

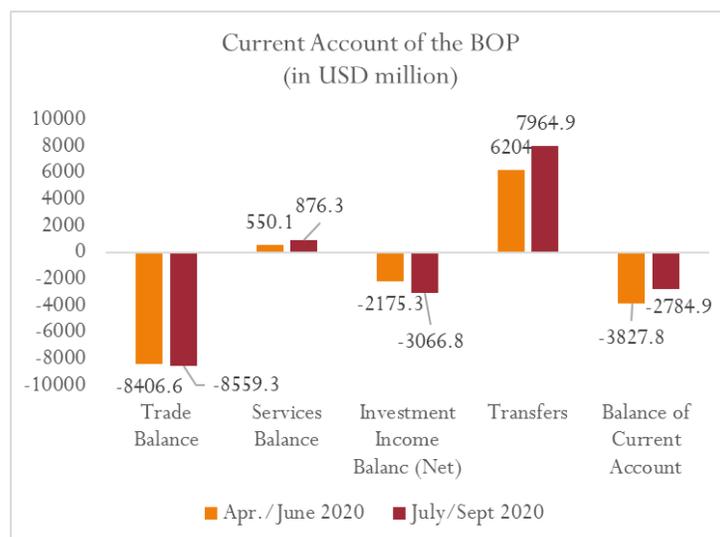
February 1, 2021

**BOP sends positive signals during the first quarter of FY 2020/21 ...** The recent development in most of the macroeconomic variables indicated that they are rebounding to pre-crisis levels and moving in the direction of improvement. In the meantime, latest data release for the Balance of Payment (BOP) sends positive signals about its performance during the first quarter of FY20/21. The overall BOP registered a slight deficit of USD 69.2 million, compared to a deficit of USD 3.5 billion in the preceding quarter (April/June 2020).

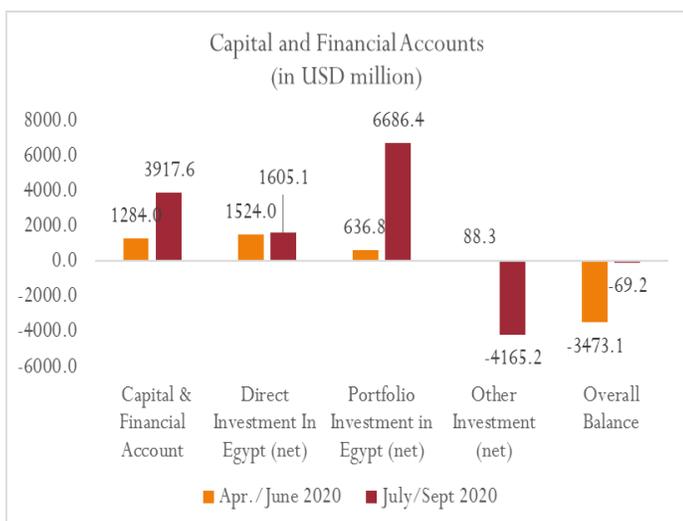
The sources of improvement emerge mainly from the CA deficit which witnessed an improvement compared to the previous quarter to register USD 2.8 billion, compared to USD 3.8 billion. The improvements in the CA balance are backed by the rebound in the transfers account and the balance of goods and services. One important observation concerned with the rebounded non-petroleum exports proceeds registering USD 4.7 billion during Q1 of the FY2020/21, compared to USD 4.3 billion during the previous quarter. Accordingly, the non-petroleum exports rebounded to the pre-crisis levels. Nevertheless, this has been partially offset by the deteriorated imports payments to USD

14.8 billion compared to USD 13.8 billion during the same period of comparison.

Moreover, capital and financial accounts have improved significantly from the previous quarter, wherein Foreign Direct Investments (FDI) have increased slightly to USD 1.6 billion up from USD 1.5 billion during Q4 of the FY2019/20. Additionally, there was a net capital inflow in the portfolio investment accounted for USD 6.7 billion compared to only USD 637 million.

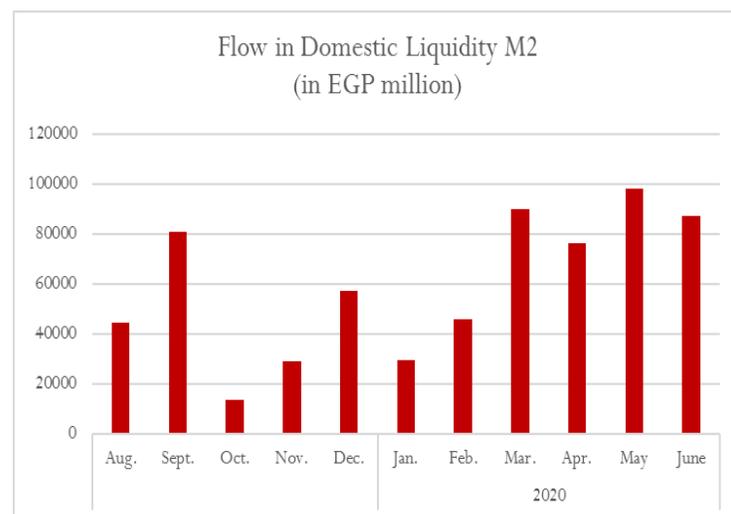


Source: Central Bank of Egypt.



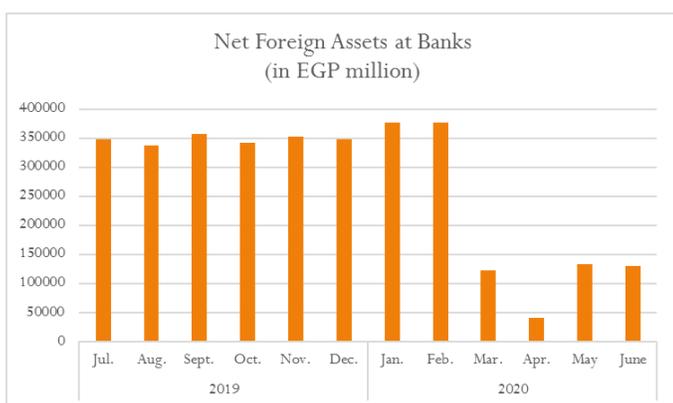
Source: Central Bank of Egypt.

It can be observed that latest data for the change in domestic liquidity has been increasing over the last couple of months which suggests that future inflationary pressures from money supply are expected to materialize, especially that the CBE has the tendency to cut interest rates accounting for 400 basis points during 2020.

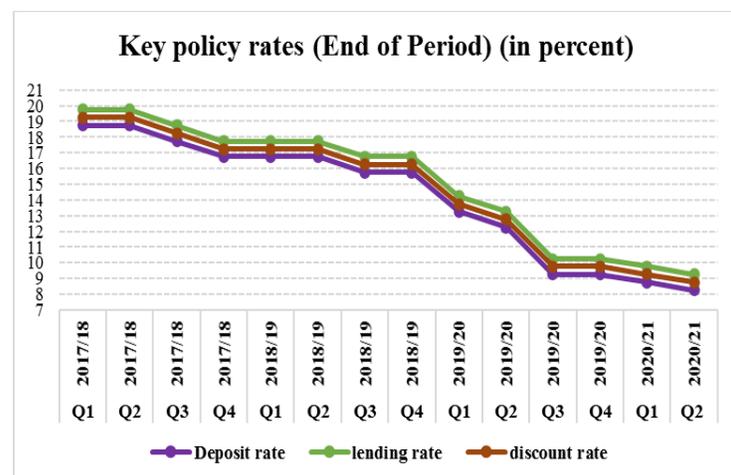


Source: Central Bank of Egypt.

... **BOP performance has spillovers on Banks' Liquidity...** Other assets at banks diminished significantly during two quarters in a row (Q4 FY 2019/20 – Q1 FY 2020/21) amounting for USD 8.4 billion. This was reflected on a deteriorated Net Foreign Assets (NFA) at banks during the same period. This was mirrored in slowing pace in the growth of the NFA at banks as obvious in the following figure.



Source: Central Bank of Egypt.



Source: Central Bank of Egypt.