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Contents

Major Monetary and Financial Indicators

	July/December 2002/2003	July/December 2003/2004
	End of Period	
Price Index		
Cost of living index (95/96 = 100)	129.0	136.1
Wholesale prices index (86/87 = 100)	428.7	497.6
Money and Liquidity	**LE bn**	
- Domestic liquidity (M2) of the banking system (1)	342.5	410.8
- Reserve money	80.5	107.9
- Money supply (M1)	62.1	73.4
• Currency circulated outside the banking system	45.1	52.2
- Currency in circulation/ money supply (%)	72.5	71.1
Deposits with Banks (2)		
- Total deposits, of which:	357.2	435.9
• Business sector (public and private) deposits	65.0	78.6
• Household sector deposits	233.0	280.7
- Deposits in foreign currencies	94.8	139.3

(1) The banking system comprises the CBE and banks.
(2) The banking system excluding the CBE.

Bank Credit*(2)

- Total credit granted by banks	370.2	408.7
• Government securities and bills	78.6	91.2
• Other securities (including the foreign sector)	24.1	25.8
• Loans to the government and public economic authorities	14.1	13.5
• Loans to the business sector (public and private)	217.5	239.8
• Loans to the household sector and others	35.8	38.4
- Loans/deposits with banks (%)	74.9	66.9
- Portfolio and Treasury bills/deposits with banks (%)	28.8	26.8

Foreign Assets and Liabilities of the Banking System (1)

- Foreign assets	91.1 19.7**	135.4 22.0**
- Foreign liabilities	73.4 15.9**	103.3 16.8**
- Net foreign assets	17.7 3.8**	32.1 5.2**

Discount and Interest Rates	July/December 2002/2003 End of Period (Per Annum %)	July/December 2003/2004 End of Period (Per Annum %)
- Discount rate	10.0	10.0
- Average interest rate on 91- day Treasury bills	5.528	-
- Average interest rate on 89-day Treasury bills	-	6.854
- Average interest rate on investment certificates	10.5	10.5
- Average interest rate on 3- month deposits with banks	8.73	7.92
- Average interest rate on one year or less loans from banks	13.64	13.42

* Includes loans, securities and bills.
** In US$ billion.

US Dollar Exchange Rate Announced by the CBE	PT Per US Dollar	
- Buying and selling exchange rates (period average)	463.4	614.6
- End of period	450.0	615.3

Consolidated Fiscal Operations of the General Government	2003/2004 Preliminary FY (LE bn)	2003/2004 Actual July/Dec. (LE bn)
- Total expenditures including net lending	139.8	60.9
- Total revenues including grants	129.2	51.8
Overall Deficit/Surplus	**-10.6**	**-9.1**
Total Finance	**10.6**	**9.1**
External finance (net)	-4.7	-2.4
Domestic finance	18.5	20.1
Non-banking	-7.3	4.6
Banking	25.8	15.5
Unclassified	-3.2	-8.6
- Current revenues / current expenditures %	110.6	98.3
- Capital revenues / capital expenditures %	6.9	6.4
- Overall deficit or surplus / GDP %	-2.3	-2.0
- Expenditures including net lending / GDP %	30.6	13.3
- Revenues including grants / GDP %	28.3	11.3

Domestic Public Debt	End of June 2003	End of Dec. 2003
- Government domestic debt	252.2	266.3
- Public economic authorities debt	39.2	38.3
- NIB debt	79.2	82.7

Balance of Payments	July / December 2002/2003 (US$ bn)	July / December 2003/2004 (US$ bn)
Balance of Current Account & Transfers	**0.2**	**2.2**
Trade Balance	**(4.0)**	**(3.5)**
Commodity exports	3.7	4.5
Oil and its products %	35.3	37.7
Other %	64.7	62.3
Commodity imports	7.7	8.0
Intermediary goods %	25.7	27.2
Investment goods %	24.4	19.2
Consumer goods %	19.0	17.6
Fuel, other raw materials and others %	30.9	36.0
Services Balance	**2.4**	**3.9**
Receipts	5.3	6.5
Of which:		
Transportation %	27.1	27.2
Travel %	39.2	44.0
Investment income %	5.9	3.9
Payments	2.9	2.6
Of which:		
Transportation %	4.9	9.9
Travel %	25.4	25.2
Investment income %	13.2	12.8
Transfers	**1.8**	**1.8**
Official %	17.5	17.7
Private %	82.5	82.3
Capital and Financial Transactions	**(1.0)**	**(3.3)**
Overall Surplus / (Deficit)	**0.2**	**(0.1)**
Outstanding External Debt at End of Dec.	**28.8**	**29.7**

National Developments

Overview

Major Policies and Internal Measures

During the last three months of July-December 2003/2004, a number of organizational measures were taken. One of the most important of these measures was the appointment of a new CBE leadership. In addition, a national coordinator on a ministerial level was appointed in order to meet the IMF Special Data Dissemination Standard (SDDS). Furthermore, local councils for the development of human resources were founded in all governorates. Another important measure was the formation of a committee to study the complaints pertaining to the final results of the examination of goods for importation and exportation, in addition to the formation of another permanent committee to be responsible for evaluating the laboratories and examination units used by the General Authority for Import and Export Control. In addition, a 3-year management committee for the Federation of Cotton Exporters was formed, to be active as of 1 January 2004.

During the period under review, it was decided to raise prices of the voluntary delivery of locally produced wheat during the 2003/2004 season and to reconstitute the wheat purchase committee and specify its functions. Some tourism activities (management and marketing of hotels, motels, hotel apartments and tourist villages, Nile docks, yacht marinas and golf fields) were added to the activities that enjoy the privileges and exemptions established by the Law of Investment Incentives and Guarantees and its Executive Regulations.

A number of agreements for cooperation between Egypt and some countries in various fields were concluded during the period under review. These included an agreement with the Sudan and Malaysia to avoid dual taxation and combat income tax evasion; an agreement with the Arab Fund for Economic and Social Development for financing part of future leadership program; an agreement with the Sudan regarding sea transportation; and another with Jordan concerning land transportation of passengers and cargos. In addition, an agreement for enhancing the participation of non-governmental organizations in the economic and social development programs was concluded with Canada; and another for developing and modernizing the customs systems and facilitating trade services, concluded with the United States (represented in the US Agency for International Development).

On the other hand, a number of loan agreements were concluded with the Arab Fund for Economic and Social Development and with the Kuwaiti Fund for Economic Development to finance the first stage of the project of Nubaria power plant. The agreement concerning the grants for the Private Sector Commodity Importation Program was approved, with the aim of increasing foreign exchange and encouraging commercial banks to extend loans to the private sector to import intermediate goods, equipment and raw materials from the United States.

Main Local Developments

A follow up of monetary and banking developments during July-December 2003/2004 reveals that domestic liquidity (M2) increased to 6.9% against 4.2% in the corresponding period and money supply (M1) by 9.2% against 3.9%. Concurrently, inflation rate rose to 3.0% against 1.5%.

During the period under review, the CBE lending and discount rate remained unchanged at 10% per annum, and banks' reserve requirement ratio with the CBE at 14%.

Interest rate on three-month deposits declined to an annual average of 7.92% at end of December 2003, from 8.46% at end of June 2003. On one-year-or-less loans, the rate dropped to 13.42% from 13.45%. Interest rate on 182-day TBs retreated to 7.207% from 10.228% annually. The 89-day TBs were issued with a 6.854% annual interest rate, to temporarily replace the 91-day TBs for a period of three months, as a step towards unifying the days of issuance and maturity for these TBs and 182-day TBs to be every Tuesday.

The value of TB repos reached LE 1.6 billion during the period against LE 1.7 billion in the corresponding period. The outstanding balance of deposits accepted at the Central Bank amounted to LE 17.9 billion at end of December 2003.

Domestic liquidity rose by LE 26.6 billion during the period under review. This was due to an increase of about LE 20.0 billion in domestic credit and of the equivalent of LE 6.7 billion in net foreign assets on the one hand, and the rise of the negative balance of other items (net) by LE 0.1 billion, on the other. The government accounted for most of the increase in domestic credit provided during the period, as the net claims thereon increased by LE 12.5 billion. The private business sector received credit of LE 4.4 billion, the household sector LE 1.9 billion and the public business sector LE 1.2 billion.

The financial position of the CBE increased by LE 18.7 billion or 20.9% during the period under review. This was a result of a LE 24.0 billion increase in net domestic assets on the one hand, and an equivalent of LE 5.3 billion decline in net foreign assets on the other hand.

The aggregate financial positions of banks (excluding the Central Bank) rose by LE 37.0 billion or 6.4% against LE 23.2 billion or 4.7% in the corresponding period of the previous fiscal year; thus reaching LE 614.9 billion at end of December 2003. The increase on the liabilities side was due to a rise in deposits by LE 32.7 billion, in other liabilities by LE 8.3 billion, in provisions by LE 2.7 billion and in equities by LE 0.5 billion. On the other hand, obligations to banks abroad declined by LE 4.7 billion and to local banks by LE 2.3 billion. On the assets side, banks' balances at the CBE increased by LE 17.2 billion, credit facilities by LE 7.0 billion, balances with banks abroad by LE 6.8 billion, portfolio investment by LE 5.7 billion and other assets by LE 1.9 billion. Meanwhile, balances at local banks decreased by LE 2.1 billion.

Transactions on the foreign exchange market resulted in a remarkable decline in the deficit during the period under review, to reach only US$ 0.1 billion against US$ 1.0 billion in the corresponding period of the previous FY. Total resources reached US$ 4.0 billion and total utilizations US$ 4.1 billion.

As for the exchange rate developments, the weighted average of the US dollar versus the Egyptian pound reached 615.90 piasters/dollar (transfer/buy) at end of December 2003, against 603.23 piasters/dollar at end of June 2003, recording a decrease of 2.1% in the value of the Egyptian pound during July/December 2003.

Net international reserves of the CBE reached US$ 14.7 billion at end of December 2003, with a slight decline of US$ 0.1 billion below their level at end of June 2003.

CMA statistics indicate an increase in both the number of transactions and the volume of dealt-in securities during the period under review, to reach 694 thousand transactions and 830 million securities, respectively. On the other hand, the dealing value dropped to LE 14.3 billion. Transactions on shares reached 90.8% of the total. The number of new issues amounted to 718 at a value of LE 10.5 billion, most of which as capital increase for existing companies.

On the secondary market, the volume of dealings in LE and US dollar shares (on the floor and over the counter) recorded some LE 13.0 billion. Most of the dealing was in Egyptian pound, representing 94.1% of the total during the period.

The nominal value of bond issues (government and non-government) declined by LE 4.0 billion to LE 17.6 billion at end of December 2003. This is essentially due to the amortization of the second tranche of treasury bonds on 1 October 2003 (LE 4.0 billion). Dealing in bonds remarkably retreated to LE 1.3 billion during the period under review against LE 7.2 billion in the corresponding period. Most of bond transactions were in Egyptian pound, especially treasury bonds which accounted for 89.2% of the total value of dealing.

As to mutual funds, their number decreased to 21 because of the redemption of one of the three closed funds. The par value of the documents of these funds also declined to LE 3.8 billion at end of December 2003. Conversely, their market value increased to LE 4.3 billion.

The value of transactions of foreign investors on the Egyptian Exchange reached LE 5.4 billion against LE 3.7 billion in the corresponding period. Most of the transactions were on LE securities.

Within the framework of achieving the fiscal policy targets for FY 2003/2004, upon which the estimates for the fiscal operations of the general government are based, it has taken into account, in the different stages of the implementation, the increase in expenditures to realize price stability for basic consumer goods, in view of social considerations. A follow-up of the implementation of these operations shows that during July-December 2003/2004, total revenues, including grants, reached LE 51.8 billion or 40.1% of the total estimates for the whole fiscal year, with an increase of 8.2% compared with the corresponding period of the previous FY. Total expenditures, including net lending, amounted to about LE 60.9 billion or 43.6% of the total projected for the whole fiscal year, with a rise of 7.7% compared with the corresponding period. Consequently, the overall fiscal deficit reached about LE 9.1 billion, representing, during the period under review, 86.4% of the overall deficit projected for the whole FY and 2.0% of GDP. Local banking and non-banking resources were able to fully finance this deficit and to repay certain domestic and external obligations of the country.

As regards the consolidated fiscal operations of the state budget sector, total revenues, including grants, reached about LE 39.8 billion or 40.9% of the total projected for the whole FY, up by 15.7% over the corresponding period of the previous FY. Total expenditure, including net lending, amounted to some LE 53.6 billion or 43.6% of the total estimate, with a rise of 12%. The overall fiscal deficit reached some LE 13.8 billion during the period, representing 53.6% of the total projected for the whole year and 3.0% of GDP.

Due to the aforementioned developments in the implementation of the fiscal policy, domestic public debt mounted by about LE 16.7 billion during July-December of FY 2003/2004, to reach some LE 387.3 billion at end of December 2003. Claims on the government reached about LE 266.3 billion or 68.7% of the total. Claims (net) on the NIB reached about LE 82.7 billion or 21.4% of the total, and claims on public economic authorities about LE 38.3 billion or 9.9% of the total.

It is worth noting that the increase in domestic public debt during the period came as a result of a LE 14.1 billion rise in claims on the government and a LE 3.5 billion rise in claims on the NIB on the one hand, concurrent with a LE 0.9 billion decline in the debt of public economic authorities, on the other.

As for transactions with the foreign sector during the period, the surplus on the current account noticeably increased to US$ 2.2 billion against US$ 249.0 million. This is ascribed to the improvement in the performance of both trade and services balances.

Concerning the trade balance, the deficit improved to reach US$ 3.5 billion against US$ 4.0 billion, down by 13.6%. This improvement was due to a rise in commodity exports by 21.0% and import payments by 3.1%. The increase in commodity exports was a result of two factors. First, the rise in oil export proceeds by 29.2% to reach US$ 1.7 billion, because of the increase in the exported quantities of crude oil and oil products, along with the rise in their prices. Second, the rise in the non-oil export proceeds by 16.4% to reach US$ 2.8 billion.

The surplus on the services balance remarkably widened to reach US$ 3.8 billion or 56.6%. The rise was due to a step-up in service receipts by 22.9% (as most of their items increased, especially travel and transportation) and a drop in service payments by 6.2% (as all items retreated except that of transportation).

Because of the slight increase of 0.6% in official transfers and the limited decrease of 0.9% in private transfers, net unrequited transfers remained stable at almost the same level of the corresponding period (US$ 1.8 billion).

Capital and financial transactions revealed a net outflow of US$ 3.3 billion during the period, against US$ 1.0 billion during the corresponding period of the previous FY.

The above-mentioned developments led to a BOP overall deficit of US$ 117.7 million during the period against an overall surplus of US$ 152.7 million during the corresponding period.

As regards international finance, resource inflows declined to US$ 724.7 million from US$ 914.1 million. The decline was a result of the sharp decrease in net FDI in Egypt from US$ 552.4 million during the period of comparison to US$ 89.2 million, net disbursements from US$ 473.2 million to US$ 357.8 million and net portfolio investment in Egypt from US$ 406.9 million to US$ 19.4 million during the period. Meanwhile, net flows of official grants remained almost unchanged at their level in the corresponding period. Investment outflows (direct and portfolio) also remained unchanged at US$ 20.7 million.

The outstanding balance of external debt (public and private) totaled the equivalent of US$ 29.7 billion at end of December 2003 compared with the equivalent of US$ 28.7 billion at end of June 2003, with a rise of US$ 1.0 billion. The rise was mainly an outcome of the appreciation of most currencies of borrowing vis-à-vis the US dollar. This was somewhat offset by the decline in dollar denominated bonds during the period by some US$ 40.5 million and in short-term debt by about US$ 117.2 million, as well as by the net repayment of US$ 570.6 million of medium- and long-term loans and facilities.

A breakdown of Egypt's external debt by creditor indicates that bilateral loans (rescheduled and non-rescheduled) owed to the Paris Club members, and suppliers' and buyers' credit amounted to US$ 21.2 billion at end of December 2003 or 71.4% of the total. In the meantime, debts to non-members of the Paris Club, with respect to bilateral loans, reached some 3.5% of the total. Debts due to international and regional institutions represented 16.0% of the total (the public sector owed 90.9%). The balance of short-term debts reached US$ 1.7 billion or 5.9% of the total (the private sector owed 51.7%).

Dollar denominated sovereign bonds retreated to US$ 694.9 million at end of December 2003 from US$ 735.4 million at end of June 2003. This reflected the purchases of US$ 40.5 million of these bonds by resident financial institutions. On the other hand, non-guaranteed debt of the private sector stepped up by US$ 33.0 million to reach US$ 255.4 million.

The external debt service increased by about US$ 157.5 million during July-December 2003. This was a result of both the rise in principal repayments and the decline in interest payments. Accordingly, the ratio of debt service to total export proceeds of goods and services, during the period under review, declined from 10.9% to 10.3% and of the debt service to current receipts (including private and official transfers) from 9.1% to 8.9%.

As regards the cotton crop in the 2003/2004 season compared with the previous season, the preliminary estimates reveal a decline in production by 31.4%. This was due to a decrease in the cultivated area by 24.8% and in productivity per feddan by 8.6%.

The increase in the domestic and international demand on Egyptian cotton during the previous season led to a decline in the opening stock of this season. Hence, the total supply for both domestic consumption and exportation stopped at 4.0 million metric cantars. As consumption of domestic mills was likely to increase, these mills were permitted to import the rest of their needs. The total consumption of these mills reached about 1.1 million metric cantars until the end of the period.

It is worth noting that during the season it was decided to cancel the opening price system. Instead, cotton prices are to be agreed upon between buyers and sellers. The Federation of Cotton Exporters is to announce periodically the selling prices of the quantities contracted upon.

The quantities contracted upon for exportation from the beginning of the season to the end of December 2003 reached about 1.3 million metric cantars, at a value of US$ 184 million. Commitments on extra-long staple constituted 44.0% of the total, whereas commitments on long staple accounted for the rest. Private sector companies implemented 50.8% of total commitments. The remainder was implemented by public business sector companies. India, Switzerland and Italy headed the list of importers of Egyptian cotton during the period under review.

Tourism flows into Egypt continued its upward trend during July-December of FY 2003/2004. According to CAPMAS statistics, the number of arrivals increased 26.9% to reach 3.8 million tourists. Similarly, the number of tourist nights rose 111.5% to reach 38.2 million nights. This contributed to the 66.7% increase in the average stay for all departure groups during the period compared with the corresponding period of the previous fiscal year.

1- Monetary and Banking Developments

1/1: Monetary and Banking Policy and Monetary Aggregates

A follow up of the monetary and banking developments during July-Dec. of FY 2003/2004 reveals that domestic liquidity (M2) increased 6.9% against 4.2% during the previous corresponding period. Money supply (M1) increased 9.2% during the period against 3.9% in the corresponding period. Concurrently, the CPI-inflation rate rose from 1.5% to 3.0%.

The CBE lending and discount rate remained unchanged at 10% annually during the period. Similarly, the established ratio of banks' reserves maintained at the CBE remained constant at 14%. As for deposit acceptance transactions in local currency, conducted between the CBE and some banks, the outstanding balance of deposits reached about LE 17.9 billion at end of Dec. 2003. The weighted average of interest rates on these deposits ranged between 5.703% and 12.762%, with maturities between 6 and 35 days.

The average interest rate on three-month deposits went down to 7.92% annually at end of Dec. 2003 against 8.46% at end of June 2003. Similarly, interest rates on one-year-or-less loans decreased to 13.42% against 13.45%.

CBE Lending and Discount Rate and Banks Average Interest Rates

(% Annually)

End of	**2002**		**2003**	
	June	**Dec.**	**June**	**Dec.**
CBE lending & discount rate	11.00	10.00	10.00	10.00
Average Interest Rates at Banks on:				
3-month deposits	9.42	8.73	8.46	7.92
Loans of one year or less	14.10	13.64	13.45	13.42

Interest rates on 182-day TBs dropped to 7.207% annually at end of Dec. 2003 against 10.228% at end of June 2003. The CBE agreed with the Ministry of Finance to issue temporarily 89-day TBs with an interest rate of 6.854% annually for a period of three months as of Nov. 2003. This step paves the way for unifying the issuance and maturity dates of 91- and 182-day TBs to be the Tuesday of every week.

TB Interest Rates

(% Annually)

End of	**2002**		**2003**	
	June	**Dec.**	**June**	**Dec.**
89-day TBs	-	-	-	6.854
91-day TBs	7.198	5.528	10.270	-
182-day TBs	7.651	6.087	10.228	7.207

TB repos concluded between the CBE and a number of banks amounted to LE 1.6 billion during the period against LE 1.7 billion in the corresponding period.

The nominal value of treasury bonds declined to LE 9.0 billion, of which LE 7.7 billion were held by banks at end of Dec. 2003 against LE 13.0 billion at end of June 2003. This was due to the amortization of the 2003 treasury bills that were issued in October 1996, at a value of LE 4.0 billion.

The outstanding balance of treasury bills increased by LE 6.5 billion during the period against LE 13.3 billion in the corresponding period, to stand at LE 61.8 billion at end of Dec. 2003.

Outstanding Balance of Treasury Bills and Bonds

(LE bn)

End of	2002 June	2002 Dec.	2003 June	2003 Dec.
Bills, of which:	**40.0**	**53.3**	**55.3**	**61.8**
Banks' holdings	39.7	53.1	53.7	58.5
Treasury Bonds 2003, of which:	**4.0**	**4.0**	**4.0**	**-**
Banks' holdings	3.6	3.6	3.5	-
Treasury Bonds 2005, of which:	**1.5**	**1.5**	**1.5**	**1.5**
Banks' holdings	1.3	1.4	1.3	1.4
Treasury Bonds 2006, of which:	**0.5**	**0.5**	**0.5**	**0.5**
Banks' holdings	0.4	0.5	0.5	0.5
Treasury Bonds 2007, of which:	**3.0**	**3.0**	**3.0**	**3.0**
Banks' holdings	3.0	3.0	3.0	3.0
Treasury Bonds 2009, of which:	**4.0**	**4.0**	**4.0**	**4.0**
Banks' holdings	2.7	2.8	2.8	2.8

According to FOREX Statistics Chamber, the central exchange rate of the US dollar against the Egyptian pound (transfer/buy) reached 615.90 pt/dollar at end of Dec. 2003 against 603.23 pt/dollar at end of June 2003. Net international reserves during the period amounted to about US$ 14.7 billion at end of Dec.2003 against some US$ 14.8 billion at end of June 2003. This sum covered the requirements of about 11 months of imports at end of Dec. 2003.

1/1/1: Reserve Money

Reserve money notably increased during July/Dec. of FY 2003/2004 compared with the corresponding period of the previous FY, as it grew by LE 18.7 billion or 20.9% compared with a lesser increase of LE 6.7 billion or 9.1% to reach

LE 107.9 billion at end of Dec. 2003. The rise was mainly due to an increase of LE 14.2 billion in banks' local currency deposits with the CBE. The bulk of these deposits are placed with the CBE under the deposit acceptance mechanism to serve the targets of the monetary policy. The rise in money in circulation outside the CBE was limited to LE 4.5 billion or 8.6%.

Reserve Money and Counterpart Assets

(LE mn)

	Balances at End of Dec. 2003	Change during July/Dec.			
		2002/2003		2003/2004	
		Value	%	Value	%
A- Reserve Money	**107922**	**6689**	**9.1**	**18686**	**20.9**
- Money in circulation outside the CBE	56430	3607	7.9	4470	8.6
- Banks' deposits in local currency	51492	3082	10.9	14216	38.1
B- Counterpart Assets	**107922**	**6689**	**9.1**	**18686**	**20.9**
- Net Foreign Assets	**6997**	**(388)**	**(4.0)**	**(5346)**	**(43.3)**
- Foreign Assets	**87362**	**931**	**1.5**	**1075**	**1.2**
Gold	3808	-	0.0	-	0.0
Foreign securities	16331	128	0.9	762	4.9
Foreign currencies	67223	803	1.8	313	0.5
- Foreign Liabilities	**80365**	**1319**	**2.5**	**6421**	**8.7**
- Net Domestic Assets	**100925**	**7077**	**11.1**	**24032**	**31.3**
- Claims on the Government (Net)	**89081**	**7234**	**10.1**	**18312**	**25.9**
Claims, of which:	152862	7926	6.7	16139	11.8
Government securities	116325	-	0.0	(202)	(0.2)
Deposits	63782	692	1.5	(2172)	(3.3)
- Claims on Banks (Net)	**-34997**	**(1421)**	**8.0**	**(492)**	**1.4**
Claims	9557	(1352)	(13.1)	(208)	(2.1)
Foreign currency deposits	44554	69	0.2	284	0.6
- Other Items (Net)	**46841**	**1264**	**12.3**	**6212**	**15.3**
Assets	57920	4203	22.8	9162	18.8
Liabilities, of which:	11079	2939	36.3	2950	36.3
Equities	1790	-	0.0	289	19.3
Provisions	203	(3)	(1.0)	(32)	(13.6)

As for the counterpart assets of reserve money, net domestic assets augmented by LE 24.0 billion or 31.3% to reach LE 100.9 billion at end of Dec. 2003, because of the LE 18.3 billion increase in the CBE net claims on the government. This increase was an outcome of a step-up in the CBE's claims on the government by LE 16.1 billion and a decline in the government's deposits therewith by LE 2.2 billion. Other items (net) stepped up by LE 6.2 billion, mainly due to an increase equivalent to LE 5.4 billion in the account of the outcome of foreign exchange transactions conducted by the Central Bank on behalf of the government. Meanwhile, net claims of the CBE on banks decreased by LE 0.5 billion, because of the retreat of CBE's claims thereon by LE 0.2 billion and the pick-up of their deposits therewith by LE 0.3 billion.

CBE net foreign assets went down during the period by the equivalent of LE 5.3 billion or 43.3%, because its foreign obligations escalated by the equivalent of LE 6.4 billion; exceeding the increase of LE 1.1 billion worth in its foreign assets.

1/1/2: Banknote Issue

Banknote issue (including subsidiary coins) augmented by LE 4.9 billion or 9.4% during the period, against LE 4.0 billion or 8.7% during the period of comparison, to reach LE 57.4 billion at end of Dec. 2003.

Banknote Issue* and Change Rates

(LE mn)

End of	Balance of Banknote Issue	Annual Change		Change during July/Dec.	
		Value	%	Value	%
June 2001	41008	3069	8.1		
Dec. 2001	44324	2811	6.8	3316	8.1
June 2002	45633	4625	11.3		
Dec. 2002	49607	5283	11.9	3974	8.7
June 2003	52432	6799	14.9		
Dec. 2003	57354	7747	15.6	4922	9.4

* Including subsidiary coins issued by the Ministry of Finance

The increase in banknote issue led in turn to an increase of LE 4.5 billion or 8.6% in the currency in circulation outside the CBE, bringing it to LE 56.4 billion in total at end of December 2003.

A breakdown of currency in circulation by denomination shows increases in the relative importance of the LE 100 note to reach 27.8% at end of Dec. 2003 against 24.7% at end of June 2003, of the 50-pound note to 37.3% against 37.1% and of the 5-pound note to 2.2% against 2.1%. Meanwhile, the relative importance of the 20-pound note retreated to 20.8% against 23.2% and that of 10-pound note to 10.0% against 10.9%. The remaining denominations maintained the same relative importance of the previous period.

Because of these developments, the average value per note climbed to LE 16.2 at end of Dec. 2003 against LE 15.4 at end of June 2003, up by 5.2% during the period.

Currency in Circulation Outside the CBE*

(LE mn)

Denominations	June 2003		Dec. 2003		Change during July/Dec.	
	Value	Relative Importance	Value	Relative Importance	2002/2003	2003/2004
Total	**51960**	**100.0**	**56430**	**100.0**	**7.9**	**8.6**
Subsidiary Coins	213	0.4	216	0.4	1.5	1.4
PT 25	135	0.3	132	0.2	11.9	(2.2)
PT 50	232	0.4	228	0.4	12.2	(1.7)
LE 1	448	0.9	521	0.9	10.7	16.3
LE 5	1098	2.1	1210	2.2	4.5	10.2
LE 10	5690	10.9	5661	10.0	3.3	(0.5)
LE 20	12049	23.2	11733	20.8	(0.2)	(2.6)
LE 50	19270	37.1	21037	37.3	15.0	9.2
LE 100	12825	24.7	15692	27.8	9.9	22.4

* Representing the difference between the note issue and the cash at the CBE's vaults required for its operations

1/1/3: SWIFT Local Service and Clearing Houses Activity

Statistics of the SWIFT local service during July/Dec. of FY 2003/2004 show a rise in the number of executed transfers to reach 126.8 thousand against 107.6 thousand; however, their value dropped to LE 513.4 billion from LE 525.4 billion.

SWIFT Local Service Activity*

(LE mn)

FY	Number of Executed Transfers	Value of Executed Transfers	Change during July/Dec. Number	Change during July/Dec. Value
2001/2002	376658	996799	135853	370443
2002/2003	216934	998205	(159724)	1406
July/Dec. 2002/2003	107636	525390	(66597)	89300
July/Dec. 2003/2004	126826	513389	19190	(12001)

* This service started as of 27th of March 2000.

Statistics of Cairo, Alexandria and Port Said clearing houses revealed a decline in the number and value of exchanged cheques during July/Dec. of FY 2003/2004. Hence, the number of cheques decreased to 4.6 million, with a total value of LE 119.1 billion, down from 5.0 million cheques and LE 123.5 billion.

This resulted in an increase in the average value per cheque to LE 26.0 thousand during the period, up from LE 24.5 thousand in the corresponding period.

CBE Clearing Houses Activity

FY	Number of Cheques (000's)	Value of Cheques (LE mn)	Change	
			Number	Value
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)
July/Dec. 2002/2003	5034	123484	25.1	(14.0)
July/ Dec. 2003/2004	4588	119133	(8.9)	(3.5)

1/1/4: Domestic Liquidity and Affecting Factors

Domestic liquidity (M2) registered a substantial rise of LE 26.6 billion or 6.9% during July/Dec. of FY 2003/2004, to reach LE 410.8 billion at the end of Dec. 2003 against LE 13.8 billion or 4.2% during the corresponding period of the previous FY. However, with the exclusion of the effect of exchange rate change, this growth rate decreases to 6.3% against 4.2%.

Domestic Liquidity Structure

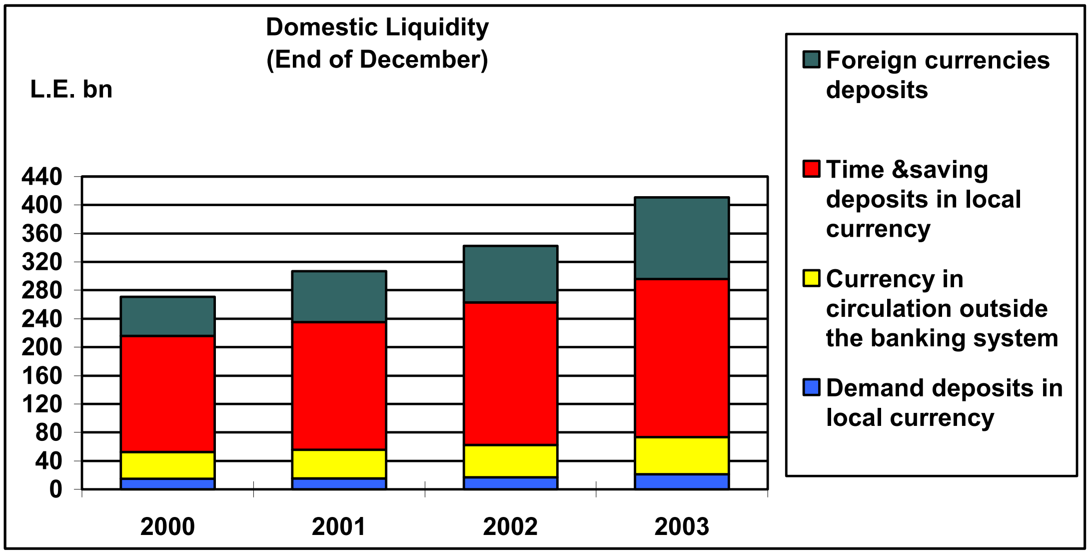
(LE mn)

	End of Dec. 2003		Change during July/Dec.			
		Relative	2002/2003		2003/2004	
	Balances	Import-ance	Value	%	Value	%
Domestic Liquidity (M2)	**410807**	**100.0**	**13775**	**4.2**	**26545**	**6.9**
Money Supply (M1)	**73373**	**17.9**	**2332**	**3.9**	**6161**	**9.2**
- Currency in circulation outside the banking system	52150	12.7	2757	6.5	3892	8.1
- Local currency demand deposits	21223	5.2	(425)	(2.4)	2269	12.0
Quasi-Money	**337434**	**82.1**	**11443**	**4.3**	**20384**	**6.4**
-Time and Saving Deposits in Local Currency	222570	54.1	8098	4.2	10560	5.0
- Foreign Currency Deposits	114864	28.0	3345	4.4	9824	9.4
- Demand deposits	14185	3.5	687	8.3	2026	16.7
- Time and saving deposits	100679	24.5	2658	3.9	7798	8.4

The rise in domestic liquidity during the period came as a reflection of the increase in money supply and quasi-money. Money supply rose by LE 6.2 billion or 9.2% compared with LE 2.3 billion or 3.9%, reaching LE 73.4 billion or 17.9% of total domestic liquidity at the end of Dec. 2003.

The pick-up in money supply (M1) reflected an increase in the currency in circulation outside the banking system by LE 3.9 billion or 8.1% against LE 2.8 billion or 6.5%. Another contributing factor was the increase in the LE demand deposits by LE 2.3 billion or 12.0% against a retreat of LE 0.4 billion or 2.4% , because of the growth in the deposits of the private business and household sectors.

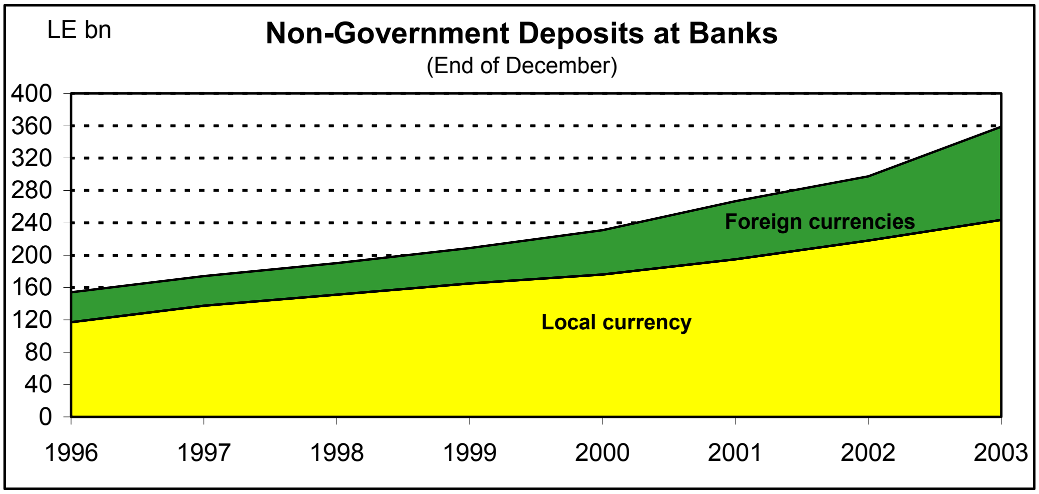
On the other hand, the rise in quasi-money reached LE 20.4 billion or 6.4% against LE 11.5 billion or 4.3%, reaching LE 337.4 billion or 82.1% of the total domestic liquidity at the end of Dec. 2003.



The increase in quasi-money reflects the growth in time and saving deposits by LE 10.6 billion or 5.0%, to reach LE 222.6 billion, representing 54.1% of the total domestic liquidity at the end of Dec. 2003. The rise concentrated in the deposits of the household sector that increased by LE 6.5 billion, while those of the private business sector rose by LE 2.6 billion and of the public business sector by LE 1.5 billion.

On the other hand, foreign currency deposits (demand and time and saving) rose by the equivalent of LE 9.8 billion or 9.4% (the equivalent of LE 7.5 billion or 7.1%, after excluding the effect of exchange rate change), compared with LE 3.3 billion or 4.4% during the corresponding period. Hence, foreign currency deposits amounted to the equivalent of LE 114.9 billion or 28.0% of total domestic liquidity at the end of Dec. 2003. The growth was mainly in the household sector's deposits, which scaled up by LE 8.3 billion worth, followed by the private business sector's by the equivalent of LE 1.5 billion, and the public business sector's by LE 75 million.

A follow up of the above developments indicates that LE deposits still represent the bulk of deposits, with a share of 68.0% of the total.



Counterpart Assets of Domestic Liquidity

(LE mn)

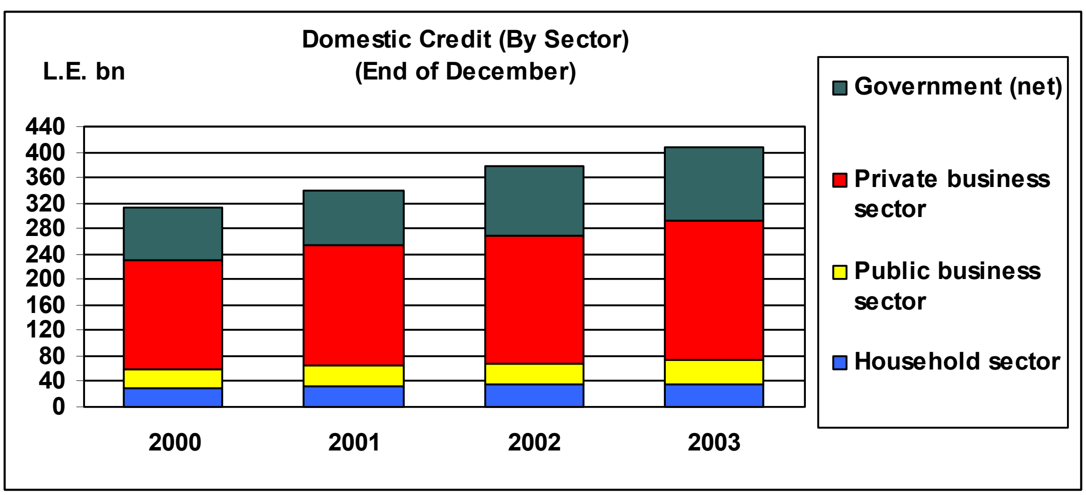
End of	Dec. 2003 Balances	Dec. 2003 Relative Import-ance	Change during July/Dec. 2002/2003 Value	2002/2003 %	2003/2004 Value	2003/2004 %
Counterpart Assets of Domestic Liquidity	**410807**	**100.0**	**13775**	**4.2**	**26545**	**6.9**
Net Foreign Assets	**32145**	**7.8**	**469**	**2.7**	**6716**	**26.4**
The CBE	6997	1.7	(388)	(4.0)	(5346)	(43.3)
Other banks	25148	6.1	857	11.5	12062	92.2
Domestic Credit	**407406**	**99.2**	**17673**	**4.9**	**19960**	**5.2**
Government (net)	116012	28.3	14895	15.6	12494	12.1
Public business sector	36196	8.8	1672	5.4	1210	3.5
Private business sector	218662	53.2	352	0.2	4354	2.0
Household sector	36536	8.9	754	2.3	1902	5.5
Other items (Net)	**-28744**	**-7.0**	**(4367)**	**9.0**	**(131)**	**0.5**

As for the counterpart assets of domestic liquidity, domestic credit and net foreign assets exercised an expansionary effect as contrasted to the diminishing effect of other items (net). Thus, domestic liquidity rose during the period by LE 20.0 billion or 5.2% against LE 17.7 billion or 4.9%, to reach LE 407.4 billion at the end of Dec. 2003. The increase resulted from the rise in the net claims on the government by LE 12.5 billion or 12.1%, which brought the government's debts to the banking system to LE 116.0 billion (28.5% of total domestic credit at the end of Dec. 2003).

With the rise in the credit granted to the private business sector by LE 4.4 billion or 2.0% against LE 0.4 billion and 0.2%, its indebtedness to banks amounted to LE 218.7 billion or 53.7% of the total.

A breakdown of the credit granted to the private business sector by economic activity indicates higher shares for the services sector, up by LE 2.3 billion, for the trade sector by LE 1.5 billion, and for the agriculture sector by LE 0.2 billion. Meanwhile, the credit granted to the industrial sector retreated by LE 0.1 billion.

As for the credit provided to the household sector, it rose by LE 1.9 billion or 5.5%, and consequently, the sector's debt to banks posted LE 36.5 billion. Likewise, the debt of the public business sector increased by LE 1.2 billion or 3.5% to reach LE 36.2 billion.



The net foreign assets of the banking system rose during the period by the equivalent of LE 6.7 billion, against a modest rise at the equivalent of LE 0.5 billion, to reach LE 32.1 billion worth at the end of December 2003. This significant rise is mainly ascribed to a growth of net foreign assets at banks by the equivalent of LE 12.1 billion against a rise equivalent to LE 0.9 billion. As for net foreign assets at the Central Bank, they dropped by the equivalent of LE 5.3 billion, against a decline of LE 0.4 billion worth.

Net Foreign Assets of the Banking System

(LE mn)

	June 2003			**Dec. 2003**			**Change in Net during July/Dec.**	
	Foreign			**Foreign**				
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**	**2002/2003**	**2003/2004**
Total	**126068**	**100639**	**25429**	**135400**	**103255**	**32145**	**469**	**6716**
CBE	86287	73944	12343	87362	80365	6997	(388)	(5346)
Banks	39781	26695	13086	48038	22890	25148	857	12062

The negative balance of other items (net) increased by LE 0.1 billion against a retreat of LE 4.4 billion in the corresponding period, to post about LE 28.7 billion at end of December 2003.

1/2: Banking Developments

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

During July-December of FY 2003/2004, the aggregate financial position of banks rose by LE 37.0 billion or 6.4% against LE 23.2 billion or 4.7% during the corresponding period of the previous FY. It reached LE 614.9 billion at the end of December 2003.

Aggregate Financial Position of Banks

(LE mn)

End of	June 2003		December 2003		Change during July-December	
	Value	Relative Importance	Value	Relative Importance	2002/2003 %	2003/2004 %
Cash	5557	1.0	6145	1.0	14.8	10.6
Securities & investments	111337	19.3	117022	19.0	17.2	5.1
Balances at banks abroad	29798	5.1	36597	6.0	2.6	22.8
Balances at CBE	84642	14.6	101792	16.6	3.3	20.3
Balances at local banks	26232	4.5	24095	3.9	0.8	(8.1)
Loan & discount balances	284722	49.3	291722	47.4	0.5	2.5
Other assets	35650	6.2	37522	6.1	10.4	5.3
(Assets = Liabilities)	**577938**	**100.0**	**614895**	**100.0**	**4.7**	**6.4**
Capital	18155	3.1	19580	3.2	4.0	7.8
Reserves	11805	2.0	10841	1.8	(1.3)	(8.2)
Provisions	40099	6.9	42824	7.0	0.7	6.8
Bonds & long-term loans	14866	2.6	14798	2.4	(0.8)	(0.5)
Obligations to banks abroad	16248	2.8	11585	1.9	(7.0)	(28.7)
Obligations to CBE	10301	1.8	10092	1.6	(8.6)	(2.0)
Obligations to local banks	25277	4.4	22988	3.7	2.5	(9.1)
Deposits	403144	69.8	435872	70.9	4.8	8.1
Other liabilities	38043	6.6	46315	7.5	22.4	21.7

The increase in liabilities was mainly a net result of two factors. On the one hand, deposits increased by LE 32.7 billion or 8.1% to reach LE 435.9 billion or 70.9% of total liabilities at the end of December 2003. Other liabilities increased by LE 8.3 billion to reach LE 46.3 billion; provisions by LE 2.7 billion to reach LE 42.8 billion or 7.0% of total liabilities (14.7% of total loan and discount balances); and equities by LE 0.5 billion to reach LE 30.4 billion or 5.0% of total liabilities. On the other hand, obligations to banks abroad declined by LE 4.7 billion to post LE 11.6 billion, and so did those to local banks by LE 2.3 billion to, reach LE 23.0 billion.

On the assets side, banks' deposits at the Central Bank went up by LE 17.2 billion or 20.3% to reach LE 101.8 billion or 16.6% of total assets at the end of December 2003. In addition, credit facilities stepped up by LE 7.0 billion, reaching LE 291.7 billion or 47.4% of total assets. Furthermore, balances with banks abroad increased by LE 6.8 billion or 22.8% to reach LE 36.6 billion. Balances of securities and investments increased by LE 5.7 billion or 5.1%, reaching LE 117.0 billion or 19.0% of total assets, and finally other assets increased by LE 1.9 billion or 5.3%. Contrarily, balances at local banks decreased by LE 2.1 billion or 8.1%.

Portfolio Structure

(%)

End of	June 2003			December 2003		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Local Investments	**77.3**	**17.1**	**94.4**	**76.5**	**16.9**	**93.4**
Treasury Bills	48.2	0.0	48.2	50.0	0.0	50.0
Government Bonds	14.6	15.7	30.3	12.7	15.3	28.0
Non-government Bonds	4.0	0.0	4.0	3.6	0.0	3.6
Corporate Equities	10.5	1.4	11.9	10.2	1.6	11.8
Foreign Securities	**0.0**	**5.6**	**5.6**	**0.0**	**6.6**	**6.6**
Total	**77.3**	**22.7**	**100.0**	**76.5**	**23.5**	**100.0**
Total Portfolio (LE bn)	**86.0**	**25.3**	**111.3**	**89.5**	**27.5**	**117.0**

The increase in banks' portfolio investment came as a result of a LE 4.8 billion rise or 9.0% in their TB holdings that reached LE 58.5 billion at the end of December 2003. This was accompanied by an increase in their investments in foreign securities by the equivalent of LE 1.6 billion, to reach LE 7.7 billion worth, and in corporate equities by LE 0.4 billion, to reach LE 13.8 billion. In the meantime there was a fall of LE 0.9 billion in banks' investments in government bonds, to reach LE 32.7 billion. Non-government bonds dropped by LE 0.2 billion, to post LE 4.3 billion at the end of December 2003.

As a result, the banks' portfolio structure comprised the following: 50.0% as TBs; 28.0% as government bonds; 11.8% as corporate equities; 6.6% as foreign securities, and 3.6% as non-government bonds.

Transactions of banks in Egypt with their correspondents abroad unfolded a rise in their balances therewith by the equivalent of LE 6.8 billion, and a decline in their obligations by the equivalent of LE 4.7 billion. This reflected an increase in their net credit position with banks abroad by the equivalent of LE 11.5 billion during the period against the equivalent of LE 1.3 billion during the corresponding period of the previous FY.

Transactions with Banks Abroad

(LE mn)

End of	June 2003	December 2003	Change during July-Dec. 2002/2003		2003/2004	
			Value	%	Value	%
Net Position	**13550**	**25012**	**1336**	**16.4**	**11462**	**84.6**
Balances at banks abroad	29798	36597	511	2.6	6799	22.8
Obligations to banks abroad	16248	11585	(825)	(7.0)	(4663)	(28.7)

1/2/2: Interbank Money Market in Egypt

The volume of transactions in the interbank money market – in terms of deposits – fell by LE 2.1 billion during July-December of FY 2003/2004 compared with a LE 0.2 billion increase in the previous corresponding period- to post LE 24.1 billion or 3.9% of total assets at the end of December 2003. Such a decrease came as a reflection of a drop in local currency balances by LE 3.1 billion and a rise in foreign currency balances by the equivalent of LE 1.0 billion.

Volume of Interbank Money Market in Egypt

(LE mn)

End of	June 2003	December 2003	Change during July/December 2002/2003 Value	%	2003/2004 Value	%
Total	**26232**	**24095**	**208**	**0.8**	**(2137)**	**(8.1)**
Balances in local currency	13403	10332	(1090)	(6.4)	(3071)	(22.9)
Balances in foreign currencies	12829	13763	1298	15.0	934	7.3

1/2/3: Deposits

During July-December of FY 2003/2004, deposits at banks mounted by LE 32.7 billion or 8.1% against LE 16.3 billion or 4.8% during the corresponding period of the previous FY, totaling LE 435.9 billion at the end of December 2003. This rise mainly came as a reflection of a LE 18.4 billion or 6.6% increase in local currency deposits, totaling LE 296.5 billion and representing 68.0% of total deposits at the end of December 2003.

There was, as well, a growth in foreign currency deposits by the equivalent of LE 14.4 billion or 11.5% (about LE 11.5 billion after excluding the effect of the exchange rate changes) to reach the equivalent of LE 139.3 billion at the end of

December 2003. The above-mentioned developments indicate that bank customers continue to favor local currency savings because of their higher interest rates, to those in foreign currencies.

Time and saving deposits, whether in local or foreign currencies, still constitute the greater portion of deposits. Time and saving deposits in local currency contributed 86.4% of total deposits in local currency, increasing by LE 14.2 billion and reaching LE 256.3 billion. Those in foreign currencies constituted 80.3% of foreign currency deposits, as they rose by the equivalent of LE 11.4 billion, reaching the equivalent of LE 111.8 billion at the end of December 2003.

Banks' Deposits by Type and Currency

(LE mn)

End of	June 2003	December 2003	Change during July/December			
			2002/2003		2003/2004	
			Value	%	Value	%
Total Deposits	**403144**	**435872**	**16291**	**4.8**	**32728**	**8.1**
In Local Currency	**278179**	**296548**	**12250**	**4.9**	**18369**	**6.6**
Demand	22929	25743	(450)	(2.1)	2814	12.3
Time and saving	242058	256272	14206	6.7	14214	5.9
Blocked or retained	13192	14533	(1506)	(9.6)	1341	10.2
In Foreign Currencies	**124965**	**139324**	**4041**	**4.5**	**14359**	**11.5**
Demand	14304	16733	802	8.1	2429	17.0
Time and saving	100477	111836	2293	3.1	11359	11.3
Blocked or retained	10184	10755	946	12.9	571	5.6

Non-government time and saving deposits in LE with banks amounted to LE 161.7 billion at the end of December 2003, with an increase of LE 5.0 billion or 3.2% against a drop of LE 0.8 billion or 0.6% during the corresponding period of the previous FY. The increase during the period was attributed to a rise in saving account deposits by LE 2.8 billion; less than one month; 3-6 months and 6 months-one year deposits by LE 3.2 billion; and blocked deposits by LE 0.4 billion. Conversely, 1-3 months and more than one year deposits declined by LE 0.8 billion and other deposits by LE 0.6 billion.

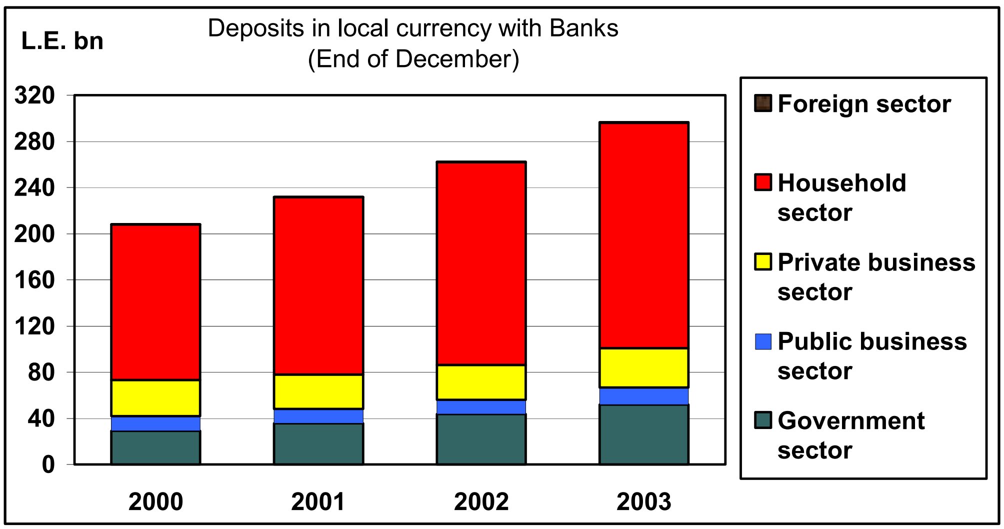
As for the saving systems at banks, deposits reached LE 50.7 billion at the end of December 2003, with an increase of LE 4.0 billion or 8.6% during the period under review, compared with LE 9.6 billion or 35.3% during the corresponding period. Such an increase was an outcome of a rise in three-years-and–more deposits by LE 4.1 billion and a decline in less-than-three–years deposits by LE 0.1 billion.

Time and Saving Deposits and Saving Systems at Banks by Maturity

(LE mn)

End of	June 2003	Dec. 2003	Change During July/Dec. 2002/2003 Value	2002/2003 %	2003/2004 Value	2003/2004 %
Total(1+2)	**203449**	**212442**	**8810**	**4.9**	**8993**	**4.4**
1- Non-Gov. Time & Saving Deposits in Local Currency, of which:	**156751**	**161726**	**(839)**	**(0.6)**	**4975**	**3.2**
a. Free Deposits						
. Within one month	14904	15369	705	4.5	465	3.1
. 1-3 months	28998	28313	(3224)	(9.7)	(685)	(2.4)
. 3-6 months	12211	14045	(459)	(3.7)	1834	15.0
. 6 months-one year	4098	4994	363	7.9	896	21.9
. More than 1 year	2444	2370	(1032)	(26.1)	(74)	(3.0)
b- Blocked Deposits	**8039**	**8396**	**(1485)**	**(14.3)**	**357**	**4.4**
c- Saving Accounts	**83572**	**86356**	**3857**	**5.4**	**2784**	**3.3**
d- Others	**2485**	**1883**	**436**	**36.9**	**(602)**	**(24.2)**
2- Saving Systems	**46698**	**50716**	**9649**	**35.3**	**4018**	**8.6**
. Less than 3 years	7816	7748	121	1.4	(68)	(0.9)
. 3 years or more	38882	42968	9528	51.0	4086	10.5

The sectoral distribution of LE deposits indicates an increase in the household sector deposits by LE 7.7 billion or 4.1% to reach LE 195.3 billion (65.8% of total deposits in local currency at the end of December 2003). Deposits of the government sector rose by LE 5.7 billion or 12.5% to reach LE 51.8 billion or 17.5% of total deposits in local currency. Deposits of the private business sector increased by LE 4.0 billion or 13.4%, to reach LE 34.1 billion or 11.5% of the total. Those of the public business sector rose by LE 0.9 billion or 6.3%, to LE 14.8 billion or 5.0% of the total at the end of December 2003.

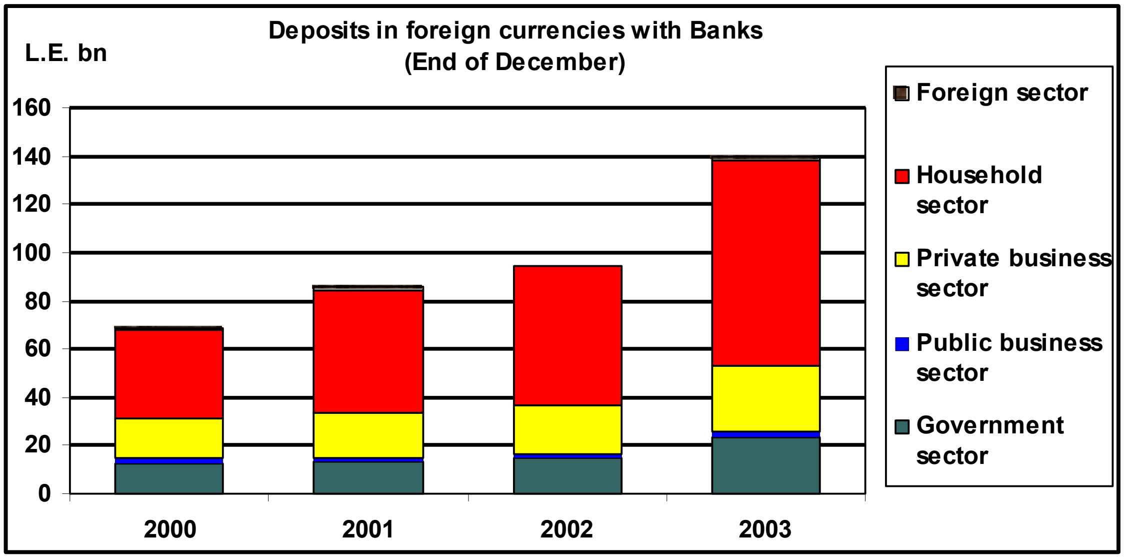


Banks' Deposits in Local Currency
by Sector

(LE mn)

End of	June 2003	Dec. 2003	Change during July/December 2002/2003 Value	2002/2003 %	2003/2004 Value	2003/2004 %
Total	**278179**	**296548**	**12250**	**4.9**	**18369**	**6.6**
Government Sector	46071	51816	5121	13.3	5745	12.5
Public Business Sector	13929	14811	(1536)	(11.0)	882	6.3
Private Business Sector	30087	34123	(1460)	(4.6)	4036	13.4
Household Sector	187594	195266	10143	6.1	7672	4.1
Foreign Sector	498	532	(18)	(5.1)	34	6.8

The LE 14.4 billion worth increase in foreign-currency deposits reflects the rise in the deposits of the household sector by LE 8.3 billion worth or 10.7%, in the government sector by LE 4.2 billion worth or 22.0%, of the private business sector by LE 1.5 billion worth or 6.0% and of the foreign sector by LE 0.3 billion worth. However, the public business sector deposits grew by only LE 0.1 billion worth.



Banks' Deposits in Foreign Currencies by Sector

(LE mn)

End of	June 2003	Dec. 2003	Change during July/December 2002/2003 Value	%	2003/2004 Value	%
Total	**124965**	**139324**	**4041**	**4.5**	**14359**	**11.5**
Government Sector	18977	23154	1150	8.6	4177	22.0
Public Business Sector	2878	2953	62	2.8	75	2.6
Private Business Sector	25179	26694	770	4.0	1515	6.0
Household Sector	77111	85386	2442	4.5	8275	10.7
Foreign Sector	820	1137	(383)	(36.9)	317	38.7

1/2/4: Lending Activity

During the period, the credit facilities extended by banks to all sectors increased by LE 7.0 billion or 2.5% against LE 1.3 billion or 0.5% during the corresponding period of the previous FY, reaching LE 291.7 billion or 47.4% of total assets at the end of December 2003. This increase came as a reflection of a growth of LE 6.2 billion or 2.8% in local currency facilities, to reach LE 224.9 billion or 77.1% of total credit facilities at the end of December 2003. There was a slight rise in foreign currency facilities by the equivalent of LE 0.8 billion or 1.3%, to post the equivalent of LE 66.8 billion or 22.9%.

Banks' Extended Credit

(LE mn)

End of			Change during July/Dec.			
			2002/2003		2003/2004	
	June 2003	Dec.2003	Value	%	Value	%
Total	**284722**	**291722**	**1338**	**0.5**	**7000**	**2.5**
Credit in local currency	218696	224863	2642	1.2	6167	2.8
Credit in foreign currencies	66026	66859	(1304)	(2.5)	833	1.3

The private business sector accounted for the bulk of the increase (48.4%) in local currency credit facilities, as it obtained LE 3.0 billion, while the household sector received LE 2.2 billion, and the public business sector LE 1.1 billion. Facilities granted to the government sector, however, slackened by LE 0.1 billion.

Credit Extended in Local Currency by Borrowing Sector

(LE mn)

End of	June 2003	Dec. 2003	Change during July/Dec. 2002/2003 Value	%	2003/2004 Value	%
Total	**218696**	**224863**	**2642**	**1.2**	**6167**	**2.8**
Government sector	9049	8998	(617)	(6.2)	(51)	(0.6)
Public business sector	26835	27931	1962	7.6	1096	4.1
Private business sector	149118	152102	725	0.5	2984	2.0
Household sector	33285	35450	792	2.5	2165	6.5
Foreign sector	409	382	(220)	(36.4)	(27)	(6.6)

As for the credit extended by banks in foreign currencies, the debt of the private business sector rose by the equivalent of LE 0.8 billion to reach LE 51.7 billion worth or 77.3% of the total credit in foreign currencies. The debt of the government sector increased by the equivalent of LE 0.3 billion, the public business sector by the equivalent of LE 0.1 billion, while the debt of the household sector decreased by the equivalent of LE 0.3 billion and the foreign sector by the equivalent of LE 0.1 billion.

Credit Extended in Foreign Currencies by Borrowing Sector

(LE mn)

End of	June 2003	Dec. 2003	Change during July/Dec. 2002/2003 Value	%	2003/2004 Value	%
Total	**66026**	**66859**	**(1304)**	**(2.5)**	**833**	**1.3**
Government Sector	4248	4500	149	0.3	252	5.9
Public Business Sector	8051	8126	(138)	(2.7)	75	0.9
Private Business Sector	50827	51675	(1031)	(2.5)	848	1.7
Household Sector	1350	1086	(39)	(3.6)	(264)	(19.6)
Foreign Sector	1550	1472	(245)	(15.0)	(78)	(5.0)

A breakdown of credit facilities by economic activity shows that the manufacturing sector received 34.8% of total facilities granted at the end of December 2003. Meanwhile, 29.3% went to the services sector; 20.9% to the trade sector; only 1.8% to the agriculture sector, and 13.2% to unclassified sectors.

Credit Extended by Economic Activity

(LE mn)

End of	June 2003	Dec. 2003	Change during July/Dec. 2002/2003		Change during July/Dec. 2003/2004	
			Value	%	Value	%
Total	**284722**	**291722**	**1337**	**0.5**	**7000**	**2.5**
Agriculture	4968	5147	(364)	(6.4)	179	3.6
Manufacturing	101051	101440	(1054)	(1.1)	389	0.4
Trade	59087	61126	1573	2.8	2039	3.5
Services	82888	85465	976	1.3	2577	3.1
Unclassified Sectors (including the Household)	36728	38544	207	0.6	1816	4.9

The rise in the credit facilities in local currency covered most of the economic activity sectors. Hence, the services sector received LE 2.6 billion, trade LE 1.4 billion, agriculture LE 0.2 billion and unclassified sectors LE 2.2 billion. However, the local currency facilities granted to the manufacturing sector decreased by LE 0.2 billion.

Credit Extended in Local Currency
by Economic Activity

(LE mn)

End of	June 2003	Dec. 2003	Change during July/Dec. 2002/2003 Value	%	2003/2004 Value	%
Total	**218696**	**224863**	**2642**	**1.2**	**6167**	**2.8**
Agriculture	4521	4740	(307)	(5.9)	219	4.8
Manufacturing	74269	74109	(946)	(1.3)	(160)	(0.2)
Trade	47530	48923	1590	3.4	1393	2.9
Services	58547	61105	1820	3.4	2558	4.4
Unclassified Sectors (including the Household)	33829	35986	485	1.5	2157	6.4

As for foreign currency credit facilities, those granted to the trade and manufacturing sectors increased by the equivalent of LE 0.6 billion and LE 0.5 billion respectively. Meanwhile, credit to unclassified sectors decreased by the equivalent of LE 0.3 billion.

Credit Extended in Foreign Currencies
by Economic Activity

(LE mn)

End of	June 2003	Dec. 2003	Change during July/Dec. 2002/2003 Value	%	2003/2004 Value	%
Total	**66026**	**66859**	**(1304)**	**(2.5)**	**833**	**1.3**
Agriculture	447	407	(57)	(10.4)	(40)	(8.9)
Manufacturing	26782	27331	(108)	(0.5)	549	2.0
Trade	11557	12203	(17)	(0.2)	646	5.6
Services	24341	24360	(844)	(4.2)	19	0.1
Unclassified Sectors (including the Household)	2899	2558	(278)	(10.3)	(341)	(11.8)

A breakdown of loans and advances by maturity shows an increase of LE 6.9 billion or 2.4% during the period under review. This was a result of an increase of LE 5.9 billion in short-term loans (one year or less) - owing to the LE 4.8 billion rise in local currency and the equivalent of LE 1.1 billion in foreign currencies. It was also ascribed to an increase of LE 1.0 billion in more-than-one-year loans due to a rise of LE 1.2 billion in local currency and a decrease equivalent to LE 0.2 billion in foreign currencies.

Loans and Advances
By Maturity and Currency*

(LE mn)

End of	June 2003	Dec. 2003	Change during July/Dec. 2002/2003		2003/2004	
			Value	%	Value	%
Total	**283445**	**290302**	**1671**	**0.6**	**6857**	**2.4**
One Year or Less	**170476**	**176363**	**(368)**	**(0.2)**	**5887**	**3.5**
In Local Currency	137440	142215	931	0.7	4775	3.5
In Foreign Currencies	33036	34148	(1299)	(4.7)	1112	3.4
More Than One Year	**112969**	**113939**	**2039**	**2.0**	**970**	**0.9**
In Local Currency	80527	81697	1764	2.3	1170	1.5
In Foreign Currencies	32442	32242	275	1.1	(200)	(0.6)

* Excluding discounted commercial papers

2- Stock Exchange

During the last three months of July-Dec. 2003, a number of amendments were added to the Executive Regulations of the Capital Market Law No. 95/1992, pursuant to the Decree of the Minister of Foreign Trade No. 517/2003. Of these amendments, Article No. 7 was replaced by another, specifying the information and documents required when any company floats securities, whether in the form of incorporation stocks or capital increases.

In addition, the Minister of Foreign Trade issued the Ministerial Decree No. 675/2003 regarding the establishment of "The Center of Directors". The purpose of this center is to train and raise the awareness of the members of the Boards of Directors in joint stock companies, in order to enhance their performance, especially in corporate governance.

According to the statistics of the Capital Market Authority, indicators of the overall dealing during July-Dec. of FY 2003/2004 showed an increase in both the number of transactions and dealt-in securities on the one hand, and a drop in the value of these securities, on the other. Hence, the number of transactions amounted to 694 thousand against 357 thousand during the corresponding period, and the number of dealt-in securities reached 830 million against 484 million. Meanwhile, the value of dealt-in securities fell to LE 14.3 billion from LE 16.1 billion.

During the period, dealing in shares showed a concentration of 90.8% of the total compared with 54.9% during the corresponding period. However, dealing in bonds retreated to only 9.2% of the total from 45.1% during the corresponding period.

Indicators of Overall Dealings on the Stock Exchange

	No. of Transactions (Units)	Amount of Dealt- in Securities (000s)	Value of Dealt - in Securities (mn)
July/December 2003/2004			
Total	**694047**	**830243**	**14309**
Shares	693695	828156	12990
Bonds	352	2087	1319
Mutual Funds' Documents	-	-	-
July/December 2002/2003			
Total	**356509**	**484336**	**16051**
Shares	355703	476468	8810
Bonds	778	7836	7221
Mutual Funds' Documents	28	32	20

Companies Operating in Securities

The number of companies operating in the field of securities reached 274, with a capital of LE 4.7 billion at the end of December 2003. (See the following table)

Structure of Companies Operting in Securities Till 31/12/2003

	No. of Companies (Unit)		Capital (LE mn)
Total	**274**	**100.0**	**4715.2**
Brokerage firms	145	52.9	212.6
Underwriting, portfolio formation & management, corporate foundation & venture capital	106	38.7	4296.2
Mutual fund management	14	5.1	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)

2/1: Shares Market

2/1/1: Primary (Issue) Market

a) New Issues

During July-Dec. of FY 2003/2004, the CMA approved a number of issues for new incorporations and for capital increases of existing companies. The number of these issues amounted to 718 at a value of LE 10.5 billion, against 691 issues at a value of LE 8.6 billion during the corresponding period. Issues to increase the capital of existing companies accounted for the bulk or 82.3% of the total value of shares against 70.3% during the corresponding period.

New Share Issues on the Stock Exchange

	July/December	
	2002/2003	**2003/2004**
Total Number of Issues (Unit)	**691**	**718**
New Incorporations	430	424
Capital Increase of Existing Companies	261	294
Total Number of Shares (mn)	**408**	**404**
New Incorporations	67	76
Capital Increase of Existing Companies	341	328
Total Value of Shares (LE mn)	**8609**	**10465**
New Incorporations	2561	1851
Capital Increase of Existing Companies	6048	8614

Source: CMA (Information Center)

b) Companies Listed on the Stock Exchange

The number of companies listed on the Stock Exchange decreased from 1123 at the end of June 2003 to 978 at the end of Dec. 2003, because some companies had not adjusted their statuses according to the new registration rules. Consequently, the nominal value of the capital of listed companies dropped by LE 1.3 billion to reach LE 97.7 billion, while their market value rose by LE 21.7 billion to reach LE 171.9 billion.

Companies Listed on the Stock Exchange

(LE mn)

	June 2003			Dec. 2003		
	No. of Companies (Unit)	Nominal Value	Market Value	No. of Companies (Unit)	Nominal Value	Market Value
Total	**1123**	**99029**	**150214**	**978**	**97698**	**171922**
Listed on the official schedules	152	35906	55706	101	39770	76135
Listed on unofficial schedules	971	63123	94508	374	39492	69491
Listed on the transitional schedule				503	18436	26296

Source: Cairo and Alex. Stock Exchanges

The number of companies listed on the official schedules reached 101, with a nominal capital of LE 39.8 billion and a market capital of LE 76.1 billion. The number of companies listed on the unofficial schedules reached 374, with a nominal capital of LE 39.5 billion and a market capital of LE 69.5 billion. The number of companies listed on the transitional schedule (the companies that had not yet adjusted their statuses according to the new registration rules) reached 503, with a nominal capital of LE 18.4 billion and a market capital of LE 26.3 billion.

A sectoral distribution of the market capital at end of Dec. 2003 indicates that the utilities sector attracted most of the investments, accounting for 21.5% of the total. The finance, insurance and real estate sector followed with 17.4%, then building and construction materials sector with 16.0%.

Market Capital by Sector

(LE mn)

	June 2003	%	Dec. 2003	%
Total	**150214**	**100.0**	**171922**	**100.0**
Agriculture and Fishing	1189	0.8	1185	0.7
Building and Construction Materials	25933	17.3	27441	16.0
Natural Gas & Mining	10029	6.7	10344	6.0
Manufacturing	15019	10.0	15760	9.1
Trade	3850	2.5	3073	1.8
Finance, Insurance & Real Estate	30249	20.1	29908	17.4
Utilities	25171	16.8	36976	21.5
Others	38774	25.8	47235	27.5

Source: Cairo & Alex. Stock Exchanges

2/1/2: Secondary (Trading) Market

The total volume of dealing in LE and US dollar shares (on the floor and over the counter) reached about LE 13.0 billion during the period, against LE 8.8 billion during the corresponding period. Dealings in LE shares accounted for 94.1% of the total against 69.3% during the corresponding period, and in US dollar shares for only 5.9% of the total against 30.7%.

The value of dealings in LE shares (on the floor and over the counter) amounted to LE 12.2 billion during the period, against LE 6.1 billion during the corresponding period. Dealings were mainly on the floor, representing 82.8% of the total, as a reflection of the recovery of transactions on the shares of the sectors of manufacturing; services; transportation, communications, electricity and gas; and finance, insurance and real estate.

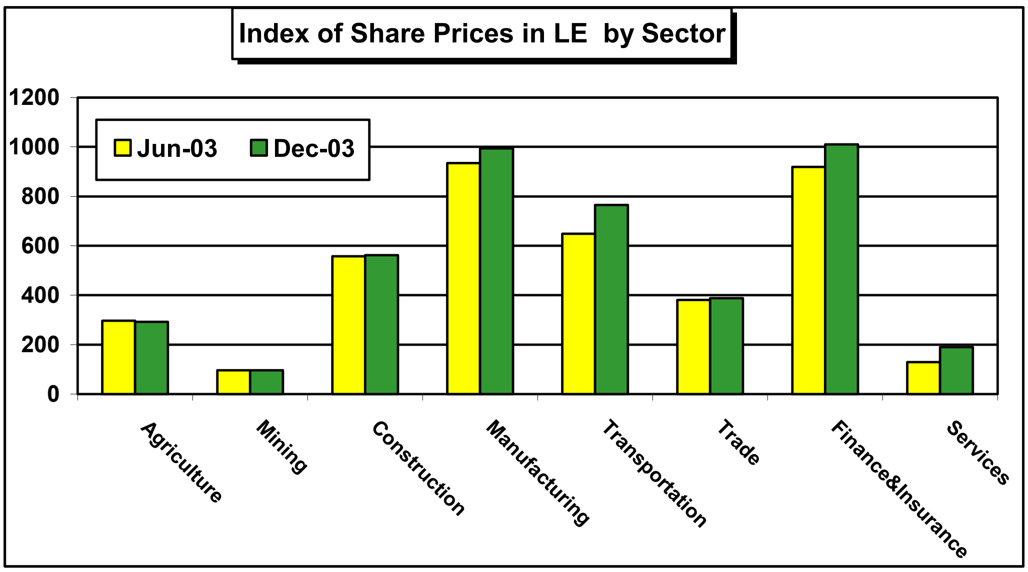
Transactions on Listed Shares by Sector

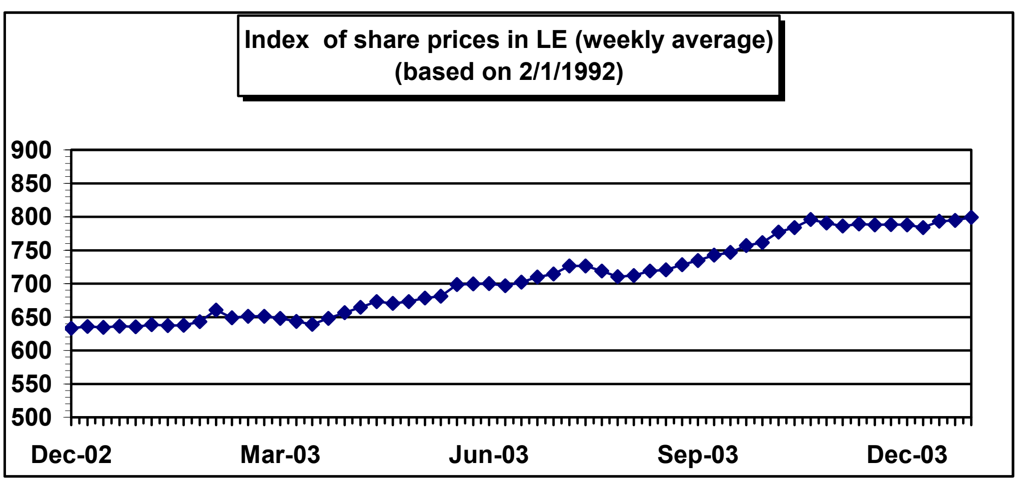
	No. of Transactions (Unit)		Volume of Dealt – in Shares (000's)		Value of Dealt - in Shares (mn)	
	LE	US$	LE	US$	LE	US$
July/Dec. 2003/2004						
Total	**665990**	**16937**	**705520**	**16880**	**10124.7**	**75.6**
- Agriculture, Forests and Fishing	789	-	980	-	18.6	-
- Mining	1	-	-	-	-	-
- Construction	16485	-	47994	-	87.2	-
- Manufacturing	284762	5	310629	22	2958.6	0.3
- Transportation, Communications, Electricity, Gas, & Health	62200	1623	72830	945	2162.0	2.0
- Retail and Wholesale Trade	2634	-	5604	-	106.8	-
- Finance, Insurance & Real Estate	126187	15304	124344	14367	2009.5	45.1
- Services	172932	5	143139	1546	2782.0	28.2
July/Dec. 2002/2003						
Total	**334204**	**7556**	**332616**	**22963**	**3502.4**	**332.9**
- Agriculture, Forests and Fishing	1409	-	1423	-	15.4	-
- Mining	3	-	-	-	0.1	-
- Construction	24476	-	68583	-	170.0	-
- Manufacturing	155523	4327	134756	20379	1547.1	285.3
- Transportation, Communications, Electricity, Gas, & Health	12864	996	8480	406	200.6	3.4
- Retail and Wholesale Trade	1574	-	7487	-	87.7	-
- Finance, Insurance & Real Estate	58710	1898	56518	1935	955.2	4.8
- Services	79645	335	55369	243	526.3	39.4

Source: CMA.

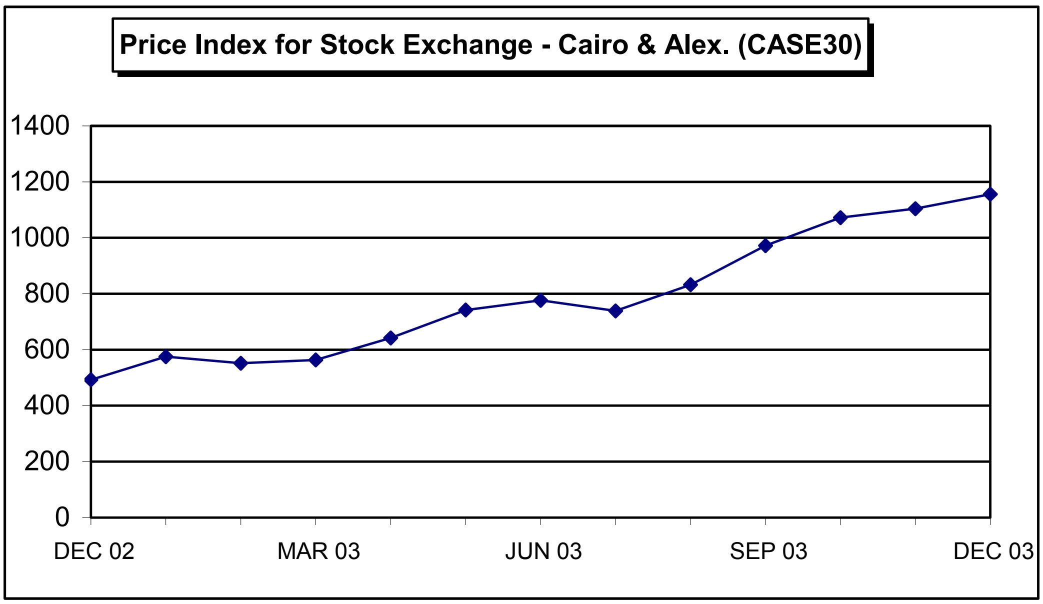
As for dealings in the US dollar shares, their value dropped to US$ 125 million from US$ 586 million. Dealings were concentrated in the sectors of finance, insurance and real estate; and services.

As for the share price index, the CMA index recorded a rise of 12.8%, during the period, to reach 803.2 points at the end of Dec. 2003, against 712.2 points at the end of June 2003.





The Stock Exchange price index (CASE 30) moved up by 48.8 % to reach 1155.5 points at the end of Dec. 2003 against 775.9 points at the end of June 2003.



2/2: Bonds Market

2/2/1: Primary (Issue) Market

During the period of July-Dec. 2003/2004, the nominal value of issued bonds (listed and unlisted) declined to reach LE 17.6 billion at the end of Dec. 2003, against LE 21.7 billion at the end of June 2003, for the following reasons. On one hand, the second tranche of treasury bonds (LE 4.0 billion) was redeemed on 1/10/2003; and the sixth tranche of the housing bonds and the bonds of a bank were amortized. On the other hand, there was a rise in the value of US dollar development bonds and of corporate bonds (due to the change in the exchange rate used in their evaluation).

Bonds Issued on the Stock Exchange

(LE mn)

At End of	June 2003			Dec. 2003		
	Listed	Unlisted	Total	Listed	Unlisted	Total
Total	**20573.5**	**1079.2**	**21652.7**	**16409.9**	**1199.7**	**17609.6**
Government Bonds	14857.2	1.9	14859.1	10892.0	0.7	10892.7
- Treasury bonds	13000.0	-	13000.0	9000.0	-	9000.0
- Housing bonds	131.9	0.4	132.3	129.0	-	129.0
-US dollar development bonds	1725.3	1.5	1726.8	1763.0	0.7	1763.7
Corporate Bonds	3665.2	185.8	3851.0	3676.8	187.1	3863.9
Bank Bonds	2051.1	891.5	2942.6	1841.1	1011.9	2853.0

Source: Cairo and Alex. Stock Exchanges

2/2/2: Secondary (Trading) Market

The three indicators of transactions on bonds dropped noticeably during the period July-Dec. of FY 2003/2004 compared with the corresponding period, as the value of dealing plummeted to LE 1.3 billion from LE 7.2 billion; the number of securities dropped to 2.1 million from 7.8 million and the number of transactions to 352 from 776. Dealings were mainly in LE bonds, particularly in treasury bonds which accounted for 89.2% of the total value of dealing.

Transactions on Listed Bonds

	July /December					
	2002/2003			2003/2004		
	No. of Trans-actions	Quantity (000's)	Value (mn)	No. of Trans-actions	Quantity (000's)	Value (mn)
Total Bonds (LE)	**750**	**7815**	**7139.8**	**312**	**2086**	**1316.7**
Treasury bonds	488	6233	6764.3	75	1099	1176.5
Housing bonds	151	11	0.8	81	4	0.3
Corporate bonds	12	363	93.9	37	732	76.6
Bank bonds	99	1208	280.8	119	251	63.3
Total Bonds (US Dollar)	**26**	**21**	**17.5**	**40**	**1**	**0.3**
Development bonds	-	-	-	1	-	-
Corporate bonds	26	21	17.5	39	1	0.3

Source: Cairo and Alex. Stock Exchanges

2/3: Transactions of Foreign Investors on the Egyptian Exchange

Statistics of the CMA indicates an increase in the transactions of foreign investors on the Egyptian Exchange during the period, compared with the corresponding period. Hence, the value of their transactions rose to LE 5.4 billion from LE 3.7 billion. Nonetheless, their transactions unfolded net purchases of only LE 131 million against LE 789 million during the corresponding period.

Transactions of Foreign Investors on the Stock Exchange

	July/December			
	2002/2003	2003/2004	2002/2003	2003/2004
	Egyptian Pound		US Dollar	
No. of Transactions (Unit)	**52932**	**125147**	**5203**	**3799**
Purchases	26269	66150	4839	1460
Sales	26663	58997	364	2339
No. of Dealt-in Securities (mn)	**78**	**186**	**35**	**8**
Purchases	40	101	21	4
Sales	38	85	14	4
Value of Dealt-in Securities (mn)	**1256.9**	**4929.4**	**527.0**	**73.1**
Purchases	724.1	2527.3	328.2	37.0
Sales	532.8	2402.1	198.8	36.1

Source: CMA (Information Center)

The value of LE transactions went up to reach LE 4.9 billion during the period compared with LE 1.3 billion in the corresponding period, whereas those in US dollar retreated to US$ 73.1 million compared with US$ 527 million.

2/4: Mutual Funds

The number of mutual funds decreased to 21 at the end of Dec. 2003 from 22 at the end of June 2003, following the redemption of the documents of one of the three closed funds. Hence, the nominal value of mutual funds' documents decreased to LE 3.8 billion at the end of Dec. 2003, against LE 3.9 billion at the end of June 2003. However, their market value increased to reach LE 4.3 billion. No transactions were made on the documents of the closed funds during the period under review.

Transactions on the Documents of Mutual Funds

	July/December 2002/2003			2003/2004		
	No. of Transactions (Unit)	Quantity (Unit)	Market Value (LE 000's)	No. of Transactions (Unit)	Quantity (Unit)	Market Value (LE 000's)
Total	**28**	**32155**	**19970.4**	-	-	-
On the Floor	**28**	**32155**	**19970.4**	-	-	-
OTC	-	-	-	-	-	-

Source: CMA

As for the Egyptian mutual funds established abroad, their number remained unchanged at ten, nine of which were in US dollar, with a nominal capital of US$ 524.6 million. The remaining mutual fund was in Egyptian pound, with a nominal capital of LE 100 million.

2/5: Global Depository Receipts (GDRs)

The number of Global Depository Receipts (GDRs) dropped to nine at the end of Dec. 2003, following the cancellation of a GDR issuing program of a certain company after it was sold to a foreign investor.

Global Depository Receipts (GDRs)

Order and Date of Issue	Prices of GDRs on London Exchange In US Dollar at End of			Prices of Shares of Issuing Companies on the Egyptian Exchange In LE Pound at End of		
	June 2003	Dec. 2003	Change %	June 2003	Dec. 2003	Cahang e %
First - July 1996	6.05	6.53	7.9	37.25	22.02	(40.9)
Second –July 1996	7.17	6.70	(6.6)	43.66	45.50	4.2
Third - Feb. 1997	13.60	-	-	65.00	65.00	-
Fourth - Oct. 1997	1.20	1.53	27.5	24.88	28.00	12.5
Fifth - April 1998	1.10	1.73	57.3	13.26	27.37	106.4
Sixth - August 1998	1.23	1.73	40.7	4.22	6.00	42.2
Seventh - June 1999	1.43	2.10	46.9	3.10	4.23	36.5
Eighth - July 1999	0.20	0.20	-	-	-	-
Ninth - July 2000	2.85	5.78	102.8	35.81	80.19	123.9
Tenth -August 2002	16.00	19.25	20.3	49.00	72.51	48.0

Source: Cairo and Alex. Stock Exchanges

The above table reveals that the prices of all the GDRs tended to rise, taking the same upward pattern of the shares of most of the GDR issuing companies in Egypt.

3- Public Finance and Domestic Public Debt
3/1: Consolidated Fiscal Operations of the General Government

In its efforts to observe the social dimension of its policies, the government adopted a number of fiscal measures during the last three months of July-Dec. 2003/2004, aiming to maintain price stability of basic commodities. For instance, GASC imports for the low-income brackets in the society were exempted from all fees and customs duties. Customs duties and fees on imports of basic foodstuffs provided for other brackets were also decreased.

3/1/1: Estimates of the Consolidated Fiscal Operations of the General Government for FY 2003/2004

According to the estimates of the consolidated fiscal operations of the general government for FY 2003/2004, total revenues, including grants, reached some LE 129.2 billion, while total expenditure, including net lending, amounted to about LE 139.8 billion. Hence, the overall deficit targeted for the year reached about LE 10.6 billion or 2.3% of GDP.

3/1/2: Follow-up of the Implementation of Consolidated Fiscal Operations of the General Government during July-Dec. 2003/2004

First: State Budget Sector

According to the Ministry of Finance, a follow up of the implementation of the consolidated fiscal operations of the budget sector (administrative system, local administration and service authorities) during July-Dec. of FY 2003/2004 reveals the following. Total collected revenues, including grants, reached some LE 39.8 billion, with an implementation ratio of 40.9% of the total projected for the whole year, rising 15.7% over the corresponding period of the previous FY.

Of the collected revenues, current revenues amounted to LE 38.4 billion, representing 98.9% of the total. Tax revenues contributed the bulk (LE 27.1 billion or 69.8% of the total), with an implementation ratio of 40.4% of the total estimated for the whole year, and a rise of 16.0% over the period of comparison. This was an outcome of the rise in the proceeds of income taxes by 18%; taxes on business profits by 18.1% (mostly from the Suez Canal Authority and EGPC); customs duties by 21.6%; and some miscellaneous tax revenues by 10.5%.

The collected non-tax revenues reached about LE 11.3 billion or 28.5% of total collected revenues during the period, with an implementation ratio of 42.6% of the total projected for the whole year, and a rise of 16.3% over the previous corresponding period. The bulk of these revenues came from the surplus transfers, which amounted to LE 7.5 billion, with an increase of 21.8% over the corresponding period. This was attributed mainly to a rise in the surplus transfers from the Suez Canal Authority by 96.0%, while those from the EGPC and the CBE dropped by 90.4% and 2.2%, respectively, compared with the corresponding period.

Collected fees posted some LE 2.3 billion, with an implementation ratio of 41.3% of the total estimated for the year, and a rise of 2.3% over the corresponding period. Some other non-tax revenues contributed LE 1.5 billion.

Capital revenues (sale of stocks and lands, as well as other capital transfers) reached about LE 403 million or 1.0% of total revenues, with an implementation ratio of 33.4% of the total estimated figure, and an increase of 98.5% over the corresponding period of the previous FY.

Grants received during the period amounted to some LE 1 billion, down by 11.6% compared with the corresponding period. Of this amount, current grants accounted for LE 0.6 billion and capital grants for LE 0.4 billion.

As for expenditures, including net lending, they amounted to about LE 53.6 billion, with an implementation ratio of 43.6% of the total estimated for the whole year, and a rise of 12.0% over the corresponding period of the previous FY. Current expenditures registered about LE 47.5 billion or 88.3% of total expenditures, accounting for 45.1% of the total projected for the year, with an increase of 13.0% compared with the corresponding period.

A breakdown of current expenditures indicates that wages and salaries accounted for some LE 16.7 billion or 31.1% of total projected expenditures, with an increase of 13.6% over the period of comparison. This included all regular raises and the social allowance (10% of the basic salary) to be added to the salaries of civil servants.

Other current expenditures reached about LE 30.8 billion, with an implementation ratio of 43.9% of the total estimate for the year, and a rise of 12.6% compared with the corresponding period. Of this amount, 35.4% was interest payments on public debt (mostly domestic debt); 18.1% pensions; 13.4% subsidies to low-income brackets as mentioned above; and 10.1% purchases of goods and services.

Capital expenditures, mainly on the investments of the administrative system, the local administration and the service authorities, reached about LE 6.3 billion or 11.7% of total expenditures. This amount represented 44.0% of the total projected for the whole year, with an increase of 4% compared with the corresponding period of the previous FY.

Net lending recorded a negative LE 0.2 billion, a matter which affected the aforementioned fiscal operations. As a result, the overall budget deficit during the period reached about LE 13.8 billion or 53.6% of the overall deficit projected for the whole year, increasing by 2.4% compared with the corresponding period of the preceding FY. Banking and non-banking domestic sources available during the period financed the deficit, and repaid some domestic and external obligations.

Second: State Budget Sector and NIB & GASC

With the addition of the fiscal operations of the NIB and the GASC to the budget sector during July-Dec., total revenues, including grants, went up by LE 7.4 billion to reach some LE 47.2 billion, as a result of the rise of non-tax revenues. Total expenditures, including net lending, also increased to about LE 64.9 billion, due to a rise in interest payments on domestic debt by some LE 8.4 billion and in net lending by LE 3.5 billion. In the meantime, some other current expenditures retreated by about LE 0.5 billion. Against the afore-mentioned developments, the overall deficit during the period widened to become LE 17.7 billion, with an implementation ratio of 53.5% of the total projected for the whole year, and a rise of 3.4% over the corresponding period.

Third: State Budget Sector, NIB & GASC and SIFs

With the addition of the fiscal operations of the SIFs to the above-mentioned fiscal operations, non-tax current revenues increased by some LE 4.6 billion; wages and salaries by about LE 0.2 billion; and some other current expenditures by LE 0.5 billion. Meanwhile, interest payments on domestic debt decreased by nearly LE 4.8 billion.

Accordingly, total revenues, including grants, of the consolidated fiscal operations of the general government reached some LE 51.8 billion, with an implementation ratio of 40.1% of the total estimated, and up by 8.2% over the corresponding period, thereby constituting 11.3% of GDP.

Actual Implementation of Consolidated Fiscal Operations of the General Government
(Budget Sector, NIB & GASC and SIFs)
(Total Revenues, Including Grants)

(LE bn)

	July/December 2003/2004								
	Budget Sector	Relative Structure	Implement-ation Ratio of Total Estimate for the Year %	Budget Sector, and NIB & GASC	Relative Structure	Implement-ation Ratio of Total Estimate for the Year %	Budget Sector, NIB& GASC, and SIFs	Relative Structure	Implement-ation Ratio of Total Estimate for the Year %
Total Revenues Including Grants	**39.8**	**100.0**	**40.9**	**47.2**	**100.0**	**42.0**	**51.8**	**100.0**	**40.1**
Total Revenues	**38.8**	**97.6**	**40.9**	**46.2**	**98.0**	**42.1**	**50.8**	**98.2**	**40.0**
Current Revenues	**38.4**	**96.6**	**41.0**	**45.8**	**97.1**	**42.2**	**50.4**	**97.4**	**40.1**
Tax Revenues	**27.1**	**68.2**	**40.4**	**27.1**	**57.4**	**40.4**	**27.1**	**52.4**	**40.4**
Income taxes	10.8	27.1	40.2	10.8	22.8	40.2	10.8	20.8	40.2
Goods and services taxes	10.7	26.9	40.1	10.7	22.7	40.1	10.7	20.7	40.1
Customs	5.5	14.0	41.3	5.5	11.8	41.3	5.5	10.8	41.3
Other	0.1	0.1	35.8	0.1	0.1	35.8	0.1	0.1	35.8
Non-tax Revenues	**11.3**	**28.5**	**42.6**	**18.7**	**39.7**	**45.0**	**23.3**	**45.0**	**39.8**
Capital Revenues	**0.4**	**1.0**	**33.4**	**0.4**	**0.9**	**33.4**	**0.4**	**0.8**	**33.4**
Grants	**1.0**	**2.4**	**41.2**	**1.0**	**2.0**	**41.2**	**1.0**	**1.8**	**41.2**

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

Total expenditures, including net lending, decreased by nearly LE 4.0 billion to reach some LE 60.9 billion. The implementation ratio reached 43.6%, with an increase of 7.7% over the period of comparison, constituting 13.3% of GDP.

Actual Implementation of the Consolidated Fiscal Operations of the General Government
(Budget Sector, NIB & GASC and SIFs)
(Total Expenditures, Including Net Lending)

(LE bn)

	July / December 2003/2004								
	Budget Sector	Relative Structure	Implement-ation Ratio of the Total Estimate for the Year %	Budget Sector, and NIB & GASC	Relative Structure	Implement-ation Ratio of Total Estimate for the Year %	Budget Sector, NIB& GASC, and SIFs	Relative Structure	Implement-ation Ratio of Total Estimate for the Year %
Total Expenditures Including Net Lending	**53.6**	**100.0**	**43.6**	**64.9**	**100.0**	**44.6**	**60.9**	**100.0**	**43.6**
Total Expenditures	**53.8**	**100.4**	**43.8**	**61.6**	**94.9**	**44.7**	**57.6**	**94.5**	**43.9**
Current Expenditures	**47.5**	**88.6**	**45.1**	**55.3**	**85.2**	**46.0**	**51.3**	**84.2**	**45.1**
Wages and Salaries	**16.7**	**31.1**	**47.4**	**16.7**	**25.7**	**47.4**	**16.9**	**27.7**	**47.5**
Other Current Expenditures	30.8	57.5	43.9	38.7	59.5	45.4	34.4	56.5	44.0
Defense	7.1	13.2	58.2	7.1	10.9	58.2	7.1	11.6	58.2
Interest	10.9	20.4	35.2	19.3	29.7	41.6	14.5	23.9	52.3
Domestic	9.4	17.6	33.1	17.8	27.4	40.6	13.0	21.5	51.7
External	1.5	2.8	57.9	1.5	2.3	57.9	1.5	2.4	57.9
Others	12.8	23.9	47.4	12.3	18.9	46.1	12.8	21.0	33.5
Capital Expenditures	**6.3**	**11.8**	**36.3**	**6.3**	**9.7**	**36.3**	**6.3**	**10.4**	**36.3**
Lending minus Repayment	**-0.2**	**-0.4**	**-110.3**	**3.3**	**5.1**	**42.8**	**3.3**	**5.5**	**38.2**

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

Accordingly, the overall fiscal deficit reached about LE 9.1 billion during the period July-Dec. of FY 2003/2004, or 86.4% of the overall deficit estimated for the whole year, constituting 2.0% of GDP. Compared with the corresponding period of the previous FY, the overall deficit was 5.2 % higher.

Actual Implementation of Consolidated Fiscal Operations of the General Government
(Budget Sector, NIB & GASC and SIFs)
(Overall Deficit / Surplus and Total Finance)

(LE bn)

	July / December 2003/2004								
	Budget Sector	Relative Structure	Implementation Ratio of Total Estimate for the Year %	Budget Sector, and NIB & GASC	Relative Structure	Implementation Ratio of Total Estimate for the Year %	Budget Sector, NIB& GASC, and SIFs	Relative Structure	Implementation Ratio of Total Estimate for the Year %
Total Revenues including Grants	**39.8**			**47.2**			**51.8**		
Total Expenditures Including Net Lending	**53.6**			**64.9**			**60.9**		
Overall Deficit / Surplus	**-13.8**			**-17.7**			**-9.1**		
Total Financing	**13.8**	**100.0**	**53.6**	**17.7**	**100.0**	**53.5**	**9.1**	**100.0**	**86.4**
External Financing	**-2.4**	**-17.2**	**50.7**	**-2.4**	**-13.5**	**50.7**	**-2.4**	**-26.1**	**50.7**
Domestic Financing	**19.2**	**139.1**	**57.1**	**23.1**	**130.6**	**56.3**	**20.1**	**220.4**	**108.9**
Banking	13.9	100.9	47.5	16.6	93.8	58.0	15.5	170.3	60.3
-Obligations	19.4	140.5	48.4	19.4	109.7	48.4	19.4	212.5	48.4
-Deposits	7.9	56.9	49.8	5.2	29.4	31.4	6.3	68.6	32.4
- Revaluation differences	2.4	17.3	47.8	2.4	13.5	47.8	2.4	26.1	47.8
Non -banking	5.3	38.2	123.1	6.5	36.8	52.4	4.6	50.3	-63.0
-From NIB to the Government	2.8	19.9	21.6	4.0	22.5	19.1	2.1	22.6	182.3
-Other	2.5	18.3	-30.0	2.5	14.3	-30.0	2.5	27.7	-30.0
Privatization	**00**			**00**			**00**		
Other (assumption of debt)	**00**	**-0.2**		**00**	**-0.2**		**00**	**-0.2**	
Unclassified	**-3.0**	**-21.7**	**93.5**	**-3.0**	**-16.9**	**93.5**	**-8.6**	**-94.1**	**267.5**

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

Banking and non-banking sources (net) of LE 11.5 billion were available during the period to finance the deficit in full and to make some external repayments in the amount of LE 2.4 billion.

3/2: Domestic Public Debt

3/2/1: Domestic Government Debt

The stock of domestic government debt amounted to LE 266.3 billion at the end of December 2003, increasing by LE 14.1 billion during the period July-December 2003/2004. The increase stemmed from a rise of LE 3.0 billion in the Treasury bills and bonds and from an increase of LE 2.8 billion in the government debt to the NIB. In addition, the government net credit position at the banking system decreased by LE 8.3 billion, as an outcome of a LE 16.3 billion rise in loans to the government, thus, exceeding the LE 8.0 billion rise in its deposits.

It is worth noting that the second tranche of Egyptian Treasury bonds, issued on 30/9/1996, was redeemed on 1/10/2003, at a nominal value of LE 4 billion and an interest rate of 11%.

Domestic Government Debt

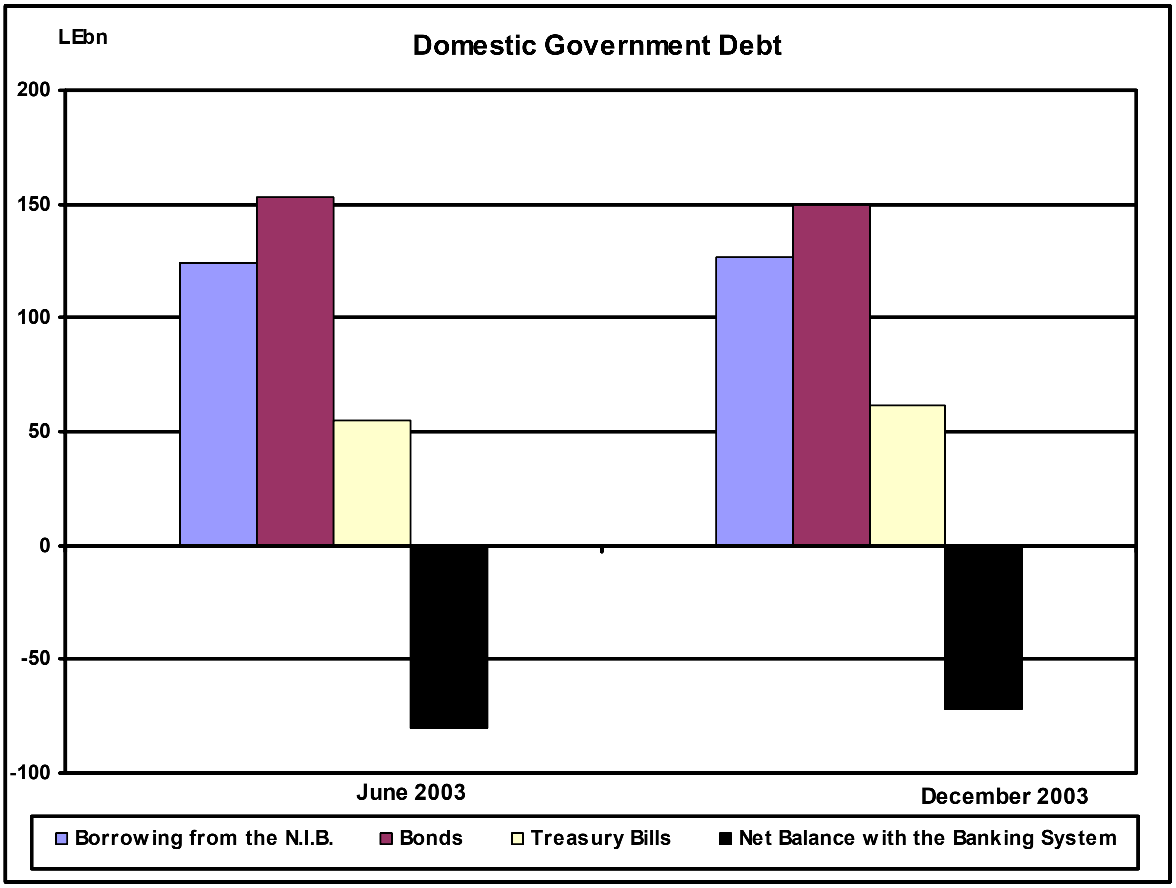
(LE bn)

Balances at End of	June 2003		Dec. 2003		Change
	Value	%	Value	%	+ (-)
Domestic Government Debt	**252.2**	**100.0**	**266.3**	**100.0**	**14.1**
-Balances of Bonds & Bills	208.6	82.7	211.6	79.5	3.0
• Bills and Bonds*	153.3	60.8	149.8	56.3	-3.5
Of which: tradable on the stock exchanges	17.7	7.0	18.1	6.7	0.4
• Treasury bills	55.3	21.9	61.8	23.2	6.5
Government Net Balances at the Banking System	-80.3	-31.9	-72.0	-27.1	8.3
Facilities	19.4	7.7	35.7	13.4	16.3
Deposits	-99.7	-39.6	-107.7	-40.5	-8.0
Government Borrowing from the NIB	123.9	49.2	126.7	47.6	2.8

Source: Ministry of Finance, the CBE and the NIB.

Ratios are calculated in terms of LE million.

* Including Treasury bonds; US dollar denominated sovereign bonds traded on world stock exchanges and held with financial institutions resident in Egypt (banking system and insurance sector); housing bonds, bonds denominated in foreign currencies with public sector commercial banks; and the 5% ratio retained from profits of corporations subject to Law no. 97 of 1983 for the purchase of government bonds.



3/2/2: Debts of Public Economic Authorities

The stock of debts of the public economic authorities decreased by LE 0.9 billion during the period July-December 2003/2004, reaching LE 38.3 billion at the end of December 2003. The decrease was an outcome of an improvement of LE 3.2 billion worth in the credit position of the authorities' net balances at the banking system. This was, in turn, ascribed to the growth in their deposits therewith by LE 3.4 billion, and the slight increase of their borrowing therefrom by LE 0.2 billion on the one hand, and the rise in their borrowing from the NIB by LE 2.3 billion on the other hand.

Debts of Public Economic Authorities

(LE bn)

Balances at End of	June 2003		Dec. 2003		Change
	Value	%	Value	%	+(-)
Total Debt	**39.2**	**100.0**	**38.3**	**100.0**	**-0.9**
- Net balances of the economic authorities at the banking system	-10.9	-27.8	-14.1	-36.8	-3.2
Facilities	14.1	35.9	14.3	37.3	0.2
Deposits	-25.0	-63.7	-28.4	-74.1	-3.4
- Borrowings of the economic authorities from the NIB	50.1	127.8	52.4	136.8	2.3

Source: Ibid.

3/2/3: Resources and Uses of the NIB

NIB net resources from various saving vessels totaled LE 261.8 billion at the end of December 2003, rising by LE 8.6 billion during the period July-December 2003/2004. This increase came primarily as a result of the rise in the surpluses transferred to the NIB by the Social Insurance Funds for Civil Servants and the Business Sector Employees (public and private) by LE 1.9 billion, and from the receipts of investment certificates by LE 1.6 billion and from the post office saving accounts by LE 1.3 billion. However, the cumulative returns on group (A) investment certificates declined by LE 0.1 billion.

Resources and Uses of the NIB

(LE bn)

Balances at End of	June 2003		Dec. 2003		Change
	Value	%	Value	%	+(-)
Resources	**253.2**	**100.0**	**261.8**	**100.0**	**8.6**
• Social Insurance Fund for Civil Servants	95.9	37.8	97.5	37.2	1.6
• Social Insurance Fund for Business Sector Employees (Public and Private)	78.9	31.2	79.2	30.3	0.3
• Investment certificate proceeds	55.2	21.8	56.8	21.7	1.6
• Cumulative returns on investment certificates (group A)	6.6	2.6	6.5	2.5	-0.1
• US dollar development bonds	1.7	0.7	1.8	0.7	0.1
• Post office saving accounts	22.3	8.8	23.6	9.0	1.3
• NIB's account balances at the banking system (net)	-9.1	-3.6	-5.4	-2.1	3.7
• Others	1.7	0.7	1.8	0.7	0.1
Uses	**253.2**	**100.0**	**261.8**	**100.0**	**8.6**
• Government	123.9	48.9	126.7	48.4	2.8
• Economic authorities	50.1	19.8	52.4	20.0	2.3
• Others	79.2	31.3	82.7	31.6	3.5

Source: Ibid.

The NIB used LE 126.7 billion or 48.4% of its total resources to finance government investments and LE 52.4 billion or 20.0% of the total to finance investments of the public economic authorities. In addition, LE 82.7 billion or 31.6% of the total were channeled to financing its various development projects, i.e., loans to holding companies and their affiliate units, and concessional loans to low-cost housing projects and loans to other various projects.

As a result, the NIB net credit position with the banking system retreated by LE 3.7 billion during the period, to reach LE 5.4 billion at the end of December 2003.

4- External Transactions
4/1: Foreign Exchange Market

According to CBE statistics, the FX market deficit noticeably retreated to only US$ 0.1 billion during the period July-December 2003/2004, against US$ 1.0 billion during the corresponding period of the previous FY. As such, total resources amounted to US$ 4.0 billion, and total utilizations reached US$ 4.1 billion.

It is worth mentioning that the improvement in the deficit of the banking system transactions was the main reason behind the contraction, by nearly the same amount, in the FX market deficit during the period under review.

Resources and Utilizations of the Foreign Exchange Market

(US$ mn)

	July-December	
	2002/2003	2003/2004
Surplus/Deficit (-)	**-1004**	**-58**
The banking system*	-1003	-57
Foreign exchange dealer companies	-1	-1
Resources	**3332**	**4035**
The banking system*	3050	3940
Foreign exchange dealer companies	282	95
Utilizations	**4336**	**4093**
The banking system*	4053	3997
Foreign exchange dealer companies	283	96

* Excluding the CBE's purchases from and sales to banks.
Source: Payments and receipts statements (General Department for Foreign Exchange Control).

The transactions of banks, excluding the CBE, in the exchange market led to an increase of US$ 0.2 billion in their net foreign currency assets during the period, to reach US$ 3.2 billion at the end of December 2003. Concurrently, the ratio of banks' assets to their liabilities in foreign currencies slightly increased from 111.2% at the end of June 2003 to 111.3% at the end of December 2003.

The CBE's net international reserves reached US$ 14.7 billion at the end of December 2003, with a slight decrease of US$ 0.1 billion, as compared with those at end of June 2003.

As for the exchange rate developments, the average US$ exchange rate (buy/transfer) declined by 2.0% during July-December 2003/2004, reaching pt 615.90 at the end of December 2003, against pt 603.23 at the end of June 2003.

Average Exchange Rate of the US Dollar
in the Foreign Exchange Market
(buy /transfer)*

(pt/dollar)

	End of Month
December 2002	462.5
January 2003	536.4
February	553.5
March	573.5
April	589.5
May	597.7
June	603.2
July	612.7
August	614.3
September	614.9
October	614.4
November	613.4
December	615.9

Source: The CBE Forex Statistics Chamber.

It is noteworthy that the number of offices of exchange dealer companies currently in business in the foreign exchange market reached 130 offices (74 companies and 56 branches) at the end of December 2003. As to the activity of these companies, the volume of their transactions declined during the period, lowering their resources to only 2.4% of the total market resources from 8.5% in the corresponding period and their utilizations to 2.3% of total utilizations from 6.5% in the corresponding period.

4/2: Balance of Payments*

4/2/1: Summary

The BOP current account continued to improve during July-December 2003/2004, from a surplus of US$ 249.0 million during the corresponding period of the previous FY to a surplus of US$ 2.2 billion. This was mainly due to the improvement in trade and services balances. Hence, the trade deficit narrowed by 13.6%, to post only US$ 3.5 billion, against US$ 4.0 billion. This reflected an increase in commodity exports by 21.0%, to reach US$ 4.5 billion and an increase in import payments by 3.1% to reach US$ 8.0 billion. The rise in export proceeds was attributed to an increase in the proceeds of oil exports by 29.2%, reaching US$ 1.7 billion and of non-oil exports by 16.4%, reaching US$ 2.8 billion during the period. Moreover, the surplus on the services balance widened by 56.6%, to reach US$ 3.8 billion, as an outcome of a 22.9% increase in services receipts, to reach US$ 6.5 billion and of a 6.2% decline in services payments, to reach US$ 2.7 billion. Meanwhile, net unrequited transfers remained almost unchanged at US$ 1.8 billion.

Capital and financial transactions with the external sector revealed a net outflow of US$ 3.3 billion against US$ 1.0 billion. This was mainly due to an increase in the net outflows of other assets and liabilities (represented in the changes in banks' foreign assets and liabilities; the CBE non-reserve foreign assets; and the counterpart of some items in the current account). This increase reached US$ 3.8 billion during the period under review, against US$ 1.6 billion during the corresponding period. Moreover, foreign investment in Egypt (both portfolio and direct investment) declined to realize a total inflow of US$ 560.9 million, against US$ 829.9 million, on the one hand, and a total outflow of only US$ 491.1 million against US$ 684.4 million, on the other. Accordingly, net foreign investment in Egypt (both types) declined to record a net inflow of US$ 69.8 million, against US$ 145.5 million. Moreover, medium- and long-term borrowing revealed a net repayment of US$ 570.6 million, against US$ 247.3 million during the corresponding period of the previous FY.

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* A statistical statement recording economic transactions between a given economy (resident) and the rest of the world (non-resident) during a specific period, compiled in accordance with the Fifth Edition of the IMF's Balance of Payments Manual, September 1993.

Against this background, Egypt's external transactions during July-December 2003/2004 revealed a BOP overall deficit of US$ 117.7 million, against an overall surplus of US$ 152.7 million, a matter that was reflected on the foreign currency reserve assets at the CBE.

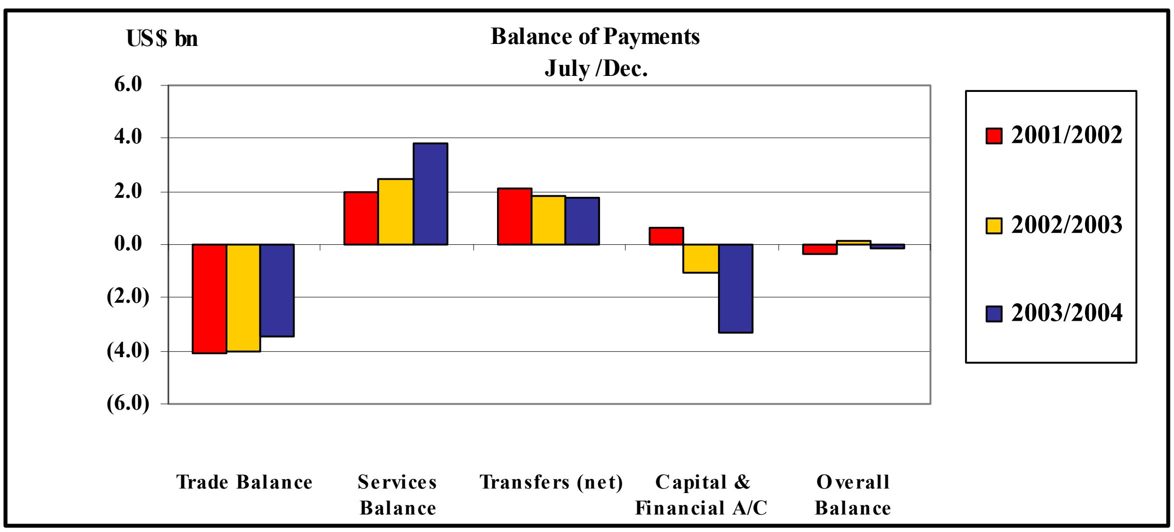
Summary of Current Receipts and Payments

(US$ mn)

	July/December				
	2002/2003	**%**	**2003/2004**	**%**	**Change (-)**
Current Receipts	**10830.1**	**100.0**	**12809.7**	**100.0**	**1979.6**
Export proceeds*	3732.2	34.5	4514.1	35.2	781.9
Service receipts	5294.0	48.9	6503.8	50.8	1209.8
Private transfers (net)	1487.9	13.7	1474.0	11.5	(13.9)
Official transfers (net)	316.0	2.9	317.8	2.5	1.8
Current Payments	**10581.1**	**100.0**	**10642.7**	**100.0**	**61.6**
Import payments**	7736.5	73.1	7975.6	74.9	239.1
Service payments	2844.6	26.9	2667.1	25.1	(177.5)

* Calculated on FOB basis, as their value is calculated at the customs borders of the Egyptian economy, i.e., excluding the costs of shipment, insurance and freight. They include exports of free zones to the rest of the world.

** Calculated on CIF basis, i.e., including the costs of shipment, insurance and freight. They include imports of free zones from the rest of the world.



As for the BOP current account, current receipts rose by US$ 2.0 billion or 18.3%, to reach US$ 12.8 billion. This was attributed to an increase in commodity export proceeds by 21.0% and in services receipts by 22.9%. On the other hand, current payments rolled up by 0.6%, to reach US$ 10.6 billion. This was ascribed to a rise in import payments by 3.1% and a drop in services payments by 6.2%. Moreover, indicators of external balance improved, as current receipts (excluding official transfers) covered 117.4% of current payments, against 99.4%. When adding official transfers, this ratio rises to 120.4%, against 102.4%.

Current Receipts/Payments Coverage Ratio

(%)

	July/December	
	2002/2003	**2003/2004**
Commodity Exports/Commodity Imports	48.2	56.6
Invisible Receipts/Invisible Payments	186.1	243.9
Current Receipts/Current Payments (excluding official transfers)	99.4	117.4
Current Receipts/Current Payments	102.4	120.4

Balance of Payments

(US$ mn)

	July/December	
	2002/2003	2003/2004*
Current Account	**249.0**	**2167.0**
Current Account (Excluding Transfers)	**-1554.9**	**375.2**
Trade Balance	**-4004.3**	**-3461.5**
Exports**	3732.2	4514.1
Oil and products	1317.0	1701.8
Non-oil exports	2415.2	2812.3
Imports**	-7736.5	-7975.6
Oil imports	-1026.0	-1136.4
Other imports	-6710.5	-6839.2
Services Balance	**2449.4**	**3836.7**
Receipts, of which:	5294.0	6503.8
Transportation, of which:	1435.6	1769.7
Suez Canal dues	(1047.2)	(1374.0)
Travel	2074.5	2861.8
Investment income	313.3	250.4
Payments, of which:	-2844.6	-2667.1
Transportation	-140.4	-262.9
Investment income	-375.3	-340.6
Transfers	**1803.9**	**1791.8**
Private (net)	1487.9	1474.0
Official (net)	316.0	317.8
Capital and Financial Transactions	**-1031.7**	**-3343.8**
Direct investment in Egypt (net)	552.4	89.2
Direct investment abroad	-18.0	-8.7
Portfolio investment in Egypt (net)	-406.9	-19.4
Portfolio investment abroad	-2.6	-12.0
Other investments (net)	-1156.6	-3392.9
Errors and Omissions (Net)* **	**935.4**	**1059.1**
Overall Balance	**152.7**	**-117.7**
Change in Reserve Assets, Increase (-)+	**-152.7**	**117.7**

* 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 and financial account.

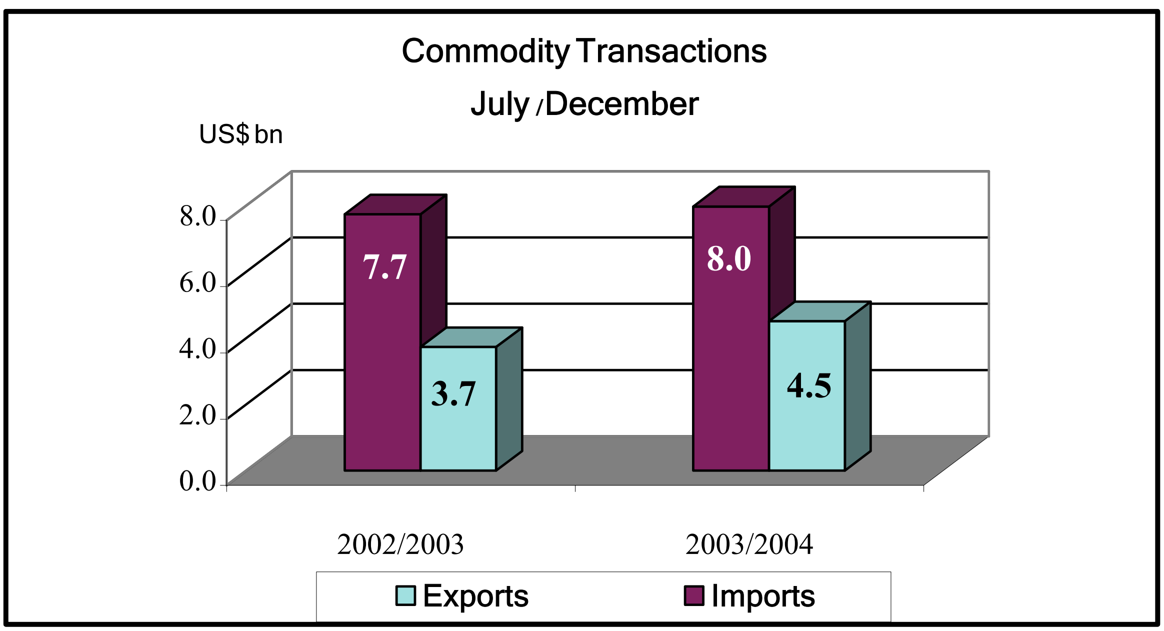
\+ Increase takes the sign (-), as it represents an outflow, and vice versa.

4/2/2: Trade Balance

Commodity export proceeds rose by US$ 781.9 million or 21.0%, reaching US$ 4.5 billion during July-December 2003/2004. This was an outcome of the increase in oil export proceeds by 29.2%, to reach US$ 1.7 billion, and in non-oil export proceeds by 16.4%, to reach US$ 2.8 billion.

Import payments went up by US$ 239.1 million or 3.1%, to reach US$ 8.0 billion, as a result of the increase in import payments of intermediate goods; fuel, mineral oils and products; and raw materials. Meanwhile, import payments of investment and consumer goods rolled back.

Accordingly, the trade deficit improved by 13.6%, to reach only US$ 3.5 billion during July-December 2003/2004, against US$ 4.0 billion during the corresponding period of the previous FY. Moreover, the ratio of commodity export proceeds to commodity import payments rose from 48.2% to 56.6%.



4/2/2/1: Commodity Distribution of Exports and Imports

A. Exports by Degree of Processing

Commodity export proceeds rose to US$ 4.5 billion during July-December 2003/2004, mainly because of higher earnings of oil and non-oil exports. Proceeds of crude oil and its products mounted by US$ 384.8 million, to reach US$ 1.7 billion, mainly due to a rise in export proceeds of crude oil by 31.7% to US$ 574.0 million. Moreover, export proceeds of oil products went up by 20.2% to reach US$ 792.8 million, and of bunker and jet fuel by 43.5% to reach US$ 318.0 million. This rise was attributed to the increase in the volume of crude oil exports by 26.0%, and in their prices from US$ 22.6 to US$ 23.6 per barrel; and in the price of oil products from US$ 216.5 to US$ 243.9 a ton; and in their volume by 6.7%. Natural gas exports amounted to US$ 17.0 million during July-December 2003. It is worth mentioning that exporting operations of natural gas started in July-September 2003.

Concerning non-oil export proceeds, exports of finished goods climbed by 21.8%, to reach US$ 1.8 billion, owing to the increase in the exports of iron and steel products, pharmaceuticals, fertilizers, cotton textiles, cars and tractors, ready-made clothes, cement and aluminium articles. Likewise, exports of raw cotton increased by US$ 40.1 million, reaching US$ 113.9 million, and of raw materials by 28.4% to reach US$ 149.2 million. Conversely, export proceeds of semi-finished goods declined by 3.6% to reach US$ 300.0 million, as a chief result of the decrease in the exports of cast iron, carbon, cotton yarn, and unmixed aluminum.

Commodity Distribution of Exports
by Degree of Processing

(US$ mn)

	July/December				
	2002/2003		2003/2004		Change
	Value	%	Value	%	(-)
Total	**3732.2**	**100.0**	**4514.1**	**100.0**	**781.9**
1-Fuel, mineral oils and products	1336.4	35.8	1719.5	38.1	383.1
2-Cotton	73.8	2.0	113.9	2.5	40.1
3-Raw materials	116.2	3.1	149.2	3.3	33.0
4-Semi-finished goods	311.2	8.4	300.0	6.7	(11.2)
5-Finished goods	1456.8	39.0	1774.7	39.3	317.9
6-Miscellaneous items, unclassified	437.8	11.7	456.8	10.1	19.0

B. Imports by Degree of Use

Commodity import payments rose by US$ 239.1 million or 3.1%, to reach US$ 8.0 billion. This was a combined result of the increase in the imports of intermediate goods; fuel and mineral oils and products and raw materials, on the one hand, and the decrease in investment and consumer goods, on the other hand. Hence, imports of intermediate goods edged up by US$ 180.0 million or 9.0%, to reach US$ 2.2 billion. This was basically attributed to the rise in the imports of fats, greases and animal and vegetable oils; copper and articles thereof, chinaware products; plastics and articles thereof; wood and its products; organic and inorganic chemicals; rubber and its products; tanning and dyeing extracts; and aluminium and its articles. However, there was a drop in the imports of raw sugar; iron and steel products and cement.

Imports of fuel and mineral oils and products surged by US$ 167.1 million or 46.5% to reach US$ 526.6 million. This was manifest mainly in oil products, which rose by US$ 183.8 million or 66.2% to reach US$ 461.3 million.

Likewise, imports of raw materials stepped up by US$ 54.3 million or 3.9%, reaching US$ 1.4 billion. The rise was concentrated in imports of wheat, maize, cotton, tobacco and oleaginous seeds and fruits.

On the other hand, imports of investment goods decreased by US$ 362.4 million or 19.2% to reach only US$ 1.5 billion. This came because of the decline in the imports of electrical appliances for telephone and telegraph; electric transformers, generators and engines and parts thereof; locomotives, trains and railway equipment; optical appliances; and cars, their accessories and spare parts.

Imports of consumer goods also rolled back by US$ 64.7 million or 4.4%, to only US$ 1.4 billion. A breakdown of these goods indicated that imports of durable goods were lower by US$ 1.1 million, amounting to US$ 431.2 million. The decline was manifest mainly in passenger cars, TV sets and their parts, and household refrigerators and freezers.

Meanwhile, imports of non-durable goods reached US$ 971.7 million, with a decrease of US$ 63.6 million, mainly in the imports of refined sugar and products, meat, livestock, pharmaceuticals, tea and fish.

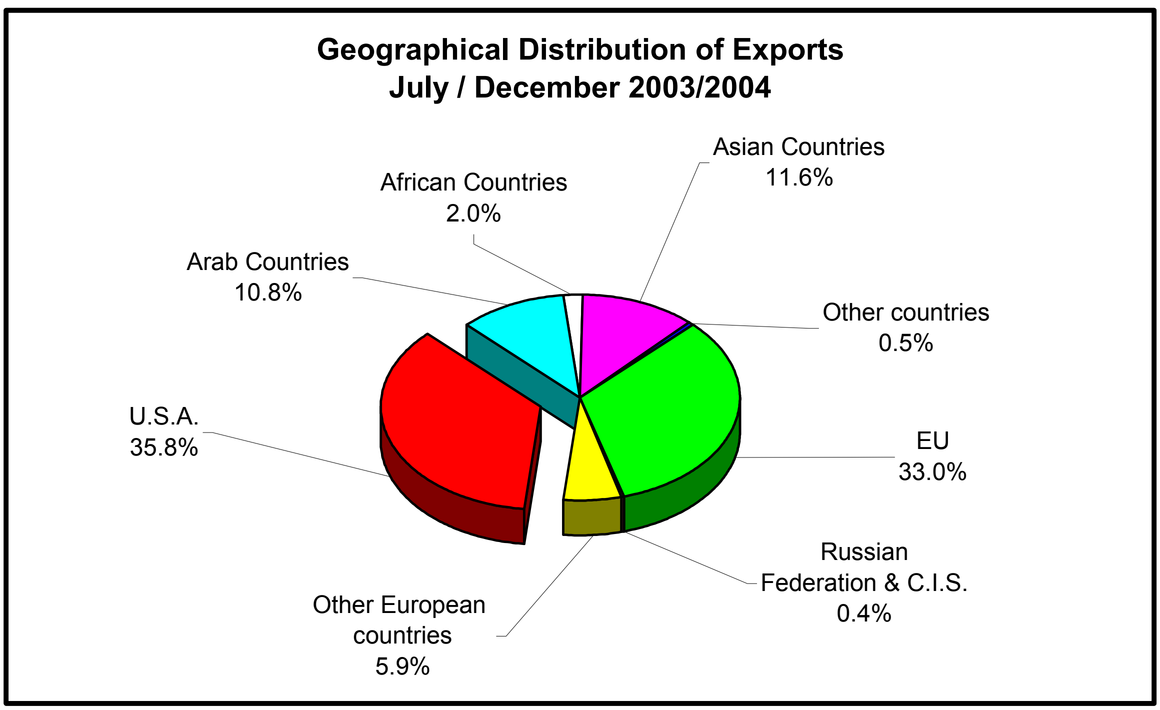
Commodity Distribution of Imports
by Degree of Use

(US$ mn)

	July/December				
	2002/2003		2003/2004		Change
	Value	%	Value	%	(-)
Total	**7736.5**	**100.0**	**7975.6**	**100.0**	**239.1**
1-Fuel, mineral oils and products	359.5	4.7	526.6	6.6	167.1
2- Raw materials	1383.6	17.9	1437.9	18.0	54.3
3-Intermediate goods	1991.2	25.7	2171.2	27.2	180.0
4- Investment goods	1889.9	24.4	1527.5	19.2	(362.4)
5-Consumer goods	1467.6	19.0	1402.9	17.6	(64.7)
A. Durables	432.3	5.6	431.2	5.4	(1.1)
B. Non-durables	1035.3	13.4	971.7	12.2	(63.6)
6-Miscellaneous items, unclassified	644.7	8.3	909.5	11.4	264.8

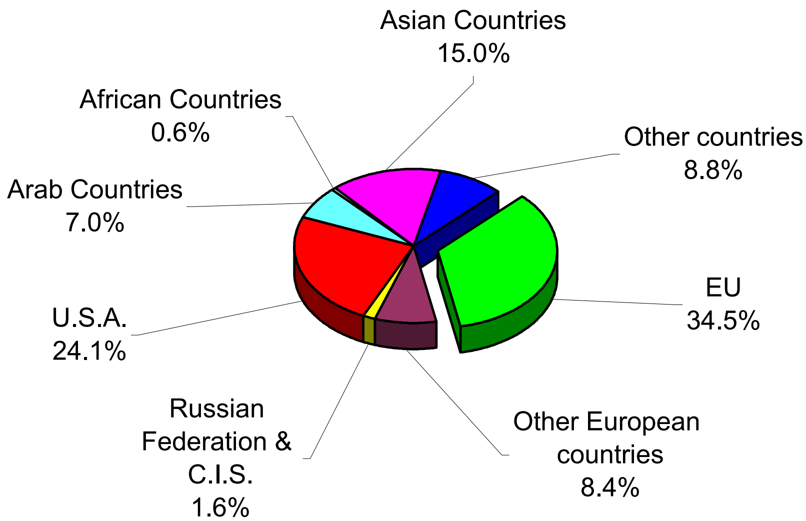
4/2/2/2: Geographical Distribution of Export Proceeds and Import Payments

During the period, the USA ranked first as a market for Egyptian exports, accounting for US$ 1.6 billion or 35.8% of total export proceeds. EU countries came second with a share of US$ 1.5 billion or 33.0% of the total, with Italy at the lead, followed by the UK, Germany, the Netherlands, France, Spain and Greece. Asian countries' imports were in the amount of US$ 524.2 million or 11.6%. Of these, India came in the forefront, followed by Japan, Hong Kong, Singapore, South Korea and China. Arab countries received imports of US$ 485.8 million or 10.8%. At the top of this group came Saudi Arabia, followed by Jordan, the UAE, Morocco, Tunisia, Libya, the Sudan and Algeria. The share of the other European countries was only US$ 266.5 million or 5.9%, with Switzerland topping the group, followed by Turkey, Cyprus and Romania. African countries' share was merely US$ 88.8 million or 2.0% of the total.



The EU countries continued to be the major exporter of commodities to Egypt, as imports therefrom represented US$ 2.7 billion or 34.5% of total import payments. Germany topped this group, followed by the UK, France, Italy, the Netherlands and Belgium. Imports from the USA accounted for US$ 1.9 billion or 24.1% of the total. Asian countries ranked third, with US$ 1.2 billion or 15.0%. China headed the group, followed by Japan, South Korea, Malaysia and India. The share of the other European countries, led by Switzerland, Turkey, Romania and Cyprus, was US$ 667.6 million or 8.4% of the total. Meanwhile, imports from the Arab countries accounted for US$ 562.5 million or 7.0%, chiefly from Algeria, then the UAE, Saudi Arabia and Libya. Finally, imports from Russian Federation and the CIS represented 1.6% of total imports.

Geographical Distribution of Imports
July / December 2003/2004



Geographical Distribution of Commodity Transactions

(US$ mn)

	July-December					
	Export Proceeds		Import Payments		Trade Balance	
	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004
Grand Total	**3732.2**	**4514.1**	**7736.5**	**7975.6**	**(4004.3)**	**(3461.5)**
%	100.0	100.0	100.0	100.0		
EU	1198.0	1491.3	2814.1	2748.3	(1616.1)	(1257.0)
%	32.1	33.0	36.4	34.5		
Other European Countries	191.7	266.5	749.3	667.6	(557.6)	(401.1)
%	5.1	5.9	9.7	8.4		
Russian Federation and CIS	9.7	18.3	118.4	127.5	(108.7)	(109.2)
%	0.3	0.4	1.5	1.6		
USA	1438.1	1614.4	1907.2	1919.2	(469.1)	(304.8)
%	38.5	35.8	24.6	24.1		
Arab Countries	517.6	485.8	380.2	562.5	137.4	(76.7)
%	13.9	10.8	4.9	7.0		
Asian Countries	306.2	524.2	1169.4	1195.6	(863.2)	(671.4)
%	8.2	11.6	15.1	15.0		
African Countries	22.3	88.8	52.0	50.7	(29.7)	38.1
%	0.6	2.0	0.7	0.6		
Other Countries & Regions	48.6	24.8	545.9	704.2	(497.3)	(679.4)
%	1.3	0.5	7.1	8.8		

4/2/3: Balance of Services and Transfers

The surplus on the balance of services remarkably improved during July-Dec. 2003/2004 to reach US$ 3.8 billion, with an increase of 56.6% over the corresponding period of the previous FY. This was attributed to a rise in service receipts by 22.9% to post US$ 6.5 billion, on the one hand, and a decline in service payments by 6.2%, posting only US$ 2.7 billion, on the other.

Balance of Services

(US$ mn)

	July-Dec.		Change (-)
	2002/2003	**2003/2004**	
Services Balance	**2449.4**	**3836.7**	**1387.3**
Receipts	**5294.0**	**6503.8**	**1209.8**
Transportation	1435.6	1769.7	334.1
Travel	2074.5	2861.8	787.3
Investment income	313.3	250.4	(62.9)
Government receipts	114.3	97.1	(17.2)
Other receipts	1356.3	1524.8	168.5
Payments	**2844.6**	**2667.1**	**(177.5)**
Transportation	140.4	262.9	122.5
Travel	723.7	672.0	(51.7)
Investment income	375.3	340.6	(34.7)
Government payments	245.0	225.5	(19.5)
Other payments	1360.2	1166.1	(194.1)

The rise in service receipts came as a result of the increase in travel (tourism revenues), transportation, and others. The receipts of travel* rose by 38.0% to reach US$ 2.9 billion against US$ 2.1 billion. This was an outcome of a surge in the number of tourist nights from 18.0 million to 38.2 million, thus offsetting by far the effect of the decline in the average tourist spending per night from US$ 115.0/night to US$ 75.0/night. In addition, transportation receipts rose by 23.3%, mainly because of a rise in the receipts from Suez Canal tolls by 31.2% to US$ 1.4 billion. Other receipts scaled up by 12.4% to reach US$ 1.5 billion, due to a rise in the invisible receipts of the oil sector, receipts of contracting and construction,

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

and communication services. However, investment income declined by 20.1% to US$ 250.4 million because of the slowdown in the world economy and the associated noticeable decline in short-term interest rates in the international markets. Moreover, government receipts fell by 15.0% to only US$ 97.1 million because of the decrease in the expenses of foreign embassies in Egypt.

During the period, service payments went down by 6.2% to post US$ 2.7 billion, due mainly to a decrease in all items, except transportation. As such, other payments dropped by 14.3% to reach US$ 2.7 billion, owing to a decline in both the amounts transferred abroad by foreign and Egyptian companies and the contracting and construction services. Investment income payments scaled down by 9.2% to reach US$ 340.6 million, mainly because of the decline in the interest payments on the financial investments income and on loans and facilities. Moreover, government payments retreated 8.0% to reach US$ 225.5 million, due to lower expenses of Egyptian embassies abroad. The payments for travel also shrank 7.1% to reach US$ 672.0 million, because of the decline in the expenses of tourism and medical treatment abroad, and in the external payments of tourism companies and hotels as well. Transportation payments accelerated 87.3% to reach US$ 262.9 million, because of the increase in the amounts transferred by foreign aviation and Egyptian navigation companies, as well as the increase in the amounts transferred for airplane-maintenance abroad.

Unrequited transfers remained almost at the same level of the corresponding period of the previous year. As such, net unrequited transfers amounted to US$ 1.8 billion, with a slight decline of 0.7%, as an outcome of a decrease in private transfers by 0.9% to post only US$ 1474.0 million (mostly from workers' remittances) and a rise in official transfers by 0.6% to reach US$ 317.8 million.

Unrequited Transfers

(US$ mn)

		July/Dec.	
	2002/2003	**2003/2004**	**Change (-)**
Total	**1803.9**	**1791.8**	**(12.1)**
1- Official Transfers (Net)	**316.0**	**317.8**	**1.8**
- Inward cash grants	8.0	48.4	39.9
- Other inward grants	320.0	284.2	(35.3)
- Outward grants	-12.0	-14.8	(2.8)
2- Private Transfers (Net)	**1487.9**	**1474.0**	**(13.9)**
- Workers' remittances	1481.4	1462.4	(19.0)
- Other transfers	16.9	28.7	11.8
- Foreigners' transfers abroad	-10.4	-17.1	(6.7)

4/2/4: Capital and Financial Transactions

Capital and financial transactions with the foreign sector revealed a net outflow of US$ 3.3 billion during July-Dec. 2003/2004 against US$ 1.0 billion. This was an outcome of a number of factors. First, there was an increase in the net outflows of other assets and liabilities (represented in the change in banks' foreign assets and liabilities, non-reserve foreign assets of the CBE, and the counterparts of some items included in the current account) to reach US$ 3.8 billion against US$ 1.6 billion. On the other hand, foreign investment in Egypt (direct* and portfolio**) achieved total inflows of US$ 560.9 million against US$ 829.9 million and total outflows of only US$ 491.1 million against US$ 684.4 million. This resulted in net inflows of only US$ 69.8 million during the period against US$ 145.5 million. Moreover, medium- and long-term borrowing operations resulted in net repayments of US$ 570.6 million against US$ 247.3 million.

* Representing total flows of FDI in Egypt less capital repatriation, and foreign investors' equity participation in local enterprises by 10% or more of the capital of any enterprise.

** Representing foreigners' net portfolio (according to the CMA statements) less foreign investors' equity participation in local enterprises by 10% or more of the capital of any enterprise , and data of dealing in dollar denominated sovereign bonds, according to the Fifth Edition of the IMF's Balance of Payments Manual.

Capital and Financial Transactions

(US$ mn)

	July/Dec. 2002/2003	July/Dec. 2003/2004*
Capital and Financial Transactions	**-1031.7**	**-3343.8**
Direct Investment in Egypt (Net)	**552.4**	**89.2**
Direct Investment Abroad	**-18.0**	**-8.7**
Portfolio Investment in Egypt (Net)	**-406.9**	**-19.4**
Bonds**	-204.2	-40.5
Portfolio Investment Abroad	**-2.6**	**-12.0**
Other Investments (Net)	**-1156.6**	**-3392.9**
-Disbursements	**1156.0**	**1210.3**
• Medium- and long-term loans	394.0	148.4
• International and regional institutions	333.4	125.5
• Bilateral loans	60.6	22.9
• Suppliers' and buyers' credit, medium- and long-term	41.5	133.5
• Suppliers' and buyers' credit, short-term (net)	720.5	928.4
- Repayments	**-682.8**	**-852.5**
• Medium- and long-term loans	-586.9	-744.2
• International institutions	-237.6	-353.0
• Bilateral loans	-349.3	-391.2
• Suppliers' and buyers' credit, medium- and long-term	-95.9	-108.3
- Other Assets	**-1462.0**	**-3047.6**
CBE	-31.6	-37.8
Banks	-16.0	-1204.7
Others	-1414.4	-1805.1
- Other Liabilities	**-167.8**	**-703.1**
CBE	3.4	5.8
Banks	-171.2	-708.9

* Preliminary figures.

**They are US dollar denominated sovereign bonds, issued pursuant to Law No.147 of 2001, and floated on the international and local markets on 1/7/2001. They comprise 5 year bonds at a nominal value of US$ 500 million and a cost of 7.625%, and 10 year bonds at a nominal value of US$ one billion and a cost of 8.75%.

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

a. Foreign investment in Egypt (direct and portfolio) declined, with total inflows reaching US$ 560.9 million against US$ 829.9 million, on the one hand, and total outflows being only US$ 491.1 million against US$ 684.4 million, on the other. Accordingly, net foreign investment in Egypt (direct and portfolio) went down, with net inflows standing at US$ 69.8 million against US$ 145.5 million. Net flows of FDI in Egypt were only US$ 89.2 million against US$ 552.4 million, including US$ 344.6 million representing the proceeds from sales of majority stakes in Egyptian companies to foreign investors. In addition, portfolio investment realized net outflows of US$ 19.4 million against US$ 406.9 million.

- It is worth noting that foreigners' transactions on the Egyptian Stock Exchange unfolded net purchases of US$ 21.1 million during the period. This was a result of purchases reaching US$ 448.0 million (against US$ 488.0 million, including the said US$ 344.6 million, classified under foreign direct investment), and sales of only US$ 426.9 million during the period.
- Portfolio investment included the purchases of US dollar denominated sovereign bonds at a value of US$ 40.5 million against US$ 204.2 million by resident financial institutions (banks and insurance companies). Although these purchases represented an outflow, yet it is considered at the same time a repayment of part of Egypt’s external obligations.

b. As for medium- and long-term loans and facilities, net repayments recorded US$ 570.6 million against US$ 247.3 million. This was an outcome of a rise in total repayments to reach US$ 852.5 million against US$ 682.8 million, and a decline in total disbursements to stand at only US$ 281.9 million against US$ 435.5 million.

c. Foreign assets at the banking system improved by US$ 1242.5 million against US$ 47.6 million, due to a rise in foreign assets at banks by US$ 1204.7 million against US$ 16.0 million, and in non-reserve assets at the CBE by US$ 37.8 million against US$ 31.6 million.

d. Other assets mounted by US$ 1.8 billion against US$ 1.4 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, on the one hand; and revenues shown in banks' statistics, on the other.

e. Other liabilities rolled back by US$ 703.1 million against US$ 167.8 million, mainly because of the decline in the foreign liabilities of banks by US$ 708.9 million against US$ 171.2 million, and the rise in those of the CBE by US$ 5.8 million against US$ 3.4 million.

4/3- International Finance

For the period of July-Dec. 2003/2004, data for international finance reveal a decline to US$ 724.7 million in resource inflows from US$ 914.1 million during the corresponding period of the previous FY. This was due to a number of factors. There was a remarkable fall in net flows of FDI in Egypt to reach only US$ 89.2 million against US$ 552.4 million. There was also a decline in net disbursements of loans and facilities to reach US$ 357.8 million during the period under review against US$ 473.2 million during the period of comparison. Likewise, net portfolio investment flows in Egypt dropped to US$ 19.4 million from US$ 406.9 million. Meanwhile, net flows of official grants remained almost unchanged at the same level of the corresponding period of the previous FY, as did the net flows of foreign investment abroad (US$ 20.7 million).

Net Resource Flows

(US$ mn)

	July-Dec.	
	2002/2003	**2003/2004**
Total Net Flows	**914.1**	**724.7**
- External Debt	**473.2**	**357.8**
• Bilateral loans	-288.7	-368.3
Disbursements	60.6	22.9
Principal repayments	-349.3	-391.2
• International institutions' loans	95.8	-227.5
Disbursements	333.4	125.5
Principal repayments	-237.6	-353.0
• Medium- and long-term suppliers' and buyers' credit	-54.4	-25.2
Disbursements	41.5	133.5
Principal repayments	-95.9	-108.3
• Short-term suppliers' and buyers' credit (net)	720.5	928.4
- Official Grants (Net)	**316.0**	**317.8**
- Direct Investment in Egypt (Net)	**552.4**	**89.2**
- Direct Investment Abroad	**-18.0**	**-8.7**
- Portfolio Investment in Egypt (Net)	**-406.9**	**-19.4**
• Bonds	-204.2	-40.5
- Portfolio Investment Abroad	**-2.6**	**-12.0**

Total returns transferred abroad retreated 9.2% to post US$ 340.6 million, due to a number of factors. There was a decline in interest payments on external medium- and long-term loans and facilities. There was also a decline in interest payments on deposits at Egyptian banks, in profit transfers of portfolio investment, and in transfers of profits of direct investment. Accordingly, net resource transfers (net flows less transfers of paid returns) achieved inflows of US$ 384.1 million during July-Dec. 2003/2004 against US$ 538.8 million during the corresponding period of the previous FY.

Net Resource Transfers from Abroad

(US$ mn)

	July/Dec.	
	2002/2003	**2003/2004**
Net Transfers of Resources from Abroad	**538.8**	**384.1**
- Net Inflows of Resources	**914.1**	**724.7**
- Transferred Returns (Paid):	**-375.3**	**-340.6**
Interest on External Loans and Facilities	**-299.1**	**-286.9**
• Bilateral loans	-189.6	-189.3
• International institutions' loans	-81.6	-78.2
• Suppliers' and buyers' credit	-27.9	-19.4
Interest on Deposits at Egyptian Banks	**-25.8**	**-14.0**
Profits of Direct Investment	**-10.5**	**-10.3**
Profits of Portfolio Investment	**-39.9**	**-29.4**

4/3/1: FDI in Egypt

Net direct investment in Egypt declined 83.9% during the period to post only US$ 89.2 million against US$ 552.4 million. This was mainly due to a US$ 501.9 million drop in the flows from the EU countries to reach US$ 22.2 million or 19.7% of total inflows. This decline was ascribed to the fact that the corresponding period had witnessed higher flows from the Netherlands reaching US$ 285.4 million, from Spain reaching US$ 132.5 million, from France reaching US$ 60.4 million, and from the UK reaching US$ 26.9 million. Furthermore, flows from the USA went down 74.5%, posting only US$ 39.6 million, with a relative importance of 35.1% of total inflows. On the other hand, flows from the Arab countries rose to US$ 48.4 million (mainly from Kuwait, Lebanon, and Bahrain) from US$ 2.4 million during the corresponding period of the previous FY. The period under review witnessed capital repatriation in an amount of US$ 23.7 million against US$ 134.1 million, down by US$ 110.4 million during the period.

FDI in Egypt

(US$ mn)

	July/ Dec.	
	2002/2003	2003/2004
FDI Flows in Egypt (Net)	**552.4**	**89.2**
Inflows	**686.5**	**112.9**
USA	**155.1**	**39.6**
EU	**524.1**	**22.2**
Germany	17.6	6.3
France	60.4*	0.1
UK	26.9	15.7
Italy	0.1	0.1
Spain	132.5	0.0
The Netherlands	285.4**	0.0
Arab Countries	**2.4**	**48.4**
Saudi Arabia	0.4	2.3
The UAE	0.0	3.3
Jordan	0.9	0.9
Bahrain	0.5	9.4
Kuwait	0.4	17.5
Lebanon	0.0	15.0
Other Countries	**4.9**	**2.7**
Japan	0.1	0.3
Canada	1.2	0.2
Switzerland	2.7	1.4
Others	0.9	0.8
Capital Repatriation	**-134.1**	**-23.7**

* Representing the proceeds of selling El-Rashidy El-Mizan Company.

** Representing the proceeds of selling Al-Ahram Beverages Company.

4/3/2: External Grants

Net flows of official grants reached US$ 317.8 million during July-Dec. 2003/2004 against US$ 316.0 million during the corresponding period of the preceding FY, with a slight increase of 0.6%.

Official Transfers

(US$ mn)

	July/Dec.		
	2002/2003	2003/2004	Change
Total	**316.0**	**317.8**	**1.8**
- Inward cash grants	8.0	48.4	40.4
- Other inward grants	320.0	284.2	-35.8
- Outward grants	-12.0	-14.8	-2.8

According to the Ministry of International Cooperation, total grant commitments declined 62.2%, reaching only US$ 215.6 million against US$ 570.7 million, due mainly to the remarkable decline in the value of commitments made with the USA and Japan. The period under review witnessed new commitments with Canada, the USAID, the World Bank, and the International Fund for Agricultural Development.

New Commitments and Net External Grants

(US$ mn)

	Commitments		Actual Flows	
	July-Dec.			
	2002/2003	2003/2004	2002/2003	2003/2004
Net Inflows			**316.0**	**317.8**
Inflows	**570.7**	**215.6**	**320.0**	**332.6**
USA	455.5	151.6	303.5	251.8
Japan	74.4	1.3	7.0	8.2
Germany	15.1	30.4	7.3	23.0
France	0.0	0.0	0.0	0.1
Switzerland	0.0	0.0	2.1	1.0
The Netherlands	0.0	0.0	0.1	0.1
Finland	4.2	0.0	0.0	0.0
Canada	0.0	10.6	0.0	0.0
EU	19.7		0.0	0.0
US Agency for International Development	0.0	21.0	0.0	0.0
The World Bank	0.0	0.6	0.0	0.0
International Fund for Agricultural Development	0.0	0.1	0.0	0.0
Global Environmental Facility	0.3	0.0	0.0	0.0
Other countries	1.5	0.0	0.0	48.4
Capital Repatriation	**-**	**-**	**-12.0**	**-14.8**

A breakdown of grant commitments by sector shows that there was a drop in the value of commitments for the following sectors: sectoral policies adjustment, infrastructure, health and population, the private sector, foreign trade, Environment Affairs Agency, education, and public works and water resources. However, there was a rise in the value of commitments for the agriculture sector, and social affairs.

Breakdown of External Grant Commitments
(by Beneficiary)

(US$ mn)

	July/Dec.			
	2002/2003	%	2003/2004	%
Total	**570.7**	**100.0**	**215.6**	**100.0**
Sectoral policies adjustment	239.5	42.0	60.0	27.8
Private sector	47.2	8.3	21.9	10.2
Infrastructure	67.4	11.8	10.0	4.6
Communications & information	(3.8)	(0.7)	(3.0)	(1.4)
Potable water and sanitary sewage	(62.6)	(11.1)	(7.0)	(3.2)
Public works and water resources	8.8	1.5	1.3	0.0
Education	31.7	5.6	23.4	10.9
Health and population	70.8	12.4	40.0	18.6
Agriculture	19.7	3.5	27.0	12.5
Foreign trade	25.3	4.4	0.3	0.1
Social affairs	4.9	0.9	10.6	4.9
Environment Affairs Agency	19.5	3.4	11.0	5.1
Social Development Fund	3.0	0.5	0.0	0.0
Other	32.9	5.7	10.0	4.7

4/3/3: External Debt

The outstanding external debt (public and private) totaled US$ 29.7 billion worth at the end of Dec. 2003, up by US$ 1.0 billion during the period. The increase was mainly due to a rise in most currencies of borrowing against the US dollar. This effect was mitigated by the decline of US$ 40.5 million in the balance of dollar denominated bonds during the period and of US$ 117.2 million in the balance of short-term debts, in addition to net repayments of US$ 570.6 million in medium- and long- term loans and facilities, the sum of US$ 852.5 million worth in repayments and of only US$ 281.9 million in disbursements.

A breakdown of Egypt's external debt by creditor indicates that bilateral loans (rescheduled or non-rescheduled) owed to Paris Club members and suppliers' and buyers' credit represented 71.4% of the total. The balance of the debt due to these creditors reached US$ 21.2 billion at the end of Dec. 2003. Of this amount, 80.7% was owed to four countries, namely the USA, France, Japan, and Germany. In the meantime, dues to non-members of the Paris Club (under bilateral loans) amounted to some US$ 1.0 billion, representing 3.5% of the total.

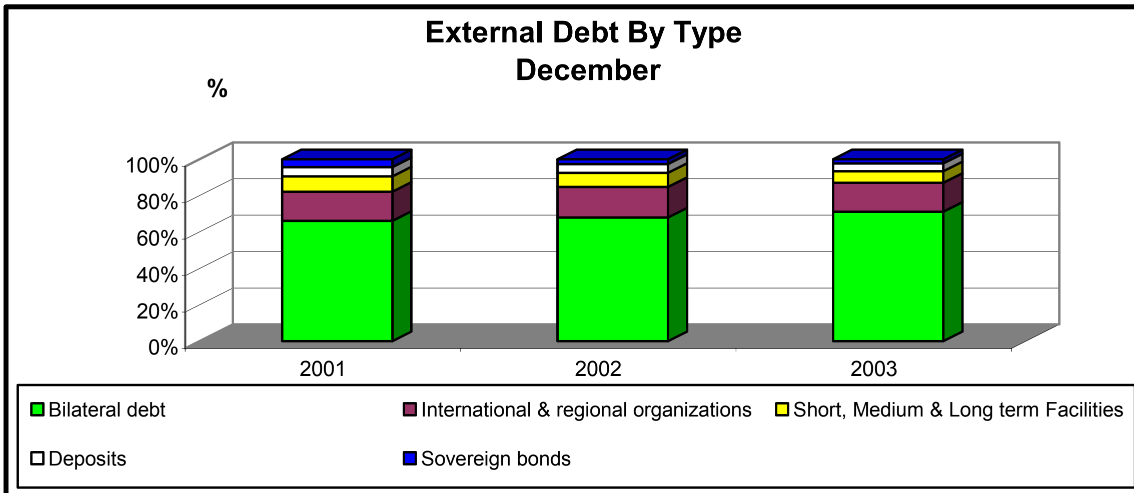
Structure of External Debt

(US$ mn)

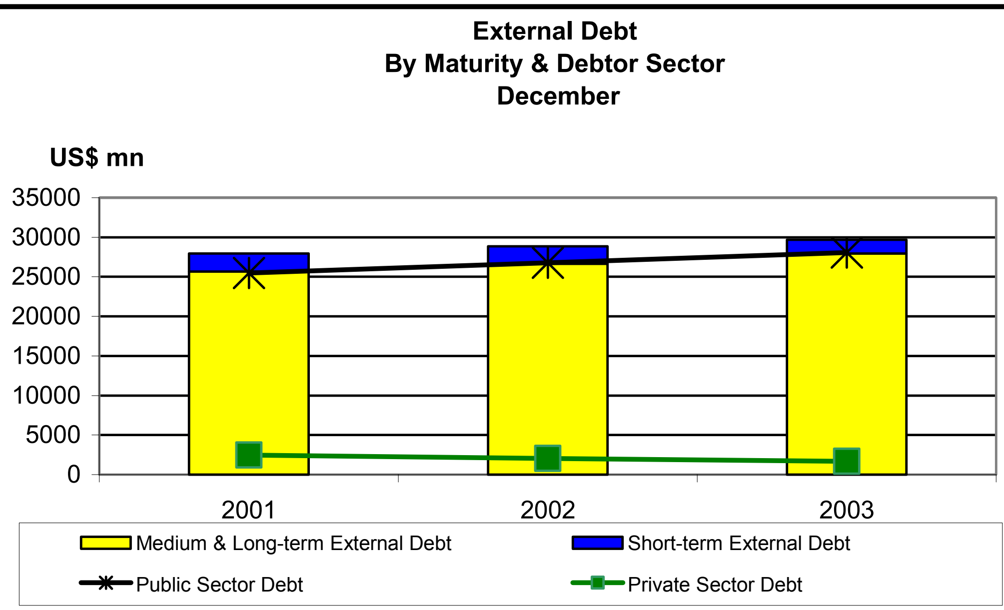
Balances at End of	June 2003		Dec.2003		
	Value	Relative Importance	Value	Relative Importance	Change +(-)
Total External Debt	**28747.5**	**100.0**	**29703.0**	**100.0**	**955.5**
Rescheduled bilateral loans	15804.1	55.0	16587.0	55.8	782.9
Concessional	7512.6	26.1	7819.0	26.3	306.4
Non-concessional	8291.5	28.9	8768.0	29.5	476.5
Other bilateral loans	4270.1	14.8	4535.0	15.3	264.9
Paris Club countries	3291.5	11.4	3493.7	11.8	202.2
Other countries	978.6	3.4	1041.3	3.5	62.7
International and regional institutions	4862.8	16.9	4749.9	16.0	(112.9)
Suppliers' and buyers' credit	988.2	3.4	1133.5	3.8	145.3
Short-term loans	1864.5	6.5	1747.3	5.9	(117.2)
Deposits	1305.1	4.5	1256.6	4.2	(48.5)
Other facilities	559.4	2.0	490.7	1.7	(68.7)
Sovereign bonds	735.4	2.6	694.9	2.3	(40.5)
Debt of the private sector (non-guaranteed)	222.4	0.8	255.4	0.9	33.0

External debt due to international and regional institutions reached US$ 4.7 billion, constituting 16.0% of the total, 90.9 % of which owed by the public sector. The balance of short-term debts reached US$ 1.7 billion or 5.9% of the total, 51.7% of which owed by the private sector. In addition, the non-guaranteed debts of the private sector rose by US$ 33.0 million to post US$ 255.4 million, with a relative importance of 0.9% of the total. However, the balance of dollar denominated sovereign bonds declined by some US$ 40.5 million during the period, because resident financial institutions purchased some of these bonds on the secondary market.

Total external debt of the private sector amounted to US$ 1.7 billion at the end of Dec. 2003, as its ratio to total external debt remained unchanged at 5.6% at the ends of June and Dec. 2003.



Short, medium & long-term facilities include suppliers' & buyers' M&L-term facilities, short-term facilities and private sector (non-guaranteed) debt .



Distribution of the external debt by creditor countries and entities indicates that the debt due to the EU countries reached 40.0% of the total. The USA came next at 17.0%, followed by Japan at 12.8%, the Arab countries combined at 4.9%, then the International Development Association (IDA) at 4.7%

External Debt by Main Creditor Countries and Entities

(US$ mn)

At End of	June 2003	%	Dec. 2003	%
Total External Debt	**28747.5**	**100.0**	**29703.0**	**100.0**
USA	5209.3	18.1	5057.7	17.0
Japan	3314.9	11.5	3803.5	12.8
EU countries, of which:	**11097.4**	**38.6**	**11886.9**	**40.0**
France	4863.9	16.9	5227.6	17.6
Germany	3052.4	10.6	3333.2	11.2
Italy	938.8	3.3	912.4	3.1
Spain	849.3	3.0	832.2	2.8
UK	405.6	1.4	459.7	1.6
Austria	580.5	2.0	622.6	2.1
Arab Countries, of which:	**1487.6**	**5.2**	**1439.8**	**4.9**
Saudi Arabia	311.8	1.1	297.0	1.0
The UAE	143.9	0.5	159.6	0.5
Kuwait	365.1	1.3	427.4	1.4
International and Regional Institutions, of which:	**4862.8**	**16.9**	**4749.9**	**16.0**
IDA	1352.9	4.7	1385.1	4.7
Arab Fund for Economic and Social Development	897.2	3.1	903.5	3.0
European Investment Bank	859.8	3.0	1003.6	3.4
World Bank	535.9	1.9	506.6	1.7
AMF	312.4	1.1	265.7	0.9
African Development Fund and Bank	519.0	1.8	423.9	1.4
Islamic Development Bank (Jeddah)	280.4	1.0	152.8	0.5
Sovereign Bonds	**735.4**	**2.6**	**694.9**	**2.3**
Other Countries and Institutions	**2040.1**	**7.1**	**2070.3**	**7.0**

Distribution of the external debt by debtor at the end of Dec. 2003 illustrates that the debt owed by the central government increased by US$ 859.4 million to reach US$ 19.3 billion, and by banks by US$ 191.7 million to reach US$ 2.3 billion. In the meantime, the debt owed by the Central Bank slightly declined by

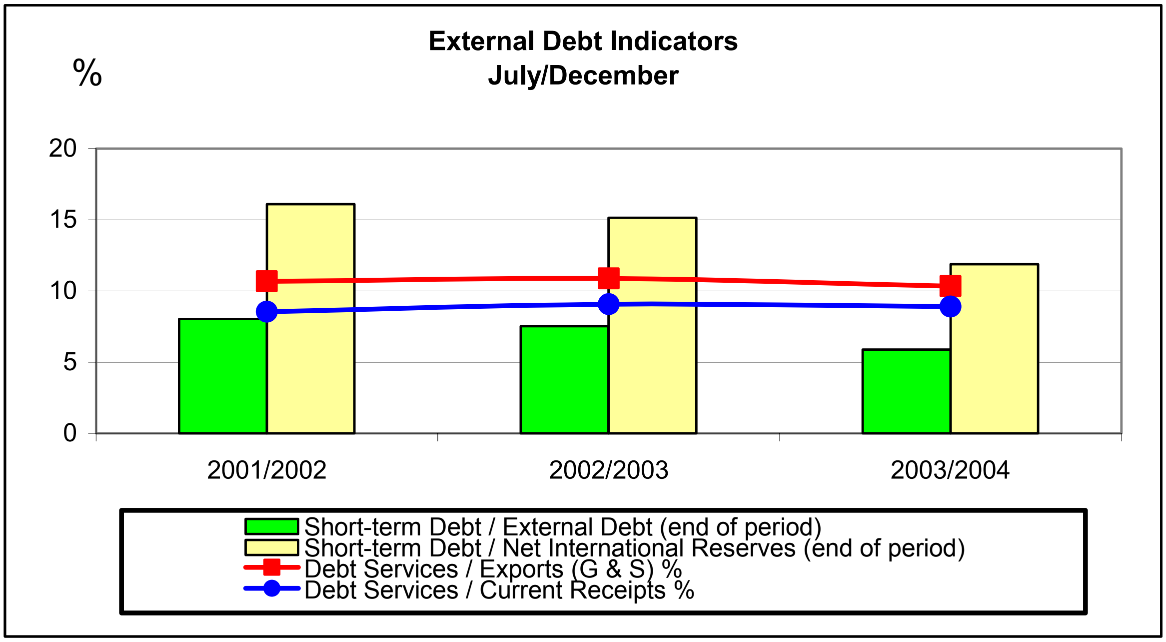
US$ 46.7 million to reach US$ 915.7 million, and the other sectors by around US$ 48.9 million to reach US$ 7.2 billion. Nevertheless, these developments did not affect the external debt structure by debtor sectors as the central government still accounted for the majority of 64.9% of total external debt, followed by other sectors at 24.3%, then banks at 7.7%, and finally the Central Bank at 3.1 %.

External Debt by Debtor

(US$ mn)

At End of	June		Dec.	
	2003	Relative Importance	2003	Relative Importance
Total External Debt	**28747.5**	**100.0**	**29703.0**	**100.0**
Medium- and long- term debt	**26883.0**	**93.5**	**27955.7**	**94.1**
Short-term debt	**1864.5**	**6.5**	**1747.3**	**5.9**
Central government and local government	18443.5	64.2	19302.9	64.9
Medium- and long- term debt, of which:	18443.5	64.2	19302.9	64.9
Bonds and bills	735.4	2.6	694.9	2.3
Short- term debt	0.0	0.0	0.0	0.0
Monetary authority	962.4	3.4	915.7	3.1
Medium- and long- term debt	312.4	1.1	265.7	0.9
Short- term debt	650.0	2.3	650.0	2.2
Banks	2087.5	7.2	2279.2	7.7
Medium- and long- term debt	873.0	3.0	1181.9	4.0
Short-term debt	1214.5	4.2	1097.3	3.7
Other sectors	7254.1	25.2	7205.2	24.3
Medium- and long- term debt	7254.1	25.2	7205.2	24.3
Short- term debt	0.0	0.0	0.0	0.0

The outstanding external debt as a percentage of the GDP rose at the end of Dec. 2003 to reach 39.9%, against 31.3% at the end of Dec. 2002. This was due mainly to the change in the exchange rate used in evaluating the LE equivalent of the external debt balance. The exchange rate used in this regard was LE 6.15 per dollar as announced by the CBE at the end of Dec. 2003, and LE 4.5 per dollar at the end of Dec. 2002. On the other hand, the ratio of the short-term external debt to total debt and to net international reserves improved to record 5.9% and 11.9% against 7.5% and 15.1%, respectively.



External debt service increased by US$ 157.5 million to reach US$ 1.1 billion during the period under review against US$ 1.0 billion during the comparison period. This resulted from a rise of US$ 169.7 million in principal repayments to reach US$ 852.5 million, and a drop of US$ 12.2 million in interest payments to reach only US$ 286.9 million. Accordingly, the debt service represented 8.9% of current receipts, including official and private transfers, during the period, against 9.1% during the corresponding period of the previous FY.

Main Indicators of External Debt

(%)

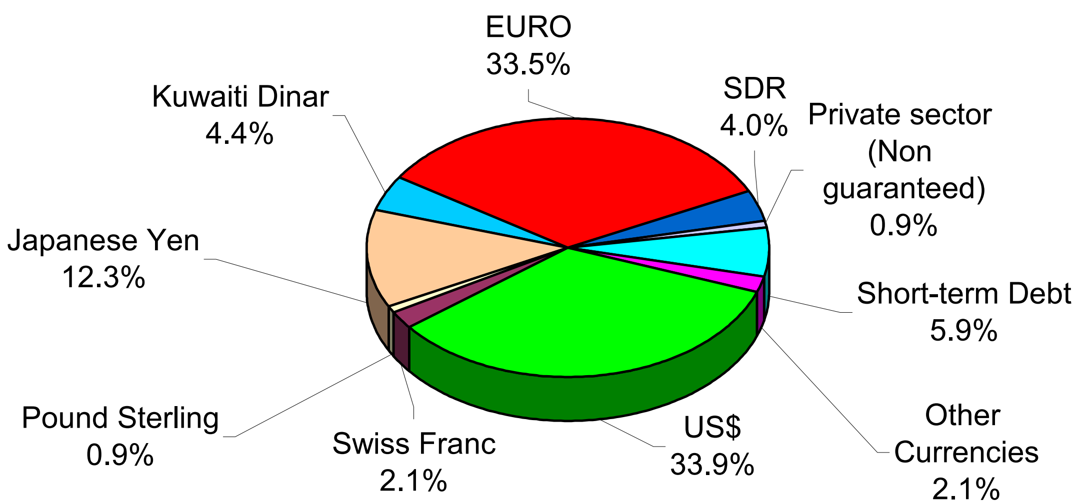
	July-Dec. 2001/2002	2002/2003	2003/2004
Debt balance/GDP	30.6	31.3	39.9*
Debt service/ exports of goods and services	10.7	10.9	10.3
Debt service/ current receipts and transfers	8.5	9.1	8.9
Short-term debt/external debt	8.0	7.5	5.9
Short-term debt/net international reserves	16.1	15.1	11.9

*Of which 8.8% was due to the change of the LE exchange rate vis à vis the US$. Excluding such effect, this ratio will decline to 31.1%.

During the period under review, there was a marked decline of 45.1% in the commitments that reached only US$ 668.6 million. A number of factors stood behind this decline. First, loan commitments of international and regional institutions fell to US$ 406.6 million from US$ 549.7 million. Second, suppliers' and buyers' medium- term credit declined to US$ 100.1 million from US$ 300.0 million. Third, there were no commitments on bilateral loans during the period, against US$ 73.9 million during the corresponding period.

A breakdown of the external debt by main currencies (US$- Japanese yen-euro) indicates that the US$ accounted for the bulk of total external debt, with a relative importance of 33.9%, because of outstanding obligations in the US dollar to creditors other than the USA. The euro followed at 33.5%, the Japanese yen at 12.3%, and the Kuwaiti dinar at 4.4%.

External Debt by Major Currencies
End of December 2003



- Dollar Share Includes International Arab Bank Deposit and Sovereign Bonds.
- Private sector (non-guaranteed) debt and short-term debt are not available in different currencies.

External Debt by Main Currencies

(US$ mn)

At End of	June 2003	%	Dec. 2003	%
Total	**28747.5**	**100.0**	**29703.0**	**100.0**
US Dollar*	10488.1	36.5	10071.2	33.9
Canadian Dollar	147.4	0.5	153.0	0.5
Australian Dollar	137.3	0.5	151.0	0.5
Swiss Franc	589.4	2.1	626.0	2.1
Pound Sterling	240.6	0.8	264.0	0.9
Japanese Yen	3286.9	11.4	3664.0	12.3
Danish Krone	122.1	0.4	135.0	0.5
Norwegian Krone	28.0	0.1	30.0	0.1
Swedish Krona	44.4	0.2	48.0	0.2
Kuwaiti Dinar	1237.4	4.3	1304.0	4.4
Saudi Riyal	42.7	0.1	41.0	0.1
UAE Dirham	55.0	0.2	53.0	0.2
Euro	9035.5	31.4	9954.0	33.5
SDRs	1205.8	4.2	1206.0	4.0
Medium-and Long-Term Debt of the Private Sector (Non-Guaranteed)**	**222.4**	**0.8**	**255.4**	**0.9**
Total Short-Term Debt**	**1864.5**	**6.5**	**1747.4**	**5.9**

* Includes the Arab International Bank's deposit and sovereign bonds denominated in US dollar.

**Not available in different currencies.

5- Cotton
5/1: Domestic Developments

A follow-up of the developments on both the demand and supply sides of cotton in the 2003/2004 season shows the following:

5/1/1: Production

According to the preliminary estimates of the Ministry of Agriculture and Land Reclamation, the area cultivated in cotton reached about 531 thousand feddans in the 2003/2004 season, which is 24.8% less than the actual cultivated area of the previous season. Of this area, 30.7% was cultivated with extra-long staple, and 69.3% with long staple.

Area and Yield of all Cotton Varieties

	Area* (Thousand Feddans)				Change +(-) %	Yield** (Thousand Metric Cantars)				Change +(-) %
	2002/2003 Final		2003/2004 Preliminary Estimates			2002/2003 Final		2003/2004 Preliminary Estimates		
Total	**706**	**100.0**	**531**	**100.0**	**(24.8)**	**5727**	**100.0**	**3931**	**100.0**	**(31.4)**
Extra-long staple	163	23.1	163	30.7	0.0	1316	23.0	1171	29.8	(11.0)
Long staple	543	76.9	368	69.3	(32.2)	4411	77.0	2760	70.2	(37.4)

Source: CBE, (Alexandria Branch), Securities and Cotton Department
* Ministry of Agriculture and Land Reclamation
** The Holding Company for Cotton, Yarn, Textile and Clothes

According to the preliminary estimates of the Holding Company for Cotton, Yarn, Textile, and Clothes, total cotton output amounted to about 3.9 million metric cantars, with a drop of 31.4% compared with the final estimates of the previous season. This was an outcome of the decrease in the cultivated area and the contraction in the average productivity per feddan that reached 7.4 cantars per feddan against 8.1 the previous year.

5/1/2: Stock and Total Supply

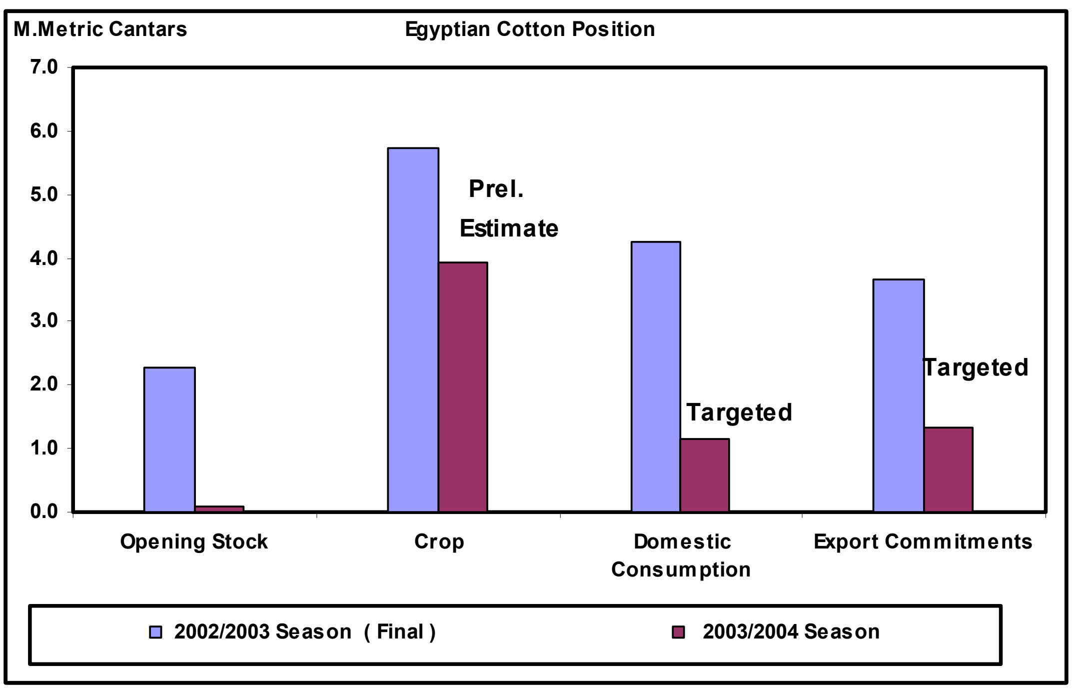
Total cotton supply shrank to 4.0 million metric cantars, i.e. 49.7% less than the previous season. This was partly ascribed to the decrease in the opening stock of 2003/2004 season to 97 thousand metric cantars, along with lower production estimates.

Total Supply

(Thousand Metric Cantars)

	2002/2003 Season Final	2003/2004 Season Preliminary Estimates	Change +(-)%
Total Supply	**8006**	**4028**	**(49.7)**
Opening stock	2279	97	(95.7)
Crop	5727	3931	(31.4)

Source: CBE (Alexandria Branch), Securities and Cotton Department



5/1/3: Domestic Consumption

Local mills received about 1.2 million metric cantars of cotton since the beginning of the season until the end of the last week of December 2003, with a drop of 15.7% compared with the same period of the previous season.

It is noteworthy that an agreement has been reached among the parties concerned with cotton affairs to allocate 70% of the crop of long staple cotton for domestic consumption. However, half of Giza 86 is to be excluded from the said ratio, as this variety, together with the extra-long staple, will be allocated for exportation.

With the expectation that total cotton supply would not be enough to cover domestic consumption and exportation, a decision has been issued to allow mills to meet the remainder of their needs through importation.

Total Use

(Thousand Metric Cantars)

	2002/2003 Season		2003/2004 Season
	Till its End	Till 31/12/2002	Till 31/12/2003
Total Use	**7909**	**3585**	**2497**
Local mills	4260	1372	1156
Export commitments	3649	2213	1341

Source: Ibid

5/1/4: Export Commitments

The Federation of Cotton Exporters announced the selling terms and conditions governing exportation of the 2003/2004 cotton crop. As of Oct. 20, 2003, the terms and conditions applied mainly stipulate that export prices are to be determined by agreement between buyer and seller. The Federation is to announce the average of contracted selling prices, periodically. The currency used for contracts is to be the US dollar for all buyers. As for new buyers, they are given two alternatives for contracting with the sellers. They can contract by way of a confirmed irrevocable letter of guarantee, representing 10% of the value of the contract, to be reduced according to the ratio of the amount shipped. Alternatively, they can contract through a full value documentary credit. In cases of purchases in excess of 2000 metric cantars, new buyers will be exempted from the requirement of submitting a letter of guarantee. Moreover, in cases of failure to ship the commitments before end of Feb. 2004, storage fees become 1.25% monthly instead of 1.0% the previous season. In cases of deferring shipment of cotton to a date later than the end of August 2004, the buyer will be obligated to repay the value of the amount of the cotton in question, along with the due storage fees; otherwise, the buyer himself will be responsible for storage and insurance.

The quantity contracted upon for exportation from the first to the tenth week ending Dec. 27, 2003, amounted to about 1.3 million metric cantars, valued at US$ 184 million against 2.2 million metric cantars, valued at US$ 214.0 million in the corresponding period of the previous season.

Commitments on extra-long staple varieties covered 44.0% of total commitments, whereas long staple varieties represented the remainder. The private sector companies accounted for 50.8% of total commitments, while the public business sector companies covered the rest.

Export Commitments by Importing Country

(%)

	2002/2003 Season Till End of Dec. 2002	**2003/2004 Season Till End of Dec. 2003**
Total (Thousand Metric Cantars)	**2213**	**1341**
EU Countries, of Which:	**24.8**	**25.3**
Italy	18.1	14.0
Germany	3.0	4.4
Other European Countries, of Which:	**24.2**	**27.5**
Switzerland	20.1	22.7
Turkey	3.4	3.1
Asian Countries, of Which:	**39.2**	**39.5**
India	22.3	13.4
South Korea	6.9	6.5
USA	**9.3**	**3.5**
Others	**2.5**	**4.2**

Source: CBE (Alexandria Branch), Securities and Cotton Department

Concerning the distribution of export commitments made during the period, the group of Asian countries was on top of the list of Egyptian cotton importers, with commitments representing 39.5% of the total. The main importing country within this group was India, with a share of 13.4% of the total. The group of other European countries came next with a share of 27.5% of the total, headed by Switzerland (22.7%). The group of EU countries followed with a share of 25.3% of the total, headed by Italy. USA commitments amounted to 3.5% of the total.

5/2: International Developments

According to the preliminary estimates announced by the International Cotton Advisory Commission (ICAC), world production of cotton in the season 2003/2004 is expected to rise by 4.5% to reach 92.7 million bales. This was due to a rise in the production estimates of the Southern Hemisphere (Brazil, Argentine, and Uruguay) because of favorable weather conditions. Nevertheless, a fall of 15.5% to reach 40.8 million bales in the opening stock led to a decline in the estimates of the total world supply by 2.6% to reach 133.5 million bales.

Preliminary estimates for cotton consumption worldwide indicate that consumption is expected to drop by 1.5% to reach 94.8 million bales, due to an anticipated drop in the consumption of some countries such as Uruguay, India, Turkey, Mexico, and USA.

Position of World Cotton

(mn bales)

	2002/2003 Season (Final)	2003/2004 Season (Preliminary Estimates)	Change +(-) %
Opening stock	48.3	40.8	(15.5)
World output	88.7	92.7	4.5
Total Supply	**137**	**133.5**	**(2.6)**
World consumption	96.2	94.8	(1.5)
Carryover	40.8	38.7	(5.1)
International trade*	29.9	31	3.7

Source: International Cotton Advisory Commission

* Measured by average value of Exports and Imports

Concerning price trends of raw cotton worldwide, they continued to rise steadily since the beginning of the marketing season. This was followed by a downward trend, due to the increase in the supply for exportation on the part of some countries (Turkey, Syria, and the CFA Franco African area) as well as to the slow demand by most cotton-importing mills. Another affecting factor was the lower prices in New York futures-market, in anticipation of any new price changes after the drop in the selling prices of yarn. Later, prices began to rise again in the light of the increasing likelihood of lower estimates of the world output because of the drop in the output of India and Paraguay, concurrent with the expected continuation of China’s large importation of American cotton.

In light of the above-mentioned developments, the volume of world trade for the 2003/2004 season is expected to reach about 31.0 million bales, with an increase of 3.7% compared with the previous season.

6- Tourism

Tourist flows to Egypt continued to take an upward trend. CAPMAS statistics during July-December of FY 2003/2004, showed a rise in the number of arrivals by 26.9%, and the number of nights by 111.5% over the corresponding period of the previous FY. This contributed to a rise in the average tourist stay by 66.7%, and in tourism revenues by 37.9% to reach US$ 2862 million.

Tourism Indicators

	2001/2002		2002/2003		2003/2004	
	July/Dec.	Change + (-) %	July/Dec.	Change + (-) %	July/Dec.	Change + (-) %
Number of arrivals (000s)*	2142	(24.6)	2992	39.7	3797	26.9
Number of departures (000s)	1986	(14.7)	2714	36.7	3483	28.3
Number of tourist nights of departures (000s)	13916	(17.2)	18038	29.6	38157	111.5
Average spending per tourist a night (US$)	124.6	(7.0)	115.0	(7.7)	75	(34.8)
Tourism revenues (US$ mn.)	1733.0	(23.0)	2075	19.7	2862	37.9
Average tourist stay (night)	7.0	(2.8)	6.6	(5.7)	11.0	66.7

Source: CAPMAS and CBE
* Excluding non-resident Egyptians coming for temporary purposes

6/1: Tourists

The number of arrivals from all tourist groups totaled about 3.8 million during the period, up by about 805 thousand or 26.9%, as compared to the same period of the previous year.

The European group maintained its leading position among the tourist exporting markets, with a rise of 425 thousand tourists or 21.7%. The Western European countries contributed about 228 thousand tourists or 14.5%. Italy came at the top with 70 thousand tourists or 16.7%; followed by Germany with 37 thousand or 9.4%; then France with 29 thousand or 20.7%. The Eastern Europe group accounted for 197 thousand tourists or 50.6%, mostly from Russia (98 thousand or 39.2%), then Poland (42 thousand or 93.3%), and Yugoslavia (24 thousand or 114.3%).

Number of Arrivals

	July/December								
	2001/2002			2002/2003			2003/2004		
	Number	**Relative weight**	**Change +(-)%**	**Number**	**Relative weight**	**Change +(-)%**	**Number**	**Relative weight**	**Change +(-)%**
Total	**2142**	**100.0**	**(24.6)**	**2992**	**100.0**	**39.7**	**3797**	**100.0**	**26.9**
					By Period				
July/Sept.	1339	62.5	(9.2)	1556	52.3	17.0	1939	51.1	23.8
Oct./Dec.	803	37.5	(41.1)	1426	47.7	77.6	1858	48.9	30.3
					By Group				
Europe	1291	60.3	(27.0)	1959	65.5	51.7	2384	62.8	21.7
Middle East	568	26.5	(14.1)	702	23.5	23.6	1023	27.0	45.7
Africa	75	3.5	1.4	92	3.1	22.7	108	2.8	17.4
Americas	102	4.8	(41.7)	89	3.0	(12.7)	108	2.8	21.3
Asia & Pacific	105	4.9	(34.4)	147	4.9	40.0	172	4.5	17.0
Others	1	-	-	2	-	-	2	0.1	0.0

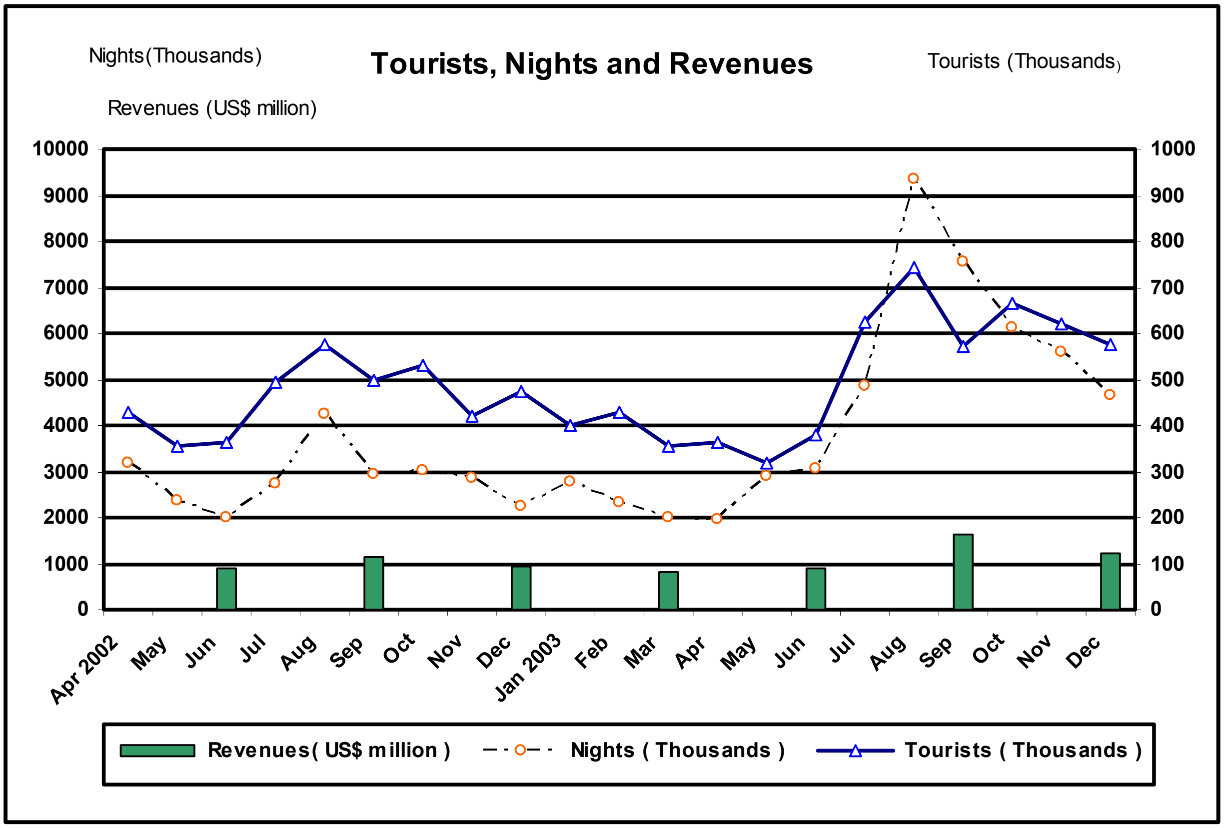
Source: CAPMAS

The Middle East group ranked second, as the number of arrivals therefrom rose by 321 thousand or 45.7%, due to the increase of arrivals from most of its markets, mainly Israel (135 thousand tourists or 137.8%), next Libya (62 thousand or 45.6%), then Saudi Arabia (39 thousand or 25.7%).

Next came the Asian and Pacific group, with arrivals increasing by about 24 thousand or 16.2%, mainly from Japan (7 thousand tourists or 21.2%), from India (4 thousand or 25.0%), and from Pakistan (2 thousand or 50.0%).

Arrivals from the African group markets showed an increase of about 16 thousand or 17.4%, mostly from Sudan (10 thousand or 33.3%), from Tunisia (3 thousand or 25.0%), from Algeria (1 thousand or 10.0%), and from South Africa (1 thousand or 11.1%).

The Americas group showed an increase in the arrivals therefrom, amounting to about 19 thousand or 21.3%. The number of arrivals from the USA began to rise for the first time since September 11 attacks, by about 10 thousand tourists or 16.7%. In addition, arrivals from Canada increased by 4 thousand tourists or 23.5%, and those from Columbia, Brazil, and Mexico by about 1 thousand for each, at rates of 100.0%, 50.0%, and 25.0%, respectively.



6/2: Tourist Nights

The total number of tourist nights spent by all departure groups during July-December of FY 2003/2004 amounted to about 38.2 million, with a rise of 20.1 million or 111.5%. Consequently, the average stay per tourist increased to 11.0 nights from 6.6 nights, up by 66.7% over the corresponding period of the previous FY.

Number of Tourist Nights

(In thousand)

	July/December								
	2001/2002			2002/2003			2003/2004		
	Number	Relative weight	Change +(-)%	Number	Relative weight	Change +(-)%	Number	Relative weight	Change +(-)%
Total	**13916**	**100.0**	**(17.2)**	**18038**	**100.0**	**29.6**	**38157**	**100.0**	**111.5**
					By Period				
July/Sept.	8899	63.9	(2.4)	9903	54.9	11.3	21769	57.1	119.8
Oct./Dec.	5017	36.1	(34.7)	8135	45.1	62.2	16388	42.9	101.5
					By Group				
Europe	8313	59.7	(22.7)	11819	65.5	42.2	21877	57.3	85.1
Middle East	3719	26.7	(2.1)	4408	24.4	18.5	11998	31.5	172.2
Africa	594	4.3	14.9	548	3.0	(7.7)	1297	3.4	136.7
Americas	696	5.0	(30.6)	599	3.3	(13.9)	1615	4.2	169.6
Asia & Pacific	587	4.2	(18.6)	656	3.7	11.8	1343	3.5	104.7
Others	7	0.1	16.7	8	0.1	14.3	27	0.1	237.5

Source: CAPMAS

A follow up of the changes in the number of tourist nights spent by departures from the markets of the different groups reveals that the European group came in the lead, with a relative weight of 57.3% of the total. The number of nights spent by departures of this group rose by about 10 million nights or 85.1%, of which the Western European countries accounted for about 6.5 million or 65.6%. Italy came at the top of this group with a share of 1.6 million nights or 61.0 %. Germany came next with 1.5 million nights or 53.3%, then France with 798 thousand nights or 90.6%, and the UK with 661 thousand or 54.2%. The share of Eastern European countries was 3.5 million nights or 189.8%, mainly from Russia (1.8 million or 150.1%), then Poland (715 thousand or 289.5%), and Czechoslovakia (463 thousand or 204.9%).

Regarding the markets of the Middle East group, departure nights increased by about 7.6 million or 172.2%, mainly from Libya (2.0 million nights or 254.7%), Saudi Arabia (1.6 million or 110.4%), then Palestine (1.1 million or 301.1%).

The Asian and Pacific group market showed an increase of about 687 thousand nights or 104.7%, attributed mostly to Australia (118 thousand nights or 105.4%), Japan (114 thousand and 80.3%), then India (93 thousand and 143.1%).

As for the African group markets, there was an increase of 749 thousand or 136.7% in tourist nights, mainly spent by arrivals from Sudan, with a share of 446 thousand or 164.6%, Tunisia 63 thousand or 116.7%, and Algeria 58 thousand or 128.9%.

The Americas group showed an increase in departure nights by arrivals therefrom by about 169.6%, chiefly from USA (755 thousand nights or 176.0%), then Canada (187 thousand or 171.6%), and Mexico (14 thousand or 60.9%).

International Developments

7- International Economic and Monetary Developments
7/1: Economic Developments

7/1/1: Economic Growth, Employment, and Prices

During the second half of the year ending December 2003, the world economy began to recover, after its slowdown during the first half of the year. The pickup in the US economic growth rate during this period buttressed the global recovery. Although the American economy is still the main engine for the growth of global economy, the improved performance of some Asian economies, especially China and India, played a key role in this recovery. This improved performance of the world economy extended to a number of countries in Latin America, and Central and Eastern Europe. The increase in the volume of investment in some countries led to the improvement which was encouraged by low interest rates and the worldwide decrease in oil prices. Conversely, economic growth rates dropped in the euro area, and in the Middle East and African regions.

During the period, the improvement in the global economy came side by side with a strong rebound in world trade during the year. Thus, the volume of global exports of goods and services grew by 4.5%, nearly doubling its growth rate during the corresponding period of the year ending Dec. 2002. China played a significant role in the rebound of world trade, which had a positive impact on global economic performance. The Chinese imports and exports of goods grew in terms of value by 35% and 40%, respectively during 2003. The global recovery was accompanied by a rally in the capital markets in many parts of the world. During the year ending Dec. 2003, for example, the Morgan Stanley Capital International Index (MSCI) moved up 33.8% on the global level, 20.3% in Europe, and 56.3% in emerging markets.

In addition, the strong economic performance on the global level helped net private capital flows to step up in developing markets, in pursuit of higher returns, as opposed to the low levels of interest in the major industrial countries. The net flows during the year 2003 rose by 50% compared with the preceding year, to reach US$ 187 billion, the highest level ever since 2000.

The economic growth rates in the major industrial countries increased in the USA, Japan, and the UK during the year ending Dec. 2003. They remained stable in Canada, and slowed down in the euro area.

In the USA, the economic growth rose from 1.4% during the year ending Dec. 2002 to 4.3% during the year ending Dec. 2003. A great part of this improvement in the USA economy manifested itself in the third quarter of 2003, where it grew 8.2%. However, in the last quarter of the year 2003, it fell to 4%, basically due to a drop in the growth rate of the private consumption in the USA (it contributes two thirds of its GDP) from 6.9% in July-Sept. 2003 to only 2.6% during Oct.- Dec. of the same year. This marked increase in private consumption growth rate, during July-Sept. of 2003, was associated with a rise in the disposable incomes; as a result of refunding part of some taxes previously paid by individuals. In early 2003, a newly passed Tax Law provided more tax cuts to individuals; and accordingly, the amount of refunded taxes amounted to about 2% of the national income.

On the other hand, there were a number of positive factors that did not only prevent a sharper deceleration of the American economy growth rate during the fourth quarter of the year 2003, but also kept this economy almost on the normal track. The most important of these factors was the increase in investment spending especially in the areas of high-tech and software. In addition, the low level of the real US dollar interest rates spurred investment, especially with higher corporate earnings. This was accompanied by a rise in total foreign investment inflows to the American capital markets to reach US$152.8 billion during 2003, the highest ever since 2000. Moreover, the main indices for stock prices in these markets went up during the year 2003, as NASDAQ increased by 50.2%, Standard and Poor's 500 by 26.2%, and Dow Jones by 25.3%, during that year.

The satisfactory level of economic growth achieved by the American economy during the fourth quarter of 2003 was also due to stronger external demand on the US exports that rose by 19.1% during that period. USA exports to China accounted for the bulk of this rise, increasing by about 28% as the Chinese market absorbed roughly 20% of total US exports. Similarly, the USA exports to the EU and Canada went up, chiefly because of the depreciation of the US dollar against most of the main currencies, i.e., it fell against the euro and the Canadian dollar by 33% and 19%, respectively, from the beginning of the year 2002 to the end of 2003.

In Japan, the economy posted a higher growth rate of 3.6% during the year ending Dec. 2003, up from 2.2% during the year ending Dec. 2002. This was due to the significant pickup in Japanese exports, especially to China and the United States, as both experienced a boost in their economies. The Japanese exports of goods increased 8.5% during the year 2003, against 3.1% during the previous year, and a 16.5% decline during 2001. Japanese exports to China increased 44% during the last quarter of 2003. Concurrently, Japan's current account surplus rose steadily from US$ 87.8 billion in 2001, to reach US$ 149.4 billion during 2003. The buoyant external demand on the Japanese products led to an improvement in the Japanese corporate earnings, especially those in exportation business, thereby prompting them to increase their investments and enabling the repayment of a large portion of their debts. Moreover, the number of Japanese corporate bankruptcies plummeted, for the first time in 4 years, by more than 14% during the year 2003 against the preceding year.

This recovery of the Japanese economy, together with the higher improved creditworthiness and solvency of Japanese companies, was manifest in the performance of Japanese banks. Accordingly, foreign investments in Japanese stocks reached a peak of US$ 92.3 billion in 2003, for the first time since 1981. As a result, Topix 150 rose by 31.1% at the end of Dec. 2003, compared with the end of Dec. 2002.

In spite of the above-mentioned improvement, this does not imply that the Japanese economy has entirely escaped the deflationary pressures, particularly since such improvement is in direct relation with the external demand – a driven improvement that is closely linked with how sustainable the global economic recovery is. As for private consumption, which represented more than 55% of the GDP, it did not realize any growth during 2002 and 2003. In addition, what is likely to impede the continued improvement of the Japanese economy is the high fiscal deficit and the large stock of debt, whose ratios to GDP amounted to 8% and 160%, respectively. Another factor at work is the drop in the population growth rate in the last years, coupled with disequilibrium in the age-structure, as the relative importance of the elderly increased, in contrast to the retreat in the number of those at a working age.

In the UK, the economic growth rose from 1.7% during the year ending Dec. 2002, to 2.8% during the year ending Dec. 2003. This was mainly because of the increase in both private consumption spending and industrial production and the better performance of the services sector. Add to this the rising levels of employment that helped a great deal in activating consumption. Nevertheless, some obstacles hindered the improvement of the UK economic growth, mainly lower growth rates of investment and exports, the increased indebtedness of the household sector, and the widening of the BOP current account deficit to US$ 30 billion or 2.5% of GDP during the year 2003. In addition, the fiscal deficit widened, as its ratio to GDP reached 3.5% during that year.

Economic Growth Rates

(%)

	Year Ending at End of	
	December 2002	**December 2003**
USA	1.4	4.3
Canada	1.6	1.6
Japan	2.2	3.6
Germany	0.1	0.2
France	0.9	0.5
Italy	1.7	0.1
UK	1.7	2.8
Euro area	0.7	0.6

Source: The Economist, various issues

As for Canada, the economic growth rate remained stable at 1.6% during the year ending Dec. 2003, compared with the preceding year. This stability was realized despite the external shocks faced by the Canadian economy during 2003, mainly the detection of mad cow disease cases, and subsequently, the fall in the Canadian exports of meat. Combined with this was the spread of SARS that was highly detrimental to the tourism sector. Moreover, the Canadian economy was negatively affected by the large-scale power failure in August 2003, which brought down industrial production. The growth rate of the Canadian economy remained stable and did not retreat during the year 2003 partly because of the improvement in the economic growth during the fourth quarter of this year (annual basis) to reach 3.8% against 3.1% in the third quarter, and a negative 0.3% during the second quarter of the same year. In fact, the key factor behind this improvement was the increase in the Canadian exports during the last quarter of 2003 - in spite of the appreciation of the Canadian dollar against the US dollar during the period, due to the economic recovery of USA whose markets absorb the bulk of Canadian exports. The increase of Canadian exports was reflected positively on corporate earnings and investments.

Regarding the euro area as a whole, economic growth retreated from 0.7% during the year ending Dec. 2002, to 0.6% during the year ending Dec. 2003, denoting a weak economic performance of the euro area, especially in comparison with the USA and UK. This was mainly the result of a recession in the major economies of the area (Germany, France, and Italy). Though the German economy, which contributes about one third of the euro area's GDP, posted a growth rate of 0.2% during the year ending Dec. 2003, against a negative 0.1% during the previous year, the growth rate of this economy is still extremely low. The sluggish economic performance of the euro area can be traced to the lower private consumption growth rates, in part owing to inflexibility in labor markets, and to the high rate of unemployment. Added to this was the weak external demand, especially in the light of the appreciation of the euro against the US dollar. These factors negatively affected private investment, which constantly dropped in Germany at rates of 4.2%, 6.7%, and 1.7% during the years 2001, 2002, and 2003, respectively. Another important affecting factor was the commitment of the countries member to the euro area to keep their respective fiscal deficits within the maximum limit of 3% of GDP under the Growth and Stability Pact. This in turn limited their ability to adopt a more accommodative fiscal policy to stimulate economic growth and raise enough provisions to meet the increasing costs of pensions (48% of the GDP of the area). It is worth noting that the pensions increased because of the growing relative importance of the elderly within the age-structure of the population.

During Dec. 2003, concurrent with the higher economic growth rates in the USA, Japan, and the UK, there was a drop in their unemployment rates compared with Dec. 2002. Meanwhile, with the retreat of the economic growth rates in the euro area as a whole, there was an increase in the unemployment rate to reach 8.8% in Dec. 2003.

Inflation and Unemployment

The Year Ending at End of	Annual Rate			
	Inflation (%)		Unemployment (%)	
	Dec. 2002	Dec. 2003	Dec. 2002	Dec.2003
USA	2.0	1.9	6.0	5.7
Canada	3.9	2.0	7.5	7.4
Japan	(0.3)	(0.4)	5.5	4.9
France	2.3	2.2	9.1	9.7
Germany	1.1	1.1	10.1	10.4
Italy	2.8	2.5	8.9 (Oct.)	8.4 (Oct.)
UK	2.9	1.3	5.1	4.9
Euro Area	2.0	2.0	8.5	8.8

Source: The Economist, various issues

As for inflation rates in major industrial countries, they fell from 2.0% in the year ending Dec. 2002 to 1.9 in the year ending Dec. 2003 in the USA, from 3.9% to 2.0 % in Canada, and from 2.9% to 1.3 % in the UK. In the euro area as a whole, the inflation rate remained unchanged at 2.0%. In Japan, it remained negative despite the improvement in the economic performance.

7/1/2: Primary Commodity Price

The commodity price index (1995=100) increased by 9.4% during Oct./Dec. 2003. This was the result of a rise in the price index of metals by 16.6%, of foodstuffs by 8.4%, of agricultural raw materials by 2.8%, and of beverages by 0.9%. The rise of metal prices was primarily an outcome of the rise in lead prices by 32.5%, in tin 23.5%, in copper 23.1%, in zinc 19.3%, and in gold 7.3%, while the prices of crude oil dropped by 10.3%. The rise in the prices of metals was mainly the result of a robust international demand, especially on the part of some Asian countries, driven by the significantly stronger economic performance in these countries. The depreciation of the US dollar during the year 2003 also led to this increase in metal prices. Another factor behind this increase was the significant rise in average freight costs which reached threefold their average level for the past twenty years. Among the factors that led to the rise of gold prices during the fourth quarter of 2003 was the higher demand for gold as a safe investment, especially with the retreat of the US dollar exchange rate against most of the main currencies.

The price increase of foodstuffs was principally the result of a 26.4% increase in prices of soybean, the highest level ever in 15 years. This increase in prices was in direct relation with the increase in the demand by China, which is the chief importer of soybean in the world. The prices of wheat also increased 13.7% and those of meat 8.7%. Prices of rice dropped 2.8%. The prices of the agricultural raw materials increased; cotton by 14.7% and rubber by 13.6%. The prices of beverages went up, because of the rise in the prices of tea, coffee and cocoa by 5%, 2.9%, and 1.2%, respectively.

Commodity Price Indices*

	2003			Change (%)
	June	**Sept.**	**Dec.**	**Oct./Dec.**
Foodstuffs				
Wheat (USA)	74.2	82.3	93.6	13.7
Rice (Bangkok)	63.5	63.2	61.4	(2.8)
Meat (Australia)	90.5	112.1	121.8	8.7
Soybean oil (USA)	92.6	102.2	129.2	26.4
Total	**83.2**	**85.8**	**93.0**	**8.4**
Beverages				
Cocoa (New York/London)	110.2	113.5	114.9	1.2
Coffee (Brazil/New York)	32.3	37.8	38.9	2.9
Tea (London)	120.0	119.0	125.0	5.0
Total	**62.7**	**65.2**	**65.8**	**0.9**
Agricultural raw materials				
Cotton (Liverpool)	59.5	65.3	74.9	14.7
Rubber (Malaysia)	63.5	68.3	77.6	13.6
Wool (Australia)	89.9	87.0	85.3	(2.0)
Total	**78.5**	**81.9**	**84.2**	**2.8**
Metals				
Crude oil (average price)	162.5	174.1	156.2	(10.3)
Copper (London)	57.5	61.0	75.1	23.1
Tin (London)	75.5	79.2	97.8	23.5
Lead (London)	74.3	82.8	109.7	32.5
Zinc (London)	76.7	79.4	94.7	19.3
Gold (London)	92.8	98.7	105.9	7.3
Total	**77.9**	**80.8**	**94.2**	**16.6**
Price Index of All Commodities (Excluding Fuel)	**79.4**	**82.2**	**89.9**	**9.4**

Source: IFS, Nov. 2003 & Feb. 2004

* 1995 = 100

7/2: Monetary Developments

7/2/1: Discount and Interest Rates

During October-December 2003, discount rates (or the like) in USA, Canada, the euro area, and Japan remained unchanged. However, the Bank of England raised its Repo rate, for the first time since 2000, on 6 November 2003 by 0.25% to 3.75%. It was also the first among the major central banks to raise the interest rate since 2000. The purpose of this increase was to bring the UK inflation rate down close to the target of 2.5%. Another purpose was to meet the inflationary pressures likely to result from the increase in consumer demand in the UK, and the associating large pick-up in the credit extended to the household and the housing sectors.

Concurrently, the Reserve Bank of Australia raised the base interest rate by 0.25% to reach 5% on 5 November 2003.

Discount and Interest Rates

(% annually)

	Discount Rates*		Average Interest Rates			
			Deposits		Loans	
	2003		2003		2003	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
USA	2.00	2.00	1.08	1.10	4.00	4.00
Canada	3.00	3.00	1.10	1.10	4.50	4.30
Japan	0.10	0.10	0.2	0.50	1.80	1.80
Germany			N.A.	N.A.	N.A.	N.A.
France			2.25	2.25	6.60	6.60
Italy			0.81	0.81	4.78	4.67
UK	3.50	3.75		N.A.	3.50	3.80
The euro area	2.00	2.00	1.73	N.A.	5.24	N.A.

Sources: Financial Times, various issues; IFS, June 2003

* Repos of the euro area and the UK

7/2/2 : Exchange Rates

The exchange rate developments during Oct.-Dec. 2003 reveal that the US dollar exchange rate retreated against most major currencies. It depreciated against the euro from 0.8915 per dollar at end of Sept. 2003 to 0.8138 at end of Dec. of the same year; the pound sterling, from 0.6208 to 0.5712 per dollar; the Japanese yen, from 115.19 to 107.94 per dollar; and the Canadian dollar, from 1.3632 to 1.3128. Concurrently, SDRs appreciated vis-à-vis the US dollar from 0.7162 per dollar at end of September 2003 to 0.7068 at end of December of the same year. The depreciation of the US dollar is ascribable to the US administration's decision to abandon its policies of maintaining the US dollar exchange rate at a high level. As such, the US administration exercised pressure on the monetary authorities in China and Japan to limit their intervention in foreign exchange markets - which targets keeping the exchange rates of their currencies low vis-à-vis the US dollar. Another affecting factor was that many investors preferred to switch to currencies other than the dollar, on which interest rates are comparatively higher. Combined with this was the steady widening of the American BOP current account deficit to 5% of USA GDP.

Exchange Rates of Main Currencies against the US Dollar
(Units of Currency per US Dollar)

		2003		Change(%)
	June	Sept.	Dec.	Oct./Dec. 2003
Canadian dollar	1.3523	1.3632	1.3128	-3.7
Sterling Pound	0.6022	0.6208	0.5712	-8.0
Japanese yen	118.26	115.19	107.94	-6.3
Euro	0.8575	0.8915	0.8138	-8.7
SDRs	0.6815	0.7162	0.7068	-1.3

Source: IFS, February 2004

7/2/3: International Reserves

Total international reserves (excluding gold) surged during Oct.-Dec. 2003 by SDR 59.4 billion or 2.9%, up to SDR 2124.8 billion at end of December 2003 (of which 67% are in US dollar). The bulk of the increase (70.2%) was in the reserves of developing countries, which grew by SDR 41.7 billion or 3.3%, reaching SDR 1314.3 billion or 61.9% of total reserves at end of Dec. 2003, against 50.8% at end of 1995. Asian countries accounted for 83.5% of that rise; as reserves of China, Hong Kong, and South Korea in particular escalated, due to the intervention of their central banks in the foreign exchange markets to purchase the US dollar in exchange for their local currencies. Such a measure aimed at holding back the appreciation of their local currencies vis-à-vis the US dollar, in order to bolster the competitiveness of their exports, and avoid any probable financial crises. Central banks in these countries invested a large share of that increase in the US Treasury bonds, as such bringing their total investments (including the Bank of Japan's) to US$ 1 trillion at end of December 2003, 40% of which were Japan's. International reserves of Central and Eastern Europe and Africa also went up, whereas those of the Middle East and Latin America declined.

Reserves of the industrial countries expanded by SDR 17.7 billion or 2.2%, amounting to SDR 810.5 billion or 38.1% of total international reserves at end of December 2003. The rise was concentrated in Japan's reserves, which climbed by SDR 30 billion. By contrast, reserves of USA, Canada, UK, and the euro area declined.

International Reserves (Excl. Gold)

(SDR billion)

	2003			
End of	**June**	**Sept.**	**Dec.**	**Change(%) Oct./Dec.**
The World	**1984.7**	**2065.4**	**2124.8**	**2.9**
Industrial Countries, of which:	**762.7**	**792.8**	**810.5**	**2.2**
USA	50.4	51.3	50.4	(1.8)
Canada	26.1	25.6	24.4	(4.7)
Germany	36.7	36.5	34.1	(6.6)
France	21.0	20.8	20.3	(2.4)
Italy	23.7	24.5	20.4	(16.7)
Japan	383.4	416.4	446.4	7.2
UK	27.2	28.6	28.2	(1.4)
Euro Area	**167.6**	**163.4**	**149.9**	**(8.3)**
Developing Countries	**1222.0**	**1272.5**	**1314.3**	**3.3**
Africa	58.8	60.1	61.0	1.5
Asia	771.2	816.5	851.3	4.3
Europe	158.1	160.5	169.9	5.9
Middle East	103.5	101.9	100.4	(1.5)
Latin America & the Caribbean	130.3	133.6	131.7	(1.4)
Oil Exporting Countries	**118.6**	**116.3**	**118.4**	**1.8**
Non-Oil Exporting Countries	**1103.4**	**1156.3**	**1195.9**	**3.4**

Source: IFS, March 2004

8-International Economic Cooperation
8/1: International and Regional Meetings

During October-December of FY 2003/2004, a number of international and regional meetings were held. The most important of which were:

The ASEAN Summit

At the beginning of October 2003, the ASEAN, which comprises Indonesia, Malaysia, Thailand, Singapore, The Philippines, Laos, Vietnam, Cambodia, Brunei, and Myanmar, held its summit in Bali, Indonesia. The primary goal of the Summit was to address the losses that had befallen the member countries because of the recent diversion of foreign investments from their markets to China, and to face the increasing terrorist threats menacing the countries of the region. To this end, the ASEAN leaders have agreed to implement a long-term plan for economic, social, cultural, and security integration. To reach this objective, they decided to establish a common market by means of which all restrictions on trade of goods and services, investment flows, and skilled labor mobility are to be lifted. They also decided to establish a mechanism for conflict resolution. Furthermore, they decided that by the year 2010, the procedures for the mergence of 11 sectors are to be completed. These sectors include automobile manufacturing, electronics, timber, textiles, and tourism, in addition to some service industries, such as health care.

During the meeting, the ASEAN leaders signed a number of agreements with some of their neighboring countries. Among these agreements was a Framework Agreement on Comprehensive Economic Cooperation between the ASEAN and India, aiming at eliminating obstacles facing the establishment of the ASEAN-India Regional Trade and Investment Area (RITG) by the year 2012. Likewise, a framework agreement was signed with Japan, to set up an economic partnership and foster tourism cooperation, paving the way for the establishment of a free-trade area between the ASEAN and Japan. The recent trend of the Association's member countries to forge agreements with neighbors mirrors their concern for furthering economic integration in the region, especially after the failure of the ministerial meeting of WTO member countries in Cancun, Mexico, and the conclusion of an agreement with China in 2002, whereby a free-trade area is to be established by the year 2010.

Within the context of the summit, the leaders of China, Japan and South Korea agreed to promote the tripartite cooperation among their countries in the fields of security, high-tech and energy. Furthermore, they decided to conduct joint studies to probe how feasible it is to establish an economic grouping with the ASEAN to bolster their economic relationships - already manifest in the speedy growth of the volume of intra trade and investments in the recent years. This agreement was intended to curtail reliance on the American markets.

The APEC Summit

Leaders of APEC, which comprises 21 countries, held their annual summit in Bangkok, Thailand, on 20 and 21 October 2003. The summit's communiqué, which was mainly political, stressed the relationship between security and economic growth. It reaffirmed the APEC leaders' commitment to eliminate terrorist groups, arrest the proliferation of mass destruction weapons, and prevailed upon North Korea to give up its ambitious nuclear program. It also exhorted the WTO to restart the negotiations that failed in September 2003 in Cancun, Mexico; and urged it to address the unresolved issues.

Donors' Conference on the Reconstruction of Iraq

At end-October 2003, an international donors' conference on the reconstruction of Iraq was held in Madrid, Spain. Total financing approved by participants amounted to some US$ 33 billion over four years, i.e., till 2007. Of this figure, USA offered US$ 20 billion; whereas Japan promised US$ 5 billion, of which US$ 3.5 billion are in the form of loans. The EU approved US$ 1.5 billion as grants. Saudi Arabia offered a finance package of US$ 1 billion, of which US$ 500 million are to fund Iraqi exports, and the remainder as loans from The Saudi Fund for Development. Kuwait offered to contribute US$ 500 million and the UAE US$ 215 million. The IMF and the World Bank agreed to extend loans within a maximum limit of US$ 9 billion, of which the latter contributed US$ 5 billion. However, the President of the World Bank declared that the extension of loans to Iraq was conditional upon the improvement of its security conditions - a prerequisite for the Bank to be able to dispatch its staff to follow up and supervise the projects for which the loan is to be allocated.

It was decided that all financings offered by donors are to be deposited in three trust funds. One of these funds is to be managed by the American authorities, and the other two by the UN and the World Bank.

The President of The World Bank noted that the total sum required for rebuilding Iraq until 2007 exceeded US$ 55 billion, of which donors pledged only US$ 33 billion. Iraq's oil export proceeds and investment flows, he added, were expected to provide the remaining sum. In addition, they will call for other donors in future conferences to raise additional financings. It is worth noting that the state of instability in Iraq and the absence of a legitimate elected government have discouraged donors from offering more financing for the reconstruction of Iraq. In addition, the opposition of Germany, France, Russia, and China to the USA's domination of the reconstruction of Iraq, and the absence of a significant role for the UN in this respect, lead to these countries' reluctance to extend any significant assistance for this purpose.

COMESA Monetary and Financial Cooperation Meetings

The COMESA monetary and financial cooperation meetings were held on 10-18 November 2003 on the respective levels of experts, central banks' governors, and finance ministers. The meetings came up with the following:

- Ministers of finance reviewed the progress made with respect to the establishment of the COMESA Common Investment Area (CCIA), which is bound to enable a free movement of capital, labor, goods and services. They decided that the establishment of such an area should include a study of the appropriate framework for the liberalization of capital and current accounts in member countries in order to promote stability in COMESA and render it more attractive to investments.
- Ministers called for activating the Task Force that the former COMESA meeting (held in Swaziland) decided to form. The Task Force, which comprised Comoros Islands, Egypt, Mauritius, Rwanda, Swaziland, Uganda, and Zambia was joined by Kenya and the Sudan, and was presided by Egypt. It was determined that responsibilities thereof were to include preparing a study on a COMESA exchange rate union and to reconsider the macroeconomic convergence criteria.

- As for Regional Payments and Settlement System (REPSS), which aims at establishing a payment system on a daily basis using currencies of member countries, participants have agreed to hold a meeting for payment systems experts in the COMESA countries by the end of January 2004 to discuss the unresolved technical issues necessary for the operation of the system. A report on the meeting shall be submitted to the COMESA bureau authority for study and approval.
- Participants tackled the memorandum of understanding signed between the COMESA and the Institute for Economic Development and Planning (IDEP) on organizing a training program for the staff of member countries with the purpose of building the capacity of these members in economic research and modeling for policy making. The memorandum also discussed the agreement of the 'Banque Arabe pour Developpment Economique' (BADEA) - in principle - to finance the program; along with the possibility for other regional institutions, such as African Development Bank (ADB), Macro-economic and Financial Management Institute of Eastern and Southern Africa (MEFMI), and the African Technical Assistance Centre (AFRITAC) to offer assistance.
- Participants approved the organization of a technical workshop in February 2004 to study the COMESA customs union. The workshop shall comprise four experts from each member country: from the ministries of finance and trade, customs, and the private sector.
- Ministers decided to postpone coordination regarding the value added tax (VAT) at least for the time being. However, they urged member countries to exchange experience in this concern.
- Ministers, also, considered the report on the second meeting for bank control officials within the COMESA (held on 3-5 February 2003). They decided the following:

  - Calling upon the IMF and the World Bank to support capacity building in COMESA countries, especially in the field of FASP. This, nevertheless, was not to be a substitute for the role played by these two organizations in this concern.

- Adopting Basel core principles as the minimum standards to be observed by the COMESA countries. In addition, banking regulatory and supervisory bodies should enjoy sufficient autonomy, given that the objectives, powers, and responsibilities thereof should be clearly defined.

- As to the activities of the COMESA-affiliate institutions, participants urged the member countries in the PTA Reinsurance Company to take more shares to strengthen the company, and invited non-members to join membership. They, also, exhorted all COMESA countries to join the African Trade Insurance Agency (ATIA), and requested the chambers of commerce to encourage exporters and importers to join the Agency in order to seek an insurance coverage for their trade. Finally, yet importantly, the Governors recommended that the COMESA Bankers Association be disbanded.

8/2: Activities of the World Bank Group during FY 2002/2003

Against the backdrop of the challenges faced by global economy, the World Bank Group, comprising the IBRD, IDA, IFC, and MIGA, continued to provide its financing aids and services during the year under review. Hereinafter are the activities of each institution.

World Bank Activity

Many adverse conditions, such as the persistent economic slowdown and the repercussions of the war on Iraq, marked FY 2002/2003. The World Bank, in collaboration with its development partners, continued to double its efforts to alleviate poverty, to reduce the numbers of the poor worldwide, and to achieve the Millennium Development Goals (MDGs). In particular, it focused on four areas: supporting the Education-for-All Initiative, enhancing global efforts against HIV/AIDS and infectious diseases, providing potable water and sanitation, and spreading health care.

As to the Education-for-All Initiative (EFA), the Bank continued to participate in both the original (EFA) and the Fast Track Initiative (FTI). It exerted earnest efforts to promote early childhood development, primary education, girls' education, in addition to complying with the needs of special children. In March 2003, donors pledged over US$ 200 million under the (FTI) to support the comprehensive completion of Primary Education for 2003-2005.

The Development Marketplace Program, organized by the World Bank, continued to promote innovative development ideas by extending financing that links entrepreneurs who have creative poverty-combat ideas to development partners who own resources. Since 1998, the Program has offered over US$ 16 million to public and private institutions, including civil society ones, financing over 250 projects in 50 countries (for instance, manufacturing organic fertilizers from coffee compost in Guatemala).

The World Bank Group enhanced its cooperation with the IMF, multilateral development banks, the UN, and other development partners. Foremost of all was cooperation with the IMF, particularly as regards reviewing public expenditure policies in member countries, financial sector assessment programs (FSAP), the combating of money laundering, the financing of terrorism, and the unofficial means of money transfer.

Country Assistance Strategies (CASs) remained the cornerstone in the Group's activity. In 2003, the Executive Board discussed 24 CASs and other related documents. Such strategies are based on the basic principles formulating the Bank's comprehensive development framework, i.e., long-term developmental programs, country ownership of programs, partnership, and concentration on target results of the programs supported by the Bank. As for CAS prospects, the Board concluded that CASs should include intermediary results and follow-up indicators to be more "result-based". It is worth mentioning that the CAS for Sri Lanka was the first result-based strategy to be discussed during the year of review.

The World Bank obtained US$ 17 billion under medium- and long-term loans from international financial markets in FY 2002/2003 against some US$ 23 billion in the previous year, down noticeably by 26%, at an average borrowing cost of 3.23% against 4.23%, and an average maturity of 6.1 years against 3.3 years.

As to the Bank's capital, authorized capital reached US$ 190.81 billion; whereas its subscribed capital reached US$ 189.57 billion, of which the paid-up capital posted US$ 11.48 billion at end of FY 2002/2003, which is the same level of the preceding year.

The Bank's total reserves amounted to some US$ 27 billion against US$ 22.2 billion, whereas its cumulative provision against loan loss reached US$ 4.0 billion against US$ 5.05 billion. Its net income rose to US$ 5.3 billion during FY 2002/2003 against US$ 2.8 billion a year earlier, owing to a lower borrowing cost and a reduction in the provision against loan loss.

Total lending commitments of the World Bank decreased 2.6% to reach US$ 11.2 billion. Nevertheless, the number of new operations approved during the year increased to 99 in 37 countries against 96 in 40 countries the year before. The drop showed in lower commitments for adjustment purposes, compared with higher investment commitments - the highest since 1999.

A breakdown of the Bank's loans according to sectors reveals that the sector of public administration and law and justice received the largest share: 23%, followed by health care and other social services: 18%, transport: 15%, education: 12%, finance: 10%, and the sector of water, sanitation, and flood protection 8%. The sectors of agriculture and energy and mining received 5% each; while those of industry & trade, and information and communication received the remaining percentage.

According to a breakdown of loans by purpose, 18% went to the development of the financial and private sectors, 17% to human development, 14% to the improvement of public sector management, 12% to social protection and risk management, 9% to the sectors of urban and rural development, 6% to environmental and natural resources management, 5% to the development of economic policies, 4% to trade and integration, and the remaining 3% went to social development and the rule of law.

Geographical loan distribution shows that 50% of the Bank's new commitments during FY 2002/2003 went to Latin America and the Caribbean, compared with 37% the year before. Commitments for Europe and Central Asia dropped to 19% from 42%; whereas those for East Asia and the Pacific rose to 16% from 9%, and the Middle East and North Africa to 8% from 4%. The remainder went to South Asia and Africa.

IDA Activity

FY 2002/2003 is the first year for the replenishment of IDA-13, which made possible the commitment of concessional financing resources of US$ 24 billion to member countries whose average GNP per capita is no more than US$ 875 per annum during fiscal years 2003-2005.

Nevertheless, loans and grants extended by IDA during FY 2002/2003 rolled back 9.9% to reach US$ 7.3 billion down from US$ 8.1 billion the year before. These went to the financing of 141 new operations in 55 countries, compared with 133 in 62 countries.

The geographical distribution of such loans and grants demonstrates that Africa continued to receive the bulk of US$ 3.7 billion or 51% of the IDA's total new commitments, against 47% in the preceding FY. South Asia came next at 29% against 32%. Europe and Central Asia followed at 8% (the same level of the preceding year). East Asia and the Pacific followed at 7% against 10%, followed by the Middle East and North Africa at 3% against 1%; and finally, Latin America and the Caribbean, which received 2% of the total, i.e., the same level of the preceding fiscal year. On country basis, Bangladesh, the Congo, Ethiopia, India, and Uganda altogether received the largest IDA financing during the year under review - some US$ 2.5 billion, or 34.2% of the total.

According to the sectoral breakdown, health care and other social services came in the forefront, receiving 19% of total loans. Law & justice, and public administration followed at 18%; transportation and education at 14% each; agriculture and fishing at 9%; water and sanitation at 8%; energy and mining at 7%. Finance, industry & trade, information and communication received the remaining share.

A breakdown by purpose shows that concessional loans to human development received 20% of total IDA loans; followed by rural development, social protection and risk management, each of which received 13%. The share of the projects for public sector governance and financial and private sectors development was 12% each, while social development and gender & inclusion received 10%. The remaining sum was directed to environmental and natural resource management, urban development, economic management, trade & integration, and the rule of law.

IFC Activity

Due to the adverse global conditions in 2003, total IFC approvals during FY 2002/2003 shrank 16.6%; as only 186 projects were approved, compared with 223 the year before.

As of the beginning of the FY, the Corporation has been applying a new strategy accompanied by a reorganization of its institutional structure. This new strategy focuses on the countries that lack foreign capital inflows, and which were classified as low-income (according to the World Bank) or of high-risk exposure (according to the credit rating of Institutional Investor). IFC extends assistance to such countries to improve their investment environments; and provides advice, consultations and technical assistance thereto in order to encourage private corporations and financial institutions to invest therein.

In fiscal 2002/2003, the IFC has approved investment commitments totaling US$ 5.03 billion for the financing of 204 projects - 39.3% higher than the previous year's level (US$ 3.61 billion for the same number of projects). Investments for the Corporation received US$ 3.85 billion of the sum; the remaining US$ 1.18 billion went to other investors in the form of syndicated loans.

The geographical distribution of the IFC commitments was as follows: Latin America and the Caribbean received the largest share - 43.3% of the total, followed by Europe and Central Asia (27.7%), East Asia and the Pacific (11.6%), South Asia (8.4%), the Middle East and North Africa (5.5%), and sub-Saharan Africa (3.3%). The remaining 0.2% went to different regions.

According to the sectoral breakdown of IFC commitments, the financial sector obtained the bulk of 50.2%; followed by utilities and transport: 11.2%; petroleum and chemicals: 7.6%; foodstuffs and beverages: 7.5%; and consumer and industrial products: 4.9%. The rest financed other various sectors, such as the manufacturing of mining products, information, tourism, trade, agriculture, construction, real estates and others.

MIGA Activity

In the year under review, MIGA issued 59 new contracts in guarantee coverage, with a total value of US$ 1.37 billion, mostly for over 35 IDA-eligible developing countries (compared with 58 contracts at a total value of US$ 1.22 billion for 23 developing countries). During the year, MIGA offered first-time coverage for projects in Burundi, Serbia and Montenegro, and Syria. Total projects guaranteed by the Agency reached 634 projects, at a total value of US$ 12.4 billion during fiscal 1990-2003. Furthermore, a new MIGA office was opened in Singapore, to be added to the other three recently established ones in Paris, Johannesburg, and Tokyo. It is worth noting that the Agency has mobile offices to complement the role of regional offices in the different regions that lack representation. In 2003, seven field visits were carried out through those offices.

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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:

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