Press Release
Balance of Payments Performance
in FY 2020/2021

Overall Balance	**<u>The balance of payments records a surplus of about US$ 1.9 billion.</u>** During FY 2020/2021, Egypt's transactions with the external world recorded **an overall surplus of US$ 1.9 billion**, against a deficit of US$ 8.6 billion a year earlier that was realized in the wake of COVID-19 pandemic. This improvement proved the ability of the Egyptian economy to quickly recover from the crises that hit the global economy.
Current Account	Such an overall surplus was realized despite the fact that **the current account deficit rose** to US$ 18.4 billion (against US$ 11.2 billion in the preceding FY). This rise, however, was temporary mainly due to the noticeable drop in tourism revenues to register less than half of the revenues realized in the corresponding year, affected by the great shock that hit international tourism because of COVID-19 pandemic; a crisis which the global economy is still suffering from.
Capital and Financial Account	**The overall surplus came as the capital and financial account realized a net inflow** of about US$ 23.4 billion (compared with US$ 5.4 billion in the previous fiscal year). 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; a matter that indicates the confidence of foreign investors in the Egyptian economy.

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

First: Current Account

✓ **The factors that triggered the widening of the current account deficit.**

- **The services surplus dropped** by 42.9% to post only US$ 5.1billion (compared with US$ 9.0 billion), mainly due to:
  - The decline in **tourism revenues** by 50.7% to record only US$ 4.9 billion (against US$ 9.9 billion).
  - The contraction in **transport receipts** by 4.5% to stand at US$ 7.5 billion (against US$ 7.9 billion), mainly on the back of the fall in the receipts of aviation companies impacted by COVID-19 pandemic, as well as in the receipts of ports' logistics services.

- **The non-oil trade balance deficit widened** by 16.7% to post US$ 42.1 billion (against US$ 36.0 billion), as the increase in non-oil imports surpassed that of non-oil exports as illustrated below:
  - **Non-oil imports** rose to US$ 62.1 billion, up by US$ 8.2 billion. Such a rise included the increase in the imports of intermediate goods by US$ 3.3 billion and raw materials by US$ 736.3 million (both serving as inputs to production). Imports of investment goods also scaled up by US$ 529.3 million, which helps improve the growth rate of the Egyptian economy.
  - **Non-oil exports** moved up by US$ 2.2 billion, to register US$ 20.1 billion, concentrated in exports of household electrical appliances; inorganic and organic compounds; and wires and cables.

- **Investment income deficit**[1] expanded by 9.2% to stand at US$ 12.4 billion (compared with US$ 11.4 billion), because investment income payments went up by US$ 676.0 million, to register US$ 13.0 billion, reflecting the rise in both:
  - Earnings of FDI in Egypt.
  - Interest payments and dividends on foreigners' investment in Egyptian bonds and securities.

  Moreover, investment income receipts shrank by US$ 369.2 million, to only US$ 572.9 million, due to the decrease in interest payments on deposits abroad.

[1] It 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 positive factors that helped mitigate the aggravation of the current account deficit.**
  - **Workers' remittances increased** by 13.2% to post US$ 31.4 billion (compared with US$ 27.8 billion).
  - **The oil trade balance deficit improved** to register only US$ 6.7 million (compared with US$ 421.0 million), owing to the increase in oil exports by US$ 117.3 million to US$ 8.6 billion, and the decrease in oil imports by US$ 297.0 million to US$ 8.6 billion.

Second: Capital and Financial Account

Net inflows of the capital and financial account rose to US$ 23.4 billion in FY 2020/2021, (compared with US$ 5.4 billion a year earlier), as a result of the following main developments:

- **Portfolio investment in Egypt reversed to a net inflow** of US$ 18.7 billion (against a net outflow of US$ 7.3 billion).

- **FDI in Egypt retreated, realizing a net inflow** of only US$ 5.2 billion (against US$ 7.5 billion). Such a retreat came in line with the decrease in global FDI as a natural effect of investors' fears due to the continuing COVID-19 pandemic worldwide, as illustrated hereunder:

  First: Foreign direct investment in the oil sector:

  Investment in the oil sector reversed into **a net outflow** of US$ 1.2 billion, against **a net inflow** of US$ 1.1 billion in the preceding year. This was driven by achieving inflows of US$ 5.1 billion by foreign oil contractors minus outflows of US$ 6.3 billion (as a cost recovery for the exploration, development and operations previously incurred by foreign partners).

  Second: Foreign direct investment in the non-oil sectors:

  FDI in non-oil sectors slightly increased by US$ 70.2 million, achieving a net inflow of US$ 6.4 billion with a growth rate of 1.1%. This was a combined result of the rise in:

  A. Inflows for greenfield investment by 24.7% to reach US$ 77.8 million.
  B. Net retained earnings and credit balances surplus by 11.5% to amount to US$ 4.4 billion.

and the decline in:

1- Net inflows for capital increases of existing companies by US$ 259.6 million to post only US$ 1.2 billion.

2- The proceeds from selling local entities to non-residents by US$ 89.2 million to record US$ 54.5 million.

3- Inflows for real estate purchases in Egypt by non-residents by US$ 49.8 million, to stand at US$ 616.4 million.

- **Medium- and long-term loans and facilities** recorded a net disbursement of US$ 6.4 billion (against US$ 6.6 billion).

- **Short-term trade credit** realized a net disbursement of US$ 1.5 billion (against a net repayment of US$ 2.0 billion).

Balance of Payments

	(US$ m.)	
	2019/20*	**2020/21***
Trade Balance	**-36465.1**	**-42059.6**
Exports	26376.0	28676.5
Petroleum	*8479.9*	*8597.2*
Other Exports	*17896.1*	*20079.3*
Imports	-62841.1	-70736.1
Petroleum	*-8900.9*	*-8603.9*
Other Imports	*-53940.2*	*-62132.2*
Services Balance (net)	**8972.5**	**5119.0**
Receipts	**21288.9**	**15995.1**
Transportation	7881.1	7527.7
of which: Suez Canal dues	*5805.7*	*5911.2*
Travel	9859.4	4861.5
Government Receipts	758.5	513.1
Other	2789.9	3092.8
Payments	**12316.4**	**10876.1**
Transportation	2050.1	1812.2
Travel	3213.0	2708.2
Government Expenditures	975.8	1246.6
Other	6077.5	5109.1
Income Balance (net)	**-11354.0**	**-12399.2**
Income receipts	942.1	572.9
Income payments	12296.1	12972.1
of which: Interest Paid	*2947.7*	*2518.7*
Transfers	**27679.9**	**30903.4**
Private Transfers (net)	27461.8	31180.3
of which: Worker Remittances	*27758.0*	*31425.3*
Official Transfers (net)	218.1	-276.9
Current Account Balance	**-11166.7**	**-18436.4**

Balance of Payments (cont.)

(US$ m.)

	2019/20*	2020/21*
Capital & Financial Account	**5374.6**	**23374.0**
Capital Account	**-248.5**	**-153.0**
Financial Account	**5623.1**	**23527.0**
Direct Investment Abroad	**-351.2**	**-379.1**
Direct Investment In Egypt (net)	**7453.0**	**5214.2**
Portfolio Investment Abroad(net)	**-818.1**	**-750.7**
Portfolio Investment in Egypt (net)	**-7307.3**	**18742.4**
of which: Bonds	*4594.9*	*4548.9*
Other Investment (net)	**6646.7**	**700.2**
Net Borrowing	4541.6	7964.7
M&L Term Loans (net)	7216.8	4263.7
Drawings	*9253.1*	*6502.4*
Repayments	*-2036.3*	*-2238.7*
MT Suppliers Credit (net)	-644.9	2173.6
Drawings	*34.3*	*3304.1*
Repayments	*-679.2*	*-1130.5*
ST Suppliers Credit (net)	-2030.3	1527.4
Other Assets	-100.4	-6039.4
Central Bank	*-231.7*	*-115.4*
Banks	*4306.4*	*-5014.6*
Other	*-4175.1*	*-909.4*
Other Liabilities	2205.5	-1225.1
Central Bank	*-141.0*	*-2734.9*
Banks	*2346.5*	*1509.8*
Net Errors & Omissions	**-2795.1**	**-3075.9**
Overall Balance	**-8587.2**	**1861.7**
Change in CBE's reserve assets (increase = -)	**8587.2**	**-1861.7**

* **Preliminary.**