# Executive summary

***Egypt has been undergoing significant changes on its political front since January 25th 2011. Such developments are expected to make fundamental improvements in the transparency and efficiency of the economic policy setting that will invariably impact the lives of all Egyptians. Although the Egyptian economy was able to economically survive and grow during two consecutive global crises over the past five years, the current unfavorable global and domestic circumstances today are adversely impacting the performance of the economy, holding back growth and causing temporary disruption to the macroeconomic scene.***

***Recent updates:***

- ***Real GDP*** *recorded a growth rate of* ***1.8 percent during the period July-March of 2011/2012****, compared to* **2.3 percent** during the corresponding period of the previous fiscal year. **This signals a relative improvement if compared to the growth of 0.3 percent** recorded during **the first half of the current fiscal** year. It is worth noting that GDP growth rate is expected to continue its gradual recovery upon the dissipation of the base effect that started in the third quarter of FY 2010/2011.

- **Budget deficit to GDP stabilized at 2.1** percent during the period **July- August 2012/2013** recording LE 38 billion, compared to LE 32.1 billion during **July- August 2011/2012.**

- **Domestic budget sector debt** increased to 70.5 percent of GDP as of end **March 2012 to record LE 1089.4 billion** compared to LE 932.6 billion as of end of March last year.

- **External debt indicators relatively improved with a decrease in the external debt stock by 4.1 percent, leveling at 13 percent of GDP in March 2012 (US$ 33.4 billion)** compared to 15.1 percent of GDP (US$ 34.8 billion) as of end March 2011.

- ***M2 annual growth*** *picked up as of end* ***June 2012*** *recording* ***8.4 percent****, compared to* ***7.4 percent in May 2012****, albeit falling short of the* ***10 percent recorded in June 2011****.*

- ***CPI annual Urban*** *Inflation almost stabilized at* ***6.5*** percent *during* ***August 2012*** *compared to 6.4 percent during the previous month. However,* ***annual core inflation*** *declined during* ***August 2012*** *registering* ***5.3 percent*** *compared to* ***6.3*** *percent during July 2012.*

- ***During the Monetary Policy Committee meeting*** *held on* ***September 6th****, 2012, CBE has decided* ***to keep*** *the* ***overnight deposit rate and overnight lending rate*** *unchanged at* ***9.25 percent,*** *and* ***10.25 percent*** *respectively, and the* ***7-day repo*** *at* ***9.75 percent****. Moreover,* ***the discount rate*** *was also kept unchanged at* ***9.5 percent****.*

- ***BOP*** *recorded an* ***overall deficit of US$ 11.3 billion*** *during the fiscal year* ***2011/2012*** *compared to a deficit of US$ 9.8 billion in the previous year;* this could be explained in light of the recent events Egypt witnessed, which had negative effects, specially on tourism revenues and foreign investment inflows.

### *I. Real GDP Growth*

GDP at market prices **shows significant improvement during the third quarter of 2011/2012,** recording a growth rate of 5.2 percent (compared to 0.4 percent during the previous quarter in 2011/2012). However, **growth rates for the period July-March 2011/2012 (which recorded 1.8 percent) are relatively lower** than the 2.3 percent recorded during the corresponding period in 2010/2011**.**

Despite the relative deceleration in total economic growth, **private and public consumption growth** – which comprise 89.3 percent of total GDP figure and contribute 4.8 percent to total growth – remained the **main drivers of real GDP growth (market prices) in the period July-March 2011/2012.** Private and public consumption grew by 6 percent and 3.1 percent respectively, in addition to an increase in investment spending (for the first time since December 2010) by 5.3 percent, which offsets the widening gap between exports and imports during the review period.

In fact, **imports of goods and services increased** by 11 percent during the period July-March 2011/2012 (compared to an increase of 11.8 percent during the same period last year), while **exports decreased** by only 1.3 percent, (as opposed to an increase of 7.9 percent in the period July-March of 2010/11). It is worth noting that **GDP** (at market prices) for the period of study **in constant prices** stands at **LE 678.4 billion** (LE 1141.9 billion in current prices), in comparison to **LE 666.1 billion** (LE 1021.5 billion in current prices) **during the period July- March last year.**

Regarding **real GDP at factor cost[1], realized growth has picked up to 1.9 percent during the period July-March 2011/2012.** It is noteworthy that from a sectoral perspective, the **main contributors to this growth** were Agriculture (3.0 percent growth; 13.9 percent of GDP), Suez Canal (6.1 percent growth; 3.4 percent of GDP), Telecommunications (5.4 percent growth; 4.3 percent of GDP), Real Estate (3.2 percent growth; 2.7 percent of GDP. On the other hand, **three main sectors (comprising more than 32 percent of GDP) contributed to the deceleration,** most notably Manufacturing (-0.4 percent growth; 15.0 percent of GDP), and Extractive Industry (-0.2 percent growth; 13.2 percent of GDP) ; and Tourism (-1 percent growth; 4.1 percent of GDP).

### *II. Fiscal Performance*

**According to recent data for the period July- August of the fiscal year 2012/2013,** the overall budget deficit to GDP ratio stabilized at 2.1 percent, reaching LE 38 billion, compared to LE 32.1 billion during the period July- August 2011/2012. It is noteworthy that during the period of study fiscal revenues increased at higher rate than the growth in fiscal expenditures. Meanwhile, the primary deficit to GDP decreased to 0.8 percent compared to 1 percent during July- August 2011/2012.
From the revenues side, total revenues increased notably by 22.5 percent during the period of study, registering almost LE 28.5 billion compared to LE 23.3 billion during July- August 2011/2012. The recorded increase is principally due to the 29.5 percent increase in tax revenues, which counterparts the decrease in non-tax revenues by 4.7 percent reaching LE 4.5 billion during July-August 2012/2013 compared to LE 4.8 percent during the same period last year.

On a more detailed level, the step up in tax revenues comes with the increase in all Tax Chapters mainly the significant increase in Income Tax and Property Taxes by 70.3 percent and 25.5 percent reaching LE 8.6 billion and LE 2.3 billion compared to LE 5.1 billion and almost LE 1.9 billion respectively during July- August 2011/2012. Also Taxes on Goods and Services increased by 13.4 percent recording LE 10.5 billion during July-August 2012/2013, compared to LE 9.2 billion during the same period last year.

It is noteworthy that the increase in revenues from Income Tax comes with the increase in proceeds from tax on income from employment by 22.9 percent reaching LE 2.6 billion during July- August 2012/2013 compared to LE 2.1 billion during July- August 2011/2012; in addition to the notable increase in proceeds from taxes from Corporate Profit mainly from Other Companies by 15.7 percent reaching LE 1.3 billion compared to LE 1.1 billion during the same period last year.Moreover, revenues from Property Tax chapter increased significantly mainly

[1] Real GDP growth rates are calculated using 2006/07 as a base year.

due to the increase in proceeds from tax on T-bills and bonds' payable interest by 26.6 percent to almost LE 2 billion compared to LE 1.6 billion during July- August 2011/2012.

On the other side, Non- Tax Revenues decreased by 4.7 percent during the period July- August 2012/2013 mainly due to the decrease in proceeds from Other Revenues chapter specially Property Income, and which decreased by 4.1 percent, recording LE 2.9 billion during the period of study compared to LE 3 billion during the period July- August 2011/2012.

On the other hand, total expenditures increased during July- August 2012/2013 by 19.7 percent, recording LE 66.3 billion compared to LE 55.4 billion during the same period last year. The recorded increase comes with the expansion growth in most spending chapters except for other expenditures and purchases of non financial assets which declined by 2.2 percent, and 45.7 percent, to LE 5.5 billion, and LE 1.4 billion during the period July- August 2012/2013 compared to LE 5.6 billion and LE 2.6 billion respectively during the same period last year. It is worth mentioning that the decrease in Other Expenditures Chapter could be explained in light of the decrease in Contingency Reserves by 3.7 percent to LE 5.3 billion during the period of study, compared to LE 5.5 during the same period last Year. While, the decrease in Purchase of non financial assets could be explained in light of the 46.2 percent decline in fixed assets reaching LE 1.3 billion compared to LE 2.5 billion during the same period last year.

However, compensation of employees has increased by 25.1 percent to LE 21.4 billion compared to LE 17.1 billion during July- August 2011/2012. Also, Interest payments (which represent almost 34.8 percent of total Expenditures) have increased by 42.7 percent recording almost LE 23.1 billion during July- August 2012/2013 compared to LE 16.2 billion during the same period last year. In addition, Subsidies, grants and social benefits (which represent almost 19.6 percent of total Expenditures) have increased by 6.2 percent to LE 13 billion compared to almost LE 12.2 billion during July- August last year.

### *III*. Domestic Debt Profile

**As for domestic debt figures, statistics issued by the Ministry of Finance depict consolidated debt stocks[2] at three different levels of compilation; the Budget Sector, General Government, and the Public Sector[3].**

**Recent statistics show that domestic budget sector debt increased to 70.5 percent of GDP as of end of March 2012** to some LE 1089.4 billion compared to LE 932.6 billion as of end March 2011 (68.0 percent of GDP). As for net domestic budget sector debt, it reached LE 924.9 billion (59.8 percent of GDP) compared to LE 778.9 billion (56.8 percent of GDP) as of end March last year. Accumulated budget sector debt at end of March 2012 was mainly attained via increasing issuances of T-bills and T-bonds; outstanding stocks of T-bills and T-bonds at end of March 2012 amount to LE 382.8 billion and LE 250.1 billion respectively versus LE 320.4 billion and LE 206.8 billion at end of March last year reflecting government's growing borrowing needs.

**Gross domestic debt of the general government amounts to LE 1015 billion (65.6 percent of GDP) at end of March 2012, compared to some LE 847.9 billion (61.8 percent of GDP) at end of March last year.** Also, net domestic debt of the general government reached some LE 843 billion (54.5 percent of GDP) compared to LE 683.7 billion (49.8 percent of GDP) at end of March 2011. The increase in general government debt at end of March 2012 was driven by the increase in consolidated budget sector debt, in addition to the increase in consolidated debt of the National Investment Bank by nearly LE 11.1 million amounting to almost LE 181.3 billion at end of March 2012.

**Finally, gross domestic public debt reached LE 1052.7 billion (68.1 percent of GDP), compared to LE 890.7 billion at end of March last year (64.9 percent of GDP).** At the same time, net domestic public debt reached LE 861 billion (55.7 percent of GDP) compared to LE 704.6 billion (51.4 percent of GDP) at end of March 2011. It is noteworthy that the realized increase in domestic public debt at end of March 2012 was due to an increase in accumulated debt of the General government by 167.1 million to reach 1015 billion while Economic Authorities Domestic Debt declined by 4.9 million to reach 103.3 billion at end March 2012.

Meanwhile, domestic debt service increased by 11.8 percent to almost LE 90.1 billion at end of March 2012, compared to LE 80.7 billion during the same period last year.

The average life to maturity of outstanding T-bonds and T-bills declined to 1.3 years at end of March 2012 compared to 1.5 at end of March 2011. Meanwhile, average interest rates on outstanding stock of t-bills and t-bonds increased to 12.89 percent at end of March 2012 compared to 10.91 percent at end of March 2011.

### *Egypt External Debt indicators showed slight improvement*

External debt decreased by 4.1 percent at end March 2012 to US$ 33.4 billion compared to US$ 34.8 billion at end of March a year earlier. The ratio of external debt to GDP decreased from 15.1 percent of GDP at end March 2011 to 13 percent of GDP at end March 2012. Government external debt decreased by 4.8 percent to US$ 25.5 billion (76.2 percent of total external debt) as of end of March 2012 compared to US$ 26.8 billion (76.8 percent of total external debt) at end of March 2011[4].

### *IV. Monetary Developments*

(It is noteworthy that detailed data for July 2012 are not yet available)

On the monetary side, monthly growth rate in total liquidity increased notably by 2.5 percent – first time since June 2010 - to register LE 1094.4 billion in June 2012, compared to LE 1067.6 billion in May 2012. Annual growth in total liquidity picked up in June 2012, recording 8.4 percent compared to 7.4 percent in the previous month, albeit falling short of the 10 percent rate recorded in June 2011. From the assets side, net foreign assets stabilized for the second month in a row during June 2012 at a contraction of 37.8 to reach LE 157.6 billion, while annual growth rate of net claims on government and GASC recorded a significant growth of 33.6 percent, compared to 29.9 percent in the previous month. Also this annual increase could be explained from the liabilities side in light of the step up in M1 recording 10.4 percent at the end of June 2012 to LE 274.5 billion, compared to 8.4 percent at end of the previous month. Moreover, quasi money increased during the month of study reaching 7.8 percent to LE 819.9 billion, compared to a growth of 7 percent in May 2012.

On a more detailed level, net foreign assets almost stabilized for the second month in a row during June 2012 at a contraction of 37.8 percent which brings total NFA of the banking sector to LE 157.6 billion, yet it dropped sharply if compared to a decrease of 10 percent at end of June 2011; which is explained in light of increasing pressures on Balance of Payments during last year. **Central Bank's net foreign assets** continued its decelerating path which began with the eruption of political unrest, recording annual decline of 48.3 percent (compared to a peak of 55.5 percent in January 2012, highest rate of decline since July 2002) reaching LE 76.1 billion at end of June 2012. Moreover, **Bank's net foreign assets** has declined by 23.3 percent to register LE 81.6 billion at the end of June 2012, compared to a less decline of 20.6 percent last month reaching LE 82.2 billion, and an increase of 15.3 percent at end of June 2011 to LE 106.3 billion.

On the other hand, growth in net domestic assets of the banking

2 Consolidated debt stocks exclude interrelated debt between entities at each level of compilation.

3 The Budget sector debt stock encompasses outstanding stocks of Central Government, Local Governments, and Public Service Authorities. The General Government debt stock includes the consolidated debt stocks of the Budget sector, the NIB, and SIF. The Public sector debt stock corresponds to the consolidated debt of the General Government and Economic Authorities.

4 The CBE revised basis for foreign debt classification as of September 2008. Accordingly, Government debt statistics reflect an increase of US$ 4.3 billion primarily due to the reclassification of on lent loans as part of Central and Local Government debt instead of "Other Sectors" debt. It is noteworthy that such reclassification has not had any impact on the total outstanding foreign debt; which however may have changed due to the net flows of debt repayments and borrowings from abroad. So far, CBE has not released any figures for modified historical data.

sector has increased recording 23.9 percent at end of June 2012 recording LE 936.8 billion, compared to growth of 22.8 percent previous month and 19 percent same month last year. The growth in net domestic assets of the banking sector is primarily derived by 33.6 percent growth in net claims on government and GASC, compared to a growth of 29.9 percent last month and a peak of 45.3 percent in January 2012. It is worth noting that increase in net claims on government and GASC growth amounted to more than 173 percent of annual liquidity growth at the end of June 2012 reaching LE 584.2 billion.

Annual growth in the credit to the private sector remained unchanged at end of June 2012 at 7.3 percent compared to previous month, yet much higher if compared to the 0.8 percent increase achieved at end of June 2011 and compared to an average growth rate of 3.5 percent during the previous twelve months. This has brought the stock of outstanding credit to the private sector to LE 453.3 billion. It is worth noting that **"net claims on the public business sector"** grew at 23.2 percent on annual basis to LE 40.6 billion, down from an annual increase of 27 percent last month, yet increased significantly if compared to an increase of 10 percent at end of June 2011.

CBE net international reserves (NIR) have declined from a peak of US$ 36 billion in December 2010, to US$ 26.6 billion in June 2011, finally residing at US$ 15.1 billion at end of August 2012, posting an overall decline of 58.1 percent since its peak. However, the month of August have witnessed an increase of about US$ 700 million over the previous month.

Annual growth in total deposits with the banking sector (excluding CBE) has increased reaching a growth rate of 6.4 percent at end of June 2012 compared to 6.2 percent in previous month registering LE 1026.7 billion, while it decelerated slightly compared to 7.2 percent recorded in June 2011. Out of total deposits, 88.4 percent belonged to the non-government sector at end of June 2012. On the other hand, annual growth rate in total lending by banking sector (excluding CBE) increased to 6.9 percent at the year ending June 2012, compared to 6.7 percent last month and compared to only 1.7 percent a year earlier. This brings total loans to almost LE 506.7 billion at end of June 2012. On a more detailed level, annual growth in total lending to non-government sector registered 8.9 percent to reach some LE 473 billion at end of June 2012, while annual growth in total lending to government sector continued to decline recording -15.6 percent to register LE 33.6 billion. As for the loans-to-deposits ratios, local currency loans-to-deposits has increased registering 46.6 percent at the end of June 2012, compared to 44.7 percent in June 2011. On the other hand, loans to deposits ratio in foreign currencies posted a pronounced decrease on annual basis registering 58 percent at the end of June 2012, compared to 63.1 percent in June 2011.

Moreover, dollarization in total liquidity has recorded a marginal decrease during June 2012 to post 17 percent compared to 17.3 percent last month and 17.5 percent in June 2011. Moreover, dollarization in total deposits has almost stabilized at 23.9 percent in June 2012, compared to unchanged rate of 24 percent last month and at end of June 2011.

### *V. Prices*

**Concerning domestic consumer prices, annual CPI inflation[5] in urban areas almost stabilized at 6.5 percent during August 2012** compared to 6.4 percent recorded during the previous month, but it decreased if compared to 8.5 percent in August 2011. (**As for overall Egypt, it also stabilized at 6.3 in August 2012 for the second month in a row**, but it decreased if compared to 8.8 percent in August 2011). This could be explained in light of the stabilization of annual inflation rates of main groups, except for the increase in annual inflation rate of "Food and Beverages" group, and more specifically the sub items "Vegetables" (25.6%), "Fish and Seafood" (18.2%), "Fruit" (5%), " Mineral Waters, Soft Drinks" (0.8%), On the other hand, monthly inflation rate rose notably during August 2012 recording 1.2 percent, compared to 0.4 percent during previous month (mainly due to the seasonal increase in prices accompanied with the holy month of Ramadan).

Moreover, according to CBE inflation report, annual core inflation[6] decelerated during August 2012 recording 5.3 percent compared to 6.3 percent during the previous month, and compared to 7 percent achieved during the same month a year ago.

**As for producer prices, year-on-year PPI** inflation **decelerated to -2.1** percent during **July 2012** compared to -3.7 percent recorded during previous month, and compared to 17.3 percent recorded in July 2011. However, monthly PPI inflation rose to 1.9 percent during July 2012 compared to -6.7 percent during June 2012. The annual PPI inflation rate declined during July 2012 mainly due to the decline in annual inflation rates for most PPI groups, except for the increase in annual inflation of "Electricity, steam, gas and air conditioning supply", and "Accommodation and Food Service Activities" groups recording 7.3 percent, and 11.7 percent during July 2012, compared to stable prices, and 3.4 percent respectively during June 2012.

During the **Monetary Policy Committee** meeting **held on the 6th of September, 2012,** CBE has decided **to keep** the **overnight deposit rate** and **overnight lending rate** unchanged at **9.25 percent, and 10.25 percent** respectively, and the **7-day repo** at **9.75 percent.** Moreover, the **discount rate** was also kept unchanged **at 9.5 percent.** The committee justified such decision in light of "**the balance** of risks surrounding the inflation **on one hand** and a slowdown in the growth of local economy **on the other hand**, in addition to the uncertainty at this juncture." Notwithstanding the present downside risks to growth posed by the ongoing political transition, inflationary pressures still exist in the economy mainly due to inefficiencies in local supply and distribution channels.

***Additionally,*** *as part of its monetary policy framework, the CBE has* ***decided to introduce a 28-day repurchasing agreement (repo) starting July 10, 2012,*** *at variable rate tenders with a minimum bid equal to the 7-day repo rate.*

***It is worth mentioning that on its board meeting held on May 22nd 2012, CBE decided, for the second time in 2012, to lower its reserve requirement ratio (RRR) on local currency deposits by two percentage points from 12 percent to 10 percent****, effective the maintenance period starting June 26th 2012. It is note worthy that the CBE has first lowered its reserve requirement ratio on local currency deposits in March 20th 2012, by two percentage points from 14 percent to 12 percent with the objective of easing liquidity pressures in the banking sector.*

### *VI. External Sector*

Balance of payments (BOP) statistics- published by the Central Bank- for the FY 2011/2012 registered a **deficit of US$ 11.3 billion in the overall balance**, increasing by 16 percent over the previous year's deficit of US$ 9.8 billion. The recorded deficit comes as a result of the 30.2 percent rise in the current account deficit registering US$ 7.9 billion, in addition to an outflow of US$ 1.4 billion in the capital and financial account. Moreover, net errors and omissions recorded a net outflow of US$ 1.9 billion. This could be explained in light of the recent events that took place in Egypt and the Arab region, which had negative effects on various proceeds specially tourism revenues and foreign investment inflows.

The trade deficit registered US$ 31.7 billion during FY 2011/2012, increasing by 17 percent from the previous year's figure of US$ 27.1 billion. This is due to the increase of import payments by 8 percent reaching US$ 58.7 billion, while export proceeds almost stabilized for the second year in a row at US$ 27 billion. Petroleum exports increased by 8 percent to reach US$ 13.1 billion, while non-oil exports recorded 7 percent decrease to reach US$ 13.8 billion. As for total commodity imports, the increase witnessed in the year of study is due to the notable increase in petroleum

5 CPI inflation based on new CAPMAS series with January 2010 as base value for the index.

6 The Core Index excludes items characterized by inherent price volatility specifically 'fruits and vegetables' (6.9 percent of headline CPI basket), and those with managed prices 'regulated items' (18.7 percent of headline CPI basket). It is important to note that Core CPI is merely an analytical tool that compliments the Headline Index and does not replace it.

imports by 27 percent to US$ 11.8 billion; in addition to a lower increase in non-oil imports by 4.6 percent to US$ 46.9 billion.

Moreover, the services balance has accumulated a lower surplus during 2011/2012, recording US$ 5.4 billion compared to US$ 7.9 billion during the previous year. Total services receipts decreased to US$ 20.9 billion as a result of the decline in most of the sub-items, except for the increase in receipts from transportation by 6.4 percent to US$ 8.6 billion (which includes an increase of 3.1 percent from Suez Canal receipts to reach US$ 5.2 billion), in addition to the increase in government services receipts by 135 percent reaching US$ 276 million, compared to US$ 118 million during last year. This increase was counteracted by the 11 percent decrease in travel receipts to US$ 9.4 billion; in addition to a 12 percent decrease in other receipts to US$ 2.3 billion. Moreover, receipts from investment income declined by 41 percent amounting US$ 0.2 billion.

On the other hand, services payments increased during 2011/2012 reaching US$ 15.5 billion compared to US$ 14 billion during the previous year. This comes due to the increase in most of the services payments sub-items, except for transportation, which decreased by only 1 percent reaching US$ 1.4 billion. On the other hand, investment income payments increased by 7 percent to reach US$ 6.9 billion. Moreover, travel payments have increased by 18 percent to reach US$ 2.5 billion, compared to US$ 2.1 billion last year, while other payments increased by 21 percent to US$ 3.5 billion.

It is worth noting that the Net international reserves (NIR) imports coverage ratio has significantly decreased to 3.2 months during FY 2011/12 compared to 5.9 months during FY 2010/2011.

Also, it is note worthy that private transfers notably increased during 2011/2012 by 44 percent to nearly US$ 17.8 billion, compared to US$ 12.4 billion for previous year, mainly due to Egyptian workers' remittances transferred from abroad. On the other hand public transfers decreased during 2011/2012 to reach US$ 632 million compared to US$ 753 million during last year. Consequently, current account receipts increased by 6.9 percent to US$ 66.3 billion, while current account payments increased by 9 percent to US$ 74.2 billion, bringing the ratio of current receipts to current payments (including official transfers) down to 89.3 percent compared to 91.1 percent during the previous year.

As a result of the factors mentioned above, the current account deficit increased by 30 percent, recording US$ 7.9 billion during 2011/2012, compared to a deficit of US$ 6.1 billion during the previous fiscal year.

On the other hand, the capital and financial account reported a net outflow of US$ 1.4 billion; versus an outflow of US$ 4.2 billion during 2010/2011. This comes as portfolio investments in Egypt recorded a notable net outflow of US$ 5 billion during 2011/2012 due to the foreigners' sales of their holding of securities, especially T-Bills (nearly US$ 4 billion, as compared to US$ 3.1 billion in the previous year). Moreover, net foreign direct investments in Egypt recorded a net inflow of US$ 2.1 billion compared to a net inflow of US$ 2.2 billion in the previous fiscal year. Other investments recorded a net inflow of US$ 2 billion, compared to a net outflow of US$ 2.7 billion during 2010/2011, as other assets amounted a net inflow of US$ 1.2 billion compared to net outflow of US$ 3.4 billion during the previous fiscal year.

Finally, net errors and omissions recorded a net outflow of US$ 1.9 billion during the FY 2011/2012, compared to a net inflow of US$ 0.5 billion during the previous year.

### *VII. Stock Exchange*

The EGX-30 index increased by 470 points during August 2012, reaching 5332 compared to 4863 during July 2012. Moreover, market capitalization increased by 8.6 percent during the month of study to LE 369 billion (20.8 percent of GDP). Such developments indicate a slow recovery in light of the most recent developments on the political scene.