Press Release
Balance of Payments Performance
in the First Half of FY 2021/2022

In July/Dec. of FY 2021/2022, Egypt's transactions with the external world resulted in a minor widening of **the current account** deficit (comprising merchandise and service transactions, income, Egyptian workers' remittances, and government and private grants), recording US$ 7.8 billion (against US$ 7.6 billion in the same period a year earlier). This marginal increase in the deficit resulted from the following developments:

- **Non-oil trade deficit widened** by 24.2 percent, to register US$ 23.8 billion (up from US$ 19.1 billion in the corresponding period); as the increase in non-oil imports surpassed that of non-oil exports:
    - Non-oil merchandise imports rose by US$ 8.1 billion to US$ 36.5 billion. The rise was concentrated in the imports of production inputs, such as propylene polymers[*] and inorganic or organic compounds; and imports of agricultural products, mainly soybeans, wheat, and corn, due to the rise in their global prices. Additionally, there was an increase in the imports of pharmaceutical preparations, gauze pads and vaccines (in light of the country’s efforts to combat COVID-19 pandemic).
    - Meanwhile, non-oil merchandise exports increased by US$ 3.4 billion to US$ 12.8 billion. The increase was mainly driven by the exports of finished goods, which largely comprised of phosphate or mineral fertilizers, household electric appliances, ready-made clothing, medicines, wires and cables, articles of aluminium and glassware. There was also a pronounced increase in the exports of semi-finished goods, mainly inorganic or organic compounds and ethylene-propylene polymers[*].

- **Investment income deficit[†] grew to** US$ 7.1 billion (up from US$ 5.4 billion), as a result of the following:
    - Investment income payments went up by US$ 2.0 billion, to register US$ 7.6 billion, reflecting the rise in both:

[*] They are used in several industries, including but not limited to; plastic industry, plastic components for cars, textiles, and packaging materials.

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

        - Earnings of FDI in Egypt; and
        - Interest and dividends of non-residents' investments in Egyptian bonds and securities.
    - Investment income receipts increased by US$ 371.4 million to reach US$ 494.5 million, due to the rise in interest and dividends on foreign bonds and securities.

The rise in the current account deficit was mitigated by the following positive factors:

- **The oil trade balance shifted** from a deficit of US$ 54.2 million to a surplus of US$ 2.1 billion. This came as a main result of the rise in the value of natural gas exports by US$ 2.6 billion, due to higher exported quantities, as well as the noticeable pickup in global prices that also led to the rise in exports and imports of crude oil, in value terms, despite the contraction in their quantities. This improvement was curbed by the increase in import payments for oil products, owing to higher imported quantities.
- **The services surplus improved** by US$ 3.8 billion to reach US$ 5.6 billion, mainly as an outcome of the following factors:
    - **Tourism revenues** rose to US$ 5.8 billion (from US$ 1.8 billion in the corresponding period).
    - **Transport receipts** increased by 27.9 percent to reach US$ 4.7 billion (from US$ 3.6 billion), mainly on the back of the rise in Suez Canal receipts by 16.6 percent to record US$ 3.4 billion (from US$ 2.9 billion).
- **Workers' remittances** continued to edge upwards increasing by 0.4 percent to record US$ 15.6 billion.

The capital and financial account (including foreign direct investment (FDI), portfolio investment, and net external borrowing) **recorded a net inflow** of US$ 11.4 billion (against US$ 9.2 billion). The following is a review of the main developments:

- **FDI in Egypt recorded** a net inflow of US$ 3.3 billion, as shown below:

First: Foreign Direct Investment in Non-oil Sectors:

FDI in non-oil sectors increased by US$ 1.2 billion, to record a net inflow of US$ 4.4 billion, as a result of the following:

1) Net inflows for greenfield investments or capital increases of existing companies increased by US$ 775.6 million, to register US$ 1.4 billion (US$ 160.0 million of which went to greenfield investments);
2) The sale proceeds of companies and productive assets to non-residents rose by US$ 308.1 million, to record US$ 340.8 million;

3) Net inflows for real estate purchases by non-residents mounted by US$ 145.5 million, to register US$ 409.2 million; and

4) Net retained earnings and credit balances surplus slightly fell by 1.2 percent, to stand at US$ 2.2 billion.

Second: Foreign Direct Investment in the Oil Sector:

FDI in the oil sector registered a net outflow of US$ 1.1 billion from the net inflow of US$ 158.8 million in the corresponding period. This came on the back of:

- The rise in outflows to US$ 3.3 billion, from US$ 2.9 billion (representing cost recovery for exploration, development and operations previously incurred by foreign partners); and
- The decline in total inflows (representing new investments of foreign oil contractors) to only US$ 2.2 billion (from US$ 3.0 billion).

- **Portfolio investment in Egypt** shifted from a net inflow of US$ 10.2 billion to a net outflow of US$ 2.5 billion.
- Net disbursement of **medium- and long-term external loans and facilities** decreased to US$ 779.8 million (from US$ 4.5 billion).

The above-mentioned developments resulted in a **marginal overall BoP deficit of only US$ 14.1 million** (representing the change in reserve assets at the CBE).

Balance of Payments

	(US$ m.)	
	July/Dec. 2020*	**July/Dec. 2021***
Trade Balance	**-19203.2**	**-21712.5**
Exports	12924.0	20689.7
Petroleum	*3586.4*	*7927.0*
Other Exports	*9337.6*	*12762.7*
Imports	-32127.2	-42402.2
Petroleum	*-3640.6*	*-5859.2*
Other Imports	*-28486.6*	*-36543.0*
Services Balance (net)	**1892.0**	**5642.4**
Receipts	**7223.9**	**13125.8**
Transportation	3644.4	4663.0
of which: Suez Canal dues	*2897.3*	*3379.0*
Travel	1787.9	5821.4
Government Receipts	290.1	791.1
Other	1501.5	1850.3
Payments	**5331.9**	**7483.4**
Transportation	861.5	1383.4
Travel	1287.7	1858.6
Government Expenditures	541.3	1230.5
Other	2641.4	3010.9
Income Balance (net)	**-5445.8**	**-7108.4**
Income receipts	123.1	494.5
Income payments	5568.9	7602.9
of which: Interest Paid	*1330.3*	*1277.3*
Transfers	**15122.8**	**15376.7**
Private Transfers (net)	15389.2	15478.7
of which: Worker Remittances	*15521.4*	*15583.1*
Official Transfers (net)	-266.4	-102.0
Current Account Balance	**-7634.2**	**-7801.8**

Balance of Payments (cont.)

(US$ m.)

	July/Dec. 2020*	July/Dec. 2021*
Capital & Financial Account	**9172.4**	**11426.3**
Capital Account	**-88.1**	**-90.0**
Financial Account	**9260.5**	**11516.3**
Direct Investment Abroad	**-190.6**	**-178.5**
Direct Investment In Egypt (net)	**3357.3**	**3265.4**
Portfolio Investment Abroad(net)	**-648.0**	**-3.6**
Portfolio Investment in Egypt (net)	**10168.6**	**-2495.0**
of which: Bonds	*740.0*	*3047.6*
Other Investment (net)	**-3426.8**	**10928.0**
Net Borrowing	4963.1	-1104.0
M&L Term Loans (net)	2516.6	-9.3
Drawings	*3473.1*	*1337.2*
Repayments	*-956.5*	*-1346.5*
MT Suppliers Credit (net)	2014.4	789.1
Drawings	*2561.3*	*3400.4*
Repayments	*-546.9*	*-2611.3*
ST Suppliers Credit (net)	432.1	-1883.8
Other Assets	-5410.6	6108.5
Central Bank	*-97.3*	*-22.9*
Banks	*-5169.1*	*8251.9*
Other	*-144.2*	*-2120.5*
Other Liabilities	-2979.3	5923.5
Central Bank	*-2278.1*	*2265.7*
Banks	*-701.2*	*3657.8*
Net Errors & Omissions	**-72.2**	**-3638.6**
Overall Balance	**1466.0**	**-14.1**
Change in CBE's reserve assets (increase = -)	**-1466.0**	**14.1**

* **Preliminary.**