

Responding to the Coronavirus Crisis

Update on Egypt (18/05/20)



EBRD Policy Comparator

| Financial Sector | | | Direct support to firms | | | | | Payment holidays | | | Temporary controls | | Support to individuals | | | | Increased social benefits | | | Health | External Assistance |
|---------------------|---------------------|--------------------------|-------------------------|----------------------------------|----------------|------------|-------------------------------|------------------|------|-----------|--------------------|---------|------------------------|---------------|------------|-----------------------|---------------------------|--------------------------|--------------|---------------------|---------------------------|
| Policy rate reduced | Liquidity increased | Prudential req. loosened | Wage subsidies | Tax/ social sec. contr. deferred | Loan subsidies | Guarantees | Inspections/ audits suspended | Loans | Rent | Utilities | Prices | Exports | Universal transfers | Self-employed | Pensioners | Low income households | Enhanced sick leave | Enhanced unemp. benefits | Public works | Additional spending | (available or negotiated) |
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Economic channels of disruption

Tourism, travel, global value chains, trade, FDI

- Slowdown in tourism and in demand from trading partners, decline in Suez Canal revenue because of disruptions in global value chains and trade, sudden-stop of global FDI, reduced worker remittances, and net capital outflows will all negatively affect growth.
- Slowdown in domestic activities as people are asked to stay home (night-time curfew introduced on 24 March).
- The Health Ministry has published a 3-stage plan for coronavirus management that contains required procedures in preparation for the gradual return of normal life in the country.

Selected crisis impact indicators

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| EBRD GDP growth outlook (May 2020) | FY 2020: 2.5% |
| | FY 2021: 3.0% |
| Purchasing Managers Index | 29.7 |
| (April 2020) | (down 14.5 points m/m) |
| Nielsen Global Survey of Consumer Confidence and Spending Intentions | 99 |
| (Q1 2020) | (up 10 points q/q) |
| Egypt stock market (EGX30) | 10,347 |
| (May 17 2020) | (down 26% YTD) |

Crisis response measures to date

Sectoral support, energy prices and interest cuts

- Issue EGP3bn (\$190mn) guarantee to the national banks to offer 3-year loans to tourism companies and hotels at a subsidised rate of 5% with 1-year grace period.
- Support to airlines: EGP 2-3bn bailout in the form of a loan at a preferential interest rate of 8% and a \$0.10/gallon discount on fuel when air traffic resumes.
- Fast-track the release of overdue payments to contractors to pay workers and spur construction work on national projects, and fast track export subsidies from EDF.
- Provide temporary 6-month licenses for medical supplies and food commodities producers in investment zones, with 3-month grace period for insurance payments
- Stimulus package of \$6.3bn (EGP100bn), including EGP50bn for the tourism sector
- Increase subsidy pay-out for exporters; a new debt relief initiative

Selected crisis response indicators

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| Payment holidays for loans | 6 months |
| (months) | |
| | IMF: \$2.77bn RFI |
| | ITFC: \$100m to GASC for basic strategic commodities |
| | EU: redirect up to €89mn to the public health system |
| Committed external assistance | WB: \$50mn under the Fast Track Covid-19 Facility to strengthen the prevention, detection and response to the pandemic, and \$7.9mn under the CERC to the “Transforming Egypt’s Healthcare System” Project |

Key short-term priorities

Improve private investment; advance structural and fiscal reforms to preserve macro stability; implement National Water Resources Plan