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The external debt rose to USD73.9 billion, or 41.2% of GDP in 3QFY16/17

Egypt's total external debt rose by 9.8% QoQ from USD67.3 billion (37.6% of GDP) by the end of 2QFY16/17 to USD73.9 billion (41.2% of GDP) by the end of 3QFY16/17. The government contribution to the increase in the total external debt recorded 8.9% in terms of international bond issuance and medium/long term loans. On the other hand, banks and private sector external debt balance rose slightly from USD10.8 billion in 2QFY16/17 to USD11.7 billion in 3QFY16/17. We note that the short term external debt contribution to the total external debt increase recorded only 1.0%, reflecting the positive reaction to the Egyptian economic reform program.

External debt ratios remain within safe boundaries

- Short-term external debt to the total external debt declined marginally from 17.7% in 2QFY16/17 to 17.1% in 3QFY16/17.
- Debt service to the total current account receipts declined from 11.0% in 2QFY16/17 to 10.5% in 3QFY16/17
- Net international reserves to short-term external debt rose from 2.0 in 2QFY16/17 to 2.3 in 3QFY16/17.

As Egypt's current account deficit narrows, following the recent reform measures, more foreign direct investments, in addition to fiscal consolidation would all help reduce the funding gap. Accordingly, we expect the external debt accumulation to stabilize going forward.

Chart 1 | External debt rose to 41.2% of GDP in 3Q FY16/17, mainly due to medium/long term borrowings

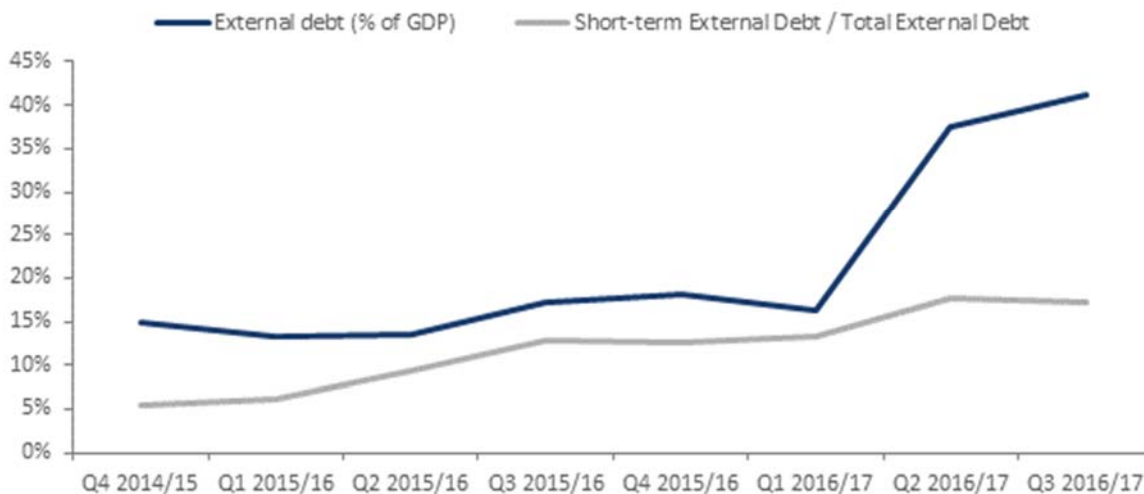
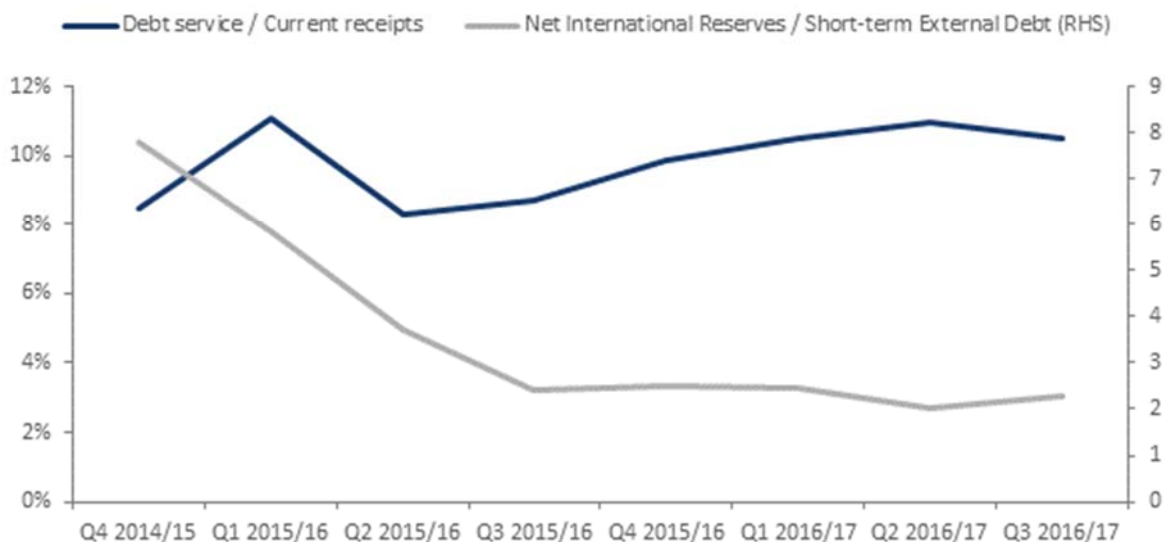


Chart 2 | External debt ratios remain stable, reflecting limited risk, in 3QFY2016/17



Source: CBE, Pharos research



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