

Coronavirus response in 2021: building back better

Update on Egypt (06 December 2021)



Covid-19 policy response

- **Covid-19 response measures remained for certain sectors in FY2021-22.** Measures to support the tourism sector were extended to the end of 2021, while the minimum share of credit to micro, small and medium-sized enterprises (MSMEs) was raised from 20 to 25 per cent of commercial banks' credit portfolio, per a central bank directive.
- **Egypt's solid fiscal situation is supporting the recovery in FY2021-22.** However, a shift in focus is projected to reinstate fiscal discipline from FY2022-23 to achieve a downward debt trajectory. Public investment remains concentrated in infrastructure, health and education.
- **The government successfully completed its International Monetary Fund (IMF) programme and launched its National Structural Reform Programme.** The latest phase of reforms focuses on supporting private sector-led growth and job creation, and will capitalise on reforms implemented since late 2016.

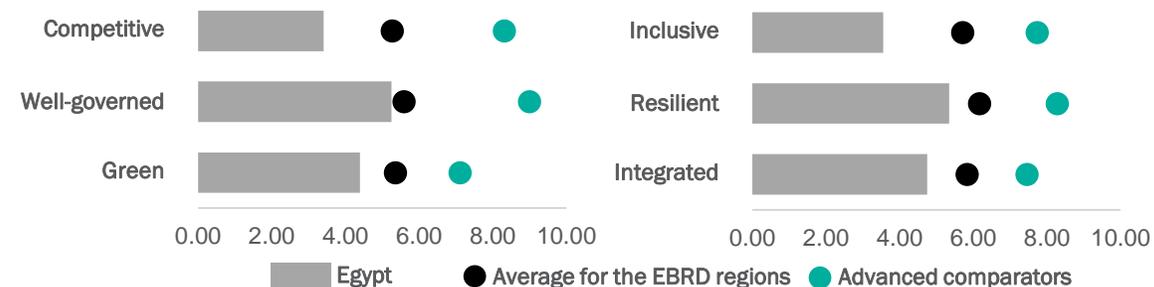
Macroeconomic indicators (per cent)

	FY19	FY20	FY21	Short-term indicators
GDP growth	5.6	3.6	3.3	EBRD GDP growth forecast (Nov 2021) 2022: 4.9% GDP quarterly growth: 9.8% y/y (Q3 2021) Consumer sentiment: 98.0 (Q4 2020) PMI: 48.7 (Nov 2021) Annual inflation: 5.5% (Nov 2021)
Annual inflation (year)	9.4	5.7	4.9	
Government balance/GDP	-8.0	-7.9	-7.3	
Current-account balance/GDP	-3.6	-3.1	-3.9	
Net FDI/GDP	2.6	2.0	1.4	
Public debt/GDP (year end)	84.2	89.8	91.4	
Unemployment rate (year end)	7.5	7.5	9.6	

Key short-term priorities

- Implementing the recently adopted medium-term revenue and debt strategies is essential in order to put debt on a sustainable, declining path.
- Reforming the role of the state in the economy would support competition and create a level playing field for private enterprises.
- Integration into global value chains should be stepped up.

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Competitive	<ul style="list-style-type: none"> • Egypt is increasing global and regional integration by exploring new export markets in Asia and Africa and subsidising freight services to African markets.
Well-governed	<ul style="list-style-type: none"> • Public administration reforms are advancing to improve the overarching governance structure, including enacting the unified financing law to consolidate state budgeting.
Green	<ul style="list-style-type: none"> • A new Water Resource Act that helps reduce water wastage and optimise use passed in parliament.
Inclusive	<ul style="list-style-type: none"> • The authorities are launching the "Haya Karima" initiative to support inclusive development in rural areas and introducing a mortgage scheme for low- and middle-income earners.
Resilient	<ul style="list-style-type: none"> • Ongoing financial-sector reforms include upgrades to the Egyptian Stock Exchange (EGX) infrastructure to develop the bond market, introducing capital-friendly taxation, and enacting a new fintech law and instant payment regulations.
Integrated	<ul style="list-style-type: none"> • Major state investment and public-private partnerships in infrastructure will upgrade key seaports, road and railway networks, and an advanced cargo information scheme is being launched.
Digital	<ul style="list-style-type: none"> • Ongoing initiatives include the accelerated digitalisation of educational, healthcare, justice and tax and customs services, as well as an e-government digital portal trial under the Digital Egypt 2030 initiative.

To learn more about the EBRD's support for Egypt, visit: <https://www.ebrd.com/egypt.html>.

¹ For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.