



Press Release

Balance of Payments Performance in the First Half of FY 2022/2023

During the first half (July/Dec.) of FY 2022/2023, Egypt's transactions with the external world witnessed an improvement in the current account deficit* by 77.2 percent, to reach US\$ 1.8 billion (compared to US\$ 7.8 billion in the same period of the previous FY). This was largely attributed to the decline in the trade deficit by US\$ 6.2 billion or 28.4 percent to reach US\$ 15.5 billion. In addition, the services surplus doubled, driven by the increase in both tourism revenues and Suez Canal receipts. Moreover, the capital and financial account recorded a net inflow of US\$ 2.8 billion as the net inflows of FDI in Egypt rose to US\$ 5.7 billion. On the other hand, portfolio investments in Egypt realized a net outflow of US\$ 3.0 billion. As a result, the BoP recorded an overall surplus of US\$ 599.1 million in July/Dec. 2022.

The following factors contributed to the decline in the current account deficit:

- **The non-oil trade deficit improved** by US\$ 6.5 billion to only US\$ 17.3 billion (from US\$ 23.8 billion); primarily due to the decrease in non-oil merchandise imports by US\$ 6.3 billion, as shown below:
 - **Non-oil merchandise imports dropped** by 17.3 percent to US\$ 30.2 billion (from US\$ 36.5 billion). The decline was concentrated in the imports of passenger vehicles, telephones, and spare parts and accessories for cars and tractors.
 - **Non-oil merchandise exports slightly rose** by US\$ 124.8 million, to US\$ 12.9 billion (from US\$ 12.8 billion). The increase was mainly in the exports of gold, phosphate/mineral fertilizers, and transmitter and receiver devices of radio/television.

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

- **The oil trade balance ran a surplus of US\$ 1.8 billion (against US\$ 2.1 billion).** This was an outcome of the rise in oil exports by US\$ 690.6 million (owing to the increase in natural gas exports by US\$ 2.0 billion, which was mitigated by the decline in the exports of both crude oil by US\$ 690.5 million and oil products by US\$ 652.4 million). Additionally, oil imports rose by US\$ 980.3 million (reflecting the increase in the imports of oil products by US\$ 554.1 million and natural gas by US\$ 382.4 million).
- **Tourism revenues rebounded** by 25.7 percent to US\$ 7.3 billion (against US\$ 5.8 billion), driven by the rise in the number of tourist nights by 27.2 percent to 78.4 million, and tourist arrivals to Egypt by 27.5 percent to 6.8 million.
- **Transport receipts recovered** by 45.1 percent to US\$ 6.8 billion (against US\$ 4.7 billion), **as a main result of the rise in Suez Canal receipts** by 17.8 percent to US\$ 4.0 billion (against US\$ 3.4 billion), due to the pickup in the net tonnage of vessels by 13.3 percent to register 753.3 million tons.

The factors that mitigated the improvement of the current account:

- **The decline in remittances of Egyptians working abroad** by 23.0 percent to only US\$ 12.0 billion (against US\$ 15.6 billion).
- **The rise in investment income deficit*** by 25.5 percent to US\$ 8.9 billion (against US\$ 7.1 billion), as a result of the following:
 - The pickup in investment income payments by US\$ 2.0 billion to US\$ 9.6 billion (against US\$ 7.6 billion), reflecting the rise in both:
 - Interest payments on external debt.
 - Earnings on FDI in Egypt.
 - The increase in investment income receipts by US\$ 203.4 million to US\$ 697.9 million (against US\$ 494.5 million), mainly due to the higher interest on residents' deposits at banks abroad.

* 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.

The capital and financial account* achieved a net inflow of only US\$ 2.8 billion in July/Dec. 2022 (against US\$ 11.4 billion in the same period a year earlier), due to the following main developments:

- **Net outflow of portfolio investment in Egypt** rose to about US\$ 3.0 billion (against US\$ 2.5 billion). This coincided with the contractionary monetary policies adopted by the Federal Reserve that led to the exodus of hot money from the emerging markets.
- **Foreign assets at banks** moved up by US\$ 1.8 billion during the period under review (representing an outflow), against a decline of US\$ 8.3 billion (representing an inflow) in the corresponding period.
- **Net inflow of FDI in Egypt** went up to register US\$ 5.7 billion (against US\$ 3.3 billion), as illustrated below:

First: FDI in non-oil sectors surged to register a net inflow of US\$ 6.6 billion (against US\$ 4.4 billion) as a main result of the pickup in net greenfield investments and capital increases of existing companies to US\$ 2.2 billion (against US\$ 1.0 billion), and the proceeds of selling local entities to non-residents to US\$ 1.1 billion (against US\$ 340.8 million). Similarly, net retained earnings increased to record US\$ 3.0 billion (against US\$ 2.6 billion).

Second: The net outflow of FDI in the oil sector declined by US\$ 277.9 million, reaching only US\$ 857.5 million, as a result of the following:

- The rise in total inflows (representing new investments of foreign oil companies) to US\$ 2.6 billion (against US\$ 2.2 billion);
 - The increase in outflows (representing the cost recovery for exploration, development and operations previously incurred by foreign partners) by US\$ 161.6 million to US\$ 3.5 billion.
- **The change in the CBE's liabilities** posted a net inflow of US\$ 1.5 billion (against US\$ 2.3 billion).

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

• Numbers expressed in US\$ billion have been rounded.

Balance of Payments

	<u>(US\$ mn)</u>	
	<u>July/Dec. 2021*</u>	<u>July/Dec. 2022*</u>
<u>Trade Balance</u>	<u>-21712.5</u>	<u>-15549.7</u>
Exports	20689.7	21505.1
<i>Petroleum</i>	7927.0	8617.6
<i>Other Exports</i>	12762.7	12887.5
Imports	-42402.2	-37054.8
<i>Petroleum</i>	-5859.2	-6839.5
<i>Other Imports</i>	-36543.0	-30215.3
<u>Services Balance (net)</u>	<u>5642.4</u>	<u>10868.6</u>
<u>Receipts</u>	<u>13125.8</u>	<u>17773.8</u>
Transportation	4663.0	6765.3
<i>of which: Suez Canal dues</i>	<i>3379.0</i>	<i>3980.4</i>
Travel	5821.4	7318.3
Government Receipts	791.1	1225.2
Other	1850.3	2465.0
<u>Payments</u>	<u>7483.4</u>	<u>6905.2</u>
Transportation	1383.4	1483.9
Travel	1858.6	2803.3
Government Expenditures	1230.5	695.6
Other	3010.9	1922.4
<u>Income Balance (net)</u>	<u>-7108.4</u>	<u>-8921.8</u>
Income receipts	494.5	697.9
Income payments	7602.9	9619.7
<i>of which: Interest Paid</i>	<i>1277.3</i>	<i>2432.0</i>
<u>Transfers</u>	<u>15376.7</u>	<u>11820.7</u>
Private Transfers (net)	15478.7	11891.7
<i>of which: Worker Remittances</i>	<i>15583.1</i>	<i>11992.4</i>
Official Transfers (net)	-102.0	-71.0
<u>Current Account Balance</u>	<u>-7801.8</u>	<u>-1782.2</u>

Balance of Payments (cont.)

(US\$ m.)

	<u>July/Dec. 2021*</u>	<u>July/Dec. 2022*</u>
<u>Capital & Financial Account</u>	<u>11426.3</u>	<u>2785.9</u>
<u>Capital Account</u>	<u>-90.0</u>	<u>-9.8</u>
<u>Financial Account</u>	<u>11516.3</u>	<u>2795.7</u>
Direct Investment Abroad	-178.5	-173.9
Direct Investment In Egypt (net)	3265.4	5727.9
Portfolio Investment Abroad(net)	-3.6	-86.8
Portfolio Investment in Egypt (net)	-2495.0	-3013.7
<i>of which: Bonds</i>	<i>3047.6</i>	<i>-9.9</i>
<u>Other Investment (net)</u>	<u>10928.0</u>	<u>342.2</u>
<u>Net Borrowing</u>	<u>-1104.0</u>	<u>2351.0</u>
<u>M&L Term Loans</u>	<u>-9.3</u>	<u>27.0</u>
Drawings	1337.2	1717.7
Repayments	-1346.5	-1690.7
<u>M& L Term buyers' and suppliers' Credit</u>	<u>789.1</u>	<u>575.7</u>
Drawings	3400.4	1158.7
Repayments	-2611.3	-583.0
<u>Short Term buyers' and suppliers' Credit (net)</u>	<u>-1883.8</u>	<u>1748.3</u>
<u>Other Assets</u>	<u>6108.5</u>	<u>-5166.5</u>
Central Bank	-22.9	-22.0
Banks	8251.9	-1769.0
Other	-2120.5	-3375.5
<u>Other Liabilities</u>	<u>5923.5</u>	<u>3157.7</u>
Central Bank	2265.7	1547.1
Banks	3657.8	1610.6
<u>Net Errors & Omissions</u>	<u>-3638.6</u>	<u>-404.6</u>
<u>Overall Balance</u>	<u>-14.1</u>	<u>599.1</u>
<u>Change in CBE's reserve assets (increase = -)</u>	<u>14.1</u>	<u>-599.1</u>

* Preliminary.