

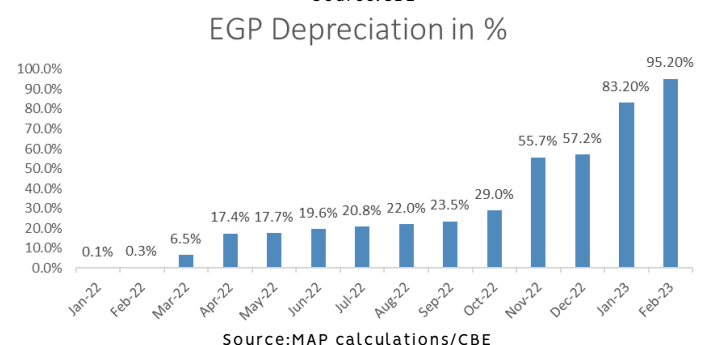
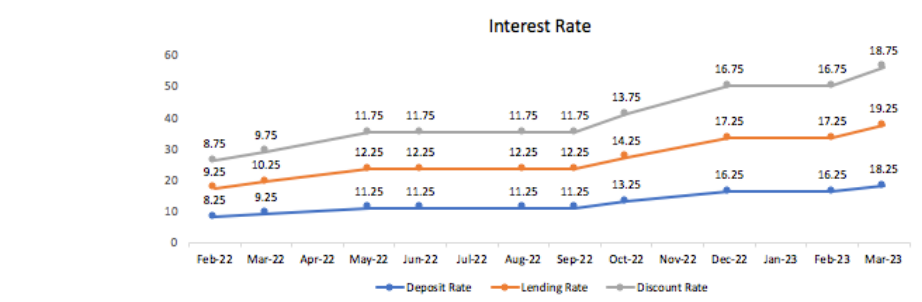
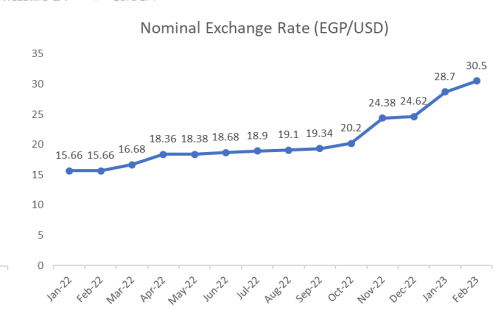
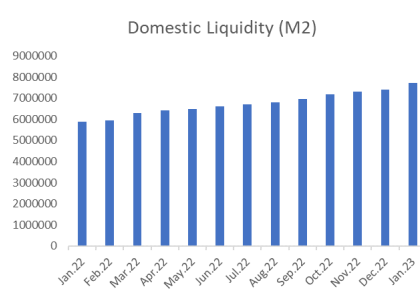
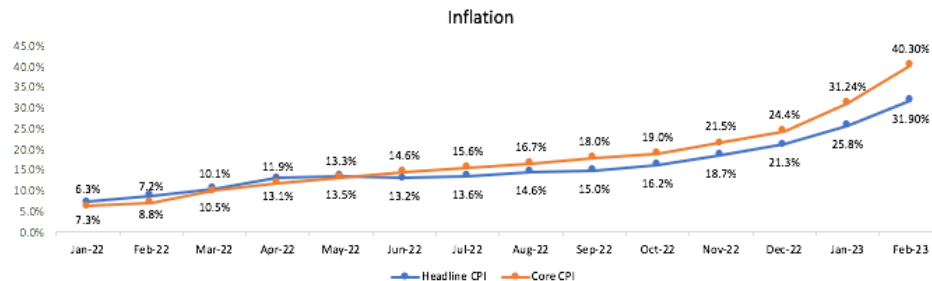
MONTHLY ECONOMIC REVIEW

Skyrocketing Inflation Rates which necessitate additional tightening in the monetary stance

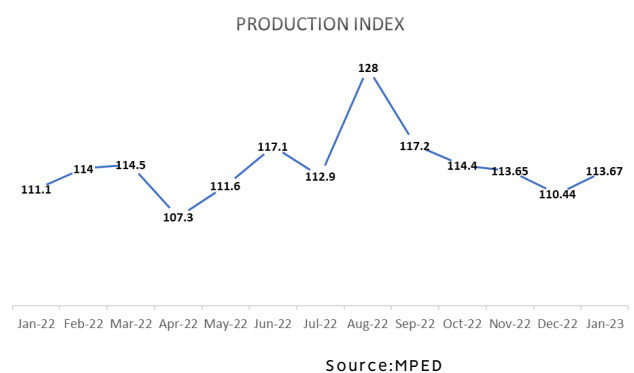
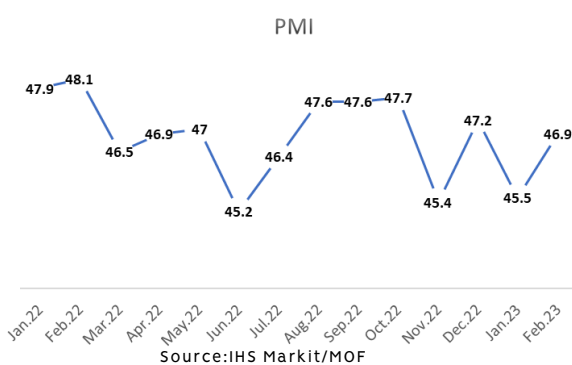
Mounting Inflation continues its upward trend in February 2023 registering the highest level recorded in five and a half years. Such developments can be considered as a reflection to the recent exchange rate fluctuation whereas The Egyptian pound weakened against the dollar over the course of February, bringing its total depreciation to almost 95.2% this month. (pass-through effect), as well as higher broad money growth outruns (domestic liquidity (M2)), the ongoing repercussions of the Russia-Ukraine conflict , Along with deficiency of foreign currency and supply chain disruptions .

Annual headline inflation rate leapt up in February 2023 recording 31.9% up from 25.8% in the previous month, The hike can be attributed mainly to the rise in food prices as a consequence of supply bottlenecks globally on the elevated levels of international commodity prices as well as speculative activities by traders whereas the prices of cereals and bread group by 9.2%, the meat and poultry group by 29.7%, the fish and seafood group by 19.5%, the dairy, cheese and eggs group by 11.1%, and the oils and fats group by 4.3%.As well as the increase in the prices of the fruit group by 10.8 % , the vegetables group by 5.3%, the group of coffee, tea and cocoa by 7.0%, the smoke group by 0.2 % , the group of textiles by 2.9%, the group of shoes by 1.5%. Furthermore, core inflation skyrocketed registering 40.3 % up from 31.24% in January 2023.

Consequently, the The Monetary Policy Committee decided to raise the interest rates on March 2023 by 200 basis points not only to contain inflation which has reached unprecedented levels , but also with the aim to absorb excess liquidity during the coming period by directing the excess liquidity to saving certificates instead of investing in dollars.especially with the expiry of the 18% saving certificates , ensuring that it does not leave the banking system and for the sake of preventing dollarization, which may lead to a sharper rise in inflation rates.

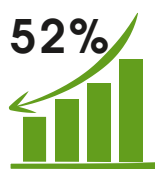


The Performance of the Non-oil Private Sector

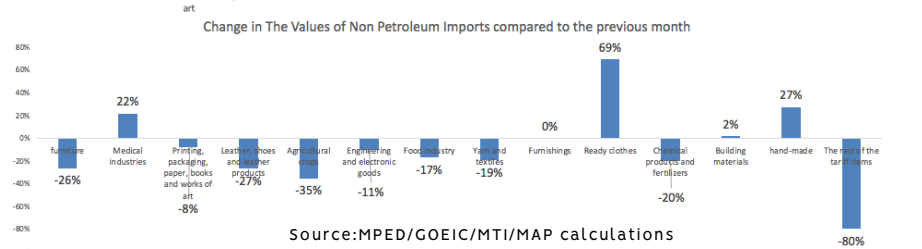
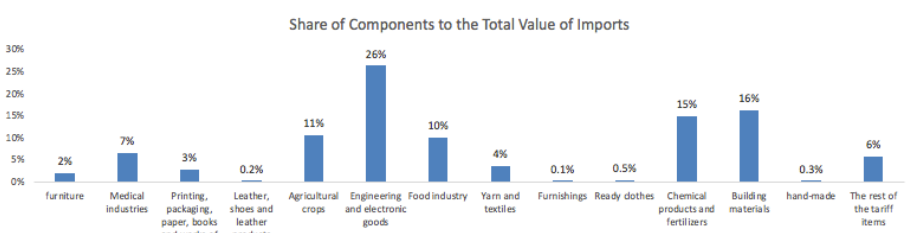
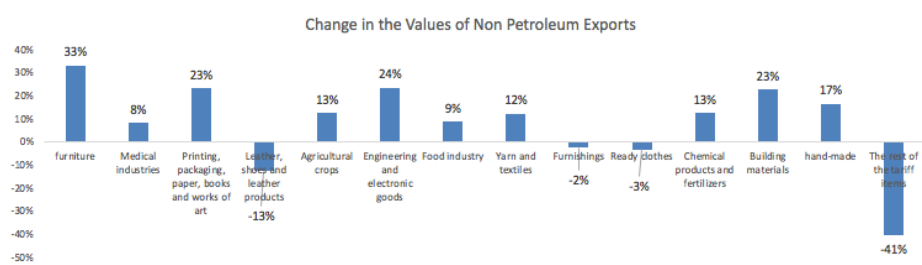
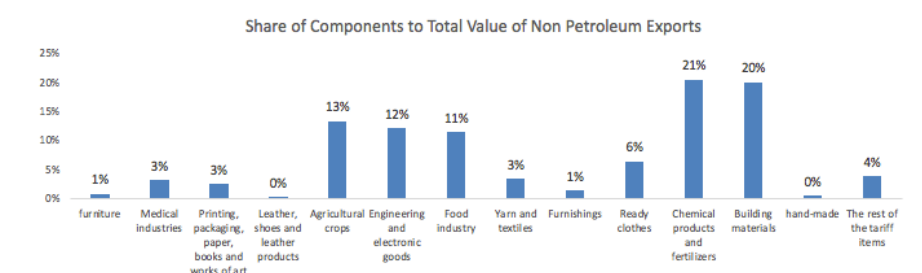
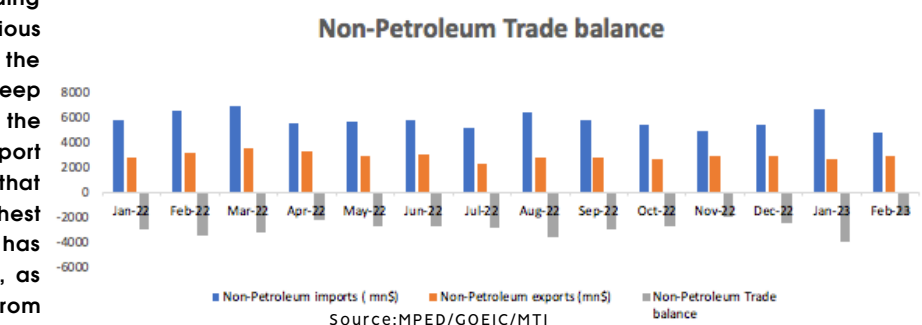


Egypt's non-oil private sector contracted for the 27th month in a row in February, yet at a slower pace. The PMI reading slightly improved in February to 46.9 up from 45.5 the previous month, but it is still below 50. The contraction is primarily the result of rampant inflation, supply chain disruption which keep reducing demand and accelerate unemployment, the ongoing depreciation of the Egyptian Pound and import restrictions remain in place. It's worthy to mention that following the rate of purchase price inflation reaching highest level in 4 and half years in January2023, this month it has slowed to its lowest level since October the year before, as companies have suffered relatively to a lesser extent from lower exchange rates and increased import prices.

On monthly basis the non-petroleum trade balance deficit decreased by 52%



The non-petroleum trade balance deficit reached \$1894 mn during February 2023 down from \$3957mn for the previous month a decrease of 52%.the value of exports increased by 10%, reaching \$2883mn, up from \$2619mn in the previous month due to the increased value of some commodities such as Building materials which rose by 23% and it's worthy to mention that they contribute with the second largest share to the value of total non-petroleum exports by around 20%.Meanwhile, the value of non-petroleum imports decreased by 27%, reaching \$4777mn in February 2023 down from \$6576mn in January 2023 due to the decreasing trend in the values of some commodities including Engineering and electronic goods which declined by 11% and it's worth noting that they contribute with the largest share to the value of total non-petroleum Imports by around 26% .



External Sector

Egypt's net foreign reserves increased by \$0.1 billion, bringing the total to \$34.4 billion by the end of February 2023. However, net international reserves had not fully recovered compared to its level in February 2022 of \$41 billion. Net international reserves cover approximately 4.5 months of imported goods and 3.8 months of imported goods and services. As the net international reserves coverage decreased significantly from more than 7 months in December 2021 to around 4 months in December 2022 owing that to mounting global inflation caused by the Russian-Ukraine war, combined with supply-chain disruption.

