Press Release

Balance of Payments
Performance in FY 2021/2022

During FY 2021/2022, Egypt's transactions with the external world witnessed an improvement in the current account deficit[1] as it declined by 10.2 percent, registering US$ 16.6 billion (compared to US$ 18.4 billion in the preceding fiscal year). This came mainly due to the unprecedented increase in merchandise exports (oil and non- oil) which rose by 53.1 percent, together with the significant recovery of the tourism revenues which more than doubled compared to the previous fiscal year. Moreover, a marked increase was seen in Suez Canal receipts. These developments came despite the decline in global economic activity triggered by the Russian-Ukrainian crisis, which has driven up energy and commodity prices significantly, thus driving central banks abroad to adopt tighter monetary policy to contain the inflation waves.

On the other hand, net inflows of the capital and financial account decreased on the back of non-residents withdrawal from the portfolio investment in Egypt, which coincided with the contractionary monetary policies adopted by the Federal Reserve that led to a mass exodus of hot money from the emerging markets. Against this background, the BoP recorded an overall deficit of US$ 10.5 billion in FY 2021/2022, almost all of which was realized in second half of FY 2021/2022 (January/ June 2022).

<u>The following positive factors contributed to the improvement of the current account deficit as compared to the previous year:</u>

- **Tourism revenues** rose by US$ 5.9 billion to US$ 10.7 billion (from US$ 4.9 billion), partly offsetting the adverse effect of the drop in the number of tourists from Russia and Ukraine since the outbreak of the Russian-Ukraine crisis.

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

- **Transport receipts** increased by 29.3 percent, to reach US$ 9.7 billion (against US$ 7.5 billion), mainly due to the rise in Suez Canal receipts by 18.4 percent to US$ 7.0 billion (from US$ 5.9 billion).

- **The oil trade balance ran a surplus of US$ 4.4 billion** (against a slight deficit of US$ 6.7 million in the previous FY). This came mainly as a result of the surge in oil exports by US$ 9.4 billion in light of the increase in the value of natural gas exports on the back of the noticeable hike of global prices and the rise of their exported quantities, along with the opening of new markets in Europe, mainly in Turkey, Italy, France, Spain, Croatia, and Greece.

- **Egyptian workers' remittances went up** by 1.6 percent to register US$ 31.9 billion (against US$ 31.4 billion a year earlier).

The improvement in the current account was counterbalanced by the following factors:

- **The non-oil trade deficit widened** by 13.7 percent, to register US$ 47.8 billion (from US$ 42.1 billion); due to the increase in non-oil imports which surpassed that of non-oil exports, as illustrated below:
  - Non-oil merchandise imports rose by 18.7 percent to US$ 73.8 billion. The rise was concentrated in the imports of:
    - Production inputs, such as propylene polymers, cast iron, and inorganic / organic compounds;
    - Agricultural products, mainly soybeans, corn, and wheat due to the rise in their global prices; and
    - Medicines, pharmaceutical preparations, gauze pads and vaccines (in light of the state's efforts to combat COVID-19 pandemic).

  - Non-oil merchandise exports increased by 29.1 percent to US$ 25.9 billion. The increase was mainly in the exports of:
    - Finished goods, led by phosphate / mineral fertilizers, transmitter and receiver devices of radio/television, ready-made clothing, medicines, and household electric appliances; and

- Semi-finished goods, mainly inorganic / organic compounds and ethylene-propylene polymers.

- **Investment income deficit*** widened by 27.1 percent to reach US$ 15.8 billion (from US$ 12.4 billion), as a result of the following:

- Investment income payments went up by US$ 3.8 billion, to register US$ 16.8 billion, reflecting the rise in both:
    - Earnings on FDI in Egypt;
    - Interest and dividends of non-residents' investments in Egyptian bonds and securities.

- Meanwhile, investment income receipts moved up by US$ 423.6 million to US$ 996.5 million (against US$ 572.9 million), mainly due to the rise in interest and dividends on foreign bonds and securities.

As for **the capital and financial account***, net inflows retreated in FY 2021/2022 to US$ 11.8 billion (from US$ 23.4 billion), as a consequence of the following main developments:

- **Portfolio investment in Egypt** shifted from a net inflow of US$ 18.7 billion to a net outflow of US$ 21.0 billion. This withdrawal of investment reflected investors' concerns over the Russian-Ukraine conflict, as well as the contractionary monetary policies adopted by the Federal Reserve leading to outflows of hot money from emerging markets.

- **Medium- and long-term external loans & facilities** recorded a net disbursement of only US$ 1.5 billion (against US$ 6.4 billion), on the back of a rise in repayments to US$ 6.2 billion (from US$ 3.4 billion), and a decline in disbursements to US$ 7.6 billion (from US$ 9.8 billion).

* 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.

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

- **Change in the liabilities of the CBE** posted a net inflow of US$ 15.7 billion, of which US$ 14.1 billion were recorded in January/March 2022, mostly representing deposits from Arab countries.

- **Net FDI in Egypt** rose by 71.4 percent to US$ 8.9 billion, as shown below:

First: Foreign Direct Investment in Non-oil Sectors:

Net FDI in non-oil sectors mounted by US$ 5.2 billion, to record a net inflow of US$ 11.6 billion (of which US$ 7.2 billion were registered in January/June 2022), as a result of the following:

1) Net inflows for greenfield investments or capital increases of existing companies increased by US$ 2.1 billion, to register US$ 3.4 billion (US$ 238.2 million of which went to greenfield investments);
2) The sale proceeds of companies and productive assets to non-residents rose by US$ 2.2 billion, to record US$ 2.3 billion (of which US$ 2.0 billion were during the period Jan./March 2022);
3) Net inflows for real estate purchases by non-residents mounted by US$ 353.9 million, to register US$ 970.3 million; and
4) Net retained earnings and credit balances surplus increased by US$ 525.7 million to stand at US$ 4.9 billion.

Second: Foreign Direct Investment in the Oil Sector:

FDI registered a net outflow of US$ 2.6 billion (against US$ 1.2 billion in the previous FY). This came on the back of:

- The rise in outflows to US$ 7.3 billion, from US$ 6.3 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$ 4.7 billion (from US$ 5.1 billion).

Balance of Payments

(US$ m.)

	2020/21*	2021/22*
Trade Balance	**-42059.6**	**-43396.0**
Exports	28676.5	43906.4
Petroleum	*8597.2*	*17977.2*
Other Exports	*20079.3*	*25929.2*
Imports	-70736.1	-87302.4
Petroleum	*-8603.9*	-13544.6
Other Imports	*-62132.2*	*-73757.8*
Services Balance (net)	**5119.0**	**11158.7**
Receipts	**15995.1**	**26925.7**
Transportation	7527.7	9734.2
of which: Suez Canal dues	*5911.2*	*6996.8*
Travel	4861.5	10748.1
Government Receipts	513.1	2736.3
Other	3092.8	3707.1
Payments	**10876.1**	**15767.0**
Transportation	1812.2	3023.6
Travel	2708.2	4479.8
Government Expenditures	1246.6	2340.0
Other	5109.1	5923.6
Income Balance (net)	**-12399.2**	**-15763.2**
Income receipts	572.9	996.5
Income payments	12972.1	16759.7
of which: Interest Paid	*2518.7*	*2777.6*
Transfers	**30903.4**	**31449.2**
Private Transfers (net)	31180.3	31719.8
of which: Worker Remittances	*31425.3*	*31923.5*
Official Transfers (net)	-276.9	-270.6
Current Account Balance	**-18436.4**	**-16551.3**

Balance of Payments (cont.)

(US$ m.)

	2020/21*	2021/22*
Capital & Financial Account	**23374.0**	**11805.6**
Capital Account	**-153.0**	**-77.8**
Financial Account	**23527.0**	**11883.4**
Direct Investment Abroad	**-379.1**	**-346.4**
Direct Investment In Egypt (net)	**5214.2**	**8937.4**
Portfolio Investment Abroad(net)	**-750.7**	**-139.8**
Portfolio Investment in Egypt (net)	**18742.4**	**-20983.3**
of which: Bonds	*4548.9*	*1014.3*
Other Investment (net)	**700.2**	**24415.5**
Net Borrowing	7964.7	-1446.9
M&L Term Loans (net)	4263.7	710.4
Drawings	*6502.4*	*3661.1*
Repayments	*-2238.7*	*-2950.7*
MT Suppliers Credit (net)	2173.6	749.5
Drawings	*3304.1*	*3973.5*
Repayments	*-1130.5*	*-3224.0*
ST Suppliers Credit (net)	1527.4	-2906.8
Other Assets	-6039.4	4242.4
Central Bank	*-115.4*	*-235.1*
Banks	*-5014.6*	*7579.6*
Other	*-909.4*	*-3102.1*
Other Liabilities	-1225.1	21620.0
Central Bank	*-2734.9*	*15679.4*
Banks	*1509.8*	*5940.6*
Net Errors & Omissions	**-3075.9**	**-5800.1**
Overall Balance	**1861.7**	**-10545.8**
Change in CBE's reserve assets (increase = -)	**-1861.7**	**10545.8**

* **Preliminary.**