Central Bank of Egypt

Press Release
Balance of Payments Performance
In
Q1 of FY 2017/2018

In Q1 of FY 2017/2018, Egypt's transactions with the external world led to a rise in the **overall BOP surplus** to US$ 5.1 billion (from US$ 1.9 billion in the same quarter a year earlier). This was attributed to the fact that the current account deficit narrowed by 65.7%, and the capital and financial account recorded a net inflow of US$ 6.2 billion. The following is a review of the key developments that affected the BOP performance in July/ September 2017/2018:

First: The Current Account

The current account witnessed a significant improvement in July/sept. 2017/2018, as its deficit fell by 65.7% to only US$ 1.6 billion (from US$ 4.8 billion in the period of comparison, that preceded the liberalization of the exchange rate), on the back of the following developments:

1. Trade balance

The trade deficit declined by 5.0% to US$ 8.9 billion (from US$ 9.4 billion), as a result of the rise in merchandise exports by US$ 578.0 million, while merchandise imports rose by US$ 103.7 million.

Merchandise export proceeds grew by 11.0% to US$ 5.8 billion (from US$ 5.3 billion), thanks to the rise in both oil exports by 16.8% to US$ 1.8 billion (from US$ 1.5 billion), and non-oil exports by 8.6% to US$ 4.1 billion (from US$ 3.7 billion), reflecting the improvement of the competitiveness of Egyptian exports in international markets, in the wake of the exchange rate liberalization.

Concurrently, merchandise imports rose slightly by 0.7% to US$ 14.8 billion (from US$ 14.7 billion), owing to the increase in both oil imports by US$ 40.4 million to US$ 2.8 billion; and non-oil imports by US$ 63.3 million to US$ 12.0 billion.

Services Balance

The Services surplus doubled to US$ 2.8 billion (from US$ 1.4 billion), on the back of the following developments:

- The increase in **Suez Canal Receipts**, to stand at US$ 1.4 billion (against US$ 1.3 billion), supported by the rise in net tonnage of transiting vessels by 5.2% and the appreciation of SDR versus the US dollar by an average of 0.9%.

- The retreat in travel payments by 41.3%, to register only US$ 649.3 million (against US$ 1.1 billion), as a result of the decline in e- card payments abroad, to post US$ 289.4 million (against US$ 767.7 million). In the meantime, travel receipts reached US$ 2.7 billion.

2. Investment Income Balance

Investment income balance ran a deficit of US$ 1.5 billion, primarily because investment income payments registered US$ 1.7 billion (51.6% of which were profit transfers by oil and non-oil foreign companies operating in Egypt). In contrast, investment income receipts registered US$ 229.0 million.

3. Unrequited Current Transfers

Unrequited current transfers (net) scaled up by 37.3% to US$ 6.0 billion (from US$ 4.4 billion), due mainly to the increase in workers' remittances by US$ 1.6 billion, as a result of the liberalization of exchange rate.

Second: Capital and Financial Account

The capital and financial account recorded a net inflow of US$ 6.2 billion in July/September 2017/2018 (against US$ 7.2 billion in the corresponding period a year earlier), mainly due to the following developments:

- **Total inflows of FDI in Egypt** recorded US$ 3.0 billion, while total outflows recorded US$ 1.4 billion. Accordingly, **net inflows of FDI in Egypt** registered US$ 1.6 billion (inflows), as a direct result of the 84.2% rise in the net inflow for oil sector investments.

- **Portfolio investment in Egypt** rose to register a net inflow of US$ 7.5 billion (against a net outflow of US$ 840.9 million). This was largely ascribed to the rise in foreigners' investments in Egyptian TBs, recording net purchases of US$ 7.4 billion (against US$ 55.0 million).

- **Other assets and liabilities** registered a net outflow of US$ 3.6 billion (against a net inflow of US$ 4.8 billion). This came on the back of the rise in banks' foreign assets, spurred by the increase of foreign currency resources immediately after the liberalization of the exchange rate. As such, banks' foreign assets rose by US$ 2.1 billion, while their foreign liabilities inched up by only US$ 0.5 billion.

Balance of Payments

(US.$m.)

	July/Sep 2016*	July/Sep 2017*
Trade Balance	**-9416.7**	**-8942.4**
Exports	5261.4	5839.4
Petroleum	*1525.9*	1782.5
Other Exports	*3735.5*	*4056.9*
Imports	-14678.1	-14781.8
Petroleum	*-2746.7*	*-2787.1*
Other Imports	*-11931.4*	*-11994.7*
Services Balance (net)	**1410.7**	**2847.3**
Receipts	**3764.3**	**5678.2**
Transportation	2340.6	2267.9
of which: Suez Canal dues	*1300.4*	*1382.2*
Travel	758.2	2696.7
Government Receipts	62.5	131.7
Other	603.0	581.9
Payments	**2353.6**	**2830.9**
Transportation	306.2	382.6
Travel	1105.2	649.3
Government Expenditures	157.0	449.0
Other	785.2	1350.0
Income Balance (net)	**-1129.5**	**-1519.3**
Income receipts	81.6	229.0
Income payments	1211.1	1748.3
of which: Interest Paid	*258.9*	*415.5*
Transfers	**4352.8**	**5975.3**
Private Transfers (net)	4319.0	5932.2
of which: Worker Remittances	*4354.9*	*5973.6*
Official Transfers (net)	33.8	43.1
Current Account Balance	**-4782.7**	**-1639.1**

Balance of Payments (cont.)

(US.$m.)

	July/Sep 2016*	July/Sep 2017*
Capital & Financial Account	**7239.6**	**6228.6**
Capital Account	**-9.4**	**-40.3**
Financial Account	**7249.0**	**6268.9**
Direct Investment Abroad	**-62.0**	**-52.4**
Direct Investment In Egypt (net)	**1872.2**	**1578.3**
Portfolio Investment Abroad(net)	**27.7**	**13.9**
Portfolio Investment in Egypt (net)	**-840.9**	**7478.5**
of which: Bonds	*-832.5*	*5.8*
Other Investment (net)	**6252.0**	**-2749.4**
Net Borrowing	1459.1	887.4
M&L Term Loans (net)	315.4	965.1
Drawings	*1241.4*	*1563.0*
Repayments	*-926.0*	*-597.9*
MT Suppliers Credit (net)	572.9	234.3
Drawings	*590.3*	*275.5*
Repayments	*-17.4*	*-41.2*
ST Suppliers Credit (net)	570.8	-312.0
Other Assets	-245.3	-3608.6
Central Bank	*-12.3*	*-22.0*
Banks	*-216.6*	*-2142.0*
Other	*-16.4*	*-1444.6*
Other Liabilities	5038.2	-28.2
Central Bank	*3449.7*	*-489.9*
Banks	*1588.5*	*461.7*
Net Errors & Omissions	**-565.7**	**487.9**
Overall Balance	**1891.2**	**5077.4**
Change in CBE's reserve assets (increase = -)	**-1891.2**	**-5077.4**

* **Preliminary.**