



Press Release

Balance of Payments Performance in July/March of FY 2020/2021

Overall Balance	<p><u>The balance of payments records a surplus of about US\$ 1.8 billion.</u></p> <p>In July/March 2020/2021, Egypt's transactions with the external world improved. The BOP recorded an overall surplus of US\$ 1.8 billion, against a deficit of US\$ 5.1 billion a year earlier that was realized in the wake of the Corona pandemic. Such an improvement proved the ability of the Egyptian economy to quickly recover from the crises that hit the global economy.</p>
Current Account	<p><u>The current account registered a deficit of US\$ 13.3 billion</u> (against US\$ 7.3 billion in the corresponding period). This was mainly attributed to the fact that tourism revenues registered less than one-third of the revenues realized in the corresponding period, affected by the great shock that hit international tourism because of COVID-19 pandemic; a crisis which the global economy is still suffering from.</p>
Capital and Financial Account	<p><u>The capital and financial account achieved a net inflow of US\$ 17.1 billion</u> (against US\$ 4.1 billion in the corresponding period). This reflects the noticeable improvement in foreign portfolio investments due to the continuation of easing policies in global financial conditions, despite the ongoing uncertainty caused by the COVID-19 pandemic. This also reflects the confidence of foreign investors in the Egyptian economy.</p>

The following is a review of the main developments in the BOP performance in July/March 2020/2021 (relative to the same period of the previous FY 2019/2020).

First: Current Account

- ✓ **The factors that triggered the widening of the current account deficit.**
- **The services surplus dropped** by 62.2% to post only US\$ 3.2 billion (compared to US\$ 8.4 billion), mainly due to:
 - The decline in **tourism revenues** by 67.4% to only US\$ 3.1 billion (against US\$ 9.6 billion).
 - The fall in **transport receipts** by 12.9% to US\$ 5.5 billion (against US\$ 6.3 billion), due mainly to the decrease in the receipts of aviation companies because of Corona pandemic, and the retreat in Suez Canal receipts.
- **The non-oil trade deficit widened** by 12.7% or US\$ 3.5 billion, to post US\$ 30.7 billion (against US\$ 27.3 billion), as the increase in non-oil imports surpassed that of non-oil exports. Non-oil imports rose by US\$ 4.5 billion to US\$ 45.4 billion. Such a rise was concentrated in the imports of medicines, sterilization equipment for Corona, corn, spare parts and accessories for cars and tractors, and railway locomotives. Meanwhile, non-oil exports moved up by only US\$ 1.0 billion, to register US\$ 14.6 billion, concentrated in exports of household electrical appliances and wires and cables.
- ✓ **The positive factors that helped mitigate the aggravation of the current account deficit.**
- **Workers' remittances increased** by 8.5%, to US\$ 23.4 billion (from US\$ 21.5 billion).
- **The decline in oil imports** (US\$ 2.3 billion) **surpassed that in oil exports** (US\$ 1.4 billion), **leading as such to an improvement in the oil trade balance**, to register a surplus of US\$ 174.9 million (compared to a deficit of US\$ 773.3 million).

- **Investment income deficit¹ narrowed** by 3.6% or US\$ 326.4 million, to stand at US\$ 8.9 billion (compared to US\$ 9.2 billion), mainly because the fall in income paid outpaced that of income earned. To elaborate, investment income payments declined by US\$ 689.2 million, to register US\$ 9.2 billion, reflecting the drop in both:
 - The profits of foreign oil firms operating in Egypt, which were adversely impacted by the plunge in world oil prices; and
 - Interest payments on foreign debt.

Meanwhile, investment income receipts shrank by US\$ 362.8 million, to only US\$ 320.1 million, due to the decrease in interest payments on deposits abroad.

Second: Capital and Financial Account

Net inflows of the capital and financial account rose by US\$ 13.0 billion, to register US\$ 17.1 billion during July/March of FY 2020/2021, (compared to US\$ 4.1 billion in the same period a year earlier), as a result of the following main developments:

- **Portfolio investment in Egypt achieved a net inflow** of US\$ 16.0 billion (against a net outflow of US\$ 7.9 billion in the corresponding period).
- **Net inflows of FDI in Egypt decreased** by 19.3%, to post US\$ 4.8 billion (against US\$ 5.9 billion), as an outcome of the following developments:
 - 1. Investments in the oil sector recorded** a net outflow of US\$ 322.5 million (against a net inflow of US\$ 787.6 million).
 - 2. Investments in the non-oil sectors** remained unchanged at US\$ 5.1 billion, on the back of the following:

¹It represents the difference between the income earned and paid from and to the external world on portfolio investment, direct investments, bank deposits and foreign debt.

- The rise in net inflows for greenfield investments & capital increases by US\$ 154.8 million or 41.4%, to US\$ 528.3 million;
 - The retreat in proceeds from selling companies and productive assets to non-residents by US\$ 38.3 million to US\$ 54.5 million;
 - The decline in inflows for real estate purchases in Egypt by non-residents by US\$ 114.6 million, to stand at US\$ 453.7 million.
 - Retained earnings and credit balances surplus stabilized at US\$ 4.1 billion.
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- **Net disbursements of medium- and long-term loans and facilities** recorded US\$ 5.0 billion (against US\$ 2.0 billion).

Balance of Payments

(US\$ m.)

	<u>July/March 2019/20*</u>	<u>July/March 2020/21*</u>
<u>Trade Balance</u>	<u>-28058.5</u>	<u>-30574.5</u>
Exports	20953.6	20573.5
<i>Petroleum</i>	7326.9	5931.1
<i>Other Exports</i>	13626.7	14642.4
Imports	-49012.1	-51148.0
<i>Petroleum</i>	-8100.2	-5756.2
<i>Other Imports</i>	-40911.9	-45391.8
<u>Services Balance (net)</u>	<u>8422.4</u>	<u>3185.1</u>
<u>Receipts</u>	<u>18550.0</u>	<u>11311.4</u>
Transportation	6296.1	5484.0
<i>of which: Suez Canal dues</i>	4461.2	4349.7
Travel	9554.4	3112.6
Government Receipts	565.0	406.9
Other	2134.5	2307.9
<u>Payments</u>	<u>10127.6</u>	<u>8126.3</u>
Transportation	1583.7	1265.3
Travel	2832.6	1968.8
Government Expenditures	618.8	898.6
Other	5092.5	3993.6
<u>Income Balance (net)</u>	<u>-9178.7</u>	<u>-8852.3</u>
Income receipts	682.9	320.1
Income payments	9861.6	9172.4
<i>of which: Interest Paid</i>	2376.9	1904.6
<u>Transfers</u>	<u>21475.9</u>	<u>22940.1</u>
Private Transfers (net)	21306.8	23188.6
<i>of which: Worker Remittances</i>	21545.5	23371.0
Official Transfers (net)	169.1	-248.5
<u>Current Account Balance</u>	<u>-7338.9</u>	<u>-13301.6</u>

Balance of Payments (cont.)

(US\$ m.)

	<u>July/March 2019/20*</u>	<u>July/March 2020/21*</u>
<u>Capital & Financial Account</u>	<u>4090.6</u>	<u>17062.2</u>
<u>Capital Account</u>	<u>-185.9</u>	<u>-118.0</u>
<u>Financial Account</u>	<u>4276.5</u>	<u>17180.2</u>
Direct Investment Abroad	-294.9	-302.4
Direct Investment In Egypt (net)	5929.0	4787.0
Portfolio Investment Abroad(net)	28.1	-727.1
Portfolio Investment in Egypt (net)	-7944.1	15986.9
<i>of which: Bonds</i>	<i>852.4</i>	<i>4581.0</i>
<u>Other Investment (net)</u>	<u>6558.4</u>	<u>-2564.2</u>
<u>Net Borrowing</u>	<u>3255.6</u>	<u>6217.5</u>
<u>M&L Term Loans (net)</u>	<u>2529.2</u>	<u>2755.5</u>
Drawings	4206.4	4372.6
Repayments	-1677.2	-1617.1
<u>MT Suppliers Credit (net)</u>	<u>-490.0</u>	<u>2210.8</u>
Drawings	15.3	2980.6
Repayments	-505.3	-769.8
<u>ST Suppliers Credit (net)</u>	<u>1216.4</u>	<u>1251.2</u>
<u>Other Assets</u>	<u>3957.9</u>	<u>-7449.2</u>
Central Bank	-186.1	-115.3
Banks	8312.2	-6925.0
Other	-4168.2	-408.9
<u>Other Liabilities</u>	<u>-655.1</u>	<u>-1332.5</u>
Central Bank	-219.1	-2479.3
Banks	-436.0	1146.8
<u>Net Errors & Omissions</u>	<u>-1865.8</u>	<u>-1964.4</u>
<u>Overall Balance</u>	<u>-5114.1</u>	<u>1796.2</u>
<u>Change in CBE's reserve assets (increase = -)</u>	<u>5114.1</u>	<u>-1796.2</u>

* Preliminary.