Executive Summary

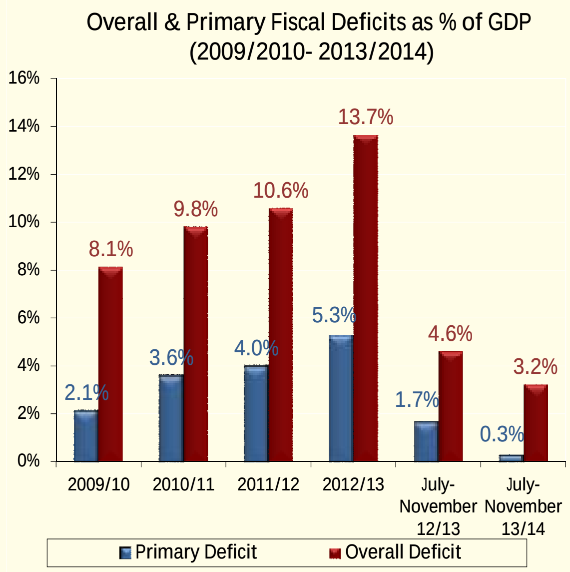
- Budget deficit declined to almost 3.2 percent of GDP in the period July-November 2013/2014 (reaching LE 66 billion), which represents 35.5 percent of revised budget, compared to 4.6 percent (reaching LE 80.7 billion) during July- November 2012/2013 (36.9% of revised budget), and which is considered a decline of LE 15.4 billion. Meanwhile, Primary deficit to GDP declined to almost 0.3 percent during the period of study, compared to 1.7 percent during the same period of last year.

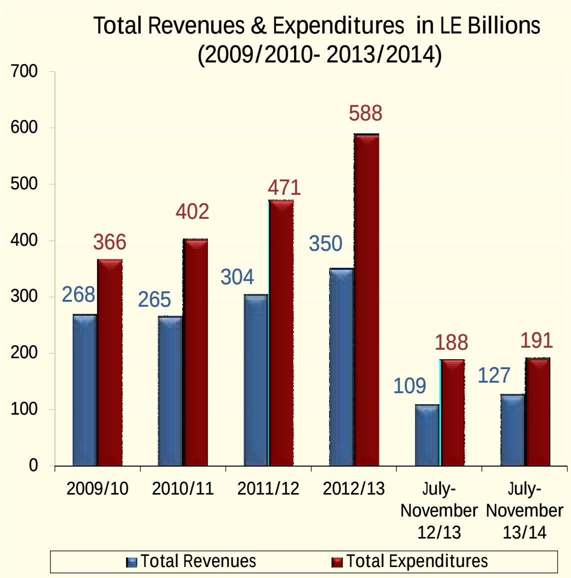
  This improvement reflects the increase in grants used to finance the stimulus package. However, this increase has not yet been materialized by a corresponding increase in investments on the expenditure side. It is noteworthy that the decline in deficit came despite of lower revenue receipts from Suez Canal and the Central Bank of Egypt compared to the same period of last year.

  Detailed data of budget performance during July- November 2013/2014 reveals the following:

  Ø On the Revenues Side:

  Total revenues increased by 16.8 percent during the period of study, registering LE 126.7 billion. The recorded increase can be attributed to the 97.8 percent increase in non-tax revenues, which counterpart the decrease in tax revenues by 13.4 percent compared to the same period last year. This could be explained in light of the decline of receipts from the sovereign authorities, tax receipts on international trade by 15.8 percent compared to the same period of last year, and a decrease of 27 percent in other revenues during the period of study. On the other hand, taxes on economic activity recorded an increase, of which; taxes on corporate profits (non- sovereign), taxes on goods (except for petroleum as no petroleum settlements have been made till November 30th 2013, which have an implication on both revenues and expenditures sides).

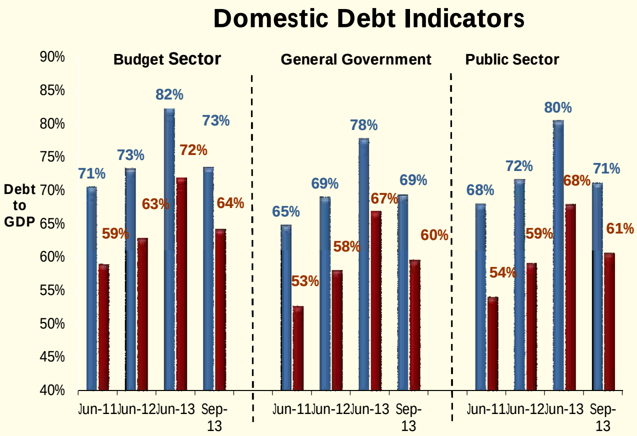


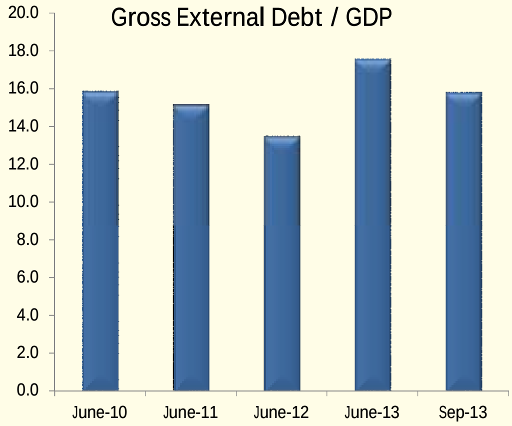


Ø On the Expenditures Side:

Total expenditures increased slightly during July- November 2013/2014 by 1.5 percent, recording LE 190.7 billion, due to the increase in each of; wages and compensation of employees by 26 percent, interest by 17 percent, other expenditures by 15.8 percent and purchases of non-financial assets (investments) by 7 percent. However, subsidies, grants and social benefits decreased by 42.4 percent, as settlement with EGPC on petroleum subsidies took place after November 30th, 2013. Meanwhile, purchase of goods and Services declined by 1 percent due to the decline in spending on raw materials, water and lighting, and that in light of the government's plan to rationalize public spending.

- Domestic budget sector debt recorded 73.5 percent of GDP as of end September 2013 compared to 70.6 percent during September 2012.





External debt stock recorded US$ 47 billion at end of September 2013 compared to US$ 34.7 billion at end of September 2012 (most of the increase are aid from the Gulf Countries with concessional and preferential terms). External debt as percent of GDP recorded 15.8 percent at end of September 2013, which remains low if compared to average of peer countries (Middle East and North Africa countries recorded an average of 25.5 as percent of GDP during the year 2013).

The most important External debt indicators are as follows:

Ø External debt service to exports and services ratio has been unchanged since 2008/2009 till 2012/2013 stabilizing at 6.4 percent. This indicates a safe level to meet debt service obligations.

Ø Short term debt to total external debt ratio slightly increased from 8.48 percent at end of September 2012 to 8.52 percent at end of September 2013.

- M2 annual growth continued to grow reaching nominal growth rate of 18.7 percent (real growth rate of 8.6 percent) at end September 2013 compared to 9.8 percent in September 2012, stimulated by the increase in net domestic assets, mainly in net claims on government and GASC. However this rate has slightly declined if compared to an annual growth rate of 19.2 percent recorded in the previous month.

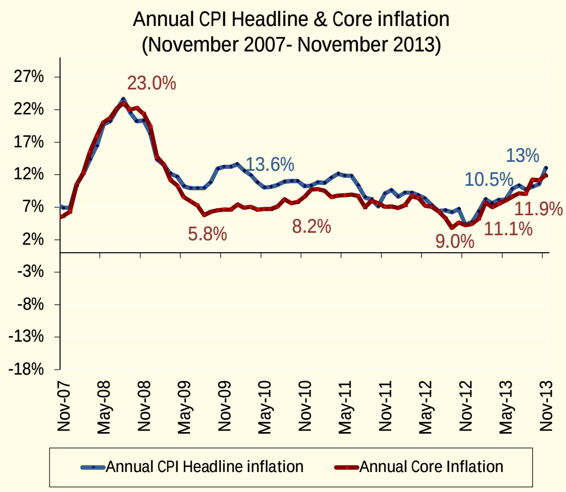
- In an attempt to absorb excess liquidity and to protect the domestic currency, the CBE announced the reintroduction of deposit operations. In this context, on December 15, 2013, the CBE introduced LE 45 billion worth of 7-day maturity at a fixed annual interest rate of 8.75 percent.

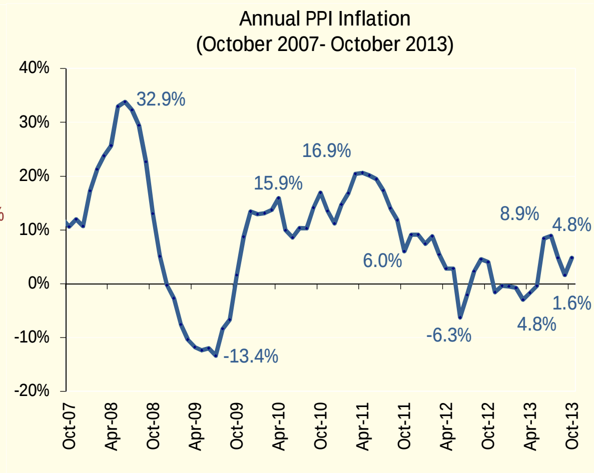
- During its Monetary Policy Committee meeting held on December 5, 2013, CBE cut the overnight deposit rate and overnight lending rates by 50 basis points to 8.25 percent and 9.25 percent respectively, and to cut the CBE's main operation by 50 basis points to 8.75 percent. Moreover, discount rate was also cut to 8.75 percent. This is considered the third policy rate cut by the CBE since August 2013, bringing its total to 150 basis points.

- During November 2013, Net International Reserves (NIR) has shed by US$ 0.8 billion to record US$ 17.8 billion, down from US$ 18.6 billion in October 2013. Noteworthy, NIR witnessed an annual growth rate of 18.4 percent, despite the monthly decrease. It is also important to highlight that Egypt has returned US$ 0.5 billion in deposits to Qatar after maturity.

- CPI annual Urban Inflation recorded 13 percent during November 2013 compared to 10.5 percent during the previous month. These developments could be explained in light of:

  - Ø Unfavorable base effect from last year.
  - Ø The disturbance of distribution channels and supply of butane gas have led to an increase in overall price level. In addition to the adjustments of prices of water supply, and the seasonable increase in the prices of several food and clothing items, such as vegetables, fruits, and fish due to Eid festivals.
  - Ø The increase in annual inflation rates of other main groups, on the top of which; "Food and Beverages" (Weight 44.2%), and "Housing, Water, Electricity, Gas, and Other Fuel" (17.7%), and "Clothing and Footwear" (5.8%), and "Furnishing, Household Equipment" (3.6%).
  - Ø Annual core inflation increased to almost 12 percent during November 2013 compared to 11.1 percent during October 2013.





- Detailed data for the first quarter of FY 2013/2014 has not yet been published by the Ministry of Planning, however, it is worth mentioning that real GDP has recorded a growth rate of 2.1 percent during the fiscal year 2012/2013. Despite its slower growth, private consumption has been the highest contributor to real GDP growth by the highest share of 2.3 PPT. Public consumption and exports remained to be major contributors to growth with 0.4 and 0.7 PPT respectively. Noteworthy, the government is currently implementing expansionary policies targeting increasing public investment in infrastructure aiming at stimulating growth rates.

- On the external sector side, BOP showed a significant improvement during the period July-September 2013/2014 recording an overall surplus of US$ 3.7 billion –the highest since July-September 1997/1998– compared to an overall deficit of US$ 0.5 billion in the same period last year. This improvement can be explained in light of the the significant increase in the current account balance, recording a surplus of US$ 0.8 billion – for the first time since FY 2008/2009– compared to a deficit of US$ 1.3 billion recorded in July-September 2012/2013. In addition, the Capital and Financial Account witnessed a notable increase in net inflows recording US$ 4.0 billion, compared to US$ 1.5 billion during the same period last year.

  - On a more detailed level, the surplus recorded in the current account balance can be mainly attributed to the significant increase in public transfers during the period July-September 2013/2014 , recording US$ 4.3 billion in light of grants received from Arab countries (US$1 billion from the United Arab Emirates, US$2 billion in-kind grants from Gulf countries in the form of petroleum shipments and US$1.3 billion international funding and grants from various countries) compared to US$ 40 million during the same period last year. On the other hand, this surplus was reduced by the decline of services receipts, registering US$ 4 billion (accompanied by an annual decrease of 64.7 percent, equivalent to US$2 billion, in tourism receipts to record US$ 0.9 billion).

  - On the other hand, the surplus recorded in the Capital and Financial Account is due to an increase in Portfolio investments in Egypt, recording a net inflow of US$ 1.3 billion, compared to a net outflow of US$ 0.3 billion. In addition, Net foreign direct investments in Egypt increased by 7 percent, recording a net inflow of US$ 1.2 billion during the period July-September 2013/2014 (increasing from US$ 1.16 million)

- Total number of tourists arrivals sharply decreased during the month of September 2013 by 69.7 percent, reaching 0.3 million tourists compared to 1 million tourists in September 2012. It is noteworthy that more than 25 countries have lately raised the ban on travel to Egypt, which could improve the sector's performance during the coming period.

- The EGX-30 index increased by 4.3 percent during December 2013, recording 6593 points, the highest level in the last Thirty Four months. Moreover, the Stock market has recorded profits of LE 105 billion during the period July- December 2013.