The Central Bank of Egypt

Press Release
Balance of Payments Performance
During July/March, 2015/2016

In the first three quarters of FY 2015/2016, Egypt's **BOP overall deficit** widened further to US$ 3.6 billion (from US$ 1.0 billion in the same period a year earlier). This came as a result of the rise in the **current account** deficit, registering as such US$ 14.5 billion (against US$ 8.3 billion). Meanwhile, the **capital and financial account** unfolded a net inflow of US$ 13.9 billion (compared with US$ 6.6 billion).

The current account deficit was an outcome of the following developments:

- **The trade deficit** registered US$ 29.3 billion (versus US$ 29.5 billion), due partly to the decline in world oil prices, which had a significant bearing on Egyptian exports and imports, as shown in the following figures:

  Merchandise export proceeds retreated by US$ 3.7 billion to US$ 13.4 billion (from US$ 17.1 billion). Such a retreat was traceable to the decline of US$ 2.7 billion in oil exports (crude oil and products), in the wake of the fall in the world prices of crude oil by 51.4 percent, 43.4 percent and 36.7 percent in the first, second, and third quarters of FY 2015/2016, respectively, relative to the periods of comparison, notwithstanding the rise in the quantities exported of the said item in the period in question. It is to be noted that Egypt's exports of crude oil have made up 62.4 percent of its total oil exports and 19.6 percent of total merchandise exports in the reporting period. Moreover, proceeds from non-oil exports rolled back by US$ 1.0 billion, to stand at US$ 9.2 billion.

The widening of the trade deficit was held back by the US$ 3.9 billion fall in merchandise imports, recording US$ 42.7 billion (versus US$ 46.6 billion), largely on the back of the declines in oil imports by US$ 2.2 billion and in non-oil imports by US$ 1.7 billion.

As for the third quarter (January/March) of 2016, compared to the second quarter (October/December) of 2015, merchandise exports fell by 2.8 percent, to post US$ 4.3 billion, as a dual result of the 26 percent decline in oil exports (crude oil and products) and the 8.8 percent rise in non-oil exports. On the other hand, the bill of merchandise imports increased by 1.2 percent to US$ 14.1 billion, due to higher non-oil imports by 10.2 percent and lower oil imports (crude oil and products) by 37.4 percent.

However, if compared with its corresponding quarter a year earlier, data on January/March of 2016 reveal a 30.9 percent contraction in oil exports, registering as such US$ 1.1 billion (compared to US$ 1.6 billion), while non-oil exports stabilized at US$ 3.2 billion (the same level recorded in the previous corresponding quarter). Concurrently, oil imports decreased from US$ 2.2 billion in January/March 2015, to US$ 1.6 billion in January/March 2016, while non-oil imports increased from US$ 11.7 billion to US$ 12.5 billion.

- **Net unrequited transfers** retreated to US$ 12.4 billion (from US$ 16.9 billion), on account of the fall in both net official transfers (cash and commodity) and net private transfers. The former posted US$ 60.7 million (against US$ 2.6 billion), while the latter posted US$ 12.4 billion (against US$ 14.3 billion), due to the 11.9 percent drop in workers' remittances.

  Compared with its preceding quarter (October/December 2015), the third quarter (January/March) 2016 witnessed a rise in workers' remittances by 1.3 percent, to reach US$ 4.2 billion (against US$ 4.1 billion). However, when compared with its corresponding quarter (January/March 2015), it registered a drop in such remittances by 14.5 percent, to stand at US$ 4.2 billion, (versus US$ 4.9 billion).

- **The services surplus** narrowed by 43.4 percent, to post US$ 2.4 billion (versus US$ 4.3 billion). This was driven by lower **services and income** receipts (US$ 12.8 billion, versus US$ 16.8 billion), reflecting the drop in most of their items, especially **tourism revenues** which fell by 40.5 percent, to US$ 3.3 billion (from US$ 5.5 billion), due to the decline in the number of tourist nights from 73.4 million to as low as 45.1 million.

  It is noteworthy that in January/March 2016, **tourism revenues** declined by 43.9 percent, compared to the preceding quarter (October/December 2015), to stand at US$ 550.5 million (against US$ 981.1 million) on the back of the fall in the number of tourist nights by 52.8 percent.
  However, compared to January/March 2015, tourism revenues in January/March 2016 plunged by 62.2 percent. Concurrently, **tourism payments** (travel) increased to US$ 1.2 billion (from US$ 854.1 million). This caused the travel balance to achieve a net outflow for the first time.

As indicated above, the **capital and financial account** recorded a net inflow of US$ 13.9 billion in July/March 2015/2016 (against US$ 6.6 billion), mainly as an outcome of:

- The rise in net **FDI inflows** to US$ 5.8 billion (from US$ 5.1 billion), driven mainly by the increase in net inflows for greenfield investments, to post US$ 3.7 billion (versus US$ 2.8 billion), and the net inflow of US$ 1.5 billion for oil sector investments.

  In January/March 2016, net **FDI inflows** registered US$ 2.8 billion (versus US$ 1.7 billion and US$ 2.5 billion in the preceding quarter and previous corresponding quarter, respectively).

- **Portfolio investment in Egypt** achieved a net outflow of US$ 1.5 billion (against US$ 2.1 billion). This was largely ascribable to the Egyptian authorities' repayment of bonds that had fallen due in the reporting period, in the amount of US$ 1250.0 million (outflows). These bonds were floated in world markets in 2005.

- **Other investments** registered a net inflow of US$ 9.6 billion, as **other assets and liabilities** recorded a net inflow of US$ 4.8 billion (compared with US$ 1.3 billion), and **short-term suppliers' credit** unfolded a net inflow of US$ 4.8 billion (against US$ 3.0 billion). This attests to the confidence in the Egyptian economy, given its ability to honor its external obligations.

* Numbers expressed in US$ billion have been rounded.

Balance of Payments

	(US.$m.)	
	July/March 2014/15*	**July/March 2015/16***
Trade Balance	**-29546.3**	**-29321.0**
Exports	17096.7	13405.7
Petroleum	*6937.8*	*4211.1*
Other Exports	*10158.9*	*9194.6*
Imports	-46643.0	-42726.7
Petroleum	*-9238.6*	*-7072.1*
Other Imports	*-37404.4*	*-35654.6*
Services (net)	**4252.1**	**2408.4**
Receipts	**16842.1**	**12788.4**
Transportation of which,	7378.3	7253.0
Suez Canal	*4081.4*	*3877.7*
Travel	5470.0	3257.1
Investment Income	149.5	273.2
Government Receipts	1242.0	278.7
Other	2602.3	1726.4
Payments	**12590.0**	**10380.0**
Transportation	1160.5	1016.3
Travel	2472.6	2913.7
Investment Income of which,	4740.3	3385.1
Interest Paid	*528.4*	*521.6*
Government Expenditures	536.5	449.9
Other	3680.1	2615.0
Balance of Goods & Services	**-25294.2**	**-26912.6**
Transfers	**16948.9**	**12442.9**
Private Transfers (net)	14336.6	12382.2
Official Transfers (net)	2612.3	60.7
Current Account Balance	**-8345.3**	**-14469.7**

Balance of Payments (cont.)

(US.$m.)

	July/March 2014/15*	July/March 2015/16*
Capital & Financial Account	**6649.1**	**13906.7**
Capital Account	**-76.1**	**-130.8**
Financial Account	**6725.2**	**14037.5**
Direct Investment Abroad	**-154.9**	**-113.5**
Direct Investment In Egypt (net)	**5114.8**	**5845.3**
Portfolio Investment Abroad(net)	**-49.8**	**148.6**
Portfolio Investment in Egypt (net)of which,	**-2065.8**	**-1501.4**
Bonds	*-2509.7*	*-1423.7*
Other Investment (net)	**3880.9**	**9658.5**
Net Borrowing	2614.7	4853.2
M&L Term Loans (net)	-567.3	-396.9
Drawings	*1429.3*	*1749.4*
Repayments	*-1996.6*	*-2146.3*
MT Suppliers Credit (net)	165.4	481.8
Drawings	*202.4*	*511.9*
Repayments	*-37.0*	*-30.1*
ST Suppliers Credit (net)	3016.6	4768.3
Other Assets	-865.3	-4459.3
Central Bank	*26.3*	*-14.6*
Banks	*4631.8*	*1295.9*
Other	*-5523.4*	*-5740.6*
Other Liabilities	2131.5	9264.6
Central Bank	*-525.5*	*4444.2*
Banks	*2657.0*	*4820.4*
Net Errors & Omissions	**650.1**	**-3077.5**
Overall Balance	**-1046.1**	**-3640.5**
Change in CBE's reserve assets (increase = -)	**1046.1**	**3640.5**

* Preliminary.