



البنك المركزي المصري
CENTRAL BANK OF EGYPT

Monetary Policy Report

I / 2021

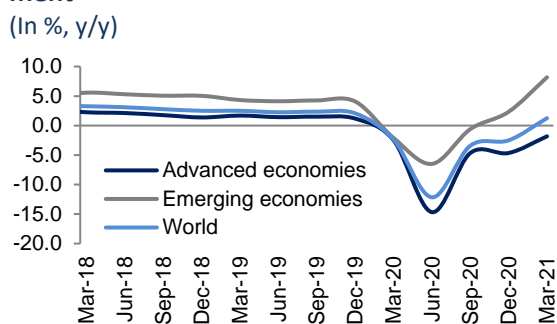
Disclaimer

The cut-off date for the data included in this report is June 17th, 2021. Some of the data presented is preliminary or subject to revisions. There has been new incoming data since the cutoff date, including but not limited to the release of the inflation statistics for June 2021. These and all other incoming data will be incorporated in the following Monetary Policy Report.

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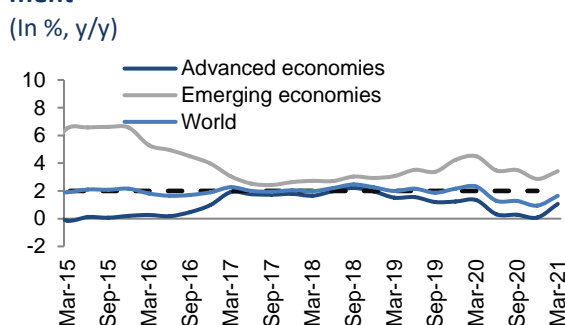
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Figure 1
Economic Growth of Egypt's External Environment^{1/}



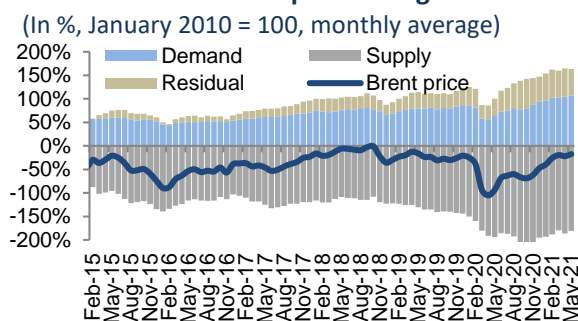
Source: Bloomberg and Central Bank of Egypt calculations.
 1/ The series is weighted using Egypt's trade volume in 2015/16

Figure 2
Headline Inflation of Egypt's External Environment^{1/}



Source: Bloomberg and Central Bank of Egypt calculations.
 1/ The series is weighted using Egypt's trade volume in 2015/16.

Figure 3
Contribution to Brent price change



Source: Federal Reserve Bank of New York.

The Initial Conditions

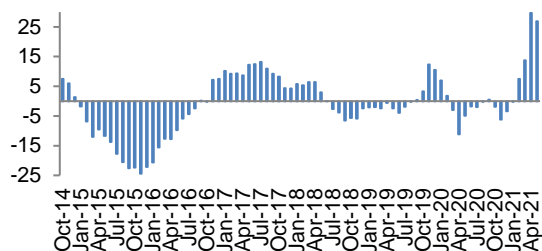
a) Globally, economic activity has embarked on its path to recovery in 2021 Q1. World trade continued to recover, as inflation accelerated in 2021 Q1. International oil prices have continued to rise, registering the highest rate since April 2019. Capital inflows into emerging markets continued to increase between November 2020 and May 2021, supported by the accommodative global financial conditions, and the continued rollout of vaccines.

Prospects for global economic recovery have gained more traction since the previous Monetary Policy Report, as progress with vaccinations and the accommodative financial conditions continued to support economic activity. However, the pace of economic recovery remains uneven across regions and economic sectors, as some countries are yet to contain the spread of the virus. Global growth weighted by Egypt's external environment expanded by 1.3% in 2021 Q1, after contracting by 2.5% in the preceding quarter. The improved growth momentum reflected favorable base effects and was further boosted by economic recoveries in select advanced and emerging market economies.

More specifically, economic activity in advanced economies continued contracting for the fifth consecutive quarter in 2021 Q1 by 1.3%, albeit at a softer pace than the 3.2% contraction registered in 2020 Q4. The easing of the contraction in advanced economies in 2021 Q1 was driven by the positive growth rate recorded in the United States, coupled with the softer broad-based contractions registered in the Euro Zone and the United Kingdom. In the meantime, emerging market economic activity expanded for the second consecutive quarter, recording 2.5% in 2021 Q1 from 0.7% in 2020 Q4. The notable improvement in growth emanated from the expansion in economic activity exhibited by China, India and Brazil. All of the latter expansions more than offset the slight contraction in Russia's economic activity.

Figure 4
International Food Prices

(In %, y/y, using domestic CPI basket weights of core food items)



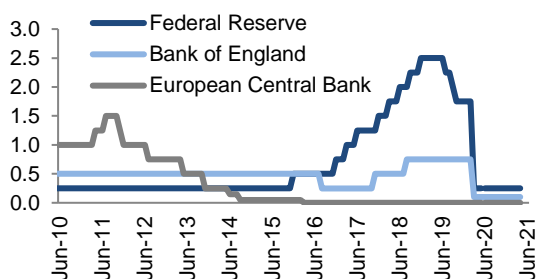
Source: Central Bank of Egypt calculations, World Bank and Food and Agriculture Organization of the United Nations.

Furthermore, global trade continued its path to recovery in 2021 Q1, further cementing the positive growth rates registered since the preceding quarter. This comes after growth in 2020 Q4 marked the reversal of the negative trend present since 2019 Q2. In specific, global trade grew by 8.8% in 2021 Q1 on an annual basis, from 2.6% in 2020 Q4.

Annual headline inflation of Egypt’s external environment accelerated to 1.6% in 2021 Q1 from 0.9% in 2020 Q4, after having decelerated from 1.3% in 2020 Q3. Inflation in advanced economies increased to 1.1% in 2021 Q1 from 0.1% in 2020 Q4, on the back of higher inflation registered in the United States, the United Kingdom and the Euro Area. Combined, all of the latter offset the continued deflation in Japan. Similarly, inflation in emerging market economies rose to 3.4% in 2021 Q1 relative to 2.9% in the preceding quarter. The latter came largely on the back of accelerations in Brazil’s and Russia’s inflation, which more than offset the deceleration in India’s inflation and the slight deflation in China’s consumer prices witnessed during 2021 Q1.

Figure 5
Advanced Economies Central Banks’ Key Policy Rates

(In %)

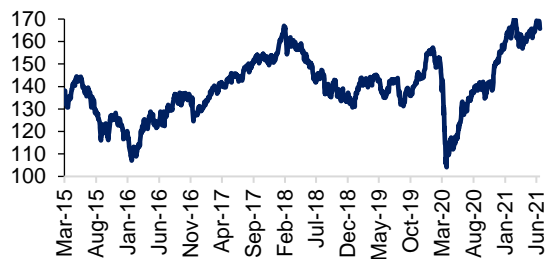


Source: Bloomberg and Central Bank of Egypt calculations.

Brent crude oil prices have risen on average for eight consecutive months (except for April 2021) since October 2020, registering 74 USD/barrel in the first half of June 2021, which is the highest recorded price level since April 2019. This marks a significant increase from the trough of 18.4 USD/barrel recorded in April 2020. The recent increases in February, March, and May were driven by both demand and supply side factors. In the meantime, international food prices using domestic CPI basket weights of core food items rose sharply on annual basis since February 2021. The latter increases were mostly driven by higher red meat, poultry and vegetable oil prices.

The Federal Reserve has decided to maintain its policy rates at their current levels during its last meeting held in June 2021, after having cut rates by 150bps in March 2020. Meanwhile, the Federal Reserve decided that it will maintain the magnitude of its asset purchase program. Nonetheless, the Federal Reserve signaled in its latest outlook that there is an increasing possibility of raising policy rates in 2022 (relative to the preceding outlook), a year earlier

Figure 6
Emerging Markets Capital Flows Proxy
 (Index level)

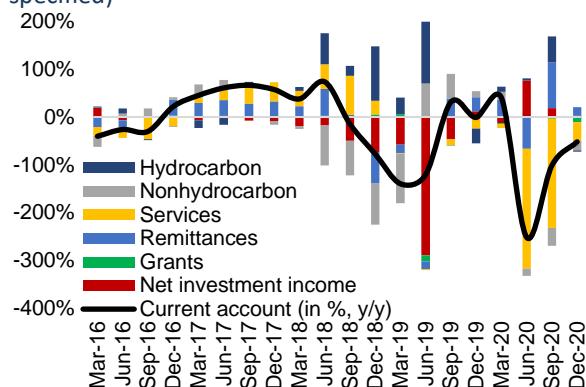


Source: Bloomberg.

than previously forecasted. This comes mainly on the back of increased optimism about U.S. economic recovery. Similarly, the European Central Bank also kept its main refinancing operations rate and deposit facility rates unchanged at 0% and negative 0.5% in its last meeting in June 2021, both of which were last changed in March 2016 and September 2019, respectively. In addition, the European Central Bank also pledged to increase the pace of its purchases under the pandemic emergency purchase program over the coming quarter. Moreover, the Bank of England also kept its main policy rates unchanged during their last meeting in June 2021 at 0.1%, after cutting it by 65 bps in March 2020. With regards to quantitative easing, the Bank of England pledged to continue with its existing government bond purchases.

Moreover, capital flows into emerging markets continued to recover following the sharp slump in March 2020, which witnessed the sharpest outflows on record since 2008, as a result of the outbreak of the COVID-19 pandemic. The continued rollout and development of vaccines is expected to support global economic recovery. This, coupled with the accommodative global financial conditions, has supported the resumption of inflows into emerging market economies.

Figure 7
Contribution to the Current Account
 (In p.p., +ve= improvement, y/y unless otherwise specified)



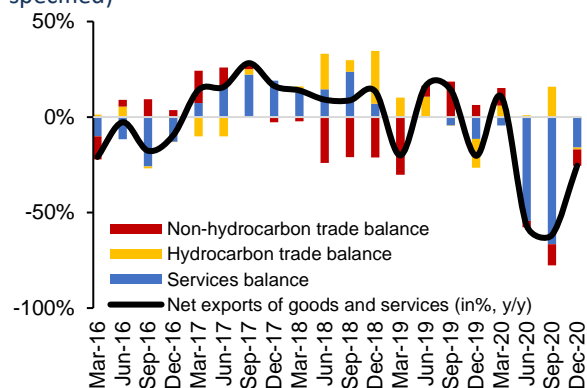
Source: Central Bank of Egypt.

b) The current account deficit widened in 2020 Q4 on an annual basis. This was primarily due to the unfavorable contributions of the services and non-hydrocarbon trade balances, reflecting the adverse impact of COVID-19 on travel and trade globally. Consequently, this more than offset the positive contributions of remittances and the net investment income balance. Meanwhile, the financial account balance continued to improve, registering a substantial surplus on the back of sustained strong portfolio inflows.

The current account registered a USD 4.8 billion deficit in 2020 Q4, compared to a USD 3.2 billion deficit over the corresponding period one year ago and thus, widened by 52% in magnitude relative to 2019 Q4. This was primarily due to the negative contribution from the services and the non-hydrocarbon trade balances. Meanwhile, the negative contribution of net services narrowed significantly

Figure 8
Contribution to the net exports of goods and services

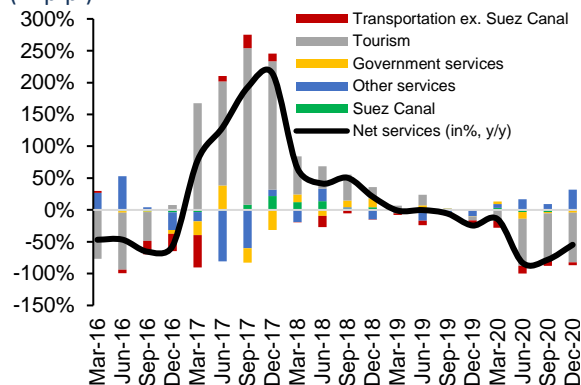
(In p.p., +ve= improvement, y/y unless otherwise specified)



Source: Central Bank of Egypt.

Figure 9
Contribution to the net services

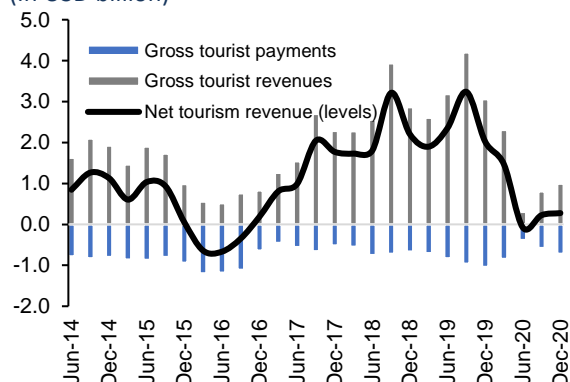
(In p.p.)



Source: Central Bank of Egypt.

Figure 10
Tourism Receipts and Payments

(In USD billion)



Source: Central Bank of Egypt.

compared to the preceding quarter on an annual basis. Moreover, the narrowing of the services surplus is only expected to be temporary, as tourism has been gradually recovering over the past couple of months and is expected to continue doing so, as further progress towards COVID-19 immunization is made. Meanwhile, the widening of the current account deficit was slightly offset by the positive contributions of remittances and the net investment income trade balance.

Additionally, net exports of goods and services continued to record a deficit in 2020 Q4, yet its annual contribution improved markedly compared to the preceding quarter. The improvement was driven by the narrowing negative contributions of the services and non-hydrocarbon trade balances compared to 2020 Q3. However, the hydrocarbon trade balance swung back to post a marginal deficit, reversing the positive contribution it had recorded over the past three quarters towards the net exports of goods and services balance.

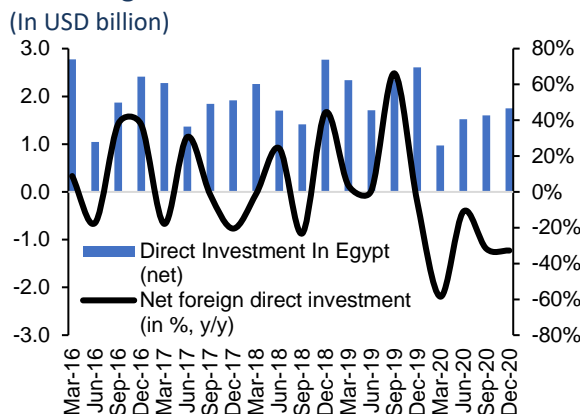
Furthermore, the non-hydrocarbon trade deficit widened in 2020 Q4 by 7% on an annual basis, recording USD 10.4 billion. This was mainly due to an increase in non-hydrocarbon imports while non-hydrocarbon exports stabilized at USD 4.7 billion. The uptick in imports was concentrated in the imports of medicines, as well as spare parts and accessories for cars.

The hydrocarbon trade balance swung to record a marginal deficit after it had posted a surplus for two consecutive quarters. The registered deficit was primarily due to the decrease in exports of crude oil and natural gas mainly on the back of volume and price developments. Meanwhile, oil products exports increased on the back of upgrading of refineries¹. Additionally, the outlook for natural gas production is expected to steadily recover fueled by the resumption of liquified natural gas (LNG) exports from Idku and Damietta terminals², which is expected to lead the hydrocarbon balance back to record a surplus.

¹ Source: Balance of Payments Performance Press Release for the first half of FY 2020/21.

² Source: Joint Organisations Database Initiative (JODI) monthly data and S&P Global Platts articles.

Figure 11
Net Foreign Direct Investments*



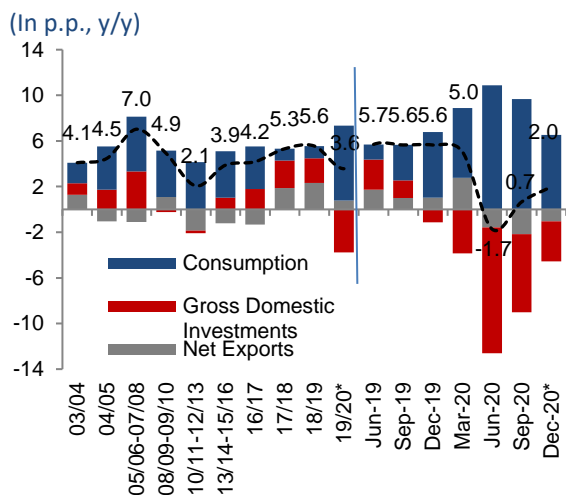
Source: Central Bank of Egypt.

*Updated data in accordance with a new methodology, starting Q1 2018/19, for compiling FDI and its earnings to include all undistributed realized earnings, pursuant to Prime Minister Decree No. 2732 of 2019. In the former data compilation method, data was restricted to reinvested earnings.

Moreover, the net services surplus continued to narrow by 55% on annual terms in 2020 Q4, extending its declining trend for the sixth consecutive quarter. Nonetheless, the magnitude of the surplus increased by 16% compared to 2020 Q3. The narrowing of the surplus was principally due to a decline in travel and transport receipts caused by the continued travel restrictions globally to contain the COVID-19 pandemic, which adversely impacted inbound tourist numbers, and consequently, the receipts of aviation companies. Nevertheless, the narrowing of the net services surplus was partially mitigated by the favorable contribution stemming from other services.

On the other hand, the financial account balance continued to improve in 2020 Q4, registering a substantial surplus of USD 5.3 billion on the back of sustained net portfolio inflows into the Egyptian domestic debt market, as well as the successful issuance of Egypt's first ever sovereign green bond. Furthermore, growth of net foreign direct investments in Egypt continued to decrease for the fifth consecutive quarter in 2020 Q4, registering a 33% decline compared to the corresponding period a year earlier. Meanwhile, net international reserves rose to USD 40.5 billion in May 2021 compared to USD 36.0 billion in May 2020.

Figure 12
Real GDP Growth at Market Prices

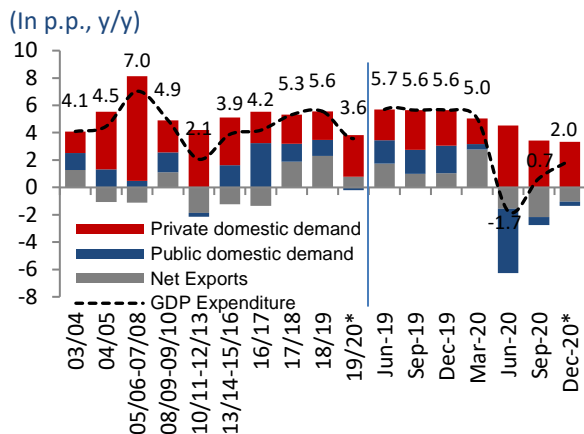


Source: Ministry of Planning and Economic Development.

c) Real GDP growth picked up in 2020 Q4, registering 2.0% compared to 0.7% in the previous quarter, and against 5.6% during the corresponding period a year earlier, as the economy continues to recover from the sustained negative impact of COVID-19. Meanwhile, the unemployment rate broadly stabilized at 7.4% in 2021 Q1, after recording 7.2% in 2020 Q4, remaining broadly around its pre-COVID-19 level.

Real GDP growth at market prices picked up to 2.0% in 2020 Q4 compared to 0.7% in the previous quarter, implying that growth for 2020/21 H1 recorded 1.3% on average. Preliminary figures indicate that the witnessed improvement in GDP growth during 2020 Q4 was primarily a result of the subsiding combined negative contributions of gross domestic investments and net exports, which halved in 2020 Q4 compared to the previous quarter. Meanwhile,

Figure 13
Real GDP Growth at Market Prices



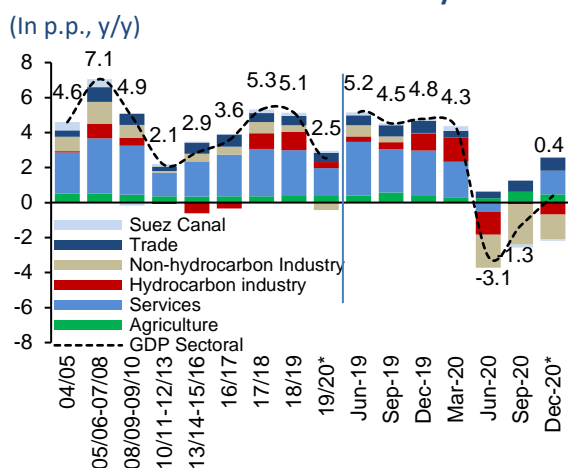
*/ Preliminary figures
Source: Ministry of Planning and Economic Development.

the positive contribution of consumption continued to support economic activity, albeit by a lesser extent, offsetting the combined negative contributions of gross domestic investments and net exports.

From a different perspective, the subsiding negative contributions of public domestic demand and net exports contributed to the pickup in growth, while the positive contribution of private domestic demand stabilized compared to the previous quarter.

The negative contribution of net exports to GDP growth in 2020 Q4 eased compared to the previous quarter, stemming mainly from the narrowing contraction of real exports, and to a lesser extent real imports.

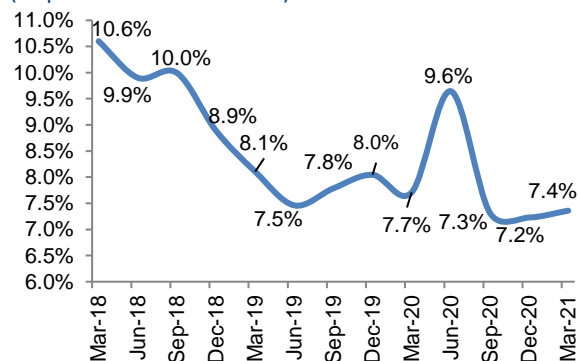
Figure 14
Contribution to Real GDP Growth by Sector



*/ Preliminary figures
Source: Ministry of Planning and Economic Development.

Sectoral GDP growth registered an expansion of 0.4% in 2020 Q4 following two consecutive contractionary quarters. This was on the back an improvement in private sector GDP, which reversed the contraction it witnessed in the previous quarter. Private sector activity was supported by the easing contraction in tourism and non-petroleum manufacturing compared to the previous quarter. Meanwhile, public sector contribution to sectoral GDP growth stagnated in 2020 Q4 after recording a marginal positive contribution during the previous quarter. Public sector activity was dragged down by the negative contributions of petroleum manufacturing, oil extractions and natural gas extractions.

Figure 15
Unemployment Rate



Source: Central Agency for Public Mobilization and Statistics.

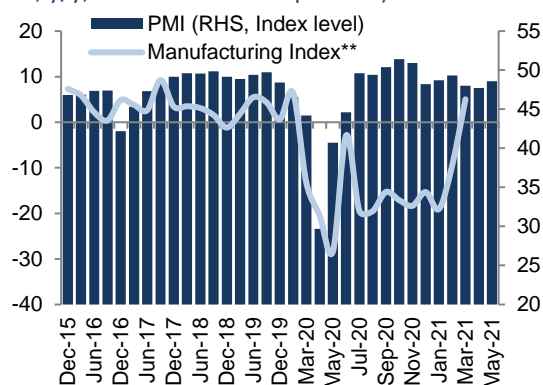
Regarding the labor market, the unemployment rate stabilized at 7.4% in 2021 Q1 against 7.2% in 2020 Q4, remaining broadly around its pre-COVID-19 level of 7.7%. Moreover, both employment and the labor force dropped on a quarterly basis, after expanding for two consecutive quarters. Therefore, the broad stability in the unemployment rate came due to the quarterly decline in the labor force, which offset the quarterly decrease in employment.

A number of leading indicators continued to recover throughout 2021 Q1, sustaining the gradual recovery momentum, which began following the easing of containment measures. Furthermore, most leading indicators

have already returned to their pre COVID-19 levels as of March 2021, although some of the improvement is attributed to the presence of a favorable base effect. However, the Purchasing Managers Index (PMI) continued to contract for the sixth consecutive month in May 2021, although the pace of contraction softened in the latter month. On the other hand, the manufacturing index expanded for the first time in a year, indicating a slight pickup in non-petroleum manufacturing, which is partially base-effect driven. Additionally, annual growth in car sales increased significantly during 2021 Q1 compared to the preceding quarter, which is also partially base-effect driven. Furthermore, Suez Canal net tonnage growth continued to recover during 2021 Q1 and expanded strongly during April and May 2021 for the first time in a year, thereby exceeding its pre-COVID-19 levels. Similarly, some activity indicators within the hydrocarbon sector expanded strongly during 2021 Q1, as natural gas production increased at an accelerating rate and LNG exports resumed.

Figure 16
Leading Indicators

(In %, y/y, unless otherwise specified)



*/ Data shown in the chart is monthly starting from Mar-20.

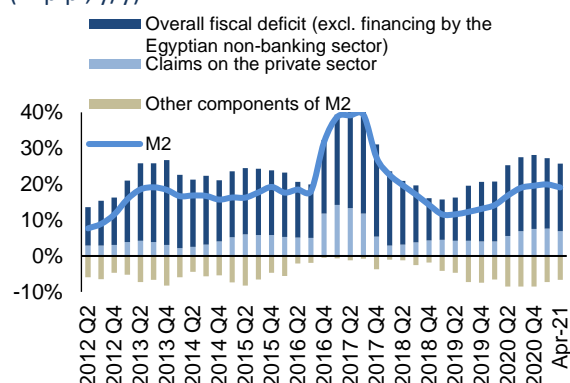
**/ Subject to revisions.

Source: Bloomberg, Central Agency for Public Mobilization and Statistics.

d) Broad money growth slightly slowed-down in April 2021, after increasing for seven consecutive quarters. The slight slowdown was mainly due to lower contribution of fiscal deficit financing sources within M2 and credit to the private sector.

Figure 17
Contribution to M2 Growth

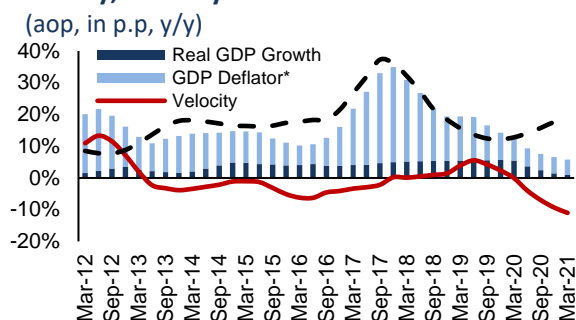
(In p.p., y/y)



Source: Central Bank of Egypt.

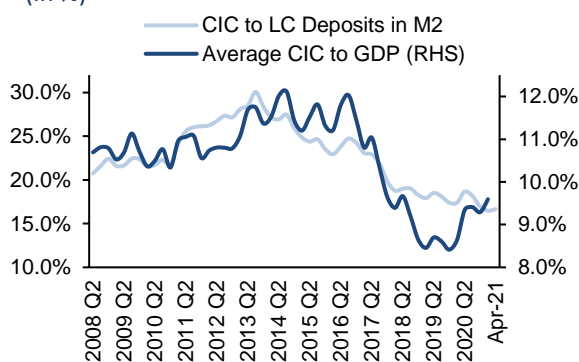
Annual growth of broad money (M2) growth picked-up in 2020 post the COVID-19 outbreak in March 2020, to reach an average of 18.8% between April 2020 and April 2021, compared to average of 12.6% in 2019 and 2020 Q1 (pre-COVID). In April 2021, M2 growth declined slightly to reach 19.1%, compared to an average of 19.9% on average in 2021 Q1 and 19.6% in 2020 Q4. The slow-down in April 2021 was mainly driven by the lower contribution of fiscal deficit financing sources within M2 as well as credit to the private sector. Domestic bank financing was the main driver of the lower contribution of the fiscal deficit financing sources within M2, which was partially offset by the increase in contribution of foreign non-bank financing of the fiscal deficit, while the contribution of external financing stabilized. The growth in M2 continued to be non-inflationary and did not cause a proportional increase in GDP

Figure 18
Money, Velocity and Real GDP



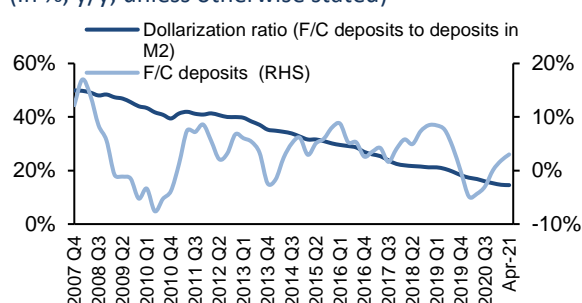
*/GDP deflator figure for March 2021 is proxied by average headline inflation for 2021 Q1 as it is not published yet.
Source: Central Bank of Egypt.

Figure 19
CIC Outside the Banking System^{1/}
(In %)



Source: Central Bank of Egypt.
1/ Average CIC to four quarters rolling sum of GDP.

Figure 20
Developments of F/C Deposits^{1/}
(In %, y/y, unless otherwise stated)



Source: Central Bank of Egypt.
1/ Dollarization ratio is calculated assuming constant exchange rate as of April 2020. While annual growth is calculated from F/C deposits in USD.

in the first three quarters of 2020/21. This is evident by the persistently low inflation and the negative growth of the velocity of broad money during 2020 and 2021 Q1, reflecting the slow-down in the economy post COVID-19 and the related containment measures, as well as the developments in the structure of fiscal deficit financing.

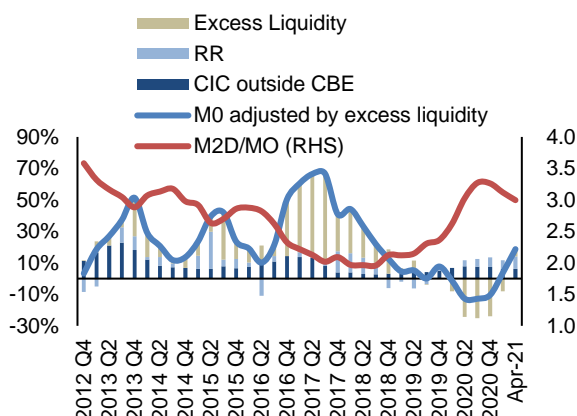
Similarly, the contribution of claims on the private sector slightly decreased in April 2021 compared to the previous three quarters. However, growth is still higher than its pre-COVID levels, supported by the cumulative policy rate cuts worth 400 bps in 2020, the CBE lending initiatives to select sectors at preferential rates. Correspondingly, inflation adjusted growth of L/C claims on the private sector decelerated in April 2021.

Within the components of M2, all CIC indicators remained broadly stable in 2021 Q1 and in April 2021, after slightly increasing post-COVID 19, in line with the recovery in the economy and the relaxation of containment measures by the Egyptian government. It is worth noting that CIC indicators remained below their historical long-term average even during the uptick in the ratio in 2020 Q2 and 2020 Q3. Furthermore, the exchange rate adjusted-dollarization ratio defined as F/C deposits to total deposits in M2 remained unchanged in April 2021.

Annual growth of M0, adjusted by total excess liquidity, continued to increase in April 2021, following its persistent declines in 2020. This was due to CBE balance sheet operations that increased the contribution of excess liquidity growth. As a result, the money multiplier, measured as the ratio between L/C components of broad money and M0, further declined in April 2021, after increasing consistently in 2020.

Figure 21
Contribution to Adjusted M0 and the Money Multiplier^{2/}

(In %, y/y, unless otherwise stated)

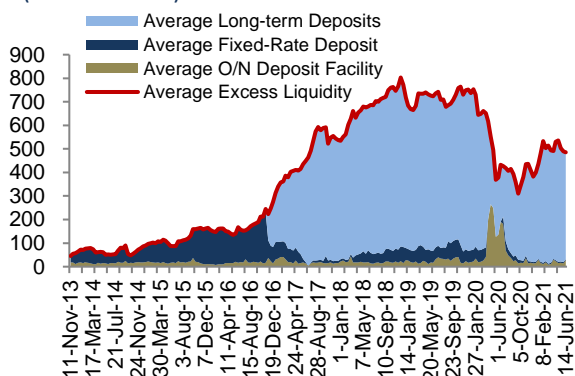


Source: Central Bank of Egypt.

2/ M0 adjusted by total excess liquidity and M2D includes local currency components of M2.

Figure 22
Excess Liquidity^{1,2/}

(In EGP billion)



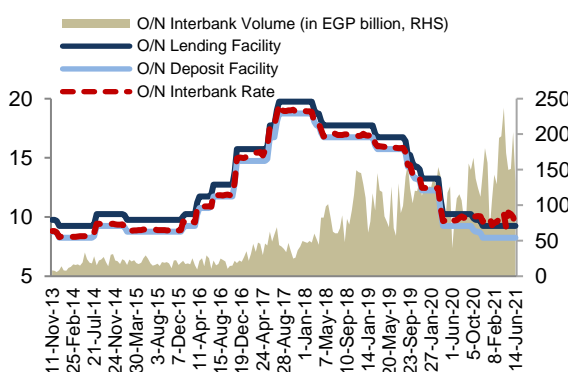
Source: Central Bank of Egypt.

1/ Excess liquidity is adjusted by O/N lending facility.

2/ As of June 14th, 2021.

Figure 23
O/N Interbank and CBE Policy Rates^{1/}

(In %, unless otherwise stated)



Source: Central Bank of Egypt.

1/ As of June 16th, 2021.

e) Real monetary conditions remained broadly stable.

Real monetary conditions are estimated to have broadly stabilized in 2021 Q2, after easing since 2020 Q3 supported by the cumulative 400 bps policy rate cuts in March 2020, September 2020 and November 2020.

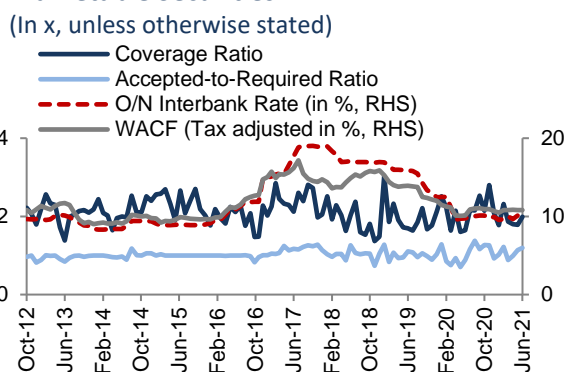
Excess liquidity levels have been broadly decreasing since the maintenance period ending February 8, 2021, to record an average of EGP486 billion (1.3x the reserve requirement) during the maintenance period ending June 14, 2021, compared to an average of EGP534 billion (1.5x the reserve requirement) during the maintenance period ending February 8, 2021.

Meanwhile, the O/N interbank rate has been above the mid-corridor rate since July 2020, compared to its long-term average spread of around negative 30bps. As of the maintenance period ending June 14, 2021, interbank rates continue to reflect a decline by c.0.7x the cumulative 400 bps policy rate cuts in March 2020, September 2020 and November 2020.

Yields for L/C government securities have been broadly stable, after slightly declining in December 2020, to record an average of 10.8% (net of tax) during April 2021, May 2021 and the first three auctions in June 2021. This compares to 10.7% (net of tax) recorded on average during 2021 Q1 and 11.6% (net of tax) recorded on average during December 2019, January 2020 and February 2020, prior to the cumulative 400 bps policy rate cut on March 16, 2020, September 24, 2020 and November 12, 2020.

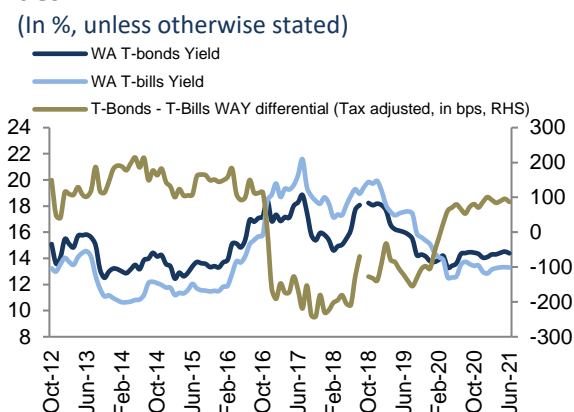
The recent broad stability in the weighted average yield was supported by the slight increase in the supply which broadly offset the slight drop in demand. The accepted-to-required ratio for L/C government securities rose slightly to record 1.1x on average during April 2021, May 2021 and the first three issuances in June 2021, compared to 1.0x recorded during 2021 Q1. Meanwhile, demand declined slightly, reflected by the coverage ratio of 1.8x recorded on average during April 2021, May 2021 and the first three issuances in June 2021, compared to 2.0x recorded during 2021 Q1.

Figure 24
Demand for, and Supply of the Treasury's L/C Marketable Securities^{1/}



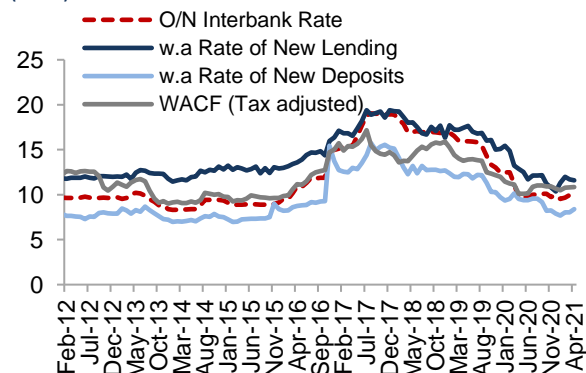
Source: Central Bank of Egypt calculations.
1/ As of February 16th, 2021.

Figure 25
Rates of the Treasury's L/C Marketable Securities^{1/}



Source: Central Bank of Egypt calculations.
1/ As of June 15th, 2021.

Figure 26
Select Market Interest Rates^{1/}



Source: Central Bank of Egypt.
1/ Up to April 2021.

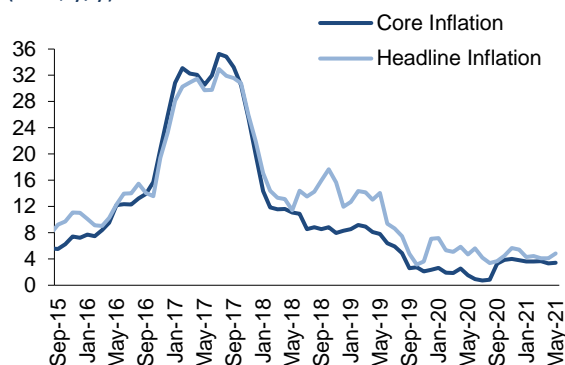
Meanwhile, yields on Egyptian Eurobonds have been broadly declining since May 2021 after inching up during February and March 2021, in line with the development in sentiment regarding emerging markets. Moreover, Egypt's CDS spreads remained relatively stable since February 2021 notwithstanding the recent increase in April 2021. Furthermore, Egypt's CDS spreads remained relatively low compared to the majority of peers with similar sovereign credit rating. Furthermore, Fitch Ratings and S&P have re-affirmed their current credit rating for Egypt while maintaining a 'stable' outlook in July 2020 and April 2020, respectively. It is noteworthy to highlight that Egypt's credit rating was upgraded by Moody's and Fitch Ratings in April and March 2019, respectively, following the upgrade by S&P in May 2018.

In the banking sector, data until April 2021 continued to reflect partial transmission of the cumulative 400 bps policy rate cut on March 16, 2020, September 24, 2020 and November 12, 2020 to rates of new deposits. New deposit rates declined to record 8.4% in April 2020, compared to an average of 9.5% recorded during December 2019, January 2020 and February 2020. This reflects a transmission in the magnitude of 0.3x the cumulative 400 bps policy rate cut on March 16th, 2020, September 24th, 2020 and November 12th, 2020. Meanwhile, rates of new loans declined to record 11.6% in April 2021, compared to an average of 10.7% during 2020 Q4 and 15.1% on average over the months of December 2019, January 2020 and February 2020. This reflects a transmission in the magnitude of 0.9x the cumulative 400 bps policy rate cut on March 16, 2020, September 24, 2020 and November 12, 2020. The decline was also supported by the CBE initiatives.

f) Annual headline and core inflation rates continued to reflect muted underlying inflationary pressures. Fluctuations in annual headline rates were mainly driven by favorable and unfavorable base effects.

Annual headline urban inflation accelerated in May 2021 to record 4.8%, from 4.1% in April 2021, after having decelerated from the 4.5% registered in both February and March 2021. Annual headline inflation rates were affected by favorable and then unfavorable base effects during

Figure 27
Headline and Core Inflation^{1/}
(In %, y/y)

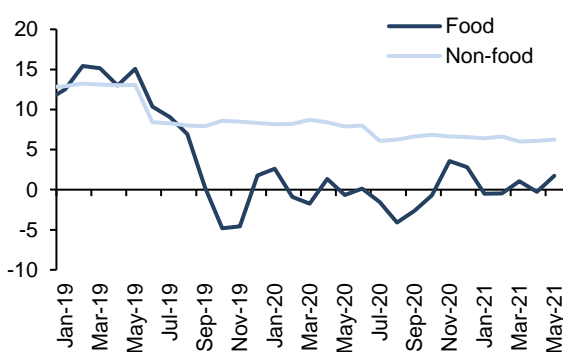


Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

1/Core inflation is headline inflation excluding regulated and volatile food items.

April and May 2021, reflecting the early impact of the outbreak of COVID-19 pandemic and its related containment measures on inflation readings during 2020. Unfavorable base effects also affected February 2021's inflation reading, along with the increase in the annual contribution of non-food items, both of which led to the acceleration of headline inflation in February 2021 from the 4.3% recorded in January 2021. Moreover, the stabilization in the annual rate in March 2021 came on the back of an increase of the contribution of food items, which was offset by an equal magnitude of decline in the contribution of non-food items.

Figure 28
Annual Food and Non-food Inflation
(In %, y/y)

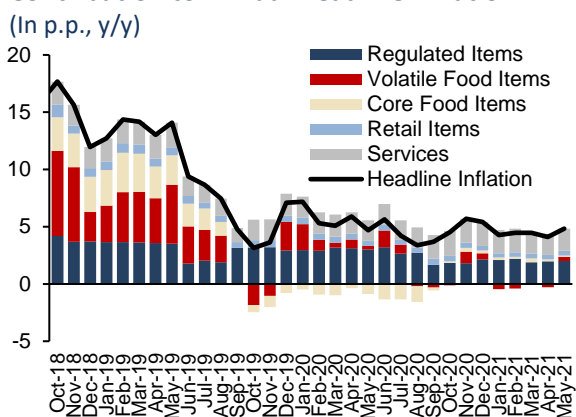


Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

Following broadly the same trend as annual headline inflation, annual core inflation accelerated slightly in May 2021 to 3.4%, after declining in April 2021 to 3.3% from 3.7% in March 2021 and 3.6% in February 2021. The changes in annual core inflation rates were mainly driven by base effects. More specifically, the decline in April 2021's core inflation reading was impacted by a favorable base effect as monthly core inflation registered 0.7% in April 2021, compared to 1% during April 2020. April 2020's monthly core inflation reflected the short-lived hoarding behavior witnessed as a result of the outbreak of the COVID-19 pandemic. Meanwhile, the slight accelerations in February 2021 and March 2021 came on the back of increases in the monthly core inflation rates, which recorded 0.3% and 0.5%, compared to 0.2% and 0.4% during the same period in the preceding year, respectively. Accordingly, annual core inflation rates continued to reflect muted underlying inflationary pressures.

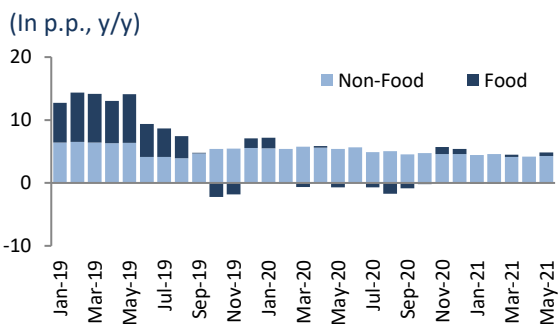
Annual food inflation continued to fluctuate between negative and positive rates since September 2019, reflecting changes in the contributions of both annual volatile and core food inflation. In particular, the increases in May 2021's and March 2021's annual food inflation rates were driven by an increase in the contribution of volatile food items, which was supported by an increase in the contribution of core food items in March 2021, but by a lesser extent. Whereas the decline in the annual food inflation rate in April 2021 reflected an almost equal decline in the contribution of volatile and core food items.

Figure 29
Contribution to Annual Headline Inflation



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

Figure 30
Contribution to Annual Headline Inflation by Food and Non-Food Items



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

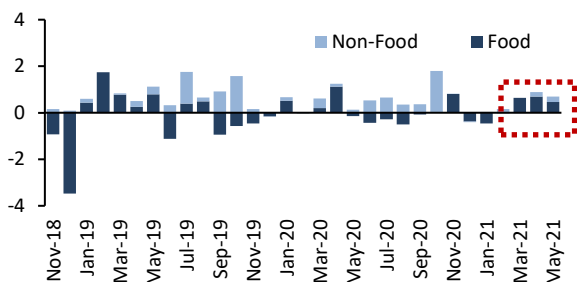
More specifically, annual core food inflation has continued to hover in positive territory between October 2020 and May 2021. Developments of food inflation were impacted by the partial limitations on the operational levels of restaurants and hotels to limit the spread of the COVID-19 pandemic which continues to weigh on domestic inventory levels. In addition, according to a third study released by CAPMAS assessing the impact of the COVID-19 pandemic on Egyptian households, Egyptian families have continued to alter their spending patterns on food items in response to the pandemic's impact on their income levels. The latter has led households to mainly resort to consuming cheaper sources of food, as well as lowering their weekly consumption of meat, poultry, and seafood. Furthermore, food prices continued to be affected by the measures taken by the government to avoid any supply shortages.

In the meantime, annual non-food inflation accelerated between February 2021 and May 2021, except for March 2021. The acceleration in February 2021 was driven by higher monthly non-food prices, which came on the back of an increase in tobacco prices and higher rental values. This comes as March 2021's deceleration to 6.0% from the 6.6% registered in February 2021 (the lowest rate recorded since June 2014) was driven by lower contribution of regulated items. The latter reflected a favorable base effect, as March 2020's non-food inflation reflected higher taxes on tobacco products, and higher prices of services items, but by a lesser extent. The subsequent slight acceleration in April 2021 to 6.1% was driven by the higher contribution of regulated items (higher driving license renewal fees), which was slightly offset by the lower contribution of services items. Meanwhile, the acceleration in May 2021 for the second consecutive month to 6.3% was mainly driven by the higher contribution of services items.

With respect to key monthly developments, monthly headline inflation registered positive rates between February and May 2021. The increases in the monthly headline inflation rate since January 2021 continued to be mainly driven by the contribution of food items (69.5% on

Figure 31
Contribution to Monthly Headline Inflation by Food and Non-Food Items

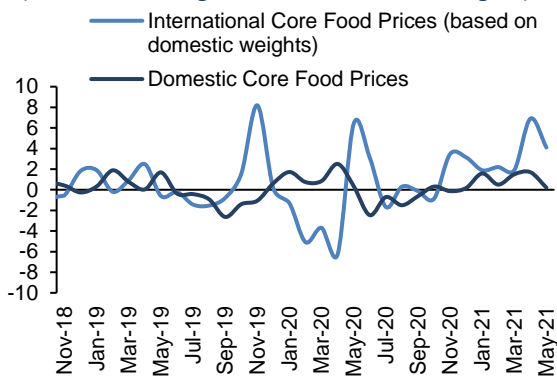
(In p.p., m/m)



Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

Figure 32
International vs. Domestic Core Food Prices

(In %, m/m, using domestic CPI basket weights)



Source: Central Agency for Public Mobilization and Statistics, Central Bank of Egypt, World Bank and United Nations Food and Agriculture Organization.

average from January 2021 to May 2021). In specific, the increases in May 2021, April 2021 and March 2021 reflected higher prices of volatile food items, which were further supported by broadly equal contribution of core food prices in both April 2021 and March 2021. Higher monthly core food prices mainly reflected seasonally higher poultry prices between February 2021 and April 2021.

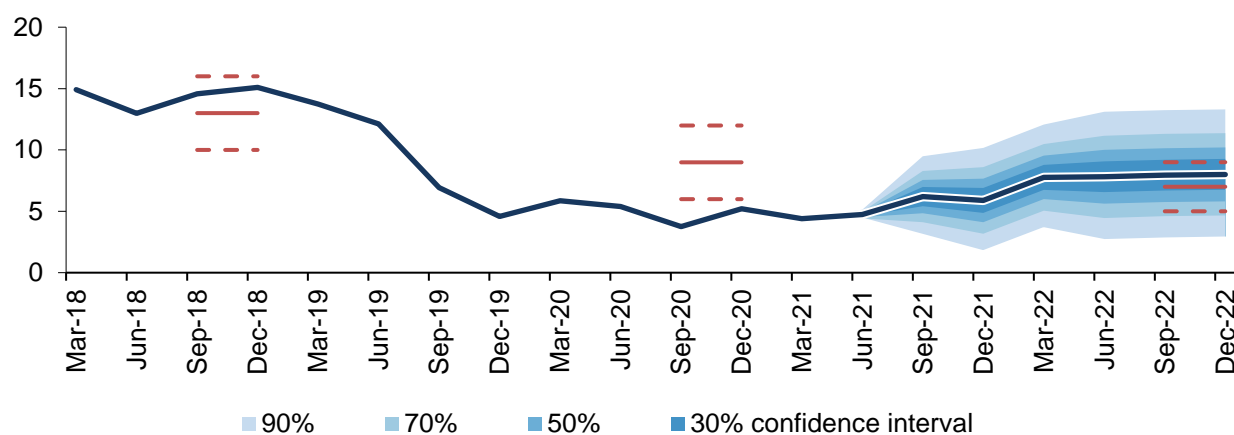
Monthly domestic core food inflation converged with the monthly international core food inflation trend in May 2021. International core food prices have been increasing since November 2020, which is largely attributed to demand and supply side factors. Changes in international core food prices from November 2020 to May 2021 were mainly driven by the fluctuations in red meat, poultry, and vegetable oil prices.

The Outlook

The MPC decided to maintain its main policy rate unchanged in each of its meetings on the 18th of March 2021, the 28th of April 2021, and on the 17th of June 2021. This comes after the MPC cut key policy rates by a cumulative of 400 bps in 2020 to support economic activity in light of the global and domestic developments stemming from the outbreak of COVID-19 pandemic. In the meantime, and as the CBE continues to support macroeconomic stability over the medium term, keeping policy rates unchanged during the aforementioned meetings remains consistent with achieving the CBE's inflation target of 7% (± 2 p.p.) on average during 2022 Q4.

Figure 33
Inflation Forecast^{1/}

(In %, y/y)



Source: Central Bank of Egypt.

1/ The chart captures uncertainty regarding the inflation forecast with its most likely evolution, given the risks. The band around the center of the forecast shows the range of inflation outcomes that can occur with 30% probability, while the widening bands represent a gradually increasing probability of 50%, 70% and 90%.

Global economic activity continues to recover from the COVID-19 pandemic, although growth remains uneven across regions, as some countries are yet to contain the spread of the virus. Prospects for global economic recovery remain contingent on the scale of distribution, as well as the efficacy of vaccines. Meanwhile, global financial conditions continued to remain accommodative and supportive of economic activity over the medium term, as part of wide-spread efforts to boost the global economy.

Over the medium term, Egypt's GDP growth is expected to recover albeit gradually, in line with the expected ease in the degree of uncertainty surrounding the pandemic and its impact on economic activity. Furthermore, structural and stabilization measures are expected to ease the impact of the disruption on the most vulnerable and help support the recovery once the outbreak is contained.

International food price forecasts relevant to Egypt's consumption basket have continued to increase, driven by both demand and supply-side factors. In addition, the outlook for Brent crude oil prices incorporated in the domestic inflation outlook increased relative to the previous Monetary Policy Report. As such, Brent crude oil prices continue to pose upside risks to the inflation outlook, as they continue to be affected by constrained output by OPEC+, in addition to higher global demand.

Domestically, as cost-recovery for most fuel products has already been achieved, the pass-through of international oil prices to domestic inflation will be based on the quarterly review of the fuel prices as part of the price indexation mechanism, which caps the price adjustments to domestic fuel prices to ± 10 p.p. every quarter. Egypt's Fuel Automatic Pricing Committee decided to raise fuel prices by L.E. 0.25 per liter as per the announcement by Egypt's Fuel Automatic Pricing Committee in April 2021, in line with the increase in international oil prices.

Based on this pattern of recovery and anchored inflation expectations as well as the baseline outlook for monetary conditions, the level of the inflation rate is expected to hover around the inflation target's midpoint of 7% in 2022. Annual headline inflation is expected to be affected in the near-term by unfavorable base effects related to the normalization of monthly inflation rates in 2021.

Upside risks to the above baseline inflation outlook mainly stem from higher than projected pass through of international commodity prices to domestic inflation. Meanwhile, downside risks to the above baseline inflation outlook mainly stem from the lower than projected domestic food inflation rates in 2021 and 2022, which could lead to tighter than projected monetary conditions given the target achievement horizon.

Appendix: Tables and Abbreviations

Table A1: CPI Contribution*

	Weights**	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Monthly Contributions to Headline CPI Inflation (in p.p.)												
Headline	100.0	0.4	-0.2	0.3	1.8	0.8	-0.4	-0.4	0.2	0.6	0.9	0.7
Regulated Items	21.4	0.6	0.2	0.2	0.6	0.0	0.0	0.0	0.1	0.0	0.1	0.0
Fresh Fruits & Vegetables	5.5	-0.1	-0.2	0.0	0.0	0.8	-0.4	-0.8	-0.1	0.3	0.3	0.4
Core CPI	73.1	-0.1	-0.2	0.1	1.2	0.0	0.0	0.4	0.2	0.3	0.5	0.2
Food Prices	24.5	-0.2	-0.3	-0.1	0.1	0.0	0.0	0.3	0.1	0.3	0.4	0.0
of which												
Poultry & Red Meat	8.6	-0.2	-0.3	-0.1	0.1	0.0	0.0	0.3	0.0	0.3	0.3	0.0
Food excl. Poultry & Red Meat	15.9	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Retail Prices	14.3	0.0	0.1	0.1	0.1	0.0	-0.1	0.0	0.0	0.0	0.1	0.1
Services	34.3	0.1	0.1	0.1	1.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Annual Contributions to Headline CPI Inflation (in p.p.)												
Headline	100.0	4.2	3.4	3.7	4.5	5.7	5.4	4.3	4.5	4.5	4.1	4.8
Regulated Items	21.4	2.6	2.7	1.7	1.8	1.8	2.2	2.1	2.2	1.9	2.0	2.0
Fresh Fruits & Vegetables	5.5	0.8	-0.2	-0.3	-0.1	1.0	0.5	-0.4	-0.4	-0.1	-0.3	0.4
Core CPI	73.1	0.8	0.8	2.3	2.8	2.9	2.7	2.6	2.6	2.7	2.4	2.5
Food Prices	24.5	-1.4	-1.4	-0.3	0.1	0.4	0.3	0.2	0.2	0.3	0.1	0.1
of which												
Poultry & Red Meat	8.6	-0.7	-0.8	0.0	0.2	0.3	0.2	0.1	0.0	0.1	0.1	-0.1
Food excl. Poultry & Red Meat	15.9	-0.6	-0.6	-0.2	-0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.2
Retail Prices	14.3	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Services	34.3	1.7	1.7	2.1	2.2	2.1	2.1	2.0	2.1	1.9	1.9	1.9

Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt calculations.

*Discrepancy is due to rounding numbers.

**Weights are based on 2017/2018 Household Income, Expenditure, and Consumption Survey (HIECS), starting the release of September 2019 data.

Table A2: Egypt's Balance of Payments (USD billion)

Date	2018/19*		2018/19*			2019/20*				2020/21*	
	2018/19*	2019/20*	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Trade Balance	-38.0	-36.5	-9.4	-10.5	-8.3	-8.8	-9.9	-9.4	-8.4	-8.6	-10.6
Export proceeds	28.5	26.4	7.5	6.6	7.6	7.1	7.1	6.7	5.4	6.3	6.6
<i>Petroleum exports</i>	11.6	8.5	3.2	2.5	3.0	2.4	2.6	2.3	1.2	1.6	2.0
<i>Other exports</i>	17.0	17.9	4.3	4.1	4.5	4.7	4.5	4.4	4.3	4.7	4.7
Import payments**	66.5	62.8	16.8	17.1	15.9	15.9	17.1	16.1	13.8	14.8	17.3
<i>Petroleum imports</i>	11.5	8.9	2.4	2.9	2.7	3.0	2.7	2.3	0.8	1.5	2.2
<i>Other imports</i>	55.0	53.9	14.5	14.2	13.1	12.9	14.3	13.7	13.0	13.4	15.1
Services Balance	13.1	9.0	3.0	2.5	3.3	4.0	2.2	2.1	0.6	0.9	1.0
Receipts	24.4	21.3	5.9	5.3	6.3	7.4	6.0	5.1	2.7	3.4	3.8
Transportation	8.6	7.9	2.2	2.0	2.1	2.3	2.1	1.9	1.6	1.7	1.9
<i>Of which: Suez Canal dues</i>	5.7	5.8	1.5	1.3	1.5	1.5	1.5	1.4	1.3	1.4	1.5
Travel (tourism revenues)	12.5	9.9	2.9	2.6	3.2	4.2	3.1	2.3	0.3	0.8	1.0
Payments	11.4	12.3	2.9	2.8	3.0	3.4	3.8	2.9	2.2	2.5	2.8
Travel	2.8	3.2	0.7	0.7	0.8	1.0	1.0	0.8	0.4	0.6	0.7
Investment Income Balance	-11.0	-11.4	-2.8	-2.8	-3.0	-3.3	-2.5	-3.4	-2.2	-3.1	-2.4
Receipts	1.0	0.9	0.3	0.2	0.3	0.3	0.2	0.2	0.3	0.1	0.1
Payments	12.0	12.3	3.1	3.0	3.3	3.6	2.7	3.5	2.4	3.1	2.4
<i>Of which: Interest paid</i>	2.6	2.9	0.6	0.7	0.8	0.8	0.8	0.8	0.6	0.7	0.6
Current Transfers	25.1	27.7	6.0	6.2	6.9	6.7	6.9	7.8	6.2	8.0	7.2
Private (net)	24.8	27.5	5.9	6.1	6.9	6.6	6.9	7.8	6.2	8.0	7.4
Official (net)	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	-0.3
Balance of Current Account	-10.9	-11.2	-3.2	-4.5	-1.1	-1.4	-3.2	-2.8	-3.8	-2.8	-4.8
Capital & Financial Account	10.9	5.4	1.3	6.5	1.2	0.7	4.6	-1.1	1.3	3.9	5.3
Capital Account	-0.1	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0
Financial Account	11.0	5.6	1.3	6.5	1.3	0.7	4.6	-1.1	1.3	4.0	5.3
Direct investment in Egypt (net)***	8.2	7.5	2.8	2.3	1.7	2.4	2.6	1.0	1.5	1.6	1.8
Portfolio investment in Egypt (net)	4.3	-7.3	-2.6	6.9	3.2	-2.0	2.3	-8.2	0.6	6.7	3.5
<i>Of which: Bonds</i>	5.1	4.6	-0.2	3.3	2.1	-0.3	1.8	-0.7	3.7	0.0	0.7
Other Investments (net)	-1.0	6.6	1.3	-2.7	-3.5	0.3	0.1	6.3	0.1	-4.2	0.7
Net Borrowing	6.3	4.1	0.0	3.8	1.3	4.0	0.6	-1.3	1.3	2.2	2.8
Medium- and Long-Term Loans (net)	3.3	7.2	0.8	2.2	0.8	2.3	0.1	0.1	4.7	0.3	2.2
Medium- and Long-Term Suppliers' Credit (net)	0.8	-0.6	0.3	-0.1	0.3	-0.2	-0.1	-0.2	-0.2	1.9	0.1
Short term Suppliers' Credit (net)	2.1	-2.4	-1.0	1.7	0.2	1.8	0.6	-1.2	-1.9	0.0	0.5
Other Assets	-8.9	0.3	-1.1	-8.0	-1.6	-3.0	0.0	6.9	-4.1	-4.4	-1.0
Other Liabilities	1.6	2.2	2.4	1.5	-3.2	-0.7	-0.7	0.7	2.9	-2.0	-1.0
Net Errors & Omissions	-0.1	-2.8	-0.2	-0.5	0.1	1.0	-1.2	-1.6	-0.9	-1.2	1.1
Overall Balance	-0.1	-8.6	-2.1	1.4	0.2	0.2	0.2	-5.5	-3.5	-0.1	1.5
Change in CBE Reserve Assets (Increase -)	0.1	8.6	2.1	-1.4	-0.2	-0.2	-0.2	5.5	3.5	0.1	-1.5

Source: Central Bank of Egypt

*Provisional.

**Including exports and imports of free zones.

***All tabulated figures are rounded to the nearest 1 decimal place. Therefore, the sum of the contributions may not add up to the aggregated totals.

****Updated data in accordance with a new methodology for compiling FDI and its earnings to include all undistributed realized earnings, pursuant to Prime Minister Decree No. 2732 of 2019. In the former data compilation method, data were restricted to reinvested earnings, this modification was applied starting from Q1 2018/2019.

Table A3: GDP contribution (in p.p.)									
	2016/17	2017/18	2018/19	2019/20*	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20*
GDP Growth (at Market Prices)	4.2	5.3	5.6	3.6	5.6	5.0	-1.7	0.7	2.0
GDP Growth (at Factor cost)	3.6	5.3	5.1	2.5	4.8	4.3	-3.1	-1.3	0.4
Public GDP (at Factor Cost)	0.4	1.5	1.7	1.2	1.8	2.4	-0.4	0.3	0.0
Private GDP (at Factor Cost)	3.1	3.8	3.5	1.3	3.0	1.9	-2.7	-1.6	0.4
Agriculture, forestry, fishing and hunting	0.4	0.4	0.4	0.4	0.4	0.3	0.2	0.6	0.5
Industry	0.1	1.5	1.4	-0.1	1.0	1.3	-3.2	-2.4	-2.1
Extractions	-0.2	0.7	1.0	-0.3	0.1	-0.5	-0.9	-0.3	-0.5
Oil	-0.4	0.0	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.2
Natural gas	0.1	0.7	0.9	-0.2	0.2	-0.4	-0.8	-0.2	-0.4
Other	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Manufacturing	0.3	0.8	0.5	0.2	0.9	1.8	-2.3	-2.1	-1.6
Petroleum	-0.1	0.2	0.1	0.7	0.9	1.9	-0.4	0.2	-0.2
Non-Petroleum	0.4	0.6	0.4	-0.4	0.0	0.0	-1.9	-2.3	-1.4
Services	2.1	2.6	2.4	1.1	2.2	1.6	-1.3	-0.5	0.9
Construction	0.5	0.6	0.5	0.3	0.6	0.5	-0.4	0.1	0.5
Real Estate Rental and Services	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4
Transportation and Warehousing	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2
Finance	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Insurance 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Communication	0.4	0.3	0.4	0.4	0.4	0.4	0.3	0.4	0.5
Tourism	0.1	0.7	0.5	-0.5	0.1	-0.2	-1.9	-2.1	-1.3
Educational, Health Care, and Other Services	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Utilities 2/	0.1	0.1	0.0	0.0	0.0	0.0	-0.1	0.0	0.1
Information	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade	0.7	0.5	0.5	0.5	0.7	0.4	0.4	0.7	0.7
Suez Canal	0.0	0.2	0.2	0.1	0.1	0.3	0.0	-0.2	-0.1
General Government	0.3	0.1	0.2	0.5	0.4	0.5	0.7	0.5	0.5

* / Preliminary figures

Source: Ministry of Planning and Economic Development

1/ Includes Social Insurance

2/ Includes Electricity, Water and Sewage

Table A4: Monetary Survey and Central Bank Balance sheet (eop, in EGP billion)

	Jun-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Apr-21
Monetary Survey												
Net Foreign Assets	309.5	127.5	242.1	300.1	356.7	347.8	128.6	122.8	220.4	271	277.4	272.3
Central Bank	301.5	241.9	254.2	264.4	270	270.6	183.3	157.3	187.9	211.8	218.8	218.3
Commercial Banks	8	-114.5	-12	35.8	86.7	76.1	-54.7	-34.5	32.5	59.2	58.6	54
Net Domestic Assets	3144.8	3501.2	3482.6	3563.5	3653.7	3762.7	4148.1	4416	4536.8	4649.5	4854.5	4911.7
Net Claims on Government	1971.6	2242.6	2175.6	2217.1	2424.6	2473	2737.5	3020.9	3036.7	3033	3066.6	3100.5
Net Claims on Public Economic Authorities	245.9	266	234.7	210.9	176.6	183.5	180	212.6	209.1	265.1	298.6	315.7
Claims on Public Sector Companies	160.2	166.7	164.9	162.1	160.6	161.8	157.4	156.3	159.6	158.4	154.7	152.7
Claims on Private Sector	1082.6	1140.9	1188.4	1217.1	1250	1287.7	1352.5	1454.7	1546.6	1597.3	1663.3	1692.1
Net Other Items	-315.5	-315	-281	-243.7	-358.1	-343.2	-279.3	-428.5	-415.2	-404.3	-328.7	-349.2
Broad Money (M2)	3454.3	3628.7	3724.7	3863.6	4010.4	4110.5	4276.7	4538.8	4757.2	4920.5	5131.9	5184
Domestic Currency Component (M2D)	2737.4	2885.1	2983.1	3149	3324	3455.4	3637.6	3872.2	4112.7	4271.7	4486.8	4525.6
Currency Outside Banks	438.9	441.9	451	487.2	499.3	507.1	548	602.7	610.7	611.2	626.8	646.5
Domestic Currency Deposits	2298.5	2443.2	2532.1	2661.8	2824.6	2948.3	3089.6	3269.4	3501.9	3660.5	3859.9	3879.2
Foreign Currency Deposits	717	743.5	741.6	714.6	686.4	655.1	639.1	666.6	644.5	648.9	645.1	658.4
Central Bank Balance Sheet												
Net Foreign Assets	301.5	241.9	254.2	264.4	270	270.6	183.3	157.3	187.9	211.8	218.8	218.3
Foreign assets	776	746.1	748.7	734	729.1	723.1	622.4	604.2	593	617.7	621.8	620.2
Foreign liabilities	-474.5	-504.2	-494.6	-469.6	-459.1	-452.4	-439.1	-446.9	-405.1	-405.9	-403	-402
Net Domestic Assets	414.8	369	435	419.7	442	448.6	583.4	698.2	702.4	704.9	709.1	750.4
Net claims on government	730.6	748	714.4	747.2	792.6	761.2	739.4	812.7	712.2	696.2	715	769.7
Net claims on public economic authorities	-15.1	-4.8	-0.4	-1.1	-3.3	-4.1	-2.3	-7.2	-3.8	-4.2	1.9	-1.1
Claims on Banks	326	269.5	288.4	300.4	287.3	307	288.1	274	295.3	310.8	358.5	361.3
Bank's Deposits in Foreign Currency	-124.6	-125.2	-124.1	-121.1	-117	-119.6	-108.1	-112.3	-127.2	-126.8	-132.2	-132.2
Open Market Operations ^{1/}	-677.5	-747.4	-718.2	-782.3	-729.7	-743.5	-621.9	-424	-367.1	-393	-510.7	-542.3
Other items net	175.4	228.9	274.8	276.6	211.9	247.6	288.2	155.1	192.9	221.8	276.7	294.9
Reserve Money	716.3	611	689.2	684	711.9	719.2	766.7	855.6	890.3	916.7	927.9	968.6
Currency Outside Banks	438.9	441.9	451	487.2	499.3	507.1	548	602.7	610.7	611.2	626.8	646.5
Reserves of banks	277.5	169	238.2	196.8	212.6	212.1	218.7	252.8	279.5	305.5	301.1	322.1
Cash at vaults	43.7	35.3	35.1	48.9	41.1	36.5	34.4	48.4	39.2	39.5	40.3	45.9
Deposits in local currency	233.8	133.7	203	147.9	171.5	175.5	184.3	204.4	240.3	266.1	260.8	276.2

Source: Central Bank of Egypt

1/ Deposit auctions and deposit facility.

Table A5: Market Developments

	2016	2017	2018	2019	2020	2021				
	Q3	Q4	Q2	Q4	Q2	Q4	Q2	Q4	Q1	Q2 ^{3/}
Policy Rate										
Mid-Corridor Rate, %	12.25	19.25	17.25	17.25	16.25	13.24	9.75	8.99	8.75	8.75
Interbank Market										
Interbank WAR, %	11.90	19.04	17.04	16.96	15.96	12.96	9.80	10.02	9.88	9.86
Interbank O/N rate, %	11.86	18.95	16.99	16.91	15.93	12.93	9.67	9.94	9.80	9.79
Interbank O/N average volume, EGP billion	2.1	3.9	9.1	13.3	9.8	12.5	10.4	14.9	16.0	17.9
Interbank O/N share of total interbank volume, %	64.0	69.2	74.9	81.8	83.3	79.5	53.3	76.3	81.2	80.1
Banking Sector										
Deposit Rates, %	9.16	15.37	12.72	12.70	12.12	10.09	9.45	8.13	7.94	8.38
Time, %	8.75	14.16	12.17	12.24	11.48	9.48	7.72	7.49	7.38	7.87
Short-term Deposits (<1Y), %	8.72	14.22	12.18	12.25	11.49	9.54	7.72	7.48	7.34	7.45
Other Deposits, %	9.52	12.95	11.94	11.89	10.87	8.23	7.78	7.70	7.75	8.79
Saving, %	12.26	19.04	15.15	14.89	14.70	12.91	14.45	11.62	10.63	10.68
< 3 years, %	11.43	19.95	16.07	13.26	12.51	11.71	14.98	9.51	8.95	8.62
≥ 3 years, %	12.27	14.92	15.13	14.90	14.71	12.92	11.48	11.63	10.64	10.69
Saving Accounts, %	7.95	10.17	10.19	9.14	10.00	8.02	7.26	5.17	4.79	4.85
Lending Rates, %	14.74	19.11	17.88	16.95	17.36	15.41	12.34	10.74	11.68	11.58
W.a. Business Lending Rates, %	14.64	19.13	17.86	16.53	17.05	14.89	11.74	9.79	10.52	10.73
Short term business, %	14.59	19.19	17.74	17.38	17.13	14.42	11.01	10.12	9.71	10.18
Long term business, %	14.71	18.98	18.03	14.77	16.82	15.56	12.81	9.48	11.79	11.92
Retail, %	15.24	19.01	18.02	18.59	18.60	17.39	15.94	15.71	15.05	15.11
Local Debt Market										
T-Bill yield 1Y, %	15.89	17.99	17.75	19.87	17.23	14.99	12.53	13.40	13.12	13.35
W.a T-bill yield, %	15.37	18.41	18.12	19.83	17.42	15.34	12.57	13.31	13.08	13.31
W.a T-bond yield, %	16.89	15.68	15.65	18.17	16.11	14.11	13.39	14.25	14.25	14.45
WACF, % ^{2/}	12.43	14.56	14.37	15.81	13.87	12.16	10.10	10.84	10.70	10.82
Spreads^{2/}										
O/N interbank - Mid Corridor rate, %	-0.39	-0.30	-0.26	-0.34	-0.32	-0.31	-0.08	0.94	1.05	1.04
W.a. Lending rate - Mid Corridor rate, %	2.49	-0.14	0.63	-0.30	1.11	2.17	2.59	1.75	2.93	2.83
Mid Corridor - W. A Deposit Rate, %	3.09	3.88	4.53	4.55	4.13	3.15	0.30	0.86	0.81	0.37
WACF - Mid Corridor rate, %	0.18	-4.69	-2.88	-1.44	-2.38	-1.08	0.35	1.85	1.95	2.07
W.a. Yield Curve, %	1.22	-2.19	-1.97	-1.33	-1.05	-0.98	0.65	0.75	0.94	0.91
W.a. Lending rate - WACF, %	2.21	4.56	3.49	0.72	3.18	2.72	1.64	-1.06	-0.18	-0.09
W.a. Lending rate - T-bill yield, %	2.35	4.40	3.36	0.66	3.11	2.61	1.69	-0.86	0.05	0.09
W.a. Lending rate - W.a. Deposit rate, %	5.58	3.74	5.15	4.25	5.24	5.32	2.89	2.61	3.74	3.20
Long term Business - Short term Business lending, %	0.12	-0.21	0.29	-2.61	-0.31	1.14	1.80	-0.65	2.08	1.74

Source: Central Bank of Egypt.

1/ All changes are in basis points with the exception of interbank O/N volume, the changes are in EGP billion.

2/ Government securities' yields are adjusted for tax.

3/ As of June 16th, 2021, except for the banking sector rates are as of April 2021.

Abbreviations

bps	Basis points
CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
CDS	Credit Default Swaps
CIC	Currency in Circulation outside the banking system
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
EGP	Egyptian Pound
F/C	Foreign Currency
GDP	Gross Domestic Product
L/C	Local Currency
LNG	Liquified Natural Gas
m/m	Month on month
M2	Broad Money
O/N	Overnight
p.p.	Percentage points
USD	United States Dollars
w.a.	Weighted average
WACF	Weighted average cost of finance of the Treasury's L/C marketable securities
y/y	Year on year



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