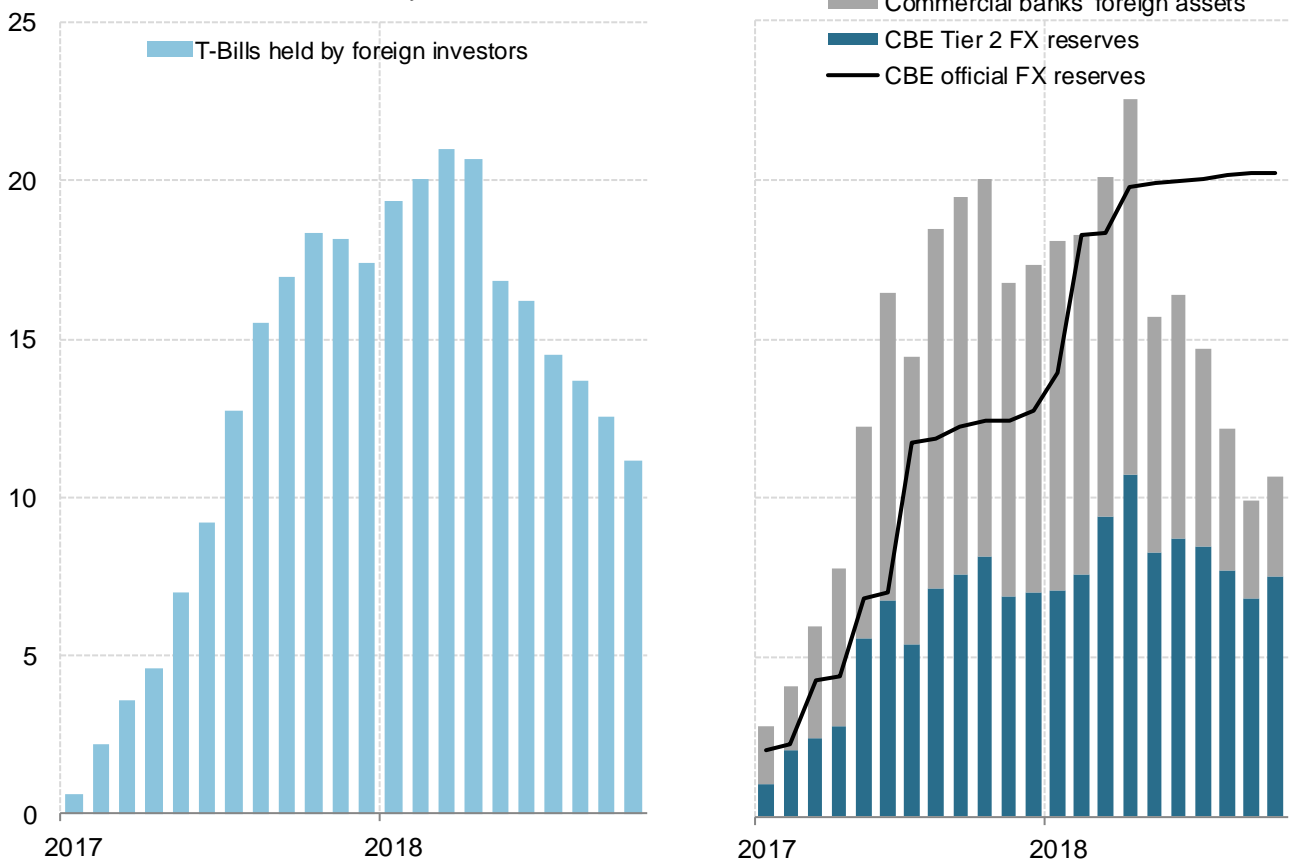




## Egypt: Deterioration in the foreign asset position of the banking system

USD bn: cumulated from January 2017



Source: Central Bank of Egypt, BNP Paribas

As have many other emerging economies since March 2018, Egypt's economy has weathered significant capital outflows. Holdings of Treasury Bills by foreign investors have dropped by almost USD 10 bn since March to reach USD 11.7 bn at end-October 2018. As a consequence, the Central Bank of Egypt Tier 2 FX reserves (prudential reserves that are not included in official reserves and match the carry-trade capital flows) and commercial banks' foreign assets have declined.

In parallel, the central bank's official FX reserves have remained almost stable. They currently amount to USD 44.5 bn, the equivalent of 7.1 months of imports of goods and services. Despite the deterioration in the external position, liquidity in foreign currency is not at risk, notably given the expected further decline in the current account deficit.