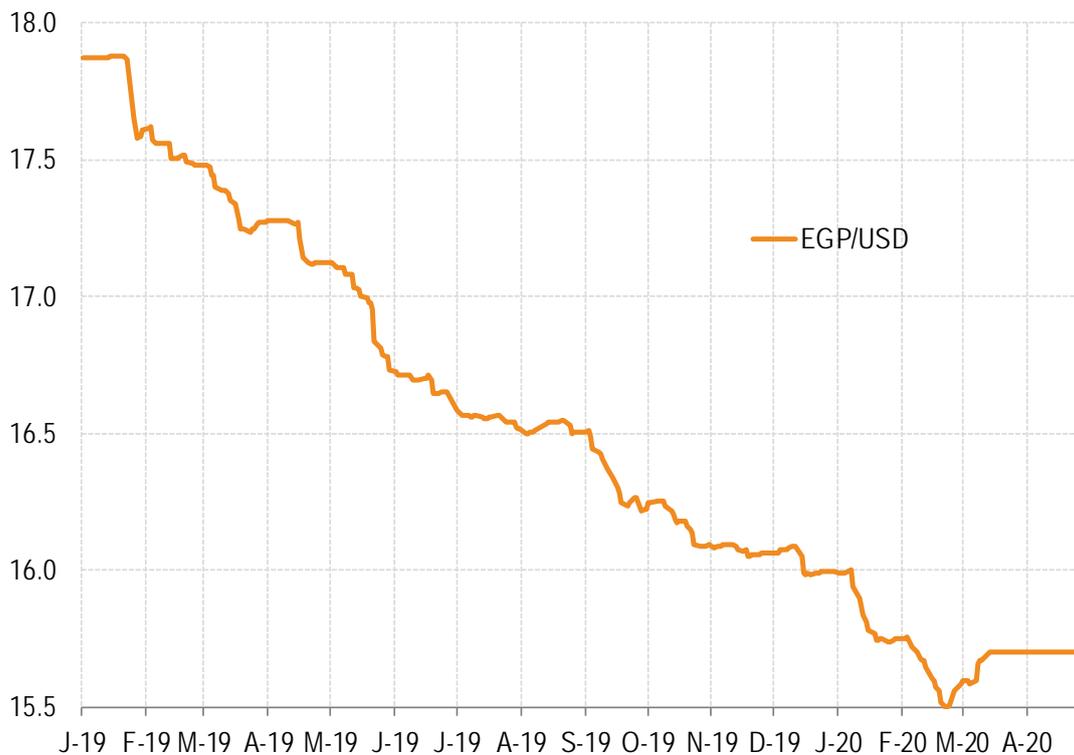




The Egyptian pound's gradual depreciation is likely to continue in the short term

Since March 2020, the deterioration in the global economic environment has stopped the appreciation of the Egyptian pound. In 2019, the pound appreciated by 12% against the USD with the rise in current account receipts and sustained portfolio inflows. Since March, massive portfolio outflows have entailed the pound's moderate 1.2% depreciation and a decline in the official foreign reserves of the Central Bank (CBE) by 11%. In the short term, current account revenues should weather the drop in Suez Canal and tourism revenues (20% of current account receipts in total). The CBE's fx liquidity (8 months of imports of goods and services including tier-2 reserves) and the IMF financial support should allow the CBE to ease pressure on the pound in order to limit imported inflation. In this context, the pound should continue to moderately depreciate at a pace close to that of the inflation.



Source: Central Bank of Egypt