Central Bank of Egypt

Monetary Policy Report

IV / 2020

Disclaimer

The cut-off date for the data included in this report is February 15th, 2021. Some of the data presented is preliminary or subject to revisions. There has been new incoming data since the cut-off date, including but not limited to the release of the inflation statistics for February 2021. Furthermore, the Monetary Policy Committee decided in its meeting held on February 4th, 2021 and March 18th, 2021 to keep its key policy rates unchanged. These and all other incoming data will be incorporated in the following Monetary Policy Report.

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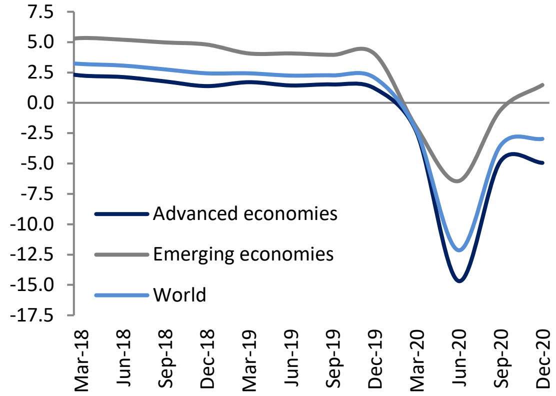
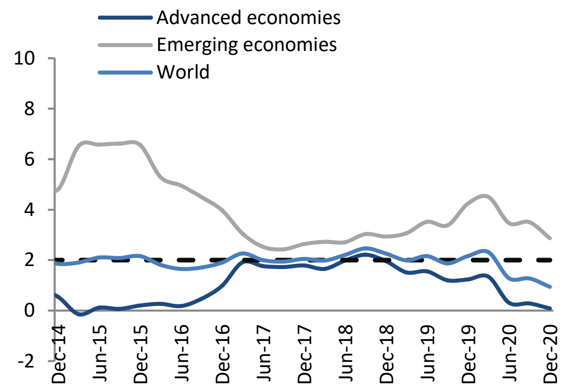
Economic Growth of Egypt's External Environment [1/]
(In %, y/y)



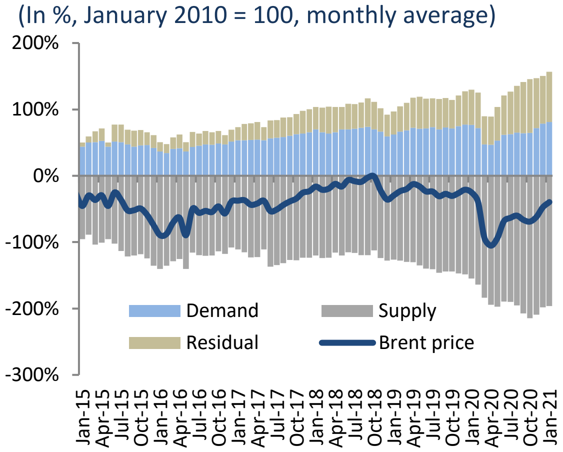
Source: Bloomberg & Central Bank of Egypt calculations.
1/ The series is weighted using Egypt's trade volume in 2015/16.
* Dec-2020 figures include estimates

Figure 2
Headline Inflation of Egypt's External Environment [1/]
(In %, y/y)



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

Figure 3
Contribution to Brent price change
(In %, January 2010 = 100, monthly average)



Source: Federal Reserve Bank of New York.

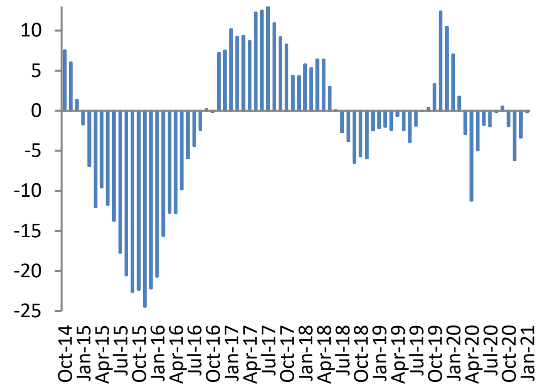
The Initial Conditions

a) Globally, economic activity is expected to have continued to contract in 2020 Q4, albeit at a softer pace compared to 2020 Q3. World trade began to slightly recover some of the losses incurred in the first half of 2020, while inflation continued to decelerate in 2020 Q4. International oil prices have continued to rise, reaching a post-pandemic peak to date in February 2021. Capital inflows into emerging markets continued to increase during the period between November 2020 and January 2021, supported by the accommodative global financial conditions, and the continued rollout of vaccines.

Global economic activity continued to be impacted by the COVID-19 pandemic, and the subsequent measures taken to curb its spread. As a result, growth in Egypt's external environment is expected to have continued to contract by 3.0% in 2020 Q4, albeit at a softer pace compared to the negative 3.5% registered in preceding quarter. This marks the fourth consecutive quarter of negative global growth in Egypt's external environment. However, growth is expected to slightly return to positive territory in 2021 Q1.

More specifically, economic activity in advanced economies continued contracting by 3.4% in 2020 Q4, compared to negative 3.3% in 2020 Q3 and negative 10.2% in 2020 Q2. The deterioration in growth in advanced economies in 2020 Q4 was mostly driven by a sharp 5.0% contraction in the Euro Area, despite the softer broad-based contractions in the United States, Japan and the United Kingdom. On a similar note, emerging economies-economic activity also registered negative growth during 2020 Q3, however, with a marked improvement compared to the preceding quarters. Growth recorded negative 0.2% during 2020 Q3, from negative 2.0% in 2020 Q2. The notable easing of the negative growth emanated from the continued positive growth exhibited by China, which mostly offset the contractions witnessed in India, Russia, and Brazil. Recent data from China points to an expected recovery in overall emerging market economies growth during 2020 Q4, alongside the continued softening of the contraction in the other emerging market economies.

Figure 4
International Food Prices
(In %, y/y, using domestic CPI basket weights of core food items)

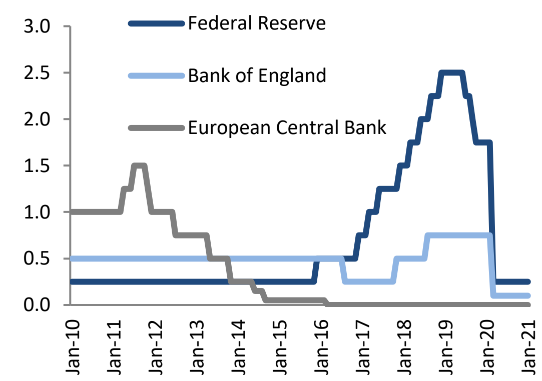


Source: Central Bank of Egypt calulations, World Bank and Food and Agriculture Organization of the United Nations.

Annual headline inflation of Egypt's external environment decelerated to 0.9% in 2020 Q4 from 1.3% in 2020 Q3 and 2020 Q2. Inflation in advanced economies dropped to 0.1% in 2020 Q4 from 0.3% in 2020 Q3 and 2020 Q2. The drop in inflation was driven by the deflation in the Euro Area and Japan in 2020 Q4, and by the deceleration in the United Kingdom's headline inflation compared to 2020 Q3. Combined, all of the latter offset the slight acceleration in inflation in the United States. Similarly, inflation in emerging market economies fell to 2.9% in 2020 Q4 relative to 3.5% in the preceding quarter. The latter came largely on the back of a deceleration in China and India's inflation rates, which more than compensated for the acceleration in Russia and Brazil's inflation figures.

Global trade embarked on its path to recovery in 2020 Q4, reversing the negative trend present since 2019 Q2, which was further amplified by the impact of COVID-19 since 2020 Q2. In fact, global trade registered a positive growth rate of 0.3% on an annual basis in 2020 Q4, from negative 4.3% in the preceding quarter. Despite the positive outturn in 2020 Q4, global trade in 2020 contracted by 5.3% on average.

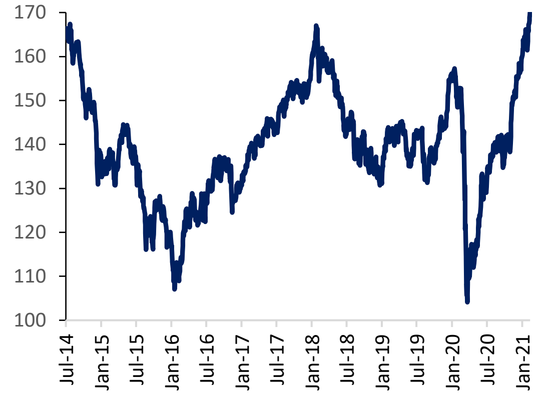
Figure 5
Advanced Economies Central Banks' Key Policy Rates
(In %)



Source: Bloomberg and Central Bank of Egypt calculations.

Brent crude oil prices have risen on average for five consecutive months since October 2020, registering an average post-pandemic peak level of 60 USD/barrel in the first half of February 2021. This marks a significant increase from the trough of USD 18.4/barrel recorded in April. The recent increases in November, December and January 2021 were mainly driven by a reduction in supply, which were coupled with seasonal increases in demand due to the winter season. Moreover, the first half of February saw prices continue to increase driven by higher demand, amidst slightly lower supply. In the meantime, international food prices, using domestic CPI basket weights of core food items, continued to decline on annual terms since March 2020, with the exception of a marginal pickup in September 2020. On an annual basis, the declines were mostly driven by lower red meat and poultry prices.

Figure 6
Emerging Markets Capital Flows Proxy
(Index level)

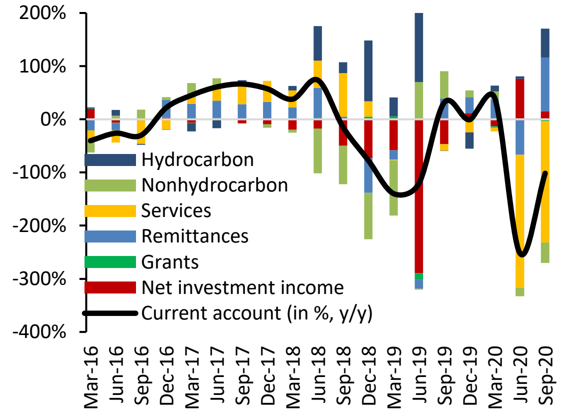


Source: Bloomberg.

The Federal Reserve has decided to maintain its policy rates at their current levels in its last meeting in January 2021, after having cut rates by 150bps in March 2020. Meanwhile, the Federal Reserve decided that it will maintain its asset purchase program. Similarly, the European Central Bank also kept its main refinancing operations rate and deposit facility rates unchanged at 0% and negative 0.5% in its last meeting in January 2021, both of which were last changed in March 2016 and September 2019, respectively. In addition, the European Central Bank also pledged to extend its pandemic emergency purchase program until March 2022. Moreover, the Bank of England also kept its main policy rate unchanged at 0.1% during its last meeting in December 2020, after cutting it by 65 bps in March 2020. With regards to quantitative easing, the Bank of England pledged to continue and potentially expand their support to the economy over the coming period.

Capital flows into emerging markets have continued to recover following the sharp slump in March 2020, which witnessed the sharpest outflows on record since 2008. The rollout of news regarding vaccine efficacy and distribution, and the accommodative global financial conditions have supported the resumption of inflows into emerging market economies.

Figure 7
Contribution to the Current Account
(In p.p.,+ve= improvement, y/y unless otherwise specified)

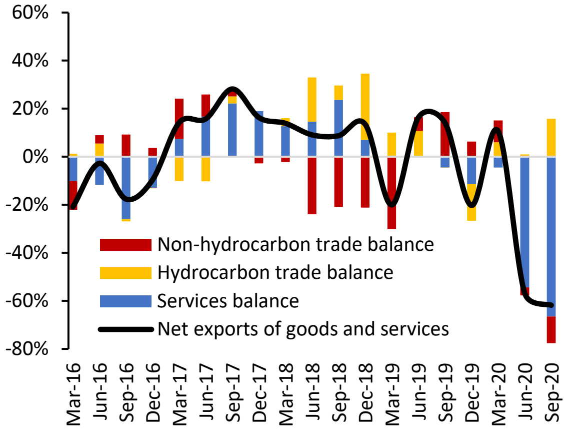


Source: Central Bank of Egypt.

b) The current account deficit improved by 27.2% in 2020 Q3 compared to the preceding quarter but widened on annual terms, largely due to the drawbacks in the services and non-hydrocarbon trade balances, reflecting the adverse impact of COVID-19 on travel and trade globally. This in turn, more than offset the positive contributions of remittances and the hydrocarbon and investment income trade balances. In contrast, the financial account continued to recover, registering a sizable surplus on the back of the resumption of strong portfolio inflows.

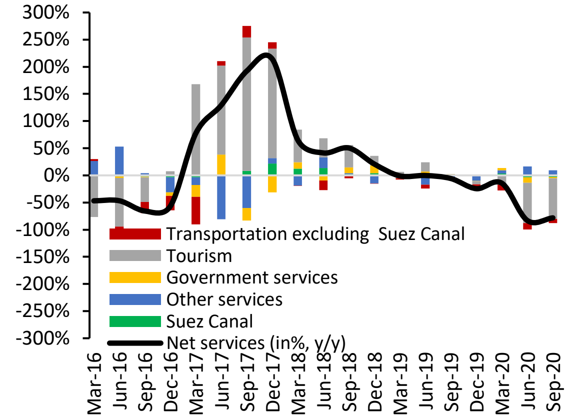
The current account posted a USD 2.8 billion deficit in 2020 Q3, improving by 27.2% compared to the preceding quarter. Meanwhile on an annual basis, the current account deficit doubled in magnitude relative to 2019 Q3. This was primarily due to the significant negative contribution stemming from the services balance. Nevertheless,

Figure 8
Contribution to the net exports of goods and services
(In p.p.,+ve= improvement, y/y unless otherwise specified)



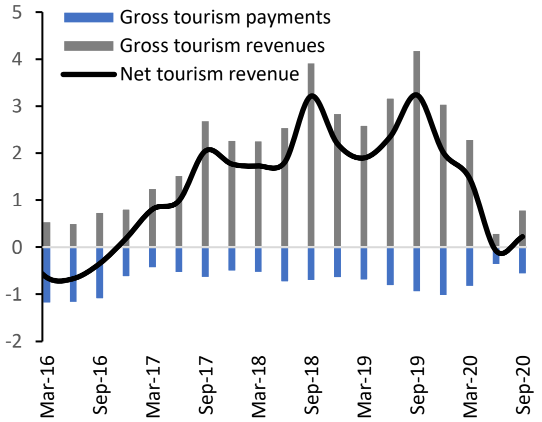
Source: Central Bank of Egypt.

Figure 9
Contribution to the net services
(In p.p.)



Source: Central Bank of Egypt.

Figure 10
Tourism Receipts and Payments
(In USD billion)



Source: Central Bank of Egypt.

the widening of the deficit is only expected to be temporary since tourism is expected to gradually recover over the next couple of quarters, as countries expand the vaccination coverage of their respective populations. Meanwhile, the widening of the current account deficit was cushioned by the positive contributions of remittances, as well as the hydrocarbon and investment income trade balances. Remittances increased by 21% while the investment income trade deficit narrowed by 6.3% on annual terms, as a result of a decline in investment income payments and in particular, a decrease in profit repatriation by foreign oil companies. Thus, contributing positively to the current account balance.

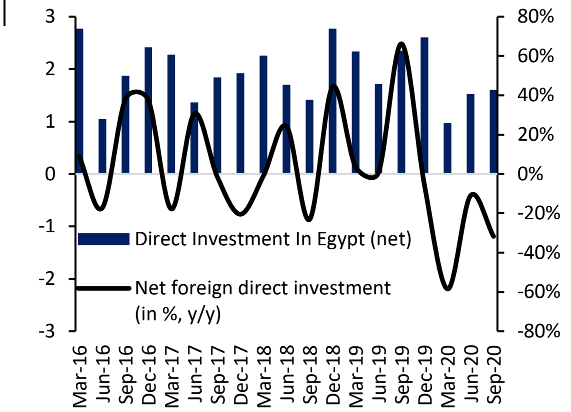
Similarly, net exports of goods and services continued to record a deficit in 2020 Q3, which was aggrevated by the significant drop in the services surplus and a widening non-hydrocarbon trade balance. Nonetheless, the hydrocarbon trade balance contributed positively towards the net exports of goods and services, as it continued to register a surplus for the second consecutive quarter, partially mitigating the recorded overall deficit.

Furthermore, the non-hydrocarbon trade deficit widened in 2020 Q3 by 6% on annual terms, recording USD 8.7 billion and reversing the improving trend that it had previously witnessed on annual terms since 2019 Q1. This was mainly due to an increase in non-hydrocarbon imports while non-hydrocarbon exports stabilized at USD 4.7 billion.

The hydrocarbon trade balance continued to improve on annual terms, registering a surplus for the third consecutive quarter. The registered surplus was largely due to the drop in the oil imports bill, which halved in value, recording USD 1.5 billion against USD 3.0 billion over the same period last year. Additionally, the outlook for natural gas production is expected to steadily recover fueled by the resumption of LNG exports from Idku and Damietta terminals, supporting the existing surplus.

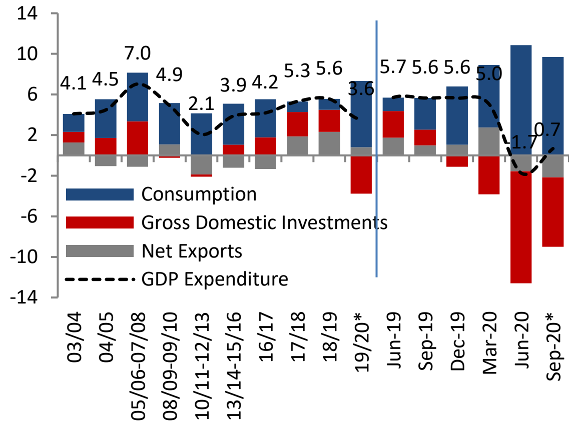
Morever, the net services surplus narrowed sharply on annual terms in 2020 Q3, declining by 78%, and extending its

Figure 11
Net Foreign Direct Investments*
(In USD billion)



Source: Central Bank of Egypt.
*Updated data in accordance with a new methodology, starting Q1 2018/19, for compiling FDI and its earnings to include all undistributed realized earnings, pursuant to Prime Minister Decree No. 2732 of 2019. In the former data compilation method, data was restricted to reinvested earnings.

Figure 12
Real GDP Growth at Market Prices
(In p.p., y/y)



*/ Preliminary figures
Source: Ministry of Planning and Economic Development.

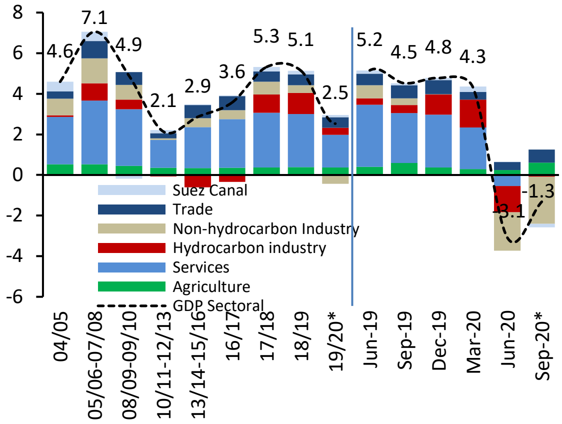
declining trend for the fifth consecutive quarter. The sharp decline was principally due to a significant decline in travel receipts, caused by the enactment of travel restrictions globally to contain the COVID-19 pandemic. In addition, the deterioration in the net services surplus was compounded by the combined unfavourable contributions of net transportation, Suez Canal and government receipts.

On the other hand, the financial account continued to recover in 2020 Q3, registering a sizable surplus of USD 4.0 billion due to the strong resumption of net portfolio inflows into the Egyptian domestic debt market. The strong recovery in portfolio investments came after it had witnessed substantial outflows and limited inflows during 2020 Q1 and Q2, respectively. Furthermore, net foreign direct investment continued to decline for the fourth consecutive quarter in 2020 Q3, posting a 31.8% decline compared to the corresponding period last year. Meanwhile, net international reserves recorded USD 40.1 billion in January 2020 against USD 36.0 billion in May 2020.

c) ***Real GDP growth slightly picked up in 2020 Q3, registering positive 0.7% compared to negative 1.7% in the previous quarter and compared to positive 5.6% during the corresponding period last year, reflecting the sustained negative impact of COVID-19 on economic activity. Meanwhile, the unemployment rate broadly stabilized at 7.2% in 2020 Q4 after improving to record 7.3%in 2020 Q3, down from 9.6% in 2020 Q2.***

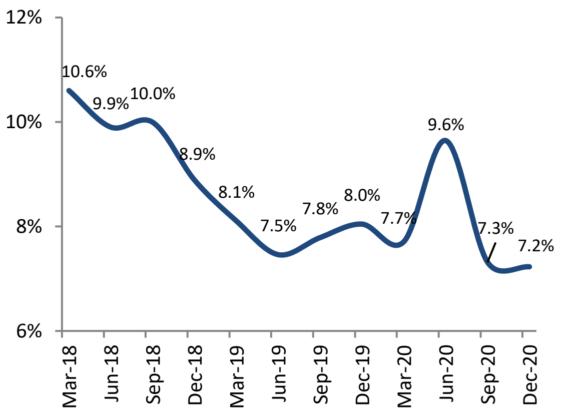
Real GDP growth picked up slightly to positive 0.7% in 2020 Q3 compared to a contraction of 1.7% in the previous quarter, thereby averaging 1.3% during the first three quarters of 2020, and against 5.6% recorded in 2019 Q3. This comes as the negative impact of the COVID-19 pandemic continued to weigh on various economic sectors, which are yet to recover to their pre-pandemic growth rates. Preliminary figures indicate that the contribution of consumption continued to cushion the economy in 2020 Q3, more than offsetting the negative contributions of gross domestic investments and net exports and extending its expansionary trend since 2019 Q2. Furthermore, the contribution of gross domestic investments improved

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



*/ Preliminary figures
Source: Ministry of Planning and Economic Development.

Figure 14
Unemployment Rate
(as percent of labor force)



Source: CAPMAS.

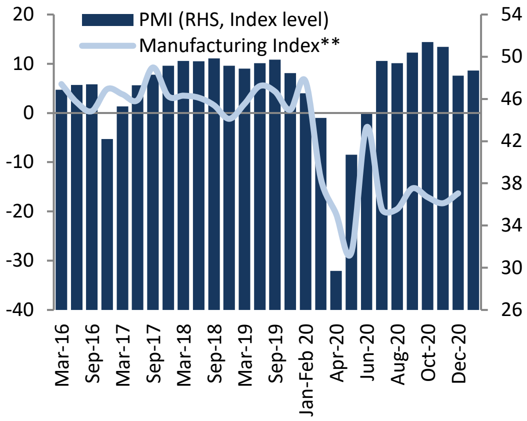
compared to the previous quarter, albeit remaining in contractionary territory, registering negative 6.8 p.p. in 2020 Q3. Meanwhile, that of net exports deteriorated further relative to the preceding quarter, contributing by negative 2.2 p.p. to overall GDP growth.

The negative contribution of net exports to GDP growth in 2020 Q3, which occurred for the second consecutive quarter, followed a period of positive contribution between 2017 Q4 and 2020 Q1. The negative contribution stemmed from the sustained pace of contraction of real exports, which outpaced that of real imports in 2020 Q3, both recording annual contractions of 45% and 41%, respectively. Nevertheless, the level of net exports improved by 39% compared to 2020 Q2, picking up from its lowest level in 2018 Q3, following the widespread disruption to global trade during the first wave of the pandemic.

Meanwhile, the annual deterioration in sectoral GDP growth in 2020 Q3 eased , registering negative 1.3%, compared to negative 3.1% in 2020 Q2. This was mainly due to an improvement in the contribution of both the private and public sectors to sectoral growth compared to the previous quarter, though the former remained in contractionary territory. The easing contraction of private sector contribution to sectoral growth was mainly driven by the increase in contribution from construction, agriculture and trade compared to the previous quarter, while that of non-petroleum manufacturing and tourism continued to deteriorate. Meanwhile, the reversal of the contraction in the public sector, which recorded a positive contribution to growth in 2020 Q3, was driven mainly by the pickup in contribution from petroleum manufacturing and natural gas extractions compared to the previous quarter.

Regarding the labor market, the unemployment rate stabilized at 7.2% in 2020 Q4 against 7.3% in 2020 Q3, after it had improved markedly from the 9.6% that was recorded in 2020 Q2. Moreover, both employment and the labor force continued to increase on a quarterly basis for the second consecutive quarter. Hence, the stability in the

Figure 15
Leading Indicators
(In %, y/y, unless otherwise specified)

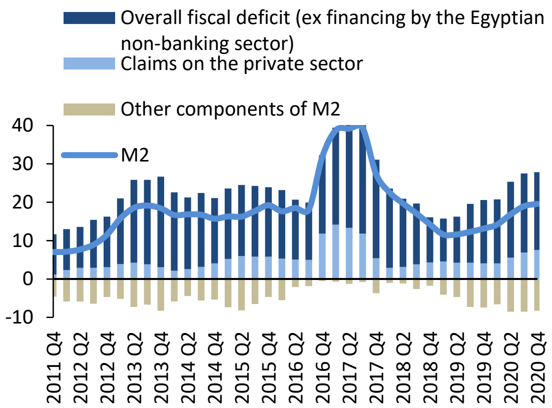


*/ Data shown in the chart is monthly starting from Mar-20.
**/ Subject to revisions.
Source: Bloomberg, CAPMAS.

unemployment rate was due to the sustained positive contribution of employment which broadly offset the increase in the labor force.

A number of leading indicators continued to recover throughout 2020 Q4, building on the initial recovery, which emerged in June and July 2020 following the easing of partial lockdown measures. Nevertheless, most leading indicators are yet to recover to their pre-pandemic levels. The Purchasing Managers Index (PMI) contracted on average in the three months ending in January 2021 after expanding on average in the previous three months. Similarly, the manufacturing index continued its sharper contractionary path in December 2020, reversing the brief upticks witnessed in June. On the contrary, annual growth in car sales increased on average at a faster pace in 2020 Q4 compared to the preceding quarter. Furthermore, Suez Canal net tonnage growth continued to recover in January 2021 from its June 2020 nadir, nearing its pre-pandemic levels witnessed a year ago. However, activity in the hydrocarbon sector remained weak, as natural gas production, continued to contract as of November 2020, with the pace of the contraction intensifying during October and November 2020.

Figure 16
Contribution to M2 Growth
(In p.p., y/y)



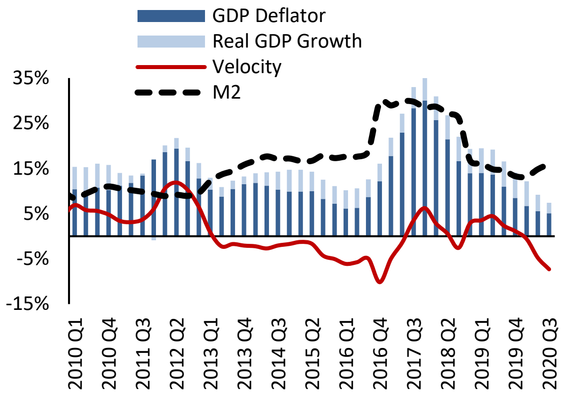
Source: Central Bank of Egypt.

d) Broad money growth continued to increase in 2020 Q4 for the sixth consecutive quarter, with the increase in 2020 Q4 driven mainly by higher contribution of fiscal deficit financing sources within M2 and private sector credit.

Annual growth of broad money (M2) growth picked-up in 2020 post COVID 19 outbreak in March 2020, to reach an average of 18.4% between April and December 2020, compared to average of 12.6% in 2019 and 2020 Q1 (pre-COVID). In 2020 Q4, M2 growth continued to pick up for the sixth consecutive quarter to record 19.6% on average. The increase in 2020 Q4 was mainly driven by the increase in contribution of fiscal deficit financing sources within M2[1] as well as the private sector credit. Bank financing was the biggest driver of higher contribution from the fiscal deficit financing sources within M2, followed by external

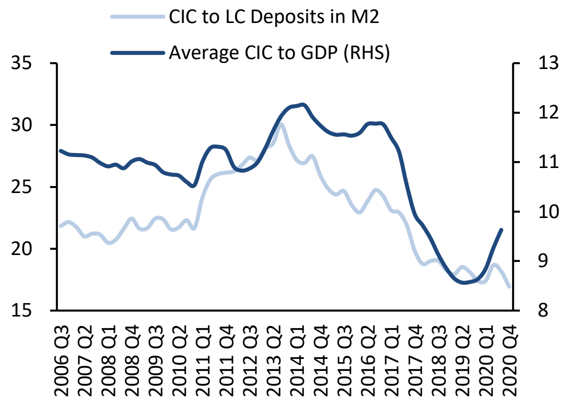
[1] The financing sources that enter M2 are domestic bank financing, foreign non-bank financing (foreign purchases of domestic government debt) and external financing (financing of government external debt).

Figure 17
Money, Velocity and Real GDP
(average of period, in p.p, y/y)



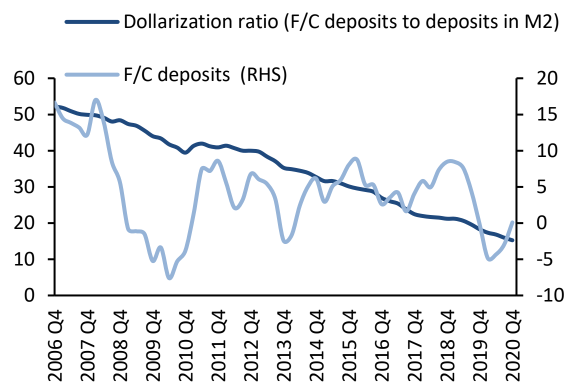
Source: Central Bank of Egypt.

Figure 18
CIC Outside the Banking System[1/]
(In %)



Source: Central Bank of Egypt.
1/ Average CIC to four quarters rolling sum of GDP.

Figure 19
Developments of F/C Deposits[1/]
(In %, y/y, unless otherwise stated)



Source: Central Bank of Egypt.
1/ Dollarization ratio is calculated assuming constant exchange rate as of April 2020. While annual growth is calculated from F/C deposits in USD.

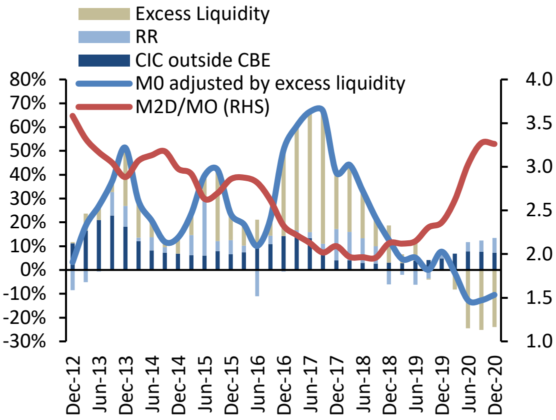
financing contribution. However, the growth in M2 was non-inflationary and did not cause a proportional increase in GDP, as evident by lower inflation and negative growth in velocity of money during 2020, reflecting the slow-down in the economy post COVID-19 and the related containment measures.

Furthermore, the contribution of claims on the private sector continued to increase in 2020 Q4 for the third consecutive quarter, after being broadly stable since 2019 Q2. The pickup in 2020 Q4 was supported by the cumulative policy rate cuts worth 400 bps in 2020, the introduction of the CBE lending initiatives to select sectors at preferential rates that were introduced in late 2019 and early 2020 and the adjournment of loan installments for six months effective March 2020 without charges to ease the expected adverse effects of the COVID-19 pandemic and the associated containment measures. Similarly, inflation adjusted growth of L/C claims on the private sector increased slightly in 2020 Q4, recording its highest level since 2000 Q1.

Within the components of M2, CIC as a percent of L/C deposits in M2 declined in 2020 Q4 after a slight increase in the 2020 Q2, in line with the COVID-19 outbreak and the containment measures by the Egyptian government. It is worth noting here that CIC indicators remained below their historical long term average even during the uptick in the ratio in 2020 Q2. Furthermore, the exchange rate adjusted-dollarization ratio defined as F/C deposits to total deposits in M2 declined in 2020 Q4, after being broadly stable in the first three quarters of 2020, while F/C deposits in USD remained stable, after recording annual declines for four consecutive quarters.

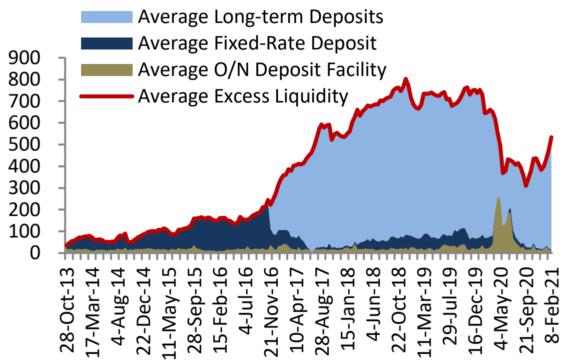
Annual growth of M0, adjusted by total excess liquidity, continued to decline in 2020 Q4 for the fourth consecutive quarter, albeit at a slower pace, due to CBE balance sheet operations that lowered the contribution of excess liquidity growth. The money multiplier, measured as the ratio between L/C components of broad money and M0 as defined above, remained unchanged in 2020 Q4, after a consistent increase over the past three quarters.

Figure 20
Contribution to Adjusted M0 and the Money Multiplier[2/]
(In %, y/y, unless otherwise stated)



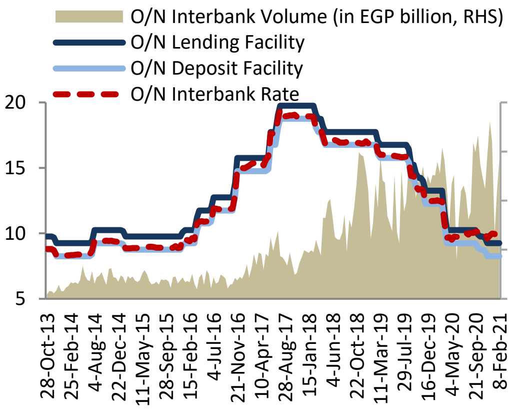
Source: Central Bank of Egypt.
2/ M0 adjusted by total excess liquidity and M2D includes L/C components of M2.

Figure 21
Excess Liquidity [1,2/]
(In EGP billion)



Source: Central Bank of Egypt.
1/ Excess liquidity is adjusted by O/N lending facility.
2/ As of November 2,2020.

Figure 22
O/N Interbank and CBE Policy Rates[1/]
(In %, unless otherwise stated)



Source: Central Bank of Egypt.
1/ As of November 2,2020.

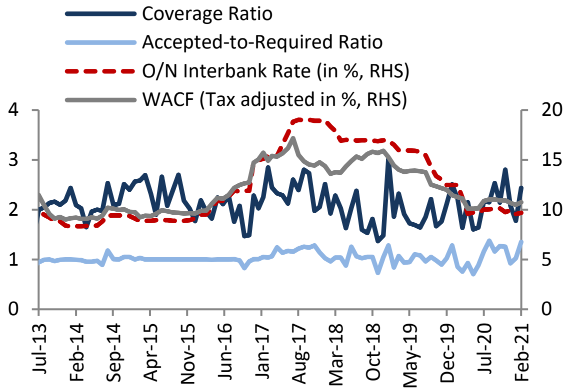
e) Real monetary conditions remained broadly stable.

Real monetary conditions are estimated to have broadly stabilized after easing in 2020 Q3, supported by the cumulative 400 bps policy rate cuts in March 2020, September 2020 and November 2020.

Excess liquidity levels have been broadly increasing since October 2020, to record an average of EGP534 billion during the maintenance period ending February 8, 2021. Nevertheless, these levels remain lower compared to an average of EGP674 recorded during 2020 Q1. Despite the broad increase in excess liquidity, the interbank activity remained elevated, supported by the resumption of all the open market operations' auctions since the second half of June 2020. Meanwhile, the O/N interbank rate has been above the mid-corridor rate since July 2020, compared to its long-term average spread of around negative 30bps. As of the maintenance period ending February 8, 2021, interbank rates reflect a decline of c.0.7x the cumulative 400 bps policy rate cuts in March 2020, September 2020 and November 2020.

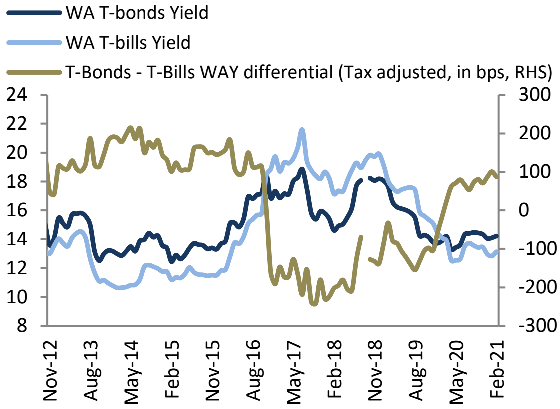
Yields for L/C government securities have been broadly stable, after slightly declining in December 2020, to record an average of 10.6% (net of tax) during December 2020, January 2020 and the first three auctions in February 2021. This compares to 10.9% (net of tax) recorded on average during October 2020, prior to the 50 bps policy rate cut in November 2020 and 11.6% (net of tax) recorded on average during December 2019, January 2020 and February 2020, prior to the cumulative 400 bps policy rate cut on March 16, 2020, September 24, 2020 and November 12, 2020. The recent 0.3p.p. drop in the w.a. yield was supported by the slight drop in the supply, while demand remained broadly stable. The accepted-to-required ratio for L/C government securities declined slightly to record 1.1x on average during December 2020, January 2021 and the first three issuances in February 2021, compared to 1.3x recorded during October 2020. Meanwhile, demand remained boadly stable, as reflected by the coverage ratio of 2.1x recorded on average during December 2020, January

Figure 23
Demand for, and Supply of the Treasury's L/C Marketable Securities[1/]
(In x, unless otherwise stated)



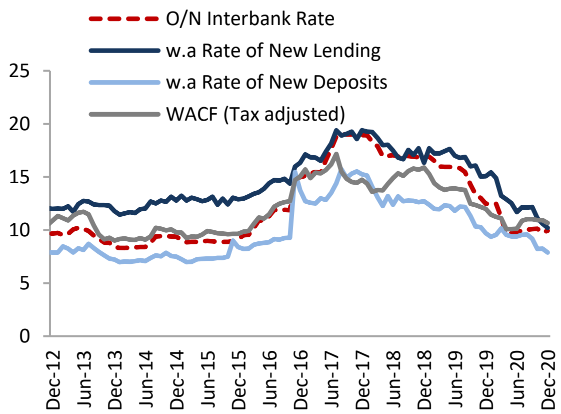
Source: Central Bank of Egypt calculations.
1/ As of November 10,2020.

Figure 24
Rates of the Treasury's L/C Marketable Securities[1/]
(In %, unless otherwise stated)



Source: Central Bank of Egypt calculations.
1/ As of November 10,2020.

Figure 25
Select Market Interest Rates[1/]
(In %)



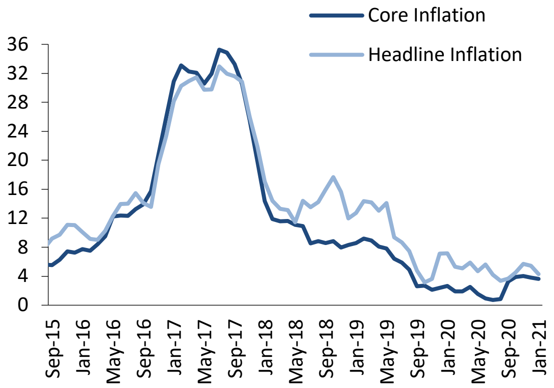
Source: Central Bank of Egypt.
1/ Up to September 2020.

2021 and the first three issuances in February 2021, compared to 2.1x recorded during October 2020.

Meanwhile, yields on Egyptian Eurobonds have been broadly stable since January 2021 after broadly declining between May 2020 and December 2020, following the substantial increase witnessed in March 2020 and April 2020 in line with the unfavorable sentiment on emerging markets due to the COVID-19 outbreak. Moreover, Egypt's CDS spreads remained relatively low compared to the majority of peers with similar sovereign credit rating despite the recent increase. Furthermore, Fitch Ratings and S&P have reaffirmed their current credit rating for Egypt while maintaining a 'stable' outlook in July 2020 and April 2020, respectively. It is noteworthy to highlight that Egypt's credit rating was upgraded by Moody's and Fitch Ratings in April and March 2019, respectively, following the upgrade by S&P in May 2018.

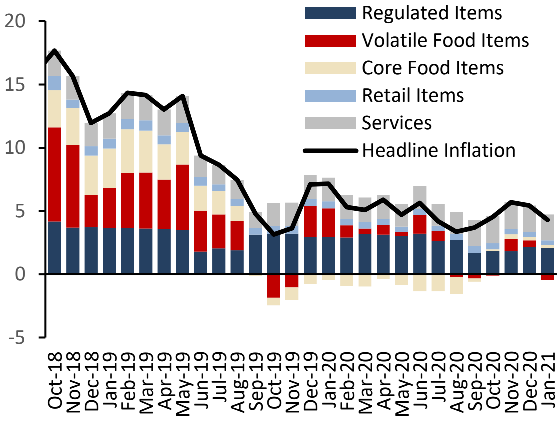
In the banking sector, data until December 2020 continued to reflect partial transmission of the cumulative 400 bps policy rate cut on March 16, 2020, September 24, 2020 and November 12, 2020 to rates of new deposits, whereas data for new lending rates reflected stronger transmission of the 400 bps policy rate cuts. New deposit rates declined to record 7.9% in December 2020, compared to an average of 9.5% recorded during December 2019, January 2020 and February 2020. The partial transmission was affected by the saving certificates at public banks. Meanwhile, rates of new loans declined to record 10.2% in December 2020, compared to an average of 15.1% during December 2019, January 2020 and February 2020, reflecting a transmission in the magnitude of 1.2x the cumulative 400 bps policy rate cut on March 16, 2020, September 24, 2020 and November 12, 2020. The decline was also supported by the CBE intiatives.

Figure 26
Headline and Core Inflation[1/]
(In %, y/y)



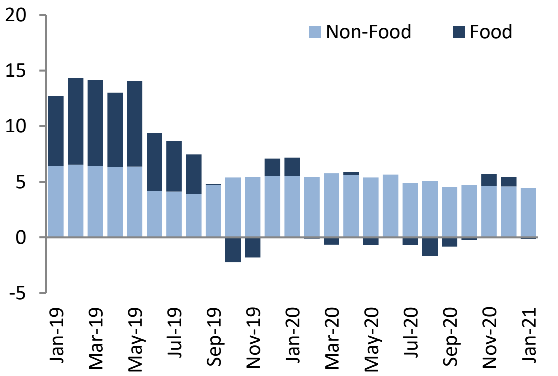
Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.
1/Core inflation is headline inflation excluding regulated and volatile food items.

Figure 27
Contribution to Headline Inflation
(In p.p., y/y)



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

Figure 28
Contribution to Headline Inflation
(In p.p., y/y)



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

f) Annual headline and core inflation rates continued to reflect muted underlying inflationary pressures. Fluctuations in annual headline rates continued to be mainly driven by the contribution of food items, in light of the transitory shock of tomatoes since November 2020.

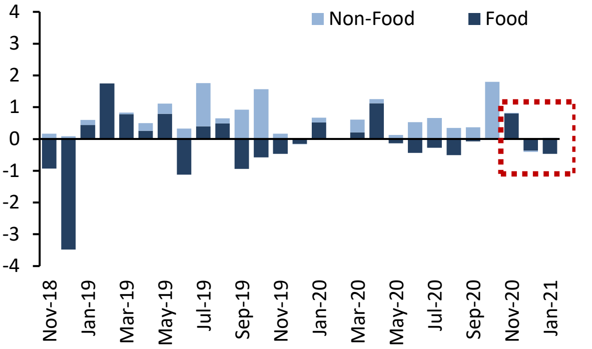
Annual headline urban inflation decelerated for the second consecutive month in January 2021 to 4.3%, from 5.4% in December 2020 and 5.7% in November 2020. The decelerations in December 2020 and January 2021 stemmed mainly from the lower annual contribution of food items, particularly volatile food items with the reversal of the transitory supply shock in tomatoes. This transitory shock was the same factor behind the increase in November 2020's headline inflation. This came after annual headline inflation recorded 4.5% in October 2020.

While annual headline inflation is mainly driven by the contribution of nonfood items (105% on average during 2020), the volatility of the headline inflation rate continued to be mainly driven by the fluctuations of the contribution of food items.

With December's inflation outturn, average annual headline inflation registered 5.2% during 2020 Q4, thereby coming below the lower band of the 9% (±3 p.p.) target announced in 2018. The deviation from the target came as a result of the impact of the COVID-19 pandemic outbreak and its resulting government containment measures on economic activity. Furthermore, the government's successful implementation of several measures to avoid supply shortages in the market contributed to lower inflation rates.

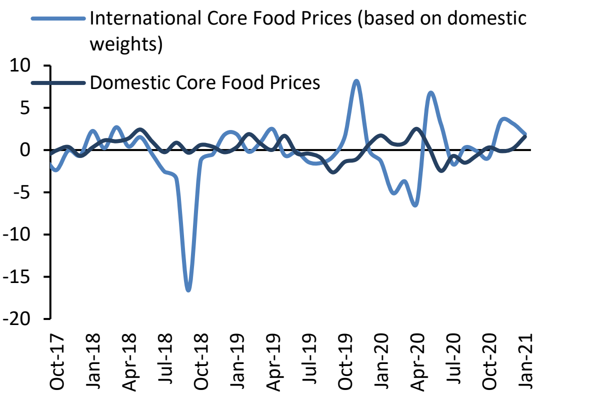
Following broadly the same trend as annual headline inflation, annual core inflation declined for the second consecutive month in January 2021 to 3.6% from 3.8% in December 2020, after having increased slightly to 4.0% in November 2020 from 3.9% in October 2020. The changes in annual core inflation rates were mainly driven by base effects. Meanwhile, the continued deceleration in January 2021 came as monthly core inflation recorded 0.5%, compared to 0.7% in the same month of the preceding year. In

Figure 29
Contribution to Headline Inflation
(In p.p., m/m)



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

Figure 30
International vs. Domestic Core Food Prices
(In %, m/m, using domestic CPI basket weights)



Source: Central Agency for Public Mobilization and Statisticsics, Central Bank of Egypt, World Bank and Food and Agriculture Organization of the United Nations.

addition, monthly core inflation registered zero in both November and December 2020 compared to negative 0.1% and positive 0.2% in the same months of the preceding year, respectively. Accordingly, core inflation rates on both the annual and monthly bases continued to reflect muted underlying inflationary pressures.

Having exhibited negative rates since February 2020, except for April and June 2020, annual food inflation returned to positive territory in November 2020 and December 2020, reaching 3.6% and 2.8%, respectively. The short-lived positive reading though was reversed in January 2021, as annual food inflation registered a negative reading of 0.5%. The fluctuation in annual food prices was mainly driven by changes in fresh vegetable prices (particularly tomatoes), while core food prices supported the change, but by a much lower extent.

More specifically, following a period of negative annual core food inflation between October 2019 and September 2020 (except for April 2020), annual core food inflation reversed direction, registering four consecutive positive readings since October 2020. However, core food inflation has remained broadly subdued on a monthly basis, as displayed in November and December 2020. Meanwhile, the slight uptick in January 2021's core food inflation was mainly driven by a seasonal increase in poultry prices. Generally, muted core food inflation came as the impact of the partial limitations on the operational levels of restaurants and hotels due to COVID-19 continued to weigh positively on domestic inventory levels. In addition, according to an earlier study released by CAPMAS, households have altered their spending patterns on food items in response to the pandemic's impact on their income levels, which has led them to mainly resort to consuming cheaper sources of food, as well as lowering their weekly consumption of meat, poultry, and seafood. Furthermore, core food prices continued to be affected by the measures taken by the government to avoid any supply shortages, and by the release of the 10th CPI series and its linking methodology to the 9th series until August 2020's data.

Meanwhile, annual non-food inflation remained largely stable at 6.6% during December 2020 compared to November 2020, before declining to 6.4% in January 2021. This comes as November's 2020 reading marked a decline from 6.9% in October 2020, which was mainly driven by broad price stability compared to the same month of the of the previous year. January 2021's decline reflected the combined impact of the marginally lower annual contributions of the of regulated, services, and retail items.

With respect to key monthly developments, monthly headline inflation recorded negative 0.4% in both December 2020 and January 2021, following its acceleration by 0.8% in November 2020. November 2020's monthly headline inflation was mainly driven by a supply shock in tomatoes, which drove tomato prices upwards by 135% on a monthly basis, against their seasonal pattern. In the following two months, prices of tomatoes dropped, partially reflecting their normal seasonal pattern in December 2020, as well as the reversal of the transitory shock witnessed during November 2020. In January 2021, the decline in tomato prices was only partially offset by seasonally higher prices of poultry, as well as by higher prices of fresh fruits for the second consecutive month. In the meantime, prices of non-food items remained broadly stable since October 2020, reflecting largely muted underlying inflationary pressures.

Monthly domestic core food inflation converged with monthly international core food inflation in January 2021. International core food prices have been increasing since November 2020, which is largely attributed to rising concerns over certain product availabilities throughout 2021. Changes in international core food prices from November 2020 to January 2021 were mainly driven by the fluctuations in red meat and poultry prices.

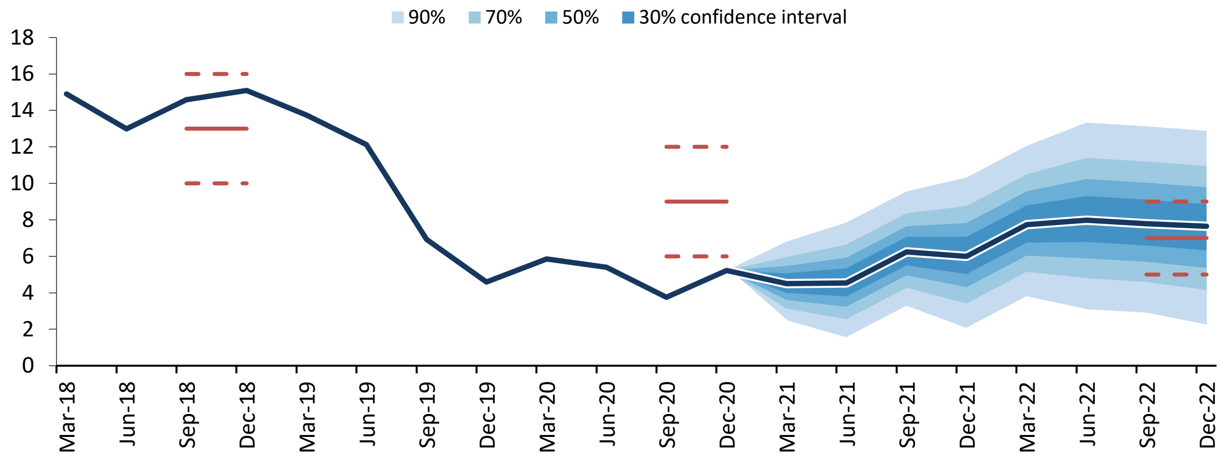
The Outlook

The MPC decided to maintain its main policy rate unchanged in each of its meetings on the 24th of December 2020, and on the 4th of February 2021. This comes after the MPC cut key policy rates by a cumulative of 400 bps in 2020 to support economic activity in light of the global and domestic developments stemming from the outbreak of COVID-19 pandemic. In the meantime, and as the CBE continues to support macroeconomic stability over the medium term, the CBE's next inflation target has been set at 7% (±2 p.p.) on average during 2022 Q4, down from 9% (±3 p.p.) on average during 2020 Q4. Monetary policy tools are utilized to anchor inflation expectations, contain demand-side pressures and second-round effects of supply shocks. Exogenous factors that are outside the scope of monetary policy may lead to transitory deviations from previously announced target rates.

Figure 31

Inflation Forecast [1/]

(In %, y/y)



Source: Central Bank of Egypt.

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

Global economic activity continues to show varying paces of recovery across countries and economic sectors, as the impact of the COVID-19 pandemic continues to weigh on the outlook. Prospects for global economic recovery remain contingent on the scale of distribution, as well as the efficacy of vaccines. Global economic and financial conditions are expected to remain accommodative and supportive of economic activity over the medium term, although global yield curves have steepened recently. Meanwhile, international prices for oil, food and other commodities have surged to post-pandemic highs, with the level of uncertainty increasing regarding their future price trajectories. The surge in international oil prices was largely driven by supply side developments, while the increase in the prices of other commodities stemmed from both supply and demand side factors.

International food price forecasts relevant to Egypt's consumption basket are expected to increase in 2021 with upside risks mainly emanating from higher energy costs according to the World Bank. In addition, the outlook for Brent crude oil price incorporated in the domestic inflation outlook increased compared to the previous published Monetary Policy Report.

Domestically, cost-recovery for most fuel products has already been achieved. Therefore, the pass-through of international oil prices to domestic inflation will be based on the quarterly review of the fuel prices as part of the price indexation mechanism. This mechanism caps the price adjustments to domestic fuel prices to ±10 p.p. every quarter. Since the EGP0.25 per liter cut in select domestic fuel prices in April 2020, Egypt's Fuel Automatic Pricing Committee decided to keep the announced fuel prices unchanged. These decisions led to achieving fiscal savings that were redirected by the government towards containing COVID-19 and its repercussions on the Egyptian economy.

Egypt's GDP growth is expected to come lower in 2020/21 than the previous fiscal year, reflecting the full year impact of COVID-19 and its related containment measures on the economy. Given the gradual dissemination of vaccines and the subsequent ease in uncertainty, a gradual recovery is expected starting from the following fiscal year 2021/22, with the magnitude and pace of that recovery largely a function of the pickup in tourism from the supply side and private domestic demand from the demand side.

Based on this pattern of recovery and anchored inflation expectations, in addition to projected real monetary conditions, annual headline inflation rates are expected to continue recording single digits. The level of the rate is expected to be arithmetically affected by unfavorable base effects related to the normalization of monthly inflation rates in 2021, but will continue hovering around the inflation target's mid-point of 7% in 2022.

Overall, risks to the above baseline inflation outlook are mainly balanced. Upside risks mainly stem from higher than projected pass through of international commodity prices to inflation. Downside risks mainly stem from the lower than projected domestic food inflation rates in 2021 and 2022, in addition to COVID-19 pandemic and its reprecussions causing prolonged high level of uncertainty to the global economic outlook.

Appendix: Tables and Abbreviations

Table A1: CPI Contribution*														
	Weights**	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
Monthly Contributions to Headline CPI Inflation (in p.p.)														
Headline	**100**	**0.7**	**0.0**	**0.6**	**1.3**	**0.0**	**0.1**	**0.4**	**-0.2**	**0.3**	**1.8**	**0.8**	**-0.4**	**-0.4**
Regulated Items	21.4	0.0	0.0	0.3	0.0	0.0	0.2	0.6	0.2	0.2	0.6	0.0	0.0	0.0
Fresh Fruits & Vege-tables	5.5	0.1	-0.2	0.0	0.5	-0.2	0.1	-0.1	-0.2	0.0	0.0	0.8	-0.4	-0.8
Core CPI	73.1	0.5	0.2	0.3	0.7	0.2	-0.2	-0.1	-0.2	0.1	1.2	0.0	0.0	0.4
Food Prices	24.5	0.4	0.2	0.2	0.6	0.1	-0.6	-0.2	-0.3	-0.1	0.1	0.0	0.0	0.3
of which														
Poultry & Red Meat	8.6	0.3	0.1	0.2	0.4	0.1	-0.5	-0.2	-0.3	-0.1	0.1	0.0	0.0	0.3
Food excl. Poultry & Red Meat	15.9	0.0	0.0	0.0	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Retail Prices	14.3	0.0	-0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	-0.1	0.0
Services	34.3	0.1	0.1	0.1	0.1	0.0	0.3	0.1	0.1	0.1	1.0	0.0	0.0	0.0
Annual Contributions to Headline CPI Inflation (in p.p.)														
Headline	**100**	**7.2**	**5.3**	**5.1**	**5.9**	**4.7**	**5.6**	**4.2**	**3.4**	**3.7**	**4.5**	**5.7**	**5.4**	**4.3**
Regulated Items	21.4	3.0	2.9	3.2	3.1	3.0	3.2	2.6	2.7	1.7	1.8	1.8	2.2	2.1
Fresh Fruits & Vege-tables	5.5	2.3	1.0	0.4	0.8	0.3	1.5	0.8	-0.2	-0.3	-0.1	1.0	0.5	-0.4
Core CPI	73.1	1.9	1.5	1.5	2.0	1.4	1.0	0.8	0.8	2.3	2.8	2.9	2.7	2.6
Food Prices	24.5	-0.5	-0.9	-1.0	-0.4	-0.9	-1.4	-1.4	-1.4	-0.3	0.1	0.4	0.3	0.2
of which														
Poultry & Red Meat	8.6	-0.4	-0.7	-0.7	-0.1	-0.3	-0.7	-0.7	-0.8	0.0	0.2	0.3	0.2	0.1
Food excl. Poultry & Red Meat	15.9	0.0	-0.2	-0.3	-0.3	-0.5	-0.7	-0.6	-0.6	-0.2	-0.1	0.0	0.1	0.1
Retail Prices	14.3	0.5	0.5	0.5	0.5	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.4	0.4
Services	34.3	1.9	1.9	2.0	1.9	1.8	1.8	1.7	1.7	2.1	2.2	2.1	2.1	2.0

Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt calculations.
*Discrepancy is due to rounding numbers.
** Weights are based on 2017/2018 Household Income, Expenditure, and Consumption Survey (HIECS), starting the release of September 2019 data.

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

Date	2018/19*	2019/20*	2018/19*				2019/20*				2020/21*
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Trade Balance	**-38.0**	**-36.5**	**-9.8**	**-9.4**	**-10.5**	**-8.3**	**-8.8**	**-9.9**	**-9.4**	**-8.4**	**-8.6**
Export proceeds	28.5	26.4	6.8	7.5	6.6	7.6	7.1	7.1	6.7	5.4	6.3
Petroleum exports	11.6	8.5	2.8	3.2	2.5	3.0	2.4	2.6	2.3	1.2	1.6
Other exports	17.0	17.9	4.0	4.3	4.1	4.5	4.7	4.5	4.4	4.3	4.7
Import payments**	66.5	62.8	16.6	16.8	17.1	15.9	15.9	17.1	16.1	13.8	-14.8
Petroleum imports	11.5	8.9	3.4	2.4	2.9	2.7	3.0	2.7	2.3	0.8	-1.5
Other imports	55.0	53.9	13.2	14.5	14.2	13.1	12.9	14.3	13.7	13.0	-13.4
Services Balance	**13.1**	**9.0**	**4.3**	**3.0**	**2.5**	**3.3**	**4.0**	**2.2**	**2.1**	**0.6**	**0.9**
Receipts	24.4	21.3	6.9	5.9	5.3	6.3	7.4	6.0	5.1	2.7	3.4
Transportation	8.6	7.9	2.2	2.2	2.0	2.1	2.3	2.1	1.9	1.6	1.7
Of which: Suez Canal dues	5.7	5.8	1.4	1.5	1.3	1.5	1.5	1.5	1.4	1.3	1.4
Travel (tourism revenues)	12.5	9.9	3.9	2.9	2.6	3.2	4.2	3.1	2.3	0.3	0.8
Payments	11.4	12.3	2.7	2.9	2.8	3.0	3.4	3.8	2.9	2.2	2.5
Travel	2.8	3.2	0.7	0.7	0.7	0.8	1.0	1.0	0.8	0.4	0.7
Investment Income Balance	**-11.0**	**-11.4**	**-2.4**	**-2.8**	**-2.8**	**-3.0**	**-3.3**	**-2.5**	**-3.4**	**-2.2**	**-3.1**
Receipts	1.0	0.9	0.2	0.3	0.2	0.3	0.3	0.2	0.2	0.3	0.1
Payments	12.0	12.3	2.6	3.1	3.0	3.3	3.6	2.7	3.5	2.4	3.1
Of which: Interest paid	2.6	2.9	0.5	0.6	0.7	0.8	0.8	0.8	0.8	0.6	0.7
Current Transfers	**25.1**	**27.7**	**5.9**	**6.0**	**6.2**	**6.9**	**6.7**	**6.9**	**7.8**	**6.2**	**8.0**
Private (net)	24.8	27.5	5.9	5.9	6.1	6.9	6.6	6.9	7.8	6.2	8.0
Official (net)	0.3	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Balance of Current Account	**-10.9**	**-11.2**	**-2.0**	**-3.2**	**-4.5**	**-1.1**	**-1.4**	**-3.2**	**-2.8**	**-3.8**	**-2.8**
Capital & Financial Account	**10.9**	**5.4**	**1.8**	**1.3**	**6.5**	**1.2**	**0.7**	**4.6**	**-1.1**	**1.3**	**3.9**
Capital Account	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0
Financial Account	11.0	5.6	1.8	1.3	6.5	1.3	0.7	4.6	-1.1	1.3	4.0
Direct investment in Egypt (net)***	8.2	7.5	1.4	2.8	2.3	1.7	2.4	2.6	1.0	1.5	1.6
Portfolio investment in Egypt (net)	4.3	-7.3	-3.2	-2.6	6.9	3.2	-2.0	2.3	-8.2	0.6	6.7
Of which: Bonds	5.1	4.6	-0.1	-0.2	3.3	2.1	-0.3	1.8	-0.7	3.7	0.0
Other Investments (net)	-1.0	6.6	3.8	1.3	-2.7	-3.5	0.3	-0.1	6.3	0.1	-4.2
Net Borrowing	6.3	4.1	1.0	0.0	3.8	1.3	4.0	-0.4	-1.1	2.7	2.2
Medium- and Long-Term Loans (net)	3.3	7.2	-0.5	0.8	2.2	0.8	2.3	0.1	0.1	4.7	0.3
Medium- and Long-Term Suppliers' Credit (net)	0.8	-0.6	0.3	0.3	-0.1	0.3	-0.2	-0.1	-0.2	-0.2	1.9
Short term Suppliers' Credit (net)	2.1	-2.4	1.2	-1.0	1.7	0.2	1.8	-0.4	-1.0	-1.9	0.0
Other Assets	-8.9	0.3	1.9	-1.1	-8.0	-1.6	-2.0	1.0	6.7	-5.4	-4.4
Other Liabilities	1.6	2.2	0.9	2.4	1.5	-3.2	-0.7	-0.7	0.7	2.8	-2.0
Net Errors & Omissions	-0.1	-2.8	0.5	-0.2	-0.5	0.1	1.0	-1.2	-1.6	-0.9	-1.2
Overall Balance	-0.1	-8.6	0.3	-2.1	1.4	0.2	0.2	0.2	-5.5	-3.5	-0.1
Change in CBE Reserve Assets (Increase -)	**0.1**	**8.6**	**-0.3**	**2.1**	**-1.4**	**-0.2**	**-0.2**	**-0.2**	**5.5**	**3.5**	**0.1**

* Provisional.
** Including exports and imports of free zones.
*** All tabulated figures are rounded to the nearest 1 decimal place. Therefore, the sum of the contributions may not add up to the aggregated totals.
****Updated data in accordance with a new methodology for compiling FDI and its earnings to include all undistributed realized earnings, pursuant to Prime Minister Decree No. 2732 of 2019. In the former data compilation method, data were restricted to reinvested earnings, this modification was applied starting from Q1 2018/2019.

Table A3: GDP contribution									
	2016/17	2017/18	2018/19	2019/20*	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20*
GDP Growth (at Market Prices)	**4.2**	**5.3**	**5.6**	**3.6**	**5.6**	**5.6**	**5.0**	**-1.7**	**0.7**
GDP Growth (at Factor cost)	**3.6**	**5.3**	**5.1**	**2.5**	**4.5**	**4.8**	**4.3**	**-3.1**	**-1.3**
Public GDP (at Factor Cost)	0.4	1.5	1.7	1.2	1.2	1.8	2.4	-0.4	0.3
PrivateGDP (at Factor Cost)	3.1	3.8	3.5	1.3	3.3	3.0	1.9	-2.7	-1.6
Agriculture, forestry, fishing and hunting	**0.4**	**0.4**	**0.4**	**0.4**	**0.6**	**0.4**	**0.3**	**0.2**	**0.6**
Industry	**0.1**	**1.5**	**1.4**	**-0.1**	**0.7**	**1.0**	**1.3**	**-3.2**	**-2.4**
Extractions	-0.2	0.7	1.0	-0.3	0.2	0.1	-0.5	-0.9	-0.3
Oil	-0.4	0.0	0.0	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1
Natural gas	0.1	0.7	0.9	-0.2	0.2	0.2	-0.4	-0.8	-0.2
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Manufacturing	**0.3**	**0.8**	**0.5**	**0.2**	**0.5**	**0.9**	**1.8**	**-2.3**	**-2.1**
Petroleum	-0.1	0.2	0.1	0.7	0.2	0.9	1.9	-0.4	-0.2
Non-Petroleum	0.4	0.6	0.4	-0.4	0.3	0.0	0.0	-1.9	-2.3
Services	**2.1**	**2.6**	**2.4**	**1.1**	**2.1**	**2.2**	**1.6**	**-1.3**	**-0.5**
Construction	0.5	0.6	0.5	0.3	0.4	0.6	0.5	-0.4	0.1
Real Estate Rental and Services	0.5	0.4	0.4	0.4	0.5	0.4	0.3	0.3	0.3
Transportation and Warehousing	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2
Finance	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Insurance 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Communication	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.4
Tourism	0.1	0.7	0.5	-0.5	0.1	0.1	-0.2	-1.9	-2.1
Educational, Health Care, and Other Services	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Utilities 2/	0.1	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Information	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade	**0.7**	**0.5**	**0.5**	**0.5**	**0.6**	**0.7**	**0.4**	**0.4**	**0.7**
Suez Canal	**0.0**	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**0.3**	**0.0**	**-0.2**
General Government	**0.3**	**0.1**	**0.2**	**0.5**	**0.4**	**0.4**	**0.5**	**0.7**	**0.5**

Source: Ministry of Planning and Economic Development
1/ Includes Social Insurance
2/ Includes Electricity, Water and Sewage

Table A4: Monetary Survey and Central Bank Balance sheet (eop, in EGP billion)											
	Jun-17	**Jun-18**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**
Monetary Survey											
Net Foreign Assets	**61.1**	**309.5**	**127.5**	**242.1**	**300.1**	**356.7**	**347.8**	**122.1**	**122.8**	**221.4**	**271.0**
Central Bank	3.7	301.5	241.9	254.2	264.4	270.0	270.6	183.3	157.3	187.9	211.8
Commerical Banks	57.4	8	-114.5	-12.0	35.8	86.7	77.2	-61.2	-34.5	33.5	59.2
Net Domestic Assets	**2857.1**	**3144.8**	**3501.2**	**3482.6**	**3563.5**	**3653.7**	**3762.7**	**4154.7**	**4416.0**	**4535.7**	**4649.5**
Government Net Claims on	1808.9	1971.6	2242.6	2175.6	2217.1	2424.6	2473.0	2736.0	3020.9	3036.4	3033.0
Public Net Claims on Economic Authorities	170.7	245.9	266	234.7	210.9	176.6	183.5	180.2	212.6	209.1	265.1
Sector Claims on Public Companies	148.7	160.2	166.7	164.9	162.1	160.6	161.8	157.4	156.3	159.6	158.4
Sector Claims on Private	982.9	1082.6	1140.9	1188.4	1217.1	1250.0	1287.7	1352.5	1454.6	1546.6	1597.3
Net Other Items	-254.1	-315.5	-315	-281.0	-243.7	-358.1	-343.2	-271.5	-428.5	-415.9	-404.3
Broad Money (M2)	**2918.2**	**3454.3**	**3628.7**	**3724.7**	**3863.6**	**4010.4**	**4110.5**	**4276.8**	**4538.8**	**4757.2**	**4920.5**
Domestic Currency Compo nent (M2D)	2223.9	2737.4	2885.1	2983.1	3149.0	3324.0	3455.4	3637.6	3872.2	4112.7	4271.7
Currency Outside Banks	419.1	438.9	441.9	451.0	487.2	499.3	507.1	548.0	602.7	610.7	611.2
Domestic Currency Depos its	1804.8	2298.5	2443.2	2532.1	2661.8	2824.6	2948.3	3089.6	3269.4	3501.9	3660.5
Foreign Currency Deposits	694.3	717	743.5	741.6	714.6	686.4	655.1	639.1	666.6	644.5	648.9
Central Bank Balance sheet											
Net foreign assets	**3.7**	**301.5**	**241.9**	**254.2**	**264.4**	**270.0**	**270.6**	**183.3**	**157.3**	**187.9**	**211.8**
Foreign assets	551.5	776.0	746.1	748.7	734.0	729.1	723.1	622.4	604.2	593.0	617.7
Foreign liabilities	-547.8	-474.5	-504.2	-494.6	-469.6	-459.1	-452.4	-439.1	-446.9	-405.1	-405.9
Net domestic assets	**573.9**	**414.8**	**369.0**	**435.0**	**419.7**	**442.0**	**448.6**	**583.4**	**698.2**	**702.4**	**704.9**
Net claims on government	740.5	730.6	748.0	714.4	747.2	792.6	761.2	739.4	812.7	712.2	696.2
Net claims on public economic authorities	-31.8	-15.1	-4.8	-0.4	-1.1	-3.3	-4.1	-2.3	-7.2	-3.8	-4.2
Claims on Banks	286.9	326.0	269.5	288.4	300.4	287.3	307.0	288.1	274.0	295.3	310.8
Foreign Bank's Deposits in Currency	-129.7	-124.6	-125.2	-124.1	-121.1	-117.0	-119.6	-108.1	-112.3	-127.2	-126.8
Open Market Operations /1	-467.9	-677.5	-747.4	-718.2	-782.3	-729.7	-743.5	-621.9	-424.0	-367.1	-393.0
Other items net	176.0	175.4	228.9	274.8	276.6	211.9	247.6	288.2	155.1	192.9	221.8
Reserve money	**577.6**	**716.3**	**611.0**	**689.2**	**684.0**	**711.9**	**719.2**	**766.7**	**855.6**	**890.3**	**916.7**
Banks Currency Outside	419.1	438.9	441.9	451.0	487.2	499.3	507.1	548.0	602.7	610.7	611.2
Reserves of banks	158.5	277.5	169.0	238.2	196.8	212.6	212.1	218.7	252.8	279.5	305.5
Cash at vaults	33.0	43.7	35.3	35.1	48.9	41.1	36.5	34.4	48.4	39.2	39.5
currency Deposits in local	125.5	233.8	133.7	203.0	147.9	171.5	175.5	184.3	204.4	240.3	266.1

Source: Central Bank of Egypt

1/ Deposite auctions and deposite facility.

Table A5: Market Developments										
	2016	2017		2018		2019		2020		2021
	Q3	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q4	Q1 3/
Policy Rate										
Mid-Corridor Rate, %	12.25	16.16	19.25	17.25	17.25	16.25	13.24	9.75	8.99	8.75
Interbank Market										
Interbank WAR,%	11.90	16.58	19.04	17.04	16.96	15.96	12.96	9.80	10.02	9.74
Interbank O/N rate, %	11.86	16.62	18.95	16.99	16.91	15.93	12.93	9.67	9.94	9.61
Interbank O/N average volume, EGP billion	2.1	5.4	3.9	9.1	13.3	9.8	12.5	10.4	14.9	11.2
Interbank O/N share of total interbank volume, %	64.0	54.1	69.2	74.9	81.8	83.3	79.5	53.3	76.3	78.1
Banking Sector										
Deposit Rates, %	9.16	13.10	15.37	12.72	12.70	12.12	10.09	9.45	8.22	n/a
Time, %	8.75	11.96	14.16	12.17	12.24	11.48	9.48	7.72	7.67	n/a
Short-term Deposits (<1Y), %	8.72	11.88	14.22	12.18	12.25	11.49	9.54	7.72	7.64	n/a
Other Deposits, %	9.52	13.59	12.95	11.94	11.89	10.87	8.23	7.78	7.97	n/a
Saving, %	12.26	18.48	19.04	15.15	14.89	14.70	12.91	14.45	11.68	n/a
< 3 years, %	11.43	19.86	19.95	16.07	13.26	12.51	11.71	14.98	9.57	n/a
≥ 3 years, %	12.27	14.82	14.92	15.13	14.90	14.71	12.92	11.48	11.68	n/a
Saving Accounts, %	7.95	9.94	10.17	10.19	9.14	10.00	8.02	7.26	4.98	n/a
Lending Rates, %	14.74	17.28	19.11	17.88	16.95	17.36	15.41	12.34	11.11	n/a
W.a. Business Lending Rates, %	14.64	17.36	19.13	17.86	16.53	17.05	14.89	11.74	10.09	n/a
Short term business, %	14.59	17.44	19.19	17.74	17.38	17.13	14.42	11.01	10.88	n/a
Long term business, %	14.71	17.22	18.98	18.03	14.77	16.82	15.56	12.81	9.31	n/a
Retail, %	15.24	16.78	19.01	18.02	18.59	18.60	17.39	15.94	15.63	n/a
Local Debt Market										
T-Bill yield 1Y, %	15.89	19.69	17.99	17.75	19.87	17.23	14.99	12.53	13.40	13.05
W.a T-bill yield, %	15.37	19.72	18.41	18.12	19.83	17.42	15.34	12.57	13.31	12.98
W.a T-bond yield, %	16.89	17.85	15.68	15.65	18.17	16.11	14.11	13.39	14.25	14.17
WACF, %2/	12.43	15.71	14.56	14.37	15.81	13.87	12.16	10.10	10.84	10.62
Spreads2/										
O/N interbank - Mid Corridor rate, %	-0.39	0.46	-0.30	-0.26	-0.34	-0.32	-0.31	-0.08	0.94	0.86
W.a. Lending rate - Mid Corridor rate, %	2.49	1.12	-0.14	0.63	-0.30	1.11	2.17	2.59	2.12	n/a
Mid Corridor - W. A Deposit Rate, %	3.09	3.06	3.88	4.53	4.55	4.13	3.15	0.30	0.77	n/a
WACF - Mid Corridor rate, %	0.18	-0.45	-4.69	-2.88	-1.44	-2.38	-1.08	0.35	1.85	1.87
W.a. Yield Curve, %	1.22	-1.50	-2.19	-1.97	-1.33	-1.05	-0.98	0.65	0.75	0.95
W.a. Lending rate - WACF, %	2.21	1.65	4.56	3.49	0.72	3.18	2.72	1.64	-0.75	n/a
W.a. Lending rate - T-bill yield, %	2.35	1.59	4.40	3.36	0.66	3.11	2.61	1.69	-0.55	n/a
W.a. Lending rate - W.a. Deposit rate, %	5.58	4.18	3.74	5.15	4.25	5.24	5.32	2.89	2.89	n/a
Long term Business - Short term Business lending, %	0.12	-0.22	-0.21	0.29	-2.61	-0.31	1.14	1.80	-1.57	n/a

Source: Central Bank of Egypt.
1/ All changes are in bps with the exception of Interbank o/n volume, the changes are in EGP billion.
2/ Government securities' yields are adjusted for tax.
3/ As of February 16, 2021.

Abbreviations

bps	Basis points
CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
CIC	Currency in circulation outside the banking system
COVID-19	Corona Virus Disease 2019
CPI	Consumer price index
EGP	Egyptian Pound
F/C	Foreign currency
GDP	Gross domestic product
L/C	Local currency
m/m	Month on month
M2	Broad money
O/N	Overnight
p.p.	percentage points
USD	United States Dollars
w.a.	Weighted average
WACF	Weighted average cost of finance of the Treasury’s L/C marketable securities
y/y	Year on year

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Central Bank of Egypt