

Country Report: Egypt

Reasons for Optimism, but Challenges Remain



INSTITUTE OF
INTERNATIONAL
FINANCE

October 22, 2018

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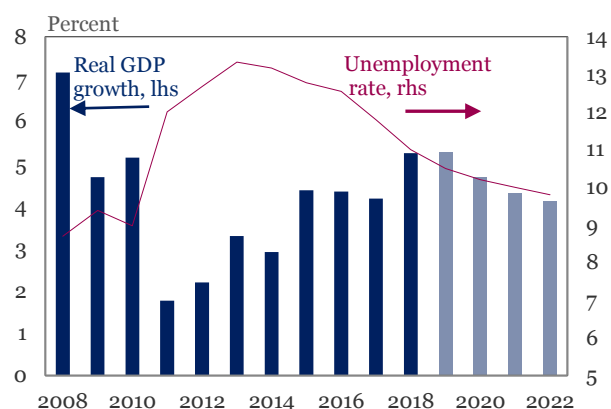
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EXECUTIVE SUMMARY

- Growth has been robust, the current account and fiscal deficits have narrowed, core inflation has fallen to high single digits, and the public debt ratio has started to decline for the first time in nearly a decade. While the growth outlook for the next two years is favorable, supported by the continued recovery in tourism and rising natural gas production, the medium-term outlook is more uncertain.
- Monetary policy has aimed to support disinflation and anchor inflation expectations. There is evidence that the CBE's monetary policy control has contained the second-round effects from the pound depreciation and the increase in fuel and electricity prices.
- The public debt-to-GDP ratio will start to decline to levels consistent with long-term sustainability due to high nominal GDP growth and the authorities' fiscal consolidation plan, which relies mainly on reducing further fuel subsidies and enhancing tax revenues. The reduction in fuel subsidies has also freed up some of the funding for targeted social assistance.
- Improved competitiveness from the sharp REER depreciation in late 2016 has boosted exports of goods and tourism and restrained imports, leading to a much narrower current account deficit in 2018. As a result, official reserves (excluding gold) continued to increase to \$42.5 billion (6.5 months of imports of goods and services). The exchange rate of the Egyptian pound to the dollar has remained broadly stable since mid-2017.
- Progress has been made on structural reforms in the past two years. Egypt's investment climate has improved, including the new Investment and Companies Laws, spurring a significant increase in FDI. A new Government Procurement Law was also approved in June of this year, which could encourage competition in the private sector.
- However, achieving higher and sustainable economic growth requires focusing on structural challenges that remain unaddressed, including the large footprint of the state and the military establishment, excessive regulation, lack of competition, and governance and institutional weaknesses. Significant impediments continue to hamper private local investment. The country needs to create more freedom and space for private-sector initiative, facilitating growth of SMEs.
- Risks are still tilted to the downside and include: (1) slower implementation of reforms, which would undermine private investment and macroeconomic stability; (2) deterioration of the security situation, which may interrupt the recovery in tourism; and (3) faster-than-expected US monetary tightening, which could weaken market appetite for Egyptian Eurobonds.

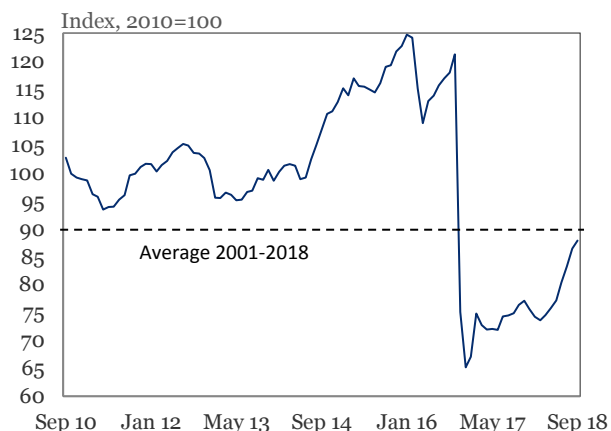
- External risks have increased in recent months, with a shift to net portfolio capital outflows as global financial conditions have contributed to a pullback from EMs. However, Egypt's narrowing external and fiscal deficits, falling core inflation, and adequate level of reserves will help the economy cope well with any acceleration in capital outflows. Despite the stabilization of the exchange rate at around EGP 18/\$, the REER is still slightly below its historical average of 90 (Exhibit 2).

Exhibit 1: Robust growth and declining unemployment



Source: Authorities through 2018; IIF forecast for 2019-2022. FY ending June. Example, 2018 is from July 2017 to June 2018.

Exhibit 2: The real effective exchange rate (REER) remains slightly below its historical average of 90



Source: Haver and IIF.

ECONOMIC GROWTH REMAINS STRONG

Real GDP growth accelerated from 4.2% in FY 2016/17 to 5.3% in FY 2017/18, driven by natural gas, construction and tourism on the production side, and net exports on the expenditure side (Exhibit 3). While unemployment continues to decline, it remained high at 9.9% in 2018 Q2, with youth unemployment exceeding 26%.

We expect growth to remain around 5% in the current fiscal year as the rebound in tourism and higher natural gas production continues (Exhibit 4). The discovery of the giant *Zohr* field in 2015, which came on stream this year and holds an estimated 30 trillion cubic feet of gas, may shift Egypt from a net importer to a net exporter of natural gas by end 2019. Egypt's total gas production is expected to increase by 20% in 2018, following an increase of 22% in 2017. So far, all the natural gas production was allocated for domestic use, as Egypt still imports liquefied natural gas (LNG).

The medium-term outlook is more uncertain due to structural bottlenecks and a less favorable global environment, including tighter financial conditions and uncertainty over the global trade system. Absent deeper structural reforms, growth could decelerate to 4% by 2022, insufficient to reduce unemployment. In this context, to sustain the relatively rapid growth of the past two years, Egypt needs to make the economy more responsive to market forces and empower the private sector by reducing the role of the state and the military establishment in the economy. Laws and regulations governing business and investment need to be overhauled and brought in line with best practices in successful emerging economies.

Egypt has been less export-oriented than many emerging economies in the past four decades. To promote private sector development and export-led growth, the authorities are expected to implement deeper reforms to improve the efficiency of land allocation, strengthen competition and public procurement, and reduce corruption.

INFLATION MAY DECLINE TO SINGLE DIGITS

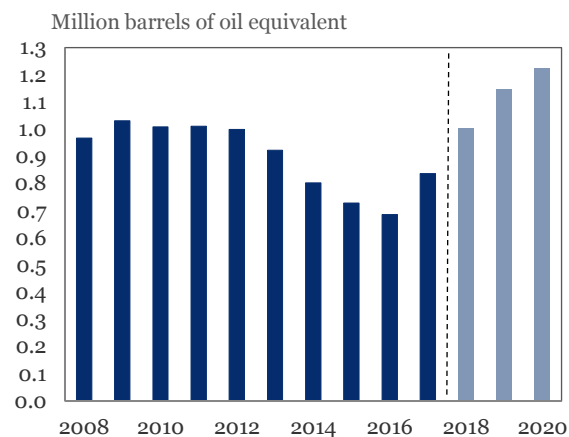
The Central Bank of Egypt (CBE) has succeeded in reducing inflationary pressures and containing the second-round effects from the 2017 sharp depreciation of the Egyptian pound and the substantial increase in fuel prices in June 2018. The 12-month core inflation (which excludes volatile food items and regulated prices) has declined from a peak of 31.6% in September 2017 to 8.6% in September 2018 as the impact of the exchange rate pass-through faded, supported by relatively tight monetary policy (Exhibit 5). The June upward adjustments in regulated prices (including fuel prices, electricity and water tariffs) pushed the headline inflation rate temporarily to 16% in September.

Exhibit 3: Key Macroeconomic Indicators

	2016	2017	2018	2019	2020
Nominal GDP, \$ billion	332.1	234.3	246.8	294.9	338.3
Real GDP % change	4.3	4.2	5.3	5.0	4.7
Private consumption	4.7	1.8	1.7	3.6	4.2
Public consumption	3.9	-6.1	1.5	0.5	0.5
Total investment	11.2	11.3	6.1	9.0	5.8
Exports of goods & serv.	-15.0	13.5	14.3	11.0	7.0
Imports of goods & serv.	-2.2	-0.5	2.4	2.6	3.0
CPI inflation, ave., %	10.2	23.3	20.9	14.5	10.0
CPI inflation, eop %	14.0	29.8	14.4	10.0	9.1
Current account, % GDP	-6.0	-6.1	-2.4	-1.7	-1.3
Reserves, excl. gold, \$ bn	13.9	27.6	40.4	42.5	46.0
Fiscal balance, % GDP	-12.0	-10.7	-9.4	-8.6	-6.7
Public debt, % of GDP	118.9	107.4	101.4	97.0	94.6

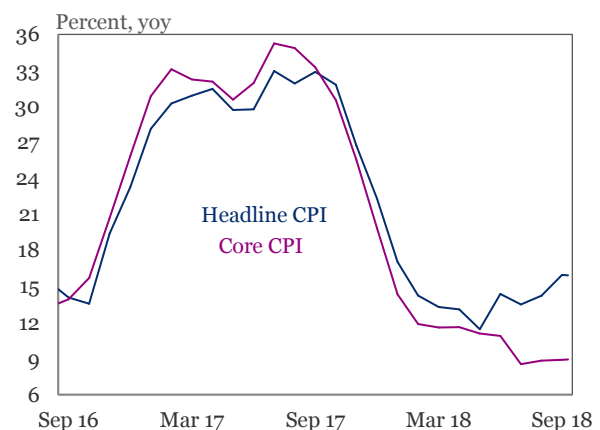
Source: Authorities through 2018; IIF forecast for 2019-2020.

Exhibit 4: Sharp increase in natural gas production



Source: British Petroleum through 2017; IIF forecast 2018-2020.

Exhibit 5: Core inflation fell to single digits



Source: Central Bank of Egypt.

MONETARY POLICY COULD REMAIN TIGHT

The current monetary policy stance remains consistent with the inflation target. The central bank has kept its overnight lending rate at 17.75% since March 2018 to anchor inflation expectations (Exhibits 6 and 7). Monetary policy faces a dilemma of managing the trade-off between supporting economic activity and reducing the burden of government interest payments on domestic debt, and on the other hand keeping inflation expectations anchored and attracting adequate nonresident capital flows. We believe that keeping key policy rates unchanged remains consistent with achieving the target for headline inflation of 13% (± 3) in 2018Q4 and single digits after the impact of the upward adjustment in fuel and electricity prices fades. Once headline inflation declines to below 10% and demand pressures remain contained, the CBE may ease the monetary stance, most likely in 2019.

HEALTHY BANKING SECTOR

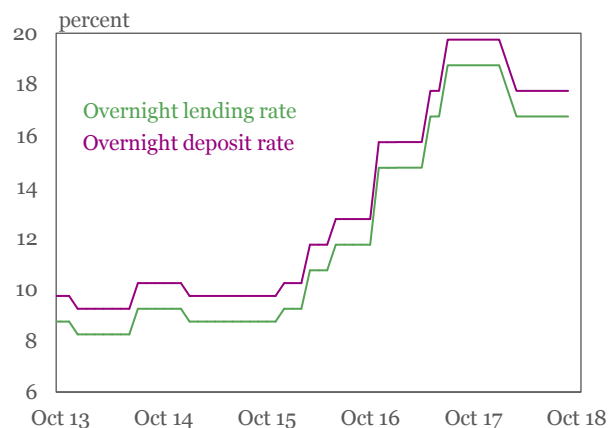
The overall performance of the banking sector in Egypt has been quite good this year compared to most emerging economies. Capital adequacy ratio has improved, with the Tier 1 capital ratio increasing to 12.6% at end-June 2018, well above the regulatory minimum (Exhibit 8). The nonperforming loans (NPLs) ratio continued its decline to 4.3%, due partly to NPL write-offs. Bank profitability, while moderating, remains adequate to more than offset a possible increase in credit risk costs. Funding risks remain low, on average, as banks have one of the lowest loans-to-deposits ratio among emerging economies (Exhibit 8).

International markets have become more volatile and the risk premia for a broad range of emerging markets, including Egypt, have increased. However, Egypt is different from Turkey. First, Egyptian corporates' exposure to the international market is negligible as they cover their financing needs from the highly liquid local banks. Second, most of the funding of Egyptian banking sector comes from deposits from residents and a loyal Egyptian diaspora.

FURTHER FISCAL CONSOLIDATION IS NEEDED

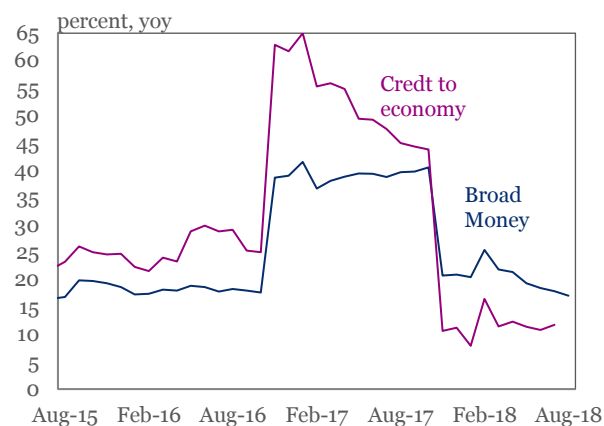
Strengthening the fiscal position is necessary to reduce Egypt's high public debt, which hovers around 100% of GDP. The fiscal deficit in FY 2017/18 may have narrowed to 9.4% of GDP, with a primary balance shifting from a deficit of 1.8% of GDP to a surplus of 0.2% (Exhibit 9). The fuel subsidy bill may have exceeded the target due to higher-than-expected global oil prices during the FY 2017/18. Subsidies on energy accounted for about \$7 billion (2.8% of GDP) in fiscal year 2017/18, even after the increase in fuel prices by 44% in June 2017. The budget for FY 2018/2019 aims to cut fuel and electricity subsidies by 19% and 48%, respectively. However, this may be difficult to achieve with the recent increase in global oil prices. Interest payments on government debt continue to account for more than one-third of total spending.

Exhibit 6: Monetary policy remains tight



Source: Central Bank of Egypt and IIF.

Exhibit 7: Broad money and credit growth decelerate



Source: Haver and IIF.

Exhibit 8: Banking soundness indicators improve

	2014 June	2015 June	2016 June	2017 June	2018 June
Tier 1 Capital to Risk Weighted Assets %	11.8	12.4	11.9	11.7	12.6
NPLs to total loans, %	8.5	7.1	6.0	4.9	4.3
Provisions to NPLs, %	98.9	99.0	99.1	98.3	98.1
Return on assets, %	1.3	1.5	2.0	1.5	1.5
Return on equity, %	18.9	24.4	30.9	21.5	21.5
Liquidity ratio, LC, %	62.7	59.7	55.4	47.1	40.5
Loans to deposits ratio, %	40.8	40.9	47.0	46.0	45.9

Source: Central Bank of Egypt and IIF.

The gradual fiscal consolidation underway combined with further pickup in real GDP growth underlie our projected steady decline in the public debt-to-GDP ratio (Exhibit 10). Interest payments have increased in recent years, reflecting both the rise in outstanding public debt as well as higher funding costs. Nonetheless, we expect the fiscal deficit to narrow gradually and the primary surplus to increase in the coming years, supported by higher tax revenues and lower fuel subsidies. Egypt's tax revenue is about 13% of GDP, which is very low as compared with Morocco, Tunisia, Turkey, and other emerging economies. The financing of the fiscal deficit could be challenging. In the past two months, the government cancelled several local-currency T-bond auctions rather than meet demand for high yields from local banks and other investors.

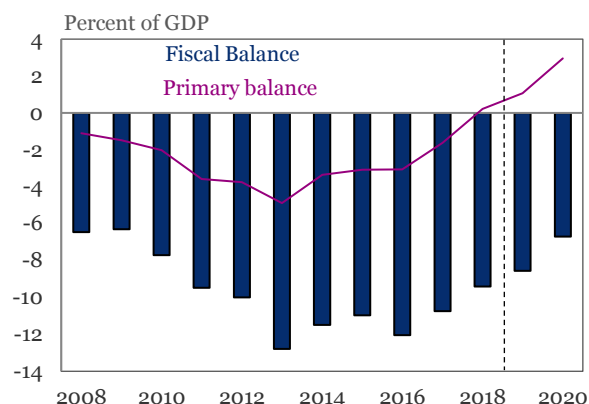
EXTERNAL POSITION HAS IMPROVED

We expect the current account deficit to narrow further to less than 2% of GDP in FY 2018/19 (Exhibit 11). The sharp depreciation of the Egyptian pound in 2017, which stimulated exports of goods and restrained imports, combined with the rebound in tourism and substantial increase in remittances from Egyptians working abroad, had helped to narrow the current account deficit from 6.1% of GDP in FY 2016/17 to 2.4% in FY 2017/18. For the current fiscal year, we expect exports of goods and services to grow by 10%, while growth of imports of goods and services will be limited at 3%, as increasing natural gas production leads to lower imports of petroleum products. Tourism and Suez Canal receipts will continue to increase.

Private transfers (credit), however, may stagnate in the current fiscal year or decline slightly after the sharp increase in FY 2017/18, reflecting less hiring of Egyptian expats in Saudi Arabia. Recently, the Saudi authorities began to enforce foreign hiring restrictions with the view to encourage employment of Saudi nationals in the private sector at the expense of foreign labor. According to Saudi official statistics, the number of expats in the kingdom decreased by about 700,000 (equivalent to 6.4% of the total foreign labor) from end-2016 to the first quarter of 2018. The number of Egyptian expats in the kingdom may exceed 2.0 million, equivalent to 20% of the total foreign labor. According to the World Bank, about 40% of remittances to Egypt come from Saudi Arabia. It is fair to assume that some Egyptian expats who have lost their jobs have sent home their final payments, and as more expats leave, and private sector growth remains weak in the kingdom, the flows will certainly slow.

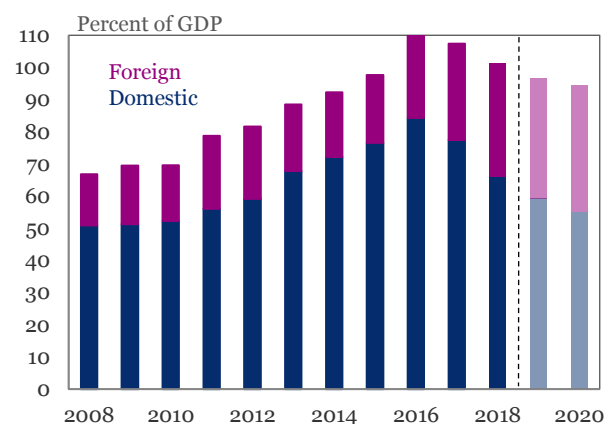
Nonresident capital inflows to Egypt are showing signs of sensitivity to developments across EMs (Exhibits 12 and 13). The Egyptian equity index, as in other emerging economies, has declined significantly in the past four months, reflecting trade tensions and tighter external financial conditions.

Exhibit 9: The fiscal deficit is expected to narrow, and the primary balance could shift to a small surplus



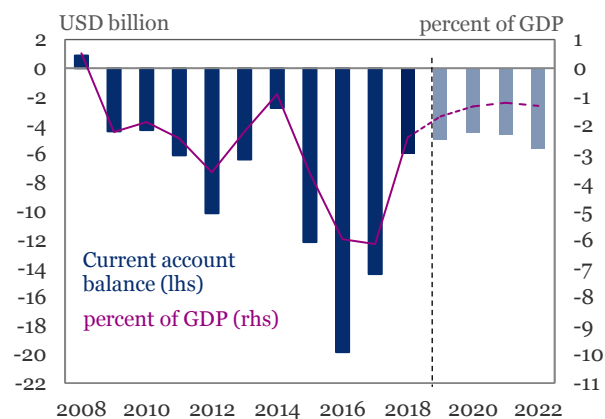
Source: Authorities through 2017; IIF estimate for 2018 and forecast for 2019 and 2020.

Exhibit 10: ... leading a decline in gov't debt-to-GDP ratio



Source: Authorities through 2017; IIF estimate for 2018 and forecast for 2019 and 2020.

Exhibit 11: The current account deficit will narrow further



Source: Central Bank of Egypt; IIF forecast for 2019-2022.

Non-resident capital inflows have declined from a peak of \$43 billion in FY 2017 to \$27 billion in FY 2018, and we expect further decline to \$14 billion in FY 2019. Nonetheless, we do not see this trend as a reason for concern, given the ongoing improvement in macroeconomic fundamentals: narrower external deficits and higher official reserves. Moreover, FDI continues to increase, and disbursement of loans from multilateral organizations are adequate. In April of this year, Egypt raised €2 billion and may sell more euro-denominated debt next year. Egypt plans to issue its first international sovereign Islamic bonds (or Sukuk), in FY 2020. Contagion from Turkey and other EMs has been limited but perceptible. Demand for local-currency bonds has declined and yields have risen. Nonresident holdings of Egyptian treasuries stood at \$14 billion in September, down from a peak of \$23 billion in March 2018 (Exhibit 13), and the Egyptian stock market has declined in the past few months.

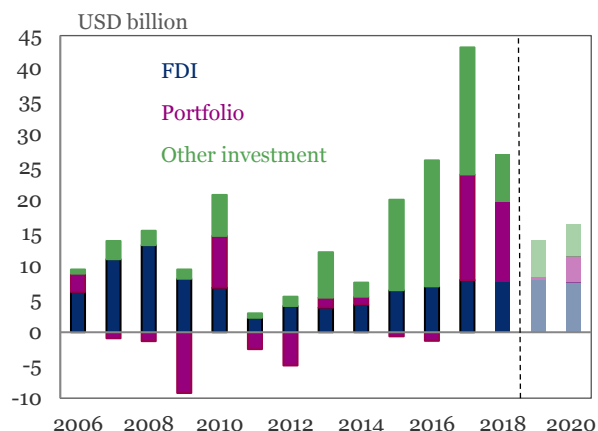
DEEPER STRUCTURAL REFORMS ARE NEEDED

Considerable progress has been made on structural reforms. Egypt's investment climate has improved, including the new Investment Law and the Companies Law. Progress has been made in raising investments in electricity and transportation, and now it is easier to open new businesses and obtain land for entrepreneurial uses. The government plans to sell stakes in state-owned companies in the current fiscal year.

However, the role of the state and the military in the economy remains large. This contributes to reduced market competition and increased concentration in some sectors, including construction, transportation, and financial sectors. About 60% of FDI has been in the energy sector, which produce limited number of jobs. More FDI is needed in the non-energy sectors, particularly in manufacturing, healthcare and consumer goods. Decisive actions to enhance governance and rule of law would help reduce corruption, cut bureaucracy and improve access to land for new projects would ensure fair competition and promote private sector growth.

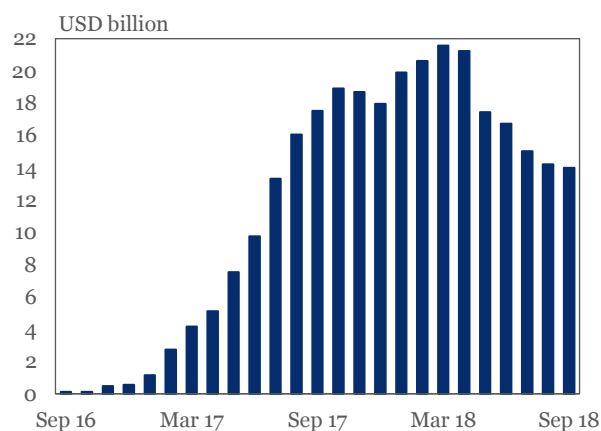
Egypt needs to grow by 5 to 6% on a sustained basis to absorb the 700,000 new entrants into the labor force, to reduce high unemployment and bring down government debt relative to GDP to more sustainable levels. Achieving and sustaining such a high growth rate will require addressing key bottlenecks in the economy. While Egypt has shown modest improvement in global rankings of doing business and competitiveness, it remains well below regional and emerging market peers on most metrics (Exhibit 14). Egypt should take concrete steps to improve the business climate and empower the private sector to achieve higher and more sustainable growth. To this end, laws and regulations governing business and investment should be revamped to draw on best practices in successful emerging economies and promote fairness, transparency, and predictability.

Exhibit 12: Nonresident capital inflows have declined as net portfolio inflows vanished



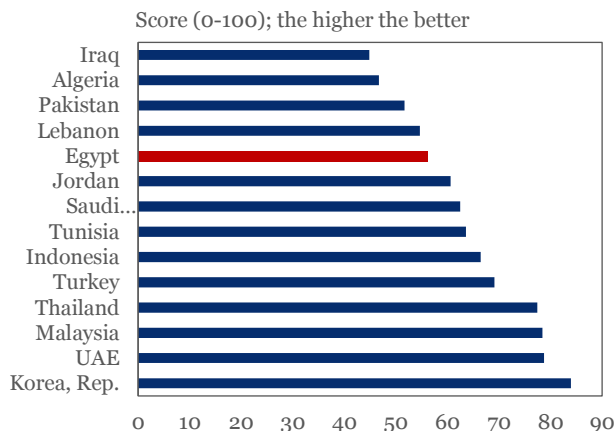
Source: IIF calculations and forecast.

Exhibit 13: Nonresident holding of Egyptian treasury bills declined in recent months



Source: Haver and IIF.

Exhibit 14: Global Competitiveness Scores,



Source: WEF Global Competitiveness Report, 2018.

Code	DOMESTIC ECONOMY	2013 2012/13	2014 2013/14	2015 2014/15	2016 2015/16	2017 2016/17	2018f 2017/18	2019f 2018/19	2020f 2019/20
NATIONAL ACCOUNTS (2010 PRICES)									
EXPENDITURE BASIS									
E100	Real GDP (pounds billion)	1,711	1,761	1,838	1,918	1,998	2,103	2,214	2,318
E101	Real GDP % change	3.3	2.9	4.4	4.3	4.2	5.3	5.3	4.7
E201	Domestic demand % change	0.9	4.8	5.4	4.6	1.8	3.7	4.1	4.1
E211	Private consumption % change	2.6	4.4	3.1	4.7	1.8	1.7	3.6	4.2
E221	Public consumption % change	3.5	8.4	7.0	3.9	-6.1	1.5	0.5	0.5
E231	Gross fixed capital % change	-9.6	10.2	8.6	11.2	11.3	6.1	10.9	5.7
E241	Private investment	-10.3	6.5	7.1	11.2	4.6	9.4	7.5	7.0
E251	Government investment	6.6	28.3	14.7	11.2	36.9	-3.7	22.3	2.0
E262	Change in stockbuilding % GDP	-0.3	0.4	0.1	0.1	0.1	0.1	0.1	0.1
E301	Exports of goods and services % change	4.5	-10.9	0.0	-15.0	13.5	14.3	11.0	7.0
E311	Imports of goods and services % change	0.6	0.1	1.0	-2.2	-0.5	2.4	2.6	3.0
E322	Change in net foreign balance % GDP	0.6	-1.8	-0.2	-1.5	1.6	1.2	0.9	0.4
E400	Real GNP (pounds billion)	1,708	1,759	1,836	1,915	1,997	2,104	2,217	2,324
E401	Real GNP % change	3.2	3.0	4.4	4.3	4.3	5.4	5.4	4.8
E500	Nominal GDP (pounds billion)	1,860	2,130	2,444	2,709	3,470	4,376	5,244	6,014
E501	Nominal GDP % change	11.1	14.5	14.7	10.9	28.1	26.1	19.8	14.7
E505	GDP deflator % change	7.5	11.2	9.9	6.3	23.3	20.9	14.5	10.0
E510	Nominal GDP (\$ billion)	288	306	332	332	234	247	296	339
OUTPUT BASIS									
S211	Agriculture % change	3.0	3.0	3.1	3.1	3.2	3.0	3.0	3.0
S212	Agriculture % of GDP	11.4	11.4	11.2	11.1	11.0	10.8	10.5	10.4
S221	Mining (incl oil and gas) % change	-2.7	-3.8	-4.1	-5.3	-1.8	9.0	12.0	15.0
S222	Mining (incl oil and gas) % of GDP	15.9	14.9	13.7	12.4	11.7	12.1	12.9	14.1
S231	Manufacturing % change	2.3	4.8	3.1	0.8	2.1	5.0	5.0	5.0
S232	Manufacturing % of GDP	16.2	16.5	16.3	15.7	15.4	15.3	15.3	15.3
S241	Construction % change	5.9	7.4	9.8	11.2	9.5	4.0	2.5	2.5
S242	Construction % of GDP	4.3	4.5	4.7	5.0	5.3	5.2	5.1	5.0
S251	Services % change	5.4	4.0	3.6	4.0	4.2	5.2	4.8	4.8
S252	Services % of GDP	52.3	52.8	54.1	55.8	56.7	56.6	56.4	56.4
S254	Financial Services % change	11.3	14.7	15.2	15.0	8.0	8.3	7.0	7.0
S255	Financial Services % of GDP	4.2	4.7	5.1	5.7	5.9	6.1	6.1	6.3
S257	Governmental Services % change	15.8	22.3	17.0	10.9	9.1	4.0	4.0	4.0
S258	Governmental Services % of GDP	10.2	12.1	13.6	14.4	15.1	14.9	14.7	14.6
INVESTMENT AND SAVING (% GDP)									
S305	Gross domestic investment	13.3	14.2	14.8	15.7	16.8	17.0	17.9	18.0
S315	Gross national saving	11.0	13.3	11.1	9.8	10.7	14.5	16.2	16.7
S325	Net foreign balance	-2.2	-0.9	-3.7	-6.0	-6.1	-2.4	-1.7	-1.3
EMPLOYMENT AND EARNINGS									
S430	Employment (million)	23.6	24.0	24.4	25.1	25.8	26.6	27.4	28.1
S431	Employment % change	0.5	1.6	1.7	2.9	2.8	3.0	2.9	2.8
S440	Unemployment rate (%)	13.3	13.2	12.8	12.6	11.8	11.0	10.5	10.2
S441	Participation rate (%)								
S400	Population (million)	89.8	91.8	93.8	95.7	97.6	99.5	101.5	103.5
S401	Population % change	2.3	2.2	2.1	2.0	1.9	2.0	2.0	2.0
S411	Per capita real GDP % change	1.0	0.7	2.2	1.8	2.2	3.2	3.2	2.6
S420	Per capita \$ GDP	3,292	3,411	3,630	3,545	2,402	2,480	2,914	3,276

Source: Authorities through 2017; IIF estimate for 2018, and forecast for 2019-2020

Code	TRADE AND BALANCE OF PAYMENTS	2013	2014	2015	2016	2017	2018f	2019f	2020f
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
CURRENT ACCOUNT (\$million)									
B100	Trade Balance	-30,695	-34,159	-39,060	-38,683	-37,275	-37,276	-38,518	-39,266
B110	Merchandise exports	26,988	26,023	22,245	18,705	21,728	25,827	30,105	32,836
C100	ow: Petroleum products	13,023	12,356	8,892	5,674	6,670	8,511	10,256	10,039
B120	Merchandise imports	-57,683	-60,182	-61,306	-57,388	-59,003	-63,103	-68,623	-72,102
C300	ow: Petroleum products	-12,124	-13,247	-12,366	-9,294	-10,924	-13,940	-16,797	-16,442
B200	Balance on Services, Income & Transfers	24,304	31,380	26,918	18,852	22,881	31,314	33,530	34,736
B205	Services Balance	12,446	8,274	10,743	6,533	5,614	11,122	13,663	15,684
B212	Services receipts	22,027	17,437	21,812	16,079	15,400	21,487	24,842	27,428
B241	Transportation	9,188	9,466	9,850	9,535	7,911	8,708	10,150	11,071
B242	Travel	9,752	5,073	7,370	3,768	4,380	9,804	11,373	12,738
B222	Services payments	-9,581	-9,163	-11,069	-9,546	-9,786	-10,365	-11,179	-11,744
B206	Income balance	-7,406	-7,263	-5,701	-4,472	-4,569	-6,280	-6,799	-7,360
B213	Income receipts	198	194	213	397	498	835	886	939
B225	Income payments	-7,604	-7,457	-5,914	-4,869	-5,066	-7,115	-7,684	-8,299
B224	ow: Interest	-755	-653	-644	-752	-1,232	-1,616	-1,794	-1,973
B230	Transfers, net	19,265	30,368	21,876	16,791	21,835	26,471	26,666	26,412
B232	Private transfers, net	18,429	18,448	19,205	16,689	21,686	26,265	26,527	26,262
B234	Official transfers, net	836	11,920	2,670	102	149	206	139	150
B250	Current Account Balance	-6,390	-2,780	-12,143	-19,831	-14,394	-5,962	-4,987	-4,531
B252	% GDP	-2.2	-0.9	-3.7	-6.0	-6.1	-2.4	-1.7	-1.3
TERMS OF TRADE									
T102	Goods exports: value % change	7.6	-3.6	-14.5	-15.9	16.2	18.9	16.6	9.1
T103	Goods exports: volume % change	8.3	-2.2	-4.3	-3.4	12.5	9.3	9.0	7.0
T105	Goods exports: unit value % change	-0.6	-1.4	-10.7	-12.9	3.2	8.7	7.6	2.1
T202	Goods imports: value % change	-2.6	4.3	1.9	-6.4	2.8	6.9	8.7	5.1
T203	Goods imports: volume % change	-1.0	7.0	12.2	7.7	-0.5	2.4	2.6	3.0
T205	Goods imports: unit value % change	-1.6	-2.5	-9.2	-13.1	3.3	4.5	6.1	2.1
T305	Terms of trade % change	1.1	1.1	-1.6	0.2	-0.1	4.0	1.3	0.0
T400	Exchange rate, end-period (pound/\$)	7.1	7.2	7.6	8.9	18.1	17.9	17.9	17.9
T410	Exchange rate, average (pound/\$)	6.5	7.0	7.4	8.1	14.8	17.7	17.7	17.7
T420	Exchange rate, average (pound/Euro)	8.3	9.5	8.8	9.0	16.1	21.2	21.6	22.2
T430	Nominal effective exchange rate (2010=100)	81.9	81.0	85.9	75.5	38.2	37.5	42.0	44.1
T440	Real effective exchange rate (2010=100)	95.5	99.8	115.5	111.6	72.0	77.8	88.0	95.2
T441	% change	-7.7	4.5	15.7	-3.4	-35.5	8.0	13.1	8.2
DIRECTION OF TRADE									
Export destination % total:									
S112	GCC	11.9	15.0	18.7	22.9	17.6	18.1	18.3	18.5
S113	EU	27.9	29.5	27.7	30.4	34.1	33.8	33.6	33.5
S114	USA	4.2	4.2	5.1	7.0	8.4	8.5	8.6	8.7
Import origin % total:									
S132	GCC	10.9	11.3	10.0	15.1	16.0	16.5	16.5	16.5
S133	EU	32.0	32.2	32.4	29.7	26.9	27.3	27.3	27.3
S134	China	10.5	11.2	13.0	8.0	7.7	7.6	7.6	7.6
STRUCTURE OF TRADE									
Export composition % total:									
S102	Petroleum Products	48.3	47.5	40.0	30.3	30.7	33.0	34.1	30.6
S103	Cotton and derivatives	7.7	8.1	9.0	9.9	10.2	10.5	10.7	10.7
S104	Manufacturing goods	12.5	13.2	15.0	22.4	23.5	26.6	27.3	27.7
S115	Exports % GDP	9.4	8.5	6.7	5.6	9.3	10.5	10.2	
Import composition % total:									
S122	Petroleum Products	21.0	22.0	20.2	16.2	20.4	19.8	16.1	13.8
S123	Capital goods	18.4	16.9	20.8	23.2	20.5	21.9	22.3	22.8
S124	Food and Cereal	16.6	16.8	15.4	17.8	23.6	23.4	23.6	23.9
S135	Imports % GDP	21.3	18.8	17.8	19.0	29.3	29.2		

Source: Authorities through 2017; IIF estimate for 2018, and forecast for 2019-2020

Code	EXTERNAL FINANCING, DEBT AND ASSETS	2013	2014	2015	2016	2017	2018f	2019f	2020f
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
FINANCING (\$ million)									
F250	External Financing, net:	6,390	2,780	12,143	19,831	14,394	5,962	4,987	4,531
F100	Nonresident capital flows	12,137	7,534	19,449	24,767	43,191	26,951	13,870	16,433
F110	Foreign direct investment	3,753	4,178	6,380	6,933	7,933	7,720	7,950	7,553
F111	Equity	278	283	540	628	335	474	1,364	1,460
F113	Debt	3,475	3,895	5,840	6,305	7,598	7,245	6,586	6,093
F120	Portfolio investment	1,477	1,237	-639	-1,287	15,985	12,095	420	4,000
F121	Equity	-781	311	509	158	10,494	6,802	1,420	2,500
F122	Debt	2,258	927	-1,148	-1,445	5,492	5,293	-1,000	1,500
F130	Other investment	6,906	2,119	13,707	19,121	19,273	7,137	5,500	4,880
F131	Private	453	215	8,233	13,264	11,144	11,016	4,000	3,880
F132	Official	6,453	1,904	5,474	5,858	8,129	-3,879	1,500	1,000
F133	ow: IMF								
F400	Resident capital flows	-2,277	-2,539	-1,397	-3,449	-12,062	-4,804	-6,751	-8,283
F284	Foreign direct investment	-184	-327	-223	-164	-175	-271	-700	-784
F420	Portfolio investment	22	66	47	192	208	-21	-150	-173
F286	Equity	22	66	47	192	208	-21	-150	-173
F422	Debt	0	0	0	0	0	0	0	0
F430	Other investment	-2,116	-2,278	-1,221	-3,477	-12,096	-4,512	-5,901	-7,326
F445	Capital transfers	-87	194	-123	-141	-113	-151	-67	-119
F450	Errors and omissions	-2,160	-1,204	-1,824	-4,535	-2,759	-3,281	0	0
F480	Monetary gold (- = increase)	-988	299	-350	368	-153	46	35	0
F500	Reserves excluding gold (- = increase)	-235	-1,505	-3,612	2,822	-13,709	-12,799	-2,100	-3,500
EXTERNAL DEBT (\$ million)									
D100	Total External Debt	43,233	46,067	48,063	55,764	79,033	92,640	95,776	100,696
D102	% GDP	15.0	15.1	14.5	16.8	33.7	37.5	32.4	29.7
D105	% Exports goods, services & income	87.9	105.5	108.6	158.5	210.0	192.4	171.5	164.5
D202	Medium/Long term debt	36,187	42,416	45,488	48,747	66,758	78,252	83,526	87,817
D203	Short term debt	7,046	3,651	2,575	7,018	12,274	14,388	12,250	12,879
D205	Nonresident holdings of domestic debt	176	43	66	60	9,752	16,736	13,388	13,656
DEBT SERVICE AND AMORTIZATION (\$ million)									
P100	Total debt service	3,375	5,758	3,529	5,863	6,524	7,176	7,894	8,684
P105	% Exports goods, services & income	6.9	13.2	8.0	16.7	17.3	14.9	14.1	14.2
P110	Interest payments due	755	653	644	752	902	993	1092	1201
P115	% Exports goods, services & income	1.5	1.5	1.5	2.1	2.4	2.1	2.0	2.0
P120	Amortization paid	2,620	5,106	2,885	5,111	5,622	6,184	6,802	7,482
P125	% Exports goods, services & income	5.3	11.7	6.5	14.5	14.9	12.8	12.2	12.2
P204	Average interest rate on external debt	1.7	1.4	1.3	1.3	1.1	1.1	1.1	1.2
AMORTIZATION									
		2017	2018	2019	2020				
R100	Total principal repayments due	5622	6184	6802	6240				
EXTERNAL ASSETS (\$ million)									
A500	Reserves excluding gold	11,587	13,092	16,704	13,883	27,592	40,391	42,491	45,991
A505	% Imports goods and services	17.2	18.9	23.1	20.7	40.1	55.0	53.2	54.9
A506	Months imports goods and services	2.1	2.3	2.8	2.5	4.8	6.6	6.4	6.6
A510	Gold value (market prices)	3,149	2,973	2,839	3,057	3,171	3,122	3,087	3,087
A512	Gold (million ounces)	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5
A600	Deposit money banks' foreign assets	16,885	16,224	11,449	9,286	18,746	16,778	16,778	18,455
A610	Deposit money banks' foreign assets, net	12,121	11,452	3,481	-4,844	3,171	450	2,083	4,201
A700	Deposits in BIS banks	21,180	23,118	17,986	20,461	33,822	40,222	41,272	43,022

Source: Authorities through 2017; IIF estimate for 2018, and forecast for 2019-2020

Code	MONETARY POLICY VARIABLES	2013	2014	2015	2016	2017	2018f	2019f	2020f
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
MONETARY AGGREGATES (pounds billion)									
M100	Net foreign assets	123	119	51	-87	61	310	411	467
M101	Central Bank	38	37	25	-45	4	301	373	392
	Foreign assets	102	116	148	150	552	776	813	876
	Foreign Liabilities	63	78	123	195	548	474	440	484
M102	Commercial banks	85	82	26	-43	57	8	37	75
	Foreign assets	118	116	86	82	339	300	300	330
	Foreign Liabilities	33	34	60	124	282	292	263	255
M200	Domestic credit	1,393	1,684	2,105	2,615	3,302	3,612	4,182	4,733
M201	Domestic credit % change	25.0	20.9	25.0	24.2	26.3	9.4	15.8	13.2
M210	Net claims on government	794	1,038	1,332	1,611	1,809	1,971	2,375	2,738
M250	Claims on the private sector	600	647	774	1,004	1,493	1,640	1,807	1,994
M251	Claims on the private sector % change	9.6	7.8	19.6	29.9	48.7	9.8	10.2	10.4
M252	Claims on the private sector % of GDP	32.2	30.4	31.7	37.1	43.0	37.5	34.5	33.2
M300	Other liabilities	220	286	391	433	445	464	464	464
M400	Broad money (M3)	1,296	1,517	1,766	2,095	2,918	3,457	4,129	4,736
M401	M3 % change	18.4	17.0	16.4	18.6	39.3	18.5	19.4	14.7
M411	M3 velocity % change	-6.2	-2.2	-1.4	-6.5	-8.1	6.5	0.3	0.0
M500	Money (M1)	344	411	499	573	696	818	947	1061
M501	M1 % change	25.4	19.3	21.6	14.8	21.5	17.5	15.8	12.0
M600	Reserve money	338	409	486	568	654	654	752	862
M601	Reserve money % change	26.8	20.8	18.8	17.0	15.0	16.2	15.0	14.7
Memo:									
M700	Lending to households	128	145	175	208	284	306		
M701	Lending to households % change	13.8	13.6	20.7	18.6	36.7	7.8		
M710	Lending to corporates	370	389	448	504	765	848		
M711	Lending to corporates % change	8.5	5.3	15.2	12.5	51.7	10.8		
PRICES									
M805	CPI % change average	6.9	10.1	11.0	10.2	23.3	20.9	14.5	10.0
M815	CPI % change end-period	9.8	8.2	11.4	14.0	29.8	14.4	10.0	9.1
M825	Core CPI % change average	6.1	10.2	8.1	8.0	26.3	18.8	13.5	9.0
M835	Core CPI % change end-period	8.6	8.8	8.1	12.4	31.9	9.1	8.0	7.6
M845	PPI % change average	0.7	6.5	-0.2	1.3	27.8	15.2		
M855	PPI % change end-period	8.3	4.3	-2.3	14.9	23.5	10.9		
INTEREST RATES (% average)									
K501	Policy rate (eop)	9.8	8.3	8.8	11.8	16.8	16.8	15.5	15.0
K200	Interbank rate	9.5	8.8	8.9	11.6	17.4	17.4	16.4	15.4
K210	Lending rate (less than one year loans)	9.3	10.3	10.3	15.8	19.8	19.8	17.6	16.4
K220	3-Months Deposit rate, average	7.8	7.1	7.0	8.3	13.8	16.8	12.0	9.8
K230	Real deposit rate	0.8	-2.8	-3.6	-1.7	-7.7	-3.4	-2.2	-0.2

Source: Authorities through 2017; IIF estimate for 2018, and forecast for 2019-2020

Code	FISCAL ACCOUNTS AND PUBLIC DEBT	2013	2014	2015	2016	2017	2018f	2019f	2020f
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
GOVERNMENT BALANCES (pounds billion)									
G200	General government balance	-240.4	-240.4	-267.6	-326.4	-372.8	-411.3	-448.9	-403.4
G202	General government balance % GDP	-12.9	-11.3	-10.9	-12.0	-10.7	-9.4	-8.6	-6.7
G250	General government non-interest balance % GDP	-5.0	-3.2	-3.1	-3.1	-1.6	0.2	1.1	3.0
CENTRAL GOVERNMENT (pounds billion)									
G310	Total revenue	350.3	456.8	465.2	491.5	659.2	813.4	969.2	1172.8
G311	Total revenue % change	15.4	30.4	1.9	5.6	34.1	15.0	19.2	21.0
G312	Total revenue % GDP	18.8	21.4	19.0	18.1	19.0	18.6	19.0	19.5
G314	Tax revenue	251.1	260.3	306.0	352.3	462.0	624.2	750.1	825.1
G315	Tax revenue % change	21.1	3.7	17.5	15.2	31.1	35.1	20.2	10.0
G316	Nontax revenue	94.0	100.6	133.8	135.6	179.5	188.1	218.0	347.7
G317	Nontax revenue % change	9.2	7.1	33.0	1.3	32.3	4.8	15.9	59.5
G320	Total expenditure	588.2	701.5	733.4	817.8	1031.9	1224.7	1418.1	1576.2
G321	Total expenditure % change	24.9	19.3	4.5	11.5	26.2	18.7	15.8	11.1
G322	Total expenditure % GDP	31.6	32.9	30.0	30.2	29.7	28.0	27.0	26.2
G323	Current expenditure	548.7	648.6	671.6	748.6	922.8	1106.4	1259.6	1401.8
G324	Current expenditure % change	26.1	18.2	3.5	11.5	23.3	19.9	13.9	11.3
G325	o/w Wages and Salaries	143.0	178.6	198.5	213.7	225.5	240.0	266.1	292.7
G326	Interest payments	147.0	173.2	193.0	243.6	316.6	421.1	505.3	581.1
G327	Transfers & subsidies	197.1	228.6	198.6	201.0	276.7	331.4	352.4	394.7
G328	Capital expenditure	39.5	52.9	61.8	69.3	109.1	118.3	158.5	174.4
G329	Capital expenditure % change	10.0	33.8	16.8	12.1	57.6	8.4	34.0	10.0
G300	Overall balance	-237.9	-244.7	-268.1	-326.4	-372.8	-411.3	-448.9	-403.4
G302	Overall balance % GDP	-12.8	-11.5	-11.0	-12.0	-10.7	-9.4	-8.6	-6.7
G306	Financed by external credits	20.3	4.0	-25.1	-14.9	111.8	123.4	134.7	121.0
G307	Financed by domestic credits	270.6	277.3	327.7	371.3	260.9	287.9	314.2	282.4
G350	Non-interest balance, % of GDP	-4.9	-3.4	-3.1	-3.1	-1.6	0.2	1.1	3.0
PUBLIC DEBT (pounds billion, unless otherwise indicated)									
G400	Public sector debt	1,647	1,965	2,387	3,221	3,727	4,438	5,087	5,691
G402	Public sector debt % GDP	88.5	92.2	97.7	118.9	107.4	101.4	97.0	94.6
G600	Central government debt	1,647	1,965	2,387	3,221	3,727	4,438	5,087	5,691
G602	Central government debt % GDP	88.5	92.2	97.7	118.9	107.4	101.4	97.0	94.6
G610	Central government domestically issued debt	1,647	1,965	2,387	3,221	3,727	4,438	5,087	5,691
G620	Central government foreign issued debt	88.5	92.2	97.7	118.9	107.4	101.4	97.0	94.6

Source: Authorities through 2017; IIF estimate for 2018, and forecast for 2019-2020

Code	BANKING AND FINANCIAL MARKETS	2013	2014	2015	2016	2017	2018f	2019f	2020f
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
BANKING SOUNDNESS INDICATORS									
Capital Adequacy									
K400	Regulatory Capital to Risk Weighted Assets %	13.0	13.1	13.7	14.1	15.2	15.7		
K401	Tier 1 Capital to Risk Weighted Assets %	10.8	11.0	11.7	11.3	12.1	12.5		
Asset Quality									
K410	Non-Performing Loans to Gross Loans %	9.1	8.6	6.8	5.8	4.9	4.5		
K411	Book Provisions to Non-Performing Loans %	100.0	97.0	99.0	99.1	98.3	98.2		
Banking Sector Performance									
K420	Return on Assets %	1.0	1.0	1.3	1.5	1.5	1.5		
K421	Return on Equity %	13.9	14.5	18.9	24.4	21.5	21.5		
Liquidity									
K430	Liquid Assets to Total Assets %	16.3	15.5	15.4	14.0	15.0	16.3		
K431	Total Loans to Total Deposits %	42.0	40.4	41.5	47.2	44.2	44.1		
EQUITY MARKETS									
K100	EGX 30 Index, Local Currency terms	4,685	8,162	8,372	6,943	13,396	16,349		
K101	EGX 30 Index, LC terms % change	-0.5	74.2	2.6	-17.1	93.0	22.0		
K110	EGX 30 Index, \$ terms	759	1,354	2,393	2,146	2,277	2,322		
K111	EGX 30 Index, \$ terms % change	-2.3	78.4	76.7	-10.3	6.1	1.9		
K120	Equity market capitalization (\$ billion)	46	67	64	44	38	51		
K121	Equity market capitalization (% GDP)	25.5	18.5	19.0	20.9	14.4	10.5		
DEBT MARKETS									
K300	T-bill rate, cop, (91-day)	14.2	10.6	11.7	14.0	20.4	19.4		
K310	Yield on 10-year government bond	15.9	15.2	15.6	17.3	17.4	16.0		
K330	Total bonds outstanding (\$ billion)	50.4	69.9	87.0	95.4	54.8	59.3		
K331	Government bonds outstanding (\$ billion)	44.8	63.9	80.9	86.2	41.0	42.2		
K332	Corporate bonds outstanding (\$ billion)	5.7	6.0	6.0	9.2	13.8	17.1		
K333	Total bonds outstanding (% GDP)	17.5	22.9	26.2	28.7	23.4	24.0		
WORLD ECONOMIC FRAMEWORK									
W101	Industrial country real GDP % change	1.7	2.2	1.7	1.9	2.6	2.6	2.3	2.2
W102	United States real GDP % change	2.2	3.2	1.8	1.9	2.7	3.1	2.6	2.5
W103	Euro area real GDP % change	0.9	1.6	1.8	2.1	2.6	2.2	1.9	1.8
W204	\$ LIBOR (six-month, average)	0.4	0.4	0.7	1.3	1.9	2.8	3.3	3.7
W205	€ LIBOR (six-month, average)	0.4	0.2	-0.1	-0.2	-0.3	-0.2	-0.1	0.3
W206	United States 10-year Treasury Yield	2.7	2.2	2.0	2.1	2.6	3.2	3.4	3.6
W207	Germany 10-year Bund Yield	1.7	0.7	0.5	0.2	0.5	0.7	1.1	1.5
W304	Brent spot oil price (\$/bbl, average)	109.1	109.3	73.5	43.4	50.1	62.6	74.0	71.0
W305	Gold price (\$/oz, average)	1295.5	1223.0	1167.9	1258.1	1289.9	1270.2	1255.8	1255.8
W410	\$/SDR	1.54	1.43	1.40	1.37	1.42	1.40	1.44	1.44
W420	\$/€ (ECU 1978-98)	1.37	1.17	1.11	1.10	1.19	1.15	1.10	1.10
W430	¥/\$	101.80	118.14	114.00	110.47	110.55	112.00	110.00	110.00
W505	World price commodities index (2000=100)	-4.8	-7.4	-9.3	-13.3	5.8	2.2	-1.1	-1.0
W515	World price manufactured goods % change	-0.1	-1.7	-1.4	-3.7	-1.9	1.7	1.6	1.3

Source: Authorities through 2017; IIF estimate for 2018, and forecast for 2019-2020