



## Press Release

### Balance of Payments Performance in Q1 of FY 2021/2022

#### Overall Balance

#### **The Balance of payments records a surplus of US\$ 311.4 million.**

In July/Sept. 2021, Egypt's transactions with the external world recorded **an overall surplus of US\$ 311.4 million** (against a deficit of US\$ 69.2 million in the same period a year earlier). This improvement proved the ability of the Egyptian economy to withstand the negative effects of COVID-19 pandemic facing the global economy.

#### Current Account

Such an overall surplus was realized despite the rise in **the current account deficit** to US\$ 4.0 billion (from US\$ 2.8 billion in the corresponding period) mainly because of the increase in the non-oil trade deficit by 26.1% to US\$ 11.0 billion, triggered by higher imports of medical supplies and equipment – in light of the country's efforts to combat COVID-19 pandemic – as well as imports of production requirements. However, the improvement in the service balance, supported by the rise in tourism revenues by US\$ 2.0 billion to US\$ 2.8 billion, helped mitigate the current account deficit.

#### Capital and Financial Account

**The capital and financial account registered net inflows** of US\$ 6.0 billion (compared with US\$ 3.9 billion in the corresponding period), supported by net inflows of Direct, and Portfolio Investment by US\$1.66 billion, and US\$ 3.6 billion, respectively, despite the net repayments of loans and facilities in the amount of US\$ 2.1 billion witnessed the reporting quarter.

**The following is a review of the main developments in the BOP performance in Q1 of FY 2021/2022 (relative to Q1 of the previous FY 2020/2021):**

### **First: Current Account**

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

- **The non-oil trade deficit widened** by 26.1%, to post US\$ 11.0 billion (against US\$ 8.7 billion in the corresponding period), as the increase in non-oil imports surpassed that of non-oil exports, as illustrated below:
  - Non-oil imports rose to US\$ 16.9 billion, up by US\$ 3.5 billion. Such a rise was mainly in the imports of pharmaceutical preparations, gauze pads, and vaccines (in light of the State's efforts to combat COVID-19 pandemic), and soya beans, propylene polymers, cast iron, and wheat (due to the rise in their global prices);
  - Non-oil exports increased by US\$ 1.3 billion, to register US\$ 6.0 billion. The rise was pronounced in the exports of inorganic and organic compounds; phosphate/mineral fertilizers; wires and cables; and ethylene-propylene polymers.
  
- **Investment income deficit<sup>1</sup>** grew by 26.6%, to stand at US\$ 3.9 billion (compared with US\$ 3.1 billion), as investment income payments went up by US\$ 871.4 million, to register US\$ 4.0 billion, reflecting the rise in both:
  - Earnings of FDI in Egypt; and
  - Interest and dividends on foreigners' investment in Egyptian bonds and securities.

Meanwhile, investment income receipts rose by US\$ 54.5 million, to record US\$ 112.0 million, due to higher interest and dividends on foreign securities and bonds.

- **The oil trade balance** shifted from a surplus of US\$ 143.7 million to a deficit of US\$ 101.1 million on the back of the rise in world oil prices, and

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

increase in quantities imported at a higher pace than that of quantities exported.

✓ **The positive factors that helped mitigate the aggravation of the current account deficit:**

- The **services surplus** rose by US\$ 2.1 billion, to post US\$ 2.9 billion (compared with US\$ 876.3 million), mainly due to:
  - The increase in tourism revenues, to record US\$ 2.8 billion (against US\$ 801.0 million in the period of comparison); and
  - The growth in transport receipts by 31.0%, to stand at US\$ 2.3 billion (against US\$ 1.7 billion), mainly driven by the increase in Suez Canal receipts by 22.3%, to register US\$ 1.7 billion.
  
- **Workers' remittances increased** by 1.5%, to record US\$ 8.1 billion.

## **Second: Capital and Financial Account**

**Net inflows to the capital and financial account rose to US\$ 6.0 billion during July/Sept. 2021 (from US\$ 3.9 billion),** due to the following main developments:

- **Portfolio investment in Egypt registered a net inflow** of US\$ 3.6 billion (against US\$ 6.7 billion).
- **Net FDI in Egypt** increased by 3.7%, to register US\$ 1.66 billion, as illustrated hereunder:

First: Foreign direct investment in non-oil sectors:

FDI in non-oil sectors increased by US\$ 473.7 million, posting a net inflow of US\$ 2.2 billion. This was a combined result of the rise in:

- 1- Net retained earnings and credit balances surplus by 24.7%, to post US\$ 1.5 billion;
- 2- Net inflows for real estate purchases in Egypt by non-residents by US\$ 103.2 million, to stand at US\$ 231.1 million;
- 3- The proceeds from selling local entities to non-residents by US\$ 32.2 million, to record US\$ 56.7 million;

- 4- Net inflows for greenfield investments & the rise in the capital expansion for existing companies by US\$ 38.3 million, to post US\$ 351.6 million (of which US\$ 87.1 million were for greenfield investment).

Second: Foreign direct investment in the oil sector:

Net outflows from the oil sector moved up to US\$ 489.2 million (against US\$ 75.3 million in the corresponding period). This was an outcome of:

- The decline in total inflows, to record only US\$ 1.2 billion (compared with US\$ 1.56 billion) representing new investments of foreign oil contractors; and
- The rise in outflows to US\$ 1.7 billion (compared with US\$ 1.63 billion), as a cost recovery for the exploration, development and operation previously incurred by foreign partners.

- **Medium- and long-term loans and facilities** recorded a net repayment of US\$ 2.1 billion (against a net disbursement of US\$ 2.2 billion).

# Balance of Payments

	(US\$ m.)	
	<u>July/Sep 2020*</u>	<u>July/Sep 2021*</u>
<b><u>Trade Balance</u></b>	<b><u>-8559.3</u></b>	<b><u>-11074.5</u></b>
Exports	6280.6	8852.3
<i>Petroleum</i>	<i>1600.1</i>	<i>2901.0</i>
<i>Other Exports</i>	<i>4680.5</i>	<i>5951.3</i>
Imports	-14839.9	-19926.8
<i>Petroleum</i>	<i>-1456.4</i>	<i>-3002.1</i>
<i>Other Imports</i>	<i>-13383.5</i>	<i>-16924.7</i>
<b><u>Services Balance (net)</u></b>	<b><u>876.3</u></b>	<b><u>2937.2</u></b>
<b><u>Receipts</u></b>	<b><u>3397.2</u></b>	<b><u>6204.2</u></b>
Transportation	1738.3	2276.7
<i>of which: Suez Canal dues</i>	<i>1380.7</i>	<i>1688.2</i>
Travel	801.0	2836.8
Government Receipts	137.7	160.7
Other	720.2	930.0
<b><u>Payments</u></b>	<b><u>2520.9</u></b>	<b><u>3267.0</u></b>
Transportation	437.5	653.4
Travel	575.8	823.7
Government Expenditures	230.7	291.6
Other	1276.9	1498.3
<b><u>Income Balance (net)</u></b>	<b><u>-3066.8</u></b>	<b><u>-3883.7</u></b>
Income receipts	57.5	112.0
Income payments	3124.3	3995.7
<i>of which: Interest Paid</i>	<i>706.1</i>	<i>704.4</i>
<b><u>Transfers</u></b>	<b><u>7964.9</u></b>	<b><u>8020.3</u></b>
Private Transfers (net)	7947.9	8080.3
<i>of which: Worker Remittances</i>	<i>8028.1</i>	<i>8145.9</i>
Official Transfers (net)	17.0	-60.0
<b><u>Current Account Balance</u></b>	<b><u>-2784.9</u></b>	<b><u>-4000.7</u></b>

## Balance of Payments (cont.)

	<u>(US\$ m.)</u>	
	<u>July/Sep 2020*</u>	<u>July/Sep 2021*</u>
<b><u>Capital &amp; Financial Account</u></b>	<b><u>3917.6</u></b>	<b><u>6049.5</u></b>
<b><u>Capital Account</u></b>	<b><u>-44.3</u></b>	<b><u>-36.3</u></b>
<b><u>Financial Account</u></b>	<b><u>3961.9</u></b>	<b><u>6085.8</u></b>
Direct Investment Abroad	-78.5	-84.2
Direct Investment In Egypt (net)	1605.1	1664.9
Portfolio Investment Abroad(net)	-85.9	-0.9
Portfolio Investment in Egypt (net)	6686.4	3560.8
<i>of which: Bonds</i>	<i>29.8</i>	<i>3092.2</i>
<b><u>Other Investment (net)</u></b>	<b><u>-4165.2</u></b>	<b><u>945.2</u></b>
<u>Net Borrowing</u>	<u>2189.2</u>	<u>-2426.0</u>
<u>M&amp;L Term Loans (net)</u>	<u>331.8</u>	<u>-96.7</u>
Drawings	956.1	563.2
Repayments	-624.3	-659.9
<u>MT Suppliers Credit (net)</u>	<u>1884.9</u>	<u>-1976.1</u>
Drawings	2053.0	272.8
Repayments	-168.1	-2248.9
<u>ST Suppliers Credit (net)</u>	<u>-27.5</u>	<u>-353.2</u>
<u>Other Assets</u>	<u>-4381.4</u>	<u>3730.6</u>
Central Bank	39.0	1.3
Banks	-4417.2	4828.3
Other	-3.2	-1099.0
<u>Other Liabilities</u>	<u>-1973.0</u>	<u>-359.4</u>
Central Bank	-2151.7	-600.4
Banks	178.7	241.0
<b><u>Net Errors &amp; Omissions</u></b>	<b><u>-1201.9</u></b>	<b><u>-1737.4</u></b>
<b><u>Overall Balance</u></b>	<b><u>-69.2</u></b>	<b><u>311.4</u></b>
<b><u>Change in CBE's reserve assets (increase = -)</u></b>	<b><u>69.2</u></b>	<b><u>-311.4</u></b>

\* Preliminary.