**Press Release**

**Balance of Payments**

**Performance in Q1 of FY 2022/2023**

During Q1 (July/September) of FY 2022/2023, Egypt's BOP transactions with the rest of world witnessed an improvement in the current account deficit* by 20.2 percent, to register US$ 3.2 billion (compared with US$ 4.0 billion in the same period of the preceding fiscal year). This came mainly due to the increase in both tourism revenues and merchandise exports (oil and non-oil), together with the rise in Suez Canal receipts. Moreover, the capital and financial account recorded a net inflow of US$ 4.4 billion as the net FDI in Egypt doubled to US$ 3.3 billion. On the other hand, the period witnessed withdrawal of portfolio investments in Egypt by non-residents to register an outflow of US$ 2.2 billion. This coincided with the contractionary monetary policies adopted by the Federal Reserve that led in turn to an exodus of hot money from the emerging markets. Against this background, the BOP recorded an overall surplus of US$ 523.5 million in July/September 2022.

**The following factors contributed to mitigate in the current account deficit:**

- **The non-oil trade deficit improved** by US$ 2.0 billion, to register only US$ 9.0 billion (against US$ 11.0 billion); driven by the increase in non-oil exports and the decrease in non-oil imports, as illustrated below:

    - **Non-oil merchandise exports increased** by 5.1 percent to US$ 6.3 billion (against US$ 6.0 billion). The increase was pronounced in the exports of phosphate/mineral fertilizers, gold, transmitter and receiver devices of radio/television, and ready-made clothes.
    - **Non-oil merchandise imports decreased** by 9.9 percent to just US$ 15.3 billion (against US$ 16.9 billion). The decrease was concentrated in the imports of passenger vehicles, telephones, pharmaceutical preparations, gauze pads, and vaccines.

* Including merchandise and services transactions, income, private transfers including remittances of Egyptian workers abroad, and official transfers including government commodity and cash grants.

- **Tourism revenues rose** by 43.5 percent to record US$ 4.1 billion (from US$ 2.8 billion), due to the rise in the number of tourist nights by 47.1 percent to 43.6 million, and the rise in the number of tourist arrivals to Egypt by 52.2 percent to register 3.4 million.
- **Transport receipts increased** by 33.7 percent, to reach US$ 3.0 billion (against US$ 2.3 billion), **as a main result of the rise in Suez Canal receipts** by 19.1 percent to record US$ 2.0 billion (from US$ 1.7 billion), driven by the pickup in the net tonnage of vessels by 13.8 percent to record 372.7 million tons.
- **The deficit of oil trade balance stabilized** at US$ 106.0 million**.** This came as a main result of the surge in **oil exports** by US$ 807.3 million, on the back of the increase in natural gas exports by US$ 1.7 billion. Such a rise was curbed by the decline in exports of crude oil by US$ 449.9 million and oil products by US$ 393.3 million. Likewise, **oil imports** moved up by US$ 812.2 million, mainly due to the hike in imports of oil products by US$ 767.7 million.

## The factors that curbed the improvement of the current account:

- **Egyptian workers' remittances went down** by 20.9 percent to register US$ 6.4 billion (against US$ 8.1 billion).
- **Investment income deficit[*] expanded** by 16.8 percent to US$ 4.5 billion (from US$ 3.9 billion), as a confluence of the following developments:
  - Investment income payments went up by US$ 815.4 million, to register US$ 4.8 billion (against US$ 4.0 billion), reflecting the rise in both:
    - Earnings on FDI in Egypt;
    - Interest payments on external debt.
  - Investment income receipts also moved up by US$ 163.8 million to register US$ 275.8 million (against US$ 112.0 million), mainly due to the higher interest on residents' deposits at banks abroad.

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

**<u>The capital and financial account</u>**[*] revealed a net inflow of US$ 4.4 billion (against US$ 6.0 billion), as a result of the following main developments:

- **Net FDI in Egypt** doubled to register US$ 3.3 billion (against US$ 1.7 billion), as illustrated below:

  <u>First: the net inflows of FDI in non-oil sectors</u> moved up to US$ 3.6 billion (against US$ 2.2 billion), mainly due to the rise in both the proceeds of selling local entities to non-residents to US$ 1.0 billion (from US$ 56.7 million), and net greenfield investments & capital increases of existing companies to US$ 1.0 billion (from US$ 464.7 million). Meanwhile, net retained earnings stabilized at US$ 1.4 billion.

  <u>Second: The net outflows of FDI in the oil sector</u> retreated to only US$ 320.5 million (against an outflow of US$ 489.2 million). This came on the back of:

  - The rise in total inflows (representing new investments of foreign oil companies) to record US$ 1.4 billion (against US$ 1.2 billion).
  - The increase in outflows (representing the cost recovery for exploration, development and operations previously incurred by foreign partners) by US$ 24.2 million, to register US$ 1.7 billion.
- **Portfolio investment in Egypt** recorded a net outflow of US$ 2.2 billion (against a net inflow of US$ 3.6 billion). This exodus of investment reflected investors' concerns over the Russian-Ukraine conflict, as well as the contractionary monetary policies adopted by the Federal Reserve that led to the flight of hot money from the emerging markets.
- **Change in the liabilities of the CBE** posted a net inflow of US$ 652.4 million.

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[*] Including foreign direct investment (FDI), portfolio investment, and net external borrowing.

- Numbers expressed in US$ billion have been rounded.

# Balance of Payments

| | July/Sep 2021* | July/Sep 2022* |
|---|---|---|
| **Trade Balance** | **-11074.5** | **-9102.2** |
| Exports | 8852.3 | 9965.2 |
| *Petroleum* | *2901.0* | *3708.3* |
| *Other Exports* | *5951.3* | *6256.9* |
| Imports | -19926.8 | -19067.4 |
| *Petroleum* | *-3002.1* | *-3814.3* |
| *Other Imports* | *-16924.7* | *-15253.1* |
| **Services Balance (net)** | **2937.2** | **4053.7** |
| **Receipts** | **6204.2** | **8044.2** |
| Transportation | 2276.7 | 3043.7 |
| *of which: Suez Canal dues* | *1688.2* | *2010.2* |
| Travel | 2836.8 | 4071.3 |
| Government Receipts | 160.7 | 139.9 |
| Other | 930.0 | 789.3 |
| **Payments** | **3267.0** | **3990.5** |
| Transportation | 653.4 | 884.8 |
| Travel | 823.7 | 1592.0 |
| Government Expenditures | 291.6 | 471.8 |
| Other | 1498.3 | 1041.9 |
| **Income Balance (net)** | **-3883.7** | **-4535.3** |
| Income receipts | 112.0 | 275.8 |
| Income payments | 3995.7 | 4811.1 |
| *of which: Interest Paid* | *704.4* | *1219.5* |
| **Transfers** | **8020.3** | **6391.5** |
| Private Transfers (net) | 8080.3 | 6380.7 |
| *of which: Worker Remittances* | *8145.9* | *6442.1* |
| Official Transfers (net) | -60.0 | 10.8 |
| **Current Account Balance** | **-4000.7** | **-3192.3** |

# Balance of Payments (cont.)

| | July/Sep 2021* | July/Sep 2022* |
|---|---|---|
| **Capital & Financial Account** | **6049.5** | **4417.0** |
| **Capital Account** | **-36.3** | **14.5** |
| **Financial Account** | **6085.8** | **4402.5** |
| **Direct Investment Abroad** | **-84.2** | **-68.5** |
| **Direct Investment In Egypt (net)** | **1664.9** | **3296.8** |
| **Portfolio Investment Abroad(net)** | **-0.9** | **-50.5** |
| **Portfolio Investment in Egypt (net)** | **3560.8** | **-2158.3** |
| *of which: Bonds* | *3092.2* | *-2.0* |
| **Other Investment (net)** | **945.2** | **3383.0** |
| Net Borrowing | -2426.0 | 2283.1 |
| M&L Term Loans | -96.7 | -283.6 |
| *Drawings* | *563.2* | *391.1* |
| *Repayments* | *-659.9* | *-674.7* |
| M& L Term buyers' and suppliers' Credit | -1976.1 | 347.7 |
| *Drawings* | *272.8* | *581.0* |
| *Repayments* | *-2248.9* | *-233.3* |
| Short Term buyers' and suppliers' Credit (net) | -353.2 | 2219.0 |
| Other Assets | 3730.6 | -1210.7 |
| *Central Bank* | *1.3* | *28.9* |
| *Banks* | *4828.3* | *690.5* |
| *Other* | *-1099.0* | *-1930.1* |
| Other Liabilities | -359.4 | 2310.6 |
| *Central Bank* | *-600.4* | *652.4* |
| *Banks* | *241.0* | *1658.2* |
| **Net Errors & Omissions** | **-1737.4** | **-701.2** |
| **Overall Balance** | **311.4** | **523.5** |
| **Change in CBE's reserve assets (increase = -)** | **-311.4** | **-523.5** |

* **Preliminary.**