Executive Summary

Main Highlights

The Economic Reform Program implemented by the Egyptian government has uplifted economic performance as demonstrated by key indicators. Investors have expressed unprecedented interest in the Egyptian Economy on the back of the executed bold reforms since November 2016. These reforms were complimented with the Ministry of Finance's commitment to maintain direct communication channels for greater public participation in the country's economic vision and eventually policy making. The Ministry is keen to open lasting dialogues with the civil society to ensure its effective involvement. Key economic reports are published timely to keep the public informed as well as involved, amongst which is the fourth annual version of the “Citizens’ Budget” published on September 30th 2017. Publications are accessible on www.mof.gov.eg and/or www.budget.gov.eg.

Signaled by the following economic indicators, executed reforms have led to early signs of recovery:

- Trade deficit dropped by 8.4 percent in FY16/17, compared to last fiscal year, on the back of a 16.2 percent increase in non-petroleum exports coupled with a 4.5 percent decline in non- petroleum imports.

- Net International Reserves (NIR) hiked to a record-high of US$36.5 billion in September 2017 (7.6 months of merchandise imports in August 2017), compared to US$ 19.6 billion in September 2016 (3.5 months of merchandise imports in August 2016) and a five-year low of US$ 12.1 billion at the end of June 2016.

- Unemployment rate fell to 11.98 percent during Q2-2017, compared to 12.5 percent during same period last year and a four-year overwhelming high of 13.2 percent in FY12/13. This reflects, on average, the creation of 700 thousand new job opportunities annually.

- On the Fiscal front, budget deficit declined to 1.7 percent of GDP during the period July-August 2017/2018, compared to 2.0 percent during the same period last year as revenues increased at a faster pace than expenditure. On the revenues side, there is a sharp increase in tax receipts: General sales tax on goods recorded LE 17 billion, taxes on domestic salaries reached LE 5.4 billion, and domestic commodities registered LE 8.3 billion. Meanwhile, collected dividends from Suez Canal increased to LE 6.5 billion. In addition, miscellaneous revenues increased to LE 7.8 billion. On the expenditure side, GASC subsidies increased by 83.8 percent to record LE 6.3 billion and electricity subsidies increased by 5.7 percent to record LE 5.4 billion. Moreover, investment spending rose by 49.2 percent to record LE 8.5 billion during the period of study.

- GDP grew by 4.3 percent during Q3-FY16/17, compared to 3.6 percent during the same period last fiscal year. Private consumption grew by 3.2 percent, while public consumption grew by 2.9 percent. In the meantime, investments increased by 5.7 percent during Q3-FY16/17. Total Production Index rose by 15.1 percent. In addition, net exports started to contribute positively to growth by 0.2 PPT. On the supply side, the whole sale and retail sector grew by 4.1 percent, the non-oil manufacturing sector grew by 3.1 percent, the construction sector grew by 7.9 percent, the general government sector grew by 1.0 percent, the agriculture sector grew by 2.7 percent, the telecommunications sector grew by 10.6 percent, the natural gas sector grew by 11.7 percent.

- Egypt's natural gas production increased substantially by 60 percent since the beginning of 2016. Egypt is expected to achieve self-sufficiency in natural gas in 2018 and achieve surplus in conjunction with the start of the field of Zohr, which has a reserve of 30 billion cubic meters of gas.

- Regarding monetary developments, M2 annual growth rate increased by 40.1 percent in August 2017 (LE 3014.3 billion), compared to 38.7 percent (LE 2940.8 billion) in the previous month. This is in light of the noteworthy increase in net foreign assets of the banking system to record LE 362.6 billion in August 2017, compared to LE 325.5 billion in July 2017 coupled with the decline in foreign liabilities with Central Bank of Egypt from LE 534 billion to LE 529.2 billion. Moreover, domestic assets increased since net claims on government and GASC registered LE 1989 billion in August 2017, compared to LE 1953 billion in the previous month.

- Meanwhile, Headline Urban Inflation declined to 31.6 percent during September 2017, compared to a higher 31.9 percent during the previous month, and an all-time high of 33 percent in July 2016. Factors contributing to inflationary pressures include the increase in annual inflation of “Vegetables” (included in “Food and Beverages” group- the highest weight in CPI) by 35 percent, “Housing, Water, Electricity, Gas and Other Fuels” by 13.7 percent, etc.

- During its Monetary Policy Committee meeting held on September 28th, 2017, CBE decided to keep the overnight deposit rate, and overnight lending rates and the rate of CBE's main operation at 18.75 percent, 19.75 percent and 19.25 percent, respectively. The discount rate was kept unchanged at 19.25 percent.

- The Central Bank of Egypt decided to raise the mandatory reserve ratio on banks on 10th of October 2017, from 10 percent to 14 percent. This decision is aimed at containing inflation and absorbing excess liquidity, which reached about 38.7 percent in July 2017. This is a milestone to cope with the rise in inflation.

- Total government debt (domestic and external) increased to LE 3676 billion (105.7 percent of GDP) at end of March 2017. This is driven mainly by increased Domestic debt since Treasury Bills debt increased to LE 1096 billion end of March 2017, compared to LE 816 billion end of June 2016. Meanwhile, government external debt increased as loans increased to US$ 25.9 million end of June 2017, compared to US$ 20.9 billion at end of June 2016. In addition, Monetary Authorities debt increased to US$ 30.3 million at the end of June 2017, compared to US$ 22.2 million last fiscal year.

- The Balance of Payments (BOP) ran an overall surplus of US$ 13.7 billion (5.8 percent of GDP) during FY16/17, compared to a deficit of US$ 2.8 billion (-0.8 percent of GDP) in last fiscal year. This is mainly in light of the shrinking current account deficit since Trade balance deficit declined to US$ 35.4 billion (-15.0 percent of GDP) in FY16/17, compared to a deficit of US$ 38.7 billion (-11.3 percent of GDP) last fiscal year. This was compounded with a hike in the services balance by 4.3 percent, to record US$ 6.8 billion (2.9 percent of GDP) during FY16/17, compared to US$ 6.5 billion (1.9 percent of GDP) in last fiscal year. On the other hand, the capital and financial account witnessed an increased net inflow since Net foreign direct investments in Egypt increased to reach US$ 7.9 billion (3.4 percent of GDP) during FY16/17, compared to US$ 6.9 billion (2.0 percent of GDP) in last fiscal year. In addition to a net inflow in Portfolio investment in Egypt of US$ 16.0 billion (6.8 percent of GDP) during FY 16/17, compared to a net outflow of US$ 1.3 billion (-0.4 percent of GDP) during last fiscal year. Moreover, Net change in liabilities of the CBE decreased to post US$ 5.86 billion, compared to US$ 8.13 billion in last fiscal year.

- Tourism revenues are up by 211.8 percent at US$ 5.3 billion during the first 9 months of 2017 after falling by an overwhelming 15.8 percent in October-December 2016. This came on the back of increased arrivals by 55.3 percent to reach 5.9 million, specifically European tourist arrivals increased by 85 percent to record 3.2 million in the same period.

- PMI increased to register 47.4 in September 2017, compared to a five-year low of 41.8 in November 2016. This is in light of the substantial increases in new export orders index to record 48.5, new orders index to reach 48 and output index to register 46.5.

Major Economic Sectors in Details…

Real Sector:

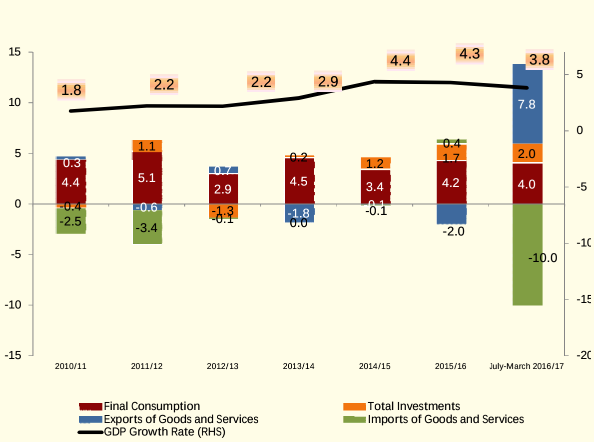
According to the latest detailed data by the Ministry of Planning, GDP grew by 4.3 percent during Q3-FY16/17, compared to 3.6 percent during the same period last fiscal year. Both public and private consumption continued to boost economic activity during Q3-FY16/17 with a total contribution of 3.0 PPT, compared to 4.4 PPT during Q3-FY15/16. Investments have contributed positively to growth by 1.0 PPT, compared to a lower contribution of 0.9 PPT during Q3-FY15/16. Moreover, net exports started to contribute positively to growth by 0.2 PPT, compared to a negative contribution of 1.6 PPT during Q3-FY15/16.

Furthermore, Total Production Index rose by 15.1 percent on quarterly basis recording an average of 189.4 points during Q3-FY16/17, compared to negative growth rate of 9.7 percent during Q3-FY15/16, driven mainly by tourism sub-index that hiked by 76.6 percent on quarterly basis recording an average of 186 points during Q3-FY16/17, compared to negative growth rate of 57.5 percent during Q3-FY15/16, and manufacturing sub-index that picked-up by 24.5 percent on quarterly basis recording an average of 218.3 points during Q3-FY16/17, compared to negative growth rate of 0.1 percent during Q3-FY15/16.

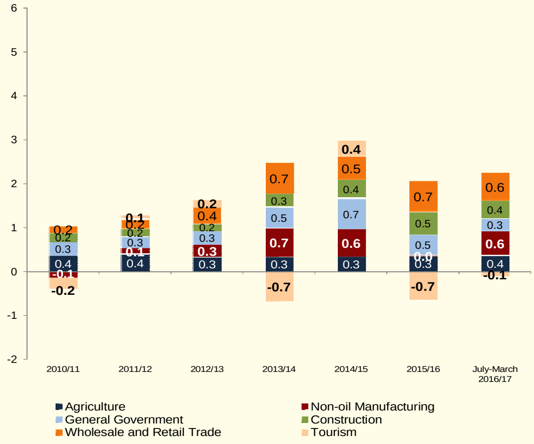
On the demand side, both public and private consumption were key growth drivers during July-March FY16/17. Private consumption grew by 4.4 percent y-o-y, compared to 5.5 percent during the same period last fiscal year (contributing to growth by 3.7 PPT, compared to 4.6 PPT), while public consumption grew by 2.4 percent in the period of study, compared to 3.6 percent, during July-March FY15/16 (contributing to growth by 0.3 PPT, compared to 0.4 PPT). In the meantime, recent data shows that investments have increased by 17 percent during July-March FY16/17, compared to 7.6 percent during same period last fiscal year (contributing to growth by 2.0 PPT, compared to 0.8 PPT).

On the other hand, net exports constrained growth with a negative impact of 2.1 PPT, compared to a negative contribution of 1.5 PPT during July-March FY15/16. This development came in light of a 72.4 percent increase in exports, with a positive contribution of 7.8 PPT to real GDP growth, compared to a negative contribution of 2.6 PPT during July-March FY15/16, while imports increased by 47.0 percent in the period of study, contributing negatively by 10.0 PPT, compared to a positive contribution of 1.0 PPT during the same period last fiscal year.

Contribution to GDP Growth (at market prices) (PPT)
(2010/2011 - July-March 2016/2017)



Contribution to GDP Growth (at factor cost) (PPT)
(2010/2011 - July-March 2016/2017)



On the supply side, eight key sectors led y-o-y growth, on top of which was the whole sale and retail sector which expanded to record a 4.7 percent real growth rate during the period of study (contributing 0.6 PPT during the period of study, compared to 0.7 PPT during same period last fiscal year). Moreover, the non-oil manufacturing sector recorded a real growth rate of 4.7 percent (contributing 0.6 PPT during the period of study, compared to -0.02 PPT during same period last fiscal year). Meanwhile, the construction sector witnessed a growth rate of 8.5 percent in July- March FY16/17, contributing by around 0.4 PPT to GDP, compared to 0.5 PPT during July-March FY15/16 and the general government sector recorded a 2.9 percent real growth rate in July-March FY16/17 (contributing 0.3 PPT during the period of study, compared to 0.5 PPT during the same period last fiscal year). Additionally, the agriculture sector witnessed a growth of 3.1 percent (stabilizing at a contribution of 0.4 PPT) and the real estate sector recorded a 4.3 percent real growth rate in July-March FY16/17 (stabilizing at a contribution of 0.4 PPT). Furthermore, the telecommunications sector expanded to record a 9.3 percent real growth rate during the period of study (contributing 0.3 PPT during the period of study, compared to 0.2 PPT during same period last fiscal year). It is also worthy to note that the natural gas sector expanded to record a 4.6 percent real growth rate during the period of study (contributing 0.2 PPT during the period of study (For the first time since 2013), compared to -0.7 PPT during same period last fiscal year).

Taken together, the above-mentioned key sectors represented around 69.6 percent of total real GDP during the period of study.

Meanwhile, tourism has constrained growth during July-March FY16/17 declining by 6.7 percent (contributing negatively to growth by 0.1 PPT, compared to a negative contribution of 0.6 PPT during same period last fiscal year).

Ø *Fiscal Sector Performance during July- August 2017/2018;*

Latest indicators for the period July-August 2017/2018 point to a decline in the budget deficit reaching 1.7 percent of GDP (LE 74.6 billion), compared to 2.0 percent of GDP (LE 68.5 billion) during the same period last year. This could be explained in light of the increase in revenues growth rate recording 59.8 percent during the period of study compared to the same period of last year, exceeding the growth in expenditure recording 30.0 percent compared to the same period of last year.

July- August 16/17 Budget Deficit LE 68.5 billion (2.0 percent of GDP)	July- August 17/18 Budget Deficit LE 74.6 billion (1.7 percent of GDP)*
Revenues LE 46.7 billion (1.3 percent of GDP)	Revenues LE 74.5 billion (1.7 percent of GDP)
Expenditure LE 114.5 billion (3.3 percent of GDP)	Expenditure LE 148.9 billion (3.5 percent of GDP)

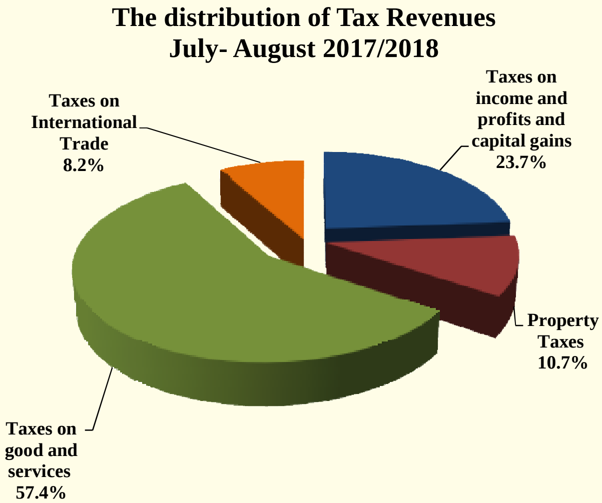
Source: Ministry of Finance, Macro Fiscal Policy Unit

* GDP estimate for FY16/17 has been revised recently to reach LE 3478 billion instead of 3407.7 billion. Meanwhile GDP projections for FY17/18 are estimated to reach LE 4286.5 billion as per the Ministry of Finance Calculations.

Detailed explanations are as follows:

On the Revenues Side

Total revenues recorded LE 74.5 billion during the period July-August 2017/2018, increasing by LE 27.9 billion (59.8 percent), compared to LE 46.7 billion during July-August 16/17. These developments could be explained mainly in light of the increase in tax revenues (75.1 percent of total revenues) by LE 18 billion (47.6 percent) to record LE 56 billion during the period of study, compared to LE 38 billion during the same period last fiscal year. Meanwhile, Non-tax revenues (24.9 percent of total revenues) increased by LE 9.8 billion (112.6 percent) to record LE 18.6 billion during July-August 17/18, compared to LE 8.7 billion during the same period last fiscal year. Tax revenues receipts from non-sovereign authorities, which are directly correlated to economic activity, witnessed an increase by almost 54.4 percent during the period of study, mainly driven by the increase in non-sovereign income taxes and sales taxes receipts by 35.4 percent and 212 percent, respectively.



On the Tax Revenues Side

Tax receipts from Income taxes (17.8 percent of total revenues), taxes on goods and services (43.1 percent of total revenues), property taxes (8 percent of total revenues), and International Trade (6.2 percent of total revenues) have improved during the period of study, mainly driven by tax reforms adopted since the beginning of the current fiscal year, which was reflected as follows:

Taxes on Income, Capital Gains and Profits increased by LE 3.4 billion (34.2 percent growth) to reach LE 13.3 billion (0.3 percent of GDP).

- **Taxes on income, capital gains and profits receipts represent 23.7 percent of total tax revenues.**

Mainly on the back of:

- Increase in receipts from taxes on domestic salaries by LE 1.5 billion (37.8 percent) to reach LE 5.4 billion, compared to LE 3.9 billion during the same period last fiscal year.
- Increase in receipts from taxes on Suez Canal by LE 0.6 billion (46.2 percent) to reach LE 2.0 billion, compared to LE 1.3 billion during the same period last fiscal year.
- Increase in receipts from taxes on other companies by LE 1.0 billion (32.5 percent) to reach LE 3.8 billion, compared to LE 2.8 billion during the same period last fiscal year.

Taxes on Goods and Services increased by LE 12.4 billion (62.7 percent growth) to reach LE 32.1 billion (0.7 percent of GDP).

-Taxes on goods and services receipts represent 57.4 percent of total tax revenues.

Mainly as a result of higher receipts from:

- General sales tax on goods increasing by 92 percent to record LE 17 billion, compared to LE 8.9 billion during the same period last fiscal year.
- The increase in general sales tax on services by 65.7 percent to record LE 3.7 billion, compared to LE 2.2 billion during the same period last fiscal year.
- The increase in domestic commodities (Table 1) by 24.9 percent to record LE 8.3 billion, compared to LE 6.7 billion during the same period last fiscal year.
- The increase in stamp tax receipts by 57.6 percent to record almost LE 2.0 billion, compared to LE 1.2 billion during the same period last fiscal year.

Property Taxes increased by LE 0.4 billion (8.0 percent growth) to reach LE 6 billion (0.1 percent of GDP).

- **Property Taxes receipts represent 10.7 percent of the total tax revenues.**

Mainly as a result of the increase in tax on T-bills and bonds payable interest by 4.0 percent to reach LE 5.1 billion during the period of study, compared to LE 4.9 billion during the same period last fiscal year.

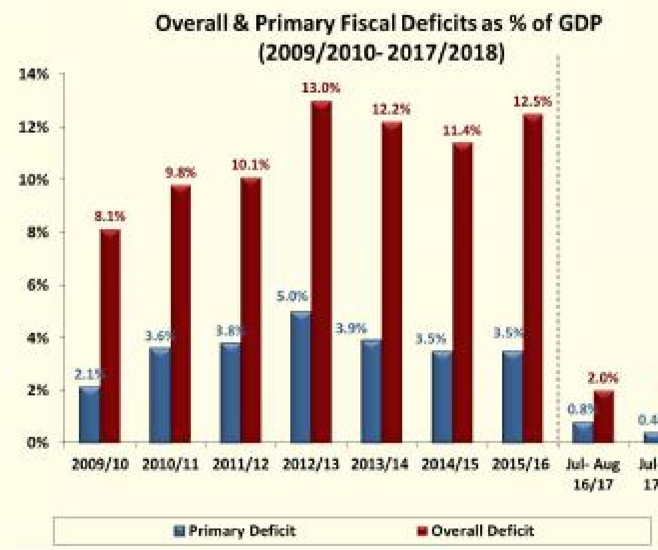
Taxes on International Trade increased by LE 1.8 billion (67.1 percent growth) to reach LE 4.6 billion (0.1 percent of GDP).

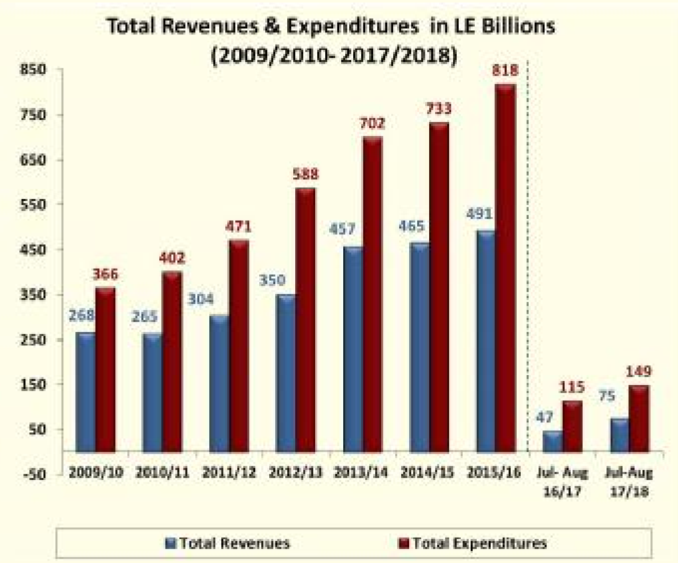
- **Taxes on International Trade receipts represent 8.2 percent of the total tax revenues.**

Mainly as a result of the increase in Tax on valued Customs by 66.2 percent to reach LE 4.3 billion, compared to LE 2.6 billion during the same period last fiscal year.

On the Non-Tax Revenues Side

- Proceeds from Other Non-Tax Revenues rose by LE 9.8 billion (112.6 percent growth) to reach LE 18.6 billion during July-August 2017/2018, compared to LE 8.7 billion during the same period of last year.
- Property income receipts recorded LE 7.6 billion rising by (98.7 percent growth) during the period of study, compared to LE 3.8 billion recorded during July-August 16/17. This came in light of the increase in dividends collected from Suez Canal by almost LE 4 billion (160 percent growth) to record LE 6.5 billion during the period of study, compared to LE 2.5 billion during the same period last year.
- Meanwhile, Miscellaneous revenues recorded LE 7.8 billion increasing by LE 5.9 billion during the period of study, compared to LE 1.9 billion recorded during July-August 16/17 (in light of the increase of other current revenues by LE 4.2 billion compared to the same period last year).
- Proceeds from sales of goods and services recorded LE 3 billion, increasing by LE 0.3 billion (9.9 percent growth), compared to LE 2.8 billion during the same period last year (in light of the increase in receipts from special accounts and funds by 0.7 percent compared to the same period last year.
- Grants reached LE 12 million during July-August 2017/2018, compared to LE 4 million during the same period of last year (in light of the increase of grants from foreign governments by LE 7 million compared to the same period last year).





Source: Ministry of Finance

- *On the Expenditures Side:*

A key focus of the Ministry of Finance's fiscal reforms is the reprioritization of public expenditure in favour of lower-income groups to achieve the best social yield through investment in human capital and better distribution of services and infrastructure, with such measures designed to improve basic well-being and to widen social safety nets.

Total expenditures have reached LE 148.9 billion (3.5 percent of GDP) during the period July- August 17/18, recording an increase of 30.0 percent, compared to the same period of last year.

- Wages and compensation of employees rose by 8.4 percent to record LE 37.4 billion (0.9 percent of GDP) during the period of study (in light of the increase in permanent salaries to reach LE 9.5 billion, and the increase of in-kind allowances to reach LE 3.5 billion).
- Purchase of goods and services have increased by LE 0.7 billion (24.6 percent growth) to reach LE 3.7 billion (0.1 percent of GDP) (in light of the increase in spending on periodicals and writing rights to reach LE 0.9 billion, and the increase in spending on Public transportations to reach LE 0.5 billion).
- Interest payments rose by 41.9 percent growth to reach LE 59.2 billion (1.4 percent of GDP), compared to LE 41.7 billion during the same period last year.
- Subsidies, grants and social benefits rose by LE 3.0 billion (0.6 percent of GDP), (14.0 percent growth) to record LE 23.8 billion, compared to LE 21.0 billion during the same period last year.
  - ü Spending on Subsidies rose by LE 3.4 billion (34.3 percent growth) to reach LE 13.2 billion during the period of study, compared to LE 9.8 billion during the same period of last year, this came in light of; GASC spending grew by LE 2.9 billion (83.8 percent growth) reaching LE 6.3 billion during the period of study, compared to LE 3.4 billion during July- August 16/17.
  - ü Social protection measures were scaled up to mitigate the impact of the recent inflation spike. These include the expansion in amount and coverage of the cash transfer programs (Takaful and Karama), an increase in the allotment in food smartcards from EGP 15 in June 2015 to EGP 50 per person monthly in July 2017.
- Purchases of non-financial assets (investments) rose by LE 2.8 billion (0.2 percent of GDP), growing by 49.2 percent growth to reach LE 8.5 billion (in light of increased spending on fixed assets to record LE 8 billion).
- Other Expenditures recorded LE 16.3 billion (0.4 percent of GDP), rising by 86.9 percent, compared to the same period last fiscal year.

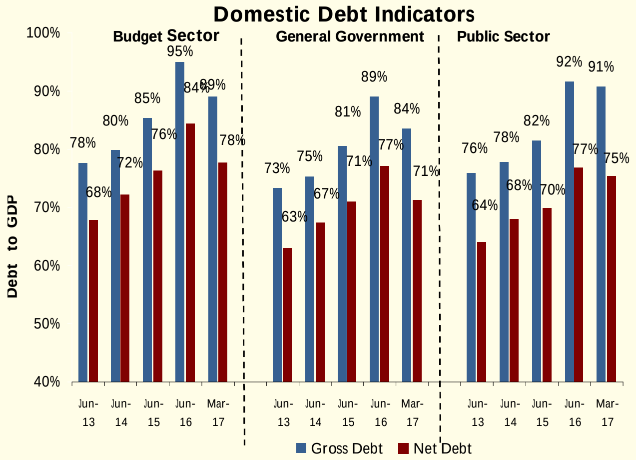
Public Debt:

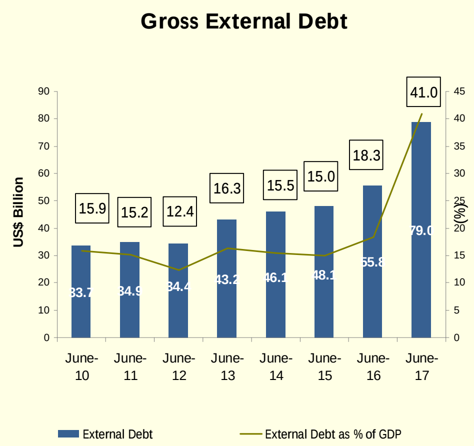
Total government debt (domestic and external) reached LE 3676 billion (105.7 percent of GDP) at end of March 2017, of which;

- Domestic budget sector debt recorded LE 3097,6 billion (89.1 percent of GDP) by end of March 2017, compared to LE 2573 billion (95 percent of GDP) by end of June 2016.

  The rise in domestic budget sector debt during the period of study was mainly due to financing the budget deficit, in addition to the impact of settling of some cross-debt issues among budget sector entities (particularly those of the SIF and EGPC). It is worthy to note that these settlements are expected eventually to enhance their financial performance.

- External debt stock (government and non-government debt) recorded US$ 79 billion (41 percent of GDP) at end of June 2017, compared to US$ 55.8 billion at end of June 2016.
- Meanwhile, government external debt recorded US$ 34.9 billion (18.1 percent of GDP) as of end of June 2017, compared to US$ 24.4 billion (8.0 percent of the GDP) at end of June 2016.





Ø *Monetary Perspective:*

As for the monetary developments, M2 annual growth rate increased by 40.1 percent in August 2017 reaching LE 3014.4 billion, compared to 38.7 percent (LE 2940.8 billion) in the previous month, according to recent data released by the CBE. This comes in light of the significant increase witnessed in net foreign assets of the banking system by 258.2 percent to achieve a positive value for the fourth month in a row since October 2015 to record LE 177.5 billion in August 2017, compared to 236 percent (LE 139.1 billion) in the previous month. Moreover, net domestic assets increased by 25.3 percent y-o-y to reach 2836.9 billion during the month of study, compared to 26.1 percent (LE 2801.7 billion) in July 2017.

In August 2017, net claims on government annual growth slowed down to 13.7 percent (1988.8 billion), compared to 15 percent during the previous month. Moreover claims on public business sector annual growth reached 59.2 percent (LE 149.6 billion) in August 2017, compared to 58.7 percent at end July 2017. Annual growth in credit to the private sector reached 34.6 percent (LE 970 billion) at the end of August 2017, compared to 37 percent in the previous month. This comes on the back of the decrease in claims on private businesses sector annual growth to record 42.3 percent (LE 723.3 billion) during the month of study, compared to 45.7 percent in the previous month. Meanwhile, claims on household sector annual growth reached 16.2 percent (LE 246.7 billion) in August 2017, compared to 15.9 percent in the previous month.

On the other hand, net foreign assets (NFA) achieved a positive value for the fourth time in a row since October 2015, recorded LE 177.5 billion in August 2017, compared to LE 139.1 billion during the previous month. This improvement is mainly a result of the steep increase in central bank net foreign assets which recorded LE 97.1 billion in August 2017, compared to LE 95.2 billion in July 2017. Moreover, banks' net foreign assets recorded LE 80.4 billion in August 2017, compared to LE 43.9 billion in July 2017.

From the liabilities side, quasi money annual growth increased at 47.4 percent during the month of study to reach LE 2295.6 billion in August 2017, compared to LE 2242.5 billion in July 2017. On a detailed level, Local currency time and savings deposits annual growth rate increased to 32.7 percent (LE 1631.2 billion) in August 2017, compared to 28.3 percent in July 2017. Meanwhile, foreign currency demand and time and saving deposits annual growth rates decreased to 80.7 percent (LE 135.8 billion) and 109.1 percent (LE 528.6 billion) consecutively in August 2017, compared to 93.6 and 113.9 percent in July 2017.

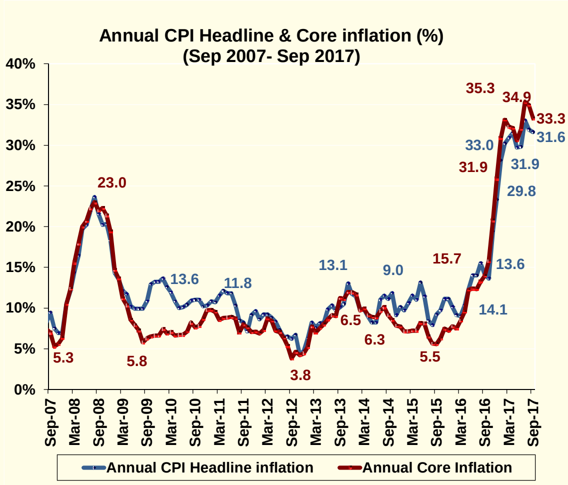
Money annual growth increased to 21 percent (LE 718.8 billion) in August 2017, compared to 20.7 percent in the previous month. This could be attributed to the increase of slower pace in demand deposits in local currency annual growth, which recorded 26.8 percent (LE 293.1 billion) in August 2017, compared to 27.2 percent in the previous month. In addition to the increase witnessed in currency in circulation annual growth, which reached 17.3 percent (LE 425.6 billion) in August 2017, compared to 16.6 percent in the previous month.

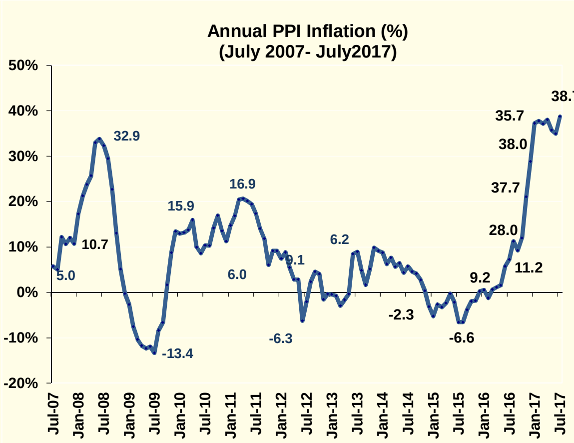
Total deposits annual growth – excluding deposits at the CBE – reached 43.3 percent y-o-y (LE 3043 billion) at the end of June 2017, compared to 43 percent at end of May 2017. Out of total deposits, 82.8 percent belonged to the non-government sector. Moreover, annual growth rate in total lending by the banking sector (excluding CBE) reached 51.3 percent (LE 1426.5 billion) in June 2017, compared to 51.8 percent in the previous month. To that end, the loans-to-deposits ratio decreased at 46.9 percent at end of June 2017. (Detailed data for July and August 2017 are not yet available).

- Net International Reserves (NIR) spiked to a record-level of US$36.5 billion in September 2017 (7.6 months of merchandise imports in August 2017), compared to US$ 19.6 billion in September 2016 (3.5 months of merchandise imports in August 2016) .

- Headline Urban Inflation continued to increase at a slower base to record 31.6 percent during September 2017, compared to 31.9 percent during August 2017, and compared to a lower 14.1 percent during September 2016. Factors contributing to inflationary pressures include the increase in annual inflation of “Food and Beverages” group (the highest weight in CPI) to record 41.2 percent during September 2017, and 41.6 percent during August 2017, compared to 14.8 percent during September 2016 (more specifically the increase in “Vegetables” prices by 35.1 percent during September 2017 compared to 29.3 percent last month). In addition, “Housing, Water, Electricity, Gas and Other Fuels” increased by 13.7 percent during the month of study, compared to 8.1 percent last month, and "Furnishing and Household Equipment" increased by 35.3 percent, compared to 24.9 percent (of which; “Tools and equipment for house and garden” increased by 38 percent), and "Recreation and Culture" has also increased by 42.4 percent during the month of study, compared to 41.1 percent last month (of which“Books and stationery” increased by 17.4 percent).

- As for average annual Headline inflation, it increased during the period July- September 17/18 to record 32.2 percent, compared to 14.5 percent during the same period last year.





- Meanwhile, Monthly inflation has slowed down to 1.0 percent during September 2017, compared to 1.1 percent during last month, and compared to higher rate of 4.8 percent during November 2017 (The month of Economic Reforms). This came in light of the decrease of "Meat" prices to record -1.0 percent during September 2017, compared to 0.7 percent during last month. This has overcome the increase in “Fruits” by 0.1 percent, and “Vegetables” by 3.7 percent among “Food and Beverages” group. However, monthly inflation rate increased for "Water supply and miscellaneous services" by 42.4 percent among "Housing, Water and Electricity" group, and has increased for "Housing Maintenance Services" by 13.5 percent among "Furnishing and Household" group.

- Annual core inflation[4] recorded 33.6 percent during September 2017, compared to 34.9 percent during the last month, and compared to 13.9 percent in September 2016. As for average annual Core inflation, it increased during the period July- September 2017/2018 to record 35.1 percent, compared to 12.8 percent during the same period last year. Meanwhile, monthly core inflation has recorded 0.19 percent during September 2017, compared to 0.32 percent during last month.

- During its Monetary Policy Committee meeting held on September 28th, 2017, CBE decided to keep the overnight deposit rate, and overnight lending rates and the rate of CBE's main operation at 18.75 percent, 19.75 percent and 19.25 percent, respectively. The discount rate was kept unchanged at 19.25 percent.

- Moreover, in an attempt to absorb excess liquidity and to protect the domestic currency, the CBE held deposit auctions on October 17, 2017 worth LE 10 billion with 7-day maturity at a fixed annual interest rate of 19.25 percent.

- The Egyptian Exchange market capitalization increased by a historic 6.2 percent m-o-m during September 2017 to reach LE 748.6 billion, compared to LE 705.0 billion in the previous month. The EGX-30 Index increased by 3.5 percent during September 2017 to reach 13888.51 points, compared to closing at 13415.77 points by the end of August 2017. In addition, the EGX-70 decreased by 11.7 percent, closing at 773.53 points compared to 692.55 points in the previous month.

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

Ø *On the External Sector side:*

BOP ran an overall surplus of US$ 13.7 billion (5.8 percent of GDP), (90 percent of this surplus was achieved following the November 2016 exchange rate floatation) during FY16/17, compared to a deficit of US$ 2.8 billion (-0.8 percent of GDP) in last fiscal year. These developments are mainly due to increased inflow in the capital and financial account, coupled with a decrease in the deficit of the current account. The surplus recorded in the BOP during FY17/18 occurred as a result of the following several developments:

§ Current account recorded a deficit of US$ 15.6 billion (-6.6 percent of GDP) during FY16/17, compared to a higher deficit of US$ 19.8 billion (-5.8 percent of GDP) in Last fiscal year. This came in light of the following developments:

– Trade balance deficit has declined to record US$ 35.4 billion (-15.0 percent of GDP) in FY16/17, compared to a deficit of US$ 38.7 billion (-11.3 percent of GDP) last fiscal year. This was mainly driven by the double-digit growth rate in non-petroleum exports by 16.2 percent to record US$ 15.1 billion during FY16/17, compared to US$ 13.0 billion last fiscal year. In addition, petroleum exports receipts registered US$ 6.5 billion in the period of study, compared to US$ 5.7 in the period of comparison. Concurrently, merchandise imports stepped down by 0.5 percent, to register US$ 57.1 billion compared to US$ 57.4 billion in last fiscal year.

– The services balance surplus picked up by 4.3 percent, to record a surplus of US$ 6.8 billion (2.9 percent of GDP) during FY16/17, compared to a lower surplus of around US$ 6.5 billion (1.9 percent of GDP) in last fiscal year. This came in light of the increase in current receipts by 7 percent to record US$ 16.6 billion during FY16/17, compared to US$ 16.1 billion last fiscal year, this is due to the increase witnessed in travel receipts (tourism revenues) by 16.2 percent to reach US$ 4.4 billion during FY16/17, compared to US$ 3.8 billion in last fiscal year, while Suez Canal dues decreased to US$ 49.4 billion, compared to US$ 51.2 in last fiscal year as a result of the fall in the value of SDR versus the US dollar by an average of 1.9%, notwithstanding the higher net tonnage of transiting vessels by 0.8%.

– Net Official Transfers inched up by 4.1 percent, to register US$ 17.5 billion during FY16/17, compared to US$ 16.8 billion in last fiscal year, mainly due to the increase in net private transfers to record US$ 17.3 billion compared to US$ 16.7 billion in last fiscal year, supported by the increase in workers' remittances to US$ 17.5 billion, compared to US$ 17.1 billion in last fiscal year. It is worth noting that workers' remittances increased in Nov/June 16/17(the period following the floatation of the pound) by US$ 1.4 billion, to US$ 12.8 billion compared to US$ 11.4 billion in last fiscal year.

§ Meanwhile, the capital and financial account registered a net inflow of US$ 29.0 billion (12.3 percent of GDP) during FY16/17, compared to lower net inflow of US$ 21.2 billion (6.2 percent of GDP) in last fiscal year.This is due to the following developments:

– Net foreign direct investments in Egypt (FDI) increased to reach US$ 7.9 billion (3.4 percent of GDP) during FY16/17, compared to US$ 6.9 billion (2.0 percent of GDP) in last fiscal year, driven mainly by the rise in the net inflow for oil sector investments to post US$ 4.0 billion in FY16/17, compared to US$1.7 billion in last fiscal year .

– Portfolio investment in Egypt recorded net inflow of US$ 16.0 billion (6.8 percent of GDP) during FY 16/17, compared to net outflow of US$ 1.3 billion (-0.4 percent of GDP) during last fiscal year. This was ascribed to the rise in foreigners' investments on the EGX, recording net purchases of US$ 497.3 billion. In addition, foreigners' investments in

Egyptian treasury bills increased, to register net purchases of US$ 10.0 billion. Moreover, the Egyptian government floated bonds in international markets, in the period following the liberalization of the exchange rate, where foreigners' investments accounted for US$ 6.8 billion.

– Other investments decreased to register net inflows of US$ 5.2 billion (-66.7 percent of GDP) in FY16/17, compared to net inflows of US$ 15.6 billion (4.6 percent of GDP) in last fiscal year, where Other assets and liabilities achieved a net outflow of US$ 2.5 billion in FY16/17, compared to US$ 8.5 billion in last fiscal year. This came on the back of the rise in banks' foreign assets and foreign currency resources immediately after the liberalization of the exchange rate. As such, banks' foreign assets rose by US$ 9.5 billion, and their foreign liabilities by only US$ 1.4 billion. The exchange rate adjustment has helped in freeing up resources to pay part of the accumulated arrears to international oil companies, which currently stand at US$2.3 billion in end-June 2017 down from US$3.5 billion in end-2016.

- Net change in liabilities of the CBE increased to post US$ 5.86 billion, compared to US$ 8.13 billion in last fiscal year.

§ Net errors and omissions recorded an inflow of US$ 0.6 billion (0.1 percent of GDP) in FY16/17, compared to an outflow of US$ 4.15 billion (-1.2 percent of GDP) in last fiscal year.

Ø According to the latest published figures, the total number of tourist arrivals increased by 54.9 percent to reach 0.73 million tourists during September 2017, compared to 0.47 million tourists in September 2016. Moreover, tourist nights increased to reach 9.6 million nights during September 2017 increasing by 211.5 percent, compared to 3 million nights during the same month last year.