



**Central Bank of Egypt**

# **Monetary Policy Report**

III / 2020

## Disclaimer

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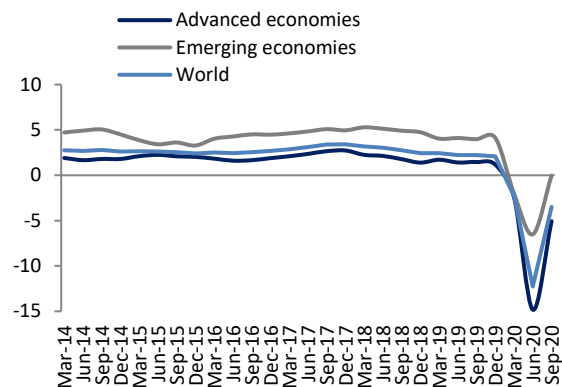
The cut-off date for the data included in this report is November 30<sup>th</sup>, 2020. Some of the data presented are preliminary or subject to revisions. There has been new incoming data since the cutoff date, including but not limited to the release of the inflation statistics for November 2020. Furthermore, the Monetary Policy Committee decided in its meeting held on December 24, 2020 to keep the Central Bank of Egypt's (CBE) benchmark policy rates unchanged. These and all other incoming data will be incorporated in the following Monetary Policy Report.

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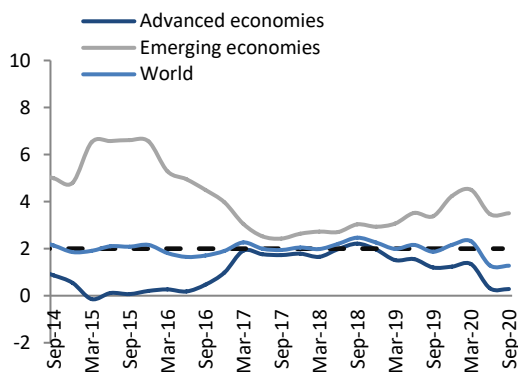
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**Figure 1**  
**Economic Growth of Egypt's External Environment**<sup>1/</sup>  
(In %, y/y)



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

**Figure 2**  
**Headline Inflation of Egypt's External Environment**<sup>1/</sup>  
(In %, y/y)



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

## The Initial Conditions

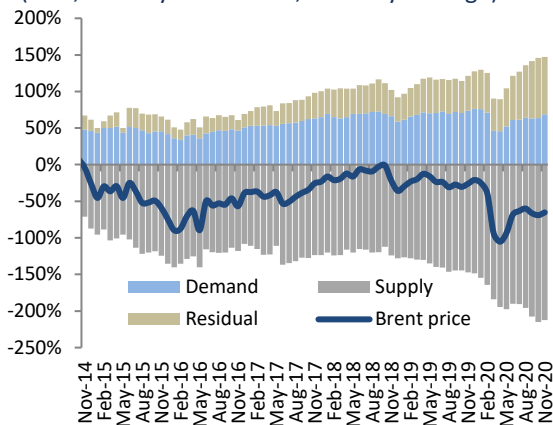
*a) Globally, economic activity and trade continued to contract in 2020 Q3, albeit at a slower pace compared to 2020 Q2. Inflation stabilized in 2020 Q3 after a steep deceleration in the previous quarter. In October and November 2020, international oil prices stabilized after dropping in September from their peak August 2020 levels. Capital inflows into emerging markets continued to increase in between May and November 2020, given the easing global financial conditions, and despite the continued uncertainty posed by COVID-19.*

Economic activity of Egypt's external environment contracted sharply in 2020 Q2, recording -12.3%, compared to a -2.3% in the previous quarter, which in turn was the first contraction in the world economy since 2009 Q3, affected mainly by the COVID-19 global outbreak as well as the associated containment measures. The contraction is expected to continue in 2020 Q3 albeit at a slower pace.

In advanced economies, the contraction of economic activity recorded -3.5% in 2020 Q3, easing from the -10.3% in 2020 Q2, but still deteriorating compared to -1.7% and +0.8% in 2020 Q1 and 2019 Q4, respectively. Both the sharp deterioration in 2020 Q2 and the subsequent relative ease in contraction in 2020 Q3 were broad based across the US, the Euro area, the United Kingdom and Japan. Meanwhile, economic activity in emerging economies also contracted in 2020 Q2, recording -2.0% compared to -0.6% and +1.3% in 2020 Q1 and 2019 Q4, respectively. This was driven by continued contraction in economic activity in Russia, India and Brazil, which were more than enough to offset the recovery in China. Latest 2020 Q3 data show that China continued to recover while the contraction in Russia eased as well, further supporting the slower pace of contraction in 2020 Q3 for emerging economies.

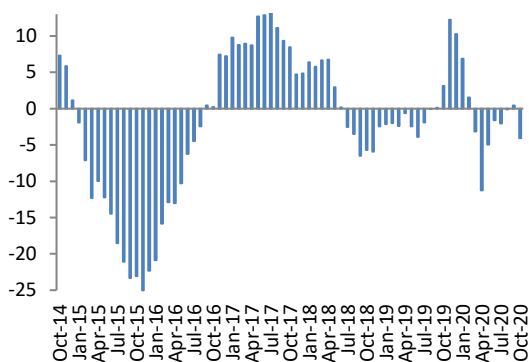
Annual headline inflation of Egypt's external environment stabilized at 1.3% in 2020 Q3, after dropping substantially in 2020 Q2 compared to 2.3% in 2020 Q1, thereby marking the lowest level since 2009 Q3. Inflation in advanced

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



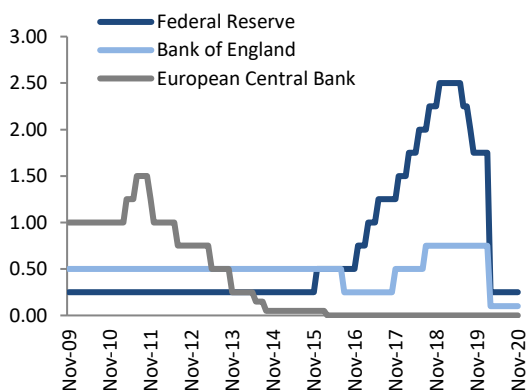
Source: Federal Reserve Bank of New York.

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



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

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



Source: Bloomberg and Central Bank of Egypt calculations.

economies stabilized at 0.3% in 2020 Q3, compared to the previous quarter, as the drop in inflation in the Euro Area was offset by the increase in inflation in the US, while inflation in Japan and the UK broadly stabilized, compared to 2020 Q2. Meanwhile, inflation in emerging economies also stabilized at 3.5% in 2020 Q3, compared to the previous quarter. This was mainly due to the decline of the inflation rate in China which offset the acceleration of the inflation rate in Russia, Brazil and India, compared to the previous quarter.

The contraction in global trade, which began in 2019 Q2 and surged to record -14.4% in 2020 Q2 largely as a result of the COVID-19 and the related lockdown measures, has eased to -4.2% in 2020 Q3, albeit still lower than the -3.1% recorded in 2020 Q1 and average of -0.5% in 2019.

After registering a peak of 44.7 USD/barrel on average in August 2020 following the April 2020 trough of 18.4 USD/barrel, Brent crude oil prices declined slightly in September 2020 and broadly stabilized at that lower level to record an average of 40.1 USD/barrel in the first two weeks of November 2020. The decline in September was mainly due to increased supply, while the broad stability in October and the first two weeks of November was mainly due to a slight recovery in demand which offset the continued increase in supply. Meanwhile, 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. The price declines on annual terms were mainly attributed to a decline in poultry prices during this period, as well as red meat in October 2020.

The Federal Reserve held its policy rates unchanged in November 2020, after cutting it by 150 basis points in March 2020, bringing it down to the levels that prevailed following the Global Financial Crisis in 2009. Moreover, the Bank of England held its policy rates unchanged in November 2020, after cutting it by 65 basis points in March 2020 to nearly zero percent, while the European Central Bank also kept its main refinancing operations rate and deposit

**Figure 6**  
**Emerging Markets Capital Flows Proxy**



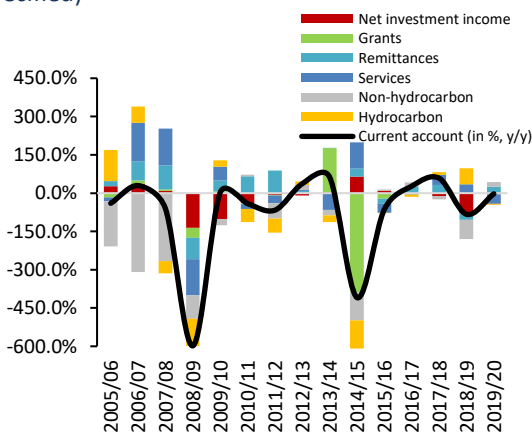
Source: Bloomberg.

facility rates unchanged at zero percent and negative 0.5 percent in its last meeting in October 2020, both of which were last changed in March 2016 and October 2019, respectively. Furthermore, the three central banks' balance sheets continued to expand via their asset purchase programs, as well as other tools, to help maintain favorable financial conditions following the COVID-19 global outbreak as well as the associated containment measures.

After witnessing the sharpest reversal since 2008 in March 2020, following the COVID-19 global outbreak as well as the associated containment measures, capital inflows into emerging markets resumed since May 2020. Such a resumption was mainly supported by the improvement of the global financial conditions, which was associated with the counter-cyclical economic policy measures despite the present uncertainty.

*b) The current account deficit broadly stabilized in FY 2019/20 at USD 11.2bn, mainly on the back of the improvement in the non-oil trade balance and the pickup in remittances. This comes despite the negative impact of COVID-19 weighing on the current account performance during the second half of the year. On the other hand, the financial account fell by half but remained in positive territory, registering a USD 5.4bn surplus.*

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

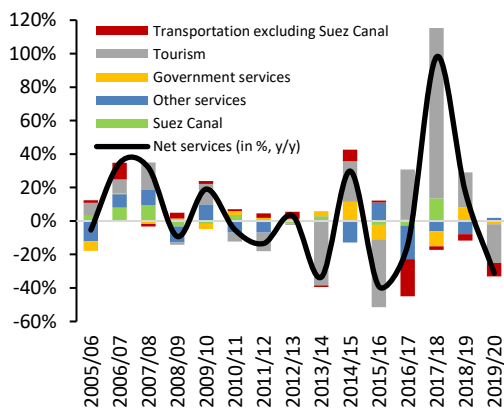


Source: Central Bank of Egypt.

The current account deficit broadly stabilized at USD 11.2bn in FY 2019/20 against USD 10.9bn in the previous year, with the former half of the fiscal year registering an improvement and the latter half being negatively impacted by the COVID-19 pandemic and thus, weighing down on the overall performance of the current account balance. The stability witnessed in the current account on annual terms is largely attributable to the improvement in the non-oil trade balance and the pickup in remittances, which mitigated the retreat in the services surplus and the rise in the investment income deficit.

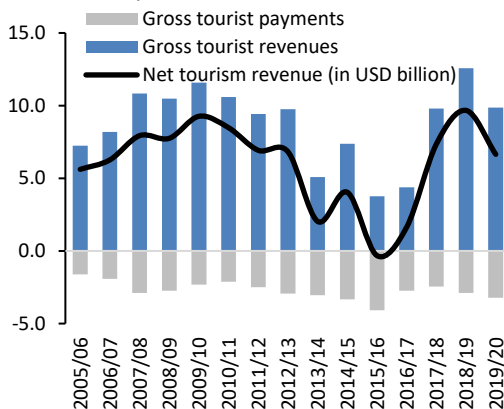
The trade balance of goods witnessed positive developments in FY 2019/20 as the decline in imports outpaced that of exports. As a result, the registered trade balance

**Figure 8**  
**Contribution to the net services**  
(In p.p.)



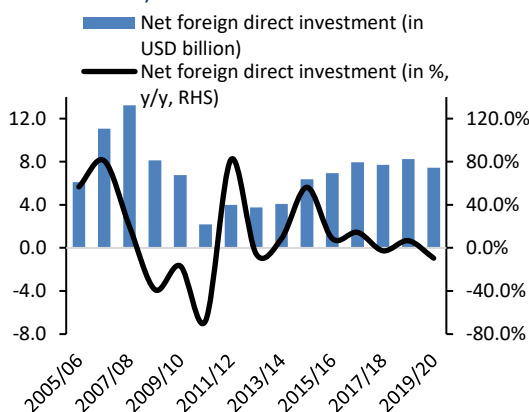
Source: Central Bank of Egypt.

**Figure 9**  
**Tourism Receipts and Payments**  
(In USD billion)



Source: Central Bank of Egypt.

**Figure 10**  
**Net Foreign Direct Investments\***  
(In USD billion)



Source: Central Bank of Egypt.

\*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.

deficit narrowed from USD 38.0bn in FY 2018/19 to USD 36.5bn in FY 2019/20.

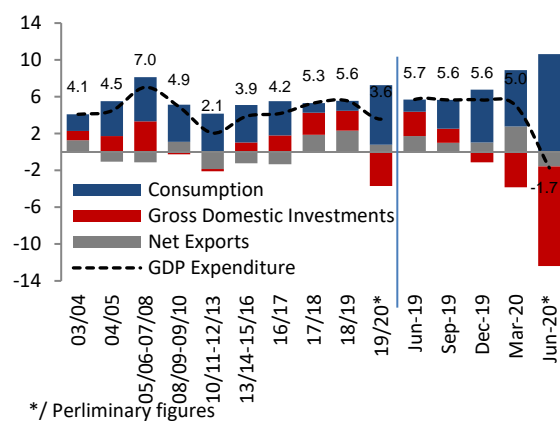
Furthermore, the non-hydrocarbon trade deficit narrowed in FY 2019/20 to USD 36.0bn against USD 38.0bn registered a year earlier, due to the combined effect of a rise in non-oil exports and a decline in non-oil imports.

The hydrocarbon trade balance recorded a deficit in FY 2019/20 compared to FY 2018/19, registering USD 421.0 million against a surplus of USD 8.1 million respectively. The registered deficit was mainly due to a large decline in exports, which outpaced that of imports. However, the latter half of FY 2019/20 witnessed a sizable improvement, whereby the oil trade balance posted a surplus of USD 312.3 million compared to a deficit of USD 142.7 million in the corresponding period a year earlier. Moreover, the fall in global oil prices, as well as the cessation of natural gas imports as of 2018/19 Q2 supported the registered surplus during the latter half of the fiscal year

The net services surplus declined on annual terms in FY 2019/20, posting USD 9.0bn against USD 13.0bn in the previous fiscal year.. The decline was mainly due to the contraction in travel receipts caused by the adoption of travel restrictions globally and domestically in a concerted effort to contain the COVID-19 pandemic. In addition, the decline in the net services surplus was compounded by the unfavourable contribution of net transportation receipts excluding Suez Canal receipts. However, Suez Canal receipts increased in FY 2019/20, recording USD 5.81 bn compared to USD 5.73bn a year earlier.

On the other hand, the financial account surplus declined by 49.5%, registering USD 5.4bn in FY 2019/20 against USD 10.9 bn in the previous fiscal year. This comes as a result of the decrease in net inflows of FDI and portfolio investments in Egypt. Yet, the registered deficit on the investment income balance improved slightly in the latter half of FY 2019/20, recording USD 5.6bn compared to USD 5.8bn in the corresponding period a year earlier. Furthermore, net portfolio inflows resumed into the Egyptian market in

**Figure 11**  
**Real GDP Growth at Market Prices**  
(In p.p., y/y)



\*/ Preliminary figures

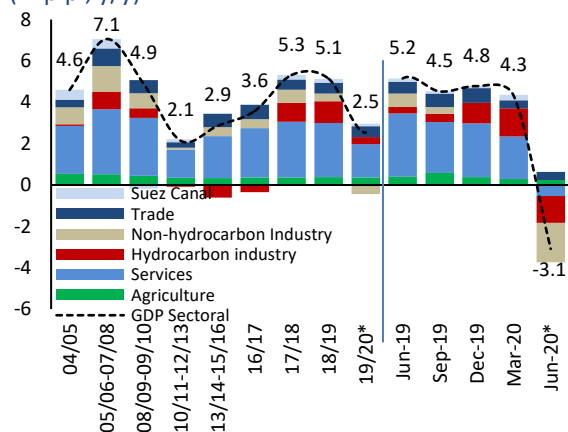
Source: Ministry of Planning and Economic Development.

2020 Q2 following strong outflows in 2020 Q1, which coincided with the COVID-19 pandemic and the related containment measures. In addition, net international reserves recorded USD 39.2 billion in October 2020 against USD 36.0 billion in May 2020.

- c) *Real GDP growth slowed down to 3.6% during fiscal year 2019/20, down from 5.6% in the previous year, reflecting the negative impact of partial lockdown measures on economic activity, which were implemented to contain COVID-19. The unemployment rate recorded 9.6% in 2020 Q2, up from 7.7% in 2020 Q1, before improving to 7.3% in 2020 Q3.*

Real GDP growth slowed down to 3.6% during fiscal year 2019/20, after averaging 5.4% during the first three quarters of the same fiscal year and against 5.6% recorded during the fiscal year 2018/19. The slowdown in growth stemmed mainly from the amplified impact of COVID-19 on 2020 Q2, which registered -1.7% due to the negative impact of partial lockdown measures on economic activity. Preliminary figures indicate that the contribution of consumption continued to pick up sharply in 2020 Q2, registering its highest level on record and extending its expansionary trend since 2019 Q2. However, the sharp rise in consumption was not enough to offset the the unprecedented drop in gross domestic investments, which recorded its lowest level on record, after having adopted a contractionary trend since 2019 Q4.

**Figure 12**  
**Contribution to Real GDP Growth by Sector**  
(In p.p., y/y)



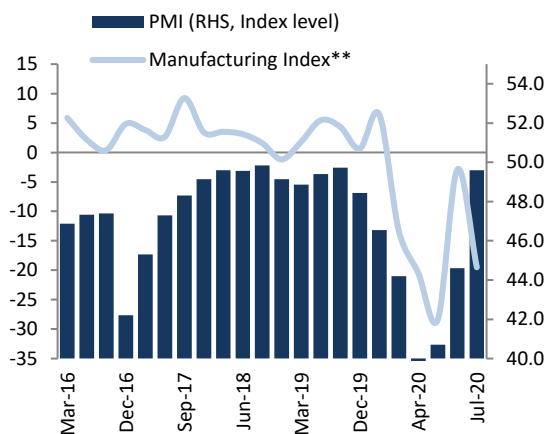
\*/ Preliminary figures

Source: Ministry of Planning and Economic Development.

Meanwhile, net exports recorded a negative contribution in 2020 Q2 for the first time since 2017 Q1 and its lowest level since 2016 Q3. This comes as the sustained and increased pace of contraction of real exports outpaced that of real imports in 2020 Q2. Moreover, real exports' contractionary trend continued for the sixth consecutive quarter after real exports having been the key driver of the growth of net exports between 2017 Q1 and 2018 Q1. Similarly, real imports have been contracting ever since 2018 Q2 with the pace of the contraction intensifying sharply from 2019 Q4 onwards, thereby limiting net exports' overall negative contribution in 2020 Q2.



**Figure 13**  
**Leading Indicators**  
(In %, y/y, unless otherwise specified)



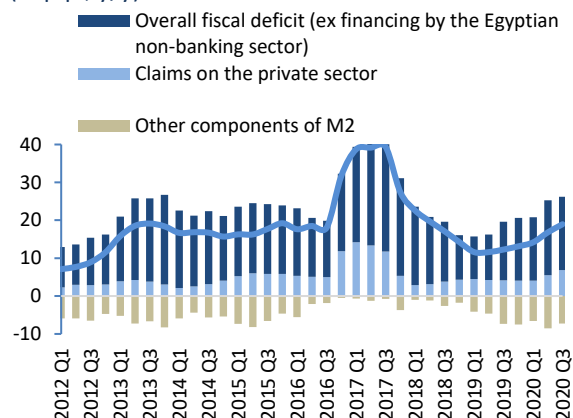
\* / Q1 2019 data point for the manufacturing index only includes latest data published until January 2019.

\*/ Data shown in the chart is monthly starting from Mar-20.

\*\* / Subject to revisions.

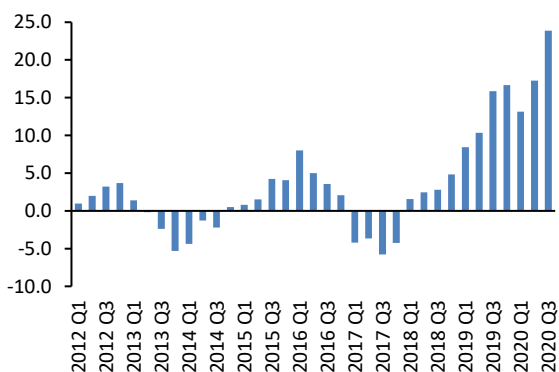
Source: Bloomberg, CAPMAS.

**Figure 14**  
**Contribution to M2 Growth**  
(In p.p., y/y)



Source: Central Bank of Egypt.

**Figure 15**  
**Inflation Adjusted L/C Claims on the Private Sector**  
(In %, y/y, average of period)



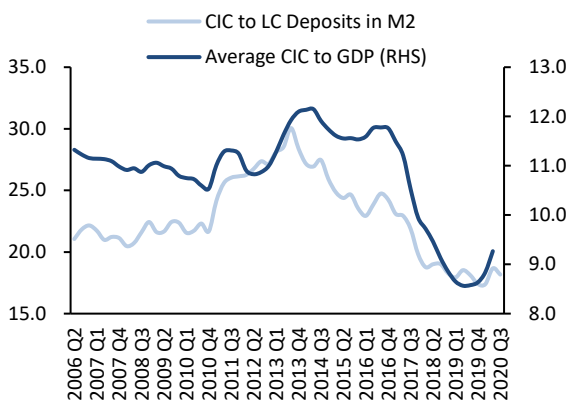
Source: Central Bank of Egypt.

Sectoral GDP growth in 2020 Q2 contracted sharply to record -3.1%, its slowest pace since 2011 Q1, after being revised downward to 4.3% in 2020 Q1 from 5.0% previously. Growth was dragged down mainly due to a dip in private sector contribution with sharp contractions in tourism and non-petroleum manufacturing, and to a lesser extent, construction. Public sector growth also contracted as the pickup in general government contribution was not enough to offset the contraction in the hydrocarbon sector as well as the slowdown in Suez Canal contribution.

Regarding the labor market, the unemployment rate increased to 9.6% in 2020 Q2 after recording 7.7% in 2020 Q1, before improving to 7.3% in 2020 Q3. The increase in unemployment was mainly on the back of a drop in employment contribution, stemming from the adoption of lockdown measures that were implemented to contain COVID-19. Meanwhile, a large contraction in the labor force partially offset the fall in employment, mitigating the rise in the unemployment rate. The subsequent improvement came on the back of a sizeable upswing in employment despite the accompanying rise in the labor force, which partially offset the magnitude of the decrease in the unemployment rate in 2020 Q3.

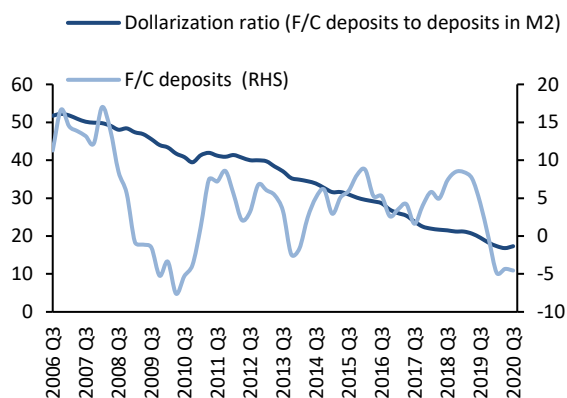
While select leading indicators continue to show gradual signs of recovery, which initially emerged in June and July 2020 following the easing of partial lockdown measures, most of them witnessed a slowdown in their recovery momentum throughout August and September 2020. An exception was the Purchasing managers index which increased on average during the period of June-October 2020, and expanded at its quickest pace in October 2020 since December 2014. On the other hand, the manufacturing index reverted to a sharper contractionary path in July and August 2020 after a brief uptick in June 2020. Annual growth in car sales continued to increase in September 2020 albeit at slower pace than August 2020. Meanwhile, Suez Canal net tonnage growth has continued to recover gradually since its trough in June, although it still remains in contractionary territory. Additionally, activity in the hydrocarbon sector remained weak, as natural gas production continued to fall during the period

**Figure 16**  
**CIC Outside the Banking System<sup>1/</sup>**  
(In %)



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

**Figure 17**  
**Developments of F/C Deposits<sup>1/</sup>**  
(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.

June-August 2020. Nonetheless, the intensified contraction in production recorded during the period March-May 2020 has largely abated.

**d) Broad money growth continued to increase in 2020 Q3 for the fifth consecutive quarter, with the increase in 2020 Q3 driven mainly by higher fiscal deficit contribution and private sector credit.**

Annual growth of broad money (M2) continued to pick up for the fifth consecutive quarter to record 19.0% on average in 2020 Q3. The increase in 2020 Q3 was mainly driven by the increase in contribution of fiscal deficit financing sources within M2<sup>1</sup> as well as the private sector credit. The biggest driver of the fiscal deficit financing contribution was the increase in domestic bank financing which more than offset the annual decline in foreign non-bank financing, with the decline in the latter in line with net portfolio outflows that coincided with the COVID-19 pandemic<sup>2</sup>.

Furthermore, the contribution of claims on the private sector continued to increase in 2020 Q3 for the second consecutive quarter, after being broadly stable since 2019 Q2. The pickup in 2020 Q3 was supported by the policy rate cut of 300 bps in mid March 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 continued to rise in 2020 Q3, to reach its highest level since 2000 Q1.

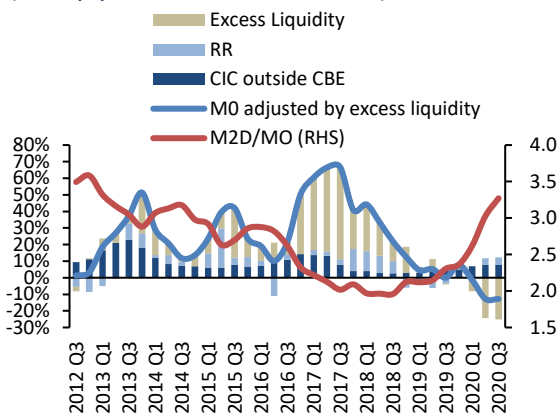
Within the components of M2, CIC as a percent of L/C deposits in M2 stabilized in 2020 Q3 after a slight increase in the previous quarter, in line with the COVID-19 outbreak and the containment measures by the Egyptian government. However, CIC indicators continue to hover at levels

<sup>1</sup> The financing sources that enter M2 are domestic bank financing, domestic non-bank financing by foreigners and external financing.

<sup>2</sup> It is noteworthy to highlight that as of 2020 Q3, foreign non bank financing resumed inflows in Egypt, but remains lower in annual terms compared to the same period a year earlier.

**Figure 18**  
**Contribution to Adjusted M0 and the Money Multiplier<sup>2/</sup>**

(In %, y/y, unless otherwise stated)



Source: Central Bank of Egypt.

2/ M0 adjusted by total excess liquidity and M2D includes local currency components of M2.

below the historical long term average. Furthermore, the exchange rate adjusted-dollarization ratio defined as F/C deposits to total deposits in M2 remained stable around the 17.0%-level in 2020 Q3, while F/C deposits in USD continued to contract on annual basis since November 2019.

Annual growth of M0, adjusted by total excess liquidity, continued to decline in 2020 Q3 for the third consecutive quarter due to CBE balance sheet operations that lowered the contribution of excess liquidity growth, which more than offset the increase in the contribution of the CIC. The money multiplier, measured as the ratio between local currency components of broad money and M0 as defined above, continued to increase since 2019 Q2, following its broad stability between 2017 Q3 and 2018 Q3 around the 2.0-mark.

**e) Real monetary conditions stabilized.**

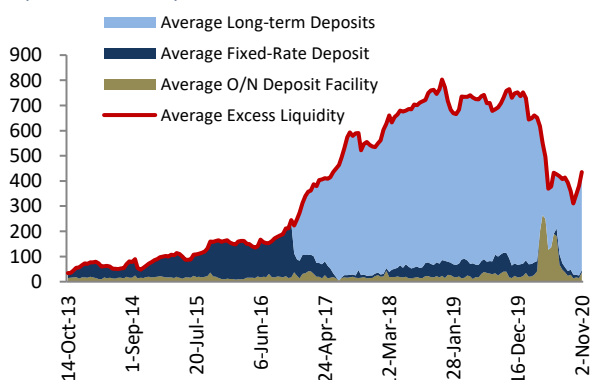
Real monetary conditions are estimated to have broadly stabilized in 2020 Q4 after easing in 2020 Q3, supported by the cumulative 350 bps policy rate cuts in March 2020 and September 2020.

Excess liquidity levels rose in October 2020 after broadly declining since January 2020, to record an average of EGP435 billion during the maintenance period ending November 2, 2020. Nevertheless, these levels remain lower compared to an average of EGP746 recorded during 2019 Q4. Meanwhile, the broad decline in excess liquidity since the beginning of 2020 and the resumption of all the open market operations' auctions since the second half of June 2020 have supported the elevation of the interbank activity since 2020 Q1. Consequently, 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 October 2020, interbank rates reflect a decline by c.0.8x the cumulative 350bps policy rate cuts in March 2020 and in September 2020.

Yields for L/C government securities have been broadly stable, after increasing in July 2020, to record an average

**Figure 19**  
**Excess Liquidity<sup>1,2/</sup>**

(In EGP billion)

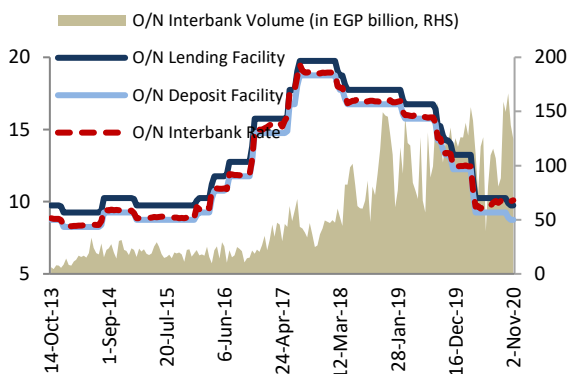


Source: Central Bank of Egypt.

1/ Excess liquidity is adjusted by O/N lending facility.

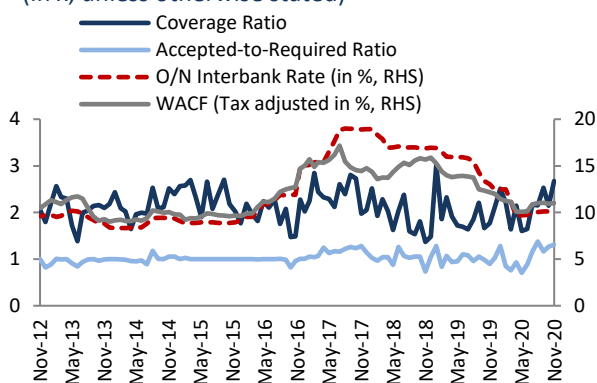
2/ As of November 2, 2020.

**Figure 20**  
**O/N Interbank and CBE Policy Rates<sup>1/</sup>**  
(In %, unless otherwise stated)



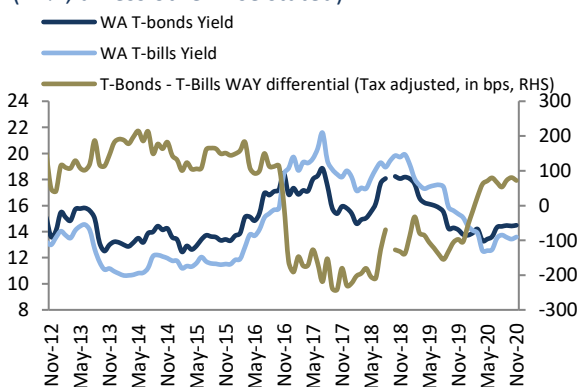
Source: Central Bank of Egypt.  
1/ As of November 2, 2020.

**Figure 21**  
**Demand for, and Supply of the Treasury's L/C Marketable Securities<sup>1/</sup>**  
(In x, unless otherwise stated)



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

**Figure 22**  
**Rates of the Treasury's L/C Marketable Securities<sup>1/</sup>**  
(In %, unless otherwise stated)



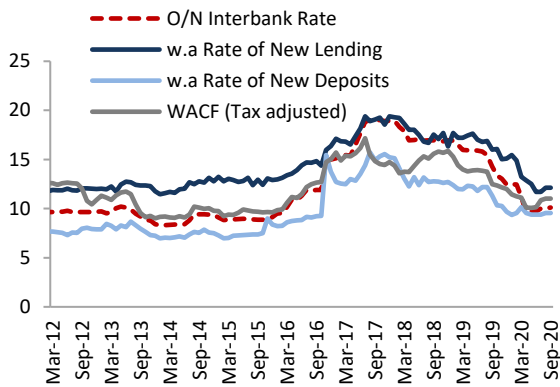
Source: Central Bank of Egypt calculations.  
1/ As of November 10, 2020.

of 11.0% (net of tax) during the first two auctions in November 2020. This compares to 10.1% (net of tax) recorded on average during 2020 Q2 and 11.6% (net of tax) recorded on average during December 2019, January 2020 and February 2020, prior to the cumulative 350bps policy rate cut on March 16, 2020 and September 24, 2020. The 0.9p.p. increase in the weighted average yield was supported by the increase in the supply which was more than enough to offset the increase in demand. During October 2020 and the first two issuances in November 2020, supply remained broadly stable, reflected by the accepted-to-required ratio of 1.3x, compared to 1.2x and 0.8x recorded in 2020 Q3 and 2020 Q2, respectively. Furthermore, demand for L/C government securities remained stable, reflected in a coverage ratio of 2.3x during October 2020 and the first two issuances in November 2020. This compared to 2.3x and 1.8x recorded in 2020 Q3 and 2020 Q2, respectively.

Meanwhile, yields on Egyptian Eurobonds have been broadly declining since May 2020, which are near to December 2019 – February 2020 levels. This was following the substantial increase witnessed in March 2020 and April 2020, which was in line with the recent unfavorable sentiment on emerging markets due to the COVID-19 outbreak and the related containment measures. Similarly, Egypt's CDS spreads decreased recently despite still being above the pre March 2020 levels. Nonetheless, Egypt's CDS spreads remained relatively low compared to the majority of peers with similar sovereign credit rating. 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.

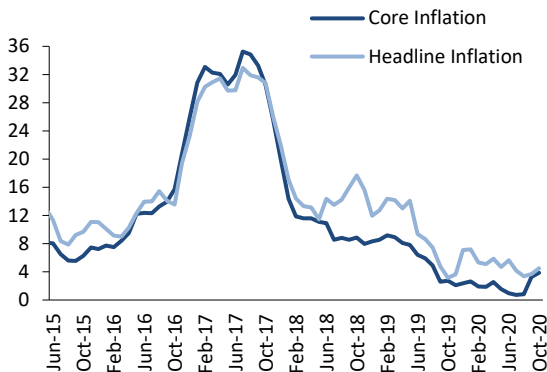
In the banking sector, data until September 2020 continued to reflect partial transmission of the 300bps policy rate cut on March 16, 2020 to rates of new deposits. New deposit rates remained relatively stable at 9.2% in September 2020, compared to an average of 9.5% recorded during December 2019, January 2020 and February 2020.

**Figure 23**  
**Select Market Interest Rates<sup>1/</sup>**  
(In %)



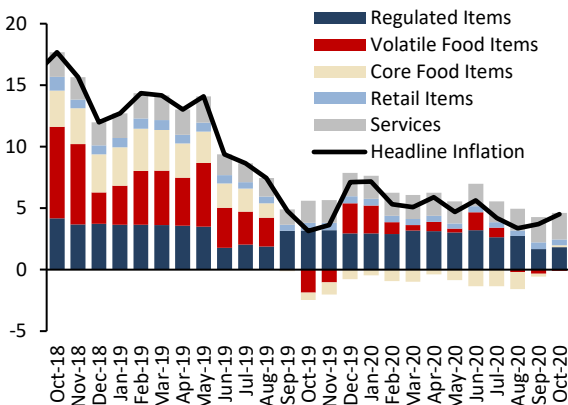
Source: Central Bank of Egypt.  
<sup>1/</sup> Up to September 2020.

**Figure 24**  
**Headline and Core Inflation<sup>1/</sup>**  
(In %, y/y)



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

**Figure 25**  
**Contribution to Headline Inflation**  
(In p.p., y/y)



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

The stability in new deposit rates was due partially to the re-introduction of the one-year saving certificates at 15% by public banks (cancelled latter in September 2020, but were not reflected in September new deposit rates). Meanwhile, rates of new loans declined to record 11.1% in September 2020, compared to an average of 15.1% during December 2019, January 2020 and February 2020, reflecting a transmission in the magnitude of 1.3x the 300 bps policy rate cut in March 2020. The decline was also supported by the CBE initiatives.

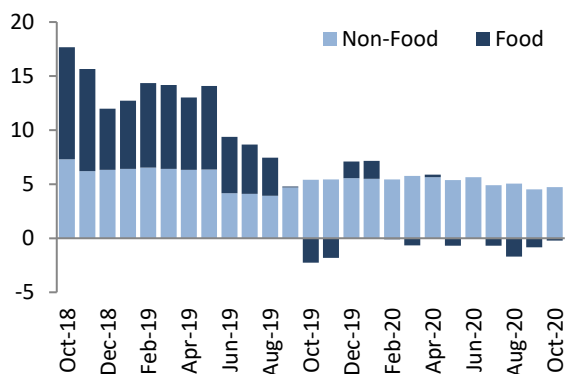
*f) Annual headline and core inflation rates accelerated in October 2020 however, they continued to reflect muted underlying inflationary pressures.*

Annual headline urban inflation accelerated to 4.5% in October 2020 from 3.7% in September 2020, after declining to 3.4% in August 2020 from 4.2% in July 2020. In fact, average annual headline inflation rate recorded 3.8% during Q3 2020, which is the lowest rate recorded since Q1 2006. Higher annual inflation in both September and October 2020 were largely driven by higher annual contribution of food items, despite annual food inflation continuing to record negative rates. It was also driven by higher non-food prices, but by a lesser extent. In October 2020, nearly 75% of the increase in the headline rate was driven by the increase of the annual contribution of food inflation. This comes after lower annual contribution of food items supported lower annual headline inflation in both July and August 2020.

Additionally, annual core inflation increased for the third consecutive month in October 2020 to record 3.9%, from 3.3% in September 2020, 0.8% in August 2020 and 0.7% in July 2020. The expected acceleration in September's reading reflected the incurrance of a strong unfavorable base effect due to the release of the 10<sup>th</sup> CPI series and its linking methodology with the 9<sup>th</sup> CPI series. Meanwhile, the recent increase in October 2020 was attributed to the positive contribution of core food items, which came against a decline in the same category in the same month of the preceding year.

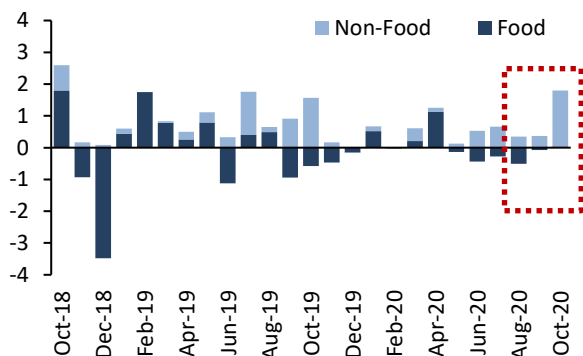


**Figure 26**  
**Contribution to Headline Inflation**  
(In p.p., y/y)



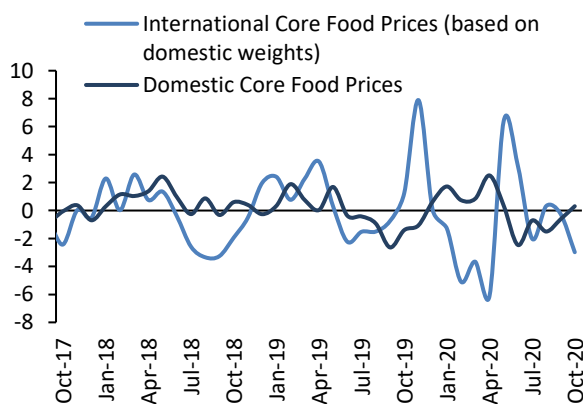
Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

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



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

**Figure 28**  
**International vs. Domestic Core Food Prices**  
(In %, m/m, using domestic CPI basket weights)



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

Annual food inflation has continued to exhibit negative rates since February 2020, except for April and June 2020. October 2020 marked the fourth consecutive month for annual food inflation to register a deflationary reading and the second consecutive month to witness an easing in the deflationary rate. Annual food inflation recorded -0.7% in October 2020 and -2.6% in September 2020, after it declined to -4.1% in August 2020 from -1.5% in July 2020. The softening of the deflation in annual food prices in September and October 2020 was mainly driven by core food prices and by volatile food items, but by a lesser extent. In the meantime, the decline in food prices in August 2020 was driven by lower prices of volatile items (fresh vegetables), which came against their seasonal patterns for the second consecutive month.

In specific, annual core food inflation continued to record negative rates since October 2019, except for April 2020 and October 2020, as evident by the muted monthly core food inflation rates. However, October's core food inflation reading reversed its negative trend due to the increase in poultry prices. Core food prices were impacted by the partial lockdown measures pertaining to COVID-19, which included a partial curfew and the closure of hotels and restaurants (before being lifted gradually), and its effect on domestic inventory levels. Furthermore, according to a study released by CAPMAS, households resorted mainly to consuming cheaper sources of food, as well as lowering their weekly consumption of meat, poultry and fish in response to the impact of COVID-19 on their incomes. Additionally, 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 10<sup>th</sup> CPI series and its linking methodology to the 9<sup>th</sup> series till August 2020 data.

Annual non-food inflation accelerated for the third consecutive month in October 2020 to record 6.9%, from 6.6% and 6.2% in September 2020 and August 2020, respectively. This comes as it declined to 6.1% in July 2020 as result of a favorable base effect and comes after annual non-food inflation remained broadly stable since June 2019, recording an average of 8.3% between June 2019 and June

2020. The uptick in October's 2020 annual non-food inflation was mainly driven by higher annual contribution of regulated and service items, both of which combined, more than offset the lower annual contribution of retail items. Meanwhile, September and August's increases reflected mainly higher annual inflation of services items in September 2020 and of regulated items in August 2020.

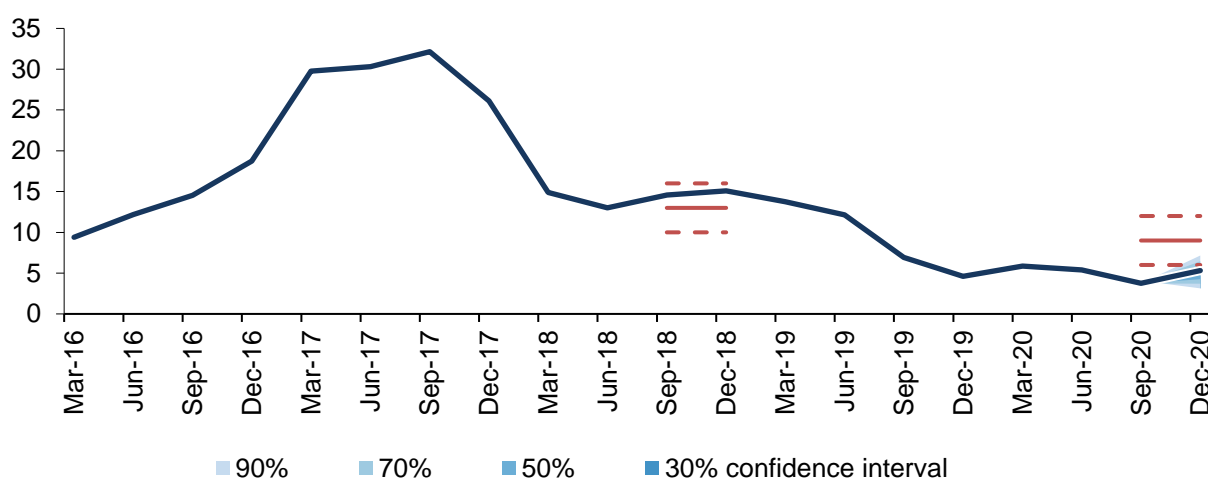
With respect to key monthly developments, monthly headline inflation continued to reflect broadly muted inflationary pressures since February 2020, except in April 2020. The subdued inflationary environment has been largely due to muted food inflationary pressures, as evident in five-month consecutive decline of food prices between May 2020 and September 2020. October's 2020 monthly inflation reading marked the first time in six months for food prices to remain broadly stable. October's 2020 monthly non-food inflation reflected the seasonal increase in education and education-related prices, as well as higher: marital services fees, clothing prices as well as rental values, among others. Moreover, higher driving license fees, and higher prices of both clothing and personal care products mainly drove September's 2020 increase of non-food inflation. Meanwhile, August's 2020 increase of non-food inflation was mainly driven by higher prices of medical products, and higher railway and underground transportation costs.

Monthly domestic core food inflation diverged with the monthly international core food inflation in October 2020. International core food prices have been declining since July 2020, except in August 2020, which is largely attributed to demand contractions resulting from COVID-19 pandemic. Changes in international core food prices from July to October were mainly driven by the fluctuations in red meat prices.

## The Outlook

The MPC decided to maintain its main policy rate unchanged in its meeting on 13<sup>th</sup> of August 2020, before deciding to cut rates by 50 bps in each of its meetings on 24<sup>th</sup> of September 2020 and 12<sup>th</sup> November 2020 to further support economic activity. This comes after the MPC decided to move preemptively by cutting key policy rates by 300 basis points in an unscheduled meeting held on 16<sup>th</sup> of March 2020 to support economic activity in light of the global and domestic developments emanating from the outbreak of COVID-19 pandemic. In the meantime, annual headline inflation is expected to be in the low single digits range, with increasing likelihood of coming under the inflation target floor of 6 percent. Nonetheless, the MPC reiterates that the path of current policy rates remains a function of medium-term inflation expectations rather than current inflation outturns.

**Figure 29**  
**Inflation Forecast**<sup>1/</sup>  
(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%.

The outlook for global economic activity is expected to be impacted in the very near term by the second wave of the COVID-19 pandemic and its related lock-down measures. On the other hand, the continued development and roll-out of vaccines could ease the level of uncertainty regarding economic activity over the medium term. In addition, policy measures that were undertaken by global central banks and governments have led to the easing of global financial conditions, thus mitigating the negative impact of the health crisis on the global economy.

Over the medium term, Egypt's GDP growth is expected to recover albeit gradually, in line with the expected ease in the degree of uncertainty surrounding the pandemic and its impact on economic activity. Furthermore, structural and stabilization measures are expected to ease the impact of the disruption on the most vulnerable and help support the recovery once the outbreak is contained.



International food price forecasts relevant to Egypt's consumption basket are expected to increase in 2020 and 2021 with risks emanating from higher energy costs and biofuel policies according to the World Bank. In addition, the outlook for Brent crude oil price incorporated in the domestic inflation outlook slightly increased compared to the previously published Monetary Policy Report. Nonetheless, Brent crude oil prices continue to be affected by weak recovery in global demand as a result of the COVID-19 pandemic in addition to increased global supply.

Domestically, as cost-recovery for most fuel products has already been achieved, 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, which caps the price adjustments to domestic fuel prices to  $\pm 10$  percentage points every quarter. In July and October 2020, Egypt's Fuel Automatic Pricing Committee decided to keep announced fuel prices unchanged.

## Appendix: Tables and Abbreviations

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Table A1: CPI Contribution\*

	Weights**	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Monthly Contributions to Headline CPI Inflation (in p.p.)														
<b>Headline</b>	<b>100.0</b>	<b>1.0</b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.7</b>	<b>0.0</b>	<b>0.6</b>	<b>1.3</b>	<b>0.0</b>	<b>0.1</b>	<b>0.4</b>	<b>-0.2</b>	<b>0.3</b>	<b>1.8</b>
Regulated Items	21.4	0.5	0.0	-0.3	0.0	0.0	0.3	0.0	0.0	0.2	0.6	0.2	0.2	0.6
Fresh Fruits & Vegetables	5.5	-0.2	-0.2	0.0	0.1	-0.2	0.0	0.5	-0.2	0.1	-0.1	-0.2	0.0	0.0
Core CPI	73.1	0.8	-0.1	0.2	0.5	0.2	0.3	0.7	0.2	-0.2	-0.1	-0.2	0.1	1.2
Food Prices	24.5	-0.3	-0.2	0.1	0.4	0.2	0.2	0.6	0.1	-0.6	-0.2	-0.3	-0.1	0.1
of which														
<i>Poultry &amp; Red Meat</i>	8.6	-0.2	-0.2	0.2	0.3	0.1	0.2	0.4	0.1	-0.5	-0.2	-0.3	-0.1	0.1
<i>Food excl. Poultry &amp; Red Meat</i>	15.9	-0.2	-0.1	0.0	0.0	0.0	0.0	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0
Retail Prices	14.3	0.2	0.1	0.0	0.0	-0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Services	34.3	0.9	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.3	0.1	0.1	0.1	1.0
Annual Contributions to Headline CPI Inflation (in p.p.)														
<b>Headline</b>	<b>100</b>	<b>3.1</b>	<b>3.6</b>	<b>7.1</b>	<b>7.2</b>	<b>5.3</b>	<b>5.1</b>	<b>5.9</b>	<b>4.7</b>	<b>5.6</b>	<b>4.2</b>	<b>3.4</b>	<b>3.7</b>	<b>4.5</b>
Regulated Items	21.4	3.2	3.2	2.9	3.0	2.9	3.2	3.1	3.0	3.2	2.6	2.7	1.7	1.8
Fresh Fruits & Vegetables	5.5	-1.9	-1.0	2.5	2.3	1.0	0.4	0.8	0.3	1.5	0.8	-0.2	-0.3	-0.1
Core CPI	73.1	1.8	1.5	1.7	1.9	1.5	1.5	2.0	1.4	1.0	0.8	0.8	2.3	2.8
Food Prices	24.5	-0.6	-1.0	-0.8	-0.5	-0.9	-1.0	-0.4	-0.9	-1.4	-1.4	-1.4	-0.3	0.1
of which														
<i>Poultry &amp; Red Meat</i>	8.6	-1.1	-1.2	-0.8	-0.4	-0.7	-0.7	-0.1	-0.3	-0.7	-0.7	-0.8	0.0	0.2
<i>Food excl. Poultry &amp; Red Meat</i>	15.9	0.5	0.2	0.0	0.0	-0.2	-0.3	-0.3	-0.5	-0.7	-0.6	-0.6	-0.2	-0.1
Retail Prices	14.3	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	0.5	0.4	0.5	0.5	0.5
Services	34.3	1.8	1.8	1.9	1.9	1.9	2.0	1.9	1.8	1.8	1.7	1.7	2.1	2.2

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*			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Trade Balance</b>	<b>-38.0</b>	<b>-36.5</b>	<b>-9.8</b>	<b>-9.4</b>	<b>-10.5</b>	<b>-8.3</b>	<b>-8.8</b>	<b>-9.9</b>	<b>-9.4</b>	<b>-8.4</b>
Export proceeds	28.5	26.4	6.8	7.5	6.6	7.6	7.1	7.1	6.7	5.4
<i>Petroleum exports</i>	11.6	8.5	2.8	3.2	2.5	3.0	2.4	2.6	2.3	1.2
<i>Other exports</i>	17.0	17.9	4.0	4.3	4.1	4.5	4.7	4.5	4.4	4.3
Import payments**	66.5	62.8	16.6	16.9	17.1	15.9	15.9	17.1	16.1	13.8
<i>Petroleum imports</i>	11.5	8.9	3.4	2.4	2.9	2.7	3.0	2.7	2.3	0.8
<i>Other imports</i>	55.0	53.9	13.2	14.5	14.2	13.1	12.9	14.3	13.7	13.0
<b>Services Balance</b>	<b>13.1</b>	<b>9.0</b>	<b>4.3</b>	<b>3.0</b>	<b>2.5</b>	<b>3.3</b>	<b>4.0</b>	<b>2.2</b>	<b>2.1</b>	<b>0.6</b>
Receipts	24.4	21.3	6.9	5.9	5.3	6.3	7.4	6.0	5.1	2.7
Transportation	8.6	7.9	2.2	2.2	2.0	2.1	2.3	2.1	1.9	1.6
<i>Of which: Suez Canal dues</i>	5.7	5.8	1.4	1.5	1.3	1.5	1.5	1.5	1.4	1.3
Travel (tourism revenues)	12.5	9.9	3.9	2.9	2.6	3.2	4.2	3.1	2.3	0.3
Payments	11.4	12.3	2.7	2.9	2.8	3.0	3.4	3.8	2.9	2.2
Travel	2.8	3.2	0.6	0.7	0.7	0.8	1.0	1.0	0.8	0.4
<b>Investment Income Balance</b>	<b>-11.0</b>	<b>-11.4</b>	<b>-2.4</b>	<b>-2.8</b>	<b>-2.8</b>	<b>-3.0</b>	<b>-3.3</b>	<b>-2.5</b>	<b>-3.4</b>	<b>-2.2</b>
Receipts	1.0	0.9	0.2	0.3	0.2	0.3	0.3	0.2	0.2	0.3
Payments	12.0	12.3	2.6	3.1	3.0	3.3	3.6	2.7	3.5	2.4
<i>Of which: Interest paid</i>	2.6	2.9	0.5	0.6	0.7	0.8	0.8	0.8	0.8	0.6
<b>Current Transfers</b>	<b>25.1</b>	<b>27.7</b>	<b>5.9</b>	<b>6.0</b>	<b>6.2</b>	<b>6.9</b>	<b>6.7</b>	<b>6.9</b>	<b>7.8</b>	<b>6.2</b>
Private (net)	24.8	27.5	5.9	5.9	6.1	6.9	6.6	6.9	7.8	6.2
Official (net)	0.3	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0
<b>Balance of Current Account</b>	<b>-10.9</b>	<b>-11.2</b>	<b>-2.0</b>	<b>-3.2</b>	<b>-4.5</b>	<b>-1.1</b>	<b>-1.4</b>	<b>-3.2</b>	<b>-2.8</b>	<b>-3.8</b>
<b>Capital &amp; Financial Account</b>	<b>10.9</b>	<b>5.4</b>	<b>1.8</b>	<b>1.3</b>	<b>6.5</b>	<b>1.2</b>	<b>0.7</b>	<b>4.6</b>	<b>-1.1</b>	<b>1.3</b>
Capital Account	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Financial Account	11.0	5.6	1.8	1.4	6.5	1.3	0.7	4.6	-1.1	1.3
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
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
<i>Of which: Bonds</i>	5.1	4.6	-0.1	-0.2	3.3	2.1	-0.3	1.8	-0.7	3.7
Other Investments (net)	-1.0	6.6	3.8	1.3	-2.7	-3.5	0.3	-0.1	6.3	0.1
Net Borrowing	6.3	4.1	1.0	0.1	3.8	1.3	3.0	-0.4	-1.1	2.7
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
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
Short term Suppliers' Credit (net)	2.1	-2.4	1.2	-1.0	1.7	0.2	0.8	-0.4	-1.0	-1.9
Other Assets	-8.9	0.3	1.9	-1.2	-8.0	-1.6	-2.0	1.0	6.7	-5.4
Other Liabilities	1.6	2.2	0.9	2.4	1.5	-3.2	-0.7	-0.7	0.7	2.8
Net Errors & Omissions	-0.1	-2.8	0.5	-0.2	-0.5	0.1	1.0	-1.2	-1.6	-0.9
<b>Overall Balance</b>	<b>-0.1</b>	<b>-8.6</b>	<b>0.3</b>	<b>-2.1</b>	<b>1.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>-5.5</b>	<b>-3.5</b>
<b>Change in CBE Reserve Assets (Increase -)</b>	<b>0.1</b>	<b>8.6</b>	<b>-0.3</b>	<b>2.1</b>	<b>-1.4</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>5.5</b>	<b>3.5</b>

\* 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

	2015/16	2016/17	2017/18	2018/19	2019/20*	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20*
<b>GDP Growth (at Market Prices)</b>	<b>4.3</b>	<b>4.2</b>	<b>5.3</b>	<b>5.6</b>	<b>3.6</b>	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>	<b>5.0</b>	<b>-1.7</b>
<b>GDP Growth (at Factor cost)</b>	<b>2.3</b>	<b>3.6</b>	<b>5.3</b>	<b>5.1</b>	<b>2.5</b>	<b>5.2</b>	<b>4.5</b>	<b>4.8</b>	<b>4.3</b>	<b>-3.1</b>
Public GDP (at Factor Cost)	0.4	0.4	1.5	1.7	1.2	1.2	1.2	1.8	2.4	-0.4
PrivateGDP (at Factor Cost)	1.9	3.1	3.8	3.5	1.3	4.0	3.3	3.0	1.9	-2.7
<b>Agriculture, forestry, fishing and hunting</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>
<b>Industry</b>	<b>-0.6</b>	<b>0.1</b>	<b>1.5</b>	<b>1.4</b>	<b>-0.1</b>	<b>1.0</b>	<b>0.7</b>	<b>1.0</b>	<b>1.3</b>	<b>-3.2</b>
<b>Extractions</b>	<b>-0.7</b>	<b>-0.2</b>	<b>0.7</b>	<b>1.0</b>	<b>-0.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.1</b>	<b>-0.5</b>	<b>-0.9</b>
Oil	-0.1	-0.4	0.0	0.0	-0.1	-0.2	-0.1	-0.2	-0.1	-0.1
Natural gas	-0.7	0.1	0.7	0.9	-0.2	0.5	0.2	0.2	-0.4	-0.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
<b>Manufacturing</b>	<b>0.1</b>	<b>0.3</b>	<b>0.8</b>	<b>0.5</b>	<b>0.2</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>1.8</b>	<b>-2.3</b>
Petroleum	0.1	-0.1	0.2	0.1	0.7	-0.1	0.2	0.9	1.9	-0.4
Non-Petroleum	0.0	0.4	0.6	0.4	-0.4	0.6	0.3	0.0	0.0	-1.9
<b>Services</b>	<b>1.4</b>	<b>2.1</b>	<b>2.6</b>	<b>2.4</b>	<b>1.1</b>	<b>2.7</b>	<b>2.1</b>	<b>2.2</b>	<b>1.6</b>	<b>-1.3</b>
Construction	0.5	0.5	0.6	0.5	0.3	0.8	0.4	0.6	0.5	-0.4
Real Estate Rental and Services	0.4	0.5	0.4	0.4	0.4	0.5	0.5	0.4	0.3	0.3
Transportation and Warehousing	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.2
Finance	0.2	0.2	0.1	0.1	0.1	0.1	0.2	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	0.0
Communication	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3
Tourism	-0.7	0.1	0.7	0.5	-0.5	0.4	0.1	0.1	-0.2	-1.9
Educational, Health Care, and Other Services	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Utilities 2/	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Information	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Trade</b>	<b>0.7</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.4</b>	<b>0.4</b>
<b>Suez Canal</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>0.0</b>
<b>General Government</b>	<b>0.5</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.7</b>

Source: Ministry of Planning and Economic Development

1/ Includes Social Insurance

2/ Includes Electricity, Water and Sewage

Table A1: 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
<b>Monetary Survey</b>										
<b>Net Foreign Assets</b>	<b>61.1</b>	<b>309.5</b>	<b>127.5</b>	<b>242.1</b>	<b>300.1</b>	<b>356.7</b>	<b>347.8</b>	<b>128.6</b>	<b>122.8</b>	<b>220.4</b>
Central Bank	3.7	301.5	241.9	254.2	264.4	270.0	270.6	183.3	157.3	187.9
Commerical Banks	57.4	8	-114.5	-12.0	35.8	86.7	76.1	-54.7	-34.5	32.5
<b>Net Domestic Assets</b>	<b>2857.1</b>	<b>3144.8</b>	<b>3501.2</b>	<b>3482.6</b>	<b>3563.5</b>	<b>3653.7</b>	<b>3762.7</b>	<b>4148.1</b>	<b>4416.0</b>	<b>4536.8</b>
Net Claims on Government	1808.9	1971.6	2242.6	2175.6	2217.1	2424.6	2473.0	2737.5	3020.9	3036.7
Net Claims on Public Economic Authorities	170.7	245.9	266	234.7	210.9	176.6	183.5	180.0	212.6	209.1
Claims on Public Sector Companies	148.7	160.2	166.7	164.9	162.1	160.6	161.8	157.4	156.3	159.6
Claims on Private Sector	982.9	1082.6	1140.9	1188.4	1217.1	1250.0	1287.7	1352.5	1454.7	1546.6
Net Other Items	-254.1	-315.5	-315	-281.0	-243.7	-358.1	-343.2	-279.3	-428.5	-415.2
<b>Broad Money (M2)</b>	<b>2918.2</b>	<b>3454.3</b>	<b>3628.7</b>	<b>3724.7</b>	<b>3863.6</b>	<b>4010.4</b>	<b>4110.5</b>	<b>4276.7</b>	<b>4538.8</b>	<b>4757.2</b>
Domestic Currency Component (M2D)	2223.9	2737.4	2885.1	2983.1	3149.0	3324.0	3455.4	3637.6	3872.2	4112.7
Currency Outside Banks	419.1	438.9	441.9	451.0	487.2	499.3	507.1	548.0	602.7	610.7
Domestic Currency Deposits	1804.8	2298.5	2443.2	2532.1	2661.8	2824.6	2948.3	3089.6	3269.4	3501.9
Foreign Currency Deposits	694.3	717	743.5	741.6	714.6	686.4	655.1	639.1	666.6	644.5
<b>Central Bank Balance sheet</b>										
<b>Net foreign assets</b>	<b>3.7</b>	<b>301.5</b>	<b>241.9</b>	<b>254.2</b>	<b>264.4</b>	<b>270.0</b>	<b>270.6</b>	<b>183.3</b>	<b>157.3</b>	<b>187.9</b>
Foreign assets	551.5	776.0	746.1	748.7	734.0	729.1	723.1	622.4	604.2	593.0
Foreign liabilities	-547.8	-474.5	-504.2	-494.6	-469.6	-459.1	-452.4	-439.1	-446.9	-405.1
<b>Net domestic assets</b>	<b>573.9</b>	<b>414.8</b>	<b>369.0</b>	<b>435.0</b>	<b>419.7</b>	<b>442.0</b>	<b>448.6</b>	<b>583.4</b>	<b>698.2</b>	<b>702.4</b>
Net claims on government	740.5	730.6	748.0	714.4	747.2	792.6	761.2	739.4	812.7	712.2
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
Claims on Banks	286.9	326.0	269.5	288.4	300.4	287.3	307.0	288.1	274.0	295.3
Bank's Deposits in Foreign Currency	-129.7	-124.6	-125.2	-124.1	-121.1	-117.0	-119.6	-108.1	-112.3	-127.2
Open Market Operations /1	-467.9	-677.5	-747.4	-718.2	-782.3	-729.7	-743.5	-621.9	-424.0	-367.1
Other items net	176.0	175.4	228.9	274.8	276.6	211.9	247.6	288.2	155.1	192.9
<b>Reserve money</b>	<b>577.6</b>	<b>716.3</b>	<b>611.0</b>	<b>689.2</b>	<b>684.0</b>	<b>711.9</b>	<b>719.2</b>	<b>766.7</b>	<b>855.6</b>	<b>890.3</b>
Currency Outside Banks	419.1	438.9	441.9	451.0	487.2	499.3	507.1	548.0	602.7	610.7
Reserves of banks	158.5	277.5	169.0	238.2	196.8	212.6	212.1	218.7	252.8	279.5
Cash at vaults	33.0	43.7	35.3	35.1	48.9	41.1	36.5	34.4	48.4	39.2
Deposits in local currency	125.5	233.8	133.7	203.0	147.9	171.5	175.5	184.3	204.4	240.3

Source: Central Bank of Egypt

1/ Deposite auctions and deposite facility.

Table A5: Market Developments

	2016	2017			2018		2019		2020	
	Q3	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q3	Q4 <sup>3/</sup>
<b>Policy Rate</b>										
Mid-Corridor Rate, %	12.25	16.16	19.25	17.25	17.25	16.25	13.24	9.75	9.72	9.25
<b>Interbank Market</b>										
Interbank WAR, %	11.90	16.58	19.04	17.04	16.96	15.96	12.96	9.80	10.11	10.17
Interbank O/N rate, %	11.86	16.62	18.95	16.99	16.91	15.93	12.93	9.67	10.05	10.10
Interbank O/N average volume, EGP billion	2.1	5.4	3.9	9.1	13.3	9.8	12.5	10.4	13.4	14.5
Interbank O/N share of total interbank volume, %	64.0	54.1	69.2	74.9	81.8	83.3	79.5	53.3	69.4	74.7
<b>Banking Sector</b>										
Deposit Rates, %	9.16	13.10	15.37	12.72	12.70	12.12	10.09	9.45	9.42	n/a
Time, %	8.75	11.96	14.16	12.17	12.24	11.48	9.48	7.72	7.81	n/a
Short-term Deposits (<1Y), %	8.72	11.88	14.22	12.18	12.25	11.49	9.54	7.72	7.82	n/a
Other Deposits, %	9.52	13.59	12.95	11.94	11.89	10.87	8.23	7.78	7.77	n/a
Saving, %	12.26	18.48	19.04	15.15	14.89	14.70	12.91	14.45	14.12	n/a
< 3 years, %	11.43	19.86	19.95	16.07	13.26	12.51	11.71	14.98	14.99	n/a
≥ 3 years, %	12.27	14.82	14.92	15.13	14.90	14.71	12.92	11.48	11.30	n/a
Saving Accounts, %	7.95	9.94	10.17	10.19	9.14	10.00	8.02	7.26	5.16	n/a
Lending Rates, %	14.74	17.28	19.11	17.88	16.95	17.36	15.41	12.34	12.15	n/a
W.a. Business Lending Rates, %	14.64	17.36	19.13	17.86	16.53	17.05	14.89	11.74	11.19	n/a
Short term business, %	14.59	17.44	19.19	17.74	17.38	17.13	14.42	11.01	10.73	n/a
Long term business, %	14.71	17.22	18.98	18.03	14.77	16.82	15.56	12.81	11.69	n/a
Retail, %	15.24	16.78	19.01	18.02	18.59	18.60	17.39	15.94	15.66	n/a
<b>Local Debt Market</b>										
T-Bill yield 1Y, %	15.89	19.69	17.99	17.75	19.87	17.23	14.99	12.53	13.67	13.56
W.a T-bill yield, %	15.37	19.72	18.41	18.12	19.83	17.42	15.34	12.57	13.61	13.48
W.a T-bond yield, %	16.89	17.85	15.68	15.65	18.17	16.11	14.11	13.39	14.43	14.45
WACF, % <sup>2/</sup>	12.43	15.71	14.56	14.37	15.81	13.87	12.16	10.10	10.98	10.95
<b>Spreads<sup>2/</sup></b>										
O/N interbank - Mid Corridor rate, %	-0.39	0.46	-0.30	-0.26	-0.34	-0.32	-0.31	-0.08	0.33	0.85
W.a. Lending rate - Mid Corridor rate, %	2.49	1.12	-0.14	0.63	-0.30	1.11	2.17	2.59	2.43	n/a
Mid Corridor - W. A Deposit Rate, %	3.09	3.06	3.88	4.53	4.55	4.13	3.15	0.30	0.29	n/a
WACF - Mid Corridor rate, %	0.18	-0.45	-4.69	-2.88	-1.44	-2.38	-1.08	0.35	1.26	1.70
W.a. Yield Curve, %	1.22	-1.50	-2.19	-1.97	-1.33	-1.05	-0.98	0.65	0.66	0.77
W.a. Lending rate - WACF, %	2.21	1.65	4.56	3.49	0.72	3.18	2.72	1.64	0.21	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	0.30	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	2.72	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	0.96	n/a

Source: Central Bank of Egypt.

1/ All changes are in basis points 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 November 12, 2020.

## Abbreviations

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



