Press Release
Balance of Payments (BOP) Performance
During Q1 2023/2024

During the first quarter (July/September 2023) of FY 2023/2024, transactions of the Egyptian economy with the rest of the world unfolded an overall BOP surplus of US$ 228.8 million (against an overall surplus of US$ 523.5 million during the corresponding period a year earlier), as the current account* deficit improved by 12.1 percent, reaching only US$ 2.8 billion (compared with US$ 3.2 billion). This was owing mainly to the retreat in the trade deficit by 12.7 percent, to just US$ 7.9 billion, and the rise in services surplus to US$ 5.2 billion, driven by the increase in both the Suez Canal transit receipts and tourism revenues. The capital and financial account also recorded a net inflow of US$ 1.8 billion, with foreign direct investment in Egypt registering a net inflow of US$ 2.3 billion, while portfolio investments in Egypt continued to achieve a net outflow of US$ 523.4 million.

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

- **Non-oil trade deficit improved** by US$ 2.4 billion, reaching just US$ 6.6 billion (compared with US$ 9.0 billion), mainly reflecting the retreat in non-oil merchandise imports by US$ 1.9 billion, as shown below:
  - **Non-oil merchandise imports dropped** by 12.5 percent, to only US$ 13.3 billion (compared with US$ 15.3 billion). The drop concentrated in corn, propylene polymers, organic and inorganic compounds.
  - **Non-oil merchandise exports increased** by US$ 458.9 million, to US$ 6.7 billion (compared with US$ 6.3 billion), reflecting mainly higher exports of wires and cables; fresh, frozen, or cooked vegetables; gold; and electrical household appliances.
- **Transport receipts increased** by 13.5 percent, reaching US$ 3.5 billion (compared with US$ 3.0 billion), as a main result of the increase in the Suez Canal transit receipts by 19.4 percent to US$ 2.4 billion (against US$ 2.0 billion), driven by the pickup in both the net tonnage of vessels by 8.2 percent to 403.1 million tons and the number of passing vessels by 4.3 percent.

* Including merchandise and services transactions, income from factor costs, private transfers, including remittances of Egyptian workers abroad, and official transfers including governmental in-kind and cash grants.

- **Tourism revenues rose** by 9.3 percent to record US$ 4.5 billion (from US$ 4.1 billion), due to the pickup in the numbers of both tourist nights by 9.3 percent to 47.7 million, and tourist arrivals to Egypt by 23.2 percent to register 4.2 million.

The factors that curbed the improvement of the current account:

- **The deficit of oil trade balance widened** by US$ 1.2 billion to US$ 1.3 billion (against US$ 106.0 million), primarily due to the decline in oil exports, as shown below:

  - **Oil exports went down** by US$ 2.1 billion to only US$ 1.6 billion, on the back of the decrease in the exports of natural gas by US$ 2.0 billion and oil products by US$ 393.8 million (due to the decline of the exported quantities and the global prices). Meanwhile, the exports of crude oil increased by US$ 299.6 million (owing to the rise in the exported quantities).
  - **Oil imports retreated** by US$ 891.1 million to only US$ 2.9 billion because of the decrease in imports of both crude oil by US$ 937.0 million (on the back of the drop of the imported quantities and the global prices) and oil products by US$ 96.1 million (due to the decline in the prices despite the rise in the imported quantities). Meanwhile, natural gas imports increased by US$ 142.0 million (owing to the pickup in the imported quantities).

- **Egyptian workers' remittances retreated** by 29.9 percent to register only US$ 4.5 billion (against US$ 6.4 billion).

- **Investment income deficit**[*] slightly **increased** by 1.1 percent to US$ 4.6 billion (from US$ 4.5 billion), as **investment income payments went up** by US$ 187.2 million to US$ 5.0 billion (against US$ 4.8 billion) . This was despite the **improvement of investment income receipts** by US$ 137.2 million to US$ 413.0 million (against US$ 275.8 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.

<u>The capital and financial account</u>[**] revealed a net inflow of US$ 1.8 billion during the reporting period (against US$ 4.4 billion in the same period a year earlier), <u>due to the following developments:</u>

- **FDI in Egypt registered a net inflow** of US$ 2.3 billion (against US$ 3.3 billion), as follows:
    - **<u>FDI in non-oil sectors achieved a net inflow</u>** of US$ 2.6 billion (against US$ 3.6 billion), as net proceeds of selling local entities to non-residents realized US$ 15.4 million (against US$ 1.0 billion) and net reinvested earnings about US$ 1.1 billion (against US$ 1.4 billion). Meanwhile, net investment inflows for real estate purchases by non-residents registered US$ 312.5 million (against US$ 165.0 million); net inflows for greenfield investments or capital increases of existing companies recorded US$ 993.3 million (against US$ 975.3 million); and intercompany loans achieved a net disbursement of US$ 108.5 million (against a net repayment of US$ 15.0 million).

    - **<u>FDI inflows in the oil sector stabilized at</u>** US$ 1.4 billion (representing new investments of foreign oil companies). Meanwhile, a slight decrease was seen in the outflows (representing the cost recovery for exploration, development and operations previously incurred by foreign partners) to record only US$ 1.6 billion from US$ 1.7 billion, thus **the period under review unfolded an improvement in net outflows to reach only US$ 247.8 million** (against US$ 320.5 million).

- **Net outflow of portfolio investment in Egypt** fell to record net outflows of only US$ 523.4 million (against US$ 2.2 billion).
- **The change in banks' foreign assets** registered a net outflow of US$ 731.0 million, i.e an increase in the assets, against a net inflow of US$ 690.5 million.
- **The change in banks' liabilities** posted a net outflow of US$ 187.2 million, i.e a decline in the liabilities, against a net inflow of US$ 1.7 billion.
- **The change in the CBE's liabilities** recorded a net inflow of US$ 2.0 billion (against US$ 652.4 million).

[**] Including foreign direct investment (FDI), portfolio investment, and net external borrowing.
• Numbers expressed in US$ billion have been rounded.

Balance of Payments

	(US$ m.)	
	July/Sep 2022*	July/Sep 2023*
Trade Balance	**-9102.2**	**-7944.6**
Exports	9965.2	8325.2
Petroleum	*3708.3*	*1609.4*
Other Exports	*6256.9*	*6715.8*
Imports	-19067.4	-16269.8
Petroleum	*-3814.3*	*-2923.2*
Other Imports	*-15253.1*	*-13346.6*
Services Balance (net)	**4053.7**	**5199.7**
Receipts	**8044.2**	**8963.2**
Transportation	3043.7	3453.8
of which: Suez Canal dues	*2010.2*	*2399.3*
Travel	4071.3	4451.0
Government Receipts	139.9	64.2
Other	789.3	994.2
Payments	**3990.5**	**3763.5**
Transportation	884.8	823.5
Travel	1592.0	1494.4
Government Expenditures	471.8	289.9
Other	1041.9	1155.7
Income Balance (net)	**-4535.3**	**-4585.3**
Income receipts	275.8	413.0
Income payments	4811.1	4998.3
of which: Interest Paid	*1219.5*	*1961.2*
Transfers	**6391.5**	**4523.2**
Private Transfers (net)	6380.7	4491.1
of which: Worker Remittances	*6442.1*	*4516.3*
Official Transfers (net)	10.8	32.1
Current Account Balance	**-3192.3**	**-2807.0**

Balance of Payments (cont.)

(US$ m.)

	July/Sep 2022*	July/Sep 2023*
Capital & Financial Account	**4417.0**	**1769.2**
Capital Account	**14.5**	**1.6**
Financial Account	**4402.5**	**1767.6**
Direct Investment Abroad	**-68.5**	**-112.8**
Direct Investment In Egypt (net)	**3296.8**	**2321.7**
Portfolio Investment Abroad(net)	**-50.5**	**-54.9**
Portfolio Investment in Egypt (net)	**-2158.3**	**-523.4**
of which: Bonds	*-2.0*	*-335.7*
Other Investment (net)	**3383.0**	**137.0**
Net Borrowing	2283.1	1540.1
M&L Term Loans	-283.6	-726.4
Drawings	*391.1*	*796.8*
Repayments	*-674.7*	*-1523.2*
M& L Term buyers' and suppliers' Credit	347.7	-133.0
Drawings	*581.0*	*186.6*
Repayments	*-233.3*	*-319.6*
Short Term buyers' and suppliers' Credit (net)	2219.0	2399.5
Other Assets	-1210.7	-3180.6
Central Bank	*28.9*	*-18.3*
Banks	*690.5*	*-731.0*
Other	*-1930.1*	*-2431.3*
Other Liabilities	2310.6	1777.5
Central Bank	*652.4*	*1964.7*
Banks	*1658.2*	*-187.2*
Net Errors & Omissions	**-701.2**	**1266.6**
Overall Balance	**523.5**	**228.8**
Change in CBE's reserve assets (increase = -)	**-523.5**	**-228.8**