



البنك المركزي المصري
CENTRAL BANK OF EGYPT

Monetary Policy Report

II / 2021

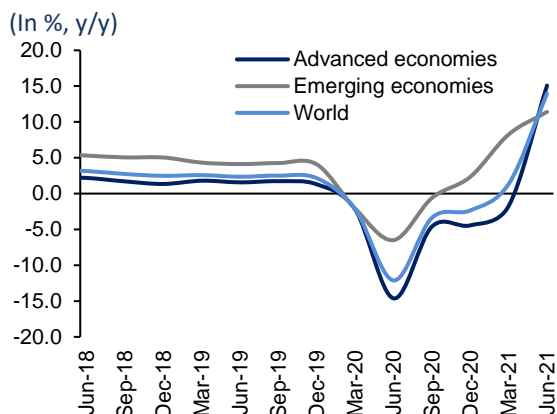
Disclaimer

The cut-off date for the data included in this report is September 1st, 2021. Some of the data presented is preliminary or subject to revisions. There has been new incoming data since the cut-off date, including but not limited to the release of the inflation statistics for August 2021. Furthermore, the Monetary Policy Committee decided in its meeting held on September 16th, 2021 to keep its key policy rates unchanged. These and all other incoming data will be incorporated in the following Monetary Policy Report.

Table of Contents

THE INITIAL CONDITIONS.....	PAGE 3
THE OUTLOOK.....	PAGE 16
APPENDIX: TABLES AND ABBREVIATIONS.....	PAGE 18

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



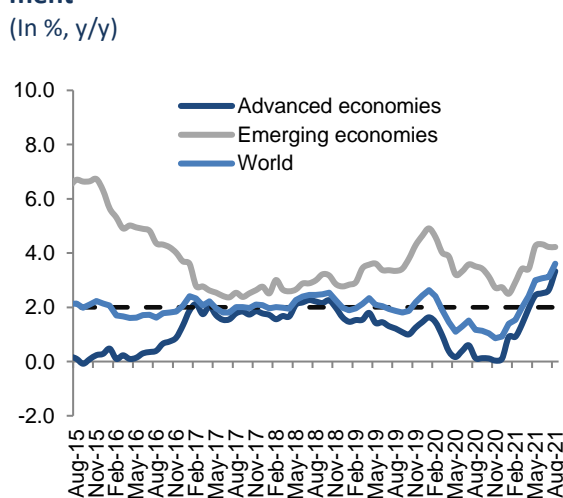
Source: Bloomberg and Central Bank of Egypt calculations.
1/ The series is weighted using Egypt's trade volume in 2015/16

The Initial Conditions

a) Globally, economic activity has continued its path to recovery in 2021 Q2 with a significant rebound in economic growth, supported by base effects. World trade continued to recover, and inflation continued to accelerate in 2021 Q2. International oil prices have continued to rise in line with the trend for previous quarters. Capital inflows into emerging markets continued to broadly increase between November 2020 and August 2021 (slightly declining for the months of July and August), supported by the accommodative global financial conditions, and the continued rollout of vaccines. Recently, select global central banks signaled the potential for tapering government purchasing programs in the future, indicating expectations of market stability.

Prospects for global economic recovery have begun to exhibit a positive trend since the previous Monetary Policy Report, as progress with vaccinations and the accommodative financial conditions continue to support economic activity and restore market confidence. 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.

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

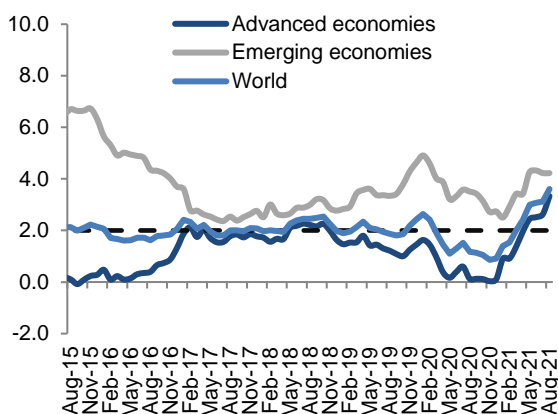


Source: Bloomberg and Central Bank of Egypt calculations.
1/ The series is weighted using Egypt's trade volume in 2015/16.

Global growth weighted by Egypt's external environment expanded by 14% in 2021 Q2, supported by a favorable base effect after increasing by only 1.3% in the previous quarter. This expansion marks the first positive global growth since 2019 Q4. This expansion is mainly attributed to broad-based expansion in advanced economies, notably the USA, EU, Japan, and the UK, which recorded a 10.44% growth rate, compared to a contraction of 1.2% in the previous quarter.

Similarly, emerging economies exhibited broad-based positive growth for the third consecutive quarter, increasing from 2.5% in 2021 Q1 to 3.5% in 2021 Q2. However, this lower positive growth relative to advanced economies rate can be attributed to China, which recorded drop in growth rates from 18.3% in 2021 Q1 to 7.9% in 2021 Q2,

Figure 3
Contribution to Brent price change
(In %, January 2010 = 100, monthly average)



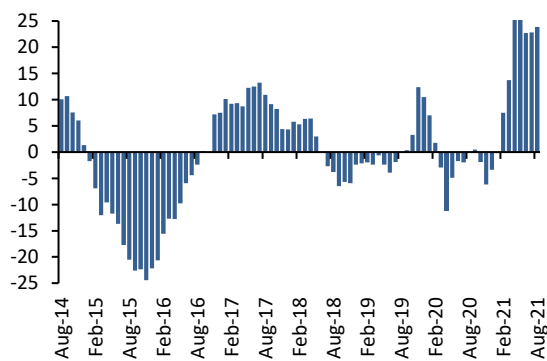
Source: Federal Reserve Bank of New York.

which is attributed to the fading of the favorable base effect for China in 2021 Q1. This was more than offset by a continued expansion in economic activity across India, Russia and Brazil.

Global trade recorded a growth rate of 21.5% in 2021 Q2 on an annual basis, compared to 6.9% in the previous quarter. This follows the positive growth trend of the previous two quarters, further cementing the rebound in global trade, and is also supported by a favorable base effect. Following the negative trend in global trade present since 2019 Q2, global trade began its recovery in 2020 Q4, recording a positive growth rate of 0.2% on an annual basis.

Annual headline inflation of Egypt’s external environment continued its acceleration path in 2021 Q2, with an annual inflation rate of 2.8%, compared to 1.6% and 0.9% in 2021 Q1 and 2020 Q4 respectively. Inflation in advanced economies increased to 2.3% in 2021 Q2 from 1.1% in 2021 Q1, driven by higher inflation registered in the United States, the United Kingdom, and the Euro Area. Combined, all of the latter more than offset the continued deflation in Japan. Similarly, inflation in emerging market economies rose to 4% in 2021 Q2 relative to 3% in the preceding quarter, with broad-based acceleration of inflation in Russia, China, and India, as well as relatively higher acceleration rates recorded in Brazil. Going forward, inflation is expected to continue to accelerate in most advanced and developing countries in the second half of 2021.

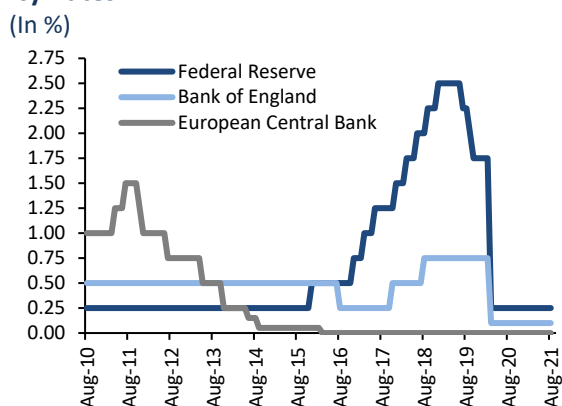
Figure 4
International Food Prices
(In %, y/y, using domestic CPI basket weights of core food items)



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

Brent crude oil prices have risen on average for ten consecutive months since October 2020 (except for April 2021), registering USD 73.45 per barrel at the end of August 2021. This marks a significant increase from the trough of USD 18.4 per barrel recorded in April 2020. The recent increases in February, March, and May were driven by both demand and supply side factors, with more weight given to supply side factors given. Demand for petroleum products has increased in the wake of post-COVID-19 economic recovery, as well as the EU natural gas shortage. At the same time oil production in the USA has been impacted by hurricane Ida, affecting global supply.

Figure 5
Advanced Economies Central Banks' Key Policy Rates



Source: Bloomberg and Central Bank of Egypt calculations.

In the meantime, international food prices using domestic CPI basket weights of core food items rose sharply on annual basis since April 2020, reaching their peak in May 2021 and then slightly declining until August 2021.

The Federal Reserve has decided to maintain its policy rates at their current levels of 0% and 0.25% during its last meeting held in September 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. This is also the first meeting where reference was made to potential tapering in the pace of asset purchase program in the future, during mid-2022, signaling a boost in confidence in the U.S. market and 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 September 2021, both of which were last changed in March 2016 and September 2019, respectively. In addition, the European Central Bank signaled the possibility of lower asset purchases under the pandemic emergency purchase program (PEPP) over the coming quarter given the assessment of favorable financing conditions and inflation outlook. Moreover, the Bank of England also kept its main policy rates unchanged during its last meeting in September 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. However, the Bank of England also signaled a positive inflation outlook.

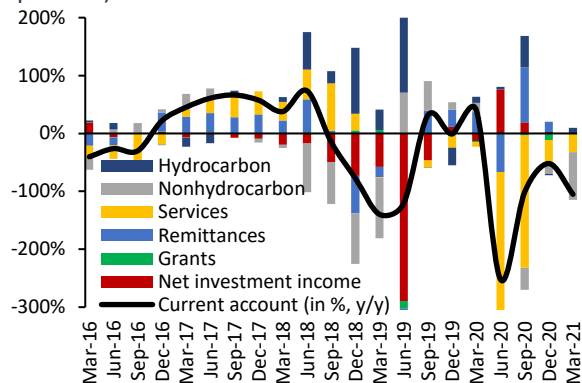
Moreover, capital flows into emerging markets continued to broadly increase following the sharp slump in March 2020,¹ but slightly declined during the months of July and August. The continued rollout and development of vaccines is expected it to support global economic recovery. This, coupled with the accommodative global financial conditions, has supported the resumption of inflows into emerging market economies.

Figure 6
Emerging Markets Capital Flows Proxy
 (Index level)



Source: Bloomberg.

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

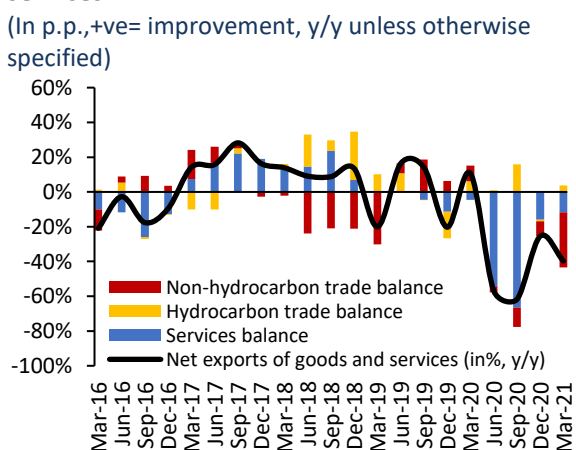


Source: Central Bank of Egypt.

b) *The overall balance of payments registered a surplus of USD 0.3 billion in 2021 Q1 compared to a deficit of USD 5.5 billion during the corresponding period last year. This certainly highlights the resilience of the Egyptian economy and its steadfast ability to recover from the global COVID-19 shock. Such a surplus was realized despite the increase in the current account deficit, which recorded USD 5.7 billion in 2021 Q1 compared to USD 2.8 billion during the corresponding period last year. The realized surplus on the overall balance of payments materialized as the capital and financial account posted a sizable surplus of USD 7.9 billion in 2021 Q1 compared to a deficit of USD 1.1 billion during the corresponding period of last year, offsetting the increase in the current account deficit.*

In 2021 Q1, Egypt recorded an overall balance of payments surplus of USD 0.3 billion compared to a deficit of USD 5.5 billion in 2020 Q1. The surplus recorded on the overall balance of payments was realized despite the increase in the current account deficit, which posted USD 5.7 billion in 2021 Q1 compared to USD 2.8 billion in 2020 Q1. The increase in the current account deficit is depicted as a temporary phenomenon, as it was primarily due to the fact that tourism revenues registered less than half of the revenues realized during the corresponding period of the previous year, affected by the COVID-19 shock, which hit international tourism; a crisis which the global economy is still suffering from.

Figure 8
Contribution to the net exports of goods and services

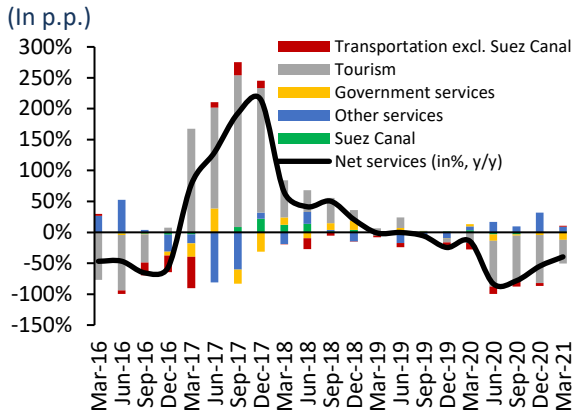


Source: Central Bank of Egypt.

Furthermore, an overall balance of payments surplus was realized as the capital and financial account registered a sizable surplus of USD 7.9 billion in 2021 Q1 compared to a deficit of USD 1.1 billion in 2020 Q1, offsetting the increase in the current account deficit. The improvement on the capital and financial account stemmed mainly from a strong pick-up in portfolio flows on the back of sustained accommodative financial conditions globally. Portfolio flows recorded a net inflow of USD 5.8 billion in 2021 Q1 compared to a net outflow of USD 8.2 billion in 2020 Q1. The noticeable improvement in portfolio flows reflects the confidence of foreign investors in the Egyptian economy despite the ongoing uncertainty brought about by the COVID-19 pandemic.

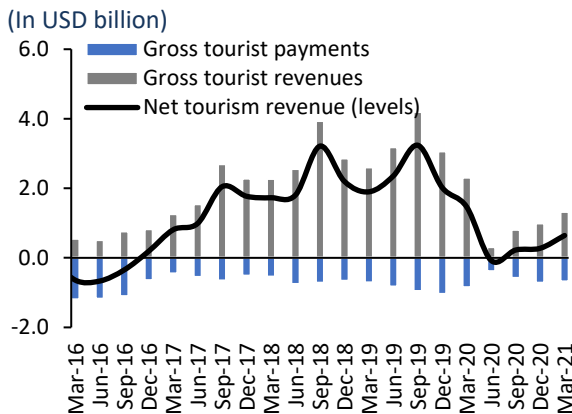
Additionally, the increase in the current account deficit was due to the narrowing of the net services surplus as well as the widening of the non-hydrocarbon trade

Figure 9
Contribution to the net services



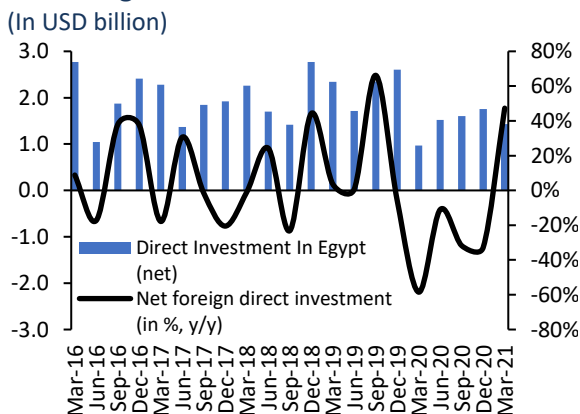
Source: Central Bank of Egypt.

Figure 10
Tourism Receipts and Payments



Source: Central Bank of Egypt.

Figure 11
Net Foreign Direct Investments*



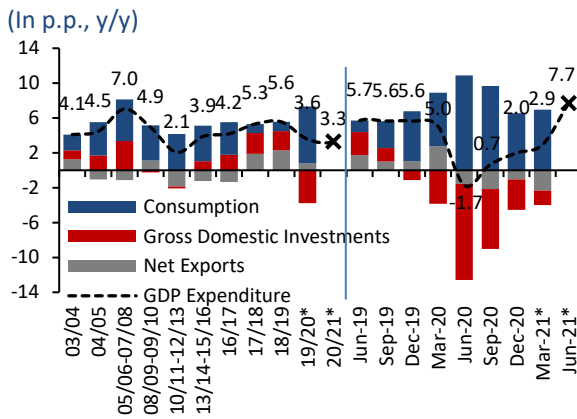
Source: Central Bank of Egypt.

*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.

deficit. The net services surplus narrowed by 40% in 2021 Q1 on an annual basis, registering USD 1.3 billion compared to USD 2.1 billion in 2020 Q1. This is due to the decline in tourism revenues and transport receipts, both of which were impacted by the COVID-19 pandemic. Tourism and transportation receipts recorded USD 3.2 billion in 2021 Q1 compared to USD 4.2 billion in 2020 Q1, decreasing by 25% on an annual basis. Likewise, the non-hydrocarbon trade deficit recorded USD 11.6 billion in 2021 Q1 compared to USD 9.3 billion, widening by 25% on annual basis. However, the increase in the current account deficit was partially mitigated by the improvement in the hydrocarbon trade balance. The hydrocarbon trade balance reversed trend to register a surplus of USD 0.2 billion in 2021 Q1 compared to a marginal deficit of USD 0.04 billion in 2020 Q1. The registered surplus was primarily due to a decrease in oil imports.

Meanwhile, the surplus recorded on the capital and financial account was also supported by an improvement in net foreign direct investments in Egypt, which increased by 47% in 2021 Q1 compared to the corresponding period last year. The overall balance of payments surplus was reflected on the gradual accumulation of net international reserves, which rose to USD 40.3 billion in March 2021 compared to USD 40.1 billion and USD 36.0 billion in March 2020 and May 2020 respectively.

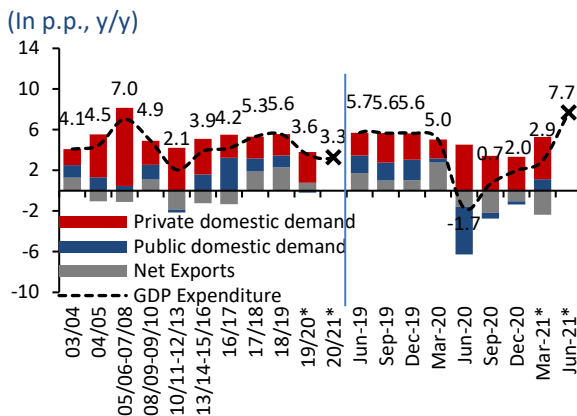
Figure 12
Real GDP Growth at Market Prices



*/ Preliminary figures

Source: Ministry of Planning and Economic Development.

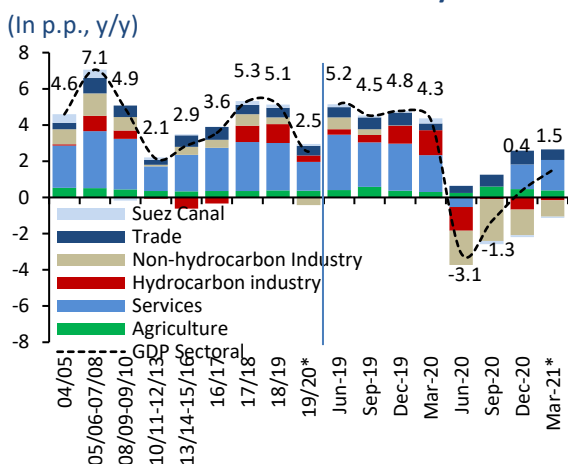
Figure 13
Real GDP Growth at Market Prices



*/ Preliminary figures

Source: Ministry of Planning and Economic Development.

Figure 14
Contribution to Real GDP Growth by Sector



*/ Preliminary figures

Source: Ministry of Planning and Economic Development.

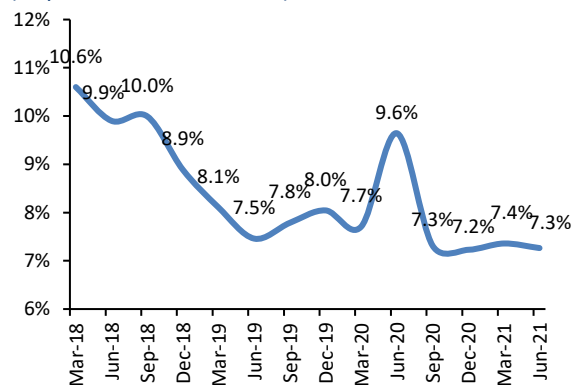
c) Real GDP growth recorded a preliminary figure of 7.7% in 2021 Q2, implying that growth for FY 2020/21 recorded 3.3% on average. Meanwhile, actual data for 2021 Q1 showed that growth inched up to 2.9% in 2021 Q1 compared to 2.0% in the previous quarter, as economic activity continues to gather pace and rebound. Furthermore, the unemployment rate broadly stabilized at 7.3% in 2021 Q2, after recording 7.4% in 2021 Q1, and 9.6% in the corresponding quarter last year.

Real GDP growth at market prices recorded a preliminary figure of 7.7% in 2021 Q2, reflecting a strong positive base effect compared to the corresponding quarter's shrunken base during the peak of the pandemic last year. Meanwhile, actual data showed that growth inched up to 2.9% in 2021 Q1 compared to 2.0% in the previous quarter, implying that growth for FY 2020/21 recorded 3.3% on average. Detailed data for 2021 Q1 portray that the pick up in growth was principally due to the substantial positive contribution stemming from consumption, as well as the sustained subsiding unfavorable contribution of gross domestic investments. Combined, consumption and gross domestic investments contributed by 5.3 p.p. towards overall GDP growth in 2021 Q1 compared to 3.0 p.p. during the previous quarter. Nonetheless, the unfavorable contribution of net exports more than doubled on the back of a widening current account deficit, registering negative 2.4 p.p., partially offsetting the overall positive contribution of consumption and gross domestic investments.

Moreover, from a different perspective, the combined positive contributions of private and public domestic demand underwrote the witnessed improvement in GDP growth in 2021 Q1, recording 4.2 p.p. and 1.1 p.p. respectively compared to 3.3 p.p. and negative 0.3 p.p. during the previous quarter. Yet, the unfavorable contribution stemming from net exports continues to pose a drag effect on real GDP growth.

The negative contribution of net exports towards overall GDP growth in 2021 Q1 was aggravated by an increase in real imports for the first time since 2018 Q1 and a sustained decrease in real exports on annual terms. Thus, both contributed negatively to GDP growth.

Figure 15
Unemployment Rate
(as percent of labor force)

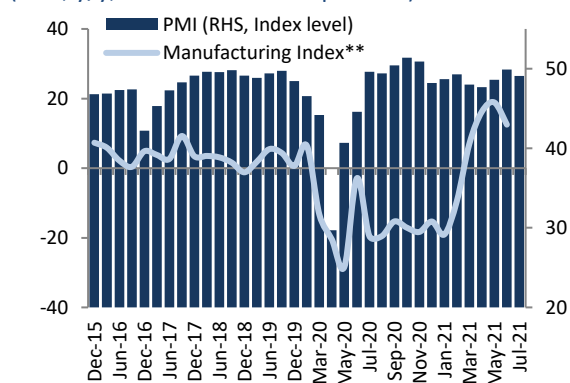


Source: CAPMAS.

Furthermore, sectoral GDP growth expanded by 1.5% in 2021 Q1, compared to 0.4% during the previous quarter, mainly on the back of a sustained improvement in private sector GDP. Private sector GDP continued to support economic activity, contributing positively towards sectoral GDP by 1.2 p.p. in 2021 Q1 compared to 0.4 p.p. during the previous quarter. In addition, to the positive contribution of natural gas extractions, private sector activity remains supported by the easing contractions in tourism and non-petroleum manufacturing compared to the previous quarter. Likewise, public sector contribution to sectoral GDP growth picked up slightly, registering 0.3 p.p. in 2021 Q1 compared to 0.0 p.p. during the previous quarter. Growth in public sector activity was reinforced by the positive contributions of natural gas extractions and the general government but continues to be dragged down by petroleum manufacturing and oil extractions for the second consecutive quarter.

Regarding the labor market, the unemployment rate stabilized at 7.3% in 2021 Q2 against 7.4% in 2021 Q1, remaining broadly around its pre-COVID-19 level of 7.7%. Moreover, both employment and the labor force dropped on a quarterly basis, for the second consecutive quarter. Therefore, the broad stability in the unemployment rate came due to the quarterly decline in the labor force, which broadly offset the quarterly decrease in employment.

Figure 16
Leading Indicators
(In %, y/y, unless otherwise specified)



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

**/ Subject to revisions.

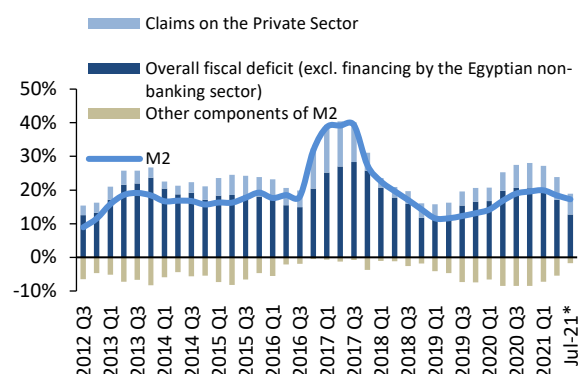
Source: Bloomberg, CAPMAS.

³ Source: Automotive Marketing Information Council (AMIC)

A number of leading indicators continued to expand throughout June and July 2021, signaling continued recovery in economic activity. The improvement in most leading indicators reflected the positive base effect compared to the corresponding period's shrunken base during the peak of the pandemic's containment measures last year. The manufacturing index registered a solid expansion on average in 2021 Q2 for the first time since 2019 Q4. Additionally, total car sales registered its highest annual growth rate in 2021 Q2 on average since the beginning of the series in 2015³. Similarly, Suez Canal net tonnage continued to expand strongly in June and July 2021, following a noticeable contraction in 2021 Q1. Meanwhile, tourist nights registered its largest expansion on record in 2021 Q2, in line with the strong positive base effect against the same

Figure 17
Contribution to M2 Growth

(In p.p., y/y)

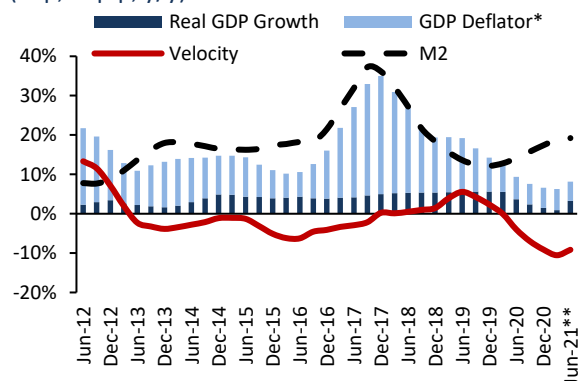


*/Preliminary

Source: Central Bank of Egypt.

Figure 18
Money, Velocity and Real GDP^{1/}

(aop, in p.p, y/y)



*/GDP deflator figure for June 2021 is proxied by average headline inflation for 2021 Q2 as it is not published yet.

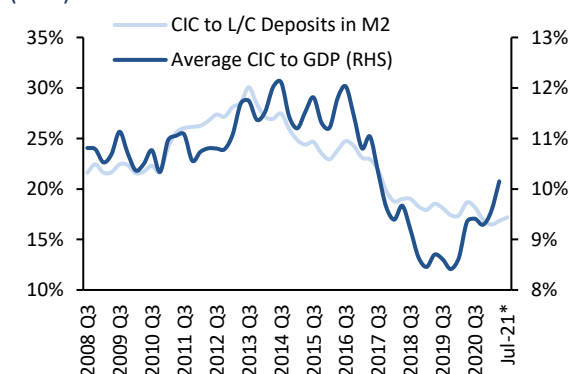
**/Preliminary

^{1/} M2 growth, real GDP, and GDP deflator are calculated as rolling averages of previous 4 quarters.

Source: Central Bank of Egypt.

Figure 19
CIC Outside the Banking System^{2/}

(In %)



Source: Central Bank of Egypt.

^{2/} Average CIC to four quarters rolling sum of GDP.

*/Preliminary

⁴ Source: Cabinet's Information and Decision Support Centre (IDSC)

⁵ Source: Joint Organisations Data Initiative (JODI)

⁶ Source: IHS Markit

period in the previous year, during which lockdown measures were in full effect both domestically and globally⁴. Similarly, some activity indicators within the hydrocarbon sector expanded strongly during 2021 Q2, as natural gas production continued to grow at an accelerating rate⁵. On the other hand, the Purchasing Managers Index (PMI) continued to hover in contractionary territory, just below the 50-point benchmark in June and July 2021⁶.

d) Broad money growth continued to slow down in 2021 Q2 and in July 2021, after a robust growth since the COVID-19 outbreak in 2020 Q1 and until 2021 Q1. The slowdown was mainly due to lower contribution of fiscal deficit financing sources within M2 as well as credit to the private sector.

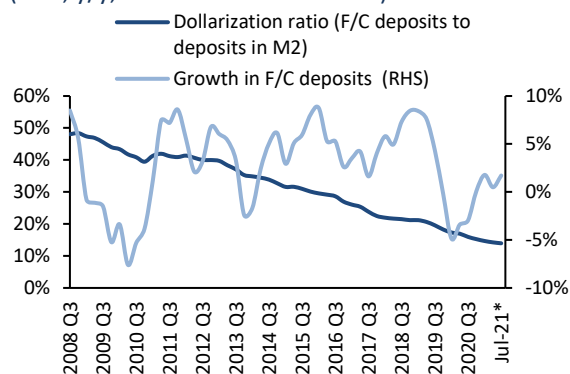
Growth of broad money (M2) continued to decelerate in July 2021 to reach 17.2%, compared to an average of 18.4% in 2021 Q2 and 19.9% in 2021 Q1. The deceleration in July 2021 was mainly driven by the lower contribution of fiscal deficit financing sources within M2. Domestic bank financing was the main driver of the lower contribution of the fiscal deficit financing sources within M2, coupled with a lower contribution of external financing. The slowdown in bank financing was partially offset by the increase in contribution of foreign non-bank financing of the fiscal deficit.

During FY 2020/21, M2 growth picked-up post the COVID-19 outbreak, to record an average of 19.2%, compared to an average of 12.6% before COVID-19 between 2019 and 2020 Q1. However, the growth in M2 was non-inflationary, evident by the low inflation recorded during FY 2020/21, as it did not cause a proportional increase in GDP during FY 2020/21. Nevertheless, the recent uptick in real GDP growth in June 2021 has contributed to a slight pickup in the growth of velocity of broad money. In spite of this, velocity growth continued to be in negative territory, reflecting the slow-down in the economy post COVID-19 and the change in the structure of fiscal deficit financing.

Similarly, the contribution of private sector credit to M2 growth continued to decrease in 2021 Q2 and in July 2021 compared to the previous three quarters, primarily due to

Figure 20
Developments of F/C Deposits^{3/}

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



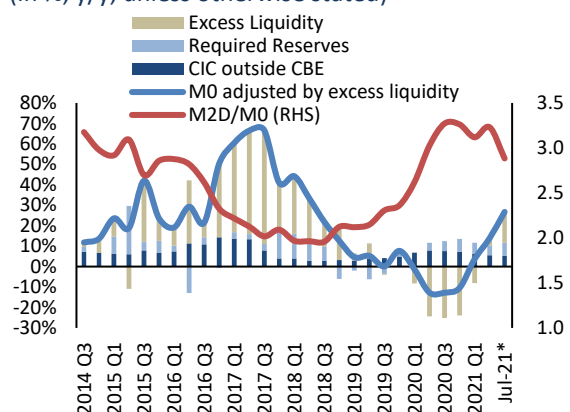
Source: Central Bank of Egypt.

3/ Dollarization ratio is calculated assuming constant exchange rate as of April 2020. While annual growth is calculated from F/C deposits in USD.

*/Preliminary

Figure 21
Contribution to Adjusted M0 growth and the Money Multiplier^{4/}

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



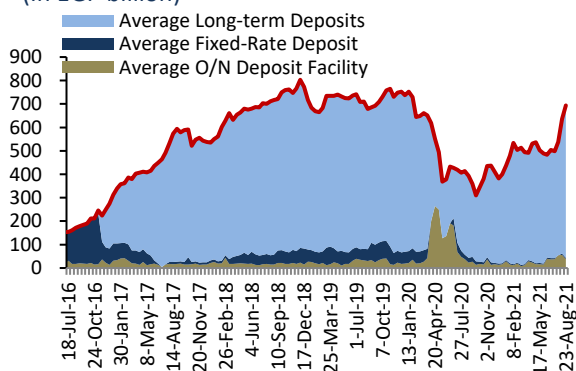
Source: Central Bank of Egypt.

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

*/Preliminary

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 August 23, 2021.

unfavorable base effect, as the initiatives launched by the CBE to support the economy post COVID-19 outbreak started to pick up in 2020 Q2. Correspondingly, inflation adjusted growth of L/C claims on the private sector decelerated in 2021 Q2 and July 2021. However, growth of private sector credit is still higher than its pre-COVID levels, supported by the cumulative policy rate cuts worth 400 bps in 2020 and the CBE lending initiatives to select sectors at preferential rates.

Within the components of M2, all CIC indicators remained broadly stable in 2021 Q2 and in July 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. Furthermore, the exchange rate adjusted-dollarization ratio defined as F/C deposits to total deposits in M2 slightly decreased in July 2021, whereas growth in F/C deposits in USD remained broadly stable in 2021 Q2 and July 2021 as well.

Annual growth of M0, adjusted by total excess liquidity, continued to register robust growth in 2021, to reach 18.5% in 2021 Q2 and 26.7% in July 2021, following persistent declines in 2020. This was due to CBE balance sheet operations that increased the contribution of excess liquidity and required reserves' growth. As a result, the money multiplier, measured as the ratio between L/C components of broad money and M0, declined in July 2021, after registering an increase in 2020.

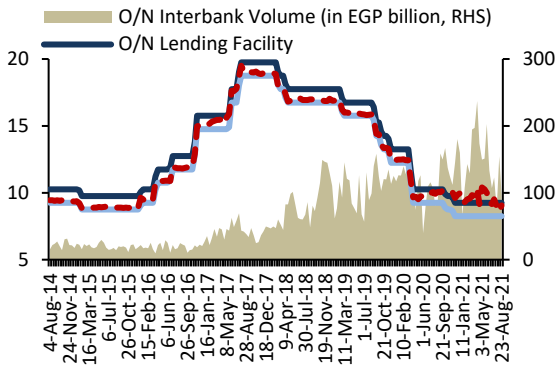
d) Real monetary conditions remained broadly stable.

Real monetary conditions are estimated to have broadly stabilized after easing in 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 increasing since the maintenance period ending June 14, 2021, to record an average of EGP694 billion (1.9x the reserve requirement) during the maintenance period ending August 23, 2021, compared to an average of EGP483 billion (1.3x the reserve holdings) during the maintenance period ending

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

(In %, unless otherwise stated)



Source: Central Bank of Egypt.

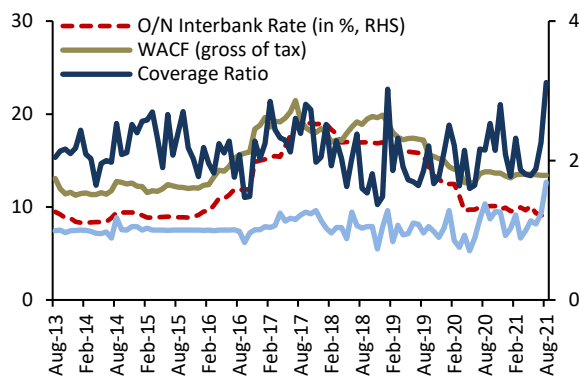
1/ As of August 23, 2021.

June 14, 2021. Moreover, excess liquidity absorbed over the short-term has been broadly increasing inline with the increasing excess liquidity levels to record an average of EGP43 billion (11.8% of reserve holdings) during the maintenance period ending August 23, 2021, compared to an average of EGP15 billion (4.1% of reserve holdings) during the maintenance period ending May 3, 2021.

Meanwhile, the operational target spread has been broadly narrowing since the maintenance period ending May 17, 2021, to record 31bps during the maintenance period ending August 23, 2021 compared to 165bps recorded during the maintenance period ending May 3, 2021. Accordingly, as of the maintenance period ending August 23, 2021, interbank rates continued to reflect a decline by c.0.9x the cumulative 400 bps policy rate cuts in March 2020, September 2020 and November 2020. It is worth noting that 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.

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

(In x, unless otherwise stated)



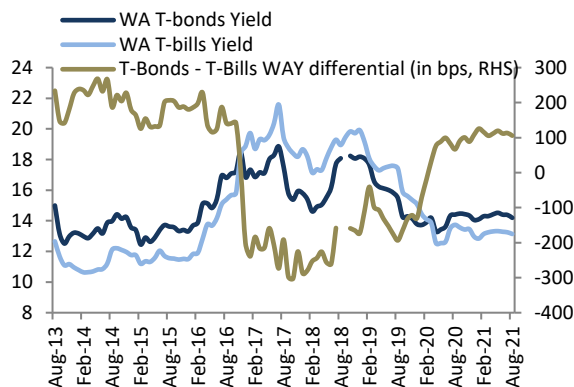
Source: Central Bank of Egypt calculations.

1/ As of August 24, 2021.

Yields for L/C government securities have been broadly stable, after slightly declining in December 2020, to record an average of 13.4% (gross of tax) during July 2021 and the first three auctions in August 2021. This compares to 13.5% (gross of tax) recorded on average during 2021 Q2, 13.4% (gross of tax) recorded on average during 2021 Q1 and 14.5% (gross 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 yields remained relatively stable notwithstanding the recent increase in demand, as this was broadly offset by the recent increase in supply. The demand, reflected by the coverage ratio of 2.7x recorded on average during July 2021 and the first three issuances in August 2021, compared to 1.8x recorded during 2021 Q2. Meanwhile, the accepted-to-required ratio for L/C government securities rose slightly to record 1.5x on average during July 2021 and the first three issuances in August 2021, compared to 1.1x recorded during 2021 Q2.

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

(In %, unless otherwise stated)

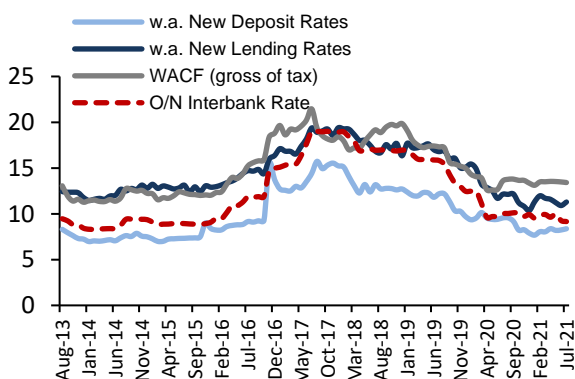


Source: Central Bank of Egypt calculations.

1/ As of August 24, 2020.

Figure 26
Selected Market Interest Rates^{1/}

(In %)

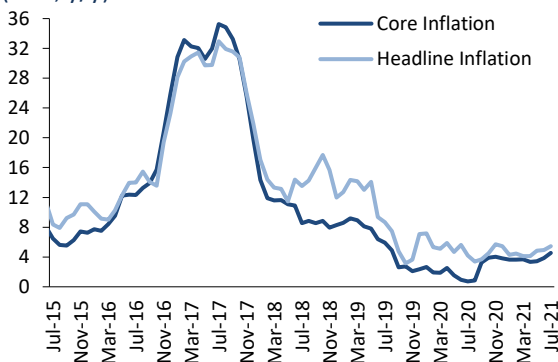


Source: Central Bank of Egypt.

1/ Up to July 2021.

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.

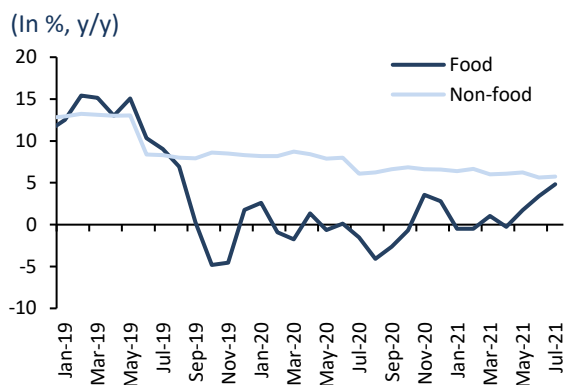
Meanwhile, yields on Egyptian Eurobonds have been broadly stabilized in August 2021 after inching up in July 2021. Moreover, Egypt's CDS spreads remained relatively stable since February 2021 notwithstanding the recent increase in April 2021. Furthermore, Egypt's CDS spreads remained relatively low compared to the majority of peers with similar sovereign credit ratings. Furthermore, Moody's, Fitch Ratings, and S&P have reaffirmed their current credit rating for Egypt while maintaining a 'stable' outlook in July 2021, March 2021, 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 up-grade by S&P in May 2018.

In the banking sector, data until July 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 July 2021 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 16, 2020, September 24, 2020 and November 12, 2020. Meanwhile, rates of new loans declined to record an average of 11.3% in July 2021 compared to an average of 11.7% and 15.1% during 2021 Q1 and December 2019, January 2020 and February 2020, respectively. This reflects a transmission in the magnitude of 1.0x 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 increased during June and July 2021, reflecting mainly unfavorable base effects related specifically to food items.

Annual headline urban inflation accelerated in July 2021 to record 5.4%, from 4.9% in June 2021, and 4.8% in May 2021. Annual headline inflation rates were affected by unfavorable base effects during June and July 2021 as monthly inflation rates during 2020 were affected by the impact of the outbreak of COVID-19 on inventory levels

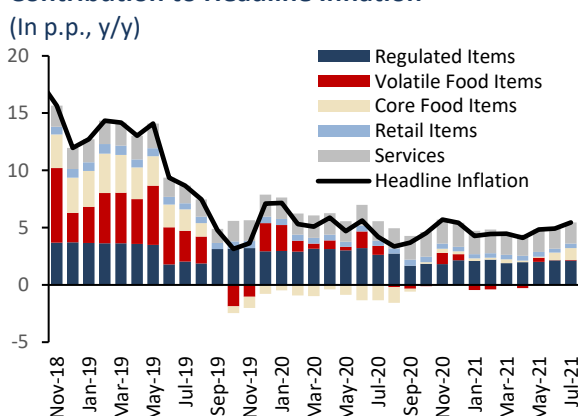
Figure 28
Annual Food and Non-food Inflation



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

and consumption patterns, especially of food items. Accordingly, the acceleration in annual inflation of June and July 2021 was driven by a higher annual contribution of food items. While annual contribution of nonfood items partially offset food contribution during June 2021, it further supported the annual contribution of food items during July 2021.

Figure 29
Contribution to Headline Inflation

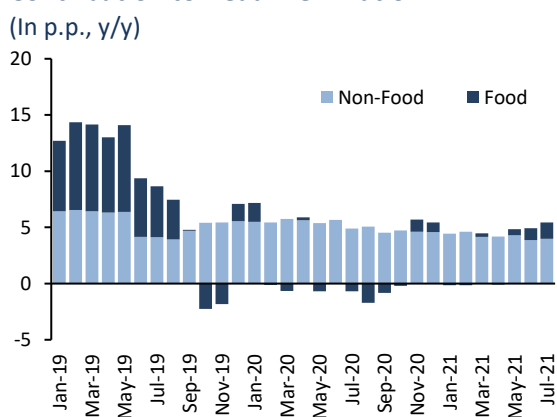


Source: Central Agency for Public Mobilization and Statistics and Central Bank of Egypt.

Following broadly the same trend as annual headline inflation, annual core inflation accelerated in July 2021 to 4.6%, from 3.8% in June 2021, and 3.4% in May 2021. The increase in annual core inflation rates was also mainly driven by unfavorable base effects, since June 2020 and July 2020 recorded negative monthly core inflation rates of 0.3% and 0.1%, as opposed to positive 0.1% and 0.6% in June and July 2021, respectively. The acceleration in June and July 2021 was mainly driven by a higher annual contribution of core food items.

Annual food inflation continued to accelerate since May 2021, recording 4.8% in July 2021, 3.4% in June 2021 and 1.7% in May 2021 compared to negative 0.3% in April 2021. While the increase was driven by the annual contribution of volatile food items during May 2021, it was then driven by the annual contribution of core food items during June and July 2021 and further supported by the contribution of subsidized food items during June 2021.

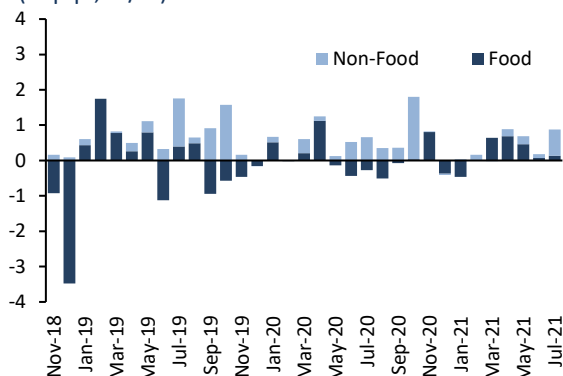
Figure 30
Contribution to Headline Inflation



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

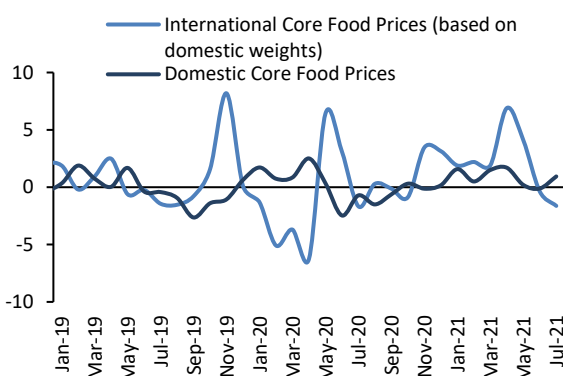
The increase in food inflation in June 2021 comes despite lower contribution from volatile food items. This upward trend comes after annual food inflation has been fluctuating between negative and positive rates since September 2019, on the back of changes in the contributions of both annual volatile and core food inflation. Meanwhile, annual core food inflation has continued to hover in the positive territory between October 2020 and July 2021 and has reached its highest rate since July 2019 by recording 4.6% in July 2021, despite continuing to record moderate monthly rates. This is broadly reflecting unfavorable base effects as it recorded monthly inflation rates of negative 0.1% and positive 0.9% in June 2021 and July 2021 compared to negative monthly inflation rates of 2.5% and 0.7% in June 2020 and July 2020, respectively.

Figure 31
Contribution to Headline Inflation
(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 Food and Agriculture Organization of the United Nations.

In the meantime, annual non-food inflation decelerated in June 2021 to 5.6% from 6.3% in May 2021 which is its lowest recorded level since June 2014, before increasing slightly in July 2021 to 5.7%. The decline in June 2021 reflected broad based lower annual contribution of regulated, services and retail items. Meanwhile, the slight increase in July 2021 reflected slight increase of annual contribution of services items in specific.

Monthly headline inflation continued to register positive rates since February and until July 2021. The monthly headline inflation rate in June and July 2021 started to be primarily driven by the contribution of non-food items (84% in July 2021 and 61% in June 2021). This comes after monthly inflation was mainly driven by the contribution of food items since November 2020 until May 2021 (91% on average) with the exception of February 2021 which was dominantly driven by the contribution of non-food items.

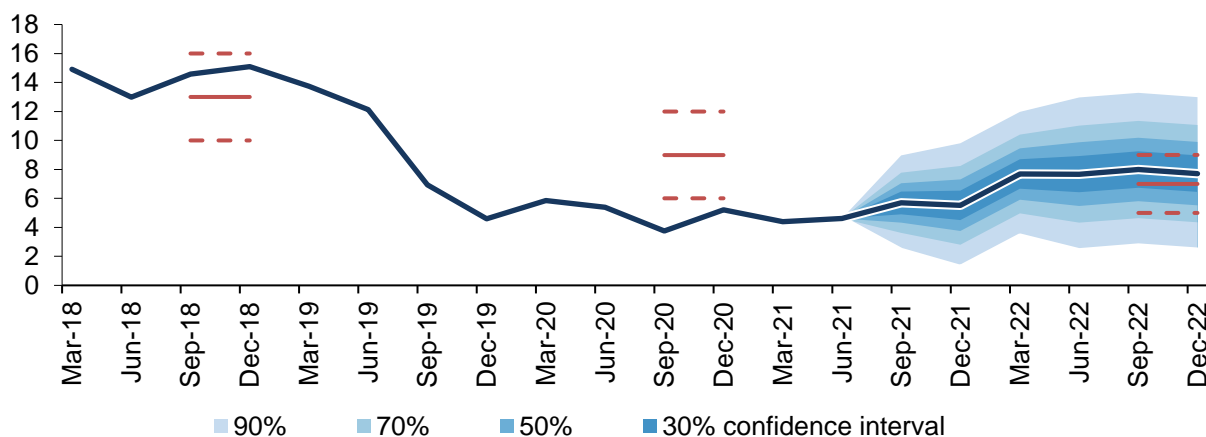
With respect to key monthly developments, the monthly headline inflation of 0.2% in June 2021 reflected higher prices of rationed vegetable oils as well as broad-based increases in both services and retail items. This was partly offset by lower prices of poultry and volatile food items. Meanwhile, July 2021 recorded a monthly inflation rate of 0.9% which was driven by higher contributions of regulated items, core food items (poultry and eggs) and services. Regulated items reflected higher prices of electricity, tobacco which is in line with the health insurance law's mandate to increase taxes on tobacco products as well as fees for getting official papers.

Both monthly domestic core food inflation and the monthly international core food inflation have been moving in tandem in terms of recording positive and negative rates since December 2020, except for July 2021. International core food prices declined on a monthly basis in July 2021 for the second consecutive month, after increasing since November 2020, supported by weaker prices of rice, meat, dairy and oils by a lesser extent.

The Outlook

The MPC decided to maintain its main policy rate unchanged in all meetings held in 2021 to date. 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 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 forecasted to follow a better than previously expected recovery trajectory, assuming a continued ease in the degree of uncertainty surrounding the pandemic and its impact on economic activity.

International food price forecasts relevant to Egypt's consumption basket are expected to continue to increase in Q4 2021 and in 2022. 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 global supply shortages, the 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 July 2021 for the second consecutive quarter, in line with the increase in international oil prices.

Upside risks to the baseline inflation outlook mainly stem from higher than projected pass through of international commodity prices to domestic inflation as well as faster than projected economic recovery domestically and globally. This could lead to earlier monetary policy normalization globally which could be a source of volatility in global financial markets. Meanwhile, downside risks to the 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. In addition, low and/or uneven vaccination rates as well as the possible spread of new strains globally still pose uncertainty around the outlook.

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	Jun-21	Jul-21	
Monthly Contributions to Headline CPI Inflation (in pp)														
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	0.2	0.9
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	0.3	0.5
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	-0.2	-0.1
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	0.1	0.4
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	0.0	0.2
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	-0.1	0.1
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	0.1	0.1
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	0.0	0.0
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	0.1	0.2
Annual Contributions to Headline CPI Inflation (in pp)														
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	4.9	5.4
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	2.2	2.1
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	0.0	0.0
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	2.8	3.3
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	0.7	1.0
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	0.3	0.5
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	0.4	0.5
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	0.3	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	1.8	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*	2018/19*		2019/20*				2020/21*		
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Trade Balance	-38.0	-36.5	-10.5	-8.3	-8.8	-9.9	-9.4	-8.4	-8.1	-10.6	-11.4
Export proceeds	28.5	26.4	6.6	7.6	7.1	7.1	6.7	5.4	6.3	6.6	7.6
<i>Petroleum exports</i>	11.6	8.5	2.5	3.0	2.4	2.6	2.3	1.2	1.6	2.0	2.3
<i>Other exports</i>	17.0	17.9	4.1	4.5	4.7	4.5	4.4	4.3	4.7	4.7	5.3
Import payments**	66.5	62.8	17.1	15.9	15.9	17.1	16.1	13.8	-14.8	-17.3	-19.0
<i>Petroleum imports</i>	11.5	8.9	2.9	2.7	3.0	2.7	2.3	0.8	-1.5	-2.2	-2.1
<i>Other imports</i>	55.0	53.9	14.2	13.1	12.9	14.3	13.7	13.0	-13.4	-15.1	-16.9
Services Balance	13.1	9.0	2.5	3.3	4.0	2.2	2.1	0.6	0.9	1.0	1.3
Receipts	24.4	21.3	5.3	6.3	7.4	6.0	5.1	2.7	3.5	3.8	4.1
Transportation	8.6	7.9	2.0	2.1	2.3	2.1	1.9	1.6	1.7	1.9	1.8
<i>Of which: Suez Canal dues</i>	5.7	5.8	1.3	1.5	1.5	1.5	1.4	1.3	1.4	1.5	1.5
Travel (tourism revenues)	12.5	9.9	2.6	3.2	4.2	3.1	2.3	0.3	0.8	1.0	1.3
Payments	11.4	12.3	2.8	3.0	3.4	3.8	2.9	2.2	2.5	2.8	2.8
Travel	2.8	3.2	0.7	0.8	1.0	1.0	0.8	0.4	0.6	0.7	0.7
Investment Income Balance	-11.0	-11.4	-2.8	-3.0	-3.3	-2.5	-3.4	-2.2	-3.1	-2.4	-3.4
Receipts	1.0	0.9	0.2	0.3	0.3	0.2	0.2	0.3	0.1	0.1	0.2
Payments	12.0	12.3	3.0	3.3	3.6	2.7	3.5	2.4	3.1	2.5	3.6
<i>Of which: Interest paid</i>	2.6	2.9	0.7	0.8	0.8	0.8	0.8	0.6	0.7	0.7	0.6
Current Transfers	25.1	27.7	6.2	6.9	6.7	6.9	7.8	6.2	8.0	7.2	7.8
Private (net)	24.8	27.5	6.1	6.9	6.6	6.9	7.8	6.2	8.0	7.4	7.8
Official (net)	0.3	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	-0.3	0.0
Balance of Current Account	-10.9	-11.2	-4.5	-1.1	-1.4	-3.2	-2.8	-3.8	-2.8	-4.8	-5.7
Capital & Financial Account	10.9	5.4	6.5	1.2	0.7	4.6	-1.1	1.3	3.9	5.3	7.9
Capital Account	-0.1	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0
Financial Account	11.0	5.6	6.5	1.3	0.7	4.6	-1.1	1.3	4.0	5.3	7.9
Direct investment in Egypt (net)***	8.2	7.5	2.3	1.7	2.4	2.6	1.0	1.5	1.6	1.8	1.4
Portfolio investment in Egypt (net)	4.3	-7.3	6.9	3.2	-2.0	2.3	-8.2	0.6	6.7	3.5	5.8
<i>Of which: Bonds</i>	5.1	4.6	3.3	2.1	-0.3	1.8	-0.7	3.7	0.0	0.7	3.8
Other Investments (net)	-1.0	6.6	-2.7	-3.5	0.3	0.1	6.3	0.1	-4.2	0.7	0.9
Net Borrowing	6.3	4.1	3.8	1.3	4.0	0.6	-1.3	1.3	2.2	2.8	1.3
Medium- and Long-Term Loans (net)	3.3	7.2	2.2	0.8	2.3	0.1	0.1	4.7	0.3	2.2	0.2
Medium- and Long-Term Suppliers' Credit (net)	0.8	-0.6	-0.1	0.3	-0.2	-0.1	-0.2	-0.2	1.9	0.1	0.2
Short term Suppliers' Credit (net)	2.1	-2.4	1.7	0.2	1.8	0.6	-1.2	-1.9	0.0	0.5	0.8
Other Assets	-8.9	0.3	-8.0	-1.6	-3.0	0.0	6.9	-4.1	-4.4	-1.0	-2.0
Other Liabilities	1.6	2.2	1.5	-3.2	-0.7	-0.7	0.7	2.9	-2.0	-1.0	1.6
Net Errors & Omissions	-0.1	-2.8	-0.5	0.1	1.0	-1.2	-1.6	-0.9	-1.2	1.1	-1.9
Overall Balance	-0.1	-8.6	1.4	0.2	0.2	0.2	-5.5	-3.5	-0.1	1.4	0.3
Change in CBE Reserve Assets (Increase -)	0.1	8.6	-1.4	-0.2	-0.2	-0.2	5.5	3.5	0.1	-1.4	-0.3

* 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										
	2016/17	2017/18	2018/19	2019/20*	Mar-20	Jun-20	Sep-20	Dec-20	Mar-20*	
GDP Growth (at Market Prices)	4.2	5.3	5.6	3.6	5.0	-1.7	0.7	2.0	2.9	
GDP Growth (at Factor cost)	3.6	5.3	5.1	2.5	4.3	-3.1	-1.3	0.4	1.5	
Public GDP (at Factor Cost)	0.4	1.5	1.7	1.2	2.4	-0.4	0.3	0.0	0.3	
PrivateGDP (at Factor Cost)	3.1	3.8	3.5	1.3	1.9	-2.7	-1.6	0.4	1.2	
Agriculture, forestry, fishing and hunting	0.4	0.4	0.4	0.4	0.3	0.2	0.6	0.5	0.4	
Industry	0.1	1.5	1.4	-0.1	1.3	-3.2	-2.4	-2.1	-1.1	
Extractions	-0.2	0.7	1.0	-0.3	-0.5	-0.9	-0.3	-0.5	0.3	
Oil	-0.4	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.3	
Natural gas	0.1	0.7	0.9	-0.2	-0.4	-0.8	-0.2	-0.4	0.6	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	
Manufacturing	0.3	0.8	0.5	0.2	1.8	-2.3	-2.1	-1.6	-1.4	
Petroleum	-0.1	0.2	0.1	0.7	1.9	-0.4	0.2	-0.2	-0.5	
Non-Petroleum	0.4	0.6	0.4	-0.4	0.0	-1.9	-2.3	-1.4	-0.9	
Services	2.1	2.6	2.4	1.1	1.6	-1.3	-0.5	0.9	1.3	
Construction	0.5	0.6	0.5	0.3	0.5	-0.4	0.1	0.5	0.4	
Real Estate Rental and Services	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.4	
Transportation and Warehousing	0.2	0.2	0.2	0.2	0.1	0.2	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	0.3	0.4	0.5	0.4	
Tourism	0.1	0.7	0.5	-0.5	-0.2	-1.9	-2.1	-1.3	-0.7	
Educational, Health Care, and Other Services	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	
Utilities 2/	0.1	0.1	0.0	0.0	0.0	-0.1	0.0	0.1	0.0	
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	0.4	0.4	0.7	0.7	0.6	
Suez Canal	0.0	0.2	0.2	0.1	0.3	0.0	-0.2	-0.1	-0.1	
General Government	0.3	0.1	0.2	0.5	0.5	0.7	0.5	0.5	0.4	

*/ 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	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21*	Jul-21*
Monetary Survey											
Net Foreign Assets	309.5	300.1	356.7	347.8	128.6	122.1	221.4	271.0	277.4	250.7	245.2
Central Bank	301.5	264.4	270.0	270.6	183.3	156.6	187.9	211.8	218.8	224.2	270.8
Commerical Banks	8.0	35.8	86.7	77.2	-54.7	-34.5	33.5	59.2	58.6	26.4	-25.6
Net Domestic Assets	3,144.8	3,563.5	3,653.7	3,762.7	4,148.1	4,416.7	4,535.7	4,649.5	4,854.5	5,105.9	5,179.9
Net Claims on Government	1,971.6	2,217.1	2,424.6	2,473.0	2,737.5	3,023.2	3,036.4	3,033.0	3,066.6	3,152.4	3,146.2
Net Claims on Public Economic Authorities	245.9	210.9	176.6	183.5	180.0	212.6	209.1	265.1	298.6	353.5	359.9
Claims on Public Sector Companies	160.2	162.1	160.6	161.8	157.4	156.3	159.6	158.4	154.7	148.6	148.6
Claims on Private Sector	1,082.6	1,217.1	1,250.0	1,287.7	1,352.5	1,454.6	1,546.6	1,597.3	1,663.3	1,752.3	1,758.1
Net Other Items	-315.5	-243.7	-358.1	-343.2	-279.3	-430.1	-415.9	-404.3	-328.7	-300.9	-232.9
Broad Money (M2)	3,454.3	3,863.6	4,010.4	4,110.5	4,276.7	4,538.8	4,757.2	4,920.5	5,131.9	5,356.6	5,425.1
Domestic Currency Component (M2D)	2,737.4	3,149.0	3,324.0	3,455.4	3,637.6	3,872.2	4,112.7	4,271.7	4,486.8	4,706.4	4,768.5
Currency Outside Banks	438.9	487.2	499.3	507.1	548.0	602.7	610.7	611.2	626.8	673.4	699.5
Domestic Currency Deposits	2,298.5	2,661.8	2,824.6	2,948.3	3,089.6	3,269.4	3,501.9	3,660.5	3,859.9	4,033.1	4,069.0
Foreign Currency Deposits	717.0	714.6	686.4	655.1	639.1	666.6	644.5	648.9	645.1	650.2	656.6
Central Bank Balance sheet											
Net foreign assets	301.5	264.4	270.0	270.6	183.3	156.6	187.9	211.8	218.8	224.2	270.8
Foreign assets	776.0	734.0	729.1	723.1	622.4	603.5	593.0	617.7	621.8	624.0	622.9
Foreign liabilities	-474.5	-469.6	-459.1	-452.4	-439.1	-446.9	-405.1	-405.9	-403.0	-399.8	-352.1
Net domestic assets	414.8	419.7	442.0	448.6	583.4	699.0	702.4	704.9	709.1	763.5	793.9
Net claims on government	730.6	747.2	792.6	761.2	739.4	815.0	712.2	696.2	715.0	744.1	853.7
Net claims on Public Economic Authorities	-15.1	-1.1	-3.3	-4.1	-2.3	-7.2	-3.8	-4.2	1.9	-37.8	-42.2
Claims on Banks	326.0	300.4	287.3	307.0	288.1	274.0	295.3	310.8	358.5	377.4	331.6
Bank's Deposits in Foreign Currency	-124.6	-121.1	-117.0	-119.6	-108.1	-112.3	-127.2	-126.8	-132.2	-135.1	-135.3
Open Market Operations ^{1/}	-677.5	-782.3	-729.7	-743.5	-621.9	-424.0	-367.1	-393.0	-510.7	-469.1	-589.2
Other items net	175.4	276.6	211.9	247.6	288.2	153.4	192.9	221.8	276.7	284.0	375.3
Reserve money	716.3	684.0	711.9	719.2	766.7	855.6	890.3	916.7	927.9	987.7	1,064.7
Currency Outside Banks	438.9	487.2	499.3	507.1	548.0	602.7	610.7	611.2	626.8	673.4	699.5
Reserves of banks	277.5	196.8	212.6	212.1	218.7	252.8	279.5	305.5	301.1	314.4	365.3
Cash in vaults	43.7	48.9	41.1	36.5	34.4	48.4	39.2	39.5	40.3	49.1	46.1
Deposits in local currency	233.8	147.9	171.5	175.5	184.3	204.4	240.3	266.1	260.8	265.3	319.2

Source: Central Bank of Egypt

*/ Preliminary

1/ Deposit auctions and deposit facility.

Table A5: Market Developments

	2016	2017	2018		2019		2020		2021	
	Q3	Q4	Q2	Q4	Q2	Q4	Q2	Q4	Q2	Q3 ^{1/}
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	9.81	9.02
Interbank O/N rate, %	11.86	18.95	16.99	16.91	15.93	12.93	9.67	9.94	9.74	8.99
Interbank O/N average volume, EGP billion	2.1	3.9	9.1	13.3	9.8	12.5	10.4	14.9	16.9	13.3
Interbank O/N share of total interbank volume, %	64.0	69.2	74.9	81.8	83.3	79.5	53.3	76.3	80.6	86.8
Banking Sector										
Deposit Rates, %	9.16	15.37	12.72	12.70	12.12	10.09	9.45	8.13	8.27	8.37
Time, %	8.75	14.16	12.17	12.24	11.48	9.48	7.72	7.49	7.50	7.63
Short-term Deposits (<1Y), %	8.72	14.22	12.18	12.25	11.49	9.54	7.72	7.48	7.35	7.33
Other Deposits, %	9.52	12.95	11.94	11.89	10.87	8.23	7.78	7.70	8.29	8.60
Saving, %	12.26	19.04	15.15	14.89	14.70	12.91	14.45	11.62	10.66	10.65
< 3 years, %	11.43	19.95	16.07	13.26	12.51	11.71	14.98	9.51	8.68	10.06
≥ 3 years, %	12.27	14.92	15.13	14.90	14.71	12.92	11.48	11.63	10.66	10.65
Saving Accounts, %	7.95	10.17	10.19	9.14	10.00	8.02	7.26	5.17	4.84	4.69
Lending Rates, %	14.74	19.11	17.88	16.95	17.36	15.41	12.34	10.74	11.18	11.29
W.a. Business Lending Rates, %	14.64	19.13	17.86	16.53	17.05	14.89	11.74	9.79	10.34	10.07
Short term business, %	14.59	19.19	17.74	17.38	17.13	14.42	11.01	10.12	10.15	9.48
Long term business, %	14.71	18.98	18.03	14.77	16.82	15.56	12.81	9.48	10.57	11.05
Retail, %	15.24	19.01	18.02	18.59	18.60	17.39	15.94	15.71	14.30	14.90
Local Debt Market										
T-Bill yield 1Y, %	15.89	17.99	17.75	19.87	17.23	14.99	12.53	13.40	13.33	13.24
W.a T-bill yield, %	15.37	18.41	18.12	19.83	17.42	15.34	12.57	13.31	13.30	13.17
W.a T-bond yield, %	16.89	15.68	15.65	18.17	16.11	14.11	13.39	14.25	14.44	14.24
WACF, %	15.54	18.20	17.96	19.76	17.33	15.20	12.63	13.56	13.51	13.41
Spreads										
O/N interbank - Mid Corridor rate, %	-0.39	-0.30	-0.26	-0.34	-0.32	-0.31	-0.08	0.94	0.99	0.24
W.a. Lending rate - Mid Corridor rate, %	2.49	-0.14	0.63	-0.30	1.11	2.17	2.59	1.75	2.43	2.54
Mid Corridor - W. A Deposit Rate, %	3.09	3.88	4.53	4.55	4.13	3.15	0.30	0.86	0.48	0.38
WACF - Mid Corridor rate, %	3.29	-1.05	0.71	2.51	1.08	1.96	2.88	4.57	4.76	4.66
W.a. Yield Curve, %	1.22	-2.19	-1.97	-1.33	-1.05	-0.98	0.65	0.75	0.91	0.86
W.a. Lending rate - WACF, %	-0.8	0.91	-0.08	-2.81	0.03	0.21	-0.29	-2.82	-2.33	-2.12
W.a. Lending rate - T-bill yield, %	2.35	4.40	3.36	0.66	3.11	2.61	1.69	-0.86	-0.31	-0.47
W.a. Lending rate - W.a. Deposit rate, %	5.58	3.74	5.15	4.25	5.24	5.32	2.89	2.61	2.91	2.92
Long term Business - Short term Business lending, %	0.12	-0.21	0.29	-2.61	-0.31	1.14	1.80	-0.65	0.42	1.57

Source: Central Bank of Egypt.

1/ As of August 24, 2021, except for the banking sector rates are as of July 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



البنك المركزي المصري
CENTRAL BANK OF EGYPT
