

September 12, 2017

**The merchandise trade deficit continued to narrow to USD8.4 billion in 4Q FY2016/17 on a lower oil trade deficit**

The non-oil trade deficit inched downwards from USD7.8 billion in 3Q FY2016/17 to USD7.3 billion in 4Q FY2016/17 as the non-oil imports decreased from USD11.6 billion in 3Q FY2016/17 to USD11.1 billion in 4Q FY2016/17. On the other hand, the petroleum trade deficit went down from USD1.4 billion in 3Q FY2016/17 to USD1.1 billion in 4Q FY2016/17.

**The services surplus rose slightly from USD2.0 billion in 3Q FY2016/17 to USD2.3 billion in 4Q FY2016/17 on higher tourism revenues**

Tourism revenues continued to rise from USD1.3 billion in 3Q FY2016/17 to USD1.5 billion in 4Q FY2016/17. Meanwhile, Suez Canal receipts remained flat at USD1.2 billion in 4Q FY2016/17.

**The current account deficit declined to USD2.4 billion in 4Q FY2016/17**

The remittances of Egyptians working abroad rose from USD4.6 billion in 3Q FY2016/17 to USD4.8 billion in 4Q FY2016/17, which helped narrow the current account deficit from USD3.5 billion in 3Q FY2016/17 to USD2.4 billion in 4Q FY2016/17.

**Strong FPI and FDI inflows continued to support the financial account in FY2016/17**

The cumulative net portfolio investment rose significantly from an outflow of USD1.3 billion in FY2015/16 to an inflow of USD10.5 billion in FY2016/17 (excluding Eurobond issuances). The cumulative net direct investments went up 14.5% YoY from USD6.9 billion in FY2015/16 to USD7.9 billion in FY2016/17. Meanwhile, the net borrowing rose by 8.4% YoY from USD7.1 billion in FY2015/16 to USD7.7 billion in FY2016/17.

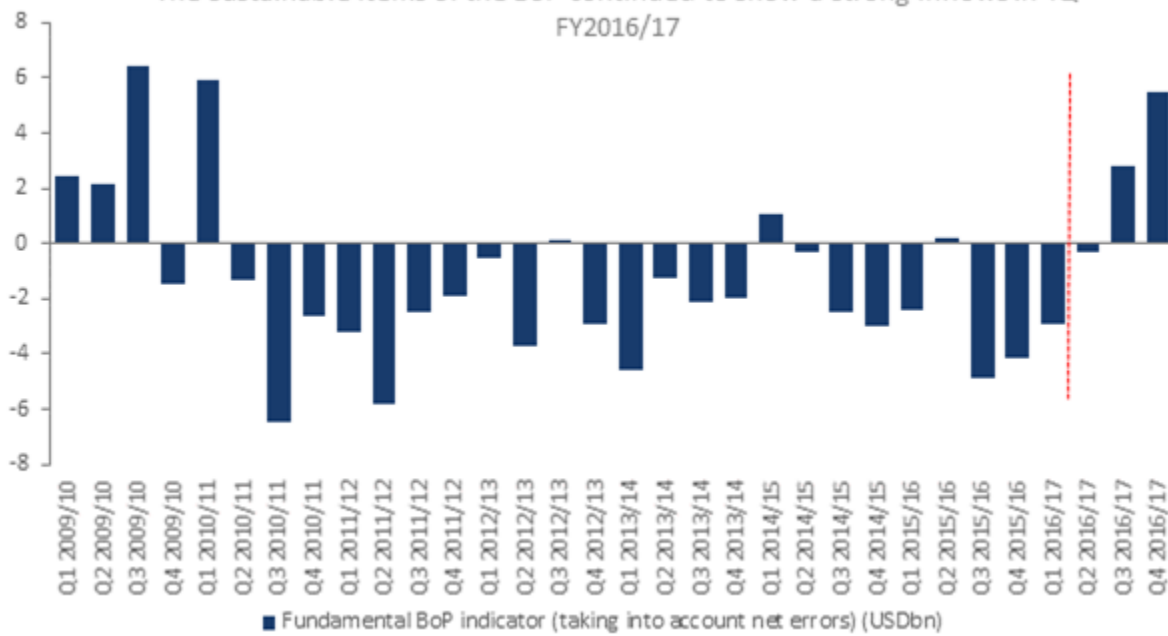
**Egypt's external position fundamentals showed further recovery in 4Q FY2016/17**

We note that the FDI coverage of the current account deficit, excluding grants, continued to improve from USD -4.3 billion in 4Q FY2015/16 (-1.3 billion in 3Q FY2016/17) to USD -1.1 billion in 4Q FY2016/17. Moreover, the fundamental BoP indicator, which captures the more sustainable items of the BoP and takes account of the net errors and omissions, rose from USD2.8 billion in 3Q FY2016/17 to USD5.5 billion in 4Q FY2016/17.

**Going forward, we expect the BoP fundamentals improvement to continue in FY2017/18 on lower petroleum trade deficit as Zohr gas production, higher FDIs following the introduction of the new investment law, and higher tourism revenues kick in.**

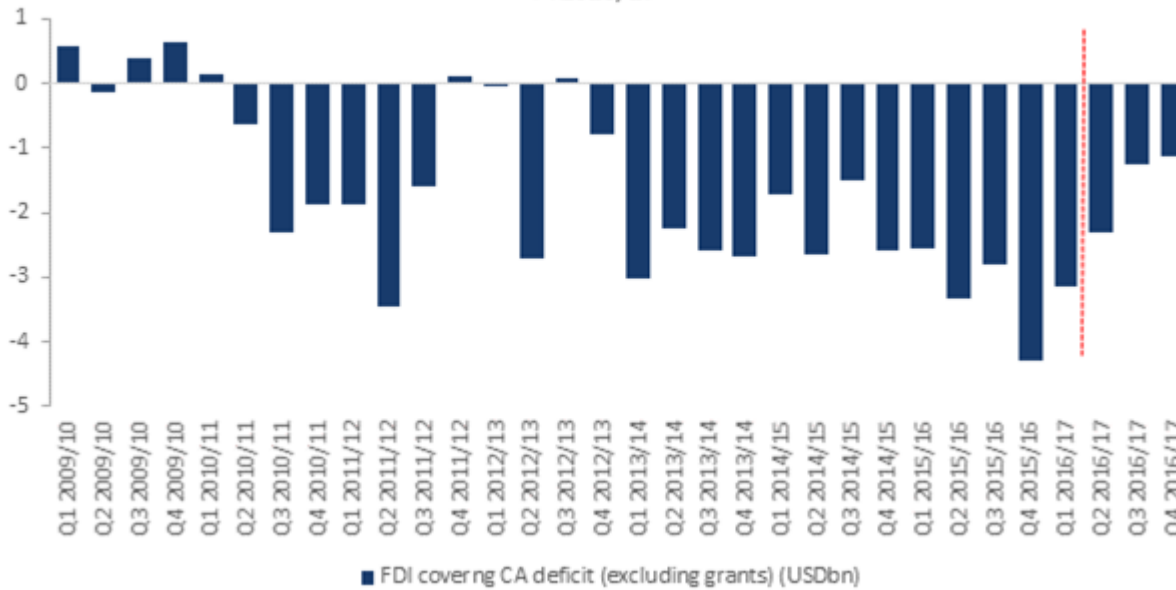
The sustainable items of the BoP continued to show a strong inflows in 4Q

FY2016/17

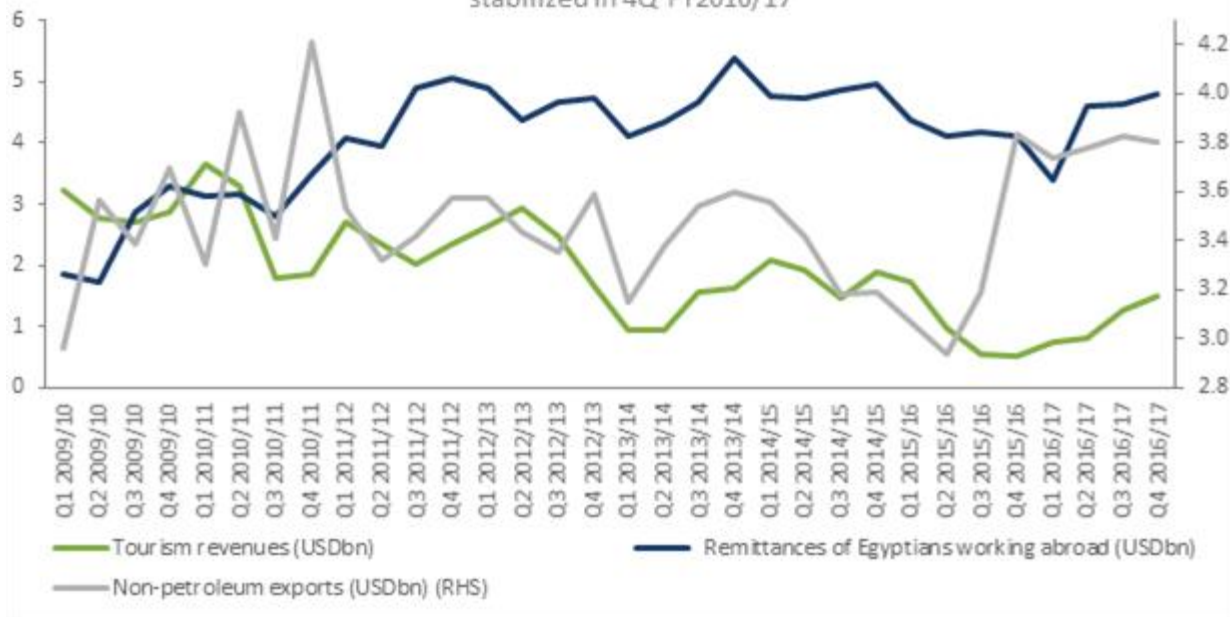


The FDI coverage of the current account deficit continued to improve in 4Q

FY2016/17



Tourism revenues and remittances recovery resumed as non-oil exports stabilized in 4Q FY2016/17



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