

# Responding to the Coronavirus Crisis

## Update on Egypt (12/11/20)



### 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)
*				*	*			*	*	*	*	*		*	*	*		*		*	*

### 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.
- The Health Ministry has published a 3-stage plan for coronavirus management in March, followed by plans to contain second wave of the pandemic and the 'Egypt 2021 COVID-19 Medical Precaution Plan' in October.

#### Selected crisis impact indicators

**EBRD GDP growth outlook** CY 2020: 2.0%  
(Sep 2020) CY 2021: 5.0%

**Purchasing Managers Index** 51.4  
(Oct 2020) (up 1 point m/m)

**Nielsen Global Survey of Consumer Confidence and Spending Intentions** 85  
(Q2 2020) (down 14 points q/q)

**Egypt stock market (EGX30)** 10,998  
(11 Nov 2020) (down 21% YTD)

### Crisis response measures to date

#### Sectoral support, energy prices and interest cuts

- Issue EGP100bn (\$6.3bn) in loan guarantees to banks (manufacturing, agriculture and contracting sectors) and EGP3bn (\$190mn) guarantees to the national banks to offer 3-year, 5% loans with 1-year grace period to tourism companies and hotels. Support to airlines: EGP 2-3bn bailout loan at a preferential interest rate of 8% and a \$0.10/gallon discount on fuel when air traffic resumes.
- 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

**Payment holidays for loans** 6 months  
(months)

IMF: \$2.8bn RFI, \$5.2bn SBA (first tranche \$2bn)  
ITFC: \$100m to GASC for basic strategic commodities  
EU: up to €289mn to support health and socio-economic needs

**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

Promote alternative water sources; strengthen competition and a level playing field; and upgrade digital infrastructure and advance digitisation