

Executive Summary

Main Highlights...

Egypt has taken significant steps over the past two years to rebuild political stability and restore confidence in its economic potential. Since the beginning of the previous fiscal year the Ministry of Finance has been keen to conduct continuous and long-lasting community dialogues with the civil society, from NGOs and private sector companies to political parties. Such communication acts as bridge between the state and its citizens, thus when issuing financial and economic policy reports, the government communicates directly with citizens to involve them in the formulation of economic policies. Some of the most noteworthy publication are "The Citizens'14/15 Budget" and the "Preliminary 15/16 Financial Statement". On September 29th 2015, the Ministry of Finance launched the second annual version of the "Citizens' Budget" entitled "Hand in Hand, We Complete the Journey" to inform citizens about key features of the 15/16 budget and shed light on the planned fiscal policies to be implemented in the medium and long term. The government fully recognizes that one of the citizens' inherent rights is for the state budget to address and meet their needs while promising improved standards of living. One can access the publication on the Ministry's website www.mof.gov.eg and or on the interactive Web site www.budget.gov.eg.

On the other hand, the following are the latest developments in economic indicators:-

- Ø Based on the latest preliminary figures recently announced by the Ministry of Planning, GDP is shown to have accelerated, reaching about 4.7 percent during the first nine months of fiscal year 2014/2015, compared to 1.6 percent during the same period of the previous year. Concerning H1-FY14/15 performance, GDP figures signal continuous and sustainable growth path registering 5.6 percent y-o-y growth, compared to 1.2 percent during H2-FY13/14. On the supply side (GDP by sector), this growth was mainly resulting from continued growth in the manufacturing sector, in addition to high growth rates of the tourism sector after a period of decline that lasted from Q4-FY12/13 until Q4-FY13/14. This improvement comes despite continued decline in natural gas extraction. On the demand side (GDP by expenditure), the positive contribution of investments has surpassed the decline in net exports, therefore leading to the aforementioned achieved growth rate.
- Ø It is noteworthy that preliminary fiscal data for the year 2014/2015 is still under preparation and will be published when finalized. Meanwhile, latest indicators for the period July-August 2015/2016 point to a budget deficit reaching LE 68.3 billion (2.4 percent of GDP), compared to a deficit of LE 56 billion (2.3 percent of GDP) during the same period last year. These developments came in light of the increase in both revenues and expenditures during the period of study. Revenues rose notably by 34.5 percent (the highest since last three years during the same period of the year) reaching LE 46.3 billion (1.6 percent of GDP), compared to LE 34.4 billion during the same period last year (1.4 percent of GDP). While expenditures rose by 22.9 percent to reach LE 110.4 billion (3.9 percent of GDP) during the period of study, compared

to LE 89.8 billion (3.7 percent of GDP) during the same period last year (in light of increased social spending).

In the same vein, tax revenues point to a marked improvement during the period July-August 2015/2016, recording 29.3 percent compared to the same period last year. This was driven by the adequate implementation of tax and structural reforms. Efforts exerted by tax agencies to ensure collection efficiency and tighten control over Egyptian ports and harbors also contributed to revenues growth during the period of study.

- Ø Moreover, **total government debt (domestic and external)** reached LE 2181 billion (89.7 percent of GDP) at end of March 2015, compared to LE 1806.3 billion (90.4 percent of GDP) at end of March 2014.
 - Ø **Net International Reserves (NIR)** decreased during August 2015 to record US\$ 18.1 billion, compared to US\$ 18.5 billion in July 2015.
 - Ø As for the **monetary developments**, M2 annual growth slightly increased at end of July 2015 to record 16.5 percent (y-o-y) reaching LE 1799.5 billion, as quasi money annual growth increased during the month of study recording 16.1 percent, compared to 14.5 percent in the previous month.
 - Ø Meanwhile, **Headline Urban inflation** declined for the second month in a row to record 7.9 percent during August 2015 (the lowest since March 2013), compared to 11 percent the average recorded for last fiscal year, and compared to 11.5 percent recorded during August 2014. Factors contributing to the decline in inflationary pressures include; faded base effect-due to the introduction of reform measures during July 2014 , in addition the decline in annual inflation rates of other main groups has contributed to the decline in annual inflation rate during the period of study, on the top of which; " Food and Beverages" (the highest weight in CPI) has slightly declined by 8.2 percent during the period of study, compared to 8.3 percent last month, "Restaurant and Hotels" declined to 9 percent, compared to 14.6 percent, "Health" recorded 0.4 percent, compared to 2.2 percent, "Recreation and Culture" recorded 7.7 percent, compared to 10.3 percent, "Miscellaneous Goods and Services" recorded 0.7 percent, compared to 4.9 percent.
- And which has counterparted the increase in annual inflation rate of other main groups, on the top of which; "Education" to record 24.7 percent, "Clothing and Footwear" to record 8.3 percent compared to 7.7 percent last month, " Furnishing" to record 4.4 percent, compared to 3.9 percent.
- Ø During its Monetary Policy Committee meeting held on September 17th, 2015, CBE decided to keep the overnight deposit rate and overnight lending rates, and the CBE's main operation and the discount rate unchanged at its current levels. Moreover, in an attempt to absorb excess liquidity and to protect the domestic currency, the CBE held deposit auctions on September 29, 2015 worth LE 135 billion with 6-day maturity at a fixed annual interest rate of 9.25 percent.
 - Ø **The Balance of Payments (BOP)** showed an overall surplus of US\$ 3.7 billion (1.1 percent of GDP) during FY14/15, compared to a lower overall surplus of US\$ 1.5 billion (0.5 percent of GDP) during last year. This was mainly because the capital and financial account witnessed

net inflows of US\$ 17.6 billion (5.3 percent of GDP) during the period of study, compared to net inflows of US\$ 5.3 billion (1.8 percent of GDP) during FY13/14, while there was a current account deficit of US\$ 12.2 billion (-3.7 percent of GDP), compared to a deficit of US\$ 2.7 billion (-0.9 percent of GDP) during 2013/2014. Meanwhile, net errors and omissions recorded an outflow of US\$ 1.7 billion (-0.5 percent of GDP) during 2014/2015, compared to an outflow of US\$ 1.1 billion (-0.4 percent of GDP) during 2013/2014.

Real Sector:

- Ø Based on the latest preliminary figures recently announced by the Ministry of Planning, GDP is shown to have accelerated, reaching about 4.7 percent during the first nine months of fiscal year 2014/2015, compared to 1.6 percent during the same period of the previous year. Concerning Q2-FY14/15 performance, GDP figures released by the Ministry of Planning signal continuous and sustainable growth path registering 4.3 percent y-o-y growth up from 1.4 percent during Q2-FY13/14. Both public and private consumption continued to boost economic activity during the Q2-FY14/15 with a total contribution of 4.8 PPT compared to 0.8 PPT during the same period last year. Investments have contributed positively to growth by 0.9 PPT compared to a negative contribution of 0.9 during the same period last year, while net exports constrained growth with its negative impact of 1.4 PPT compared to a positive contribution amounting to 1.5 PPT during Q2-FY13/14.

Cumulatively, real GDP has recorded a growth of 5.6 percent y-o-y in the first half of FY14/15, compared to 1.2 percent during the same period last year. On the demand side, both public and private consumption witnessed high growth rates during H1-FY14/15. Private consumption grew by 4.9 percent y-o-y, compared to a growth rate of 2.5 percent during H1-FY13/14, while public consumption grew at 7.7 percent in the period of study, compared to 4 percent during H1-FY13/14. It is also worthy to note that both public and private consumption led to a total contribution of 5 PPT to GDP growth during H1-FY14/15, compared to 2.5 PPT during the same period last year.

In the meantime, recent data reflects positive signs of change, showing that investments have increased by 9.2 percent in H1-FY14/15 compared to a negative growth level of 6.3 percent during H1-FY13/14, contributing positively to growth by 1.2 PPT compared to -0.9 PPT to growth during H1-FY13/14.

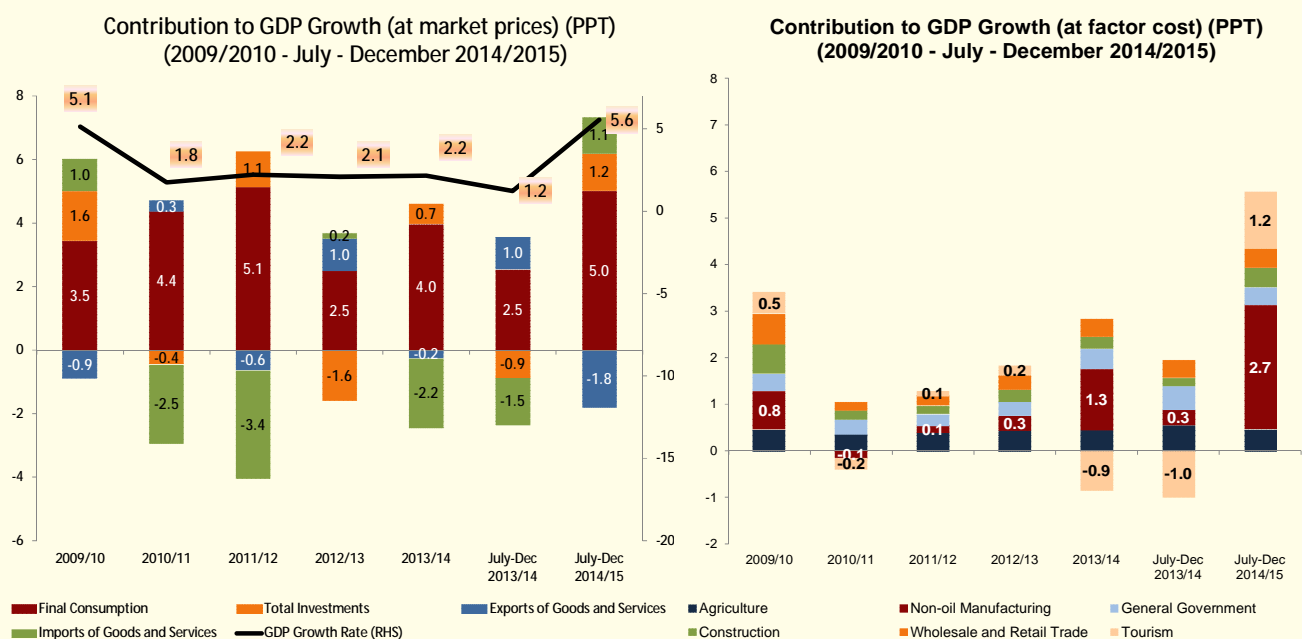
As for the distribution of total investments by economic agents (in nominal terms), public investments (government + economic authorities + public business sector) accounted for 29.8 percent of total investments in Egypt during the period of study, while the private sector accounted for 70.2 percent in the same period, noting that nearly 64.2 percent of government investments were directed towards social services sectors.

Meanwhile, net exports posted a negative contribution of 0.6 PPT during H1-FY14/15, compared to a negative contribution of 0.4 PPT during H1-FY13/14. These developments came in light of a 7.5 percent increase in Exports with a positive contribution of 1.1 PPT to

real GDP growth, compared to a negative contribution of 1.5 PPT during the same period last year, while imports increased by 7.4 percent in the period of study, contributing negatively by 1.8 PPT, compared to a negative contribution of 1 PPT during H1-FY-13/14.

On the supply side, six key sectors led y-o-y growth, on top of which was the non-oil manufacturing sector recording a 18.4 percent growth rate, (contributing with the highest contribution of 2.7 percentage points to growth compared to 0.3 PPT during H1-FY13/14). Meanwhile, manufacturing index – sub index under total production index – hiked to reach 165.4 points during December 2014, compared to 142.8 points during December 2013, recording y-o-y growth of 15.8 percent.

Moreover, the tourism sector hiked to record a 52.7 percent real growth rate (contributing to growth by 1.2 PPT – 2nd highest contribution after non-oil manufacturing sector – compared to a negative contribution of 1 PPT during H1-FY13/14). It is noteworthy that, tourism improving performance reflects returning stability and strengthening confidence, raising tourism index – sub index under total production index – up to 226.2 points during December 2014, compared to 176.9 points during December 2013 growing almost by 27.9 percent.



Moreover, construction sector have recorded a real growth rate of 9.5 percent (contributing by 0.4 PPT during the period of study, compared to 0.2 PPT during the same period last year). Meanwhile general government sector have recorded a real growth rate of 3.8 percent (contributing by 0.4 PPT to growth compared to 0.5 PPT during H1-FY13/14), wholesale and retail trade have recorded a real growth rate of 3.4 percent (stabilizing at a contribution of 0.4 PPT) and agricultural sector witnessed growth of 2.9 percent (contributing by 0.5 PPT to growth compared to 0.6 PPT during H1-FY13/14). Together, these above-mentioned 6 key sectors represented around 61 percent of total real GDP during the period of study.

Meanwhile, natural gas extraction continued to subdue growth during H1-FY14/15 declining by 12.5 percent, contributing negatively to growth by 1 PPT.

Fiscal Sector:

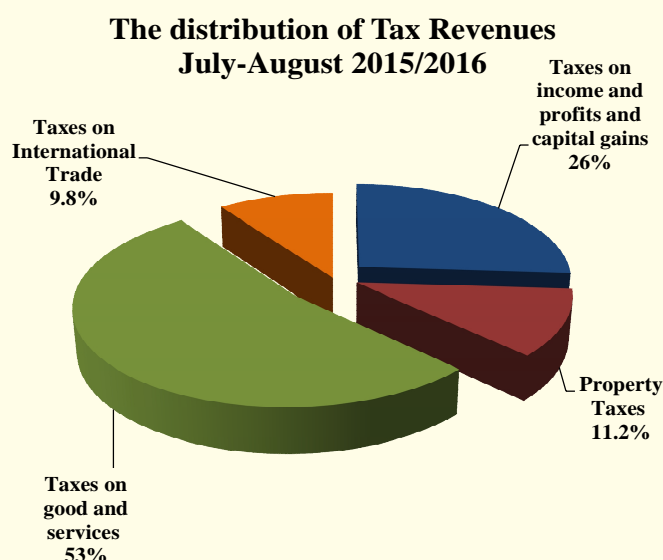
- Ø It is noteworthy that preliminary fiscal data for the year 2014/2015 is still under preparation and will be published when finalized. Meanwhile, latest indicators for the period July-August 2015/2016 point to a **budget deficit** reaching LE 68.3 billion (2.4 percent of GDP), compared to a deficit of LE 56 billion (2.3 percent of GDP) during the same period last year. These developments came in light of the increase in both revenues and expenditures during the period of study. Revenues rose notably by 34.5 percent (the highest since last three years during the same period of the year) reaching LE 46.3 billion (1.6 percent of GDP), compared to LE 34.4 billion during the same period last year (1.4 percent of GDP). While expenditures rose by 22.9 percent to reach LE 110.4 billion (3.9 percent of GDP) during the period of study, compared to LE 89.8 billion (3.7 percent of GDP) during the same period last year (in light of increased social spending during the period of study).

July- August 14/15 Budget Deficit LE 56 billion (2.3 percent of GDP)	July- August 15/16 Budget Deficit LE 68.3 billion (2.4 percent of GDP)
Revenues LE 34.4 billion (1.4 percent of GDP)	Revenues LE 46.3 billion (1.6 percent of GDP)
Expenditure LE 89.8 billion (3.7 percent of GDP)	Expenditure LE 110.4 billion (3.9 percent of GDP)

Source: Ministry of Finance, Macro Fiscal Policy Unit

On the revenue side,

Total revenues increased by LE 11.9 billion (34.5 percent growth) to record LE 46.3 billion during July-August 2015/2016 compared to LE 34.4 billion during the same period last year. This developments could be explained mainly in light of the increase in tax revenues by LE 8.2 billion (29.3 percent growth) to record LE 36 billion during the period of study compared to LE 27.9 billion during the same period last year, in addition to the increase in non-tax revenues by LE 3.7 billion (56.6 percent growth) to record LE 10.2 billion during July-August 2015/2016, compared to LE 6.5 billion the same period last year.



The improvement in tax receipts during the period of study was driven by tax reforms adopted since the beginning of the current fiscal year. Taxes on income has particularly increased by 20.1 percent to LE 9.4 billion during the period of study, compared to LE 7.8 billion during the same period last year (especially with the increase in receipts from taxes on domestic salaries, and increased receipts from Suez Canal and Other Companies). Taxes on goods and services also increased by around 34.2 percent (the highest since last three years during the same period of the year) to record LE 19.2 billion during the period of study compared to LE 14.3 billion (in light of the increase in receipts from general sales tax on domestic and imported goods, and increased sales tax from tourism, as well as increased receipts from sales tax on petroleum products and cigarettes). Moreover, property taxes also increased by 37.2 percent to reach LE 4 billion during the period of study compared to LE 2.9 billion. Finally, taxes on international trade has grown by 22.2 percent to LE 3.5 billion during the period of study, compared to LE 2.8 billion (in light of the improved performance of economic activity and the efforts made in to raise collection efficiency).

Taxes on Income, Capital Gains and Profits increased by LE 1.6 billion (20 percent growth) to reach LE 9.4 billion (0.3 percent of GDP).

- **Taxes on income, capital gains and profits receipts represent 26 percent of total tax revenues.**

Mainly on the back of:

- Increase in receipts from Other Companies (excluding Sovereign authorities, such as EGPC,CBE, SCA) by LE 0.8 billion (21.3 percent) to record LE 4.7 billion, of which:
 - o Increase in taxes on domestic salaries by LE 0.5 billion (18 percent) to reach LE 3.4 billion in light of the significant increase in wages and salaries.
 - o Increase in taxes on industrial & commercial profits by LE 0.4 billion (87.7 percent) to reach LE 0.8 billion.
- Notable increase in receipts from taxes on Suez Canal by LE 0.6 billion (37.5 percent) to reach LE 2.2 billion.
- Increase in receipts from taxes on Other Companies by LE 0.5 billion (22.6 percent) to reach LE 2.5 billion.

Taxes on Good and Services increased by LE 4.9 billion (34.2 percent growth) to reach LE 19.2 billion (0.7 percent of GDP).

- Taxes on goods and services receipts represent 53 percent of total tax revenues.

Mainly as a result of higher receipts from:

- The increase in general sales tax on goods by 19.7 percent to record LE 8.3 billion.
- The increase in Excises on Domestic Commodities (Table 1) by 70.8 percent to record LE 6.8 billion (in light of increased sales tax on petroleum products by 234 percent to reach LE 1.6 billion and tobacco by 48 percent to reach LE 4.9 billion).
- The increase in general sales tax on services by 19.2 percent to record LE 2 billion in light of the improved performance of the tourism sector, specifically, hotels, and restaurants and the improvement of international and domestic telecommunications services.
- The increase in stamp tax (excludes stamp tax on salaries) by 30.3 percent to record LE 1 billion in light of the increase in stamp tax on advertising, banking, and miscellaneous stamp taxes.

Taxes on International Trade increased by LE 0.6 billion (22.2 percent growth) to reach LE 3.5 billion (0.1 percent of GDP).

- Taxes on International Trade receipts represent 9.8 percent of total tax revenues.

In light of an increase in taxes on valued customs by 23.5 percent y-o-y to LE 3.4 billion reflecting the efforts of the Egyptian Customs Authority to control Egypt ports since the beginning of the current fiscal year 2014/2015.

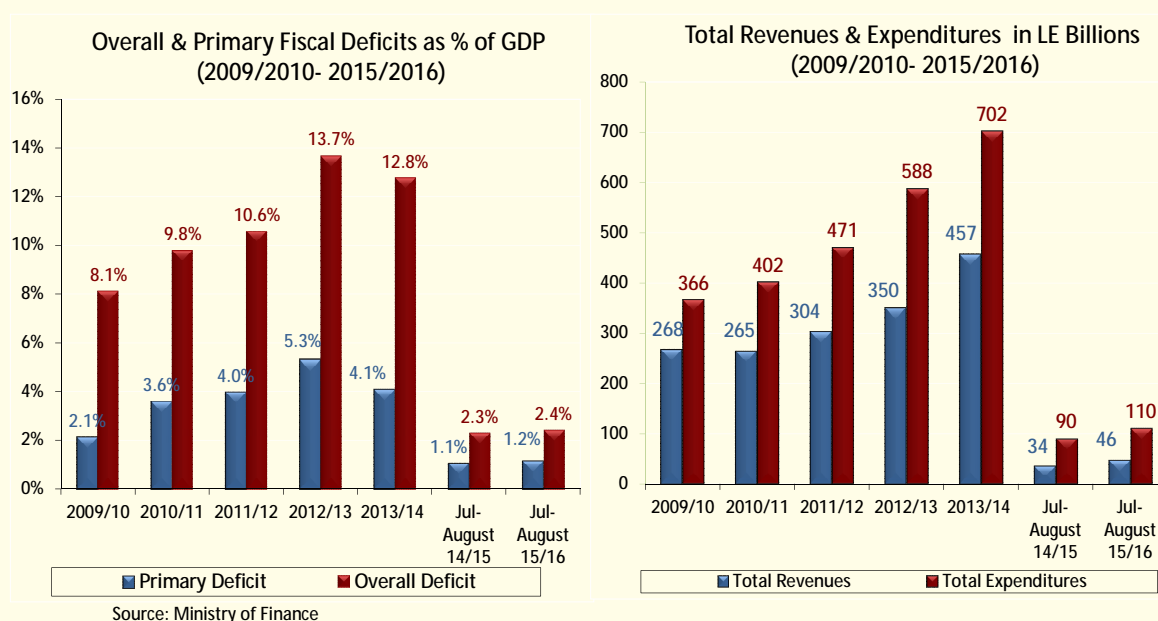
Property Taxes increased by LE 1 billion (37.2 percent growth) to reach LE 4 billion (0.1 percent of GDP).

- Property Taxes receipts represent 11.2 percent of the total tax revenues.

Mainly as a result of the increase in Tax on T-bills and bonds' payable interest by 41 percent to reach 3.4 billion during the period of study and the increase of Taxes and Fees on Cars receipts by 13.7 percent to record LE 0.4 billion.

On the non-tax revenues side, the increase could be explained in light of the following:

- The increase in grants due to the rest of grants received from some Arab Countries to reach LE 2.6 billion compared to LE 0.004 billion during July-August 2014/2015.
- The notable increase in proceeds from sales of goods and services by 50 percent to reach LE 2.6 billion during July-August 2015/2016, compared to LE 1.7 billion during the same period last year (in light of the increase in receipts from special accounts and funds by 39.5 percent to reach LE 1.7 billion during the period of study, compared to LE 1.2 billion the same period last year.
- On the other hand, Other Revenues rose during the period of study by 80.7 percent to record LE 1.6 billion, compared to LE 0.9 billion.



On the Expenditures Side:

The government adopts fiscal reforms that target reprioritization of public expenditure in favour of lower-income groups to achieve the best social yield through investment in human capital and infrastructure aiming at improving basic services for citizens and widening social safety nets.

The latest fiscal data shows total expenditure has reached LE 110.4 billion (3.9 percent of GDP) during July-August 2015/2016, this was mainly due to:

- § The increase in wages and compensation of employees by LE 0.9 billion (2.6 percent) to LE 33.6 billion (1.2 percent of GDP).
- § The increase in Purchases of Goods and Services by LE 0.6 billion (33.4 percent growth) to reach LE 2.4 billion (0.1 percent of GDP).
- § The increase in interest payments by LE 5.4 billion (17.8 percent growth) to reach LE 35.7 billion (1.3 percent of GDP).

§ The increase in subsidies, grants and social benefits by LE 10.9 billion (69.6 percent growth) to reach LE 26.7 billion (0.9 percent of GDP) during the period of study compared to LE 15.7 billion during same period last year, this can be explained in light of the following:-

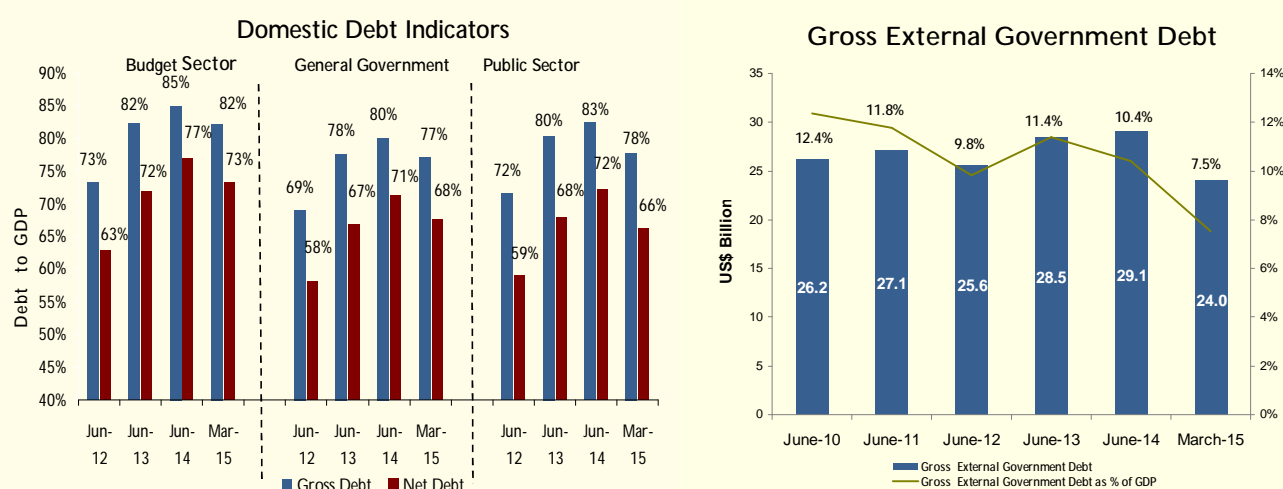
- The increase in Spending on subsidies by LE 10.5 billion reaching around LE 15.8 billion during the period of study compared to LE 5.3 billion and which comes in light of the following:
 - General Authority for Supply Commodities subsidies rose by LE 4 billion (91.7 percent growth) to reach LE 8.3 billion during the period of study.
 - Electricity subsidies rose by LE 5.2 billion to reach LE 5.2 billion during the period of study.
- Meanwhile, Social Benefits rose by 0.1 billion (1.6 percent growth) to reach LE 9.6 billion during July-August 2015/2016, mainly due to:
 - Increased contributions to the pension funds by LE 0.1 billion (9.2 percent growth) to reach LE 1.2 billion during the period of study.

§ The increase in purchases of non-financial assets (investments) by LE 1.2 billion (0.1 percent of GDP) (61.4 percent growth) to reach LE 3.3 billion.

Public Debt:

Ø Domestic budget sector debt recorded LE 1998.2 billion (82.2 percent of GDP) by end of March 2015, compared to LE 1604.2 billion (80.3 percent of GDP) by end of March 2014.

It is worth mentioning that the total government debt (domestic and external) reached LE 2181 billion (89.7 percent of GDP) at end of March 2015, compared to LE 1806.3 billion (90.4 percent of GDP) at end of March 2014.



Source: Ministry of Finance

External debt stock (government and non-government debt) recorded US\$ 39.9 billion at end of March 2015 compared to US\$ 45.3 billion at end of March 2014. External debt as percent of GDP recorded 12.5 percent by the end of March 2015, which is relatively low if compared to the average of peer countries (Middle East and North Africa countries recorded an average of 27 percent of GDP during the year 2013).

Meanwhile, government external debt witnessed a decrease of 17.2 percent to reach US\$ 24 billion (60.3 percent of total external debt) as of end of March 2015, compared to US\$ 29 billion (63.1 percent of total external debt) at end of June 2014.

Monetary Perspective:

According to recent data released by the CBE, M2 annual growth continued to increase at end of July 2015 to record 16.5 percent (y-o-y) reaching LE 1799.5 billion, compared to 16.4 percent in the previous month. These developments could be explained – on the liabilities side – in light of the increase witnessed in quasi money annual growth reaching 16.1 percent (LE 1297 billion), compared to 14.5 percent at end of June 2015, as annual growth of demand, time and saving deposits in foreign currency increased at end of July 2015 to record 11.1 percent (LE 72.1 billion) and 15.2 percent (LE 201.1 billion), respectively, compared to 10.3 percent and 11.8 percent in the previous month. Moreover, time and saving deposits in local currency annual growth increased during the month of study to 16.6 percent (LE 1023.8 billion), compared to 15.3 percent in June 2015. The increase in quasi money annual growth overcame the slow increase witnessed in money annual growth recording 17.5 percent (LE 502.5 billion), compared to 21.6 percent in the previous month, as demand deposits in local currency annual growth decreased to 37.4 percent (LE 195.7 billion) at end of July 2015, compared to 47.7 percent in the previous month. Meanwhile, currency in circulation annual growth slowed down during the month of study to reach 7.5 percent (LE 306.9 billion), compared to 8.1 percent in June 2015.

On the assets side – net domestic assets (NDA) of the banking system annual growth almost stabilized during the month of study to record 22.8 percent (LE 1752.8 billion), compared to 22.7 percent during the previous month. Net claims on the government and GASC annual growth increased to 24.4 percent (LE 1327.1 billion) during July 2015, compared to 23.6 percent in the previous month. Moreover, annual growth in credit to the private sector rose to 17.3 percent (8.9 percent annual real growth) at end of July 2015 to LE 626.8 billion, compared to 16.7 percent last month. This could be explained in light of the increase witnessed in private business sector annual growth reaching 16.6 percent, compared to 15.2 percent in June 2015. Additionally, claims on public business sector annual growth increased to 41.8 percent in July 2015 (LE 64.2 billion), compared to 39.2 percent in June 2015.

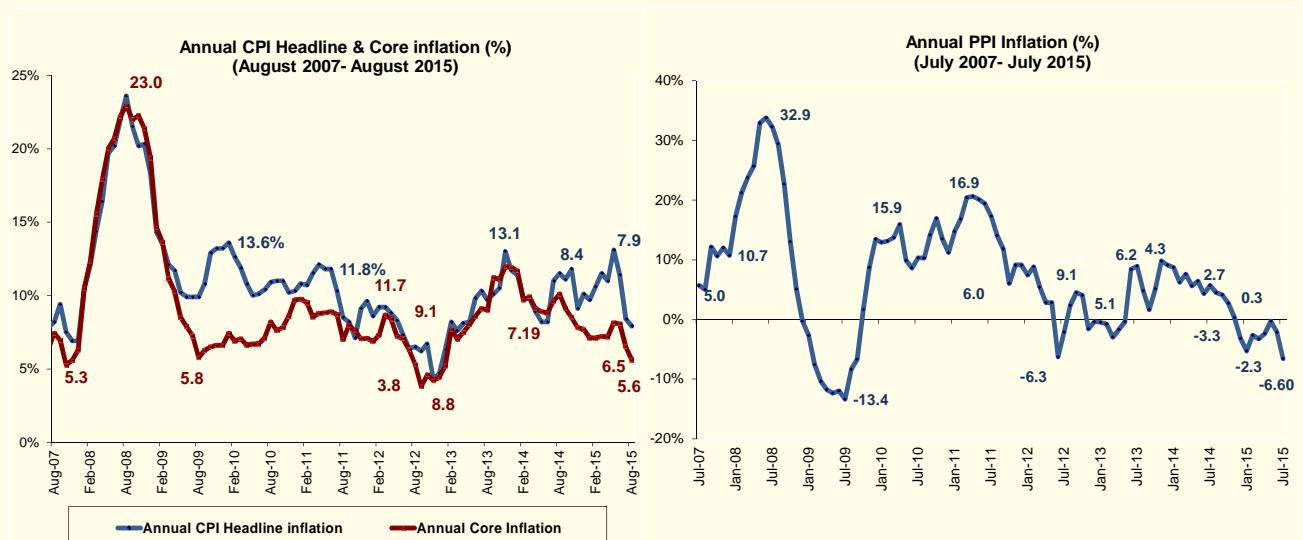
On the other hand, net foreign assets (NFA) of the banking system has continued to shrink on annual basis, recording a contraction of 60.4 percent (LE 46.7 billion) at the end of July 2015, compared to a lower deceleration of 56.9 percent during the previous month.

Deposits and loans detailed data for July 2015 is not yet available. Total deposits annual growth – excluding deposits at the CBE – increased to reach 21.4 percent y-o-y (LE 1740.2 billion) at the end of June 2015, compared to 21.1 percent at end of May 2015. Out of total deposits, 85.5 percent belonged to the non-government sector. Meanwhile, annual growth rate in total lending by banking sector (excluding CBE) slowed down during the year ending June 2015 recording 22.1 percent (LE 718 billion), compared to 22.5 percent at end of May 2015. To that end, loans-to-deposits ratios decreased at end of June 2015 registering 41.3 percent, compared to 41.8 percent at end of May 2015.

Ø **Net International Reserves (NIR)** decreased during August 2015 to record US\$ 18.1 billion, compared to US\$ 18.5 billion in July 2015.

Ø **CPI annual Urban Inflation** declined for the second month in a row to record 7.9 percent during August 2015 (the lowest since March 2013), compared to 11 percent the average recoded for last fiscal year, and compared to 11.5 percent recorded during August 2014. Factors contributing to the decline in inflationary pressures include; faded base effect-due to the introduction of reform measures during July 2014 , in addition the decline in annual inflation rates of other main groups has contributed to the decline in annual inflation rate during the period of study, on the top of which; “Food and Beverages” (the highest weight in CPI) has slightly declined by 8.2 percent during the period of study, compared to 8.3 percent last month (in light of the decline in some sub items on the top of which; Meat, Bread and Cereals, Milk, Cheese, and Eggs) “Restaurant and Hotels” declined to 9 percent, compared to 14.6 percent (in light of the decline in Catering Services), “Health” recorded 0.4 percent, compared to 2.2 percent (in light of the decline in Hospital Services), “Recreation and Culture” recorded 7.7 percent, compared to 10.3 percent (in light of the decline in holiday prices, and Audio and Visual prices), “Miscellaneous Goods and Services” recorded 0.7 percent, compared to 4.9 percent (in light of the decline in Personal Care prices).

And which has counterparted the increase in annual inflation rate of other main groups, on the top of which; “Education” to record 24.7 percent (and which started its peaks since the mid of FY 14/15), “Clothing and Footwear” to record 8.3 percent compared to 7.7 percent last month (in light of the increase in prices of cleaning and repair of clothing), “Furnishing” to record 4.4 percent, compared to 3.9 percent (in light of the increase in Housing Maintenance prices).



Meanwhile, monthly inflation decreased to reach 0.6 percent during August 2015, compared to 0.7 percent during last month, and compared to 1.1 percent recorded during August 2014.

On the other hand, annual core inflation^{1/} declined to reach 5.6 percent during August 2015, compared to 6.5 percent during last month. Monthly core inflation has also declined to -0.2 percent during the month of study, compared to 0.3 percent during last month. This could be explained in light of the decline in food prices contributing by -0.53 percentage points to the monthly core inflation, and which counterparted the increase in “paid services”, and “other services” prices contributing by 0.30 percentage points in the monthly core inflation.

- Ø During its Monetary Policy Committee meeting held on September 17th, 2015, CBE decided to keep the overnight deposit rate and overnight lending rates, unchanged at 8.75 percent and 9.75 percent respectively, and to keep the CBE's main operation unchanged at 9.25 percent. The discount rate was also kept unchanged at 9.25 percent. The committee justified that decision in light of balancing risks to the inflation outlook and the economic growth.
- Ø Moreover, in an attempt to absorb excess liquidity and to protect the domestic currency, the CBE held deposit auctions on September 29, 2015 worth LE 135 billion with 6-day maturity at a fixed annual interest rate of 9.25 percent.
- Ø The Egyptian Exchange indices market capitalization increased by 2.46 percent m-o-m during September 2015 to reach LE 448.7 billion, compared to LE 437.9 billion during the previous month. Meanwhile, EGX-30 Index increased by 80.45 points during September 2015, reaching 7,332.88 points, compared to 7,252.43 points by the end of August 2015. As for, the EGX-70 it dropped by 1.0 percent, closing at 388.42 points at the end of September 2015, compared to closing the previous month at 392.38 points.

On the External Sector side:

- Ø **BOP** showed an overall surplus of US\$ 3.7 billion (1.1 percent of GDP) during FY14/15, compared to a lower overall surplus of US\$ 1.5 billion (0.5 percent of GDP) during last year.

On a more detailed level, the surplus recorded in the BOP occurred as a result of several factors, on top of which:

- § Current account recorded a deficit of US\$ 12.2 billion (-3.7 percent of GDP) during FY-14/15, compared to a lower deficit of US\$ 2.7 billion (-0.9 percent of GDP) during last year. This came as a result of the deceleration witnessed in the trade balance and transfers, which outweighed the improvement in the services balance, as follows:
 - Trade balance deficit has grown by around 13.9 percent to record US\$ 38.8 billion (-11.7 percent of GDP) during FY14/15, compared to US\$ 34.1 billion (-11.9 percent of

^{1/}The Core Index excludes items with managed prices 'regulated items' (fuel, electricity, exported and imported tobacco), and items characterized by inherent price volatility specifically 'fruits and vegetables'.

GDP) during last year, mainly due to the decrease witnessed in merchandise exports by 15.5 percent to record only US\$ 22.1 billion compared to US\$ 26.1 billion in the comparison year, and the increase in merchandise imports by 1.1 percent to record US\$ 60.8 billion compared to US\$ 60.2 billion. It is worthy to mention that the decrease witnessed in merchandise exports was mainly driven by the drop in oil export proceeds by almost 30 percent as a consequence of the fall in global oil prices by an average rate of around 40.6 percent during the period October-June 2014/2015 compared to the same period in the previous fiscal year even though exports of crude oil increased during the year of study (given that it represents about 70.8 percent of total oil export proceeds, and 27.9 percent of total merchandise exports during the year of study).

- However, services balance has recorded a surplus of US\$ 4.7 billion (1.4 percent of GDP) during the period of study, compared to a surplus of around US\$ 1.0 billion (0.3 percent of GDP) during FY13/14, mainly backed by the picking up in tourism receipts to reach US\$ 7.4 billion during 2014/2015, (compared to US\$ 5.1 billion in 2013/2014) due to the increase in the number of tourist nights by almost 36.1 percent to record 99.2 million nights in comparison to 72.9 million nights during the last fiscal year, in addition to the significant increase witnessed in government receipts to reach US\$ 1.4 billion during the year of study, compared to US\$ 0.7 billion in FY13/14.
 - Net official transfers recorded US\$ 2.7 billion (0.8 percent of GDP) (of which US\$ 1.4 billion in-kind grants in the form of petroleum shipments and US\$ 1 cash grant from Kuwait) compared to US\$ 11.9 billion (4.2 percent of GDP) during 2013/2014, this cannot be considered as a deceleration since the period in comparison July-March FY13/14 reflected exceptional inflows (of which, US\$ 3 billion cash grant from UAE and Saudi Arabia and US\$ 7.8 billion in-kind grants in the form of petroleum shipments).
- § Meanwhile, the capital and financial account witnessed net inflows of US\$ 17.6 billion (5.3 percent of GDP) during the year of study, compared to net inflows of US\$ 5.3 billion (1.8 percent of GDP) during FY13/14, mainly due to the following:
- Net foreign direct investments in Egypt increased to reach US\$ 6.4 billion (1.9 percent of GDP), compared to US\$ 4.1 billion (1.4 percent of GDP) in the comparison period driven mainly by the rise in the net inflow for greenfield investments to reach US\$ 3.8 billion up from US\$ 2.2 billion during FY13/14. Net inflow for oil sector investments have also witnessed an increase to reach US\$ 1.7 billion during FY14/15 up from US\$ 1.6 billion during last year. Investments in real estate purchases have accelerated as well to almost post US\$ 0.8 billion in comparison to only US\$ 0.1 billion in the past fiscal year.
 - Portfolio investment in Egypt has recorded a net outflow of US\$ 0.6 billion (-0.2 percent of GDP) compared to a net inflow of US\$ 1.2 billion (0.4 percent of GDP) during FY14/15, in light of the repayment of US\$ 2.5 billion bonds that had fallen

due during the year of study despite the issuance of dollar bonds for US\$ 1.4 billion.

- The increase witnessed in the CBE liabilities to the external world registering a net inflow of US\$ 5.5 billion (1.7 percent of GDP), compared to inflows of US\$ 1.9 billion (0.7 percent of GDP) during last year. This comes in light of the increase in deposits by some Arab countries.

§ Net errors and omissions recorded a net outflow of US\$ 1.7 billion (-0.5 percent of GDP) during FY14/15, compared to a lower net outflow of US\$ 1.1 billion (-0.4 percent of GDP) during FY13/14.

Ø According to the latest published figures, total number of tourists arrivals increased during the month of July 2015, reaching 911,6 thousand tourists, compared to 820 thousand tourist arrivals in the previous month. Tourist nights also increased during the month July 2015 to reach 7.8 million nights, compared to 7.7 million nights in the previous month.