



Press Release

Balance of Payments Performance In the First Half of FY 2020/2021

Overall Balance	The balance of payments records a surplus of about US\$ 1.5 billion. During July/Dec. 2020, Egypt's transactions with the external world demonstrated its resilience and ability to weather the shock caused by COVID-19 pandemic that invaded the world since January 2020. The BOP recorded an overall surplus of US\$ 1.5 billion, compared to a deficit of US\$ 9.0 billion in the previous half (Jan./June 2020 at the peak of the first wave of the pandemic), and a surplus of US\$ 410.9 million in the corresponding period (July/December) of the previous FY 2019/2020.
Current Account	The current account deficit rose by 66.9% to US\$ 7.6 billion (against US\$ 4.6 billion in the corresponding period). This was attributed to the travel restrictions brought about by the pandemic, causing the tourism sector to register only one quarter of the revenues realized in the corresponding period that witnessed the highest tourism revenues before the Corona pandemic (US\$ 1.8 billion compared to US\$ 7.2 billion).
Capital and Financial Account	The capital and financial account realizes a net inflow of approximately US\$ 9.2 billion. Net inflows channeled into the capital and financial account increased by 75.2% to US\$ 9.2 billion (against US\$ 5.2 billion in the corresponding period). This reflects the noticeable improvement in foreign portfolio investment in Egypt due to the easing in global financial conditions and the confidence of foreign investors in the Egyptian economy despite the ongoing global uncertainty caused by the COVID-19 pandemic.

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

First: Current Account

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

- **The services surplus dropped** by 69.9% to post only US\$ 1.9 billion (compared to US\$ 6.3 billion), mainly due to:
 - The decline in **tourism revenues** by 75.3% to record only US\$ 1.8 billion (against US\$ 7.2 billion).
 - The contraction in **transport receipts** by 17.1% to stand at US\$ 3.6 billion (against US\$ 4.4 billion), mainly on the back of the fall in the receipts of aviation companies impacted by the Corona pandemic.
- **The non-oil trade deficit widened** by 6.6% or US\$ 1.2 billion to post US\$ 19.1 billion, due to higher non-oil imports by US\$ 1.3 billion to register US\$ 28.5 billion. The rise was concentrated in the imports of medicines and spare parts and accessories for cars. Meanwhile, non-oil exports went up by only US\$ 131.5 million, registering US\$ 9.3 billion, mostly exports of gold.

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

- **Workers' remittances increased** by 13.5% to post US\$ 15.5 billion (compared to US\$ 13.7 billion).
- **The oil trade deficit improved** to record only US\$ 54.2 million (compared to US\$ 733.3 million), owing to:
 - The decline in oil imports by US\$ 2.1 billion to record US\$ 3.64 billion reflecting the slump in world prices impacted by the Corona pandemic and the decrease in the quantities imported of oil products and crude oil.
 - The decrease in oil exports by US\$ 1.5 billion to US\$ 3.59 billion, as a result of the drop in the exports of crude oil, natural gas and oil products due to the slump in world prices, on the one hand, and the change in the quantities exported, on the other hand, as follows:
 - Crude oil and natural gas decreased.
 - Oil products increased on the back of the upgrading of the refineries, representing an added value to the Egyptian economy.

- **Investment income deficit¹** narrowed by 6.0% or US\$ 347.8 million to record US\$ 5.4 billion (compared to US\$ 5.8 billion), mainly as the fall in income paid outpaced that of income earned. The investment income payments declined by US\$ 745.3 million to register US\$ 5.6 billion, reflecting the drop in both:
 - The profits of foreign oil firms operating in Egypt, which were adversely impacted by the plunge in world oil prices.
 - The retained earnings which were reinvested in the capital of existing companies.

On the other hand, investment income receipts shrank by US\$ 397.5 million to record only US\$ 123.1 million, due to the decrease in interest payments on deposits, and profit repatriation of branches of Egyptian companies abroad.

Second: Capital and Financial Account

Net inflows of the capital and financial account rose by US\$ 3.9 billion, to register US\$ 9.2 billion in the first half of FY 2020/2021, (compared to US\$ 5.2 billion in the same period a year earlier), as a result of the following main developments:

- **The net inflows of portfolio investment in Egypt rose** to US\$ 10.2 billion (against net inflows of US\$ 273.6 million in the corresponding period).
- **Net flows of FDI to Egypt decreased** by 32.3% to post US\$ 3.4 billion (against US\$ 5.0 billion), as an outcome of:
 1. The decline in net inflows for **investments in the oil sector**, to record US\$ 158.8 million (against US\$ 1.4 billion).
 2. The decline of US\$ 144.7 million in net inflows for investments in **the non-oil sectors**, to register US\$ 710.9 million, on the back of the decline in:
 - The proceeds from selling local entities to non-residents by US\$ 60.1 million to record US\$ 32.7 million;
 - Net inflows for capital increases by US\$ 46.1 million, to register US\$ 396.1 million;

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.

- Inflows for establishing greenfield projects by US\$ 23.5 million, to post only US\$ 18.4 million; and
- Inflows for real estate purchases in Egypt by non-residents by US\$ 15.0 million, to stand at US\$ 263.7 million.

3. **The decrease in retained earnings and credit balances surplus** by US\$ 228.4 million, to post US\$ 2.5 billion.

- **Net disbursements of medium- and long-term loans and facilities** recorded US\$ 4.5 billion (against US\$ 2.1 billion).

Balance of Payments

(US\$ m.)

	July/Dec. 2019*	July/Dec. 2020*
<u>Trade Balance</u>	<u>-18704.0</u>	<u>-19203.2</u>
Exports	14251.0	12924.0
<i>Petroleum</i>	<i>5044.9</i>	<i>3586.4</i>
<i>Other Exports</i>	<i>9206.1</i>	<i>9337.6</i>
Imports	-32955.0	-32127.2
<i>Petroleum</i>	<i>-5778.2</i>	<i>-3640.6</i>
<i>Other Imports</i>	<i>-27176.8</i>	<i>-28486.6</i>
<u>Services Balance (net)</u>	<u>6280.9</u>	<u>1892.0</u>
<u>Receipts</u>	<u>13460.1</u>	<u>7223.9</u>
Transportation	4393.9	3644.4
<i>of which: Suez Canal dues</i>	<i>3032.1</i>	<i>2897.3</i>
Travel	7249.7	1787.9
Government Receipts	372.2	290.1
Other	1444.3	1501.5
<u>Payments</u>	<u>7179.2</u>	<u>5331.9</u>
Transportation	1063.2	861.5
Travel	1991.6	1287.7
Government Expenditures	444.6	541.3
Other	3679.8	2641.4
<u>Income Balance (net)</u>	<u>-5793.6</u>	<u>-5445.8</u>
Income receipts	520.6	123.1
Income payments	6314.2	5568.9
<i>of which: Interest Paid</i>	<i>1615.9</i>	<i>1330.3</i>
<u>Transfers</u>	<u>13642.5</u>	<u>15122.8</u>
Private Transfers (net)	13507.3	15389.2
<i>of which: Worker Remittances</i>	<i>13676.5</i>	<i>15521.4</i>
Official Transfers (net)	135.2	-266.4
<u>Current Account Balance</u>	<u>-4574.2</u>	<u>-7634.2</u>

Balance of Payments (cont.)

(US\$ m.)

	<u>July/Dec. 2019*</u>	<u>July/Dec. 2020*</u>
<u>Capital & Financial Account</u>	<u>5234.1</u>	<u>9172.4</u>
<u>Capital Account</u>	<u>-104.0</u>	<u>-88.1</u>
<u>Financial Account</u>	<u>5338.1</u>	<u>9260.5</u>
Direct Investment Abroad	-215.3	-190.6
Direct Investment In Egypt (net)	4958.5	3357.3
Portfolio Investment Abroad(net)	106.4	-648.0
Portfolio Investment in Egypt (net)	273.6	10168.6
<i>of which: Bonds</i>	<i>1545.1</i>	<i>740.0</i>
<u>Other Investment (net)</u>	<u>214.9</u>	<u>-3426.8</u>
<u>Net Borrowing</u>	<u>4560.7</u>	<u>4963.1</u>
<u>M&L Term Loans (net)</u>	<u>2431.4</u>	<u>2516.6</u>
<i>Drawings</i>	<i>3493.8</i>	<i>3473.1</i>
<i>Repayments</i>	<i>-1062.4</i>	<i>-956.5</i>
<u>MT Suppliers Credit (net)</u>	<u>-320.1</u>	<u>2014.4</u>
<i>Drawings</i>	<i>13.7</i>	<i>2561.3</i>
<i>Repayments</i>	<i>-333.8</i>	<i>-546.9</i>
<u>ST Suppliers Credit (net)</u>	<u>2449.4</u>	<u>432.1</u>
<u>Other Assets</u>	<u>-2971.7</u>	<u>-5410.6</u>
<i>Central Bank</i>	<i>-184.1</i>	<i>-97.3</i>
<i>Banks</i>	<i>546.3</i>	<i>-5169.1</i>
<i>Other</i>	<i>-3333.9</i>	<i>-144.2</i>
<u>Other Liabilities</u>	<u>-1374.1</u>	<u>-2979.3</u>
<i>Central Bank</i>	<i>-218.4</i>	<i>-2278.1</i>
<i>Banks</i>	<i>-1155.7</i>	<i>-701.2</i>
<u>Net Errors & Omissions</u>	<u>-249.0</u>	<u>-72.2</u>
<u>Overall Balance</u>	<u>410.9</u>	<u>1466.0</u>
<u>Change in CBE's reserve assets (increase = -)</u>	<u>-410.9</u>	<u>-1466.0</u>

* Preliminary.