

Coronavirus response in 2021: building back better

Update on Egypt (16 June 2021)



Covid-19 policy response

- **A swift policy response in FY2019-20 and FY2020-21**, amounting to around 1.8 per cent of GDP, focused mainly on supporting affected businesses in the tourism sector, as well as manufacturers, exporters and aviation companies impacted by the virus, as well as greater health spending and the expansion of social safety nets.
- **Covid-19-related fiscal measures in FY2021-22** are projected to decrease as some measures expire and the government reinstates fiscal discipline. The government is set to shift its focus from social spending to higher capital investment and health and education expenditure.
- **External support frees up the fiscal space needed for recovery.** Egypt benefits from the International Monetary Fund's Stand-By Arrangement (SBA) (US\$ 1.6 billion remaining). Smaller-scale funding is available from international partners, but the country is likely to tap the debt market for additional financing, including its 2021 US\$ 3.75 billion Eurobond issue.

Macroeconomic indicators (%)

	FY18	FY19	FY20	Short-term indicators
GDP growth	5.3	5.6	3.6	EBRD GDP growth forecast (June 2021) 2021: 4.2%; 2022: 5.2% GDP quarterly growth: 2.9% y/y (Q1 2021) Consumer sentiment: 98.0 (Q4 2020) PMI: 48.6 (May 2021) Annual inflation: 4.1% (April 2021)
Annual inflation (end-year)	14.4	9.4	5.6	
Government balance/GDP	-9.4	-8.0	-7.9	
Current-account balance/GDP	-2.4	-3.6	-3.1	
Net FDI/GDP	3.1	2.7	2.1	
Public debt/GDP (end-year)	92.5	84.2	90.2	
Unemployment rate (end-year)	9.9	7.5	9.6	

Key short-term priorities

- The authorities should step up measures to promote alternative water solutions.
- Further efforts are needed to strengthen competition and promote a level playing field.
- Upgrading digital infrastructure and advancing digitalisation would create much-needed job opportunities in a post-Covid-19 world.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Competitive

- 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

- Public administration reforms are advancing, including upgrading the overarching governance structure and modernising the regulatory framework.

Green

- The proceeds of sovereign green bonds have financed green projects including clean transportation, renewable energy and sustainable water management.

Inclusive

- The authorities have introduced the Haya Karima initiative to support inclusive development in rural areas as part of Egypt Vision 2030.

Resilient

- Upgrades to EGX infrastructure are advancing to develop the bond market, facilitate trading and attract investors.

Integrated

- Major investments in infrastructure are under way, including public-private partnerships to upgrade key seaports, road and railway networks.

Digital

- Ongoing initiatives include the accelerated digitalisation of the education, 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 (2020), [Transition Report 2020/21: The State Strikes Back](#), London.