Executive Summary

Main Highlights…

The government is implementing a series of structural economic reforms in various fields in order to bolster economic activity, while achieving financial and economic stability throughout the medium term. Accordingly, the Ministry of Finance is pursuing a clear strategy for fiscal consolidation over the next five years through several fiscal measures. Notable reforms include tax reforms, the reduction of energy subsidies, while addressing shortfalls in electricity and arrears to foreign oil companies' operating, thus encouraging new investments, production and exploration. Regarding the government's efforts to optimally utilize resources, the Mines and Quarries Act has recently been issued, aiming to launch industrial projects based on the available resources while effectively maximizing their value added and increasing direct and indirect employment opportunities.

The previously mentioned reforms were reflected in Fitch's upgrading Egypt's credit ratings from B- to B stable in December 2014.The upgrade is a positive step towards boosting investor confidence in the Egyptian economy. On the same note, recent economic developments show a decrease in unemployment during the first quarter of fiscal year 2014/2015 to reach 13.1 percent compared to 13.3 percent in the fourth quarter of the previous fiscal year. In addition, total number of tourist arrivals increased during October 2014, by about 79.5 percent if compared to the same last year. It is also noteworthy to mention that the sharp fall in international oil prices is expected to have a positive impact in lowering burdens on the budget and trade balance. Regarding the social dimension, the government is taking serious steps in upgrading infrastructure and improving basic services as well as revamping social safety nets. Finally, according to the latest report published by Transparency International, Egypt has achieved an improvement in the Corruption Perception Index to rise from a score of 32 in 2013 to 37 in 2014, occupying the 94th rank amongst 175 countries.

- According to FY13/14 actual budget[1] outcomes, the overall budget deficit recoded LE 255.4 billion (12.8 percent of GDP), compared to LE 239.7 billion (13.7 percent of GDP). Meanwhile, Budget deficit came at 4.6 percent of GDP reaching LE 107.9 billion during the period July-November 2014/2015, compared to 3.3 percent (LE 65.9 billion) during the same period a year earlier. Revenues decelerated as percent of GDP reaching 5.4 percent, compared to 6.3 percent during the same period last year. Meanwhile, expenditures rose to record 10 percent of GDP during the period of study compared to 9.5 percent during the same period last year.
- Moreover, total government debt (domestic and external) reached LE 1907.6 billion (95.5 percent of GDP) at end of June 2014, compared to LE 1644 billion (93.8 percent of GDP) at end of June 2013.
- Based on the latest preliminary figures recently announced by the Ministry of Planning, GDP is shown to have accelerated, reaching about 6.8 percent during the first quarter of fiscal year 2014/2015, compared to the same period of the previous year. Details will be published in the Monthly Bulletin for the coming month.

1 Includes central administration, municipalities, and services authorities (education, health, etc).

- According to most recent data by Central Agency For Mobilization& Statistics, unemployment rate fell to 13.1 percent in Q1 2014/2015, compared to 13.3 percent during the Q4 2013/2014.

- Egypt's Corruption Perceptions Index improved to scored 37 out of 100 in 2014, compared to 32 during previous year leading Egypt to the 94th place among 175 countries. This came in light of several initiatives recently taken by the government including; efforts towards achieving transparency and increasing public awareness through publishing the Citizen Budget and budget statement for FY 14/15, improvements in addressing corruption, issuing conflict of interest law, publishing the code of conduct for public employees, and moving towards political stability.

- BoP showed an overall surplus of US$ 0.4 billion during Q1-FY14/15, compared to a higher overall surplus of US$ 3.7 billion during the same period last year. This was mainly due to a current account deficit of US$ 1.4 billion, compared to a surplus of US$ 0.6 billion during the same period last year, while the capital and financial account witnessed net inflows of US$ 0.8 billion during the period of study, compared to net inflows of US$ 4.6 billion during Q1-FY13/14. Meanwhile, net errors and omissions recorded an inflow of US$ 1 billion during July – September 2014/2015, compared to an outflow of US$ 1.5 billion during Q1-FY13/14.

- During November 2014, Net International Reserves (NIR) declined by US$ 1.1 billion during November 2014, to record US$ 15.9 billion, compared to US$ 17 billion in October 2014, as the Egyptian government repaid accrued deposits to Qatar worth US$ 2.5 billion.

- As for the monetary developments, M2 annual growth inched up during October 2014 to record 15.7 percent (Y-o-Y) reaching LE 1560.3 billion, compared to 15.6 percent at the end of September 2014, while it eased if compared to 17.8 percent recorded at end of October 2013.

- Meanwhile, Headline Urban inflation decreased significantly during November 2014 recording 9.1 percent (the lowest rate since the beginning of current fiscal year), compared to 11.8 percent last month, and compared to 13 percent during November 2013. The decline in annual inflation was mainly fueled by the sharp decline in annual inflation rate of "Food and Beverage" group (largest weight in CPI) reaching 7.1 percent during November 2014 (the lowest rate since December 2012), compared to 11.5 percent during last month, and compared to 19.1 percent during November 2013. In addition, other factors contributed to the decline in annual inflation, mainly; fading seasonal pressures during last two months (including; Eid Eladha, and increased education fees).

  During its Monetary Policy Committee meeting held on November 27th, 2014, CBE decided to keep the overnight deposit rate and overnight lending rates, and the CBE's main operation and the discount rate unchanged at its current levels. Moreover, in an attempt to absorb excess liquidity and to protect the domestic currency, the CBE held deposit auctions on December 23rd, 2014 worth LE 70 billion with 7-day maturity at a fixed annual interest rate of 9.75 percent.

Real Sector :

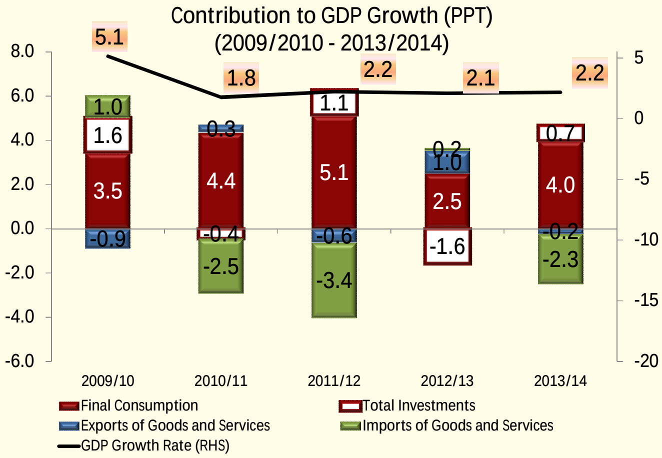
- Based on the latest preliminary figures recently announced by the Ministry of Planning, GDP is shown to have accelerated, reaching about 6.8 percent during the first quarter of fiscal year 2014/2015, compared to the same period of the previous year. Details will be published in the Monthly Bulletin for the coming month.

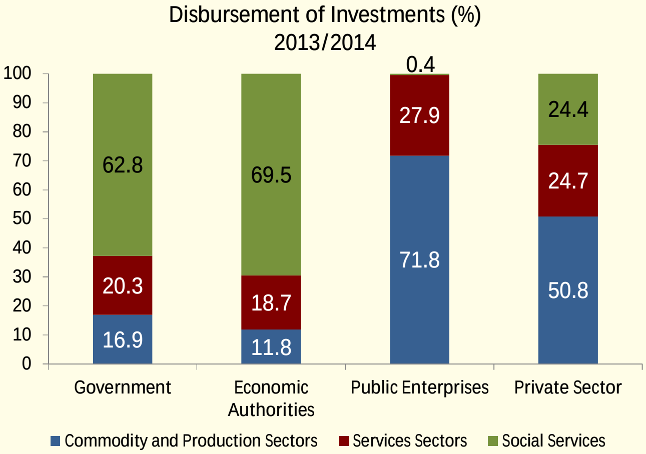
Five key sectors led growth during FY13/14…

- Recent GDP quarterly data published point to a hike in GDP y-o-y growth to record 3.7 percent during Q4-FY13/14 (compared to a 1.5 percent y-o-y growth during Q4-FY12/13), resulting in an annual growth rate of 2.2 percent for the full fiscal year, driven mainly by the performance of both public and household consumption and investments. This suggests the prompt revitalization of the Egyptian economy, in anticipation of achieving the desired outcome of higher sustainable growth.

On the supply side, key sectors driving growth during FY13/14 were the non-oil manufacturing sector recording a 9 percent growth rate, and the construction sector with real growth rate of 5.6 percent (contributing with the highest contribution of 1.3 percentage points to growth and by 0.3 PPT respectively, compared to a contribution of 0.3 PPT for both sectors last year). General government and agricultural sector, witnessed growth of 4.1 and 3 percent respectively (both contributing by 0.4 PPT, compared to 0.3 and 0.4 PPT, respectively a year earlier), while wholesale and retail trade real growth came at 3.4 percent during FY13/14 (0.4 PPT compared to 0.3 PPT a year earlier). Together, these above-mentioned 5 key sectors represented around 57 percent of total real GDP in the year of study.

Meanwhile, tourism and natural gas extraction sectors continued to subdue growth during FY13/14. Tourism has been severely hit due to several unfortunate events, falling by 26.8 percent y-o-y during FY13/14. However – on quarterly basis – the contraction in tourism sector has decelerated since tourism has declined by 18 percent (contributing to growth by -0.5 PPT) compared to a higher decline of 28.2 percent (contributing to growth by -1 PPT) during Q3-FY13/14. Moreover, tourism index – sub index under total production index – has preserved the upward trend it started to witness since Q3-FY13/14 recording an average of 255.2 during H2-FY13/14 compared to an average of 135.5 points during H1-FY13/14 growing by 88.3 percent, which draws attention to an expected improvement in tourism performance in the upcoming few months. Meanwhile natural gas extraction fell by 11 percent in the same year. Both contributing negatively to growth by -0.9 and -1 PPT respectively.





On the demand side, both public and private consumption continued to boost economic activity during FY13/14. Private consumption grew by 4.1 percent y-o-y, after having grown by 3.2 percent y-o-y in 9M-FY13/14, implying that Q4-FY13/14 real growth came at an accelerated rate of 7 percent. While, public consumption grew at 5.8 percent in the year of study, compared to 6.1 percent during 9M-FY13/14, after growing by 5.1 percent in Q4-FY13/14. It is also worthy to note that both public and private consumption led to a total contribution of 5.9 PPT to GDP growth during Q4-FY13/14, compared to -0.3 PPT a year earlier.

In the meantime, recent data reflects positive signs of change, showing that investments have increased by 4.6 percent compared to a negative growth level of 9.6 percent during last year, contributing positively to growth, for the first time since FY11/12, by 0.7 PPT to growth during FY13/14 compared to -1.6 PPT to growth during FY12/13. Furthermore, on quarterly basis, investments contribution during Q4-FY13/14 amounted to 3.3 PPT compared to -3 PPT during Q4-FY12/13 (recording a y-o-y growth rate of 19.6 percent compared to a negative growth rate of 15 percent during Q4-FY12/13), and these have been the highest contribution and growth rate recorded since Q3-FY11/12.

As for the distribution of total investments by economic agents (in nominal terms), public investments (government + economic authorities + public business sector) accounted for 37.8 percent of total investments in Egypt during the year of study – noting that nearly 62.8 percent of government investments were directed towards social services sectors – while the private sector accounted for 62.2 percent during FY13/14.

Meanwhile, net exports posted a negative contribution of 2.5 PPT during FY13/14, compared to a positive contribution of 1.2 PPT during FY12/13. Exports decreased by 12.6 percent with a negative contribution of 2.3 PPT to real GDP growth, compared to a positive contribution of 1 PPT last year. While imports increased by 0.9 percent in the year of study, contributing negatively by 0.2 PPT, compared to a positive contribution of 0.2 PPT during FY-12/13.

Fiscal Sector:

Budget Deficit rose during July-November 2014/2015...

- According to latest budget figures for the period July-November 2014/2015, budget deficit came at 4.6 percent reaching LE 107.9 billion, compared to 3.3 percent (LE 65.9 billion) during the same period a year earlier. These development could be explained in light of high growth of Expenditure (10 percent of GDP), accompanying a deceleration in Revenues (5.4 percent of GDP).

July- November 13/14 Budget Deficit LE 65.9 billion (3.3 percent of GDP)	July- November 14/15 Budget Deficit LE 107.9 billion (4.6 percent of GDP)
Revenues LE 126.7 billion (6.3 percent of GDP)	Revenues LE 126 billion (5.4 percent of GDP)
Expenditure LE 190.7 billion (9.5 percent of GDP)	Expenditure LE 231.8 billion (10 percent of GDP)

Source: Ministry of Finance, Macro Fiscal Policy Unit

Tax Revenues rose while Non-Tax Revenues decelerated during the period of study

On the revenue side,

Total revenues recorded LE 126 billion (5.4 percent of GDP) during July- November 2014/2015, decelerating by around LE 0.6 billion compared to same period last year. The recorded decline is principally due to the -40.8 percent decrease in non-tax revenues to record LE 34.5 billion, and which out weighted the significant increase in tax revenues by 33.8 percent to record LE 91.6 billion.

The increase in tax revenues is mainly due to:

Taxes on Income, Capital Gains and Profits increased by LE 10 billion (45.3 percent growth) to reach LE 32 billion (1.4 percent of GDP).

Mainly on the back of:

- Increase in receipts from Other Companies by LE 3.8 billion (56.7 percent) to record LE 10.6 billion.
- Increase in receipts from Suez Canal by LE 2 billion (69 percent) to reach LE 4.9 billion.
- Increase in receipts from taxes on CBE by LE 1.5 billion (57.5 percent) to reach LE 4 billion.
- Increase in taxes on industrial & commercial profits by LE 1.4 billion (116.2 percent) to reach LE 2.6 billion.
- Increase in taxes on domestic salaries by LE 1.1 billion (14.9 percent) to reach LE 8.4 billion.

Taxes on good and services increased by LE 10.7 billion (32.8 percent growth) to reach LE 43.4 billion (1.9 percent of GDP).

Mainly as a result of:

- The increase in general sales tax on goods by 24.5 percent to record LE 19.9 billion.
- The increase in general sales tax on services by 30.3 percent to record LE 4.4 billion.
- The increase in Excises on Domestic Commodities (Table 1) by 55.4 percent to record LE 13.9 billion (in light of increased sales tax on tobacco and petroleum products)
- The increase in Stamp tax by 6.8 percent to record LE 2.4 billion.

Taxes on International Trade increased by LE 2.6 billion (50 percent growth) to reach LE 7.9 billion (0.3 percent of GDP).

In light of an increase in taxes on valued customs by 51 percent y-o-y to LE 7.5 billion.

The reduction in non tax revenues could be explained mainly due to the decline in grants during the period July-Nov 2014/2015 if compared to the exceptional grants received during the period of comparison last year

Meanwhile, the decline in non-tax revenues could be explained in light of the following:

- Grants decreased significantly to record LE 0.7 billion during July-November 2014/2015, compared to about LE 36.8 billion during the same period last year, mainly due to exceptional grants received during the period of comparison July-November 2013/2014, as follows:

a) US$ 1 billion grant from the United Arab of Emirates.

b) LE 29.7 billion increase in grants—half of the dollar denominated deposits at the central bank- to be allocated to finance the first stimulus package related to the presidential decree no. 105, 2013.

- Revenues from special accounts and funds decreased by LE 3.5 billion (-43.6 percent) to reach LE 4.6 billion during the period of study.

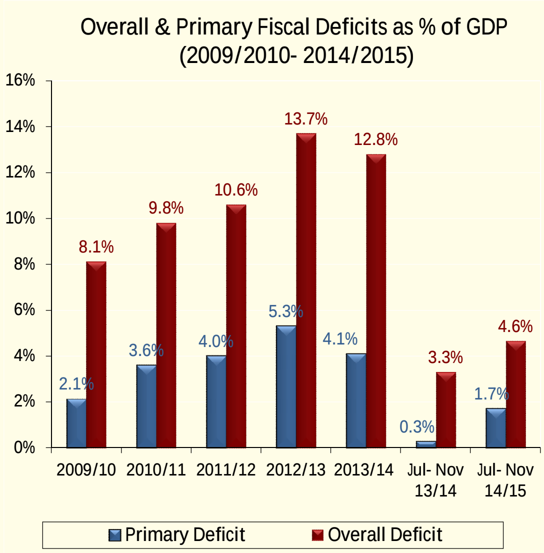
- On the other hand, non-tax revenues from sovereign authorities rose during the period as follows:

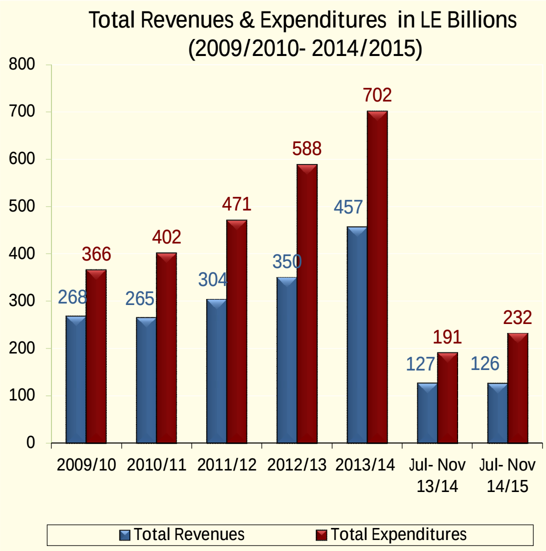
  § Increase in dividends collected from Central Bank by LE 10 billion to reach LE 13.4 billion (In light of collecting overdue payments from CBE that belonged to last year),

  § Increase in dividends collected from Suez Canal by LE 2.7 billion to reach LE 7.5 billion, increase in dividends collected from economic authorities by LE 0.6 billion to reach LE 1 billion,

  § Increase in dividends collected from public enterprises by LE 0.5 billion to reach LE 0.7 billion during the study period .

- Meanwhile, Miscellaneous Revenues rose by LE 0.6 billion (22.6 percent) to record LE 3 billion (0.1 percent of GDP), mainly due to the increase in both current and capital miscellaneous revenues during the period of study.





Source: Ministry of Finance

The rise in Expenditures is mainly due to the increase in Wages, Investments and Social Benefits

On the Expenditures Side:

Total expenditures recorded LE 231.8 billion (10 percent of GDP) during July-November 2014/2015, increasing by around LE 41 billion (21.5 percent growth) compared to same period last year, mainly due to:

§ The increase in wages and compensation of employees by LE 11 billion (16 percent) to LE 79.6 billion (3.4 percent of GDP), mainly due to:

- The increase in spending on cash benefits by LE 6 billion to reach LE 10.4 billion during the period of study, mainly due to; minimum wage allowances of around LE 2.9 billion, and teachers allowances around LE 2.6 billion, and special allowances of around LE 0.4 billion .
- The increase in rewards by LE 1.8 billion (5.6 percent growth) to record LE 33.8 billion during the period of study, mainly due to; teacher's special cadre allowances of around LE 1.8 billion.
- The increase in Specific allowances by LE 0.6 billion (7.4 percent growth) to reach LE 8.7 billion during the period of study.

§ The increase in Purchases of Goods and Services by LE 1.4 billion (18.6 percent growth) to reach LE 8.7 billion (0.4 percent of GDP) due to:

- Increased spending on goods by LE 0.7 billion (23.6 percent growth) to reach LE 3.7 billion during the period of study, mainly due to; increased spending on raw materials.
- Increased spending on services by LE 0.5 billion (13.6 percent growth) to reach LE 4.5 billion during the period of study, mainly due to increased spending on maintenance, and transportation.

§ The increase in interest payments by LE 8 billion (13.4 percent growth) to reach LE 68.4 billion (2.9 percent of GDP), mainly due to:

- The increase in domestic interest (other government units) by LE 6.5 billion (12.6 percent growth) to reach LE 57.8 billion during the period of study, mainly due to; the increase in interest on treasury bills by around LE 5.7 billion, and the increased interest on CBE Bills by LE 0.3 billion.
- Meanwhile foreign interests rose slightly by LE 0.2 billion (11.4 percent growth) to reach LE 2.4 billion during the period of study.

§ The increase in subsidies, grants and social benefits by LE 12.9 billion (41.8 percent growth) to reach LE 43.6 billion (1.9 percent of GDP) in light of the following:-

- Increased spending on subsidies by LE 6 billion (39.8 percent growth) to reach LE 21.2 billion during the period of study, including the following:
    - o The increase in GASC subsidies by LE 6 billion (almost two folds) to reach LE 12 billion pounds during the period of study.
    - o However, no petroleum settlements occurred during the period of study.
- Social Benefits increased by 5.6 billion (39.9 percent growth) to reach LE 19.6 billion during July-November 2014/2015, mainly due to:
    - o Increased contributions to the pension funds by LE 4.4 billion (36.5 percent growth) to reach LE 16.6 billion during the period of study.

- Increased social insurance pensions by LE 1.1 billion (66.7 percent growth) to reach LE 2.8 billion during the period of study

§ The rise in other expenditures by LE 4.3 billion (29.4 percent growth) to reach LE 18.9 billion (0.8 percent of GDP) mainly due to:

- Increase spending on contingency reserves by LE 3.8 billion (28.5 percent growth) to reach LE 17.3 billion during the period of study.

§ The increase in purchases of non-financial assets (investments) by LE 3.5 billion (0.5 percent of GDP) (38.3 percent growth) to reach LE 12.6 billion, mainly due to:

- Increased spending on direct investments by LE 3 billion (37.2 percent growth) to reach around LE 11.4 billion during the period of study.

Going forward, the government's strategy to lower budget deficit, and achieve social justice in FY14/15 budget, consists of two pillars: First, on the revenue side, the government is working towards restructuring the tax system to allow for a fair distribution of the tax burden. In addition, the government is also pursuing other strategies which include countering tax evasion, widening the tax base through a set of amendments for the income tax law, and transferring into the value added tax.

The second pillar envisages expenditure side reforms, that focuses on re-prioritizing public spending in favor of protecting the poor, particularly the neediest segments of the population. Meanwhile, some of the savings derived from the new revenue enhancement and subsidy cuts will be deployed to increase spending on health, education and R&D. Furthermore, additional spending will be allocated to fund important social programs, such as, pension programs, health insurance, improving the slum areas, providing citizens with basic commodities.

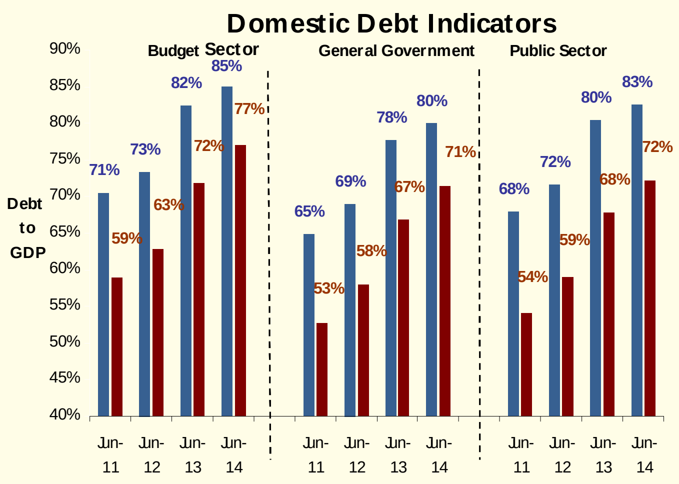
Meanwhile, according to the new budget for the FY14/15, government revenues are estimated to reach LE 549 Billion compared to LE 569 billion, which is the revised budget for the fiscal year 2013/2014. While government expenditures are estimated to reach LE 789 billion. To that end, the budget deficit is estimated to record LE 240 billion, which represents 10 percent of GDP, compared to 14 percent of GDP in case no reform measures were incurred, while total government debt (domestic and external) will reach a sum of LE 2.2 trillion at the end of FY14/15 (about 91.5 percent of GDP, decreasing from 93.8 percent of GDP for FY12/13).

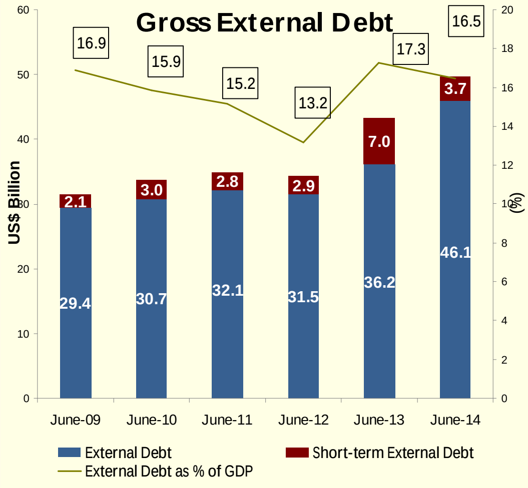
Public Debt:

Increase in Domestic Debt…

Ø Domestic budget sector debt recorded LE 1699.9 billion (85 percent of GDP) by end of June 2014, compared to LE 1444.4 billion (82.4 percent of GDP) by end of June 2013.

Ø It is worth mentioning that the total government debt (domestic and external) reached LE 1907.5 billion (95.5 percent of GDP) at end of June 2014, compared to LE 1644 billion (94 percent of GDP) at end of June 2013.





Source: Ministry of Finance

External debt stock[2] (government and non-government debt) recorded US$ 46.1 billion at end of June 2014 compared to US$ 43.2 billion at end of June 2013 (most of the increase represented aid from the Gulf Countries with concessional and preferential terms). External debt as percent of GDP recorded 16.5 percent by the end of June 2014, which is relatively low if compared to the average of peer countries (Middle East and North Africa countries recorded an average of 25.5 percent of GDP during the year 2013).

Moreover, short-term debt to total external debt ratio decreased from 16.3 percent at end of June 2013 to 7.9 percent at end of June 2014. This could be explained mainly for redeeming Qatari short-term deposit worth US$ 2 billion by end of December 2013, in addition to another matured deposits worth US$ 1 billion, and the payment of around US$ 0.7 billion to the creditor countries under the Paris Club Agreement.

Monetary Perspective:

M2 annual growth rate inched up during October 2014

- According to recent data released by the CBE, M2 annual growth inched up during October 2014 to record 15.7 percent (Y-o-Y) reaching LE 1560.3 billion, compared to 15.6 percent at end of September 2014, while it eased compared to 17.8 percent recorded at end of October 2013. These developments could be explained – from the liabilities side – in light of the growth witnessed in quasi money annual growth reaching 15.3 percent (LE 1128.9 billion), compared to 15.1 percent at end of September 2014, which counterparted the slow down witnessed in money annual growth recording 16.9 percent (LE 431.4 billion), compared to 17.1 percent in the previous month. This is mainly due to the slowing down in currency in circulation annual growth recording 7.5 percent (LE 277.7 billion) at end of October 2014, compared to 9.3 percent in September 2014, reflecting people's preferences to reinvest in Suez Canal investment certificates.

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2 The notable increase in non-government external debt during FY 2013/2014 can be explained in light of a net increase of nearly US$ 4 billion in external debt on the monetary authorities compared to FY 2012/2013. The mentioned increase in monetary authorities' debt could be explained as a result of net change of deposits inflows and redemption of other deposits. The breakdown of inflows is as follows: US$ 2 billion from UAE, US$ 2 billion from Saudi Arabia and US$ 3 billion from Kuwait. Meanwhile, Egypt has returned a total of US$ 3 billion deposits(US$ 2 billion was cancelled and US$ 1 billion was matured).

From the assets side – net domestic assets (NDA) of the banking system annual growth increased during the month of study recording an annual growth of 18.1 percent (LE 1448.7 billion), compared to 17.8 percent recorded during the previous month. On the other hand, net foreign assets (NFA) of the banking system has continued to shrink on annual basis, recording a contraction of 8.5 percent (LE 111.6 billion) at the end of October 2014, compared to a lesser decline of 5.4 percent during the previous month.

Net claims on the government and GASC annual growth continued to increase at a slower pace – for the second month in a row – to reach 20.1 percent (LE 1057.7 billion), compared to 22.7 percent during the previous month, as the government sold Suez Canal investment certificates to the public (individuals and companies), which partially decreased its borrowing needs.

On the other hand, claims on public business sector annual growth jumped from 6.2 percent in September 2014 to record 28 percent (LE 55.7 billion) in October 2014. This comes in light of the LE 10 billion (US$ 1.5 billion) loan provided to Egyptian General Petroleum Company (EGPC) through a banking coalition led by The National Bank of Egypt to pay arrears owed to foreign energy companies.

Moreover, annual growth in credit to the private sector increased to reach 10.6 percent (-1.2 percent annual real growth) at end of October 2014 to LE 549.9 billion, compared to 10.3 percent last month. This growth comes on the back of the increase witnessed in both claims on household sector and private business sector annual growth reaching 20.2 percent and 7.3 percent, respectively, compared to 20 percent and 6.8 percent in September 2014, respectively.

Deposits and loans detailed data for October 2014 is not yet available. Total deposits annual growth – excluding deposits at the CBE – decelerated to reach 19.1 percent y-o-y (LE 1465.6 billion) at the end of September 2014, compared to 21.5 percent at end of August 2014 – in light of partial withdrawal of domestic deposits to reinvest in Suez Canal investment certificates. Out of total deposits, 86.8 percent belonged to the non-government sector. On the other hand, annual growth rate in total lending by banking sector (excluding CBE) increased during the year ending September 2014 recording 9.4 percent (LE 601.2 billion), compared to 6.8 percent at end of August 2014. To that end, loans-to-deposits ratios inched up at end of September 2014 registering 41 percent, compared to 39.8 percent at end of August 2014.

NIR declined by US$ 1.1 bn during November 2014

Ø Net International Reserves (NIR) declined by US$ 1.1 billion during November 2014, to record US$ 15.9 billion, compared to US$ 17 billion in October 2014. The decline witnessed at end of November 2014 comes in light of the repayment of accrued deposits to Qatar worth US$ 2.5 billion. This was counterparted by an inflow of US$ 1 billion grant were received from Kuwait and around US$ 0.4 billion revenues generated from Suez Canal and tourism.

CPI decline during November 2014 (the lowest rate since the beginning of current fiscal year)

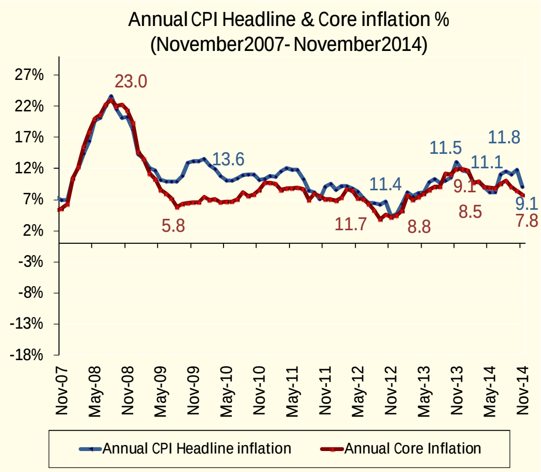
Ø CPI annual Urban Inflation increased slightly during the period July- November 2014/2015 recording 10.9 percent, compared to 10.7 percent during the same period last year.

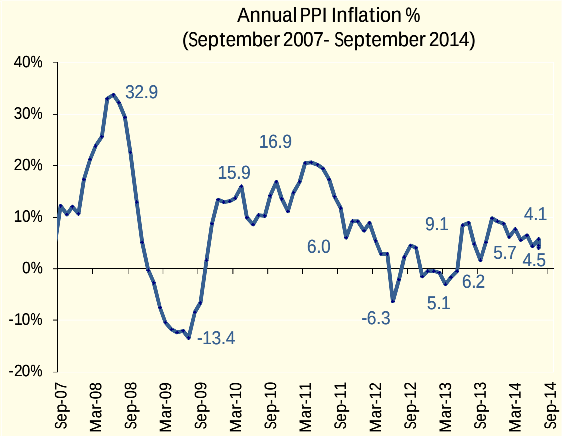
It worth to note that, In November 2014, annual inflation declined significantly to record 9.1 percent (the lowest rate since the beginning of current fiscal year), compared to 11.8 percent during October 2014, and 13 percent during November 2013. The decline in annual inflation was mainly fueled by the sharp decline in annual inflation rate of "Food and Beverage" group (largest weight in CPI) reaching 7.1 percent during November 2014 (the lowest rate since

December 2012), compared to 11.5 percent during last month, and compared to 19.1 percent during November 2013. This decline comes on the back of the decrease in annual inflation rate of sub-items among the "Food and Beverage" group, on top of which "Vegetables" (to record 5.5 percent compared to 23.5 percent last month), "Fruits" (to record 9.7 percent compared to 13.1 percent), "Fish" (to record 8 percent compared to 15.7 percent), "Milk Cheese and Eggs" (to record 11.9 percent compared to 15.1 percent). In addition, other factors contributed to the decline in annual inflation, mainly; fading seasonal pressures during last two months (including; Eid Eladha, and increased education fees).

On a more detailed level, annual inflation declined for other main groups, on top of which "Clothing and Footwear" to record 1.9 percent compared to 5 percent last month (due to the decline in clothing and garments prices), "Housing, Water, Electricity, Gas and other Fuels" to record 2.5 percent compared to 5.6 percent (due to the decline in water supply and miscellaneous services relating to dwelling, and the decline in prices of gas electricity and other fuel prices). Meanwhile, annual inflation rates increased at lower pace for other groups, on top of which "furnishing, household equipment and house maintenance" to record 5.4 percent compared to 5.7 percent during last month (due to the decline in prices of furniture, carpets, household textiles, household appliances, tools and equipment for houses and gardens), and "Recreation and Culture" group to a record 11.2 percent compared to 11.5 percent (due to the decline in prices of audio, visual, and photographic equipment).

- On the other hand, monthly inflation declined significantly to record -1.5 percent during November 2014 compared to 1.7 percent in the previous month, and compared to 0.9 percent during November 2013.





- Annual core inflation decreased to reach 7.8 percent during November 2014 (the lowest rate since April 2013), compared to 8.5 percent during October 2014, and compared to 11.9 percent in November 2013. On the other hand, monthly core inflation declined significantly to record -0.2 percent during November 2014, compared to 0.5 percent during October 2014. The monthly inflation could be explained in light of the decline in the prices of "food items" contributing by -0.31 percentage points to the monthly core inflation rate. This was partially offset by the increase in "retail prices", which contributed by 0.16 percentage points.

- During its Monetary Policy Committee meeting held on November 27th, 2014, CBE decided to keep the overnight deposit rate and overnight lending rates, unchanged at 9.25 percent and 10.25 percent respectively, and to keep the CBE's main operation unchanged at 9.75 percent. The discount rate was also kept unchanged at 9.75 percent. The committee justified that decision in light of balancing risks to the inflation outlook, and the economic growth.
- Moreover, in an attempt to absorb excess liquidity and to protect the domestic currency, the CBE held deposit auctions on December 23rd, 2014 worth LE 70 billion with 7-day maturity at a fixed annual interest rate of 9.75 percent.
- EGX-30 Index decreased by 381.3 points during December 2014, reaching 8926.6 points compared to 9307.9 by the end of November 2014. Furthermore, market capitalization declined by 4.2 percent m-o-m during the month of study to reach LE 500 billion (21.5 percent of GDP) compared to LE 522 billion during the previous month. It is important to highlight that the downturn witnessed in the EGX indices comes in line with global and gulf markets, which were affected by oil price movements.

On the External Sector side:

- BoP showed an overall surplus of US$ 0.4 billion during Q1-FY14/15, compared to a higher overall surplus of US$ 3.7 billion during the same period last year. This occurred as a result of several factors, on top of which:
    - Current account recorded a deficit of US$ 1.4 billion, compared to a surplus of US$ 0.6 billion during the same period last year. This came as a result of the deceleration witnessed in the trade balance and transfers, that outweighed the improvement in the services balance.

      Net official transfers recorded US$ 1.5 billion compared to US$ 4.3 billion during July-September 2013/2014, this cannot be considered as a deceleration since the period in comparison Q1-FY13/14 reflected exceptional inflows as Egypt received US$ 3 billion grants from Arab countries (US$ 1 billion from the United Arab Emirates and US$ 2 billion from the Kingdom of Saudi Arabia).

      Additionally, trade balance has recorded a deficit of US$ 9.7 billion, compared to a deficit of US$ 7.5 billion, mainly due to the increase witnessed in merchandise imports by 17.9 percent to record US$ 16.2 billion compared to US$ 13.7 billion during Q1-FY13/14.

      However, services balance has recorded a surplus of US$ 2 billion during the period of study, compared to a deficit of US$ 0.2 billion during Q1-FY13/14, mainly backed by the more-than-double picking up in tourism receipts to reach US$ 2.1 billion during July – September 2014/2015, (compared to US$ 0.9 billion in Q1-FY13/14), in addition to the significant increase witnessed in government receipts to reach US$ 583 million during the period of study, compared to US$ 74.5 million in Q1-FY13/14.
    - Meanwhile, the capital and financial account witnessed net inflows of US$ 0.8 billion during the period of study, compared to net inflows of US$ 4.6 billion during Q1-FY13/14, mainly due to the decrease witnessed in the CBE liabilities to the external world registering a net inflow of only US$ 0.001 billion (compared to US$ 3 billion during the same period last year), as no exceptional financing was received from abroad.

It is also worthy to highlight that net foreign direct investments in Egypt increased by more than the double to reach US$ 1.8 billion, compared to US$ 0.7 billion driven mainly by the rise in the net inflow for oil sector investments to reach US$ 0.9 up from US$ 0.4 billion during Q1-FY13/14. Net inflow for greenfield investments have also witnessed an increase to reach 0.7 billion during Q1-FY14/15 compared to 0.3 billion during the same period last year.

§ Net errors and omissions recorded an inflow of US$ 1 billion during July – September 2014/2015, compared to an outflow of US$ 1.5 billion during Q1-FY13/14.

Ø According to the latest published figures, total number of tourists arrivals increased during the month of October 2014, reaching almost 1 million tourists, compared to 884 thousand tourists in the previous month, while it rose significantly by 79.5 percent if compared to 558.7 thousand tourists arrived during the same month last year. Moreover, tourists nights increased during the month of study to reach almost 9.8 million nights compared to 8.8 million nights during the month of September 2014.