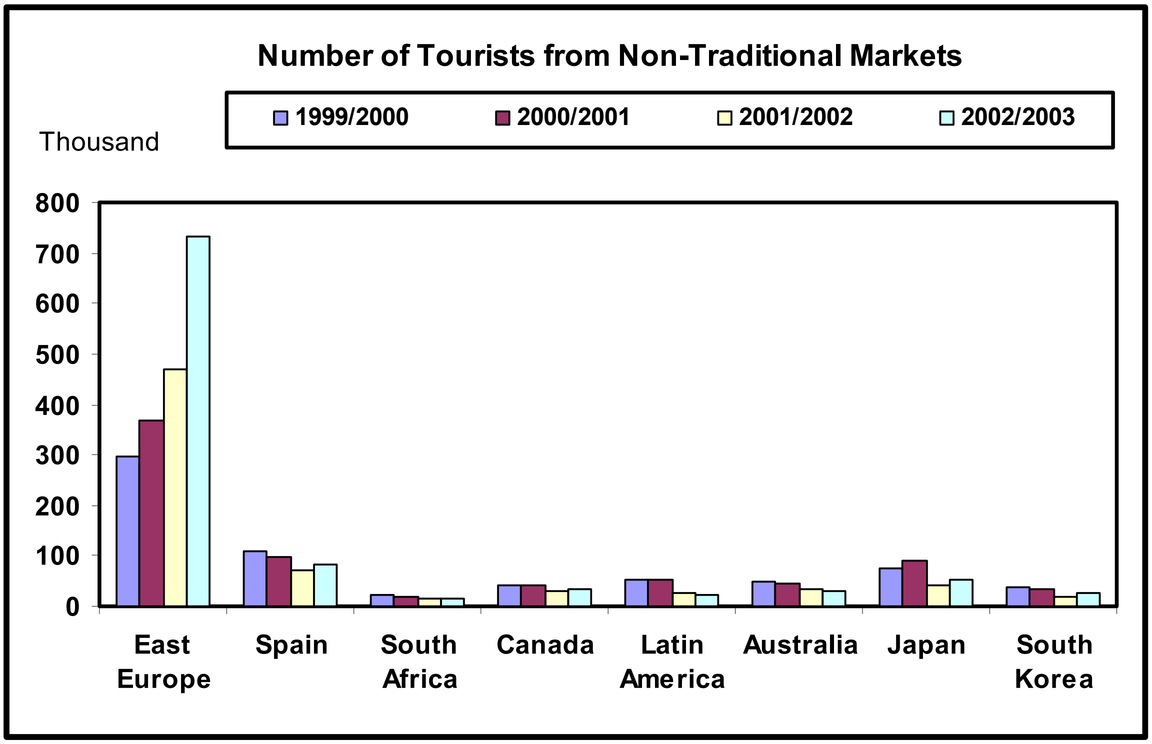
Source: CAPMAS.



The Middle East maintained its position as second in terms of the number of arrivals, with an increase of about 154 thousand tourists or 15%. This was a result of the increase in the number of arrivals from most of the markets of this group, especially from Libya with a share of about 57 thousand tourists or 30.5% of the said increase, Palestine 25 thousand or 19.1%, Syria 6 thousand or 8.5%, and Kuwait 5 thousand or 7.8%.

The Asian and Pacific group came third, with an increase of about 36 thousand tourists or 16.6% in arrivals therefrom, mostly from China at 7 thousand or 50.0%, Japan 13 thousand or 32.5%, and South Korea 5 thousand or 25.0%.

The African group followed, with an increase of about 24 thousand tourists or 16.7% in arrivals therefrom, mostly from Algeria with an increase of 6 thousand tourists or 54.5%, Morocco 5 thousand or 35.7%, and Nigeria 4 thousand or 44.4%.



In the meantime, flows from the Americas group continued to trend downwards since the events of September 11, 2001. As such, the number of arrivals therefrom retreated by about 16 thousand tourists or 8.7%, mostly coming from USA with a share of 12 thousand or 9.4%, and Latin America 5 thousand or 19.2%. By contrast, the Canadian arrivals rose by about one thousand tourists, with a rate of 3.2%.

Tourist Nights

The total number of nights spent by all groups during FY 2002/2003 reached about 33 million, with a rise of 4.5 million nights or 15.7% over the previous year. The increase occurred mainly during the second quarter of the year (3.1 million nights or 62.2%). Despite the decline in the number of arrivals during the last quarter of the year, the number of tourist nights increased by 318 thousand or 4.2%.

Number of Tourist Nights

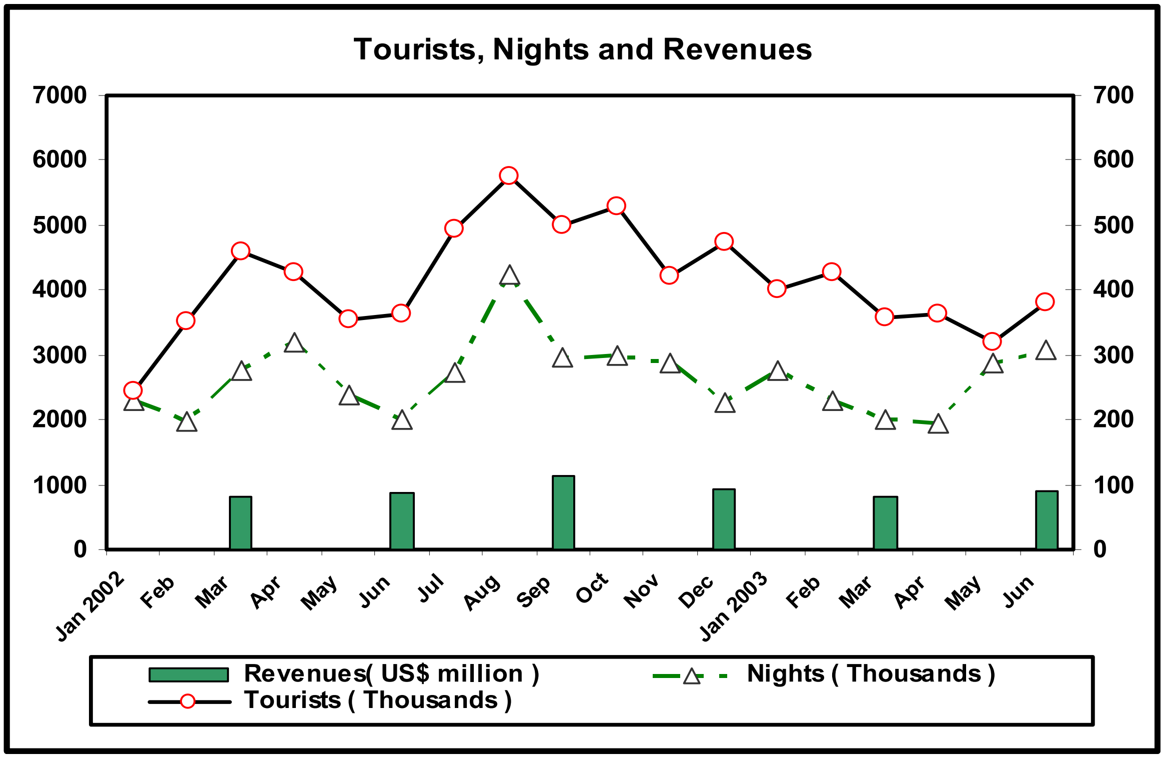
(In thousand)

	2001/2002 Number	2001/2002 Relative weight	2001/2002 Change +(-)%	2002/2003 Number	2002/2003 Relative weight	2002/2003 Change +(-)%
Total	**28542**	**100.0**	**(12.7)**	**33011**	**100.0**	**15.7**
By Period						
July/Sept.	8899	31.2	(2.4)	9902	30.0	11.3
Oct./Dec.	5017	17.6	(34.7)	8136	24.7	62.2
Jan./March	7045	24.7	(12.2)	7074	21.4	0.4
April/June	7581	26.5	(3.7)	7899	23.9	4.2
By Group						
Europe	19021	66.6	(15.9)	22399	67.9	17.8
West Europe	16560	58.0	(20.8)	18377	55.7	11.0
East Europe	2461	8.6	43.3	4022	12.2	63.4
Mid. East	6080	21.3	6.5	7213	21.9	18.6
Africa	1003	3.5	7.4	1106	3.4	10.3
Americas	1294	4.5	(34.6)	1164	3.5	(10.0)
Asia & Pacific	1130	4.0	(21.6)	1117	3.4	(1.2)
Others	14	0.1	16.7	12	0.0	(14.3)

Source: CAPMAS.

A follow-up of the number of nights spent by departures from the different tourist markets showed that the European group continued to rank first, with a relative weight of 67.9%. The nights spent by departures from this group rose by about 3.4 million nights or 17.8% of the total. The Western European countries accounted for about 1.8 million nights or 11% of this increase. Italy came in the lead with a share of 1.2 million nights or 31.3%, followed by Austria (229 thousand nights or 48.0%), and the UK (215 thousand nights or 10.8%). Eastern Europe contributed about 1.6 million nights or 63.4%, mostly by arrivals from the Common Wealth, the Czech Republic, Slovakia, and Poland.

The Middle East group showed a rise of 1.1 million or 18.6% in tourist nights. Libya headed the group with a share of 819 thousand nights or 117.2%, followed by Saudi Arabia with 179 thousand nights or 10.0%, and Palestine 55 thousand nights or 9.7%.



The African group showed an increase of 103 thousand nights or 10.3%, mostly from the Sudan, about 115 thousand nights or 23.3% of the total, Algeria 22 thousand or of 34.9%, Tunisia 11 thousand or 11.7% of the total.

With regard to the Asian and Pacific group, despite the rise of arrivals therefrom, their share of tourist nights dropped by about 13 thousand or 1.2%. This was chiefly ascribed to the drop in the number of nights spent by Australians and Indians by 18.4% and 9.9%, respectively. Conversely, there were rises in the nights spent by arrivals from China 36 thousand or 48.0%, South Korea 14 thousand or 23.0%, Japan and Pakistan 11.5% for each.

In the Americas group, the number of tourist nights took the same trend of the number of arrivals, as it declined by 130 thousand nights or 10%. There was a downtrend in all markets of this group at rates ranging between 5.6% and 33.3%. Canada, however, was an exception, with a rise of 2 thousand nights or 0.9%.

1/9: Population and Employment

In mid 2002/2003 (January 2003), the total population residing in Egypt was about 67.3 million, with a growth rate of 1.99% against 2.06% in the previous year.

According to the age structure, the number of productive persons in the age bracket (15-64 years) totaled about 41.5 million, 50.9% of which are males and 49.1% females.

Owing to the increase in labor force by about 2.5% in the FY 2002/2003, the level of economic dependency retreated. As such, the labor force reached 20.2 million, representing 30.0% of the total population, against 19.7 million or 29.9% in the previous year.

It is noteworthy that women's participation in the development process edged up, as the relative importance of females in the labor force reached 18.0% up from 17.7% in the previous year.

Population, Labor Force & Unemployment

(mn)

			Growth Rates	
	2001/2002	**2002/2003**	**2001/2002**	**2002/2003**
First: Population*	**66.0**	**67.3**	**2.06**	**1.99**
Second: Labor Force and Unemployment				
Labor Force	**19.7**	**20.2**	**1.0**	**2.5**
Employment	**17.9**	**18.2**	**0.6**	**1.7**
Commodity sectors	9.2	9.3	0.0	1.1
Productive service sectors	2.9	3.0	0.0	3.4
Social service sectors	5.8	5.9	1.8	1.7
Unemployment	1.8	2.0	12.5	11.1
Open unemployment ratio (no. of idles/ labor force)	9.0	9.9	7.1	10.0
Average real productivity**(in LE) (Real GDP at factor cost/ Employment)	19808.0	20864.8	00	5.3

*Excluding Egyptians working abroad.
**Prices of 2001/2002.
00 not available.

Employment increased to 18.2 million persons against 17.9 million at a growth rate of 1.7%. The sector of agriculture, irrigation, and fishing absorbed 28.3% of the total employment, the general government sector 25.1%, the manufacturing sector 12.0%, and the trade sector 8.6%.

Owing to the increase in the labor force at a rate exceeding that of employment, the unemployment rate climbed to 9.9% during the FY 2002/2003 against 9.0% a year earlier.

The real average productivity per capita continued to improve at the macroeconomic level during FY 2002/2003, reaching LE 20.9 thousand against LE 19.8 thousand during the previous FY.

1/10: Price Developments

The annual inflation rate rose to 4.0% during the FY 2002/2003, against 2.7% in the previous year, (CPI on June/June basis)

Consumer Prices (Urban)

		Inflation Rate (%)			
	Relative Weight	**June 2001/ June 2002**	**June 2002/ June 2003**	**Average 2001/2002 Divided by Average 2000/2001**	**Average 2002/2003 divided by Average 2001/2002**
General Index	**1000.0**	**2.7**	**4.0**	**2.4**	**3.2**
Foodstuffs, beverages, and tobacco	502.2	4.2	6.7	2.6	5.1
Ready-made garments and textiles	97.1	2.5	1.3	2.1	1.5
Housing and fuel	92.9	-	1.0	0.3	0.6
Furniture, detergents, and services	50.1	2.2	4.7	2.1	2.9
Medical care	40.7	1.4	0.2	0.6	0.9
Transportation and communication	61.7	-	0.1	0.6	1.7
Education, culture, and recreation	91.5	0.5	0.9	5.6	0.8
Miscellaneous goods and services	63.8	0.3	1.8	2.3	1.1

This came because of the higher growth rates of some of the groups constituting the general index. These groups, which represent 80.0% of the relative weight of all groups are foodstuffs, beverages and tobacco; housing and fuel; furniture, detergents and services; education, culture and recreation; and miscellaneous commodities and services. The effect of this rise on the general index was partly offset by the slow growth rates of the other groups, in spite of their modest relative weights (20.0% of the total).

In addition, the inflation rate - based on the annual average of consumer price index - increased to 3.2%, up from 2.4% in the previous year.

2- Monetary and Banking Developments
2/1: Monetary and Banking Policy and Monetary Aggregates

2/1/1: Monetary Policy

During FY 2002/2003, the CBE pursued a monetary policy whose final target was to maintain price stability in line with the national objectives of spurring economic growth and creating more job opportunities. This was to be accomplished through a proper direction of the growth rates of money supply and domestic liquidity as an intermediate target, through using the excesses in banks' reserve balances as a daily operational target, to be determined in a way that would achieve the intermediate target.

During FY 2002/2003, the monetary policy targeted the growth of domestic liquidity at a rate of 10%, irrespective of the changes in the exchange rate. The actual rate reached 9.4%, excluding the effects of the exchange rate changes.

In order to realize the monetary policy target, the CBE resorted to indirect monetary management. Alongside the traditional instruments of the reserve requirement ratio and the discount rate, the CBE intensified its recourse to market mechanisms, mainly deposit acceptance. In the meantime, the CBE is currently in the process of strengthening the structure needed for open market operations.

Within this framework, the Board of Directors of the CBE decided, in FY 2002/2003, to modify the method of calculation of the reserve ratio by extending the calculation period from one to two weeks, including official and end-of-week holidays. In addition, it was decided to exclude from the numerator of the reserve ratio the balances of the treasury bills whose remaining period of maturity does not exceed 15 days. The ratio is to remain in effect at its present level of 14%.

In order to diversify and develop the monetary policy instruments, the CBE decided in September 2002 to shift from accepting deposits in local currency, in virtue of mutual agreements between the CBE and some other banks to a new market-based system. According to the new system, the CBE specifies the quantity of deposits required to be deposited therewith and the date and maturity of the transaction. On their part, banks are to submit their bids specifying the required quantity and interest rate. This is to be announced on both Reuters' and the CBE website. During this FY, the CBE's annual lending and discount rate was reduced from 11.0% to 10.0%, as of November 11, 2002, for stimulating investment and economic activity.

Domestic liquidity (M2) growth rate reached 16.9% during the year, against 15.4% during the previous year, dropping to 9.4% against 11.0% when excluding exchange rate changes during the years of review and comparison. Meanwhile, the growth rate of money supply (M1) reached 12.4% up from 11.9%.

In spite of the retreat in the monetary expansion rates, inflation, calculated on the basis of comparing the consumers price index (urban) on a June/June basis, rose from 2.7% in 2001/2002 to 4.0% in 2002/2003. This was partly due to the changes in the exchange rate.

CBE Loan and Discount Rate and Average Interest Rates

(% Annually)

End of June	2001	2002	2003
CBE loan and discount rate	11.00	11.00	10.00
Average interest rates at banks on:			
3-month deposits	9.43	9.42	8.46
Loans of one year or less	13.57	14.10	13.45

Because of the drop in the CBE loan and discount rate, the average annual interest rate at banks on 3-month deposits in local currency reached 8.46% at the end of June 2003 against 9.42% at the end of June 2002. The average interest rate on loans for one year or less reached 13.45% against 14.10%. Meanwhile, the average interest rate on treasury bills for 91 days rose to 10.27% at the end of June 2003, from 7.20% at the end of June 2002, and on treasury bills for 182 days to 10.23% from 7.65 %.

TB Interest Rates

(%)

End of June	2001	2002	2003
91-day bills	9.059	7.198	10.270
182-day bills	9.077	7.651	10.228

Local currency time-and-saving deposits increased by LE 19.3 billion, compared with an increase of LE 4.4 billion worth in foreign currency, excluding the effect of the change in the Egyptian pound exchange rate vis-à-vis foreign currencies. Total local currency deposits accounted for the bulk (68.7%) of total deposits at the end of June 2003.

The outstanding balance of treasury bills increased by LE 15.3 billion, to reach LE 55.3 billion at the end of June 2003, of which LE 53.7 billion were held by banks. The nominal value of treasury bills remained unchanged at LE 13.0 billion, of which LE 11.1 billion were held by banks.

Outstanding Balances of Treasury Bills and Bonds

(LE bn)

End of June	2002	2003
Bills, of which:	**40.0**	**55.3**
Banks' holdings	39.7	53.7
Treasury Bonds 2003, of which:	**4.0**	**4.0**
Banks' holdings	3.6	3.5
Treasury Bonds 2005, of which:	**1.5**	**1.5**
Banks' holdings	1.3	1.3
Treasury Bonds 2006, of which:	**0.5**	**0.5**
Banks' holdings	0.4	0.5
Treasury Bonds 2009, of which:	**4.0**	**4.0**
Banks' holdings	2.7	2.8
Treasury Bonds 2007, of which:	**3.0**	**3.0**
Banks' holdings	3.0	3.0

With the availability of adequate liquidity in some banks, TB repos conducted between the CBE and some other banks were limited to LE 6.3 billion during the year under review, against LE 51.0 billion during the previous FY.

TB Repos

(LE bn)

During the Year	2001/2002	2002/2003
Number of bids	759.0	119.0
Purchase value	51.0	6.3

Under the deposit acceptance mechanism, the CBE accepted short-term local currency deposits from banks at an interest rate ranging between 2.9% and 15.7%. The number of transactions announced throughout the year - since the application of this instrument - reached 62, with maturities ranging from 6 to 30 days. The value of announced bids amounted to LE 78.4 billion, of which LE 59.3 billion were accepted. The outstanding balance of banks' deposits held with the CBE under this instrument reached LE 6.3 billion at the end of June 2003.

On 29 January 2003, in an effort to promote economic liberalization, it was decided to abolish the central rate of the US dollar, so that the exchange rate of the Egyptian pound can be determined according to market forces. Accordingly, banks were entitled to set their buying and selling rates for foreign exchange freely within the framework of the free Forex market. This was accompanied by a drop of 23.3% in the exchange rate of the Egyptian pound during the year 2002/2003. The result was that the average US dollar exchange rate (transfers/ buying) reached pt 603.23 at the end of June 2003, according to the CBE Forex Statistics Chamber, against pt 462.65 at the end of June 2002.

To unify the banking and foreign exchange legislations, the CBE issued on 15 June 2003 the Law No. 88 for 2003 of the Central Bank, the Banking Sector and Money. By virtue of this Law, the CBE, in agreement with the government, is to set the monetary policy targets, through a coordinative council formed by a Presidential decree. The Executive Regulations of this Law prescribe the system of work applied by the said council.

2/1/2: Reserve Money

Reserve money increased by LE 15.5 billion or 21.0% during the FY 2002/2003 against LE 3.8 billion or 5.4%, reaching LE 89.2 billion at the end of June 2003. This was due to the increase in local currency bank deposits at the CBE by LE 8.9 billion or 31.3%. Added to this was the increase in both the unremunerated reserves and banks' interest rate deposits accepted within the requirements of the monetary policy. Moreover, money in circulation outside the CBE increased by LE 6.6 billion or 14.5%.

Reserve Money and Counterpart Assets

(LE mn)

	Balances at End of June 2003	Change during FY 2001/2002 Value	%	2002/2003 Value	%
a-Reserve Money	**89236**	**3762**	**5.4**	**15464**	**21.0**
-Money in circulation outside the CBE	51960	4647	11.4	6584	14.5
-Banks' deposits in local currency	37276	(885)	(3.0)	8880	31.3
b-Counterpart Assets	**89236**	**3762**	**5.4**	**15464**	**21.0**
Net Foreign Assets	**12343**	**(3186)**	**(24.5)**	**2527**	**25.7**
Foreign Assets	**86287**	**8296**	**15.5**	**24393**	**39.4**
Gold	3808	689	36.7	1240	48.3
Foreign securities	15569	3755	38.1	1948	14.3
Foreign currencies	66910	3852	9.2	21205	46.4
Foreign Liabilities	**73944**	**11482**	**28.3**	**21866**	**42.0**
Net Domestic Assets	**76893**	**6948**	**12.2**	**12937**	**20.2**
Claims on Government (Net)	**70769**	**6262**	**9.6**	**(555)**	**(0.8)**
Claims, of which:	136723	19228	19.6	19192	16.3
Government securities	116528	18176	22.6	18016	18.3
Deposits	65954	12966	39.0	19747	42.7
Claims on Banks (Net)	**-34505**	**(7638)**	**76.0**	**(16818)**	**95.1**
Claims	9765	184	1.8	(527)	(5.1)
Foreign currency deposits	44270	7822	38.8	16291	58.2
Other Items (Net)	**40629**	**8324**	**417.2**	**30310**	**293.7**
Assets	48758	8959	94.8	30344	164.8
Liabilities, of which:	8129	635	8.5	34	0.4
Equities	1501	351	6.8	(3999)	(72.7)
Provisions	235	(362)	(94.3)	213	968.2

As for the counterpart assets of reserve money, net domestic and foreign assets had an expansionary effect thereon. The net domestic assets increased by LE 12.9 billion or 20.2% to reach LE 76.9 billion at the end of June 2003. This was attributable to the increase in other items (net) by LE 30.3 billion. Nonetheless, this increase was limited by the retreat in the CBE net claims on banks by LE 16.8 billion, (because of the decrease of its claims thereon by LE 0.5 billion and the increase in banks’ foreign currencies deposits with the CBE by LE 16.3 billion, partly due to exchange rate changes). Added to this was the decline in the CBE net claims on the government by LE 0.6 billion, (as a result of the increase of LE 19.2 billion in its claims thereon and in government deposits with the CBE by LE 19.8 billion).

The CBE's net foreign assets increased by the equivalent of LE 2.5 billion or 25.7% during the FY 2002/2003, against a retreat of LE 3.2 billion or 24.5%, to reach LE 12.3 billion at the end of June 2003. This came as a result of the rise in both the CBE's foreign assets by the equivalent of LE 24.4 billion and its foreign obligations by LE 21.9 billion, which, in turn, was ascribed to the change in the exchange rate at which these assets and obligations were evaluated.

2/1/3: Banknote Issue

The banknote issue (including subsidiary coins) climbed by LE 6.8 billion or 14.9% during the FY 2002/2003, reaching LE 52.4 billion at the end of June 2003, against LE 4.6 billion or 11.3% during the previous year.

Banknote Issue*

(LE mn)

At End of June	Balance of Note Issue	Change during the FY	
		Value	%
1999	35674	3433	10.6
2000	37939	2265	6.3
2001	41008	3069	8.1
2002	45633	4625	11.3
2003	52432	6799	14.9

*Including subsidiary coins issued by the Ministry of Finance.

As for the issue cover, the value of gold increased by LE 1.2 billion to reach LE 3.8 billion, due to its revaluation on June 30, 2003. In addition, the value of foreign sovereign bonds decreased by LE 1.3 billion worth. As a result, government securities of the cover increased by LE 6.9 billion, to reach LE 47.1 billion. Overall, the issue cover comprised 90.1% in government securities, 7.3% in gold, and 2.6% in foreign sovereign bonds at the end of June 2003.

This increase in the note issue was reflected on the currency in circulation outside the CBE, leading to its increase by LE 6.6 billion or 14.5%, to reach LE 52.0 billion at the end of June 2003.

A breakdown by denomination of the currency in circulation outside the CBE indicated an increase in the relative importance of LE 50 note to 37.1% at the end of June 2003, against 32.9% at the end of June 2002. The relative importance of LE 100 note increased to 24.7% against 23.7%. By contrast, the relative importance of LE 20 note retreated from 26.3% to 23.2%, the LE 10 note from 12.6% to 10.9%, the LE 5 note from 2.3% to 2.1% , and the pt 50 note from 0.5% to 0.4% . All the other denominations remained unchanged.

As a result, the average value per note increased from LE 14.3 at the end of June 2002 to LE 15.4 at the end of June 2003, at a rate of 7.7% during the FY 2002/2003.

Money in Circulation outside the CBE*

(LE mn)

Denominations	June 2002 Value	June 2002 Relative Importance	June 2003 Value	June 2003 Relative Importance	Change during FY 2001/2002	Change during FY 2002/2003
Total	**45377**	**100.0**	**51960**	**100.0**	**11.4**	**14.5**
Subsidiary Coins	206	0.5	213	0.4	3.5	3.4
PT 25	126	0.3	135	0.3	11.5	7.1
PT 50	221	0.5	232	0.4	5.7	5.0
LE 1	422	0.9	448	0.9	5.5	6.2
LE 5	1034	2.3	1098	2.1	(11.5)	6.2
LE 10	5718	12.6	5690	10.9	1.7	(0.5)
LE 20	11948	26.3	12049	23.2	3.8	0.8
LE 50	14938	32.9	19270	37.1	12.0	29.0
LE 100	10764	23.7	12825	24.7	31.8	19.1

*Representing the difference between the banknote issue and cash at the CBE's vaults.

2/1/4: Swift Local Service and Clearing Houses Activity

The number of local banks using the Swift service and carrying out transfers and payment orders in the Egyptian pound reached 52 until the end of June 2003. The value of transfers executed through this service reached LE 998.2 billion, representing 216.9 thousand transfers during the FY 2002/2003, against LE 996.8 billion and 376.7 thousand transfers during the previous year.

Swift Local Service Activity*

(LE mn)

FY	Executed Transfers		Change during the FY	
	Number	Value	Number	Value
2001/2002	376658	996799	135853	370443
2002/2003	216934	998205	(159724)	1406

*This service started on March 27, 2000.

Statistics of the CBE clearing houses in Cairo, Alexandria, and Port Said, through which interbank due checks are settled showed an increase in the number of exchanged cheques to 10.0 million; nonetheless their total value dropped to LE 244.6 billion, during the FY 2002/2003, as compared with 7.9 million cheques valued at LE 270.5 billion during the previous year.

CBE Clearing Houses Activity

During FY	Number of Cheques (000s)	Value of Cheques (LE mn)	Change	
			Number	Value
1997/1998	8102	323960	1.4	20.4
1998/1999	8377	350246	3.4	8.1
1999/2000	8555	338083	2.1	(3.5)
2000/2001	8228	292168	(3.8)	(13.6)
2001/2002	7918	270543	(3.8)	(7.4)
2002/2003	10025	244581	26.6	(9.6)

As an outcome of the increase of 26.6% in the number of cheques and the retreat in their value by 9.6%, the average value per cheque declined to LE 24.4 thousand during the FY 2002/2003 from LE 34.2 thousand during the previous FY.

2/1/5: Domestic Liquidity and Affecting Factors

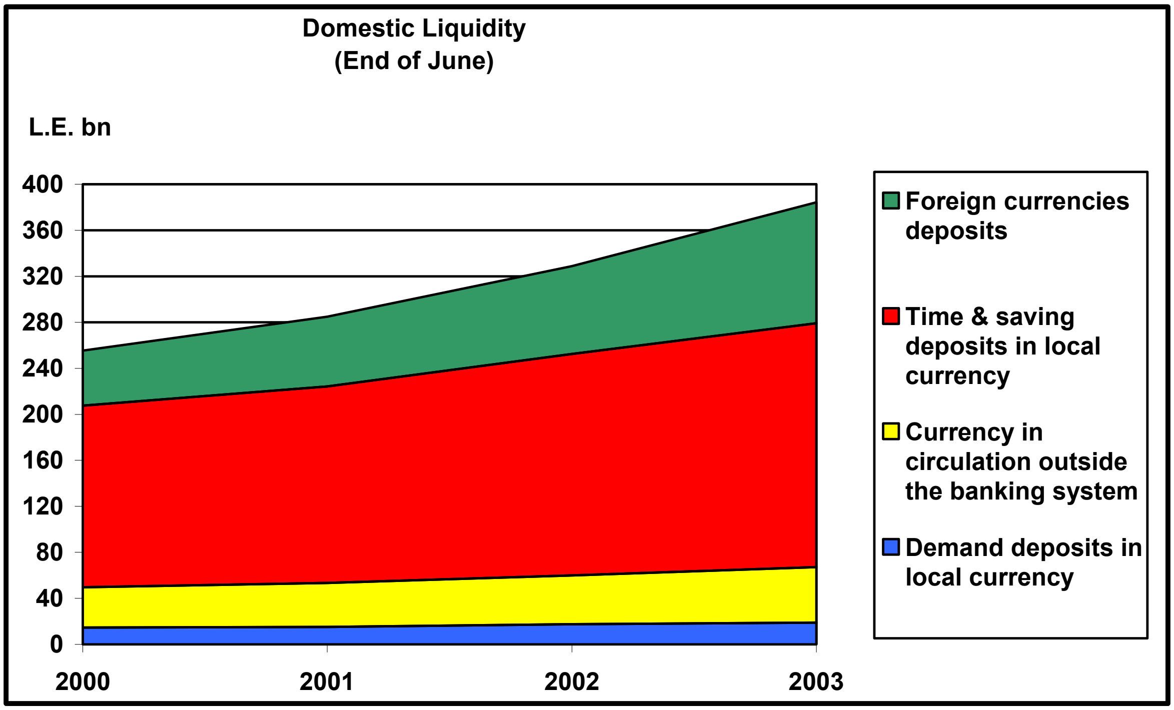
During FY 2002/2003 domestic liquidity (M2) rose by LE 55.5 billion or 16.9% against LE 43.9 billion or 15.4% to reach LE 384.3 billion at the end of June 2003. When the effect of the changes in the exchange rate is excluded the growth rate would drop to 9.4% from 11.0%.

Domestic Liquidity Structure

(LE mn)

	End of June 2003		Change During Financial Year			
	Balances	Relative Importance	2001/2002 Value	2001/2002 %	2002/2003 Value	2002/2003 %
Domestic Liquidity	**384262**	**100.0**	**43855**	**15.4**	**55534**	**16.9**
Money Supply	**67212**	**17.5**	**6357**	**11.9**	**7407**	**12.4**
Currency in circulation outside the banking system	48258	12.6	4138	10.8	5959	14.1
Local currency demand deposits	18954	4.9	2219	14.5	1448	8.3
Quasi-Money	**317050**	**82.5**	**37498**	**16.2**	**48127**	**17.9**
Time and Saving Deposits in local Currency	**212010**	**55.2**	**22037**	**12.9**	**19292**	**10.0**
Foreign Currency Deposits	**105040**	**27.3**	**15461**	**25.5**	**28835**	**37.8**
- Demand deposits	12159	3.1	1525	22.6	3892	47.1
- Time and saving deposits	92881	24.2	13936	25.8	24943	36.7

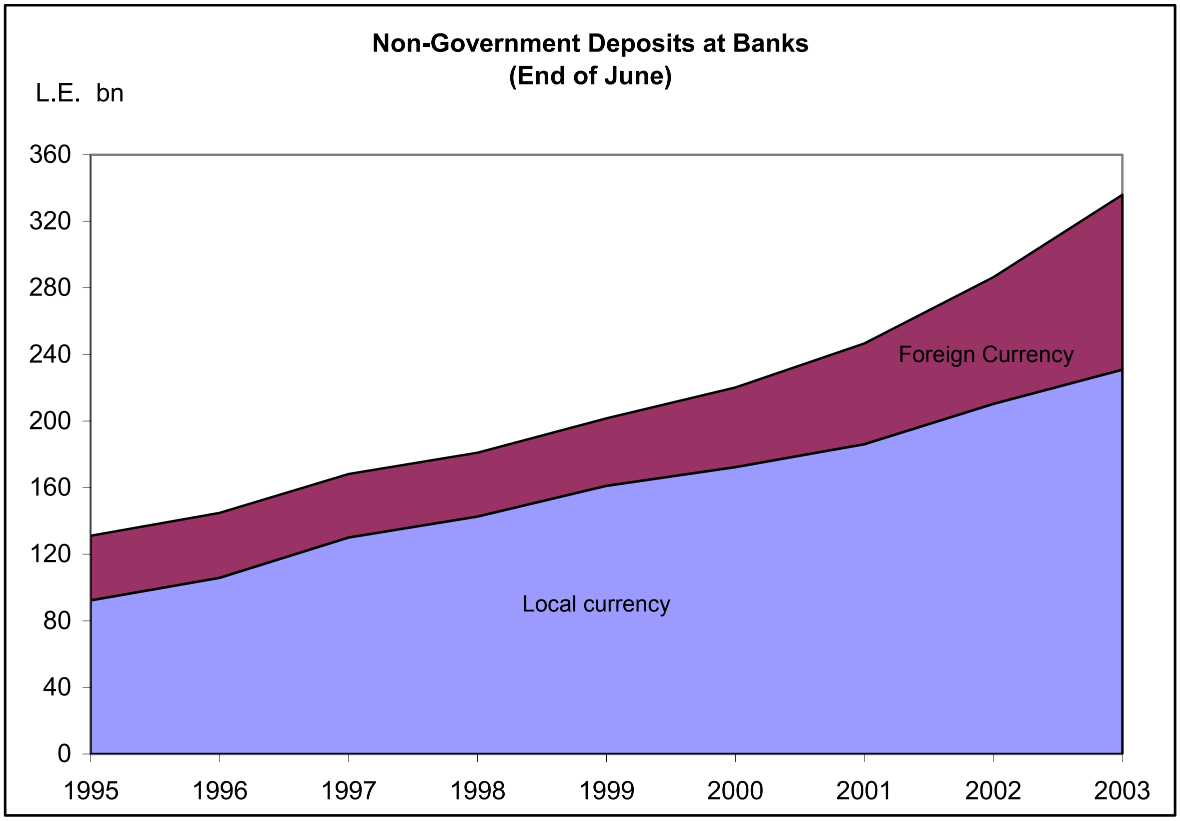
The rise in domestic liquidity during the year under review reflects a growth of LE 7.4 billion or 12.4% in money supply, and of LE 48.1 billion or 17.9% in quasi-money. This rise in money supply is attributed to the growth in the currency in circulation outside the banking system by LE 6.0 billion or 14.1%, and in demand deposits in local currency by LE 1.4 billion or 8.3%. This was mainly due to a pick-up in the deposits of the public and private business sectors, and the household sector.



On the other hand, quasi-money reached LE 317.1 billion, representing 82.5% of the total domestic liquidity at the end of June 2003. This resulted from the growth of LE time and saving deposits in local currency by LE 19.3 billion or 10.0%, against LE 22.0 billion or 12.9%, to reach LE 212.0 billion at the end of June 2003. As for foreign currency deposits, they increased by LE 28.8 billion worth or 37.8% (LE 4.4 billion or 5.7% excluding the effect of exchange rate changes) to reach LE 105.0 billion worth.

Local currency deposits represented the bulk of 68.7% of total deposits at the end of June 2003.

The increase in local currency time and saving deposits was mainly attributed to the increase in the household sector's deposits by LE 21.5 billion to reach LE 178.9 billion, representing 84.4% of total time and saving deposits in local currency. Conversely, the private business sector's deposits retreated by LE 2.1 billion.



As for foreign currency deposits, the increase was concentrated in the household sector's deposits which scaled up by the equivalent of LE 22.3 billion (or LE 4.4 billion, excluding the effect of exchange rate change). The increase in the private sector's deposits amounted to only LE 5.8 billion worth, and the public sector's to LE 0.7 billion worth.

As for the counterpart assets of domestic liquidity, net domestic credit increased by LE 27.4 billion or 7.6% against LE 38.2 billion or 11.9%, to reach LE 387.4 billion at the end of June 2003. Net foreign assets went up by LE 8.1 billion or 47.1% to reach the equivalent of LE 25.4 billion. The negative balance of other items (net) retreated by LE 20.0 billion during the year, against LE 7.3 billion during the year of comparison.

Counterpart Assets of Domestic Liquidity

(LE mn)

	End of June 2003		Change during FY			
	Balances	Relative Importance	2001/2002		2002/2003	
			Value	%	Value	%
Counterpart Assets of Domestic Liquidity	**384262**	**100.0**	**43855**	**15.4**	**55534**	**16.9**
Net Foreign Assets	**25429**	**6.6**	**(1672)**	**(8.8)**	**8144**	**47.1**
With the CBE	12343	3.2	(3187)	(24.5)	2527	25.7
With other banks	13086	3.4	1515	25.4	5617	75.2
Domestic Credit	**387446**	**100.8**	**38220**	**11.9**	**27356**	**7.6**
Government (net)	103518	26.9	12101	14.5	8095	8.5
Public business sector	34986	9.1	1958	6.7	3843	12.3
Private business sector	214308	55.8	21632	12.1	14078	7.0
Household sector	34634	9.0	2529	8.2	1340	4.0
Other Items (net)	**-28613**	**-7.4**	**7307**	**(13.1)**	**20034**	**(41.2)**

The increase in domestic credit was due to the expansion in the credit to the private business sector, which obtained 51.5% or LE 14.1 billion of this increase, with a growth rate of 7.0%, against LE 21.6 billion and a growth rate of 12.1%. Thus, the private sector's indebtedness to banks widened to LE 214.3 billion and represented 55.3% of total domestic credit at the end of June 2003.

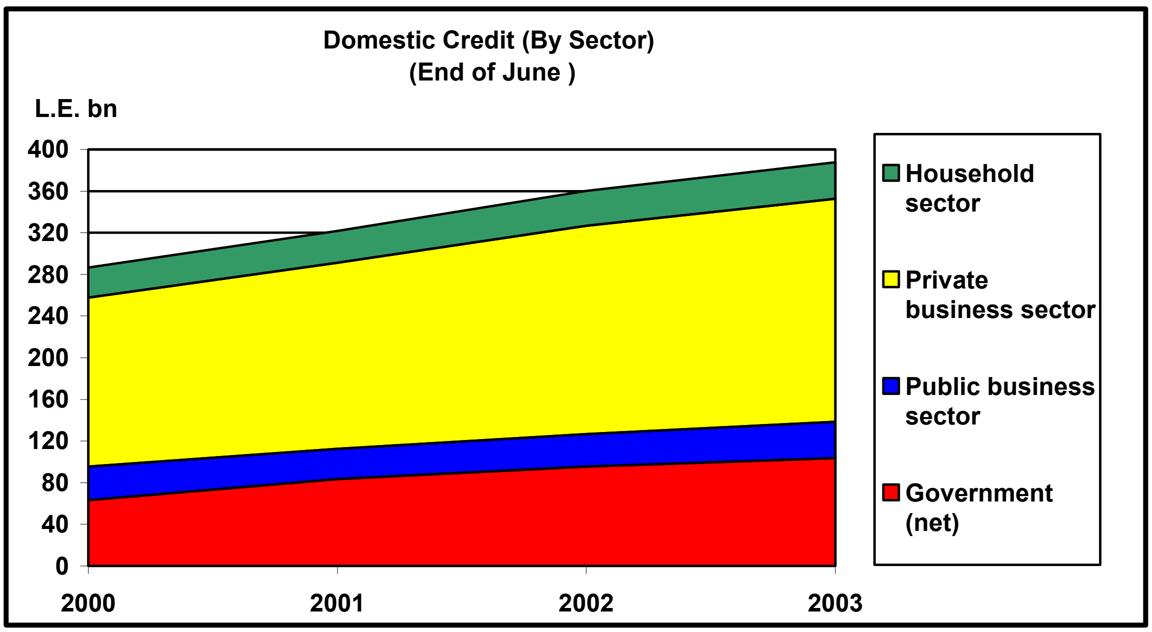
The private business sector units operating in the field of services were granted loans in the amount of LE 8.0 billion during the FY 2002/2003. Of this sum industry received LE 4.7 billion, and trade LE 2.4 billion, whereas the share of agriculture dropped by LE 0.3 billion.

Credit to the public business sector rose by LE 3.9 billion or 12.3% against LE 2.0 billion or 6.7%. Its indebtedness to banks reached LE 35.0 billion at the end of June 2003. The net credit extended to the government sector (including the public economic authorities) increased by LE 8.1 billion or 8.5%, bringing its net indebtedness to the banking system to LE 103.5 billion, or 26.7% of the total domestic credit at the end of June 2003.

The change in net claims on the government stemmed from the increase in loans and securities due on the government by LE 41.1 billion (of which LE 5.3 billion resulted from the changes in the exchange rate), and the rise in its deposits with the banking system by LE 33.0 billion (of which LE 18.1 billion was the result of changes in the exchange rate).

The credit granted to the household sector rose by LE 1.3 billion or 4.0%, raising its indebtedness to banks to LE 34.6 billion at the end of June 2003.

A breakdown of domestic credit reveals that the private business sector obtained 55.3%, the government sector 26.7%, the public business sector 9.1%, and the household sector 8.9%, at the end of June 2003.



Net foreign assets of the banking system rose by the equivalent of LE 8.1 billion or 47.1% during the year, against a retreat equivalent to LE 1.7 billion or 8.8% during the previous FY, to reach the equivalent of LE 25.4 billion at the end of June 2003. This rise was mainly due to the changes in the exchange rate. The net foreign assets at banks accounted for the bulk of this increase, by the equivalent of LE 5.6 billion or 69.5% of the total, whereas net foreign assets at the CBE increased by the equivalent of LE 2.5 billion or 31.0% only.

Net Foreign Assets of the Banking System

(LE mn)

	June 2002			June 2003			Change in Net During the Year	
	Foreign		Net	Foreign		Net	2001/2002	2002/2003
	Assets	Liabilities		Assets	Liabilities			
Total	**90125**	**72840**	**17285**	**126067**	**100638**	**25429**	**(1672)**	**8144**
CBE	61894	52078	9816	86287	73944	12343	(3187)	2527
Other banks	28231	20762	7469	39780	26694	13086	1515	5617

Other items (net) exerted an expansionary effect of LE 20.0 billion on domestic liquidity during the year under review, against an expansionary effect of LE 7.3 billion during the previous FY.

2/2: Banking Developments

2/2/1: Overview of Banks' Aggregate Financial Position

The FY 2002/2003 witnessed an expansion in banks' activity as compared with the previous FY. The aggregate financial position of banks escalated by LE 82.5 billion or 16.6%, against LE 67.1 billion or 15.7%, to reach LE 577.9 billion at the end of June 2003.

Aggregate Financial Position of Banks

(LE mn)

	2002		2003		Change During	
					2001/2002	2002/2003
At End of June	**Value**	**Relative Importance**	**Value**	**Relative Importance**	**Value**	**Value**
Cash	4453	0.9	5557	1.0	968	1104
Securities & investments	87726	17.7	111337	19.3	16583	23611
Balances with banks abroad	20002	4.0	29798	5.1	3750	9796
Balances with CBE	57575	11.6	84642	14.6	8833	27067
Balances with local banks	25669	5.2	26232	4.5	7365	563
Loan & discount balances	266100	53.7	284722	49.3	24630	18622
Other assets	33939	6.9	35650	6.2	4973	1711
(Assets = Liabilities)	**495464**	**100.0**	**577938**	**100.0**	**67102**	**82474**
Capital	12531	2.5	18155	3.1	493	5624
Reserves	11238	2.3	11805	2.0	1082	567
Provisions	35869	7.2	40099	6.9	4669	4230
Bonds & long-term loans	14057	2.8	14866	2.6	2135	809
Obligations to banks abroad	11830	2.4	16248	2.8	344	4418
Obligations to CBE	11277	2.3	10301	1.8	639	(976)
Obligations to local banks	23817	4.8	25277	4.4	6297	1460
Deposits	340868	68.8	403144	69.8	49644	62276
Other liabilities	33977	6.9	38043	6.6	1799	4066

As for liabilities, deposits surged by LE 62.3 billion or 18.3% to reach LE 403.1 billion, constituting 69.8% of total liabilities at the end of June 2003. Equities rose by LE 6.2 billion due to the increase in the capital of public sector banks by LE 4 billion during the year to meet the requirements of capital adequacy.

Obligations to foreign banks augmented by LE 4.4 billion to reach LE 16.2 billion or 2.8%. Moreover, provisions rose by LE 4.2 billion to reach LE 40.1 billion or 6.9%, other liabilities by LE 4.1 billion to reach LE 38.0 billion or 6.6%, and obligations to local banks by LE 1.5 billion to reach LE 25.3 billion or 4.4% of total liabilities at the end of June 2003.

As for assets, banks' balances at the CBE escalated by LE 27.1 billion during the year due to a rise in local currency balances by LE 8.2 billion. This was attributed to the increase in banks' deposits under the reserve requirement ratio; and the acceptance of banks' deposits at the CBE in the context of the prerequisites of the monetary policy; as well as to the rise in foreign currency balances by LE 12.4 billion worth. Moreover, banks expanded their portfolio investment by LE 23.6 billion or 26.9% to reach LE 111.3 billion, representing 19.3% of total assets. Increases were also seen in banks' loan and discount balances by LE 18.6 billion or 7.0% to LE 284.7 billion or 49.3%, and in balances with banks abroad by LE 9.8 billion to LE 29.8 billion or 5.1%. In addition, other assets increased by LE 1.7 billion to reach LE 35.7 billion, constituting 6.2% of the total. Balances with local banks increased by LE 0.6 billion to reach LE 26.2 billion or 4.5%.

The rise in banks' portfolio investment during the FY 2002/2003 resulted from the increase in their TB holdings by LE 13.9 billion or 35.0% to reach LE 53.7 billion at the end of June 2003. This is in addition to the LE 9.2 billion rise in their investments in government bonds, partly because of the capital increases in the public sector banks for whose favor the Ministry of Finance had issued bonds. The rise in banks' investments in foreign securities was confined to LE 1.6 billion worth, reaching LE 6.2 billion and in non-government bonds to LE 0.7 billion reaching LE 4.5 billion. However, banks' investments in corporate equities declined by LE 1.8 billion to reach LE 13.3 billion at the end of June 2003. Against this background, banks' portfolio consisted of 48.2% in treasury bills, 30.3% in government bonds, 12.0% in corporate equities, 5.5% in foreign securities, and 4.0% in non-government bonds.

Portfolio Structure

(%)

At End of June	2002 Local Currency	2002 Foreign Currencies	2002 Total	2003 Local Currency	2003 Foreign Currencies	2003 Total
Local Investments	**76.4**	**18.4**	**94.8**	**77.3**	**17.2**	**94.5**
Treasury bills	45.3	-	45.3	48.2	0.0	48.2
Government bonds	13.7	14.2	27.9	14.6	15.7	30.3
Non-government bonds	4.3	0.0	4.3	4.0	0.0	4.0
Corporate equities	13.1	4.2	17.3	10.5	1.5	12.0
Foreign Securities	**0.0**	**5.2**	**5.2**	**0.0**	**5.5**	**5.5**
Total	**76.4**	**23.6**	**100.0**	**77.2**	**22.8**	**100.0**
Total Portfolio (LE bn)	**67.0**	**20.7**	**87.7**	**86.0**	**25.3**	**111.3**

As for the transactions of banks in Egypt with their correspondents abroad, banks' balances rose by LE 9.8 billion worth, and their obligations to banks abroad by LE 4.4 billion. This indicates a rise in their net indebtedness to banks abroad by LE 5.4 billion worth during the year, against LE 3.4 billion worth during the previous FY.

Transactions with Banks Abroad

(LE mn)

At End of June	2002	2003	Change During the FY 2001/2002 Value	2001/2002 %	2002/2003 Value	2002/2003 %
Net Position	**8172**	**13550**	**3406**	**71.4**	**5378**	**65.8**
Balances with banks abroad	20002	29798	3750	23.1	9796	49.0
Obligations to banks abroad	11830	16248	344	3.0	4418	37.3

2/2/2: Interbank Money Market in Egypt

Transactions -in terms of deposits- on the interbank money market recorded a rise in foreign currency deposits by LE 4.2 billion worth and a decline in local currency deposits by LE 3.6 billion, denoting a net increase of LE 0.6 billion against LE 7.4 billion during the corresponding period. As such, total deposits reached LE 26.2 billion at the end of June 2003.

Interbank Money Market in Egypt

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	2002/2003 Value	%
Total	**25669**	**26232**	**7365**	**40.2**	**563**	**2.2**
Balances in local currency	17036	13403	4436	35.2	(3633)	(21.3)
Balances in foreign currencies	8633	12839	2929	51.3	4196	48.6

2/2/3: Deposits

Banks managed to attract deposits in the amount of LE 62.3 billion or 18.3% during the FY 2002/2003 against LE 49.6 billion or 17.0% during the previous FY, totaling LE 403.1 billion at the end of June 2003.

Foreign currency deposits increased by LE 34.2 billion worth during the year. However, when excluding the exchange rate changes, the rise would reach LE 5.1 billion only. Such an increase is noticeably low compared with the LE 28.1 billion increase in local currency deposits. At the end of June 2003, LE deposits represented 69.0% of the total.

Deposits by maturity showed that time and saving deposits still accounted for the bulk of the deposits in both local and foreign currencies. As such, time and saving deposits constituted 87.0% of total LE deposits; rising by LE 28.7 billion or 13.4% to LE 242.1 billion at the end of June 2003. Time and saving deposits in foreign currencies represented 80.4% of foreign currency deposits; mounting by LE 26.9 billion worth or 36.6% to reach LE 100.5 billion worth.

Banks' Deposits by Type and Currency

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	2002/2003 Value	%
Total Deposits	**340868**	**403144**	**49643**	**17.0**	**62276**	**18.3**
In Local Currency	**250106**	**278179**	**31868**	**14.6**	**28073**	**11.2**
Demand	21063	22929	2709	14.8	1866	8.9
Time and saving	213385	242058	26840	14.4	28673	13.4
Blocked or retained	15658	13192	2319	17.4	(2466)	(15.7)
In Foreign Currencies	**90762**	**124965**	**17775**	**24.4**	**34203**	**37.7**
Demand	9850	14304	1526	18.3	4454	45.2
Time and saving	73568	100477	15255	26.2	26909	36.6
Blocked or retained	7344	10184	994	15.7	2840	38.7

LE time and saving deposits and saving systems at commercial and business & investment banks reached LE 203.4 billion at the end of June 2003, rising by LE 23.6 billion or 13.1% against LE 20.1 billion or 12.6%. This was mainly due to an increase in saving systems deposits (three years and more) by LE 20.2 billion, saving accounts by LE 12.5 billion, and other deposits by LE 1.3 billion. However, non-government LE time and saving deposits, with all maturities, retreated by LE 7.2 billion, and blocked deposits by LE 2.4 billion.

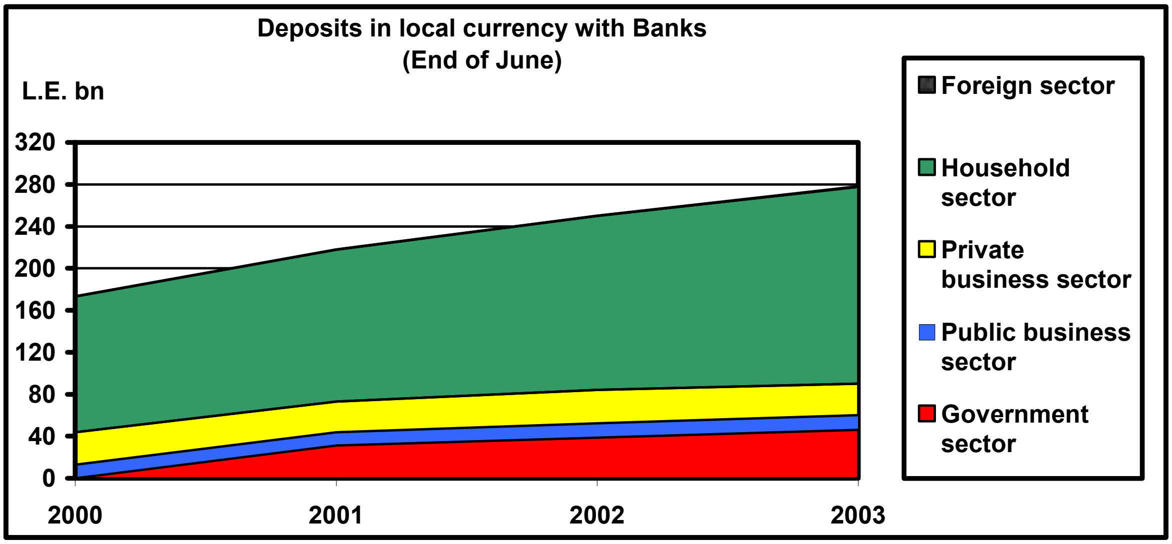
Time and Saving Deposits and Saving Systems With Commercial and Business & Investment Banks (by Maturity)

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	2001/2002 %	2002/2003 Value	2002/2003 %
Total(1+2)	**179874**	**203449**	**20134**	**12.6**	**23575**	**13.1**
1-Non-Gov. Time & Saving Deposits	**152522**	**156751**	**9606**	**6.7**	**4229**	**2.8**
In Local Currency, of which:						
a. Free Deposits						
. Within one month	15804	14904	(327)	(2.0)	(900)	(5.7)
. From one to 3 months	33304	28998	1126	3.5	(4306)	(12.9)
. From 3 to 6 months	12279	12211	(1708)	(12.2)	(68)	(0.6)
. From 6 months to one year	4580	4098	300	7.0	(482)	(10.5)
. More than One year	3961	2444	(516)	(11.5)	(1517)	(38.3)
b- Blocked Deposits	10388	8039	168	1.6	(2349)	(22.6)
c- Saving Accounts	71025	83572	10722	17.8	12547	17.7
d- Others	1181	2485	(159)	(11.9)	1304	110.4
2- Saving Systems*	**27352**	**46698**	**10528**	**62.6**	**19346**	**70.7**
Less than 3 years	8685	7816	(499)	(5.4)	(869)	(10.0)
3 years or more	18667	38882	11027	144.3	20215	108.3

*These systems were excluded from the subitem of deposits of more than one year listed under the main item (a) as of June 2001.

According to the sectoral distribution of LE deposits, the household sector contributed about 78.2% of the rise during the year, as its deposits grew by LE 21.9 billion or 13.2% to LE 187.6 billion, constituting 67.4% of total LE deposits at the end of June 2003. Moreover, the deposits of the government sector moved up by LE 7.5 billion or 19.4%, the foreign sector by LE 0.2 billion or 39.9%, while those of the private sector declined by LE 1.5 billion or 4.8%.

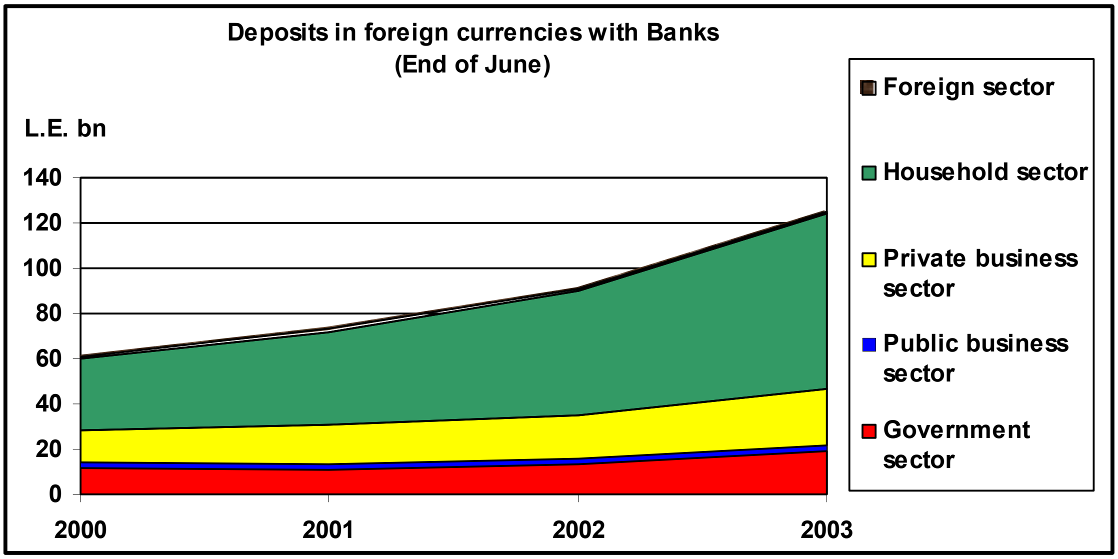


Banks' Deposits in Local Currency by Sector

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	2002/2003 Value	%
Total	**250106**	**278179**	**31868**	**14.6**	**28073**	**11.2**
Government sector	38578	46071	7514	24.2	7493	19.4
Public business sector	13930	13929	1116	8.7	(1)	0.0
Private business sector	31594	30087	2515	8.6	(1507)	(4.8)
Household sector	165648	187594	20662	14.3	21946	13.2
Foreign sector	356	498	61	20.7	142	39.9

The household sector accounted for the bulk of the increase in the foreign currency deposits, with its deposits mounting by the equivalent of LE 22.3 billion or 40.8% to LE 77.1 billion, or 61.7% of total foreign currency deposits at the end of June 2003. In addition, deposits of the private business sector picked up by LE 5.8 billion worth or 29.6%, the government sector by LE 5.6 billion worth or 42.4%, and the public business sector by merely LE 0.7 billion worth or 31.2%. However, the deposits of the foreign sector shrank by LE 0.2 billion worth or 21.1%.



Banks' Deposits in Foreign Currencies by Sector

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	2001/2002 %	2002/2003 Value	2002/2003 %
Total	**90762**	**124965**	**17775**	**24.4**	**34203**	**37.7**
Government sector	13328	18977	2385	21.8	5649	42.4
Public business sector	2194	2878	(386)	(15.0)	684	31.2
Private business sector	19426	25179	1861	10.6	5753	29.6
Household sector	54775	77111	13993	34.3	22336	40.8
Foreign sector	1039	820	(78)	(7.0)	(219)	(21.1)

2/2/4: Lending Activity

Credit facilities extended by banks stepped up by LE 18.6 billion or 7.0% during 2002/2003, against LE 24.6 billion or 10.2% during the previous FY, reaching LE 284.7 billion or 49.3% of total assets at the end of June 2003.

The rise during the year reflects the increase in local currency facilities by LE 5.7 billion or 2.7% to reach LE 218.7 billion or 76.8% of total facilities at the end of June 2003. Foreign currency shows an increase of LE 12.9 billion worth (or a decline of LE 2.5 billion worth when excluding the effect of the exchange rate changes) at a rate of 24.4% to LE 66.0 billion worth or 23.2%.

Credit Granted by Banks

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	Change During 2002/2003 Value	%
Total	**266100**	**284722**	**24630**	**10.2**	**18622**	**7.0**
Credit facilities in local currency	213008	218696	19027	9.8	5688	2.7
Credit facilities in foreign currencies	53092	66026	5603	11.8	12934	24.4

The bulk of the increase in LE credit facilities was accounted for by the private business sector, which obtained LE 4.7 billion or 3.2% of total credit. Accordingly, the balance of facilities extended to the sector reached LE 149.1 billion or 68.2% of the total at the end of June 2003. The household sector received LE 1.1 billion and the public business sector LE 1.0 billion. However, the facilities extended to the government sector declined by LE 0.9 billion, and the foreign sector by LE 0.2 billion.

Local Currency Credit by Borrowing Sector

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	Change During 2002/2003 Value	%
Total	**213008**	**218696**	**19027**	**9.8**	**5688**	**2.7**
Government sector	9901	9049	380	4.0	(852)	(8.6)
Public business sector	25831	26835	1089	4.4	1004	3.9
Private business sector	144446	149118	15828	12.3	4672	3.2
Household sector	32225	33285	2448	8.2	1060	3.3
Foreign sector	605	409	(718)	(54.3)	(196)	(32.4)

Similarly, the private business sector accounted for the bulk of the increase in foreign currency credit facilities granted by banks. Hence, its share expanded by the equivalent of LE 10.1 billion or 25.0%, bringing its balances to LE 50.8 billion worth, or 77.0% of the total at the end of June 2003. Moreover, the rise in credit to the public business sector was confined to LE 3.0 billion worth or 59.1%, reaching LE 8.1 billion worth, and the household sector to LE 0.3 billion worth. However, credit to the government sector declined by LE 0.4 billion worth, and the foreign sector by LE 0.1 billion worth.

Foreign Currency Credit
by Borrowing Sector

(LE mn)

At End of June	2002	2003	Change During 2001/2002		2002/2003	
			Value	%	Value	%
Total	**53092**	**66026**	**5603**	**11.8**	**12934**	**24.4**
Government sector	4661	4248	808	21.0	(413)	(8.9)
Public business sector	5060	8051	862	20.5	2991	59.1
Private business sector	40670	50827	4282	11.8	10157	25.0
Household sector	1070	1350	82	8.3	280	26.2
Foreign sector	1631	1550	(431)	(20.9)	(81)	(5.0)

A breakdown of credit facilities by economic activity, during the FY 2002/2003, shows that the manufacturing sector still received a major part of these facilities (35.5%) at the end of June 2003. The services sector followed with 29.1%, then trade with 20.8%. However, agriculture received only 1.7%, and the unclassified sectors, including the household, 12.9%.

Credit
by Economic Activity

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	2002/2003 Value	%
Total	**266100**	**284722**	**24630**	**10.2**	**18622**	**7.0**
Agriculture	5716	4968	414	7.8	(748)	(13.1)
Manufacturing	93741	101051	9019	10.6	7310	7.8
Trade	56426	59087	5646	11.1	2661	4.7
Services	74423	82888	8039	12.1	8465	11.4
Unclassified sectors (including the household)	35794	36728	1512	4.4	934	2.6

The bulk of the increase in LE credit facilities went to the services sector. Hence, its debt mounted by LE 4.2 billion to reach LE 58.5 billion or 26.8% at the end of June 2003. The manufacturing sector received LE 1.1 billion, bringing its debts to LE 74.3 billion; the unclassified sectors LE 0.7 billion, bringing their debt to LE 33.8 billion. As for the trade sector, it received LE 0.3 billion, raising its debt to LE 47.5 billion. However, the share of the agricultural sector retreated by LE 0.6 billion, and subsequently its debt reached LE 4.5 billion.

Local Currency Credit by Economic Activity

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	2002/2003 Value	%
Total	**213008**	**218696**	**19027**	**9.8**	**5688**	**2.7**
Agriculture	5167	4521	419	8.8	(646)	(12.5)
Manufacturing	73179	74269	8229	12.7	1090	1.5
Trade	47251	47530	4453	10.4	279	0.6
Services	54325	58547	4065	8.1	4222	7.8
Unclassified sectors (including the household)	33086	33829	1861	6.0	743	2.2

The majority of the rise in foreign currency credit facilities was granted to the manufacturing sector whose indebtedness went up by the equivalent of LE 6.2 billion. Next came the services sector with LE 4.2 billion worth, then trade with LE 2.4 billion worth, and the unclassified sectors with LE 0.2 billion worth. However, credit to the agricultural sector fell by LE 0.1 billion worth.

Foreign Currency Credit
by Economic Activity

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	2001/2002 %	2002/2003 Value	2002/2003 %
Total	**53092**	**66026**	**5603**	**11.8**	**12934**	**24.4**
Agriculture	549	447	(5)	(0.9)	(102)	(18.6)
Manufacturing	20562	26782	790	4.0	6220	30.2
Trade	9175	11557	1193	14.9	2382	26.0
Services	20098	24341	3974	24.6	4243	21.1
Unclassified sectors (including the household)	2708	2899	(349)	(11.4)	191	7.1

A breakdown of loans and advances by maturity and currency indicates that loans of more than one year climbed by LE 12.4 billion or 12.3% to reach LE 113.0 billion or 39.9% of the total at the end of June 2003. This was due to a rise in both foreign currency loans by LE 7.9 billion worth, and local currency loans by LE 4.5 billion.

Loans and advances of less than one year edged up by LE 6.8 billion or 4.2% to LE 170.5 billion, or 60.1% of the total at the end of June 2003. Such a rise during the year was driven by the increase in foreign currency loans by the equivalent of LE 5.4 billion, and LE loans by LE 1.4 billion.

Loans and Advances
by Maturity and Currency*

(LE mn)

At End of June	2002	2003	Change During 2001/2002 Value	%	2002/2003 Value	%
Total	**264261**	**283445**	**24500**	**10.2**	**19184**	**7.3**
One year or less	**163683**	**170476**	**11915**	**7.9**	**6793**	**4.2**
In local currency	136001	137439	10399	8.3	1439	1.1
In foreign currencies	27682	33036	1516	5.8	5354	19.3
More than one year	**100578**	**112969**	**12585**	**14.3**	**12391**	**12.3**
In local currency	76079	80527	8534	12.6	4448	5.8
In foreign currencies	24499	32442	4051	19.8	7943	32.4

*Excluding commercial papers discounting operations.

3- Non-Banking Financial Sector
3/1: The Stock Exchange

During FY 2002/2003 the Stock Exchange activity was influenced by the prevailing conditions in the Middle East. As such, trading was calm almost throughout the year except for the last quarter that showed some signs of recovery.

The year also witnessed the adoption of some measures with the intention of completing the legislative structure of the capital market. The most salient of these were the amendments introduced to the Executive Regulations of The Capital Market Law, and to those of the Depository and Central Filing Law. By virtue of such amendments, purchasing securities on credit (on-margin) was allowed to provide the required financing for investors. In addition, entities that were licensed to practise custodian activities and to purchase on-margin were specified. Furthermore, the method of calculating the trading and closing prices was modified to be based on an average price weighted by the number of securities, provided that this number is not less than 100 papers. During the year, the Board of Directors of the Stock Exchange also decided to abolish the price bans set for the most active shares on the Exchange, and obligated companies to notify the Exchange before conducting any operations of buying or selling of Treasury stocks.

In mid- April 2003, and upon the request of the Egyptian Stock Exchange, the American Capital Market Authority approved the accrediting of the two Stock Exchanges of Cairo and Alexandria as registered stock markets abroad. As such, the American financial organizations can buy or sell the Egyptian securities without being subject to the prevailing limitations placed when there is no such classification. This will encourage foreign investments on the Egyptian Stock Exchange, and in turn increase the volume of dealings and liquidity.

According to the CMA statistics during FY 2002/2003, the three indicators of the overall dealing in bonds, shares, and mutual fund documents (on the floor and over the counter in LE and US$) showed a decline. Hence, the number of transactions declined to 890 thousand at the end of June 2003 and the volume of dealt-in securities to 1076 million. In addition, their value fell by 16.7% to reach LE 29.5 billion against LE 35.5 billion during the previous FY. Shares constituted

68.9% and bonds 31.0% of the total value of dealing at the end of June 2003, against 62.4% and 37.5%, respectively, in the preceding FY.

Indicators of Overall Dealing on The Stock Exchange

	No. of Transactions (Unit)	Volume of Dealt-in Securities(000's)	Value of Dealt-in Securities(mn)
July/June 2002/2003			
Total	**890246**	**1076222**	**29548**
Shares	889047	1066548	20350
Bonds	1151	9640	9176
Mutual fund documents	48	34	22
July/June 2001/2002			
Total	**1029717**	**1094416**	**35479**
Shares	1027987	1081031	22149
Bonds	1609	13306	13294
Mutual fund documents	121	79	36

3/1/1: Companies Operating in the Field of Securities

The number of companies operating in securities reached 271, with a capital of LE 4.7 billion, as illustrated in the following table.

Structure of Companies Operating in the Field of Securities Till 30/6/2003

	No. of Companies (Unit)		Capital (LE mn)
Total	**271**	**100.0**	**4688.2**
Brokerage firms	145	53.5	212.6
underwriting, portfolio management & venture capital	103	38.0	4269.2
Mutual fund management	14	5.2	178.3
Book keepers	2	0.7	2.0
Credit rating agencies	2	0.7	1.0
Valuation and Financial analysis	1	0.4	0.6
Market information dissemination services	2	0.7	1.5
Clearing and settlement	1	0.4	3.0
Bonds' dealings, intermediation & brokerage	1	0.4	20.0

Source: CMA (Information Center).

3/1/2: Shares Market

1- Primary (Issue) Market

a) New Issues

During 2002/2003, the CMA approved issues for new incorporations and for the capital increase of existing companies. The number of issues totaled 1259, with a value of LE 16.9 billion against 1452 issues and LE 14.5 billion. Issues for new incorporations reached 802 in number, with a capital of LE 4.1 billion, constituting 24.2% of the total, whereas those for capital increase reached 457, with a capital of LE 12.8 billion, representing 75.8% of the total.

New Share Issues on the Stock Exchange

	During	
	2001/2002	**2002/2003**
Total Number of Issues (Unit)	**1452**	**1259**
New Incorporations	930	802
Capital Increase of Existing Companies	522	457
Total Number of Shares (mn)	**497**	**893**
New Incorporations	167	104
Capital Increase of Existing Companies	330	789
Total Value of Shares (LE mn)	**14493**	**16934**
New Incorporations	4829	4091
Capital Increase of Existing Companies	9664	12843

Source: CMA (Information Center).

b) Companies Listed on the Stock Exchange

The number of companies listed on the stock exchange totaled 1123, with a nominal capital of LE 99.0 billion at the end of June 2003. This constituted a rise of LE 9.9 billion during the year. Their market capital was valued at LE 150.2 billion, showing an increase of LE 31.5 billion. This rise mainly reflected the change in the US dollar exchange rate used in the evaluation of these shares.

Companies Listed on the Stock Exchange

(LE mn)

At End of June	2002			2003		
	No. of Companies (unit)	Nominal Value of Capital	Market Value of Capital	No. of Companies (unit)	Nominal Value of Capital	Market Value of Capital
Total	**1136**	**89127**	**118673**	**1123**	**99029**	**150214**
Companies listed on official schedules	147	10724	22705	152	35906	55706
Companies listed on unofficial schedules	989	78403	95968	971	63123	94508

Source: Cairo and Alex. Stock Exchanges.

The number of companies listed on the official schedules reached 152, with a nominal capital of LE 35.9 billion and a market capital of LE 55.7 billion. Companies listed on the unofficial schedules reached 971, with a nominal capital of LE 63.1 billion and a market capital of LE 94.5 billion.

The sectoral distribution of market capitalization indicated a relative stability in the sectoral structure during the year. As such, the finance, insurance and real estate sector continued to attract most of the investments, as it accounted for 20.1% of the total market capital. The building and construction sector followed with 17.3%, utilities with 16.8%, and the manufacturing sector with 10.0%.

Market Capital by Sector

(LE mn)

At End of June	2002	%	2003	%
Total	**118673**	**100.0**	**150214**	**100.0**
Agriculture and Fishing	1056	0.9	1189	0.8
Building and Construction Materials	21417	18.1	25933	17.3
Natural Gas & Mining	6676	5.6	10029	6.7
Manufacturing	11863	10.0	15019	10.0
Trade	3723	3.1	3850	2.5
Finance, Insurance & Real Estates	25626	21.6	30249	20.1
Utilities	22044	18.6	25171	16.8
Others	26268	22.1	38774	25.8

Source: Cairo and Alex. Stock Exchanges.

2- Secondary (Trading) Market

The value of traded shares on the secondary market decelerated by LE 1.7 billion to reach LE 20.4 billion during the year, affected by the state of calmness that prevailed on the Stock Exchange most of the year.

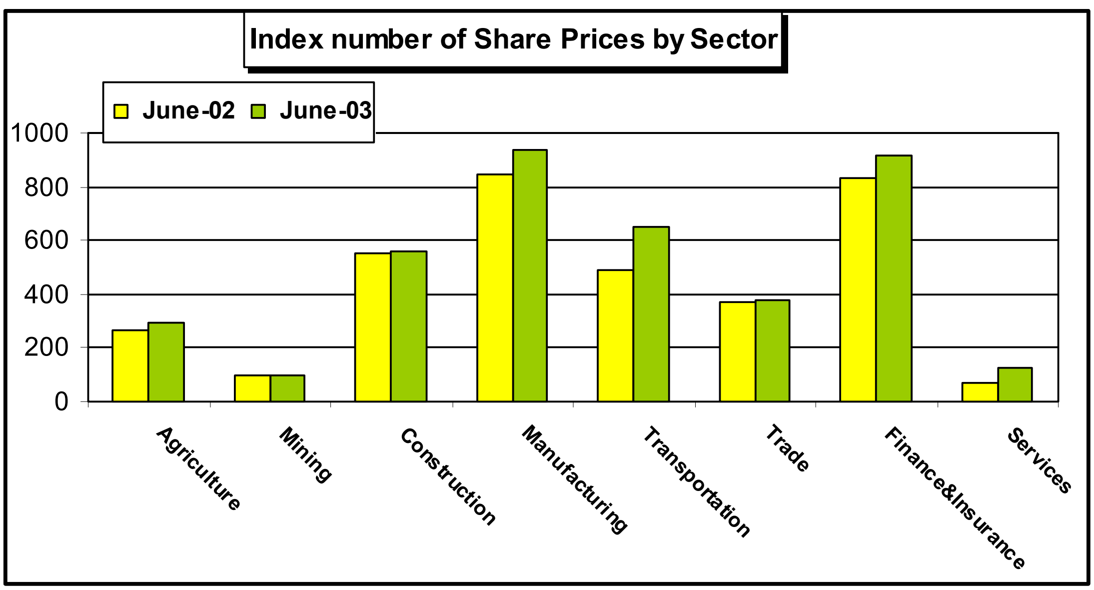
Dealing in Shares Listed on the Stock Exchange
By Sector

	No. of Transactions (Unit)		Volume of Dealt –in Shares (000's)		Value of Dealt – in Shares (mn)	
	LE	US$	LE	US$	LE	US$
July/June 2002/2003						
Total	**847304**	**14890**	**789730**	**40249**	**9604.7**	**843.1**
- Agriculture, Forests, and Fishing	2319	-	5333	-	55.3	-
- Mining	4	-	-	-	-	-
- Construction	45307	-	117430	-	234.5	-
- Manufacturing	357464	4348	338185	20909	3864.0	718.8
- Transportation, Co-mmunications, Electricity, Gas & Health	48163	1749	33841	714	917.2	5.8
- Retail and Wholesale Trade	2319	-	8542	-	162.9	-
- Finance, Insurance & Real Estate	149180	8443	126055	18376	2142.9	79.0
- Services	242548	350	160344	250	2227.9	39.5
July/June 2001/2002						
Total	**939047**	**5132**	**953755**	**11394**	**14015.6**	**123.4**
- Agriculture, Forests, and Fishing	1077	-	1458	-	39.1	-
-Mining	17	-	1884	-	1376.9	-
- Construction	28691	-	64612	-	158.8	-
- Manufacturing	390345	16	298795	60	6145.7	96.3
- Transportation, Communications, Electricity, Gas& Health	66213	1398	29665	573	1008.3	2.0
- Retail and Wholesale Trade	2187	-	10477	-	170.9	-
- Finance, Insurance & Real Estate	232798	3639	409403	10756	3110.7	24.8
- Services	217719	79	137461	5	2005.2	0.3

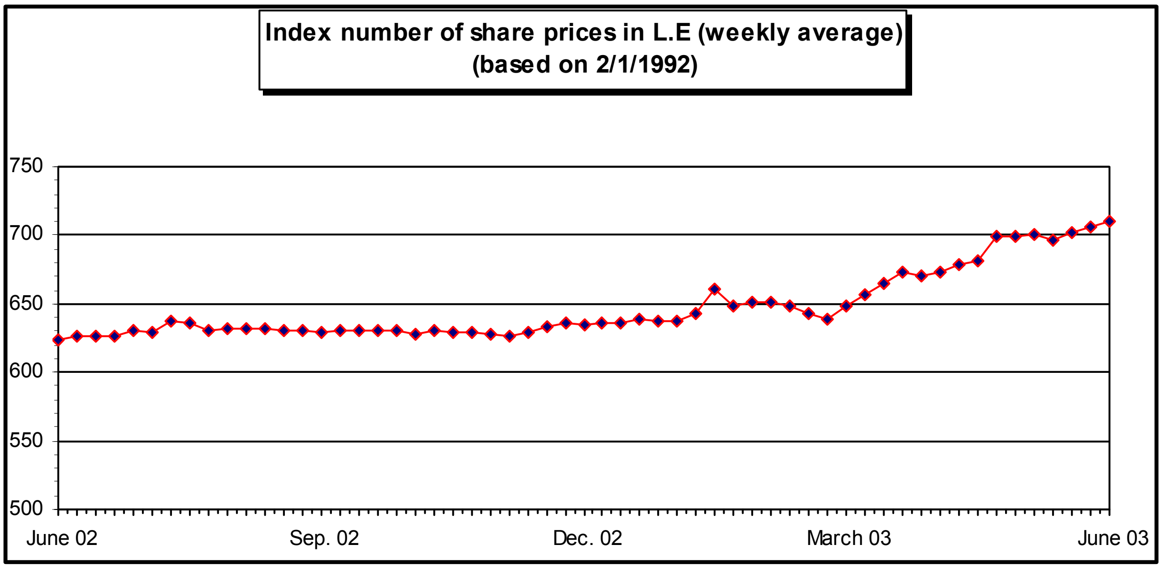
Source: CMA.

The drop in the value of transactions was mainly due to a decline in the value of dealings in LE shares to reach LE 13.8 billion during the year, and to represent 67.6% of the total against LE 20.3 billion in the preceding year or 91.9% of the total. The manufacturing, finance, insurance and real estate, and the services sectors accounted for more than 85.7% of the total value of on the floor dealings in Egyptian pound.

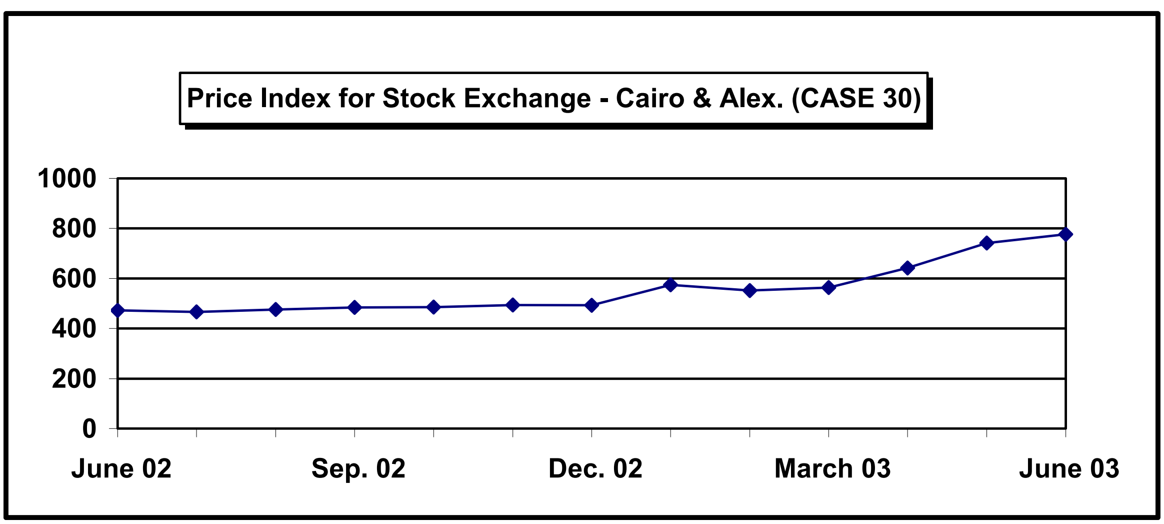
Conversely, the value of dealings in US$ shares increased by US$ 0.8 billion to reach US$ 1.2 billion, raising its relative importance to 32.4% of total dealings in LE and US$ shares (as a result of foreign exchange liberalization) against US$ 416.7 million or 8.1% in the previous FY. Dealings were mainly conducted in the shares of the manufacturing sector, accounting for 85.3% of the total value of dealings in US$ shares on the floor.



As for price indices of the shares, the CMA index recorded a rise of 13.5%, to reach 712.2 points at the end of June 2003 against 627.4 points at the end of June 2002.



Moreover, the price index introduced by the Egyptian Stock Exchange (CASE 30) moved up by 64.3% to stand at 775.9 points at the end of June 2003 against 472.1 points at the end of June 2002.



3/1/3: Bonds Market

1- Primary (Issue) Market

The balances of issued bonds (listed and unlisted) rose at par value by LE 1.4 billion to reach LE 21.7 billion at the end of June 2003. This was an outcome of a rise of LE 0.4 billion in the balance of government bonds (due to the change in the exchange rate used in evaluating the US dollar development bonds, and the amortization of the fifth issue of housing bonds). Added to this was the increase in the outstanding balance of corporate bonds by LE 1.1 billion (of which LE one billion resulted from issuing bonds for a cement company, and LE 89 million from the exchange rate changes), and the amortization of a bank's bonds in an amount of LE 125 million.

Bonds Issued on the Stock Exchange

(LE mn)

At End of June	2002				2003			
	Listed	Unlisted	Total	%	Listed	Unlisted	Total	%
Total	**19267.8**	**1032.0**	**20299.8**	**100.0**	**20573.5**	**1079.2**	**21652.7**	**100.0**
Government Bonds	**14469.8**	**0.0**	**14469.8**	**71.3**	**14857.2**	**1.9**	**14859.1**	**68.6**
Treasury bonds	13000.0	0.0	13000.0	64.0	13000.0	0.0	13000.0	60.0
Housing bonds	136.0	0.0	136.0	0.7	131.9	0.4	132.3	0.6
US dollar development bonds	1333.8	0.0	1333.8	6.6	1725.3	1.5	1726.8	8.0
Corporate Bonds	**2583.4**	**179.0**	**2762.4**	**13.6**	**3665.2**	**185.8**	**3851.0**	**17.8**
Bank Bonds	**2214.6**	**853.0**	**3067.6**	**15.1**	**2051.1**	**891.5**	**2942.6**	**13.6**

Source: Cairo & Alex. Stock Exchanges.

Such developments resulted in a change in the relative structure of bonds issued at the end of June 2003, as compared with that at the end of June 2002. Hence, the relative importance of government bonds decelerated to 68.6% against 71.3%, bank bonds to 13.6% against 15.1%. However, the relative importance of corporate bonds rose from 13.6% to 17.8 %.

2- Secondary (Trading) Market

The total value of dealing in LE and US$ bonds (on the floor and over the counter) fell by 69.2% to reach LE 9.2 billion against LE 13.3 billion during the preceding FY. As such, dealing in LE bonds retreated to LE 9.0 billion against LE 12.8 billion. Treasury bonds accounted for more than 82.8% of the total value of dealings.

Dealing in (Listed) Bonds on the Floor

	During the FY					
	2001/2002			2002/2003		
	No. of Transactions	Quantity (000's)	Value (mn)	No. of Transactions	Quantity (000's)	Value (mn)
Total Bonds (LE)	**1529**	**12356**	**12741.0**	**1080**	**9604**	**9029.8**
Treasury bonds	1116	11739	12469.6	615	7949	8627.8
Housing bonds	235	12	0.9	305	44	3.2
Corporate bonds	29	198	45.4	23	381	95.8
Bank bonds	149	407	225.1	137	1230	303.0
Total Bonds (US dollar)	**79**	**940**	**124.4**	**69**	**36**	**29.3**
Development bonds	17	901	88.9	0.0	0.0	0.0
Corporate bonds	62	39	35.5	69	36	29.3

Source: The CMA.

Moreover, dealings in US dollar bonds- confined to corporate bonds- declined sharply to reach some US$ 29.3 million against US$ 124.4 million during the previous FY.

3/1/4: Transactions of Foreign Investors on the Egyptian Exchange

Foreign investors' dealings (sales and purchases) on the Egyptian Exchange decreased by 14.9% in value terms, to reach LE 7.8 billion during the FY 2002/2003 against LE 10.1 billion during the preceding FY. This was mainly ascribed to a decline in their LE dealings to reach LE 4.5 billion during the year, against LE 9.3 billion during the previous FY. However, the total value of their dealings in US dollar mounted to US$ 671.0 million from US$ 164.6 million.

Transactions of Foreign Investors on the Stock Exchange

	During the FY			
	2001/2002	2002/2003	2001/2002	2002/2003
	LE		US$	
No. of Transactions(Unit)	**188364**	**162773**	**894**	**6831**
Purchases	90776	90372	529	5472
Sales	97588	72401	365	1359
Total Number of Dealt-in Documents (mn)	**259**	**204**	**10**	**58**
Purchases	121	106	5	32
Sales	138	98	5	26
Total Value of Dealt-in Documents (mn)	**9321.2**	**4549.4**	**164.7**	**671.0**
Purchases	4915.2	2719.2	45.7	397.2
Sales	4406.0	1830.2	118.9	273.8

Source: The CMA (Information Center).

Transactions of foreign investors on the Egyptian stock exchange unfolded net purchases in LE and US$. As such, foreign investors' dealings in LE during the year resulted in net purchases of LE 889.0 million against LE 509.2 million and in US$ net purchases of US$ 123.4 million against net sales of US$ 73.2 million in the preceding FY.

3/1/5: Mutual Funds

The number of local mutual funds reached 22 at the end of June 2003 (19 are open and 3 are closed, one of which was redeemed and is currently crossed out). The nominal capital of the funds' documents amounted to LE 3.9 billion, and their market value to LE 3.9 billion at the end of June 2003 against LE 3.1 billion at the end of June 2002, with a rise of 25.8% during the year.

The value of dealing in the documents of close mutual funds reached around LE 20.1 million during the year, as an outcome of 48 transactions, covering 33.6 thousand documents, compared with LE 36.2 million through 121 transactions, covering 78.9 thousand documents in the previous FY.

Dealing in Listed Mutual Funds' Documents

At End of June	2002 No. of Transactions (Unit)	2002 Quantity (Unit)	2002 Market Value (000's)	2003 No. of Transactions (Unit)	2003 Quantity (Unit)	2003 Market Value (000's)
Total	**121**	**78891**	**36167**	**48**	**33598**	**20100**
On the floor	120	68891	24825	48	33598	20100
Over the counter	1	10000	11342	-	-	-

Source: the CMA.

The number of the Egyptian mutual funds established abroad remained unchanged at 10 including 9 in US dollar, with an incorporation capital of some US$ 524.6 million, in addition to another fund established in Egyptian pound, with a capital of LE 100 million.

3/1/6: Global Depository Receipts (GDRs)

The closing prices of GDRs traded on the London Exchange at the end of June 2003 took almost the same trend of their companies' stock prices on the Egyptian Exchange. The prices of seven of them trended upwards, whereas two others trended downwards.

Global Depositary Receipts (GDRs)

	Prices of GDRs on London Exchange In US Dollar at End of			Corporate Stock Prices issued on the Egyptian Exchange In LE at End of		
Position and Date of Issue	**June 2002**	**June 2003**	**Change %**	**June 2002**	**June 2003**	**Change %**
First-July 1996	5.15	6.50	17.5	27.98	37.25	33.1
Second-July 1996	6.80	7.17	5.4	35.43	43.66	23.2
Third –Feb. 1997	8.00	13.60	70.0	42.98	65.00	51.2
Fourth-Oct.1997	0.83	1.20	44.6	13.86	24.88	79.5
Fifth- April 1998	1.63	1.10	(32.5)	17.91	13.26	(26.0)
Sixth-August1998	1.58	1.23	(22.2)	3.49	4.22	20.9
Seventh- June 1999	0.68	1.43	110.3	1.21	3.10	156.2
Eighth-July 1999	0.18	0.20	11.1	-	-	-
Ninth- July 2000	0.85	2.85	235.3	9.25	35.81	287.1
Tenth-August 2002	-	16.00	-	30.03	49.00	63.2

Source: Cairo& Alexandria Stock Exchanges.

3/2: Investments of the Insurance Sector

The insurance sector in Egypt is composed of the Supreme Council for Insurance, the Egyptian Insurance Supervisory Authority (EISA), insurance and reinsurance companies, the Government Insurance Fund, the private insurance funds, insurance pools, in addition to insurance federations and auxiliary organs. During 2001/2002, three new companies entered the insurance market in Egypt, bringing the number of insurance companies operating in the market to 17, of which one is a reinsurance company, three are public companies and 13 are private ones.

During FY 2002/2003, a further step was taken to complete the legislative structure of this sector as the Model Statute for the fully state-owned insurance and reinsurance companies was issued (the Prime Minister Decree No. 890 for 2003). This covered the model company statute, and the procedures necessary for its establishment and determination of its capital and management, as well as formation of the general assembly. Included also are the regulations for auditing the company's accounts; its funds, registers and profit distribution; and policy transfers on the one hand, and the rules to be followed in cases of liquidating, dissolving, or suspending the activity of a company. Moreover, the Egyptian Construction Liability Insurance Pool was established and its statute issued (pursuant to Decree No. 170 for 2003 of the Chairman of the EISA). As an independent legal person, the Pool manages all affairs related to the insurance coverage for construction liability risks (these policies are issued by insurance companies to applicants for building licenses), but it is not permissible for it to conduct insurance or reinsurance activities. The Pool was listed in the register specified for that purpose at the Egyptian Insurance Supervisory Authority. During the year, the Minister of Planning Decree No. 19 for 2003 was issued, specifying the terms and premiums of insuring at the Government Insurance Fund against postal service risks.

According to the statistics of EISA, and the estimates for FY 2002/2003, total investments climbed by LE 23.4 billion or 13.0%, to reach LE 203.7 billion at the end of June 2003, against a rise of LE 20.0 billion or 12.5% at the end of June 2002.

EISA also indicated that estimated investments of insurance companies and private insurance funds reached LE 26.9 billion or 13.2% of total investments, whereas the actual investments of the National Authority for Social Insurance reached LE 176.8 billion at the end of June 2003.

Investments of the National Authority for Social Insurance were mostly deposits at the National Investment Bank, amounting to some LE 174.8 billion, and accounting for 85.8% of total investments of the insurance sector at the end of June 2003. Concurrently, the Authority's investments in securities were confined to LE 2.0 billion; representing 1.0% of the total.

Investments of the Insurance Sector

End of June	2002			2003		
	Insurance Companies and Funds	National Authority for Social Insurance	Total	Insurance Companies and Funds	National Authority for Social Insurance*	Total
Grand Total	**23.6**	**156.7**	**180.3**	**27.0**	**176.8**	**203.8**
Deposits at NIB	-	154.7	154.7	-	174.8	174.8
Loans	0.4	-	0.4	0.6	-	0.6
Securities	14.4	2.0	16.4	16.7	2.0	18.7
Deposits at banks	7.8	-	7.8	8.4	-	8.4
Lands and real estates	0.8	-	0.8	0.8	-	0.8
Other investments	0.2	-	0.2	0.4	-	0.5

* Preliminary estimated figures.

Investments of insurance companies and funds in government securities are projected to reach LE 16.7 billion or 8.2 % of the total at the end of June 2003. Moreover, their deposits at banks are expected to reach LE 8.4 billion or 4.1%, investments in lands and real estates LE 0.8 billion or 0.4%, other investments LE 0.4 billion or 0.2% and loans LE 0.6 billion or 0.3% of the total.

4- Public Finance and Domestic Public Debt
4/1: Consolidated Fiscal Operations of the General Government

During FY 2002/2003, the fiscal policy continued to give priority to rationalizing government expenditure while observing the social dimension through subsidizing staple goods and services as well as employing youth and new graduates. The policy also aimed at increasing the state financial resources, through speeding up the collection of dues and overdues to the tax and customs sectors, and combating all types of tax evasion. Moreover, the policy had to face the consequences of the depreciation of the Egyptian pound and the associated higher spending obligations, through finding additional resources.

According to the actual preliminary figures for FY 2002/2003 issued by the Ministry of Finance, a follow up of the implementation of the consolidated fiscal operations of the general government in comparison with both the revised estimates and the actual implementation during the previous FY, indicates the following**:**

4/1/1: The State Budget Sector (Administrative System, Local Administration and Service Authorities)

The collected revenues, excluding grants, totaled about LE 83.5 billion, rising by 1.6% over the estimated figure and by 11.0% compared with the previous FY. Most of these revenues (97.5%) were current revenues, amounting to LE 81.4 billion. Tax revenues (LE 57.5 billion) constituted 70.6% of the total current revenues, with an increase of 0.8% over estimates, and 11.1% over the level of the preceding FY. Actual income taxes contributed 40.3% of the total, taxes on goods and services 39.6%, customs duties 19.8%, and miscellaneous revenues and fees 0.3%.

Consolidated Fiscal Operations of the General Government
The Budget Sector
(Public Revenues)

(LE bn)

	2001/2002			2002/2003		
	Actual	%	Change (%)	Actual Preliminary	%	Change (%)
Total Revenues including Grants	**79.0**	**100.0**	**3.7**	**86.5**	**100.0**	**9.5**
Total Revenues	**75.3**	**95.3**	**0.9**	**83.5**	**96.6**	**11.0**
Current Revenues	**74.1**	**93.8**	**1.8**	**81.4**	**94.2**	**10.0**
Tax Revenues	**51.7**	**65.5**	**0.7**	**57.5**	**66.5**	**11.0**
Income taxes	21.6	27.4	1.8	23.2	26.8	7.2
Taxes on individual income	7.0	8.9	11.3	9.5	10.9	35.2
Taxes on business profits	14.6	18.5	-2.1	13.7	15.9	-6.2
Taxes on goods and services	20.6	26.1	-1.0	22.8	26.3	10.7
Customs	9.3	11.8	1.5	11.3	13.2	21.8
Others	0.2	0.2	35.6	0.2	0.2	-18.7
Non-Tax Revenues	**22.4**	**28.3**	**4.3**	**23.9**	**27.7**	**7.3**
Ownership income	14.3	18.1	4.6	15.6	18.1	9.2
Profit surplus	11.0	13.9	3.8	12.5	14.5	13.9
EGPC	1.0	1.2	-28.2	0.6	0.7	-37.3
Suez Canal Authority	3.4	4.2	-20.6	5.2	6.0	54.4
CBE	4.5	5.8	5.4	4.9	5.6	7.6
Other economic authorities	2.1	2.7	-1.5	1.8	2.2	-13.4
Others	3.3	4.2	7.5	3.1	3.6	-6.3
Supervision and administration fees	7.1	9.0	1.1	7.2	8.3	1.7
Miscellaneous	1.0	1.2	30.4	1.1	1.3	20.7
Capital Revenues	**1.2**	**1.5**	**-33.3**	**2.1**	**2.4**	**74.1**
Grants	**3.7**	**4.7**	**136.4**	**3.0**	**3.4**	**-20.4**
From Abroad	3.7	4.7	138.5	3.0	3.4	-19.9
Current	2.5	3.1	341.8	1.6	1.8	-36.5
Capital	1.2	1.6	23.0	1.4	1.6	14.0
From government units	..	-	..	..	-	..

Source: The Ministry of Finance.
Percentages are calculated in terms of LE million.
.. less than LE 0.1 billion.

Non-tax revenues, representing 29.4% of total current revenues, reached LE 24.0 billion; 0.8% below the estimated figure for the year, and 7.3% above the previous FY. Of this amount, 52.3% came from profit surplus transfers of Suez Canal Authority, the Central Bank, the EGPC and other economic authorities; and 47.7% from the fees of supervising and administering the public business sector companies; in addition to other miscellaneous non-tax revenues.

Although the surplus transferred by the EGPC came in line with the estimates, it was 37.3% less than the previous FY. On the other hand, the surplus transferred by the Suez Canal Authority increased by 54.4%, and the Central Bank by 7.6%.

Capital revenues, mainly own-finance investments and other capital transfers, accounted for 2.5% of total revenues, and reached about LE 2.1 billion or 97.1% over the estimates and 74.1% above the figure of the previous FY.

Total grants (current and capital) during FY 2002/2003 reached some LE 3.0 billion, 15.3% lower than the estimates and 20.4% below the preceding FY.

Expenditure, excluding net lending, reached LE 111.8 billion, with a slight rise of 0.7% over the estimates for the year, and up by 11.0% when compared with the previous fiscal year. It is to be noted that most of the expenditures have not exceeded the projected limits, except in certain items such as subsidies, which rose by 16.6% and in goods and services, which rose by 8.8%, compared with a year earlier.

Consolidated Fiscal Operations of the General Government
The Budget Sector
(Public Expenditures)

(LE billion)

	2001/2002			2002/2003		
	Actual	%	Change (%)	Actual Preliminary	%	Change (%)
Total Expenditures including Net Lending	**101.2**	**100.0**	**5.2**	**111.9**	**100.0**	**10.6**
Total Expenditures	**100.7**	**99.5**	**5.0**	**111.8**	**99.9**	**11.0**
Current Expenditures	**85.5**	**84.7**	**5.7**	**95.2**	**85.1**	**11.4**
Wages and Salaries	**28.2**	**28.2**	**12.0**	**31.5**	**28.2**	**11.7**
Wages and salaries	24.4	24.5	11.4	27.3	24.4	12.1
Fringe benefits	3.8	3.7	15.8	4.2	3.8	9.6
Other Current Expenditures	**57.3**	**56.5**	**2.3**	**63.7**	**56.9**	**11.3**
Defense	10.2	10.0	5.0	11.2	10.0	9.8
Interests	22.9	23.7	9.6	26.9	24.0	17.2
Domestic	20.6	21.0	7.8	24.5	21.9	19.1
Foreign	2.3	2.7	27.3	2.4	2.1	0.8
Subsidies	6.0	6.2	11.6	6.9	6.2	16.6
Pensions	9.6	9.1	15.1	10.2	9.2	6.6
Goods and service purchases	8.6	7.5	-24.1	8.5	7.6	-1.4
Capital Expenditures	**15.2**	**14.8**	**1.1**	**16.6**	**14.8**	**8.5**
Investments	15.2	14.8	1.1	16.5	14.8	8.5
Lending Less Repayment	**0.5**	**0.5**	**131.3**	**0.1**	**0.1**	**-69.3**

Source: The Ministry of Finance.
Percentages are calculated in terms of LE million.

Current expenditure accounted for about LE 95.2 billion or 85.2% of total expenditures, with an increase of 1.2% over the estimates and 11.4% above the previous FY. As such, wages and salaries reached some LE 31.5 billion, representing 33.1% of total current expenditures.

As for other current expenditures, interest payments (for domestic and external debt) reached LE 26.9 billion, lower by 0.9% than the estimates and higher by 17.2% over the previous year. Defense outlays reached LE 11.2 billion, with a rise of 0.9% over the estimates and 9.8% over the previous fiscal year. Pensions amounted to LE 10.2 billion, with a 1.7% decline below the estimates and a 6.6% increase over the preceding FY. Subsidies reached LE 6.9 billion, up by 6.7% over the estimates and by 16.6% over the previous FY.

Capital expenditure, mostly the budget sector investments, amounted to LE 16.6 billion or 14.8% of the total expenditure; 1.6% below the estimates for the year, and 8.5% above the level of the preceding year.

As for the operations of lending and repayments, net lending reached LE 127 million, down by 78.9% below the estimates and by 69.3% as compared with the previous FY.

Against this background, the overall deficit on the budget sector fiscal operations amounted to some LE 25.4 billion, which is 1.6% below the estimates and 14.6% over the previous year's level. Such deficit represented 6.3% of the GDP.

4/1/2: Budget Sector, and NIB & GASC

By adding the fiscal operations of the NIB and GASC to the budget sector, total revenues, including grants, increased by some LE 13.5 billion to reach LE 100.0 billion because non-tax revenues showed the same amount of increase. Moreover, total expenditures including net lending edged up by some LE 21.5 billion to LE 133.4 billion, owing to a rise in interest payments by LE 14.8 billion, and net lending by LE 7.1 billion on the one hand, and a decline in other current expenditures by some LE 0.4 billion on the other. Accordingly, the overall deficit widened to LE 33.4 billion, with an increase of 0.5% over the estimated figure, and 18.0% over the previous FY.

4/1/3: Budget Sector, NIB & GASC, and SIFs

When adding the fiscal operations of the SIFs to the aforementioned sectors, total revenues, including grants, would rise by some LE 15.1 billion to LE 115.1 billion; 0.2% over the estimate and 10.6% more than the previous FY. As such, total revenues, including grants, constituted 28.5% of GDP.

Total expenditures, including net lending, scaled down by some LE 8.3 billion to LE 125.1 billion; 2.9% below the estimates, and 10.1% over the level of the preceding FY. Accordingly, total expenditures, including net lending, accounted for 31.0% of GDP.

Summary of the Consolidated Fiscal Operations of the General Government (Budget Sector, NIB & GASC and SIFs)

(LE bn)

	2001/2002						2002/2003(Preliminary Actual)					
	Budget Sector	**%**	**Budget Sector, NIB & GASC**	**%**	**Budget Sector, NIB & GASC and SIFs**	**%**	**Budget Sector**	**%**	**Budget Sector, NIB & GASC**	**%**	**Budget Sector, NIB & GASC and SIFs**	**%**
Total Revenues and Grants	**79.0**		**90.9**		**104.1**		**86.5**		**100.0**		**115.1**	
Total Expenditures and Net Lending	**101.2**		**119.2**		**113.7**		**111.9**		**133.4**		**125.1**	
Overall Deficit/Surplus	-22.2		-28.3		-9.6		-25.4		-33.4		-10.0	
Financing	22.2	100.0	-28.3	100.0	9.6	100.0	25.4	100.0	33.4	100.0	10.0	100.0
External Financing	2.5	11.4	2.5	9.0	2.5	26.4	-5.4	-21.4	-5.4	-16.3	-5.4	-54.3
Domestic Financing	23.5	106.0	29.7	105.2	10.1	104.5	34.4	135.2	42.4	126.8	19.0	189.7
Banking	20.3	91.5	20.8	73.5	19.4	201.8	31.1	122.2	25.0	74.9	21.8	218.0
Non-banking	3.2	14.5	8.9	31.7	-9.4	-97.3	3.3	13.0	17.4	51.9	-2.8	-28.3
Privatization	0.4	1.9	0.5	1.5	0.4	4.3	-	0.2	-	0.2	-	0.4
Other (debt assumption)	-1.3	-6.0	-1.3	-4.8	-0.3	-3.4	-0.2	-0.6	-0.2	0.5	-0.2	-1.8
Unclassified	-2.9	-13.3	-3.1	-10.9	-3.1	-31.8	-3.4	-13.4	-3.4	-10.2	-3.4	34.0

Source: The Ministry of Finance.

The above-mentioned developments on the sides of expenditure and revenues resulted in an overall deficit of LE 10.0 billion; 28.1% below the estimated figure for the year, and 3.9% over the previous FY. As such, the deficit represented 2.5% of GDP against the same ratio a year earlier.

The domestic finance resources (net) of LE 15.4 billion were adequate to finance the deficit in full and to make external repayments (on net basis) of about LE 5.4 billion.

4/2: Domestic Public Debt

4/2/1: Domestic Government Debt

The domestic government debt consists of Treasury bills and bonds, government borrowing from the NIB and outstanding balances of the government at the banking system. The debt stock amounted to LE 252.2 billion at the end of June 2003, increasing by LE 31.0 billion during FY 2002/2003.

The increase during the period stemmed from the escalation in the balances of Treasury bills and bonds by LE 42.7 billion, to reach LE 208.6 billion or 82.7% of the total relative structure of government domestic debt and the rise in government debt to the NIB by LE 10.1 billion to reach LE 123.9 billion, or 49.2% of the total. The step up in domestic government debt was somewhat mitigated by the LE 21.8 billion improvement in the net credit position of the government balances at the banking system, because the increase in its deposits at the banking system exceeded the rise in its borrowing therefrom.

Domestic Government Debt

(LE bn)

At end of June	2002		2003		Change
	Value	%	Value	%	+ (-)
Domestic Government Debt	**221.2**	**100.0**	**252.2**	**100.0**	**31.0**
- Balances of Bonds and Bills	**165.9**	**75.0**	**208.6**	**82.7**	**42.7**
•Bills and bonds*	125.9	56.9	153.3	60.8	27.4
Of which: traded on the Stock Exchange	15.6	7.1	17.7	7.0	2.1
•Treasury bills	40.0	18.1	55.3	21.9	15.3
- Government Borrowing from NIB	**113.8**	**51.4**	**123.9**	**49.2**	**10.1**
- Net Government Balances at the Banking System	**-58.5**	**-26.4**	**-80.3**	**-31.9**	**-21.8**
•Credit Facilities	19.0	8.6	19.4	7.7	0.4
•Deposits	-77.5	-35.0	-99.7	-39.6	-22.2

Source: The Ministry of Finance, CBE and NIB.
Ratios are calculated in terms of LE million.

* Including treasury bonds, housing bonds, bonds in foreign currencies at the public sector commercial banks, and the 5% ratio retained from the profits of companies subject to Law No. 97 for 1983, and sovereign dollar denominated bonds owned by resident financial institutions (banking system and insurance sector) and traded on international exchanges.

The FY 2002/2003 witnessed an early amortization (whole and partial) of LE 4.0 billion of the government bonds on 30/3/2003 that had been previously issued to finance the cash deficit with the Central Bank on the 1989/1990 budget. In place of these bonds, others were issued at the same value, in order to increase the capital of the public sector banks, to meet the capital adequacy standard of 10.0%. Also, Treasury bonds were issued on 30/6/2003, to cover the cash deficit on government accounts at the CBE, with a value of LE 22.0 billion, a maturity of 10 years and an interest rate of 7.0% in the first year and 8.0% in the following ones.

The outstanding balance of Treasury bills climbed by LE 15.3 billion during the year, to reach LE 55.3 billion at the end of June 2003. This was brought about by the increase in the balances of 182 day bills by LE 10.2 billion and of 91 day bills by LE 5.1 billion. Banks accounted for the major part (LE 54.1 billion, or 97.8%) of total TB balances at the end of June 2003.

Compared with the end of June 2002, foreign currency bonds held with public sector commercial banks mounted, because of the changes in the exchange rate, to reach LE 12.6 billion at the end of June 2003, with a rise of LE 3.2 billion representing revaluation differences.

4/2/2: Debt of Public Economic Authorities

Debt of the public economic authorities rolled back by LE 1.9 billion during 2002/2003, to reach LE 39.2 billion at the end of June 2003. The decline was attributed to the improvement of LE 4.9 billion in the net credit position of the balances of these authorities at the banking system, due to the LE 4.7 billion increase in their deposits therewith and the LE 0.2 billion retreat in their borrowing therefrom. Meanwhile, the borrowing of these authorities from the NIB scaled up by LE 3.0 billion.

Debt of Public Economic Authorities

(LE bn)

Balances at the End of June	2002		2003		Change
	Value	%	Value	%	+ (-)
Total Debt	**41.1**	**100.0**	**39.2**	**100.0**	**-1.9**
- Net Balances of Public Economic Authorities at the Banking System	**-6.0**	**-14.5**	**-10.9**	**-27.8**	**-4.9**
• Credit facilities	14.3	34.9	14.1	35.9	-0.2
• Deposits	-20.3	-49.4	-25.0	-63.7	-4.7
- Borrowing of Public Economic Authorities from the NIB	**47.1**	**114.5**	**50.1**	**127.8**	**3.0**

Source: Ibid

4/2/3: The National Investment Bank (NIB)

Net resources of the NIB went up by LE 24.9 billion during 2002/2003, to reach LE 253.2 billion at the end of June 2003. The rise emanated from the increase in surplus transfers of both the Social Insurance Funds for Civil Servants and for the Business Sector Employees (public and private) by LE 20.2 billion. Proceeds of investment certificates increased by LE 6.2 billion, and those of the post office saving accounts by LE 5.2 billion. Proceeds of US dollar development bonds rose by LE 0.4 billion and transfers from other local entities by LE 0.1 billion. On the other hand, the cumulative returns on Group A Investment Certificates decelerated by LE 0.9 billion.

Resources and Uses of the NIB

(LE bn)

At the End of June	2002		2003		Change
	Value	%	Value	%	+ (-)
Resources	**228.3**	**100.0**	**253.2**	**100.0**	**24.9**
-Social Insurance Fund for Civil Servants	83.8	36.7	95.9	37.8	12.1
- Social Insurance Fund for Business Sector Employees (Public and Private)	70.9	31.0	79.0	31.2	8.1
- Investment certificate proceeds	49.0	21.5	55.2	21.8	6.2
-Cumulative returns on investment certificates (group A)	7.4	3.2	6.5	2.6	-0.9
-Proceeds of US dollar development bonds	1.3	0.6	1.7	0.7	0.4
- Post office saving accounts	17.1	7.5	22.3	8.8	5.2
- NIB's account balances with the banking system (net)	-2.8	-1.2	-9.1	-3.6	-6.3
- Other	1.6	0.7	1.7	0.7	0.1
Uses	**228.3**	**100.0**	**253.2**	**100.0**	**24.9**
- Government	113.8	49.8	123.9	48.9	10.1
- Public economic authorities	47.1	20.7	50.1	19.8	3.0
- Other	67.4	29.5	79.2	31.3	11.8

Source: Ibid.

As for the uses of the NIB, its balance of lending to the government reached LE 123.9 billion or 48.9% of total uses at the end of June 2003 with an increase of LE 10.1 billion. The NIB loans to public economic authorities also mounted by LE 3.0 billion, bringing their debt to LE 50.1 billion or 19.8% of the total.

The NIB provided LE 11.8 billion or 31.3% of its total resources during 2002/2003 to finance its development activities. This type of finance was represented in loans to the holding companies and their affiliate units, concessional lending to low-cost housing and other contributions. Accordingly, the balance of the finance directed by the Bank to these activities reached some LE 79.2 billion at the end of June 2003.

As a result of the above mentioned operations, the NIB net credit position at the banking system fell by LE 6.3 billion, to reach LE 9.1 billion at the end of June 2003.

5- External Transactions
5/1: The Foreign Exchange Market

Of the most prominent developments witnessed by the foreign exchange market during the fiscal year 2002/2003, was the issue of the Decree abolishing the central exchange rate and fully liberalizing the LE exchange rate in the free market, effective as of 29/1/ 2003. Added to this was the Decree regulating the disposal of some foreign currency resources of entities whose activities are paid in foreign currency, and the regulations issued by the Central Bank to put the Decree into effect.

According to the CBE Foreign Exchange Control Department, transactions on the foreign exchange market decreased during FY 2002/2003. On the other hand, there was a notable decline in the market deficit to reach a mere US$ 0.5 billion against US$ 2.8 billion during the corresponding period of the previous FY.

The drop in the market deficit was mainly due to a remarkable decrease in the utilizations of foreign currency by US$ 6.1 billion, to reach US$ 7.9 billion during the year. This outpaced the US$ 3.7 billion drop in resources to reach US$ 7.4 billion during the year.

The decrease in the market resources was an outcome of the drop in the resources of exchange dealer companies by US$ 2.4 billion, and of banks by US$ 1.3 billion. On the other hand, the decrease in utilizations was a result of the lower foreign currency utilizations of banks by US$ 3.9 billion and of exchange dealer companies by US$ 2.2 billion.

Resources and Utilizations of the Foreign Exchange Market*

(US$ mn)

During FY	2001/2002	2002/2003
Resources	**11112**	**7398**
Banks	8216	6958
Exchange Dealer Companies	2896	440
Utilizations	**13927**	**7867**
Banks	11327	7433
Exchange Dealer Companies	2600	434
Surplus/Deficit (-)	**-28150**	**-469**
Banks	-3111	-475
Exchange Dealer Companies	296	6

* Excluding the CBE purchases and sales from/to banks.

Banks' transactions on the Forex market unfolded an increase in their net assets in foreign currencies by US$ 0.3 billion, reaching US$ 3.1 billion at the end of June 2003. Accordingly, the ratio of banks' assets to liabilities in foreign currencies rose from 110.7% at the end of June 2002 to 111.2% at the end of June 2003.

In the light of these developments, the general weighted average rate of the US dollar (transfers/purchase) reached pt 603.23/dollar at the end of June 2003, whereas it had reached pt 462.65/dollar on average simple basis at the end of June 2002, according to the CBE Forex Statistics Chamber.

Thanks to the BOP surplus during the year, net international reserves amounted to US$ 14.8 billion at the end of June 2003, with a rise of US$ 0.7 billion during the year.

General Average Exchange Rate of the US Dollar on the Foreign Exchange Market (Transfers/Purchases)

End of Month	Equivalent in Egyptian Pound
June 2002	462.6
July	462.6
August	462.5
September	462.1
October	462.4
November	462.4
December	462.5
January 2003*	536.4
February	553.5
March	573.5
April	589.5
May	597.7
June	603.2

Source: The CBE Forex Statistics Chamber.
* The exchange rate was liberalized on 29/1/2003.

The number of exchange dealer companies practicing activity on the Forex market retreated (some were crossed out or temporarily suspended) to 60 with 46 branches at the end of June 2003, against 96 companies and 77 branches at the end of June 2002. Accordingly, dealings of exchange dealer companies led to a sharp decline in their resources and utilizations to reach US$ 0.4 billion each during the year.

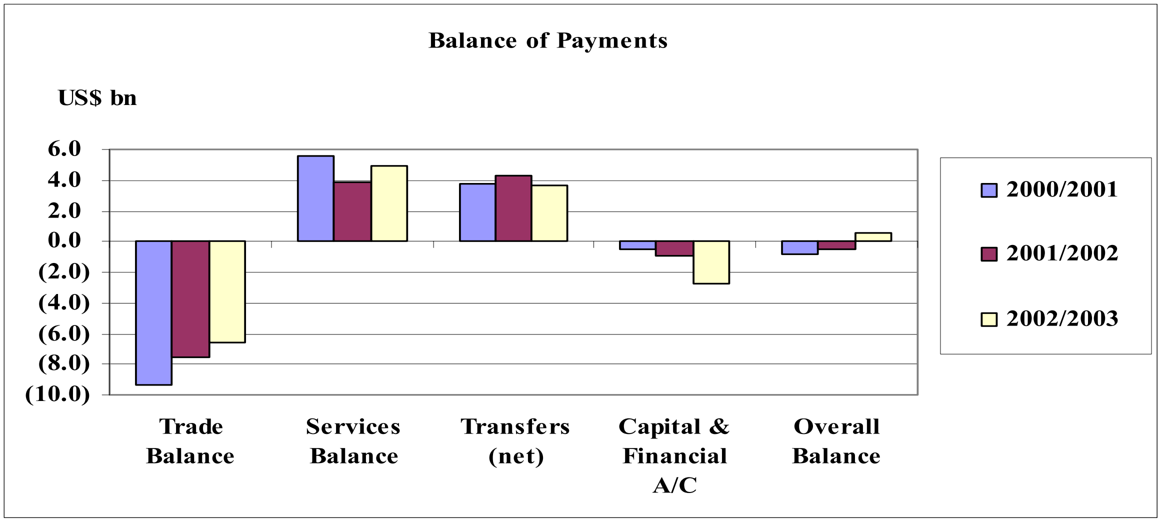
5/2: Balance of Payment

5/2/1: Summary

The BOP current account during FY 2002/2003 revealed a surplus of US$ 1883.1 million, against US$ 614.2 million during the previous FY. This was a result of the improvement in the performance of both the trade and service balances. Hence, the trade deficit narrowed by US$ 900.7 million, reaching only US$ 6.6 billion against US$ 7.5 billion, due to the increase in oil and non-oil exports. Moreover, the surplus on the services balance widened by US$ 1.0 billion or 26.1%, whereas net unrequited transfers rolled back by 15.1%, reaching US$ 3.6 billion.

External capital and financial transactions resulted in a net outflow of US$ 2.7 billion, against US$ 1.0 billion. This was ascribed to the increase in the net outflow of other assets and liabilities (change in banks' foreign assets and liabilities; the CBE non-reserve foreign assets; and the counterpart of some items in the current account) to reach US$ 3.1 billion during the year under review, against US$ 2.3 billion during the year of comparison. Foreign investment in Egypt (FDI and portfolio) recorded a total inflow of US$ 1.4 billion and a total outflow of US$ 1.1 billion during 2002/2003, against US$ 2.6 billion and US$ 1.2 billion, respectively, during the previous fiscal year. Accordingly, foreign investment (FDI and portfolio) realized a net inflow of US$ 295.4 million during 2002/2003, against US$ 1427.1 million during the previous FY.

Against this backdrop, external transactions during 2002/2003 revealed a BOP overall surplus of US$ 546.0 million against an overall deficit of US$ 456.4 million. This was positively reflected on the foreign currency reserve assets at the CBE.



The BOP current account showed a rise of US$ 1.3 billion or 6.0% in current receipts, totaling some US$ 22.3 billion. This resulted from the pick up in export proceeds of goods by 15.2% and in service receipts by 8.6%. On the other hand, current payments remained unchanged at their previous level of US$ 20.4 billion, owing to a 1.3% rise in import payments and a 3.3% retreat in service payments.

Summary of Current Receipts and Payments

(US$ mn)

			FY		Change
	2001/2002	**%**	**2002/2003**	**%**	**+ (-)**
Current Receipts	**20991.3**	**100.0**	**22255.9**	**100.0**	**1264.6**
Export proceeds	7120.8	33.9	8205.2	36.9	1084.4
Service receipts	9618.1	45.8	10441.4	46.9	823.3
Private transfers (net)	3108.8	14.8	2945.7	13.2	(163.1)
Official transfers (net)	1143.6	5.5	663.6	3.0	(480.0)
Current Payments	**20377.1**	**100.0**	**20372.8**	**100.0**	**(4.3)**
Import payments	14637.3	71.8	14821.0	72.7	183.7
Service payments	5739.8	28.2	5551.8	27.3	(188.0)

Indicators of external balance displayed an improvement, as current receipts – excluding official transfers– covered 106.0% of current payments, against 97.4%. With the addition of official transfers, the coverage ratio increases to 109.2% against 103.0%.

Current Receipts/Payments Coverage Ratio (%)

	FY	
	2001/2002	**2002/2003**
Commodity Exports/Commodity Imports	48.6	55.4
Invisible Receipts/Invisible Payments	167.6	188.1
Current Receipts/Current Payments (excluding official transfers)	97.4	106.0
Current Receipts/Current Payments	103.0	109.2

Balance of Payments

(US$ mn)

	FY	
	2001/2002	2002/2003*
Current Account	**614.2**	**1883.1**
Current Account (excluding transfers)	**-3638.2**	**-1726.2**
Trade Balance	**-7516.5**	**-6615.8**
Exports**	7120.8	8205.2
Oil and products	2381.0	3160.8
Non-oil exports	4739.8	5044.4
Imports**	-14637.3	-14821.0
Oil imports	-2476.8	-2313.0
Other imports	-12160.5	-12508.0
Services Balance	**3878.3**	**4889.6**
- Receipts, of which:	9618.1	10441.4
Transportation, of which:	2714.9	2964.8
Suez Canal dues	(1819.8)	(2236.2)
Travel	3422.8	3796.4
Investment income	938.2	641.3
- Payments, of which:	-5739.8	-5551.8
Transportation	-420.1	-392.5
Investment income	-842.4	-805.2
Transfers	**4252.4**	**3609.3**
Official (net)	1143.6	663.6
Private (net)	3108.8	2945.7
Capital and Financial Transactions	**-963.8**	**-2733.8**
Direct investment in Egypt (net)	428.2	700.6
Direct investment abroad	-15.2	-30.0
Portfolio investment in Egypt (net)	998.9	-405.2
Portfolio investment abroad	-3.2	-15.8
Other investments (net)	-2372.5	-2983.4
Errors and Omissions (net) * **	**-106.8**	**1396.7**
Overall Balance	**-456.4**	**546.0**
Change in Reserve Assets, Increase (-) +++	**456.4**	**-546.0**

* Preliminary figures

** Including imports and exports of the free zones.

*** A balancing item for the rise or drop in the estimates of the items recorded in the BOP. It represents the difference between the overall balance (overall surplus or deficit calculated on the basis that it equals the change in the CBE's total reserve foreign assets) and the sum of the balance of the current account, and the balance of capital & financial account.

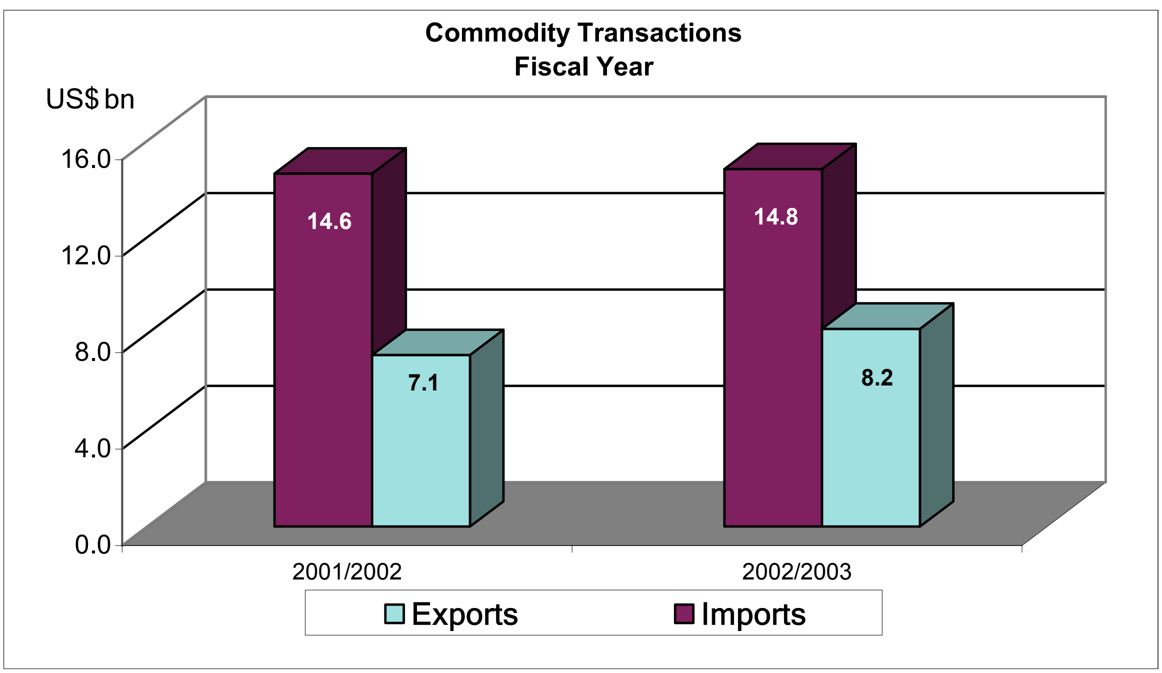
+++ Increase takes the sign (-) as it is on the debit side, and the drop takes (+), being on the credit side.

5/2/2: Trade Balance

Commodity export proceeds rose by US$ 1.1 billion or 15.2%, to reach US$ 8.2 billion during 2002/2003. This was a reflection of the increase of 32.8% in oil export proceeds, to reach US$ 3.2 billion and of 6.4% in non-oil export proceeds, to reach US$ 5.0 billion.

Likewise, import payments stepped up by US$ 183.7 million or 1.3%, to reach US$ 14.8 billion, due to the rise in import payments of all groups, except those of raw materials and consumer goods.

As a result of these developments, the trade deficit narrowed by 12.0%, to reach only US$ 6.6 billion during FY 2002/2003, against US$ 7.5 billion during the previous FY. Furthermore, commodity export proceeds to commodity import payments coverage ratio improved from 48.6% to 55.4%.



5/2/2/1: Commodity Distribution of Exports and Imports

A) Exports by Degree of Processing

Commodity export proceeds increased during FY 2002/2003 by US$ 1.1 billion, to reach some US$ 8.2 billion, due to a rise in oil and non-oil export proceeds. As such, export proceeds of crude oil and its products went up by US$ 779.8 million, to reach US$ 3.2 billion, mainly because of the increase in export proceeds of crude oil by 62.7% to US$ 1.1 billion. Export proceeds of oil products also mounted by 22.8%, to reach US$ 1.5 billion, bunker and jet fuel by 14.7%, to reach US$ 517.0 million. This was an outcome of the 47.9% rise in exported quantities of crude oil, together with the increase in the prices of crude oil from US$ 21.7 to US$ 23.9 a barrel, and of oil products from US$ 174.0 to US$ 226.1 per ton. In contrast, the exported quantities of oil products declined by 5.5%.

As for non-oil export proceeds, semi-finished goods increased by 49.3%, to reach US$ 657.6 million, mainly due to the increase in exports of cast iron and its products; organic and inorganic chemicals; carbon; unmixed aluminium; fats, greases and oils and products thereof; and cotton yarn. Likewise, exports of raw cotton accelerated by US$ 116.0 million, reaching US$ 199.2 million. Exports of raw materials increased by 55.5% and reached US$ 287.3 million. Export proceeds of finished goods rose by US$ 61.6 million or 2.1%, to reach US$ 3.0 billion, as a reflection of the increase in export proceeds from pharmaceuticals; cars, tractors and bicycles; fertilizers; ready-made clothes; sugar and its products; aluminium articles and chinaware.

Commodity Distribution of Exports
By Degree of Processing

(US$ mn)

	FY				Change
	2001/2002	%	2002/2003	%	
Total	**7120.8**	**100.0**	**8205.2**	**100.0**	**1084.4**
1- Fuel, mineral oils and products	2411.0	33.8	3195.2	38.9	784.2
2- Cotton	83.2	1.2	199.2	4.2	116.0
3- Raw materials	184.8	2.6	287.3	3.5	102.5
4- Semi-finished goods	440.5	6.2	657.6	8.0	217.1
5- Finished goods	2955.7	41.5	3017.3	36.8	61.6
6- Miscellaneous items, unclassified	1045.6	14.7	848.6	10.4	(197.0)

B) Imports by Degree of Use

Commodity import payments stepped up by US$ 183.7 million or 1.3%, to reach US$ 14.8 billion, spurred by the rise in imports of all groups, apart from raw materials and consumer goods. As such, imports of intermediate goods climbed by US$ 693.4 million or 18.7% to US$ 4.4 billion, as a result of higher imports of iron and steel articles; organic and inorganic chemicals; synthetic fibers; aluminium and its articles; fertilizers; cement; plastics and articles thereof, rubber and its articles; animal and vegetable oils, greases and fats; chinaware and copper and its articles. Meanwhile, imports of raw sugar and wood and its articles declined.

Imports of fuel and mineral oils surged by US$ 323.2 million or 48.4%, to reach US$ 991.2 million. The increase was mainly in oil products, by US$ 329.8 million, reaching US$ 930.7 million.

Imports of investment goods also climbed by US$ 156.2 million or 5.2%, to reach US$ 3.2 billion. This was a result of the higher imports of cars' parts, accessories and spare parts; locomotives, trains and railway equipment; lifts, bulldozers and parts thereof; air conditioners; agricultural equipment and computers.

Imports of raw materials decreased by US$ 486.9 million or 15.3%, to reach US$ 2.7 billion. The retreat was mainly pronounced in crude oil; tobacco; maize; oil seeds and oleaginous fruits and raw cotton. Meanwhile, imports of wheat, sesame and iron ore increased.

Imports of consumer goods declined by US$ 186.8 million or 6.7%, to US$ 2.6 billion, mainly because imports of non-durable goods fell by 9.7% to reach US$ 1.8 billion. The decrease was in pharmaceuticals, ready-made clothes, wheat, lentils, livestock, remains of foodstuff industries and food preparations for animals, tea, dairy products, insecticides and cotton textiles. In contrast, imports of refined sugar and its products, fish, soap and detergents and meat showed an increase.

Imports of durable goods (passengers' cars and electric household appliances) trended higher by US$ 9.8 million, to reach US$ 759.5 million. Conversely, imports of electric refrigerators, freezers and TV sets and parts thereof contracted.

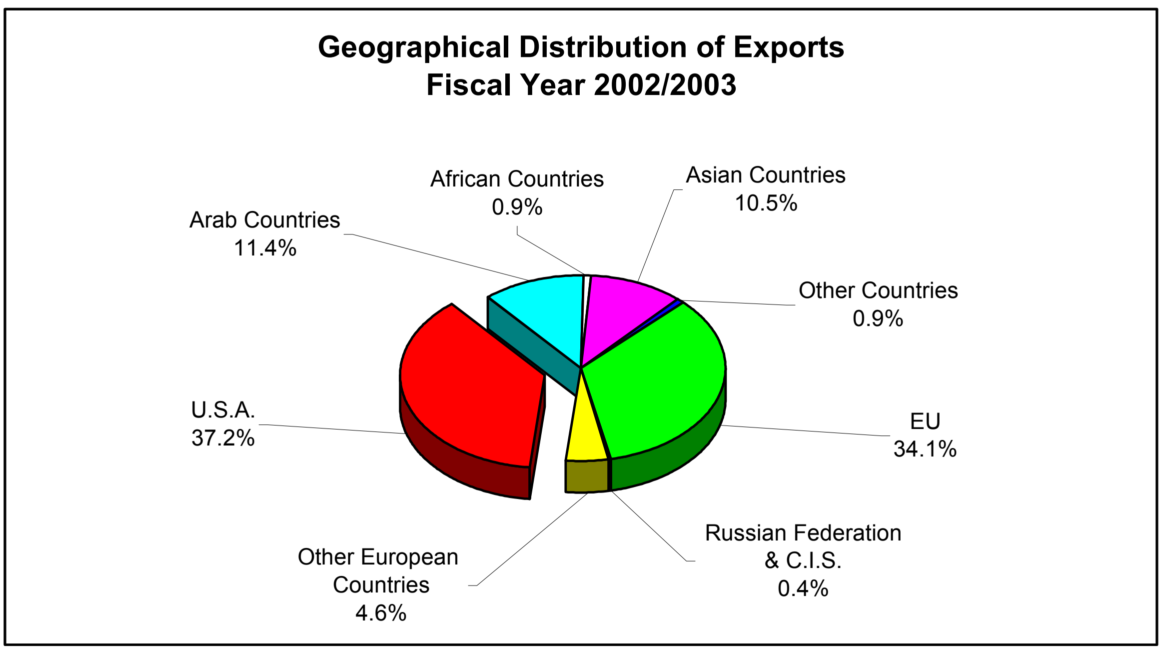
Commodity Distribution of Imports
by Degree of Use

(US$ mn)

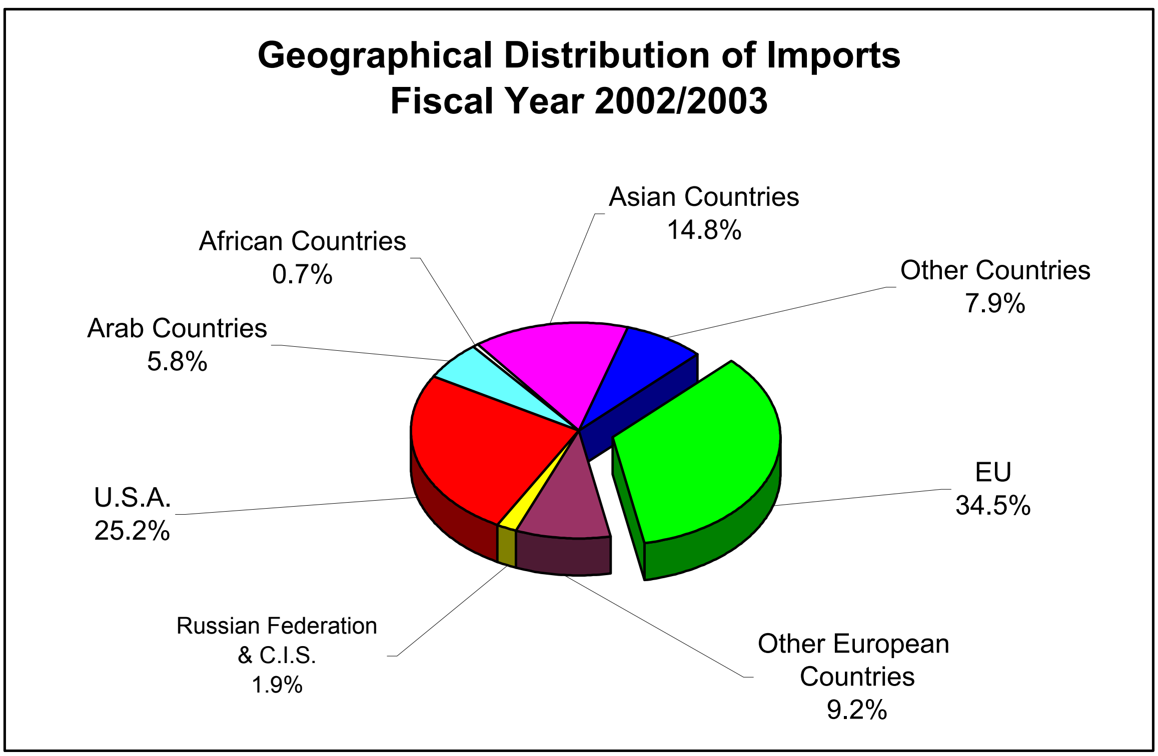
	FY				Change
	2001/2002	**%**	**2002/2003**	**%**	
Total	**14637.3**	**100.0**	**14821.0**	**100.0**	**183.7**
1-Fuel, mineral oils and products	668.0	4.6	991.2	6.7	323.2
2-Raw materials	3176.8	21.7	2689.9	18.1	(486.9)
3-Intermediate goods	3702.1	25.3	4395.5	29.7	693.4
4-Investment goods	3022.7	20.6	3178.9	21.4	156.2
5-Consumer goods	2779.4	19.0	2592.6	17.5	(186.8)
A-Durables	749.7	5.1	759.5	5.1	9.8
B-Non-durables	2029.7	13.9	1833.1	12.4	(196.6)
6-Miscellaneous items, unclassified	1288.3	8.8	972.9	6.6	(315.4)

5/2/2/2: Geographical Distribution of Export Proceeds and Import Payments

According to the geographical distribution of export proceeds, the USA was the main market of Egyptian exports, absorbing 37.2% or US$ 3.1 billion of total export proceeds. The EU countries came second with US$ 2.8 billion or 34.1% of the total, headed by Italy, followed by Germany, the Netherlands, France, the UK and Spain. Arab countries came next with US$ 934.2 million or 11.4% of total exports, mostly to Iraq, followed by Saudi Arabia, the UAE, Tunisia, Libya, Jordan, the Sudan, Morocco and Syria. The Asian countries followed with US$ 859.2 million or 10.5%, with India at the lead, followed by Hong Kong, Taiwan, Japan, South Korea, China and Singapore. The share of other European countries reached only US$ 377.1 million or 4.6%, with Switzerland at the top, then Turkey, Cyprus and Bulgaria. The African countries obtained a modest share of 0.9%.



The EU countries continued to be the major source of commodity imports to Egypt, accounting for US$ 5.1 billion or 34.5% of total import payments. Germany headed this group, followed by the UK, France, Italy and the Netherlands. The USA contributed US$ 3.7 billion or 25.2% of total imports. Asian countries ranked third, with US$ 2.2 billion or 14.8%. China topped this group, followed by Japan, South Korea, India and Malaysia. The share of other European countries reached only US$ 1.4 billion or 9.2% of the total. Switzerland led this group, and then came Turkey, Romania, Poland and Cyprus. Imports from Arab countries amounted to US$ 866.3 million or 5.8%, with the UAE coming first, then Saudi Arabia and Algeria. Finally, imports from the Russian Federation and CIS represented 1.9% of total imports.



Geographical Distribution of Commodity Transactions

(US$ mn)

	FY					
	Export Proceeds		**Import Payments**		**Trade Balance**	
	2001/2002	**2002/2003**	**2001/2002**	**2002/2003**	**2001/2002**	**2002/2003**
Grand Total	**7120.8**	**8205.2**	**14637.3**	**14821.0**	**(7516.5)**	**(6615.8)**
%	**100.0**	**100.0**	**100.0**	**100.0**		
EU	2099.2	2796.9	5296.6	5108.6	(3197.4)	(2311.7)
%	29.5	34.1	36.2	34.5		
Other European Countries	378.8	377.1	1322.7	1365.5	(943.9)	(988.4)
%	5.3	4.6	9.0	9.2		
Russian Federation & CIS	44.4	36.9	254.6	288.2	(210.2)	(251.3)
%	0.6	0.4	1.7	1.9		
USA	2621.1	3056.9	3684.0	3732.1	(1062.9)	(675.2)
%	36.8	37.2	25.2	25.2		
Arab Countries	942.7	934.2	847.5	866.3	95.2	67.9
%	13.2	11.4	5.8	5.8		
Asian Countries	836.0	859.2	2096.9	2189.5	(1260.9)	(1330.3)
%	11.8	10.5	14.3	14.8		
African Countries	64.4	73.6	132.0	103.1	(67.6)	(29.5)
%	0.9	0.9	0.9	0.7		

%						
Other Countries & Regions	134.2	70.4	1003.0	1167.7	(868.8)	(1097.3)
	1.9	0.9	6.9	7.9		
%						

5/2/3: Services Balance and Transfers

The surplus on the services balance noticeably improved during the FY 2002/2003, reaching US$ 4.9 billion and rising by 26.1% over the level of the previous year. This was an outcome of an 8.6% increase in service receipts to reach US$ 10.4 billion, and a 3.3% drop in service payments to reach only US$ 5.6 billion.

Balance of Services

(US$ mn)

	FY		
	2001/2002	2002/2003	Change (-)
Services Balance	**3878.3**	**4889.6**	**1011.3**
Receipts	**9618.1**	**10441.4**	**823.3**
Transportation	2714.9	2964.8	249.9
Travel	3422.8	3796.4	373.6
Investment income	938.2	641.3	(296.9)
Government receipts	188.4	252.8	64.4
Other receipts	2353.8	2786.1	432.3
Payments	**5739.8**	**5551.8**	**(188.0)**
Transportation	420.1	392.5	(27.6)
Travel	1207.9	1372.4	164.5
Investment income	842.4	805.2	(37.2)
Government payments	660.4	455.4	(205.0)
Other payments	2609.0	2526.3	(82.7)

The rise in service receipts came as a reflection of the increase in the items of travel, transportation, government receipts and other receipts. Travel receipts* went up by 10.9% to reach US$ 3.8 billion, as a result of the increase in the number of tourist nights by 4571 thousand, to reach 33.0 million nights against 28.5 million, and the drop in the average spending per tourist a night to US$ 115/night during the year from US$ 119.9/night during the previous year. Transportation receipts edged up by 9.2% to reach US$ 3.0 billion, because of the rise in Suez Canal tolls by 22.9%. Government receipts scaled up by 34.2%. Other receipts** also rose by 18.4%, totaling US$ 2.8 billion, mainly because of the rise in the invisible receipts to the Ministry of Petroleum; the transfers to foreign petroleum companies, and to foreign companies; the receipts of legal fees, and the receipts of communication and building & construction services. However, investment income declined by 31.6% to only US$ 641.3 million, owing to the decline in interest rates on deposits of the banking system abroad, and the decrease in interest and dividend transfers.

* Calculated on the basis of the number of tourist nights multiplied by the average spending per tourist a night.

** The main components of this item are the receipts of communication services, invisible receipts of EGPC, receipts of foreign companies, legal and consultation fees, and agencies commissions and fees.

The 3.3% decrease in service payments was a result of a 6.6% retreat in transport payments, to stand at only US$ 392.5 million. This was ascribed to lower transfers by Egyptian navigation companies and the drop in government payments by 31.0% to reach US$ 455.4 million. Investment income payments declined as well by 4.4%, mainly because of the fall in the income of direct investment and other investments. In addition, other payments* decelerated by 3.2%, to merely US$ 2.5 billion, as a result of lower transfers abroad by Egyptian and foreign petroleum companies, and commercial expenses. Meanwhile, travel payments rose by 13.6% to post US$ 1.4 billion due to the increase in the expenses of tourism and medical treatment abroad.

Net unrequited transfers shrank by 15.1% to reach US$ 3.6 billion during the FY 2002/2003. This was mainly because of the decrease in official transfers by 42.0%, totaling only US$ 663.6 million, mostly from inward cash grants. Private transfers fell as well by 5.2% reaching US$ 2.9 billion, mostly from workers' remittances from abroad.

Unrequited Transfers

(US$ mn)

	FY		
	2001/2002	**2002/2003**	**Change (-)**
Total	**4252.4**	**3609.3**	**(643.1)**
1- Official Transfers (Net)	**1143.6**	**663.6**	**(480.0)**
- Inward cash grants	519.7	158.3	(361.4)
- Other inward grants	675.2	532.2	(143)
- Outward grants	-51.3	-26.9	24.4
2- Private Transfers (Net)	**3108.8**	**2945.7**	**(163.1)**
- Workers' remittances	3029.5	2976.8	(52.7)
- Other transfers	96.1	42.1	(54.0)
- Foreigners' transfers abroad	-16.8	-73.2	(56.4)

* Their main components are: transfers to abroad by Egyptian and foreign companies, service payments for construction & contracting and communication services.

5/2/4: Capital and Financial Transactions

Capital and financial transactions with the foreign sector revealed a net outflow of US$ 2.7 billion during FY 2002/2003, against US$ 1.0 billion in the preceding FY. This was due to a number of factors, mainly: an increase in the net outflow of other assets and liabilities (represented in the change in foreign assets and liabilities of banks, non-reserve foreign assets of the CBE, and the counterparts of items included in the current account), to reach US$ 3.1 billion against US$ 2.3 billion the previous year; a pick up in the net inflow of US$ 295.4 million of foreign investment (direct and portfolio) during FY 2002/2003, against US$ 1427.1 million in the previous FY.

Capital and Financial Transactions

(US$ mn)

	FY	
	2001/2002	2002/2003*
Capital and Financial Transactions	**-963.8**	**-2733.8**
Direct Investment in Egypt (Net)	**428.2**	**700.6**
Direct Investment Abroad	**-15.2**	**-30.0**
Portfolio Investment in Egypt (Net), of which:	**998.9**	**-405.2**
Dollar denominated bonds**	953.6	-218.2
Portfolio Investment Abroad	**-3.2**	**-15.8**
Other Investments (Net)	**-2372.5**	**-2983.4**
-Disbursements	**1321.8**	**1757.6**
• Medium- and long-term loans	340.0	644.9
International and regional institutions	288.8	498.6
Bilateral loans	51.2	146.3
• Suppliers' and buyers' credit, medium- and long-term	260.5	42.5
• Suppliers' and buyers' credit, short-term (net)	721.3	1070.2
- Repayments	**-1393.1**	**-1614.0**
• Medium- and long-term loans	-925. 2	-1231.4
International institutions	-322.6	-542.4
Bilateral loans	-602.6	-689.0
• Suppliers' and buyers' credit, medium- and long-term	-467. 9	-382.6
- Other Assets	**-1862.0**	**-3067.7**
CBE	21.0	-32.0
Banks	227.4	-493.4
Others	-2110.4	-2542.3
- Other Liabilities	**-439.2**	**-59.3**
CBE	6.9	3.7
Banks	-446.1	-63.0

* Preliminary figures.

** US dollar denominated bonds of the Egyptian government, guaranteed by the Public Treasury, and floated on international and local markets on 1/7/2001. They comprise 5 year bonds at a nominal value of US$ 500 million and an interest rate of 7.625%; and 10 year bonds at a nominal value of US$ 1 billion and 8.75%. These bonds were issued pursuant to Law No. 147 for 2001.

The key factors influencing the performance of the capital and financial account can be summarized as follows:

– Net foreign direct investment in Egypt increased by 63.6% to reach US$ 700.6 million, including a total of US$ 439.7 million representing the proceeds from sales of majority shares in some Egyptian companies to foreign investors. On the other hand, foreigners' portfolio investment in Egypt realized a net outflow of US$ 405.2 million against a net inflow of US$ 998.9 million.

  - It is worth mentioning that foreigners' transactions on the Egyptian Stock Exchange unfolded net purchases of US$ 252.7 million during the year, as their purchases amounted to US$ 906.5 million (including the said US$ 439.7 million classified under foreign direct investment), while their sales reached only US$ 653.8 million.

  - Portfolio investment included the purchase of dollar denominated sovereign bonds at a value of US$ 218.2 million by resident financial institutions (banks and insurance companies). Although this purchase represents an outflow, yet it is considered a repayment of part of Egypt's external obligations.

  - The net inflow during the FY 2001/2002 was mainly ascribed to the US$ 953.6 million of net purchases of dollar denominated sovereign bonds by foreigners.

– Loans and facilities achieved net disbursements of US$ 143.6 million against net repayments of US$ 71.3 million. This was due to the rise in total disbursements from US$ 1.3 billion to US$ 1.8 billion on the one hand, and the increase in total repayments from US$ 1.4 billion to US$ 1.6 billion, on the other. The rise in total disbursements was an outcome of the increase in disbursements of loans to reach US$ 644.9 million, and the fall in disbursements of suppliers' and buyers' medium- and long-term credit to only US$ 42.5 million. However, net disbursements of suppliers' and buyers' short-term credit went up by US$ 348.9 million to reach US$ 1.1 billion. The increase in total repayments was attributed to the rise in the repayments of medium- and long-term loans to reach US$ 1.2 billion, and the decrease in medium- and long-term facilities to post only US$ 382.6 million.

– Foreign assets at the banking system improved by US$ 525.4 million against a retreat of US$ 248.4 million. This was a result of an increase in foreign assets at banks by US$ 493.4 million against a drop of US$ 227.4 million, and a rise of non-reserve assets with the CBE by US$ 32.0 million against a fall of US$ 21.0 million.

– Other assets stepped up by US$ 2.5 billion against US$ 2.1 billion mainly, due to the difference between tourism revenues calculated on the basis of the number of tourist nights and the average tourist spending per night, and their value according to banks' statistics.

– Other liabilities rolled back by US$ 59.3 million against US$ 439.2 million caused by a decrease of US$ 63.0 million in banks' foreign liabilities against US$ 446.1 million on the one hand, and an increase in the CBE's by US$ 3.7 million against US$ 6.9 million, on the other.

5/3: International Finance

According to the international financing data, net resource inflows have dropped to US$ 1.1 billion during the FY 2002/2003, against US$ 2.5 billion during the corresponding fiscal year. This was mainly because during the corresponding FY there was an inflow of US$ 953.6 million in the form of investments of non-resident financial institutions in dollar denominated sovereign bonds, issued by the Egyptian government at the beginning of the period at a value of US$ 1.5 billion. During the FY 2002/2003, these institutions sold some of their bond holdings, representing an outflow of US$ 218.2 million, to resident financial institutions on the secondary market. Consequently, portfolio investment in Egypt showed a net outflow of US$ 405.2 million during the FY 2002/2003, against a net inflow of US$ 998.9 million. In addition, net official grants fell by 42%. This drop was offset neither by the 63.6% improvement in net flows of FDI in Egypt during the FY 2002/2003 to reach US$ 700.6 million, nor by the net disbursement of loans and facilities of US$ 143.6 million, against a net repayment of US$ 71.3 million in the previous fiscal year.

Net Resource Flows

(US$ mn)

	FY	
	2001/2002	2002/2003
Total Net Flows	**2481.0**	**1056.8**
- External Debt	**-71.3**	**-143.6**
• Bilateral loans	-551.4	-542.7
Disbursements	51.2	146.3
Principal repayments	-602.6	-689.0
• International institutions' loans	-33.8	-43.8
Disbursements	288.8	498.6
Principal repayments	-322.6	-542.4
• Medium- and long-term suppliers' and buyers' credit	-207.4	-340.1
Disbursements	260.5	42.5
Principal repayments	-467.9	-382.6
• Short-term suppliers' and buyers' credit	721.3	1070.2
- Official Grants (Net)	**1143.6**	**663.6**
- Direct Investment in Egypt (Net)	**428.2**	**700.6**
- Direct Investment Abroad	**-15.2**	**-30.0**
- Portfolio Investment in Egypt (Net)	**998.9**	**-405.2**
• Dollar denominated sovereign bonds	953.6	-218.2
- Portfolio Investment Abroad	**-3.2**	**-15.8**

Total returns transferred abroad scaled down by 4.4%, to reach US$ 805.2 million because of the fall in the interest payments on deposits at Egyptian banks, and in the direct investment profit transfers and the interest payments on medium- and long-term external loans and facilities. This fall was larger than the rise in the profit transfers of portfolio investment (arising from the interest payments on dollar denominated bonds). Accordingly, net resource transfers (net flows less transfers of paid returns) declined to realize an inflow of US$ 251.6 million during the FY 2002/2003, against US$ 1.6 billion during the previous fiscal year.

Net Resource Transfers from Abroad

(US$ mn)

	FY 2001/2002	FY 2002/2003
Net Transfers of Resources from Abroad	**1638.6**	**251.6**
- Net Inflows of Resources from Abroad	**2481.0**	**1056.8**
- Transferred Returns (Paid) on:	**-842.4**	**-805.2**
External Loans and Facilities	**-595.2**	**-574.9**
• Bilateral loans	-373.8	-355.0
• International institutions’ loans	-166.2	-171.6
• Suppliers’ and buyers' credit	-55.2	-48.3
Interest on Deposits at Egyptian Banks	**-93.4**	**-51.0**
Profit Transfers of Direct Investment	**-89.6**	**-47.5**
Profit Transfers of Portfolio Investment	**-64.2**	**-131.8**

5/3/1: Direct Investment in Egypt

Net FDI in Egypt stepped up during the FY 2002/2003 to reach US$ 700.6 million against US$ 428.2 million, as a main result of the increase in inflows from EU countries by US$ 221.2 million, reaching US$ 584.4 million or 83.5% of total inflows. The year witnessed inflows of US$ 288.6 million from the Netherlands, with a relative importance of 41.2%. This outpaced inflows from all other EU countries due to the purchase of a major Egyptian company by a Dutch company during the FY 2002/2003. Likewise, inflows from Spain rose by US$ 93.7 million, to reach US$ 177.5 million, with a relative importance of 25.3%. Inflows from Germany and the UK also increased. Inflows from France steeply declined, while those from Italy decreased slightly. There were no inflows from Portugal, compared with inflows of US$ 38.8 million in the previous fiscal year.

The USA came second to the EU, with 74.5% higher inflows, amounting to US$ 277.5 million. Inflows from Arab countries also mounted to reach US$ 15.4 million against US$ 3.5 million. The FY 2002/2003 also witnessed an increase in FDI outflows by some US$ 87.5 million, to reach US$ 191.3 million, against US$ 103.8 million in the previous fiscal year.

Direct Investment in Egypt

(US$ mn)

	FY			
	2001/2002		2002/2003	
	Value	%	Value	%
Flows of Direct Investment in Egypt (Net)	**428.2**	**100.0**	**700.6**	**100.0**
Inflows	**532.0**	**124.3**	**891.9**	**127.3**
The USA	**159.0**	**37.1**	**277.5**	**39.6**
The EU*	**363.2**	**84.9**	**584.4**	**83.5**
Germany	17.5	4.1	27.0	3.9
France	208.1	48.6	61.4	8.8
The United Kingdom	12.3	2.9	28.0	4.0
Italy	2.7	0.6	0.5	0.1
Greece	0.0	0.0	1.4	0.2
Spain	83.8	19.6	177.5	25.3
The Netherlands	0.0	0.0	288.6	41.2
Portugal	38.8	9.1	0.0	0.0
Arab countries	**3.5**	**0.8**	**15.4**	**2.1**
Saudi Arabia	0.9	0.2	3.7	0.5
Jordan	0.0	0.0	1.5	0.2
Bahrain	0.0	0.0	0.6	0.1
Kuwait	2.5	0.6	9.0	1.3
Others	0.1	0.0	0.6	0.0
Other Countries	**6.3**	**1.5**	**14.6**	**2.1**
Japan	0.0	0.0	2.0	0.3
Canada	0.0	0.0	1.3	0.2
Switzerland	2.0	0.5	4.0	0.6
Other countries	4.3	1.0	7.3	1.0
Capital Repatriation	**-103.8**	**-24.3**	**-191.3**	**-27.3**

* The European Union comprises 15 countries, namely: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Greece, the UK, Denmark and Sweden.

5/3/2: External Grants

Net official grants recorded US$ 663.6 million during the FY 2002/2003, against US$ 1.1 billion the previous year, down by 42.0%. This came as a chief result of the decline in the transfers from the USA.

Official Transfers

(US$ mn)

	FY		Change
	2001/2002	2002/2003	
Total	**1143.6**	**663.6**	**-480.0**
- Inward cash grants	519.7	158.3	-361.4
- Other inward grants	675.2	532.2	-143.0
- Outward grants	-51.3	-26.9	24.4

According to the Ministry of International Cooperation, total grant commitments fell during the FY 2002/2003 by 15.3%, reaching US$ 712.3 million. Although the period witnessed new commitments with the EU and Italy, along with a rise in the value of commitments with Japan, Germany, Finland and the Arab Fund for Economic and Social Development, this did not offset the decline of commitments with the USA and the Global Environmental Facility. Moreover, no commitments were made during the period with China, the Canadian International Development Agency, the Islamic Development Bank, the World Bank and Switzerland, compared with their commitments in the previous fiscal year.

New Commitments and Net Flows of External Grants

(US$ mn)

	Commitments		Actual Flows	
	FY			
	2001/2002	**2002/2003**	**2001/2002**	**2002/2003**
Net Inflows			**1143.6**	**663.6**
Inflows	**840.6**	**712.3**	**1194.9**	**690.5**
The USA	764.2	458.5	1167.6	664.0
Japan	0.4	82.5	10.4	7.4
France			0.2	0.0
Germany	13.7	15.1	14.2	16.3
The Netherlands			0.5	0.1
Finland	3.8	5.2		
Italy		42.4		
The UK				
Switzerland	0.2		2.0	2.7
China	39.7			
Islamic Development Bank	0.8			
The EU		100.1		
Arab Fund for Economic and Social Development	0.8	1.2		
Global Environmental Facility*	1.2	0.3		
Canadian International Development Agency	14.9			
The World Bank	0.3			
Other Countries	0.6	7.0		
Capital Repatriations			**-51.3**	**-26.9**

* Global Environmental Facility (GEF) is a part of the IFC's Environmental Financing Group . It was established in 1991 for the purpose of supporting projects serving the environment in developing countries, and financing environmental projects on concessional conditions in defined areas.

A sectoral breakdown of grant commitments shows an increased value of commitments for the potable water and sanitary sewage sector, the sectoral policy adjustment, Environmental Affairs Agency, the Ministry of Agriculture, and the health and population sector. Furthermore, new commitments were made for the Ministries of Foreign Trade, Industry, Commodity Supply and Internal Trade, and Public Works and Water Resources. By contrast, there was a decline in the value of commitments for the private sector and the Ministries of Education, Communications and Information, and Social Affairs. The period witnessed no commitments for the energy and electricity sector and the housing and utilities sector, compared with commitments thereof in the previous fiscal year.

Breakdown of External Grant Commitments
(by Beneficiary)

(US$ mn)

	FY			
	2001/2002	**%**	**2002/2003**	**%**
Total	**840.6**	**100.0**	**712.3**	**100.0**
Grants for sectoral policy adjustment	188.8	22.5	240.7	33.8
Private sector	400.0	47.6	49.4	6.9
Infrastructure	19.1	2.3	67.4	9.4
Communications and information	(14.9)	(1.8)	(3.8)	(0.5)
Potable water and sewage	(3.0)	(0.4)	(63.6)	(8.9)
Energy and electricity sector	(1.2)	(0.1)		
Housing and utilities	50.3	6.0		
Public works and water resources			9.1	1.3
Industry			36.3	5.1
Education	57.8	6.9	31.7	4.5
Health and population	62.6	7.5	70.8	9.9
Agriculture	6.0	0.7	27.8	3.9
Commodity supply and internal trade			26.1	3.7
Foreign trade			69.3	9.7
Social affairs	7.8	0.9	6.8	1.0
Environmental Affairs Agency	2.6	0.2	30.3	4.3
Social Development Fund	3.4	0.4	3.0	0.4
Others	42.3	5.0	43.6	6.1

5/3/3 : External Debt

Egypt's outstanding external debt (denominated in US dollars) remained nearly unchanged at its level in the previous FY. It reached US$ 28.7 billion at the end of June 2003, with a slight rise of US$ 86.7 million. This rise was mainly due to the effects of the appreciation of most currencies of borrowing against the US dollar. These effects were, somehow, offset thanks to the retreat in the balance of the dollar denominated bonds at the end of June 2003 due to the fact that resident financial institutions purchased some of these bonds on the secondary market. Added to this was the decline in short-term debts by about US$ 285.5 million. Net repayments for medium- and long-term loans and facilities reached US$ 926.6 million as an outcome of repayments equivalent to US$ 1.6 billion with less disbursements of US$ 687.4 million.

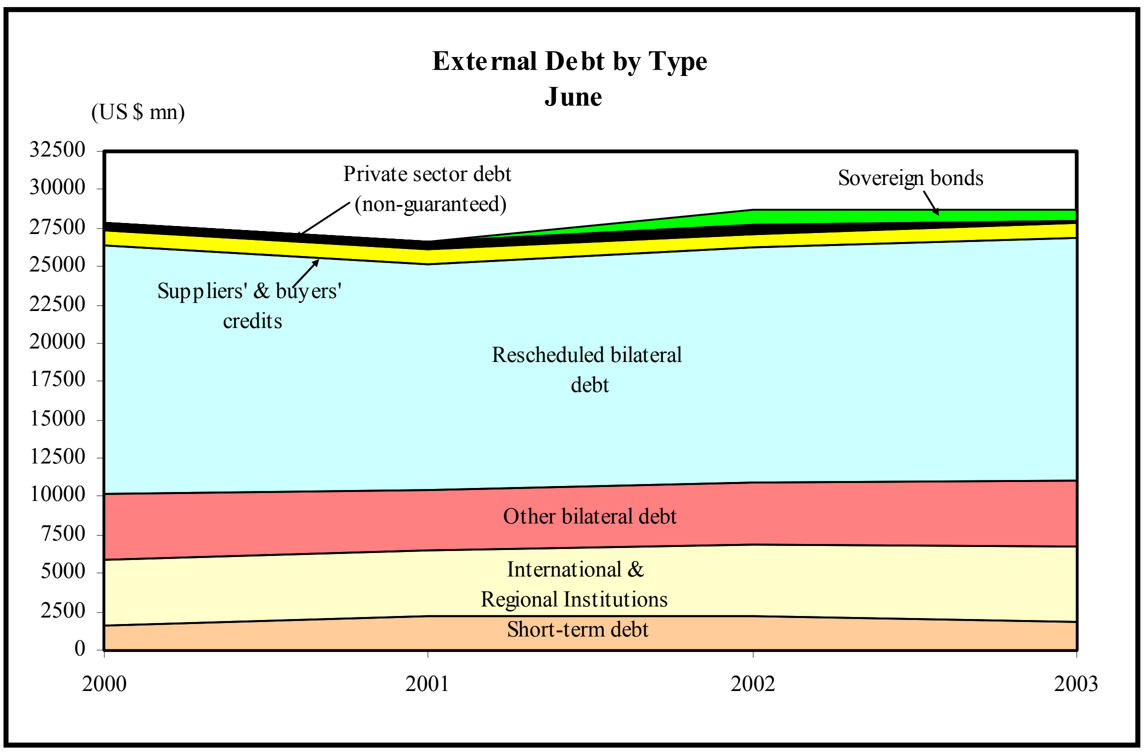
Structure of External Debt

(US$ mn)

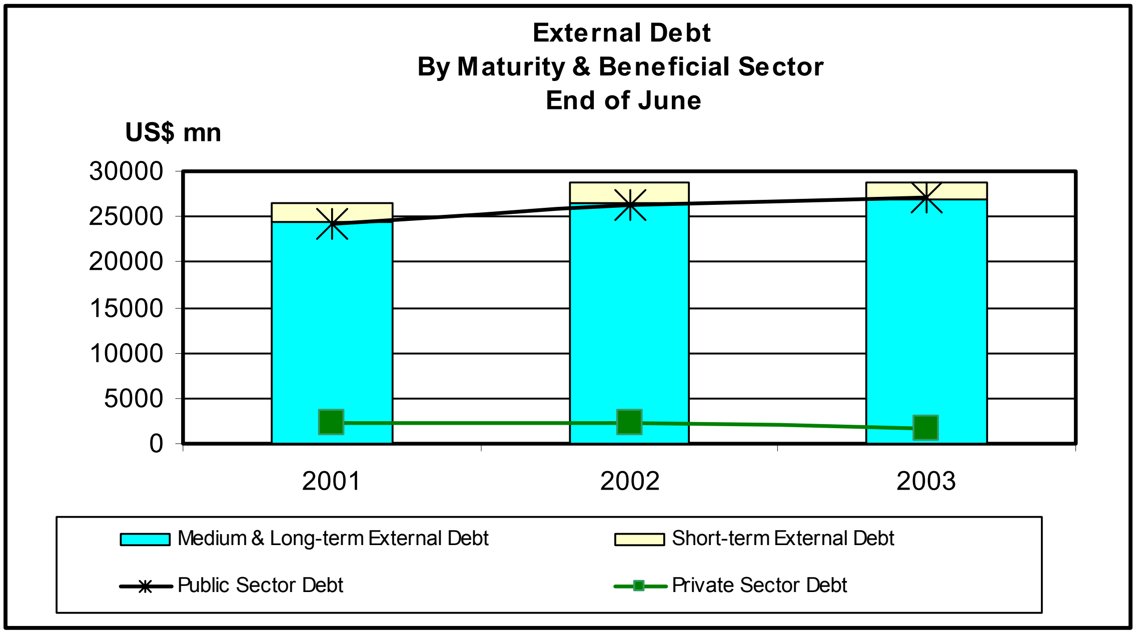
Balances at End of	June 2002		June 2003		Change (-)
	Value	Relative Importance	Value	Relative Importance	
Total External Debt	**28660.8**	**100.0**	**28747.5**	**100.0**	**86.7**
Rescheduled bilateral debts	15336.4	53.5	15804.1	55.0	467.7
Concessional	7455.6	26.0	7512.6	26.1	57.0
Non-concessional	7880.8	27.5	8291.5	28.9	410.7
Other bilateral loans	4057.2	14.2	4270.1	14.8	212.9
Paris Club countries	3405.0	11.9	3291.5	11.4	(113.5)
Other countries	652.2	2.3	978.6	3.4	326.4
International and regional institutions	4697.4	16.4	4862.8	16.9	165.4
Suppliers' and buyers' credit	923.8	3.2	988.2	3.4	64.4
Short-term debts	2150.0	7.5	1864.5	6.5	(285.5)
Deposits	1338.5	4.7	1305.1	4.5	33.4
Other facilities	811.5	2.8	559.4	2.0	(252.1)
Sovereign bonds	953.6	3.3	735.4	2.6	(218.2)
Debt of the private sector (non-guaranteed)	542.4	1.9	222.4	0.8	(320.0)

A breakdown of Egypt's external debt by creditor indicates that bilateral loans (rescheduled or non-rescheduled) and suppliers' and buyers' credit owed to Paris Club members represented 69.8% of the total. The balance of the debt due to these countries reached US$ 20.1 billion at the end of June 2003. Of this amount, 80.2% was owed to four countries, namely the USA, France, Japan, and Germany. In the meantime, debts due to non-members of the Paris Club (under bilateral loans) amounted to some US$ 978.6 million or 3.4% of the total.

Egypt's debt due to international and regional institutions amounted to about US$ 4.9 billion, or 16.9 % of the total, 91.7% of which owed by the public sector. The balance of short-term debts reached US$ 1.9 billion or 6.5% of the total, 50.3% of which owed by the private sector. Dollar denominated sovereign bonds reached some US$ 735.4 million or 2.6% of the total, with a fall of US$ 218.2 million because resident financial institutions purchased some of these bonds on the secondary market. In addition, non-guaranteed debts of the private sector declined by US$ 320.0 million to stand at merely US$ 222.4 million or 0.8 % of the total.



It is noteworthy that the combined external debt of the private sector totaled US$ 1.6 billion or 5.6% of the total external debt at the end of June 2003, with a drop of US$ 0.7 billion during the year under review.



External debt by creditor countries and international and regional institutions - as shown in the table below- denotes that the volume of debt due to EU countries represented 38.6% of the total. The USA came next at 18.1%, followed by Japan (11.5%), the Arab countries (5.2%), and then the IDA (4.7%).

External Debt by Main Creditor

(US$ mn)

Creditor	June 2002 Value	June 2002 Relative Importance	June 2003 Value	June 2003 Relative Importance
Total External Debt	**28660.8**	**100.0**	**28747.5**	**100.0**
USA	**5537.4**	**19.3**	**5209.3**	**18.1**
Japan	**3562.5**	**12.4**	**3314.9**	**11.5**
EU Countries, of which	**10483.9**	**36.6**	**11097.4**	**38.6**
France	4490.0	15.7	4863.9	16.9
Germany	2687.2	9.4	3052.4	10.6
Italy	1032.1	3.6	938.8	3.3
Spain	861.2	3.0	849.3	3.0
UK	453.8	1.6	405.6	1.4
Austria	552.5	1.9	580.5	2.0
Arab Countries, of which	**1128.6**	**3.9**	**1487.6**	**5.2**
Saudi Arabia	305.4	1.1	311.8	1.1
United Arab Emirates	156.2	0.5	143.9	0.5
Bahrain	48.3	0.2	356.4	1.2
Kuwait	333.2	1.2	365.1	1.3
International and Regional Institutions, of which	**4697.4**	**16.4**	**4862.8**	**16.9**
IDA	1294.7	4.5	1352.9	4.7
Arab Fund for Economic and Social Development	939.3	3.3	897.2	3.1
European Investment Bank	734.7	2.6	859.8	3.0
World Bank	576.5	2.0	535.9	1.9
AMF	295.5	1.0	312.4	1.1
ADF and ADB	629.5	2.2	519.0	1.8
Islamic Development Bank (Jeddah)	125.4	0.4	280.4	1.0
Sovereign Bonds	**953.6**	**3.3**	**735.4**	**2.6**
Other Countries and Institutions	**2297.4**	**8.1**	**2040.1**	**7.1**

Distribution of external debt by currency of borrowing shows that the outstanding balance of the debts denominated in the US dollar and the Japanese yen decreased at the end June 2003 compared with the end of June 2002 figure, while those denominated in the euro and SDRs increased.

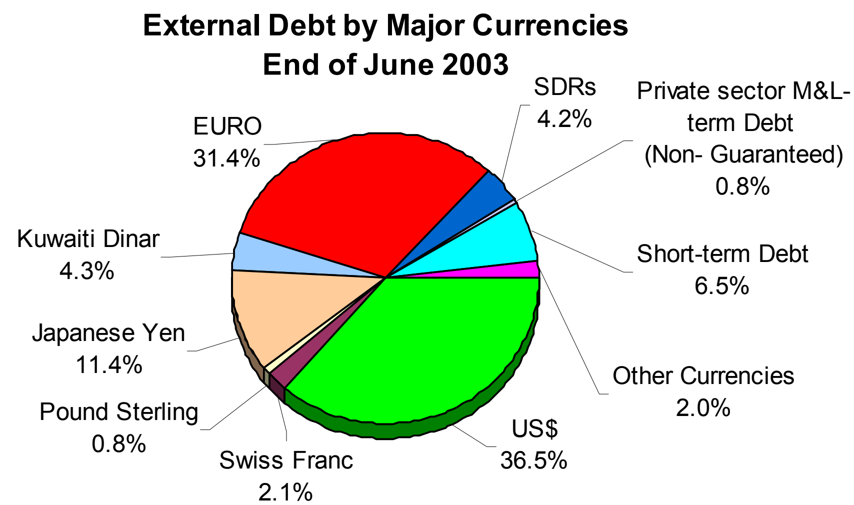
External Debt by Main Currency

(US$ mn)

End of June	2002		2003	
	Value	Relative Importance	Value	Relative Importance
Total	**28660.8**	**100.0**	**28747.5**	**100.0**
US Dollar	10941.4*	38.1	10488.1*	36.5
Canadian Dollar	134.0	0.5	147.4	0.5
Australian Dollar	120.0	0.4	137.3	0.5
Swiss Franc	551.0	1.9	589.4	2.1
Pound Sterling	251.0	0.9	240.6	0.8
Japanese Yen	3384.0	11.8	3286.9	11.4
Danish Krone	109.0	0.4	122.1	0.4
Norwegian Krone	28.0	0.1	28.0	0.1
Swedish Krona	42.0	0.1	44.4	0.2
Kuwaiti Dinar	1248.0	4.4	1237.4	4.3
Saudi Riyal	50.0	0.2	42.7	0.1
UAE Dirham	58.0	0.2	55.0	0.2
Euro	7948.0	27.7	9035.5	31.4
SDRs	1104.0	3.9	1205.8	4.2
Medium-and long-term debt of the private sector (non-guaranteed)**	542.4	1.9	222.4	0.8
Total short-term debt**	2150.0	7.5	1864.5	6.5

* Including the Arab International Bank's deposit and dollar denominated sovereign bonds.
**Not available in different currencies.

External debt by main currency (US dollar, Japanese yen, and euro) denotes that the US dollar –the main currency of borrowing– accounted for the bulk of the total debt, with a relative importance of 36.5%. This is due to the outstanding obligations in US dollars to creditors other than the USA. Next came the euro with 31.4%, followed by the Japanese yen with 11.4%, then the Kuwaiti dinar with 4.3% and the SDR with 4.2%.



- Dollar share includes ArabInternational Bank deposit and dollar-denominated sovereign bonds.
- Private sector (non-guaranted) debt and short-term debt are not available in different currencies.

External debt service increased by about US$ 200.5 million, to reach US$ 2.2 billion. This was mainly due to an increase of US$ 220.8 million in principal repayments, and a decrease of US$ 20.3 million in interest payments. Consequently, the ratio of the debt service to current receipts (including private and official transfers) rose to 9.8% from 9.5%, while its ratio to export proceeds of goods and services improved, posting 11.7% against 11.9%.

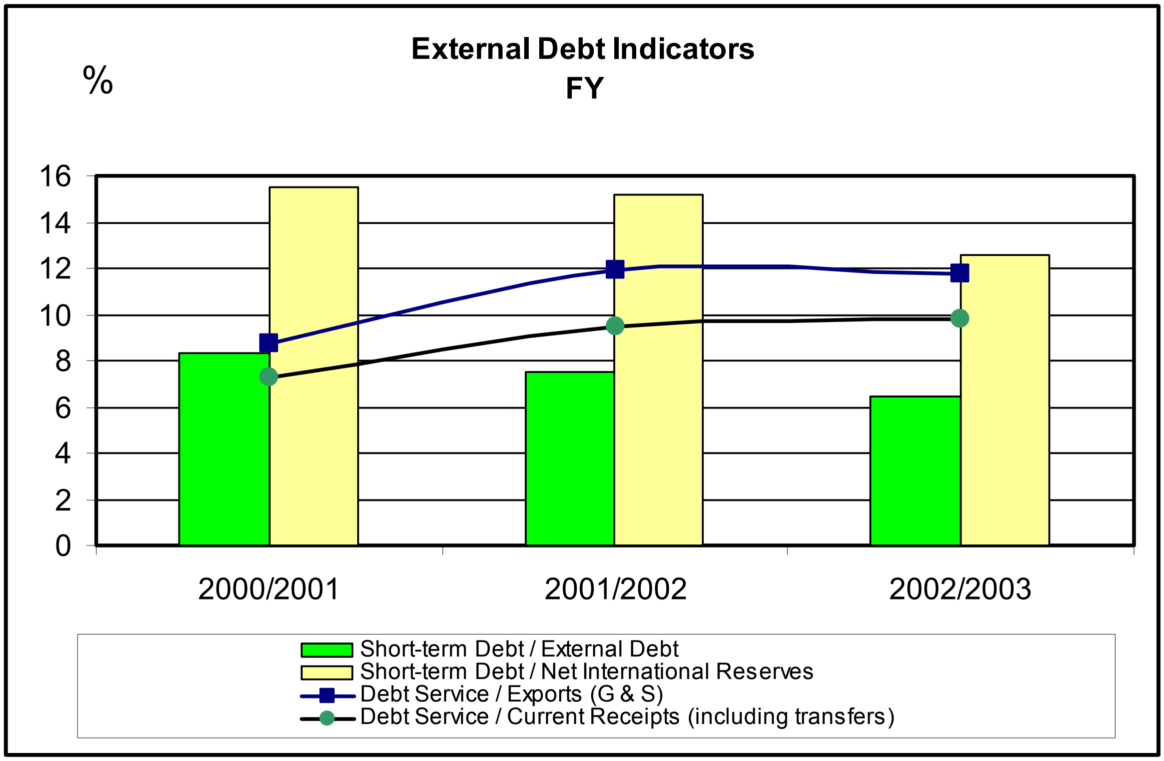
Main Indicators of External Debt

(%)

FY	2000/2001	2001/2002	2002/2003
Debt balance/GDP	28.5	33.7	42.4*
Debt balance/exports of goods and services	141.5	171.2	154.2
Debt service/exports of goods and services	8.7	11.9	11.7
Debt service/current receipts and transfers	7.3	9.5	9.8
Interest/exports of goods and services	3.3	3.6	3.1
Interest/current receipts and transfers	2.8	2.8	2.6
Short-term debt/external debt	8.3	7.5	6.5
Short-term debt/net international reserves	15.5	15.2	12.6
Average external debt per capita (US dollar)	339.5	422.2	415.3

* This ratio decreases to 31.6% when excluding the effect of the depreciation of the Egyptian pound vis-à-vis the US dollar.

As for the other indicators of the external debt, the ratio of short-term external debt to the total debt dropped to 6.5% from 7.5%, and to net international reserves to 12.6% from 15.2%.



The FY 2002/2003 witnessed a decline in the average external debt per capita from US$ 422.2 at the end of June 2002, to US$ 415.3 at the end of June 2003. The ratio of external debt to GDP at current prices is still within acceptable limits, despite its rise from 33.7% to 42.4% due to the exchange rate changes. The following table shows the decrease in the ratio of debt service payments in Egypt, compared with that of the developing countries combined.

Debt Service/Export Proceeds of Goods and Services in Egypt Compared with the Groups of Developing Countries

(%)

Calendar Years	2001			2002		
	Interest	Principal	Total	Interest	Principal	Total
Developing Countries	6.9	15.8	22.7	5.6	13.7	19.3
Africa	6.6	11.5	18.1	8.7	13.5	22.2
Asia	3.9	10.4	14.3	3.3	9.4	12.7
Middle East & Turkey	3.6	11.3	14.9	3.2	8.3	11.5
Pacific, Latin American and the Caribbean Countries	16.0	32.7	48.7	11.5	28.2	39.7
Egypt*	2.8	10.2	13.0	2.7	14.8	17.5

Source: "World Outlook"- April 2003, Statistical Section.
* According to BOP data.

New commitments on all types of loans and credit facilities totaled US$ 1.5 billion during the FY 2002/2003. International and regional institutions, mostly made by the European Investment Bank, Islamic Development Bank, the Kuwaiti Fund for Arab Economic Development and the Arab Fund for Economic and Social Development, extended the bulk of US$ 0.9 billion or 63.3% of the total. Commitments on suppliers' and buyers' medium- and long-term credit reached US$ 397 million or 27.1 % of the total. In the meantime, commitments on mainly concessional bilateral loans reached US$ 141 million, representing 9.6% of the total.

International Developments

6- International Economic Cooperation

6/1: International and Regional Meetings

The period April-June 2003 witnessed a number of regional and international meetings, the most important of which are the following:

Meetings of The World Bank and the IMF Committees

The biannual meetings of the IMF and the World Bank Committees took place in Washington D.C. from 11 to 13 April 2003. At the same time, ministers of different international groups held their separate meetings. The following are the most important points agreed upon in the communiqués.

G – 24 Communiqué

- The G-24 ministers noted that global economic recovery had been much weaker than had been anticipated, as the outlook remained highly uncertain, especially after the September 11 attacks. This uncertainty owed much to the widening imbalances, the slowing growth in major advanced economies, the persistence of structural problems in these countries and the effects of the bursting of the assets price bubble. This situation was further intensified by the war in Iraq, which had serious repercussions on the neighboring countries and on other countries outside the region. The ministers urged the international community to help the developing countries by providing the necessary financing to mitigate risks associated with the commodity shocks and the decline in tourism receipts and private transfers. They also stressed that the US fiscal deficit would increase sharply over the coming years, and that the widening current account deficit would lead to further diversion of resources from developing countries.

- The ministers expressed concern about the seriousness of the current situation in Iraq in the wake of the war, and the resulting destruction of the country's physical and social infrastructure, and the humanitarian plight of the civilian population. They also called on the UN to address the situation, in accordance with its charter, including the large humanitarian needs of the Iraqi people and also to contribute to the reconstruction of Iraq. The G-24 ministers also expressed their concern about the situation in the Palestinian territories. They also urged the international financial institutions, as well as the official institutions in the industrial countries to implement measures that would encourage larger capital flows to developing economies and restore confidence in international capital markets.

- Several emerging markets expressed their reservations about the Sovereign Debt Restructuring Mechanism and reiterated their preference for the voluntary approach to debt restructuring, taking into consideration the individual circumstances of each member country.

- Ministers noted that non-oil commodity exporters suffered from the downward trend in prices and that they were subject to price shocks. Therefore, they called on the IMF to review the terms and the conditions of the IMF's Compensatory Financing Facility (CFF) to make it more accessible and relevant for the current circumstances. They acknowledged the extensive efforts the World Bank exerted on arrangements for commodity risk management.

- Ministers noted the need to enhance the participation of developing countries in the decision making process in the IMF and the World Bank. This is to be effected through a quota distribution to correctly reflect the relative importance of the economic position of these countries in the world economy; and through a substantial increase in their basic votes, which had not been changed since the inception of the IMF. In addition, the ministers called for significant increases in the IMF's financial resources to strengthen the role it plays. They also reiterated their call for a general allocation of SDRs which would assist in the recovery of the world economy. Ministers also urged those countries that had not done so to ratify promptly the equity SDR allocation under the Fourth Amendment of the IMF's Articles of Agreement, which was agreed upon in 1998.

- The ministers pointed out that concrete actions had been taken to implement the Monterrey Consensus. They ensured that the fulfillment of the Millennium Development Goals (MDGs) stated in the Consensus requires a determined and sustained implementation of agreed-upon strategies and partnerships by both developed and developing countries, as well as IFIs, in accordance with their commitments in Monterrey. The ministers expressed their concern about the continuing downward trend in ODA flows, and called upon donors to step up their assistance efforts to reach the UN target of 0.7% of the GNP.

- The ministers noted that a number of countries under the HIPC Initiative had obtained substantial debt relief. However, they regretted that the Initiative fell short of the objective for which it had been established. Also, ministers urged that consideration be given to addressing the debt sustainability of the non-HIPC low-income countries and middle-income heavily indebted countries.

Development Committee Communiqué

- The committee stressed the importance of reviewing the progress in implementing the strategies agreed upon in Monterrey and Johannesburg. It emphasized the need to adopt policies that would generate a stronger economic growth complemented by actions that would enhance the capabilities of the poor people to participate in growth and access key social services. Developing countries require support in their efforts in the development of various areas. Among these are improving the environment for investment and boosting private sector activity, strengthening governance, including public financial management and developing human resources. The committee was pleased that the IDA's Thirteenth Replenishment had become effective, and expressed their commitment to increase assistance to the sub-Saharan African and other countries that are facing special challenges in meeting the MDGs.

- The committee urged the World Bank and the IMF to continue to collaborate closely with other partner agencies, such as the UN, regional development banks, OECD/DAC and WTO, using institutional mandates to guide the division of responsibilities. The committee called on bilateral and multilateral donors to take the necessary steps to refine and harmonize their instruments of measurement and analysis. The urgency of the work on statistical capacity building, especially for those countries most at risk of not meeting the MDG, was underlined.

- The committee welcomed the continuing progress on the Initiative of ‘Education For All’, concerning access to basic education by 2015, and gender parity in access to primary and secondary education by 2005. The committee also acknowledged the Bank's strategy to enhance support to the water sector and sanitation and achieve the MDG stated in the country-owned strategies such as in the Poverty Reduction Strategic Paper for low-income countries.

- The committee reiterated that trade remained crucial to growth and poverty reduction, and that multilateral cooperation can succeed in meeting the ambitious targets set for the Doha Development Agenda. They urged countries to reach an agreement in those areas where Doha deadlines have already been missed. The committee called on the Bank and the Fund to continue to step up their efforts to support trade, and urged that future Country Assistance Strategies include trade-enhancing lending operations.

- The committee called for enhancing suffrage and effective participation of developing countries in decision-making of the Bretton Woods Institutions. The committee encouraged potential donors to create a financing mechanism that could support independent research and advice in key policy areas. They noted that a status report by the IMF’s Executive Board on the adequacy of its resources and the strengthening of its governance was to be prepared for its next meeting.

Communiqué of the International Monetary and Financial Committee

- The committee reaffirmed its commitment to boost international cooperation to strengthen confidence therein and support global economic recovery. This would entail that policies are to be adjusted by both advanced and emerging economies, especially on the structural front. Equally emphasized was the need to achieve tangible progress in multilateral trade liberalization as a key priority.

- The committee stressed the need for the African countries to continue to implement the reforms embedded in the New Partnership for Africa's Development (NEPAD), and stressed the importance of extending technical assistance to these countries. The committee called on the donor countries to mobilize additional assistance to address the serious food shortage in Africa.

- The committee reiterated the importance of strengthening the capacity of the IMF in crisis prevention and enhancing its surveillance. The ministers also welcomed the progress achieved in the Financial Sector Assessment Program (FSAP) and the ROSC reports. The committee urged further efforts from the Financial Stability Forum and the standard-setting bodies to strengthen the content and close the gap between standards in accounting and auditing, and good corporate management. They also asked for improved transparency and financial disclosure. The committee also looked forward to the Fund's report on progress for this year's annual meetings and pointed out that effective crisis resolution mechanisms contributed to crisis prevention. The committee welcomed the strengthened framework on access to IMF resources, including the substantive criteria for exceptional access in capital account crises.

- The committee welcomed the work of the IMF in developing a meticulous proposal to set up a statutory Sovereign Debt Restructuring Mechanism (SDRM). The committee, while recognizing that it was not possible for such a mechanism to be set up at this time, agreed that work should continue on issues raised in its development.

- The committee further welcomed actions to combat money laundering and the financing of terrorism, and noted with satisfaction the progress with the 12-month pilot program in this regard. It underscored the importance of the continued cooperation between the IMF, the World Bank, the FATF, and regional bodies to complete the pilot program successfully and encouraged all members to adopt AML/CFT laws and practices, consistent with the agreed international standards.

G-7 Communiqué

- The ministers reaffirmed their commitment to the multilateral cooperation especially in facing the challenges to the global economy. They underscored the importance of successful trade liberalization through the timely implementation of the Doha Development Agenda, especially in the area of financial services.

- The communiqué reiterated the Group's commitment to strengthen crises prevention and resolution measures. The ministers affirmed their commitment to combat terrorist financing and pledged to continue to work with the Financial Action Task Force (FATF), the UN, and the international financial institutions to implement the work plan recently endorsed. The group welcomed the progress of the program applied in this concern, and looked forward to the revised FATF recommendations to be issued by June 2003, establishing an enhanced standard in the fight against financial crimes.

- The Group recognized the need for a multilateral effort to help Iraq, and stressed the importance of addressing its debt issue, stating that the Group was looking forward to the early engagement of the Paris Club in this regard.

Arab Monetary Fund Meeting

The AMF Board of Governors held its 26th annual meeting in Abu Dhabi on 22-23 April 2003, within the framework of the meetings of the joint Arab financial entities. The main decisions taken during the meeting were the following:

- The Board agreed on the proposal of the Executive Board of Directors to consider the contribution of the AMF to the capital increase of the Arab Institution for Investment Guarantee as a direct investment. This aimed to clarify the nature of the AMF's contribution, as the Board of Governors, in its previous meeting, had approved the AMF’s contribution of US$ 27.5 million on behalf of the member countries.

- The Board of Executive Directors was delegated to study the new ideas and proposals put forward by the Sudan concerning its debt to the Fund, and to take the appropriate decision in this concern, and to notify the Sudan to this effect.

- The General Manager, Chairman of the Fund, was assigned to study the status of the Iraqi debt to the AMF and submit the relevant proposals to the Board of Executive Directors, prior to its discussion in the following meeting of the Board of Governors.

G-8 Summit

The leaders of the G-8 countries held a meeting in Evian, France on 1-3 June 2003. The most salient of the topics discussed in the meeting was the dispute between the US and the EU on some issues related to trade liberalization according to the timetable set by the fourth WTO Ministerial Conference held in Doha in November 2001. Although the communiqué affirmed the Group’s commitment to that timetable, no agreement was reached on certain issues such as the ban imposed by the EU on imports of genetically modified foods and agricultural products from the USA. Other controversial issues include the French proposal that the EU suspend subsidies to the European companies exporting agricultural products to the

African countries. The USA, however, made its agreement conditional upon the extension of the suspension to other developing countries. Many African countries welcomed this proposal because of the fierce competition facing their agricultural exports by the subsidized foreign exports, not only in the international but also in the domestic markets.

The EU threatened to impose high customs tariffs on US exports, should the US administration insist on passing the new tax bill, which would give the American products a competitive advantage. On the other hand, the US levied high tariffs on the EU steel exports.

Another issue which remained unresolved in the meeting was the efforts to facilitate access of medicine for HIV/AIDS and other fatal diseases to poor countries from the advanced economies at low prices, as stipulated by the Doha Conference.

6/2: Activity of the African Development Bank Group

The Economic Status in African Countries

Africa's GDP real growth rate retreated to 2.8% in 2002 down from 3.5% in 2001. This came as a result of the slackened recovery of global output, as the real growth rate of global output reached 2.8% compared with 2.2%. This is ascribed to many factors, mainly the decrease in the African exports to the European markets, unfavorable climate conditions, civil conflicts and the spread of epidemics.

Inflation rate in the African continent decreased to an average of 9.7% in 2002 from 12.7% in 2001. In spite of the rise in the growth rate of the volume of African exports from 0.2% in 2001 to 1.8% in 2002, the continent's current account unfolded a deficit of 1.4% of Africa’s GDP, compared with a surplus of 0.2% in 2001. This was associated with a rise in the fiscal deficit as a percentage of the GDP to 2.9% compared with 2.1%. Africa’s total external debt reached about US$ 305.2 billion or 57% of the GDP in 2002 against 54% in 2001.

According to the recent data of the UNCTAD, foreign direct investment to Africa almost doubled to US$ 17.2 billion in 2001, compared with US$ 8.7 billion in 2000. However, such flows (2.9%) constitute a small percentage of the total FDI to developing countries. A number of sizeable investment transactions in South Africa and Morocco brought about this increase.

During the year under review, an important step was taken towards regional integration in Africa with the announcement of the African Union (53 members) in Durban Summit in South Africa on 9 July 2002, to replace the Organization of African Unity (OAU). The African leaders designated the decade 2002-2011 as the “Decade for Capacity Building in Africa”.

Moreover, the year has also witnessed progress towards the implementation of the NEPAD Initiative. The African Peer Review Mechanism (APRM) was initiated to ensure that the policies and practices of the member countries (12 countries) conform to the agreed political, economic, and corporate governance values, codes and standards.

As one of the principal partner institutions in the Mechanism, the African Development Bank (ADB) will cooperate closely with the regional economic committees, the World Bank, and the EU in the field of infrastructure; and with UN Africa's Economic Committee in the area of organization and governance. The ADB helped classify the appropriate indicators and criteria for the Country Assessment in the Mechanism. The ADB will also cooperate with multilateral banks, and donor agencies to provide financial and technical assistance to help countries set and implement work plans to address weaknesses in organization and governance.

The ADB faced serious challenges in 2002 as a result of the political crisis in the host country, Cote d'Ivoire, which had negatively affected the Bank's operations in the last quarter of the said year, and the beginning of 2003. As a result, the contingency plan was applied and the Bank's activity was transferred temporarily to Tunisia.

Bank Group Lending Activity

The Bank Group approvals totaled UA 2.04 billion in 2002 (the Unit of Account equals a unit of SDRs) against UA 2.37 billion in 2001, with a decrease of 14% below the level of the preceding year. The African Development Bank's approvals rose to 52.4% of the total approvals of the Group. However, the share of the African Development Fund (ADF) decreased to 47.1%, owing to the delay in the finalization of the ADF Ninth Replenishment. The remaining 0.5% came from Nigeria Trust Fund. Those approvals were extended in the form of grants and loans to finance 118 operations. The sectoral distribution of the loans and grants of the Bank Group indicates that the financing sector accounted for the bulk (21.1%), directed to support small and medium scale enterprises in Africa.

Since the start of its activity in 1967 till the end of 2002, the Bank Group had approved a cumulative total of 2643 loans and grants, amounting to UA 31.45 billion. The ADB financed 60.6% of the total, the ADF 38.5%, while the remainder (0.9%) came from the Nigeria Trust Fund. The agriculture and rural development sector was the main beneficiary, accounting for 18.7% of the total.

The regional distribution of the cumulative approvals of the Bank Group showed that the North African region obtained the major share of 33% of total. The West African region followed with 24.6%, East Africa with 14.6%, Southern Africa with 14%, and Central Africa with 12%. The remaining 1.8% went to the multiregional operations.

The total disbursements of the member countries of the Bank Group approvals reached UA 1.05 billion during 2002, with an increase of 32% compared with the previous year.

ADB Activity

Under the fifth general capital increase of the ADB, effective since 1999, the subscribed capital increased to UA 21.51 billion by the end of 2002, constituting 98.4% of the total authorized capital of UA 21.87 billion.

As for raising funds from international capital markets, the Bank continued to borrow from the yen capital market, in addition to swapping its borrowings into Euros and US dollars. The ADB issued, for the first time, 3-year global bonds for US$ 500 million, maturing in July 2005. The Bank's outstanding debt totaled UA 4.6 billion on December 31, 2002. The ADB continued to be rated AAA and AA+ by the major rating agencies on its senior and subordinated debt, respectively.

The ADB total loan approvals increased by 8.4% during 2002, reaching UA 1.07 billion for 31 operations, compared with UA 986.7 million to finance 26 operations in 2001. Most of the resources were directed to 22 project loans, representing 64.6% of total approvals. The public sector accounted for 81.4% of the total and the private sector for 18.6%.

The ADB had approved a cumulative total of 856 loans and grants in the period 1967- 2002, reaching about UA 19.1 billion. The finance sector received the bulk of this amount at 20.1%, followed by the transportation sector at 14.9%, water supply and sanitation at 6.8%, the social sector at 5.5% and communications at 4%.

The regional distribution of the ADB cumulative loan and grant approvals shows that the North African region obtained the major part (50.9%), followed by West Africa at 19.8%, Southern Africa at 11.4%, Central Africa at 10.8% and East Africa at 5.8%, and multiregional approvals at 1.3%.

Disbursements of Bank loans rose by 3.1% to UA 499.8 million in 2002. Cumulative disbursements by the member countries reached UA 13.23 billion (including private sector loans), of which 632 loans amounting to UA 10.79 billion were fully disbursed. The cumulative number of the fully repaid loans reached 390 for a total of UA 3.49 billion at the end of 2002.

ADF Activity

The ADF, which extends concessional loans and grants to the low-income member countries, concluded its negotiations on its Ninth Replenishment in September 2002 in Oslo, Norway. The agreement became effective as of January 30, 2003. It was agreed to fix the target replenishment amount at UA 2.37 billion for the period 2002-2004. By December 31, 2002, the State Participants had already deposited their instruments of subscription, amounting to UA 543.8 million or 22.95% of the ADF-IX target replenishment level. The total subscriptions paid under this replenishment reached UA 388.7 million.

During 2002, the amount of ADF approvals to finance 84 operations in 23 low-income African countries and 4 multinational institutions reached UA 960.7 million against UA 1.38 billion to finance 107 operations in 28 countries in 2001, showing a decrease of 30.4%.

The sectoral distribution of the ADF loan and grant approvals in 2002 showed that the social sector received the bulk of 27.6% of the total. Agriculture and rural development received 26.6%, the multisector 24.1%, water supply and sanitation 8.5% and transportation 8.2%. The remaining 5% went to the financial sector and the electricity supplies.

The cumulative ADF loan and grant approvals since the Fund started its activity in 1974 till 2002 reached UA 12.12 billion for 1723 projects, programs and technical assistance operations. Agriculture and rural development sector received the largest share (27.3%) of the total, followed by the social sector 20.4%, transportation sector 17.4%, and the multisector 16.6%. The remaining 18.3% went to the other sectors.

The regional distribution of the cumulative ADF loan and grant approvals demonstrated that West Africa accounted for the major share of 31.9%, East Africa 28%, Southern Africa 17.2%, Central Africa 14.3%, North Africa 6.1% and multiregional projects 2.5%.

Nigeria Trust Fund (NTF)

The NTF approved 3 operations in 2002 for a total amount of UA 10.1 million. The approvals comprised two project loans for UA 9.9 million and one HIPC debt relief operation. At the end of 2002, the NTF cumulative approvals had reached UA 272.8 million for 64 development projects and programs, since its establishment by Nigerian resources in 1976. The sectoral distribution of the NTF cumulative approvals indicated that the transportation sector accounted for the largest share (31.5%). The social sector came second at 19.1%, followed by the agriculture and rural development sector at 17.6%, communications at 10.3%, finance at 6.5%. The remaining 15 % was allocated to the other sectors.

The regional distribution of the cumulative NTF loan and grant approvals shows that West Africa received 38.0%, followed by East Africa 27.4%, Southern Africa 19.5%, Central Africa 9.9%, and multiregional projects 5.2%.

Annexes

Annex (A)
Decisions Regarding the Monetary Policy and Regulation of Banking Activity during FY 2002/2003

1- Monetary Policy Decisions

Adjustment of the reserve requirement ratio and its method of calculation:

The CBE's Board of Directors issued Decision No. 1808 on July 4, 2002. This Decision is concerned with revising the method of calculating the reserve requirement ratio. It includes the following:

First: Terms and Conditions of the Reserve Ratio and Licensed Institutions

1- Commercial banks and business & investment banks (except Housing and Development Bank) are obliged to deposit at the CBE non-interest credit balances at a ratio of not less than 14% of a bank's total deposits in local currency, calculated according to the rules mentioned thereafter.

2- Land banks, the Industrial Development Bank and Housing and Development Bank are obliged to deposit at the CBE non-interest credit balances at a ratio of not less than 14% of the amount by which the daily average of total deposits in local currency exceeds the bank's total paid-up capital and listed reserves. This ratio is to be calculated according to the rules mentioned hereinafter.

3- The Principal Bank for Development and Agricultural Credit and the affiliated banks in the governorates and their branches are prohibited from engaging in the operations of opening current credit accounts for natural persons.

Second: Rules of Ratio Calculation

Numerator of the Ratio

The numerator of the ratio stems from two sources. One is from the banks' balances in local currency at the CBE, as registered in CBE records (excluding the CBE's financing account balance that is not covered with cash from the CBE vaults). The other is from treasury bills, with a remaining period of their maturity not exceeding 15 days, and with a maximum of 10% of the numerator's value. The said bills should be excluded from the numerator of the liquidity ratio in local currency.

Denominator of the Ratio

The denominator of the ratio consists of total clients' deposits in local currency, excluding the balances of saving systems with maturities of three years or more, on the basis of the contract maturity approved by the CBE. In addition, the following must be observed:

1- The CBE's approval of the issuance terms of new saving systems is a prerequisite for the issue of these systems. Issuance terms shall include the rules regulating customers' calls on their savings before the lapse of the maturity date under these systems, and the minimum period required before permitting withdrawal from the system.

2- Banks shall continue to notify the CBE -on a quarterly basis- of all the rules currently applicable to the saving systems, along with their respective balances.

3- Balances of saving systems of three years or more – according to the contract maturity – are to be listed under a separate entry in both the monthly position and the weekly statement of deposit balances.

Third: The Period for which the Ratio is Calculated

The ratio shall be calculated on the basis of the daily average of a period of two weeks, starting on Tuesday and ending on Monday, including weekends and official holidays. The date of the balances in the numerator of the ratio must be two weeks later than the date of balances in the denominator.

Fourth: The Penalty for Violation of the Ratio

Should a bank fail to fulfill the minimum required average of the reserve balances in accordance with the above-mentioned arrangements, the CBE Board of Directors shall be entitled to impose any of the penalties prescribed in the Banking and Credit Law, including the doubling of the CBE's lending and discount rate calculated on the amount of deficit during the period of violation.

Fifth: Effective Date

The decision shall be effective as of Tuesday 9/7/2002.

The CBE Board of Directors decided on March 1, 2003 to exclude the balances of the treasury bills, with the remaining period of their maturity not exceeding 15 days, from the numerator of the requirement ratio. The ratio, however, shall remain at its current level of 14%. This Decision shall be applied on the ratio numerator data of the period starting from March 3, 2003.

The Interest Rate on TBs Rediscount and Overnight Repo Transactions:

The CBE Board of Directors stated in its Decision No. 1610 on May 22, 2003 that the margin set for the interest rate on treasury bills rediscount and overnight repo transactions for the week ending on 22/5/2003, shall be 4%, added to the weighted average of the last interest rate on 91-day TBs. In addition, the authorization of the CBE Governor to modify this ratio, as the case may be, after proposition to the CBE Board, shall continue to be effective.

The Mechanism of the Acceptance of Banks' Deposits with the CBE:

Within the framework of CBE's endeavors to diversify and develop the monetary policy instruments, a new mechanism for the acceptance of banks' deposits with the CBE was introduced. This shall be effected according to the following rules:

1- The CBE shall publish on Reuters' screens and the CBE site (www.cbe.org.eg) the details of each transaction, specifying the value, date and maturity of the amount to be accepted.

2- Banks shall submit their offers, setting the amount of deposits to be accepted, with a maximum of three offers per bank. Each shall specify the value and the interest rate the bank is willing to take.

3- Offers are to be arranged in an ascending order, according to the interest rate banks are willing to take, with the lowest interest rate offer being accepted first; then moving up till the whole amount of deposits to be accepted according to the CBE announcement is fully covered. Whenever there is more than one offer of the same interest rate, allocation shall be made according to the amounts offered. The CBE shall have the right to reject any offer without any explanation.

4- On the date of acceptance of deposits, the CBE shall debit the account of the relevant bank (held with CBE) with the value of the accepted deposits; on the date of maturity the CBE shall credit the same account with the value of these deposits, plus the due interest payments.

5- Offers shall be submitted to the General Department of Securities and Loans of the CBE no later than 10:30 a.m. of the day of the transaction, according to the form designed for this purpose.

6- The CBE shall declare the average of the interest rate on deposits for the specified period on Reuters' and on its site no later than 2:00 p.m.

The CBE Lending and Discount Rate:

The CBE Board of Directors, in its Decision No. 2501 dated November 10, 2002, reduced the CBE lending and discount rate from 11% to 10% annually, as of 11th of November 2002.

2- Decisions regarding the Regulation of Banking Activity

Credit Information Office:

The CBE Board of Directors, in its Decision No. 2407, dated November 7, 2002, approved proceeding with the implementation of the proposed plan regarding the Consumer Credit Information Center, including credit card holders and consumer loan clients.

Amending the Definition of the Single Customer:

On November 10, 2002 the Board of Directors of CBE issued Decision No. 2502 regarding the amendment of the single customer definition within the context of applying Article 37 (bis) of Law No. 163 of 1957, promulgating the Banks and Credit Law and its amendments ending with Law No. 97 of 1996. The said Article stipulates that a bank's exposure to investments for a single customer (in the form of capital shares, credit facilities or any other form of financing) shall not exceed 30% of the bank's capital base as set by the CBE Board of Directors.

In applying the provisions of the above-mentioned Article, persons (natural or legal) for whom the bank invests as stated in the Article referred to, shall be considered a single customer, provided that the person shall have an effective influence, whether directly or indirectly, on other parties in terms of ownership or management. The single customer definition includes any guarantor or surety to the other; since any financial problems faced by any of them will affect the other party's abilities to settle its obligations.

Within this context, any customer who has one or more of the following characteristics shall be considered a “single customer”.

1- Natural person: dealing with the bank in his name or as a natural trustee.

2- Sole proprietorship: owned by a natural person in his name or as a natural trustee.

3- Partnership: taking into consideration the bank’s exposure to the active partner(s) in their personal capacity or as natural trustees.

4- A shareholder company whether public sector or affiliate public business sector.

5- Private sector shareholder company as follows:
   a) public subscription company in which the customer and his connected parties shall have equity rights of more than 50% of the paid up capital, or have an effective influence over making decisions in the company even if their ownership ratio does not reach the set limit.
   b) Company established via a means other than public subscription, in which the customer and his parties have an effective influence in terms of ownership or management.

6- Public economic authority.

7- Local Administration Unit

8- Cooperative society, club, syndicate, or any other special entity.

9- Foreign or international entity or organization.

10- The customer’s guarantee or surety for another party.

The following is to be considered:

- Service authorities shall be considered government authorities.
- Loans to public authorities under the plan for the social and economic development, and the state budget (regarding the allocation of soft loans to such entities) shall be treated as credit facilities granted to government entities.
- The provisions of Article 37 (bis) of Banks and Credit Law and its amendments shall not apply to interbank dealings.

On taking the executive measures for applying this amendment, the following shall be considered:

1- On granting, renewing, or increasing the customer’s credit ceiling, every bank shall obtain a statement disclosing the customer’s connected parties, according to the aforementioned definition.

2- The board of directors of each bank shall establish the rules of the banking inquiry system and data. This is to be achieved by designing a standard form by which the inquiry official shall abide. This form shall include all the data needed about the applicant for credit and his connected parties. The inquiry form and the aforementioned disclosure statement shall be presented to the authority in charge, when granting, renewing or increasing the customer’s credit ceiling .

3- Banks granting credit shall notify the General Department for Credit Risk Pooling at the Central Bank of Egypt of the data on the customer and his connected parties as found in the customer’s statement and by the banking inquiry.

4- The authority in charge of granting, renewing, or increasing the credit ceilings of the customer at any bank shall be notified of the updated data of the credit risk pooling released by the CBE about the customer and his connected parties.

All banks have been notified of the above-mentioned regulations. Each bank is henceforth obligated to submit to the General Department of Banks' Supervision at the CBE, quarterly data on its financial position as of the end of December 2002, (on the forms specified for this purpose) along with its plan to remove the violations (if any) in the existing investments of any customer. This shall be accomplished during the three-year period specified by the Board of Directors of the CBE for the adjustment of positions.

Credit Regulations

In addition to the previous regulations stipulated in Circular No. 298, issued on 17 September 1987, and confirmed by the one issued on 16 November 1999 regarding the guidelines for granting credit, the Central Bank of Egypt added on 14 November 2002 the following guidelines to be observed by banks when granting credit.

1- When studying customers' applications for loans to finance new projects or expand existing ones, banks are obligated to observe that the ratio of the credit granted by local and international entities for the customer's establishment to the equity rights should not compromise the establishment ability to serve its debts.

2- Financing large businesses is preferable to be through joint loans, given by more than one bank. At the same time, the loan is to be managed by only one bank. This bank shall be responsible for conducting the necessary credit studies. However, this shall not hinder banks from conducting such studies. In this case, the authority of approval of the loan shall be vested in the board of directors of each bank. All guarantees shall be presented as prescribed in the credit approval.

3- The board of directors of each bank shall establish rules concerning the banking inquiry about banks' credit customers. However, a standard form shall be designed to include all the data needed about the applicant for credit and for all connected parties. The bank's inquiry officials shall abide by this form, which shall be submitted, along with the customer's signed acknowledgment, to the responsible authority when granting, renewing or increasing the customer's credit ceiling. In the said acknowledgement, the customer shall disclose his connected parties according to the definition stated in the CBE's Circular dated November 14, 2002.

4- The bank concerned shall notify the CBE General Department of Credit Risk Pooling of the data of the customer and of his connected parties.

5- The responsible authority shall be informed of the updated data of the General Department of Credit Risk Pooling (concerning the customer and his related parties) as released by the Central Bank of Egypt.

6- The credit policy and the internal work system approved by the CBE Board of Directors shall directly and succinctly determine the functions and responsibilities of all the entities responsible for the credit. It shall also specify the purpose of granting, renewing or raising the credit ceiling of the loan. All requirements related to granting the loan shall be met before disbursement.

7- The credit policy shall devise the method of on-going follow-up to ensure that disbursements are used for their designated purposes.

The bank's board of directors shall support the entities mentioned in provisions 6 and 7 above and shall set clear basis for their application in each branch. Also, a detailed system shall be devised, including the content and periodicity of the follow-up reports and the entity to which the reports are presented.

8- The role of the Inspection Department at the CBE shall be enhanced as regards supervising credit operations.

9- The chairman of the board of directors shall submit a regular report, including all the violations found in the inspection reports to the review committee formed of the non-executive members of the board.

10- Each bank shall have a mechanism to prepare monthly reports, to be submitted to the board, concerning any violations in the authorized credit ceilings or overdrafts.

To ensure the soundness of banks' investment procedures and their compliance with credit regulations, the CBE - in the Circular issued on 26/2/2003 - stressed those banks:

1- shall not offer any foreign-currency facilities to customers; nor provide foreign currency financing for any activity, unless they are assured that the customer has foreign-currency earnings that he pledges to use in repayment.

2- shall cease offering local-currency credit facilities guaranteed by foreign-currency letters of guarantee, be they issued by local banks or banks abroad. Local-currency credit facilities offered to foreign companies operating in Egypt, and guaranteed by letters of guarantee issued by banks abroad are, however, excluded.

3- shall not offer local-currency facilities guaranteed by foreign-currency deposits (all types thereof), or by foreign-currency bonds. In case any of the stated rules is violated, banks must inform the CBE.

Regulatory Controls for Combating Money Laundering

The CBE Board of Directors issued Decision No. 209 on January 29, 2003, approving the regulatory controls that banks, exchange dealer companies and money transmission companies have to abide by to combat money laundering. This shall be in accordance with the following:

1) Regulatory Controls for Banks

The following controls shall replace the ones reported to banks on 21 June 2001, concerning opening accounts and performing banking transactions.

First: Opening Accounts

Banks shall set the systems necessary for obtaining and verifying information related to the identification and legal standing of their customers and beneficial owners, whether natural or legal. Such systems shall meet the requirements of the principle "Know Your Customer", when opening accounts for any customer. This is to be achieved through means of official identification and recording of such data. Particular attention shall be paid to the following:

1) Banks shall not open accounts for anonymous persons or persons using false or fictitious names.

2) When opening accounts, banks shall use standard forms in all their branches. These forms are to be duly filled in and signed by customers; and the bank shall verify and endorse the acquired information in accordance with the original documents presented.

3) Opening account application forms shall include detailed information about the applicant, including his/her full name, nationality, permanent residential address, telephone number, business address, type of business activity; and names of proxies authorized to administer the customers' account, their nationality and any other information deemed necessary by the bank.

   In the case of legal persons, the application form shall include the following additional information:

- The legal form and nature of activity.
- The proxy authorized to sign for the legal person.
- Names and addresses of the partners, in case of partnerships.
- Names and addresses of shareholders who own more than 10% of the company's capital, in case of a shareholder company.

4- Application forms shall include the applicant's acknowledgement that he is the original owner and the sole beneficiary of the account, and that he shall not deposit, in person, funds of anonymous or suspected sources, in addition to a pledge to update the relevant information.

5- The employee in charge shall examine the original documents, obtain a copy of each, sign to the effect that each is identical to the original copy and verify the information therein as follows:

A- <u>For Natural Persons</u>

- The official identification document; be it the national number card, the identity card, the passport or the military card).
- For incapacitated persons, such as minors, the documents establishing the identity of their proxies for administering such accounts.
- The necessary information and authorization documents for the persons acting on behalf of the customer.

B- <u>For Legal Persons</u>

- Documents necessary for verifying the existence of the legal person and the existence of the business, especially the commercial register and the tax card.
- Documents proving the existence of an authorization from the legal person to the natural person/s that represent it, along with all relevant information thereabout.
- For non-profit organizations, such documents that prove their foundation and the nature of their activities that entitles them to open such accounts.

In cases of indirect applications for opening an account, application forms for opening the account shall be authenticated.

6) If a financial institution (local or foreign) applies for opening an account with the bank, it is imperative that sufficient relevant information shall be obtained, taking into consideration the following:

- Ensuring that the information includes what is necessary for the identification of the financial institution.
- Ensuring that the financial institution is subject to a regulatory authority in its motherland.

- Ensuring the existence of anti-money laundering laws in the motherland of the financial institution.

7- Banks shall establish the systems and procedures necessary for accepting customers, with particular attention to the customers mentioned below. This shall be implemented in accordance with the data and information available to the bank at the time of carrying out transactions or rendering services for these customers. The bank shall determine the appropriate managerial level to deal with them. These customers include:

- Customers who belong to countries where anti-money laundering legislations are lacking, as reported to the bank by the Central Bank of Egypt.
- Customers that are commonly engaged in businesses related with valuable commodities, such as jewels, gold, cars, antiques, or dealings in real estate, lease financing, and gambling clubs.
- Customers who travel frequently to countries known for the cultivation of and trafficking in narcotics.
- Customers who tend to invest in such unusually high-risk investments, that their behavior may seem to be not normal for an average investor.

8- Banks shall have to periodically update information and documents presented for opening a customer's account, at most once every three years, or whenever justifying grounds appear.

Second: Conducting Banking Transactions:

Customers' accounts are originally intended to satisfy their needs, be they natural or legal persons, according to the nature of their respective business and special interests. Consequently, it is necessary for banks to obtain adequate information when dealing with such accounts to meet the requirements of the "Know Your Customer" principle, while being committed to refrain from accepting funds or deposits from anonymous sources or under false or fictitious names. Therefore, particular attention shall be paid to the following transactions:

1- Cash Deposits

A- The following shall be considered cash deposits:

- Travelers' checks deposited in customers' accounts.
- Bank bearer checks deposited in customers' accounts.

B- When accepting cash deposits, banks shall pay attention to the following:

- Depositing shall be made according to a form showing the following basic data (name of the person into the account thereof the cash is deposited, the account number, name of the depositor and his address).
- Verifying the data recorded in the form, and reviewing the documents establishing the identity of the depositor.

C- Due diligence shall be given to the following deposits:

- Large cash deposits made by account holders, personally or through their proxies, whenever they are inconsistent with the nature of their activity.
- Frequent cash deposits whose total, over a specific period, is inconsistent with the activity of the customer.
- Frequent cash deposits by different entities into a customer's account for no clear purpose, and with no apparent relation between such entities and the customer.
- Large cash deposits transferred within short periods of time to another entity not closely related to the activities of the customers making such transfers.
- Large cash deposits by customers who usually use checks or other banking instruments.
- Large cash deposits carried out by customers through automated teller machines, and as such making no direct contact with the bank staff, if such deposits are inconsistent with the activity of the customer.
- Customers on whose accounts large cash transactions are conducted without using other banking instruments for no clear reason.

- Customers who have several accounts for cash deposits, whose total over a specific period, is large.
- Persons seeking to exchange large amounts of cash of small denominations for large denominations, for no clear reason.

<u>2- Transactions on Customers' Accounts</u>

Due diligence shall be paid to the following:

- Customers who transfer large amounts abroad with instructions to pay in cash, and large amounts transferred from abroad to non-resident customers with instructions to pay in cash.
- Large amounts of transfers from abroad by banks or financial institutions to a customer, inconsistent with the nature and volume of his activity with the outside world.
- Large amounts of transfers from abroad with instructions to pay in cash to beneficiaries having no accounts at the bank.
- Transfers from and to countries having no adequate anti-money laundering legislative systems.
- Successive transfers to account(s) opened abroad.
- Check deposits of high value, whose beneficiary is a third party and endorsed in favor of the customer with no clear relation between the customer and the beneficiary necessitating that.
- Customers holding several accounts inconsistent with the nature of their activity, especially if transactions on these accounts are conducted with persons having no clear relation with them.
- Customers using their accounts to receive or transfer large sums, for no clear reason, or that have no relation with them or their activity.
- Large withdrawals from a then dormant account, or from an account that received unexpectedly large transfers from abroad.
- Frequent small electronic transfers to an account, followed by a withdrawal of these sums, or transferring them to another account inside the country or abroad.

- Frequent requests for travelers' checks or bearer banks' checks in sums inconsistent with the nature of activity of the customer.
- Frequent reception of bills for collection to be paid abroad, inconsistent with the nature and volume of activity of the customer.
- Opening documentary credit in large sums that are inconsistent with the nature and volume of activity of the customer, or where the beneficiary is a customer closely related to the customer abroad.
- Discounting commercial papers, the beneficiary of which is a foreign party unknown to the bank, without any justification for discounting them locally.

3- Foreign Exchange Selling and Purchasing Transactions

Banks shall give due diligence to selling and purchasing of foreign currencies, taking into consideration the following with respect to any transactions exceeding US$ 5000 or their equivalent:-

- Banks shall not deal with anonymous persons or those with false or fictitious names.
- Banks shall obtain information on customers on standard forms at all branches, for purposes of purchasing and selling foreign currencies. Customers shall fill in and sign such forms, and the bank shall verify and endorse the information therein.
- Forms of selling and purchasing shall include detailed information on the full name of the customer, nationality, permanent residential address, telephone number, business address, type of activity and any information the bank deems necessary.
- Special care shall be given to the following transactions:

    - Large purchasing and selling transactions, inconsistent with the nature of the customers' type of activity.
    - Frequent purchasing and selling transactions whose sum total, within a certain period, is inconsistent with the customers' type of activity.

4- Other Transactions

Banks shall be particularly careful, with other transactions, especially the following:

- The purchase of securities in large sums through the bank, or keeping them as a trust, if this is inconsistent with the nature of the activity of the customer.
- The request for credit by customers against assets owned by others having no apparent relation with each other, or when the volume of the credit requested is inconsistent with the nature of the activity of the said customers.
- Transactions of persons frequenting gaming-table casinos, through representatives of the banks that supervise such casinos.

5- Unusual Banking Transactions

Banks shall establish detailed criteria necessary for detecting any unusual transaction, taking into consideration, as a minimum requirement, what is provided by these regulations about the said transactions. This should be accomplished in a way that enables the internal system of the bank to detect suspicious transactions and report them to the manager responsible for combating money laundering transactions. Particular attention shall be accorded to cash transactions exceeding LE 250.000 or their equivalent in foreign currencies.

Third: Reporting Transactions Suspected of Involving Money Laundering

1) Each bank shall assign an official from the senior management, for reporting on transactions suspected of involving money laundering to the Money Laundering Combating Unit (MLCU) in the CBE. It shall also assign a substitute to act on the behalf of the said official during his absence. The MLCU shall be notified if either of them is replaced.

2) The manager responsible for combating money laundering shall examine all unusual transactions whether reported to him directly by the internal

system, or by one of the bank staff or by any other entity and appended by reasons to justify the suspicion.

3) If this manager finds out that suspicions about such transactions are groundless, he shall be responsible for taking the decision to file such reports, explaining his reasons for this decision.

4) If the manager suspects that such transactions involve money laundering, he shall report them to the Money Laundering Combating Unit on the form designed by the Unit for this purpose, along with all the relevant data and copies of the documents.

5) Reports shall contain detailed reasons and grounds for the bank's decision that the transaction involves money laundering.

6) Banks shall not disclose to customers, beneficiaries, or any other entities except the authorities and entities entitled to enforce the Anti-Money Laundering Law, any information, regarding the reporting procedures of the financial transactions suspected of involving money laundering.

Fourth: Retention of Documents and Records

Banks shall retain documents and records they are committed to maintain for a period of not less than five years as follows:

- For accounts opened for natural or legal persons, or other banks or financial institutions, documents and records related to such accounts shall be retained for a period of not less than five years from the date of closing the account.
- For transactions conducted for customers not holding accounts, documents and records for any transaction shall be retained for a period of not less than five years from the date of completing the transaction.

Banks shall have to periodically update this data, and make it accessible for judicial authorities and entities concerned with the enforcement of the Anti-Money Laundering Law No. 80 for 2002, whenever requested.

Fifth: Training

Banks shall prepare and conduct continuous training programs for their staff, with the aim of enhancing their efficiency in complying precisely with these regulations. It is important that such programs should include methods of money laundering and how to detect and report them, and how to deal with suspected customers. Banks shall keep the records of all training programs that have been implemented for a period of not less than five years. Such records shall contain names of the trainees, their qualifications, and the training entity, at home or abroad.

Sixth: Internal Systems

Banks shall establish adequate internal systems appropriate for sound application of these regulations, as well as conduct periodic reviews to detect any weaknesses therein or in their level of compliance with the regulations, and take the necessary corrective measures. Special care should be given to the following:

- The ability of these systems to detect transactions inconsistent with the volume and nature of the customer's activity, or those conducted with suspected customers.
- The manager in charge is to be notified of any unusual transaction, whose value exceeds the limits set and determined by the management, particularly in cash deposits and withdrawals, in selling or purchasing currencies in cash, and in transfers from and to abroad.

2– Regulatory Controls for Exchange Dealer Companies

First: Foreign Exchange Purchasing and Selling Transactions

Exchange dealer companies shall establish the systems necessary to obtain and verify, through legal means of identification, the information required for the identification of their customers, in compliance with the requirements of "Know Your Customer" principle. In case any transaction amounts to or exceeds US$ 5000 or the equivalent thereof, the identification information of these customers shall be recorded, with particular attention to the following:

1- Exchange dealer companies shall not deal with anonymous person or persons using false or fictitious names.

2- Customer's information shall be obtained on standard forms designed for selling or purchasing currencies. Customers shall fill in and sign these forms; and the exchange dealer companies shall verify the information included in these forms.

3- The forms designed for selling or purchasing foreign currencies shall include detailed information on the customer's full name, nationality, permanent residential address, type of business activity and the number of his identity card.

4- The official in charge shall review and obtain a copy of the original identity document (national number card - identity card – passport - military card), and sign to the effect that it is an examined copy.

5- Particular attention shall be paid to the following customers, according to the data and information made available for the company at the time of transaction:
   - Customers belonging to countries that have no adequate anti-money laundering legislative systems, as reported to the company by the Central Bank of Egypt.
   - Customers engaged in businesses commonly related with valuable commodities, such as jewels, gold, cars, antiques, or who deal in real estate and lease financing.
   - Large purchasing and selling transactions inconsistent with the nature of the customers' activity.
   - Frequent purchasing and selling transactions whose sum total, within a certain period, is inconsistent with the nature of the customers' activity.

<u>Second: Reporting Transactions Suspected of Involving Money Laundering</u>

1- The managing director of each respective company - or the substitute thereof in his absence – shall report to the Money Laundering Combating

Unit (MLCU) at the CBE, any transaction suspected of involving money laundering. In case this director or his substitute is replaced, MLCU shall be notified.

2- The managing director shall examine all unusual transactions whether reported to him directly through the company's internal systems, or by one of its staff, or any other entity; and the justifying grounds for suspicion shall be stated in this report.

3- If the managing director finds out that suspicions about such transactions are groundless, he shall be responsible for deciding to file such reports and explaining his reasons for this decision.

4- If the managing director suspects that such transactions involve money laundering, he shall report them to the MLCU on the form designed for this purpose by the Unit, and shall attach all the relevant data and copies of the documents.

5- Reports shall contain the detailed reasons and grounds for the company's decision that the transaction involves money laundering.

6- Companies shall not disclose to their customers or to any parties other than the authorities and entities concerned with the enforcement of the Anti-Money Laundering Law, any information on any of the reporting procedures taken regarding the purchasing or selling transactions suspected of involving money laundering.

Third: Retention of Documents and Records

Exchange dealer companies shall retain the documents and records they are committed to maintain for a period of not less than five years from the date of completing the transactions. The companies shall also have to periodically update these documents and records. Judicial authorities and entities concerned with the enforcement of the Anti-Money Laundering Law shall have the right to access to these documents and records when requested.

Each company shall have an automated system for purchasing and selling foreign exchange, and all systems necessary for establishing an effective link between the companies and the Forex Statistics Chamber at the CBE.

Fourth: Training

Companies shall prepare and conduct ongoing training programs for their staff - at least once a year - along with the programs organized by the CBE, especially for new employees, those responsible for the execution of purchasing or selling transactions and internal auditors. The aim of such programs is to enhance the efficiency of the staff in complying precisely with these regulations. Attention should be given that such programs cover the various methods used for money laundering and ways of detecting and reporting them, as well as ways of dealing with suspected customers. Companies shall keep records of all the training programs that have been implemented, for a period of not less than five years. Such records shall contain names of the trainees, their qualifications and the training entity at home or abroad.

Fifth: Internal Systems

The company shall establish the appropriate internal systems required for the sound application of the anti-money laundering regulations and shall review them periodically, so as to detect any weaknesses in these systems, or in the level of compliance, and shall take the necessary corrective measures forthwith.

3- Regulatory Controls for Money Transmission Companies

First: Receiving and Executing Money Transfer Orders

Money transmission companies shall establish systems for obtaining and verifying information on the identification of their customers and beneficial owners, whether natural or legal persons. This aims at meeting the requirements of "Know Your Customer" principle when executing transfer orders for any customer. This is to be done through legal means of verification and recording of the identification information. Particular care shall be given to the following:

1- Transfer orders from anonymous persons, or under fictitious or false names are not to be accepted.

2- Transfer orders shall be made on a form designed by the company. It is to be filled in and signed by the customer. The company shall then verify and endorse the data therein. In the case of receiving transfer orders through other means such as fax or internet, necessary procedures must be taken to verify the referred-to orders and ensure that they meet the legal requirements.

3- The transfer form shall include detailed information about the full name of transfer applicant, his nationality, permanent address, telephone no., work address, type of activity and other information deemed necessary for the company. The same type of information shall be acquired about persons or entities to which money is transferred. The same information is to be obtained also from the beneficial owners of the transactions if recognized. The applicant must present an acknowledgement that the sums to be transferred are not gained from unknown or suspicious sources.

4- The official in charge shall examine the original identification documents of the applicant (national number card - ID card - passport - military card) and obtain a copy of such documents. He is to testify, in writing, that the copies of the documents are identical to the original.

5- As for inward transfers, data should be kept about the sum of the transfer, the beneficiary (name, permanent address and type of activity) and also the transferor, be it a person or an entity.

6- Companies shall give due regard to unusual transfers from/to abroad and record them in the books made specially for this purpose, while paying particular attention to the following:
   - Large transfers carried out, to the order of, or for a customer, which are inconsistent with the nature of the customer's activity.
   - Frequent transfers whose total over certain periods is inconsistent with the nature of the customer's activity.

- Transfers in which one of its parties (whether a person or an entity) is located in a country that does not have proper legislative systems for combating money laundering, or for whatever the company is notified of.

Second: Reporting Transactions Suspected of Involving Money Laundering

1- Each company or its agent shall specify an official - and a substitute in case the former is absent - responsible for reporting any transactions suspected of involving money laundering to the Money Laundering Combating Unit at the CBE. The Unit shall be notified in case of any replacement of the said persons.

2- The manager in charge of combating money laundering shall check the information on any unusual transfers made available to him via the company's internal systems or delivered by any employee in the company or any other entity and are appended by reasons justifying these suspicions.

3- Should the manager in charge of combating money laundering find no suspicions in what he has checked, he shall be responsible for taking the decision on filing these transactions, stating the reasons for such a decision.

4- Should the manager in charge of combating money laundering suspect that such transactions involve money laundering, he shall report the incident to the Money Laundering Combating Unit, on the form designed by the Unit for this purpose, with all data and copies of all relevant documents attached.

5- The notification must include the detailed reasons and grounds that made the company decide in its report, that such a transaction involves money laundering.

6- The company shall not disclose to the customer, beneficiary or authorities or entities other than those responsible for the enforcement of Anti-Money Laundering Law, any of the reporting procedures taken in relation to transfers suspected of involving money laundering, or of any relevant data.

Third: Retention of Documents and Records

The company shall retain the documents and records it is committed to maintain, for not less than five years from the date the transaction is completed. The company must also produce these documents and records, whenever needed, at the disposal of the judiciary authorities and the entities responsible for the enforcement of the Anti-Money Laundering Law. These documents and records shall be updated on a regular basis.

Fourth: Training

The company must prepare and carry out regular training programs (at least once a year) for its employees. Special attention is to be given to new recruits, to those handling transfer transactions, and to internal auditors so as to develop the efficiency of the staff in complying with these regulations. The training programs shall cover methods of money laundering, and ways of detecting and reporting them, as well as ways of dealing with the suspected customers. The company shall keep records of the training programs it has carried out for at least five years, together with the trainees names and qualifications, as well as with the training entity whether in Egypt or abroad.

Fifth: Internal Systems

The company shall establish adequate internal systems for a sound application of those controls and regulations specified for combating money laundering. These regulations shall be checked regularly by the company to detect any weaknesses therein, or in the compliance therewith, and take the necessary measures to rectify them.

Merging Banks of Development and Agriculture Credit in Governorates

The CBE Board of Directors issued Decision No. 312, on 6th February 2003, approving the merger between banks of development and agriculture credit in governorates (17 banks), to become only 6 banks according to the final figures of banks' balance sheets on 30th June 2002 approved by their general assemblies. (The figures were reviewed and approved by the CAPMAS).

Authorization for Public Sector Banks Applying for Dealing on the Primary Market of Government Bonds

The CBE Board of Directors issued Decision No. 500, on 6th March 2003, approving the authorization for public sector banks that applied for dealing on the primary market of government bonds as primary dealers; and authorizing the Governor to make exceptions in case these banks do not meet any of the requirements mentioned in the Board of Directors' Decision No. 1610 for 2002, issued on 6th June 2002.

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Periodical Publications of the Central Bank of Egypt

Name of Publication	Language	Periodicity
1 -Monthly Statistical Bulletin	Arabic and English	Monthly
2 -Economic Review	Arabic and English	Quarterly
3 -Annual Report	Arabic and English	Every fiscal year
4 -External Position of the Egyptian Economy	English	Quarterly

Notes:

- All publications of the Central Bank of Egypt are available on the CBE's website : **www.cbe.org.eg**

- To obtain a hard copy of any publication by mail, please write to the following address: Research, Development and Publishing Sector, the Central Bank of Egypt, 31 Kasr El Nil Street. Cairo, Egypt.