

# Egypt Economic Overview

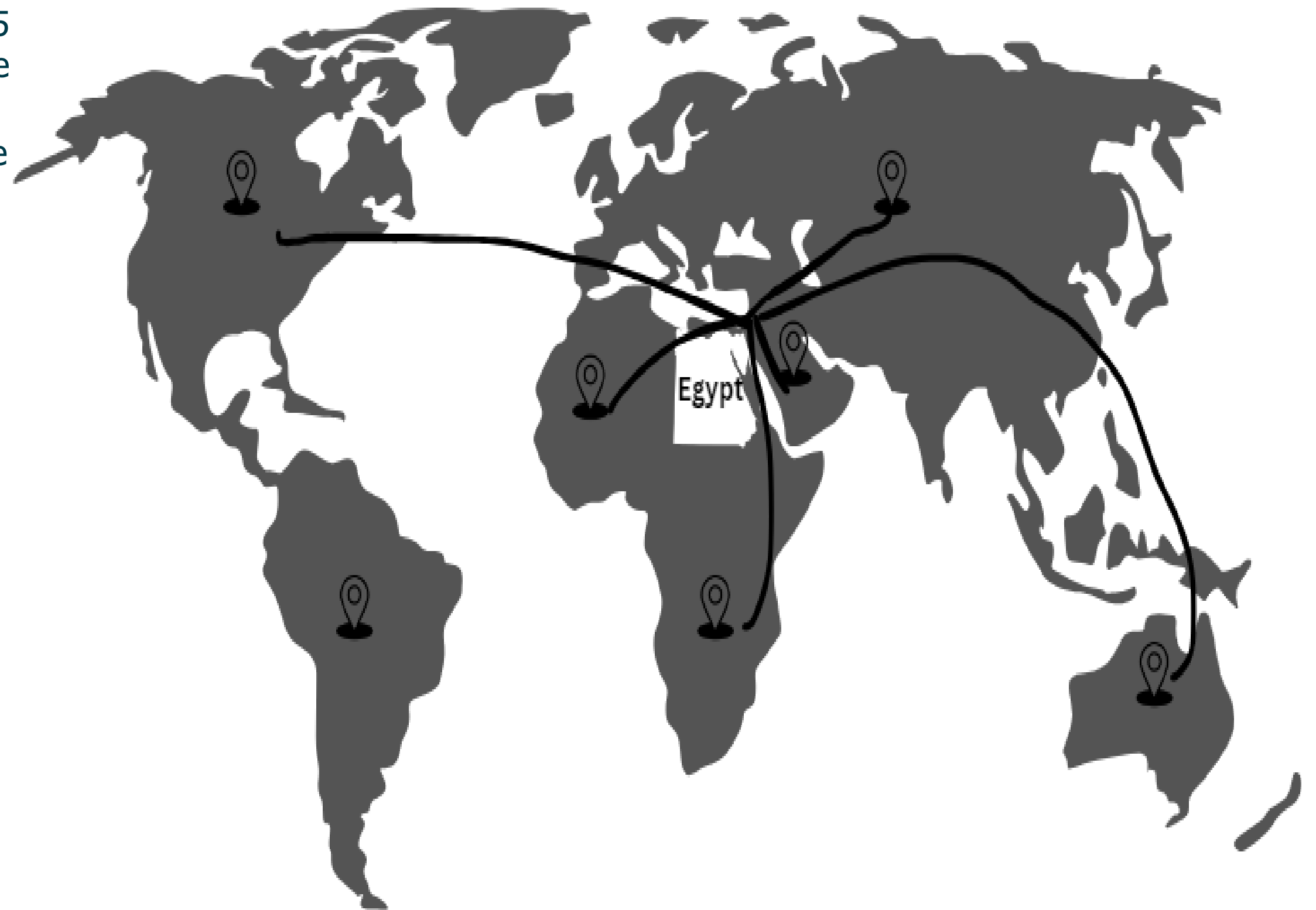
# Egypt's Unique Location

## Egypt is at the Unique Crossroad between Europe, Asia and Africa

- Egypt's multiple free trade agreements provide access to 1.5 billion consumers, of which 110 million consumers are domestic.
- Egypt has a unique opportunity for nearshoring activities due to its central location.

### Main Trade Agreements

- Pan Arab Free Trade Agreement/ Greater Arab Free Trade Agreement (GAFTA)
- Common Market for Eastern and Southern Africa (COMESA)
- Agadir Free Trade Agreement
- Egypt-EU Association Agreement
- Egypt-EFTA Free Trade Agreement
- Qualified Industrial Zones (QIZ)
- Egypt Turkey Free Trade Agreement
- Egypt-MERCOSUR Free Trade Agreement



# The Political System

*Stable Political System, Working Towards Reform Locally, Engaged Internationally*

- The Arab Republic of Egypt is a sovereign, united, and indivisible State, with a democratic republican system that is based on citizenship and rule of law. The politics of Egypt are based on republicanism, with a government of presidential system. The President of the Republic is the head of the State and the head of the executive power and abides by the provisions of the Constitution and the laws in the presence of legislative and judicial powers.
- The current President, Abdel Fatah ElSissi is currently serving his third term which started April 2<sup>nd</sup>, 2024, and is expected to end in 2030. His first term started June 2014.
- **Executive Branch:** Chief of State: President Abdelfattah ElSisi (since June 2014). Head of Government: Prime Minister Dr. Mostafa Madbouly (since June 2018) Cabinet: Cabinet ministers nominated by the executive branch and approved by the House of Representatives.
- **Elections:** President elected by absolute majority popular vote in 2 rounds if needed for a 6-year term (eligible for 3 consecutive terms). Election last held in December 2023. The Prime Minister is appointed by the President and approved by the House of Representatives.
- **Legal system:** mixed legal system based on Napoleonic civil and penal law, and Islamic religious law. Judicial review of the constitutionality of laws is done by the Supreme Constitutional Court.
- **Legislative Branch:** bicameral. Members of both houses serve 5-year terms elections. Next elections are in 2025.
- Parliament consists of **Senate** (Majlis Al-Shiyoukh) (300 seats; 100 members directly elected in single seat constituencies, 100 directly elected by closed party-list vote, and 100 appointed by the President). **House of Representatives** (Majlis Al-Nowaab) (596 seats; 448 members directly elected by individual candidacy system, 120 members - with quotas for women, youth, Christians and workers - elected in party-list constituencies by simple majority popular vote, and 28 members appointed by the President).
- There are 27 governorates, with Governors appointed by the President.

# Population and Demographics

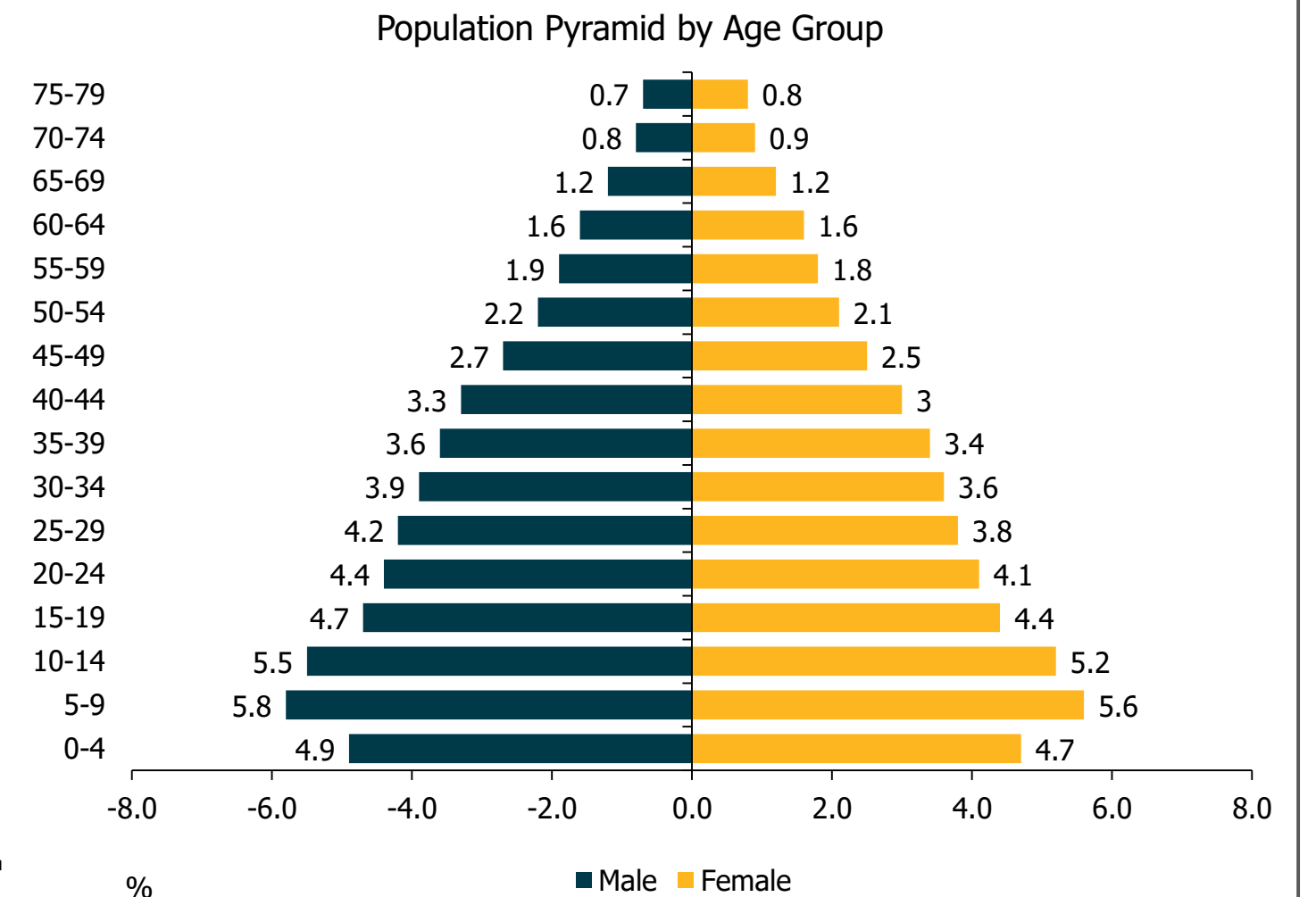
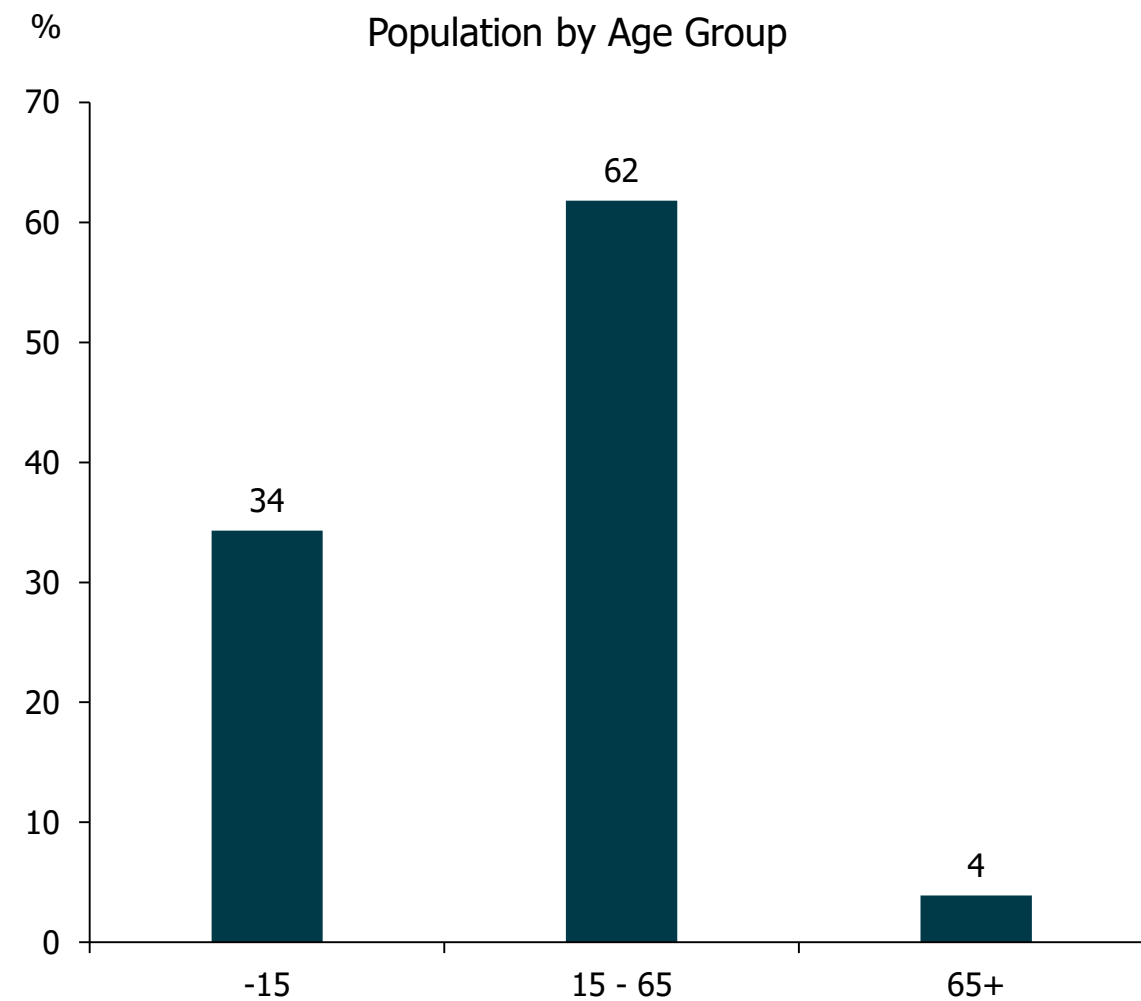
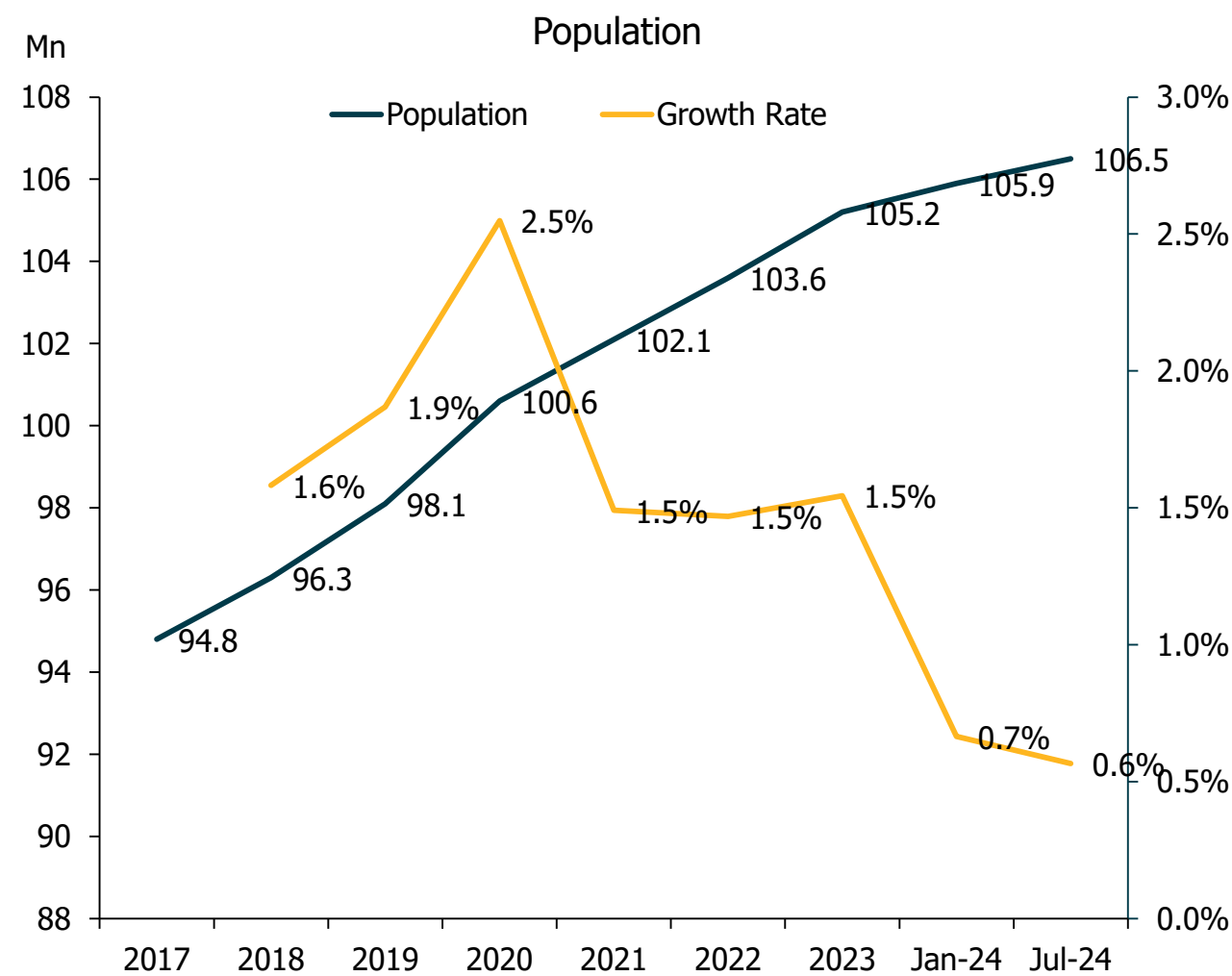
## Large, Young, Trainable Population

- Urban population reached 42.9%, while rural population reached 57.1% out of total population at the beginning of 2024.
- The government has been serious about reducing the population growth rate to maintain economic growth.
- The quality of labour in Egypt is improving, with more trainable labour every year.

EGYPT IS A BIG MARKET

AND A YOUNG SOCIETY

Median Age = 25.5

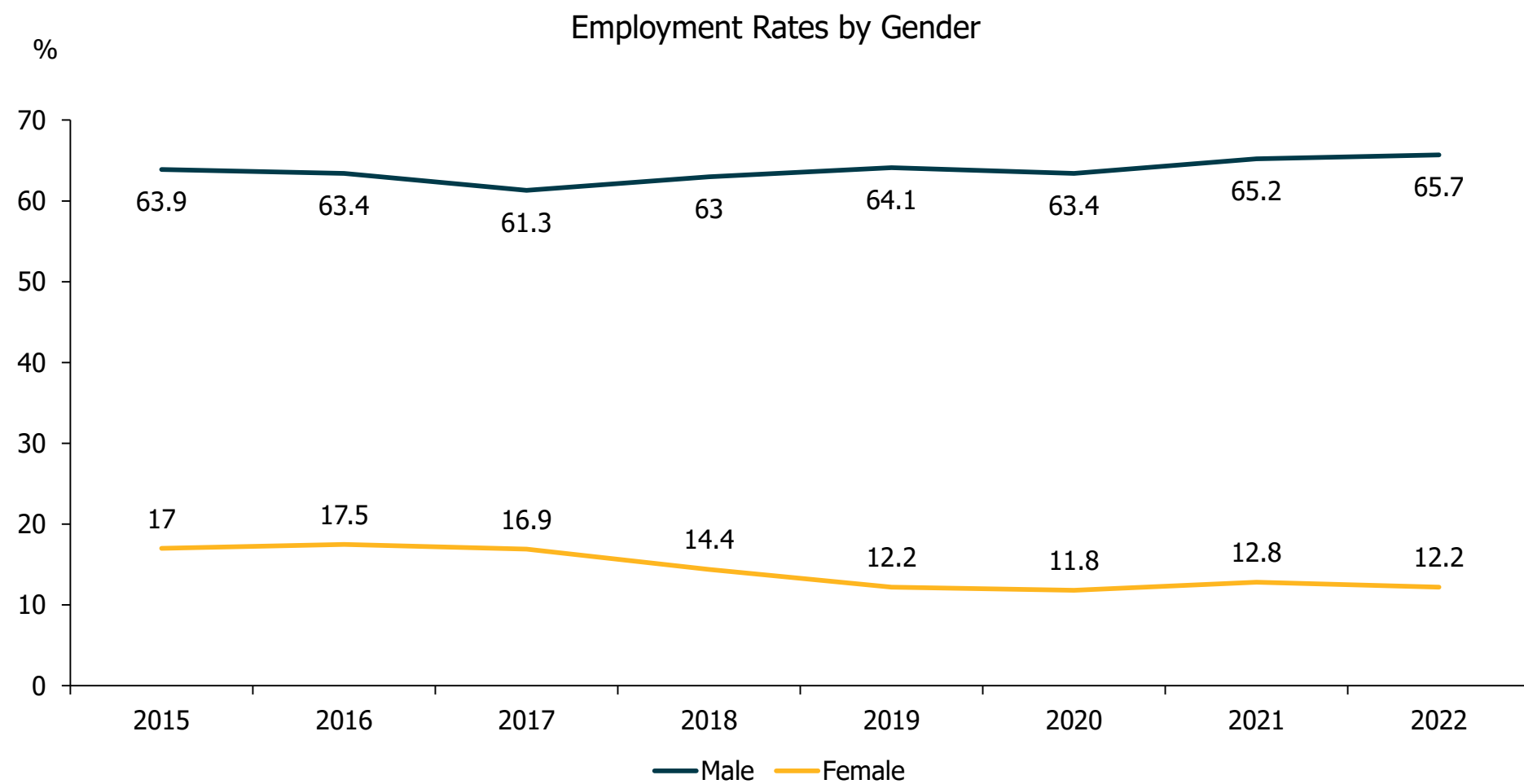


Sources: CAPMAS and Investia

# Labour Market

## 1 Mn New Entrants to Labour Market Annually, Unemployment Declining

- Unemployment rate in 2024 declined to 6.5%.
- Female unemployment rate registered 17.8% in 2023, versus 4.7% for males
- Minimum monthly wages rose to EGP6000 (USD125) as of May 2024, up from EGP3500 in December 2023.

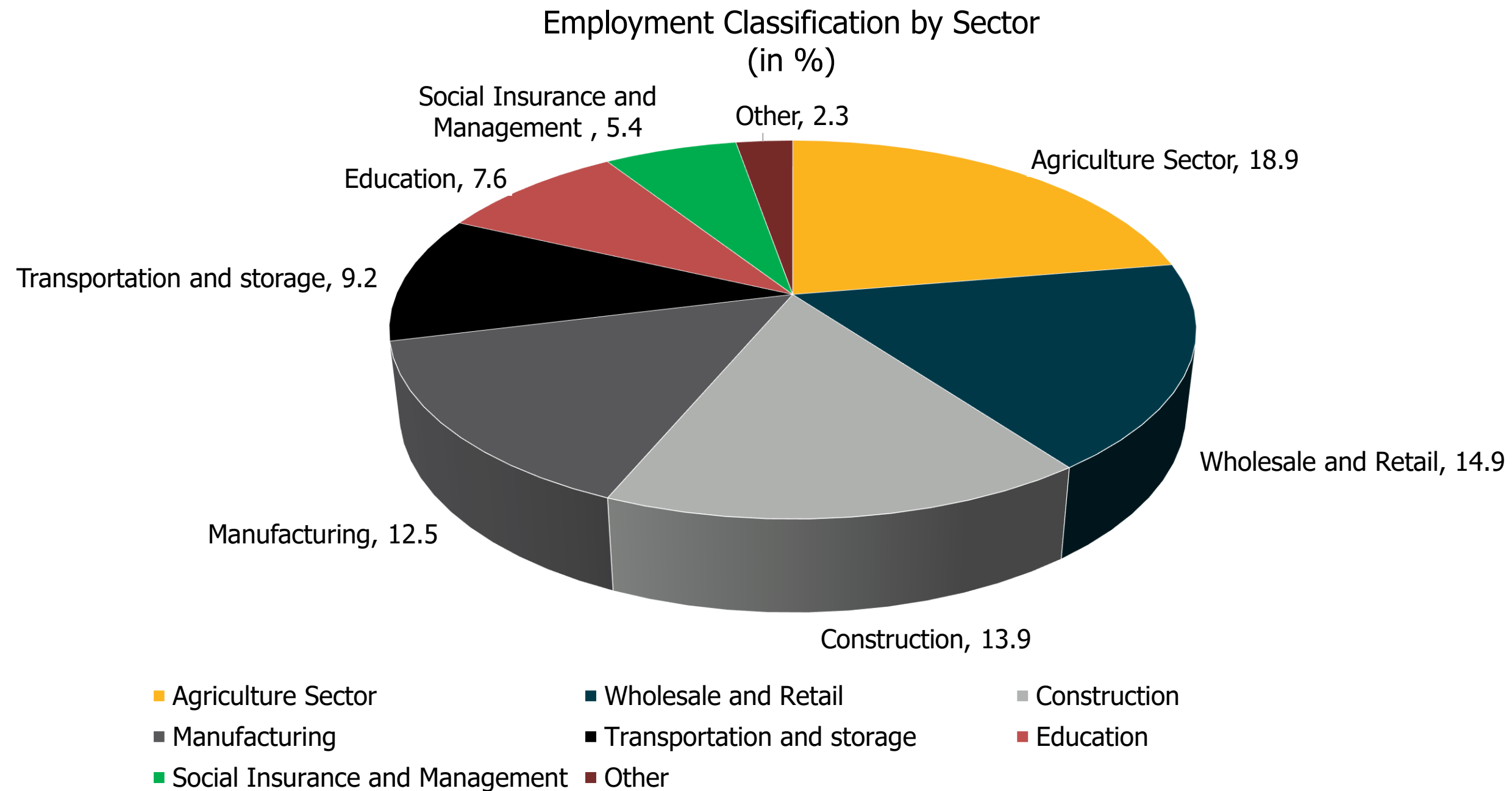


Sources: CAPMAS and Investia

# Labour Market

Relatively Balanced Employment Breakdown between Agriculture, Services and Manufacturing. But Larger Employment Still in Low Tech Sectors

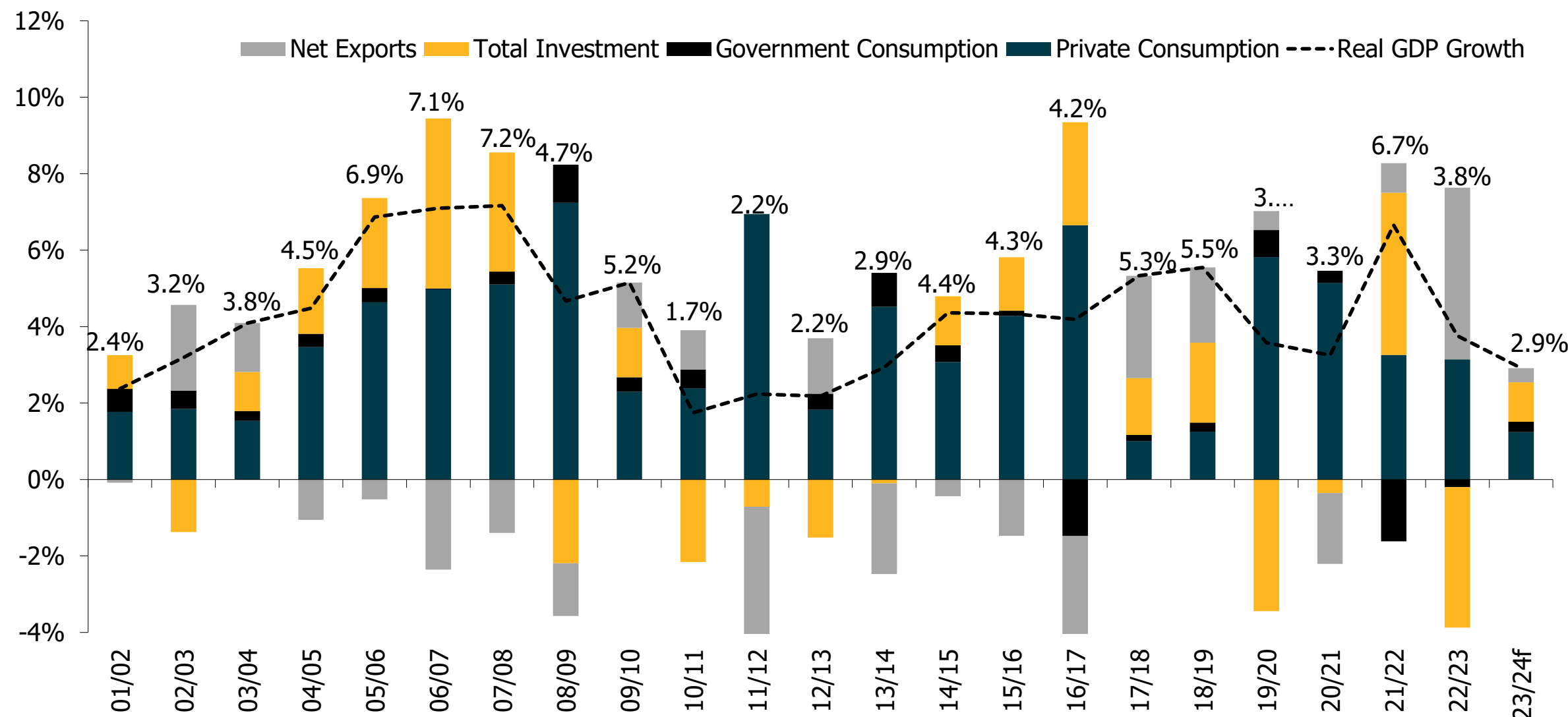
Agriculture sector is the predominant sector absorbing approximately 19% of total employment, followed by the wholesale and retail sector accounting for 15%, the construction sector at 14% and manufacturing at 13% of total employment.



# GDP Growth

## GDP Growth Declines due to Domestic and External Shocks, Recovers after FY2024/2025 with Economic Reforms and Investment Flows

- Private consumption was the main growth driver until the revolution in 2011, when investment became the main growth driver along with net exports.
- Real GDP growth fluctuated with domestic and external shocks but does not exceed 5%.
- Growth expected to recover after FY2024/2025 and into FY2025/2026 with structural reforms, and inflation and interest rates decline.
- Expect 5-6% in medium term, with higher levels linked to higher investment inflows.

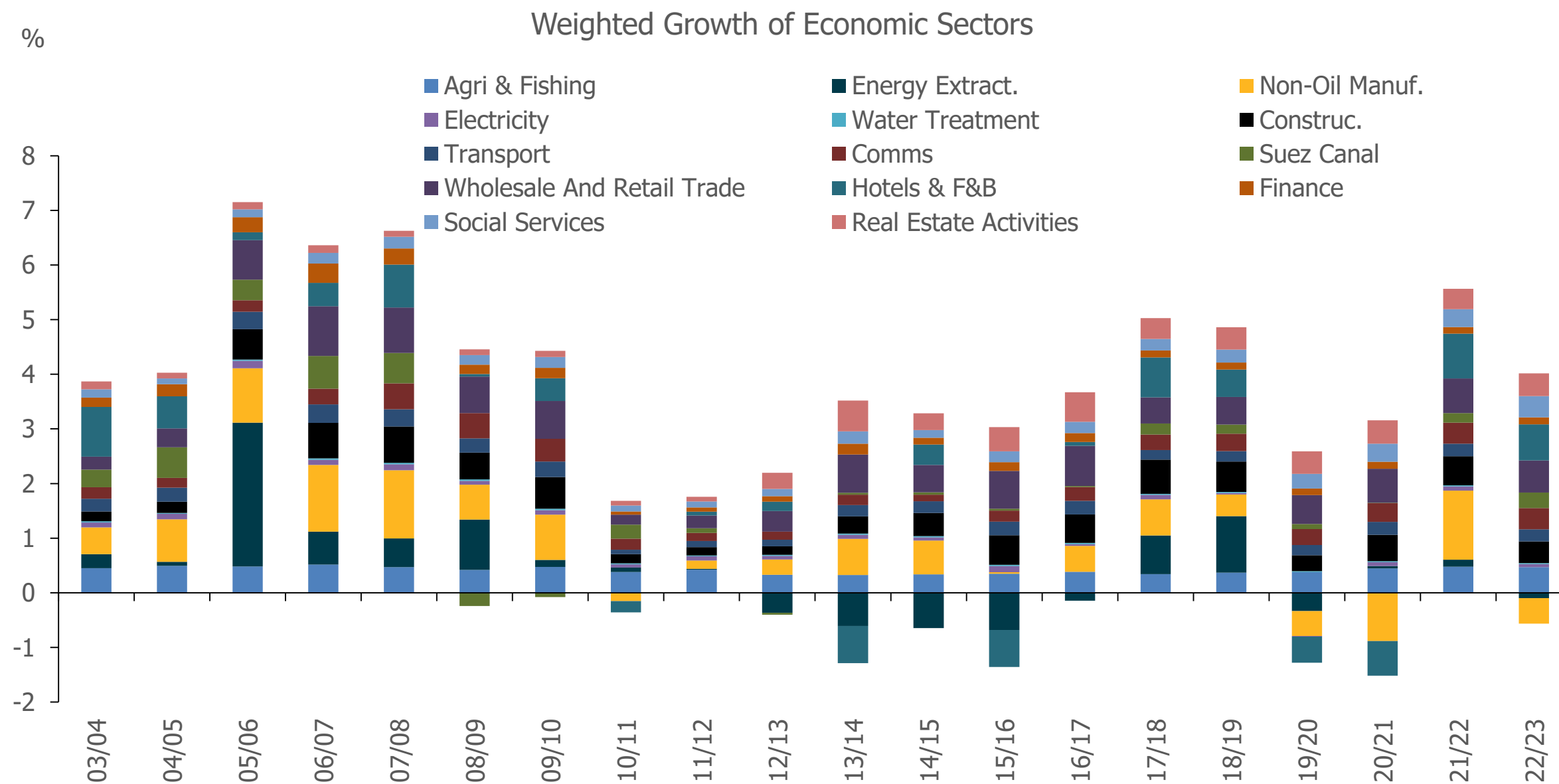


Sources: Ministry of Planning and Economic Development and Investia

# GDP Sectoral Breakdown

Economic Sectors Mostly Resilient Except during Revolution and Covid

- Sectors driving growth include agriculture, non-oil manufacturing, services like construction, hotels, wholesale and retail trade.
- Some sectors are growing faster than others, especially financial sector, manufacturing and some services.

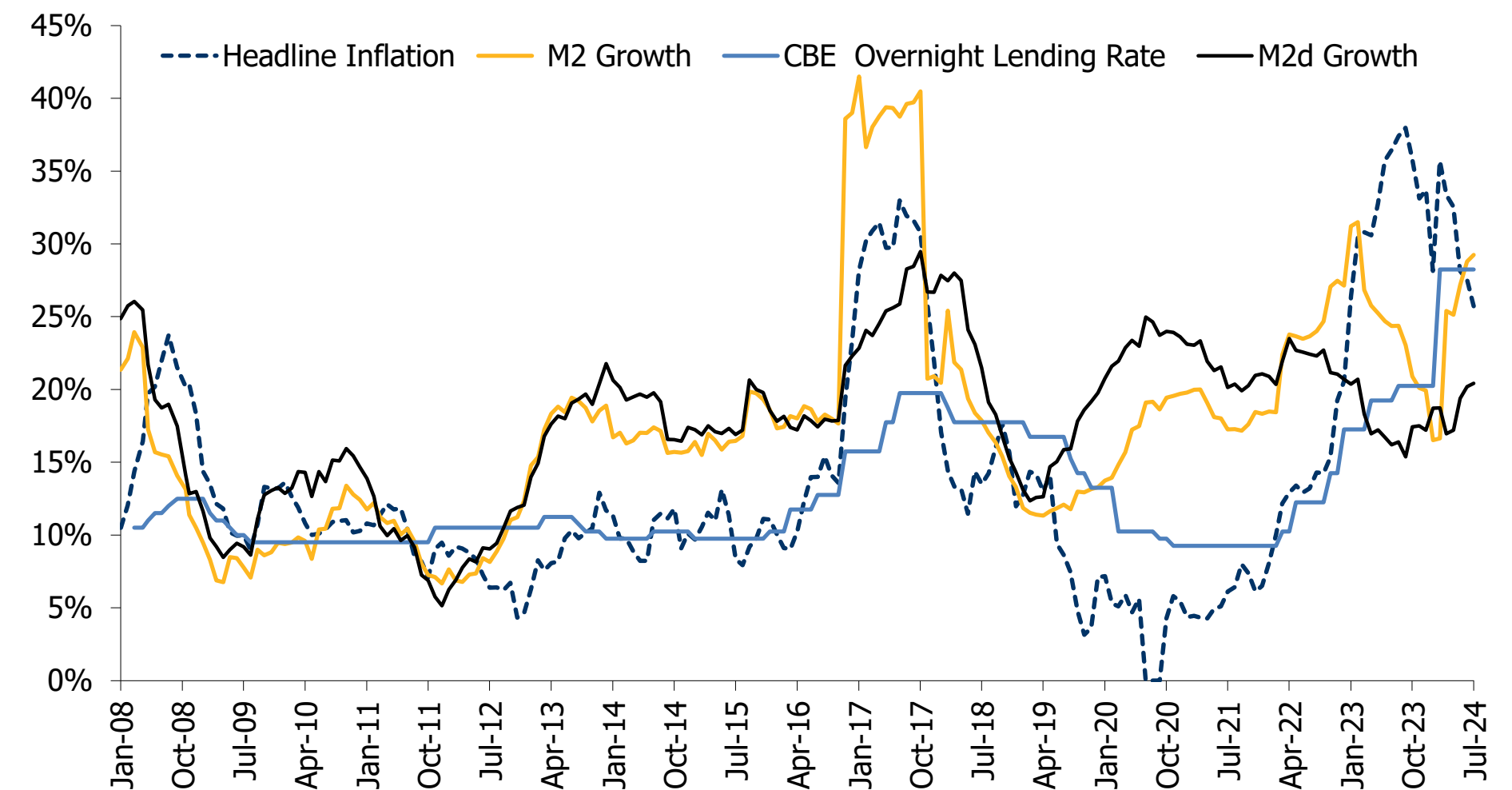
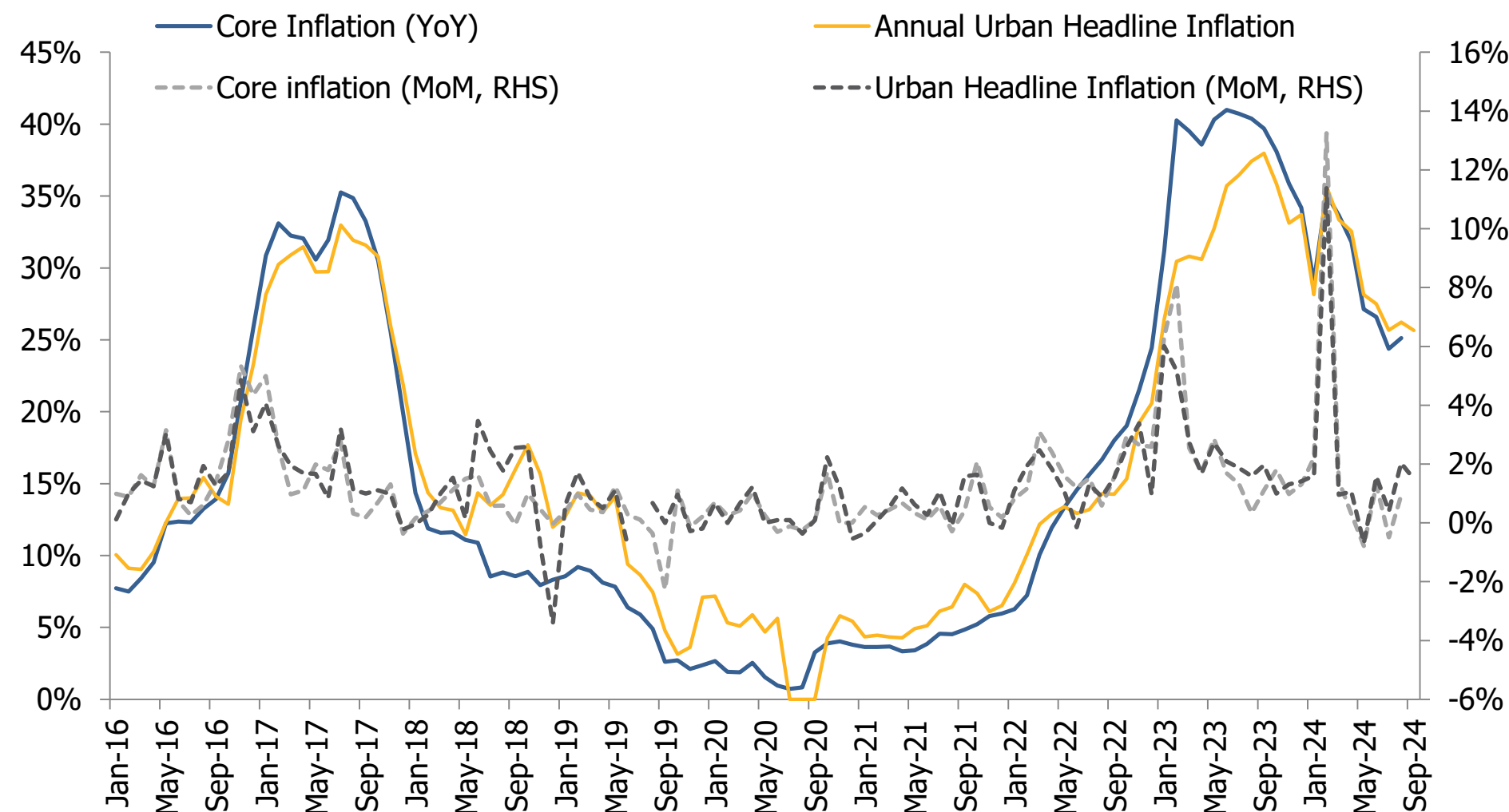


Sources: Ministry of Planning and Economic Development and Investia

# Inflation & Interest Rates

## Annual Headline Inflation Declining with Money Supply Growth, Interest Rates to Remain High into 2025

- Annual urban headline inflation declining due to a strong base effect. The decline of the EGP/USD from the parallel market EGP70/USD rate to the current rate of EGP48-49/USD reduced inflation from its peak of 40%. Annual inflation registered 26.3% in August 2024.
- Inflationary pressures still persist due to supply chain issues and increased imported costs, in addition to major subsidy restructuring increasing costs of subsidized products including fuel, electricity, food and non-food items.
- Inflation will remain the 20%s range until end 2024, and average 14%-15% in 2025. Interest rates are expected to decline well into 2025.

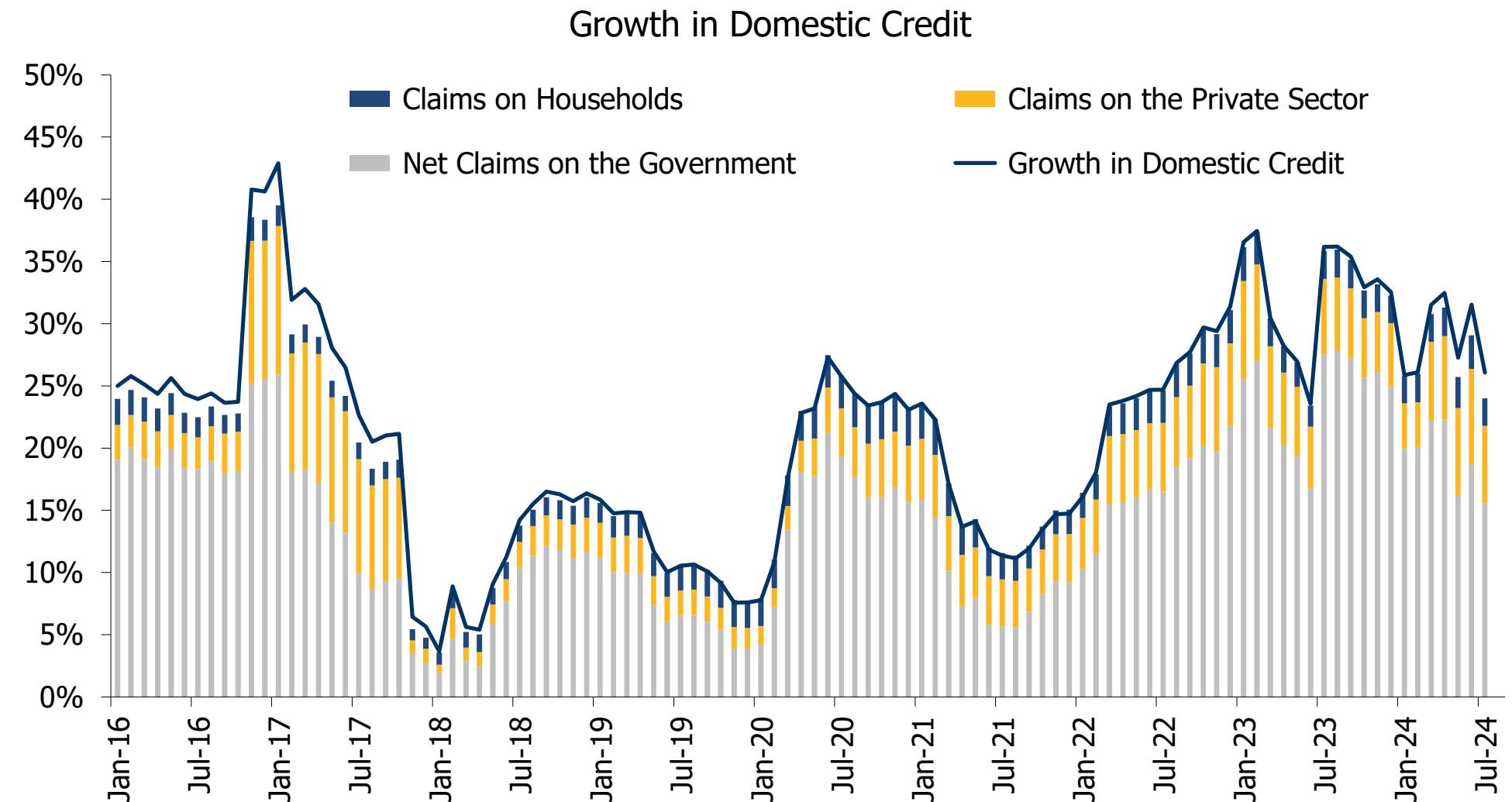
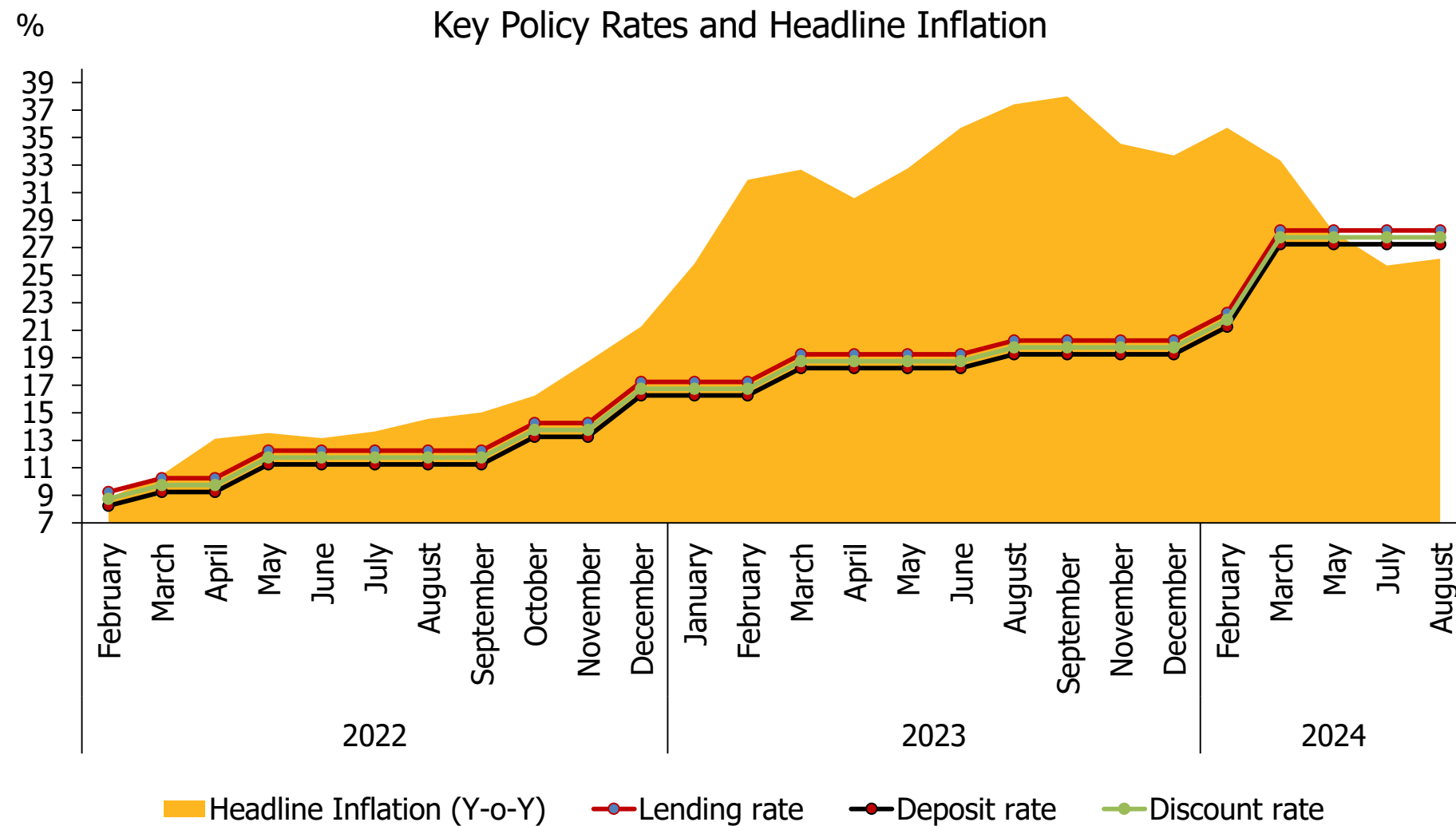


Sources: Central Bank of Egypt, CAPMAS and Investia

# Inflation & Interest Rates

*Interest Rates Rose with Soaring Inflation, Continued Decline is Expected Over Time in Both from 2025 Onwards After Fiscal Consolidation*

- Interest rates rose 19% from March 2022 to March 2024 to reduce inflationary pressures and limit inflation expectations.
- Growth in credit to the private sector grew after the first major devaluation in 2016, dropped with Covid and the economic difficulties in early 2022 before resuming growth since February 2024, with the Ras ElHekma and IMF deals and float of the FX regime in March 2024, despite the rise in interest rates.
- Real interest rates in positive territory after dip in inflation in recent months.
- Growth in credit to the private sector grew from 17% in February 2024 to 30% in July 2024, while credit to the government declined from 30% to 20% over the same period, while credit to the household sector was stable.
- Overall growth in domestic credit fluctuated between 26% and 32.5% over the same period, following the rise in interest rates in March 2024.

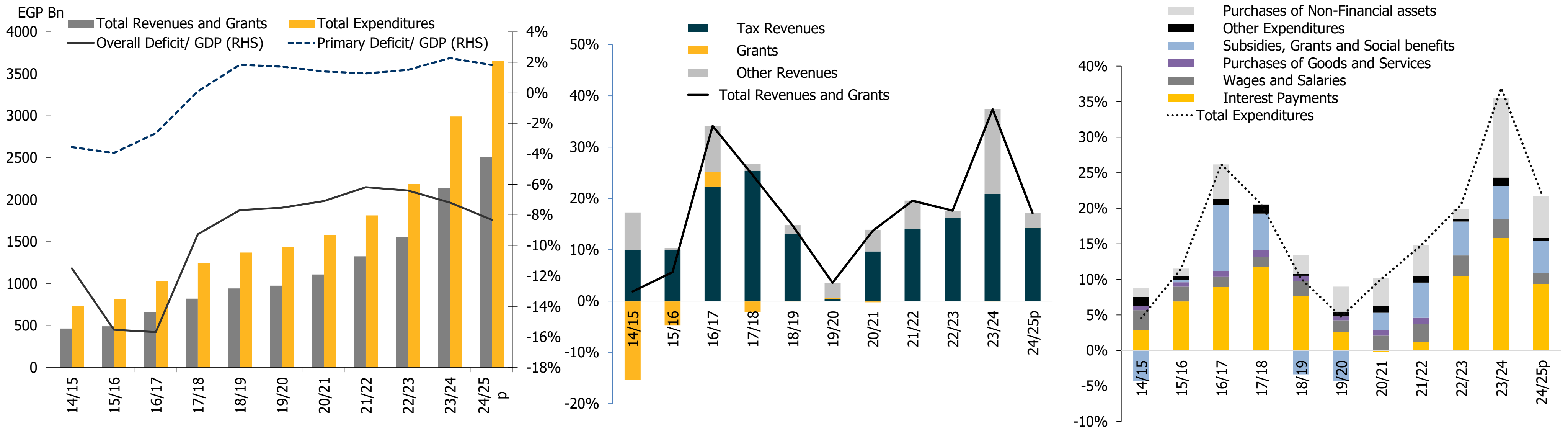


Sources: Central Bank of Egypt and Investia

# Fiscal Balance

Fiscal Reform is Key Cornerstone in Structural Reforms to Reduce Inflation and Boost Economic Growth

- Tax revenues is main source of state revenues. With a high informal economy there is a big need to expand the tax base to raise revenues.
- Expenditures historically high due to rising subsidies, investments, and wages. Repeated shocks and expansion in public investment led to exponential increase in public debt and interest payments, raising the budget deficit.
- Overall budget deficit still high due to high interest payments expenses with high interest rates, primary balance improving over time. We see 4% over the medium to long term if reforms continue.
- Tax revenues growth rising with fiscal reforms and economic growth but need continued fiscal consolidation to expand tax base.
- Expenditures growth was rising with increased social spending and public investment, interest payments replaced subsidies as largest expense.

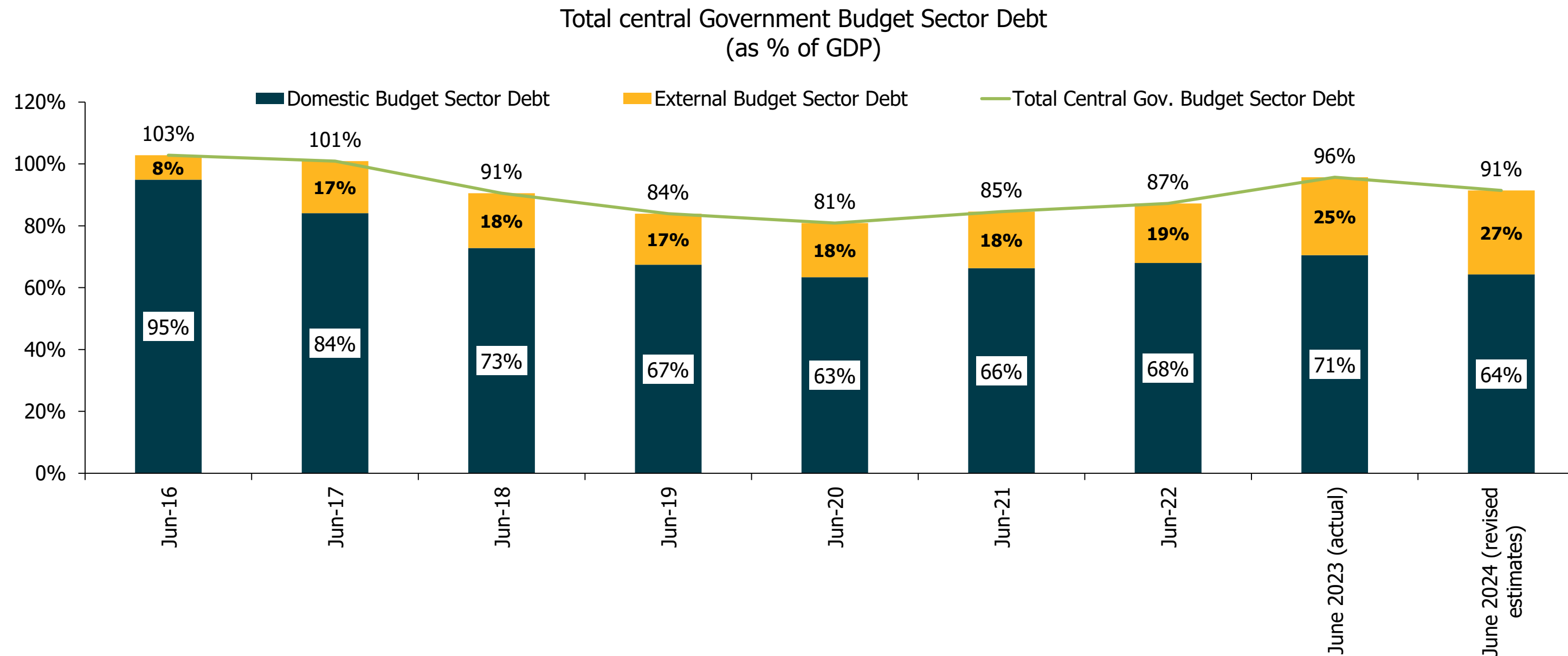


Sources: Ministry of Finance and Investia  
 \*Revenues and Expenditures charts are weighted growth

# Public Debt

Public Debt is a Chronic Problem Fueling high inflation and Budget Deficit. Fiscal Consolidation and Reforms will Result in lower debt levels in the Medium Term

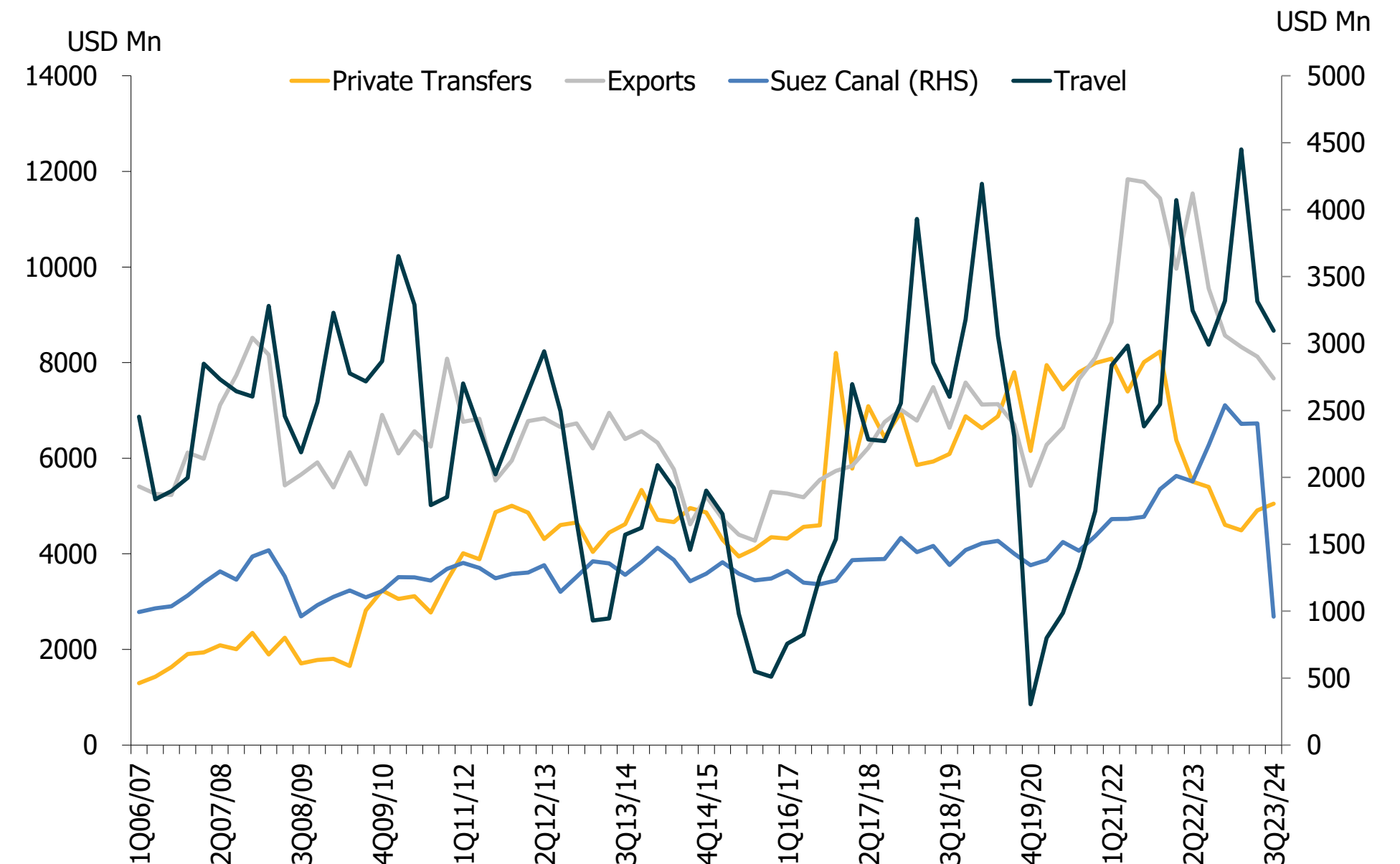
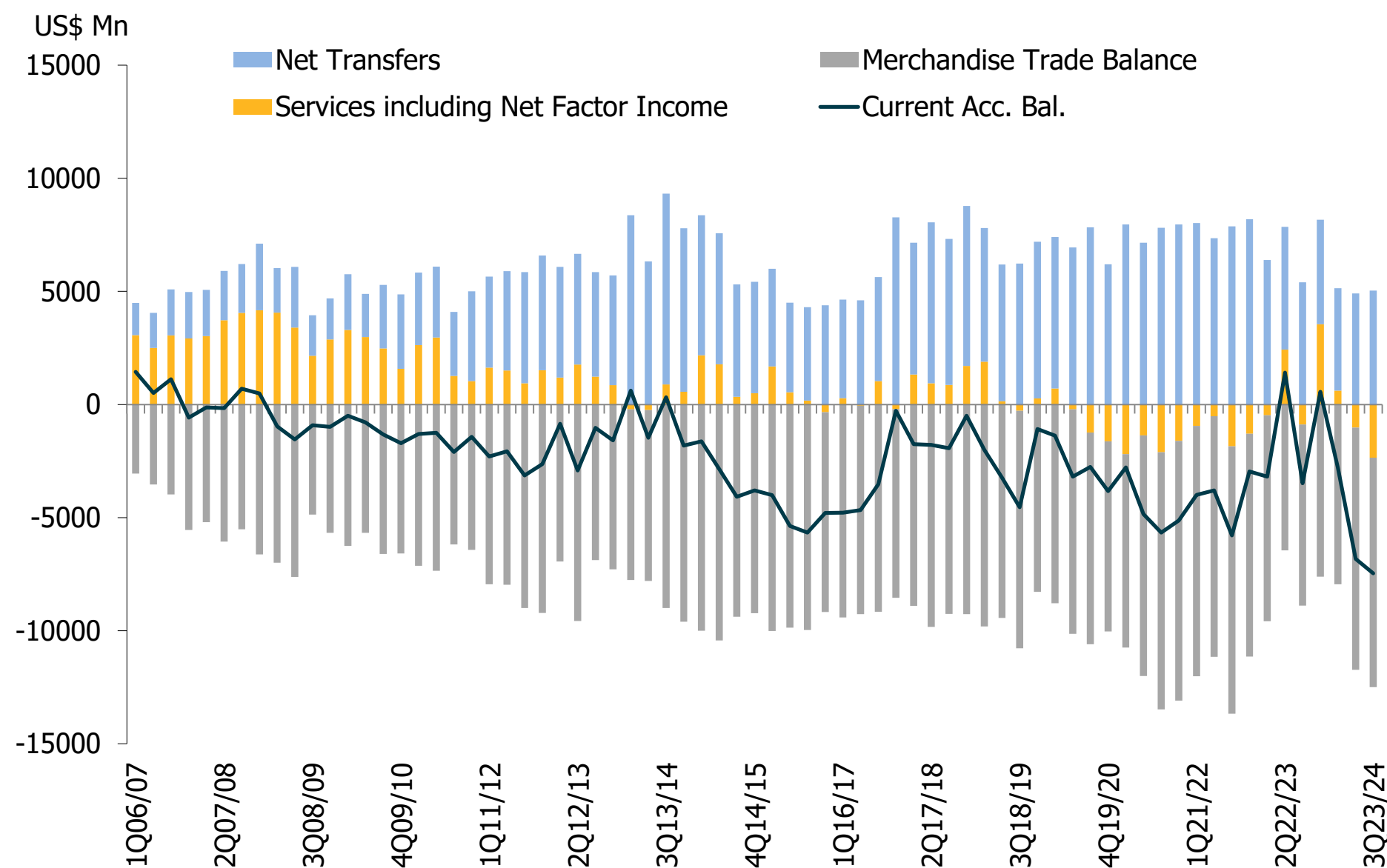
- Domestic budget sector debt declined to 64% in June 2024, while external debt registered 27% due to increased issuance of debt on international markets, with both totaling 91% of GDP in June 2024.
- With continued fiscal consolidation and economic reforms, public debt is to expected to drop to 80% of GDP by FY2026/2027 according to the new Government Program announced in July 2024.



# Balance of Payments Breakdown

Current Account Balance Improves with Better Services Receipts until Regional Conflict and Domestic Challenges Raised the Deficit

- Merchandise trade deficit has been systemically chronic, due to higher imports of intermediary and final goods, pressuring the Current Account balance. Improvements occurred at times of devaluations, when imports became more expensive and declined, or from shocks like Covid.
- Exports and services receipts had started to improve significantly buoying the Current Account balance until the regional conflict and the economic challenges negatively affected receipts.
- Expect an improvement in the Current Account balance once circumstantial conditions subside (regional conflict) to below 2% of GDP.

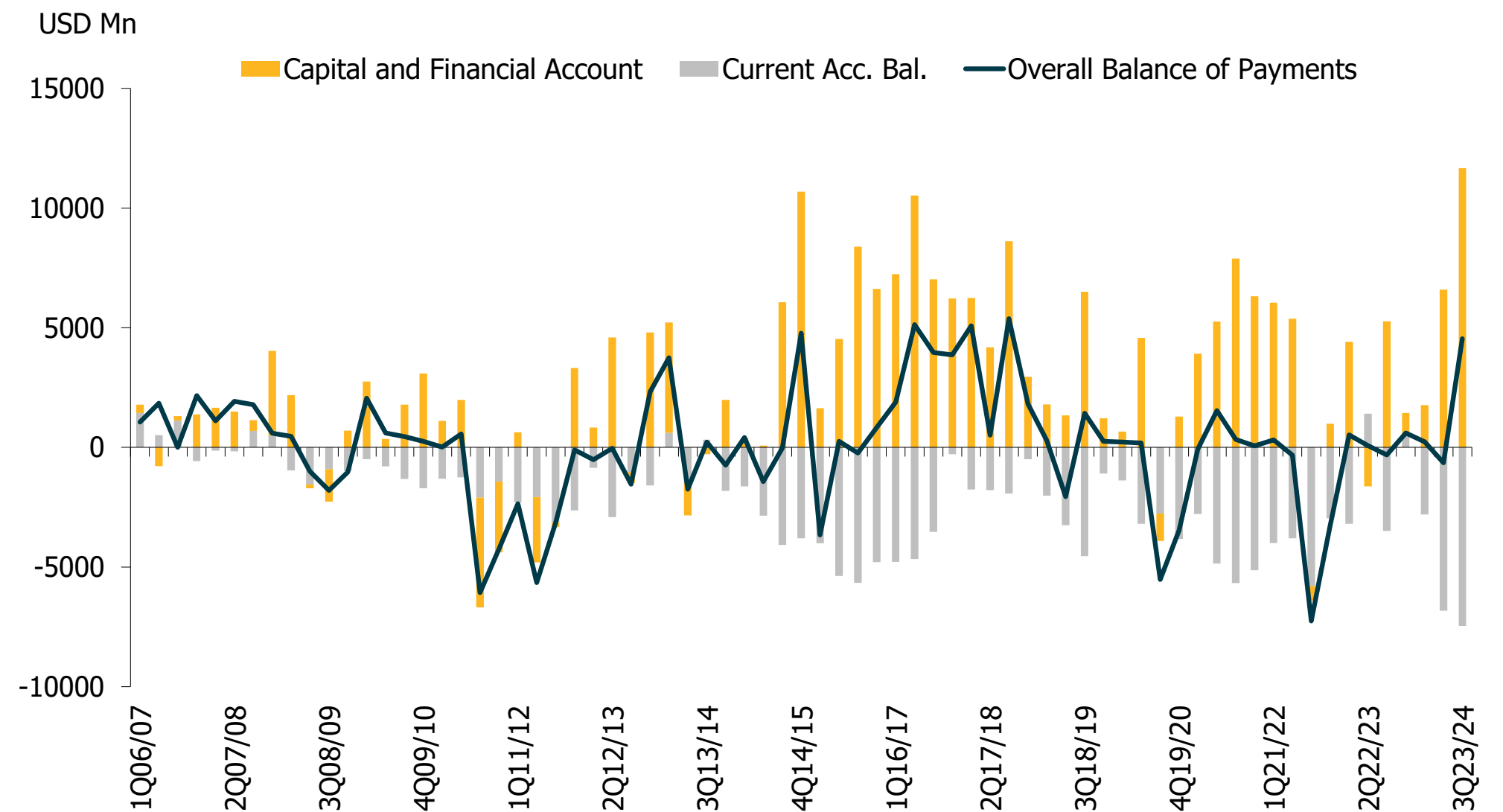
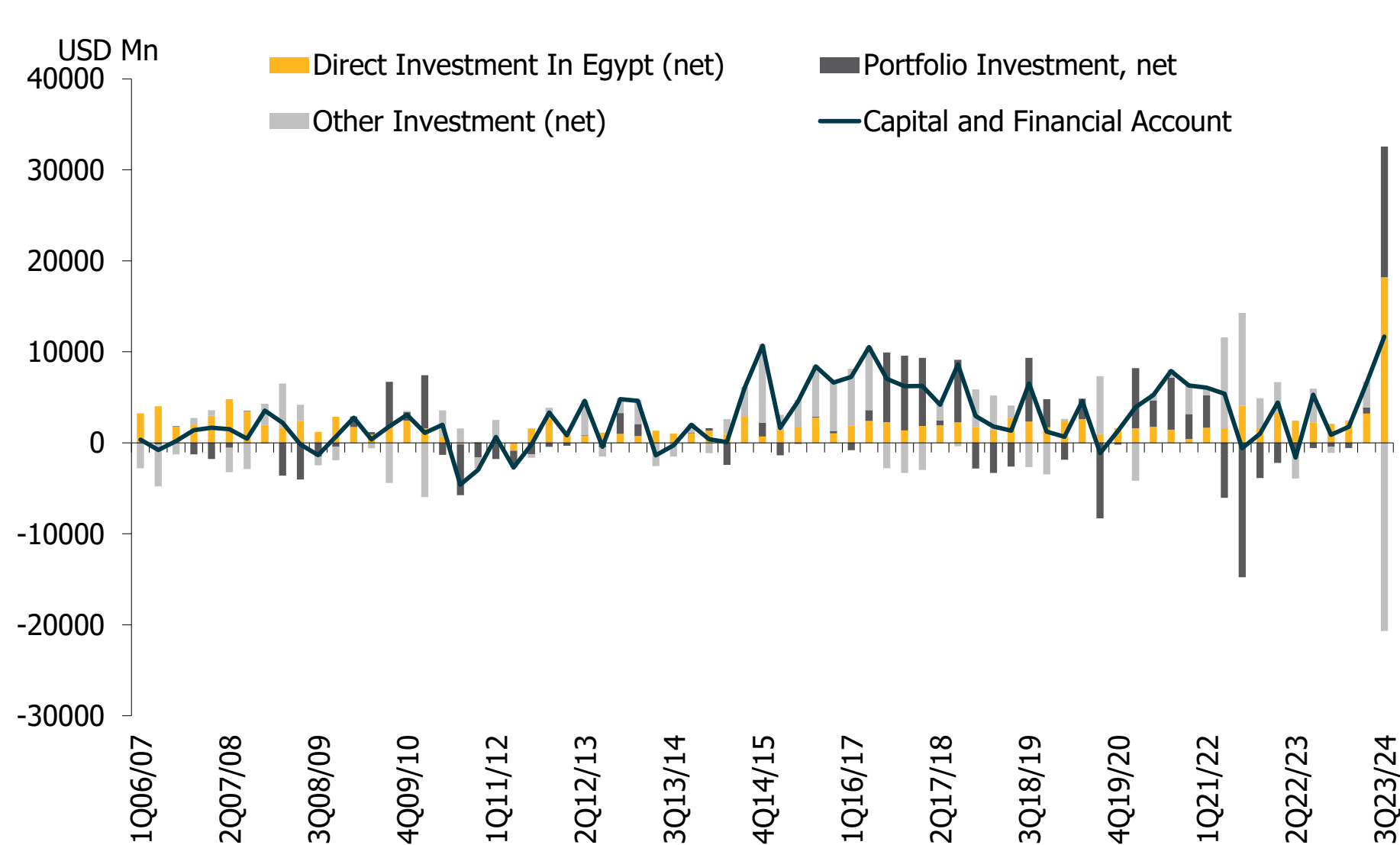


Sources: Central Bank of Egypt and Investia

# Balance of Payments Breakdown

## Current Account Receipts Undermined by Regional Conflict, Economic Challenges, External Receipts and FDI to Rise with Reforms

- Capital account historically dependent on portfolio investment (foreigners investing in Egyptian Treasury bills and bonds) and external debt, except for periods of reform which attract foreign direct investment (FDI). Largest FDI deal was Ras ElHekma real estate investment deal in February 2024 registering USD35 bn.
- Capital Account historically supports the Overall Balance of Payments versus the Current Account, despite the high inflows from tourism, Suez Canal, exports and remittances in the CA, due to high FX use from the economy compared to receipts.
- FDI is expected to increase going forward with recent reform efforts and incentives.

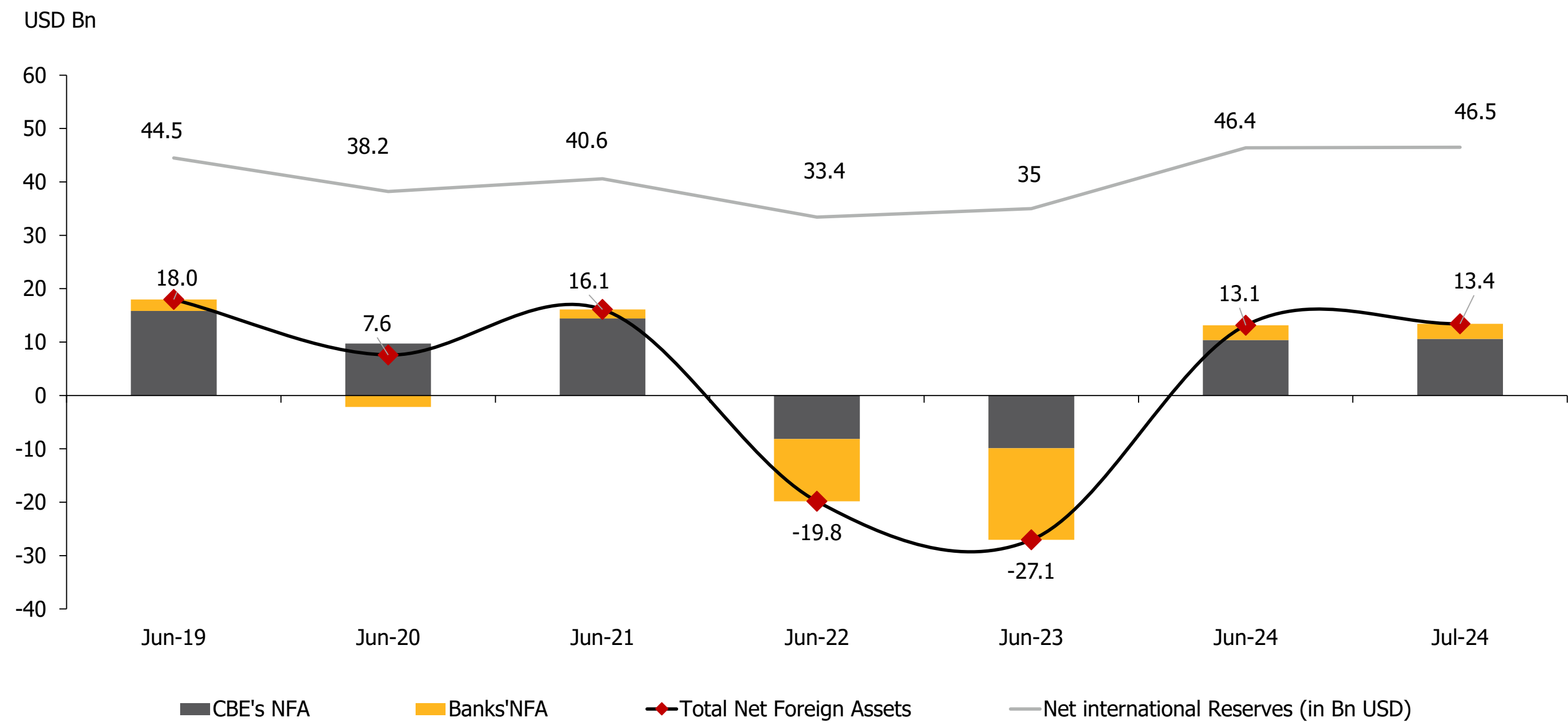


Sources: Central Bank of Egypt and Investia

# Net Foreign Assets and Net International Reserves

Foreign Currency Resources Flowing Back to Banking System with Flexible FX Regime and Improved Confidence

- Net international reserves rebounded in August 2024 rising to USD46.6 bn after the IMF package increased to USD8 bn and with increased international support and domestic structural reform
- Net Foreign Assets of both the CBE and banks recovered in July 2024 registering USD13.4 bn from a deficit of USD27.1 a year before

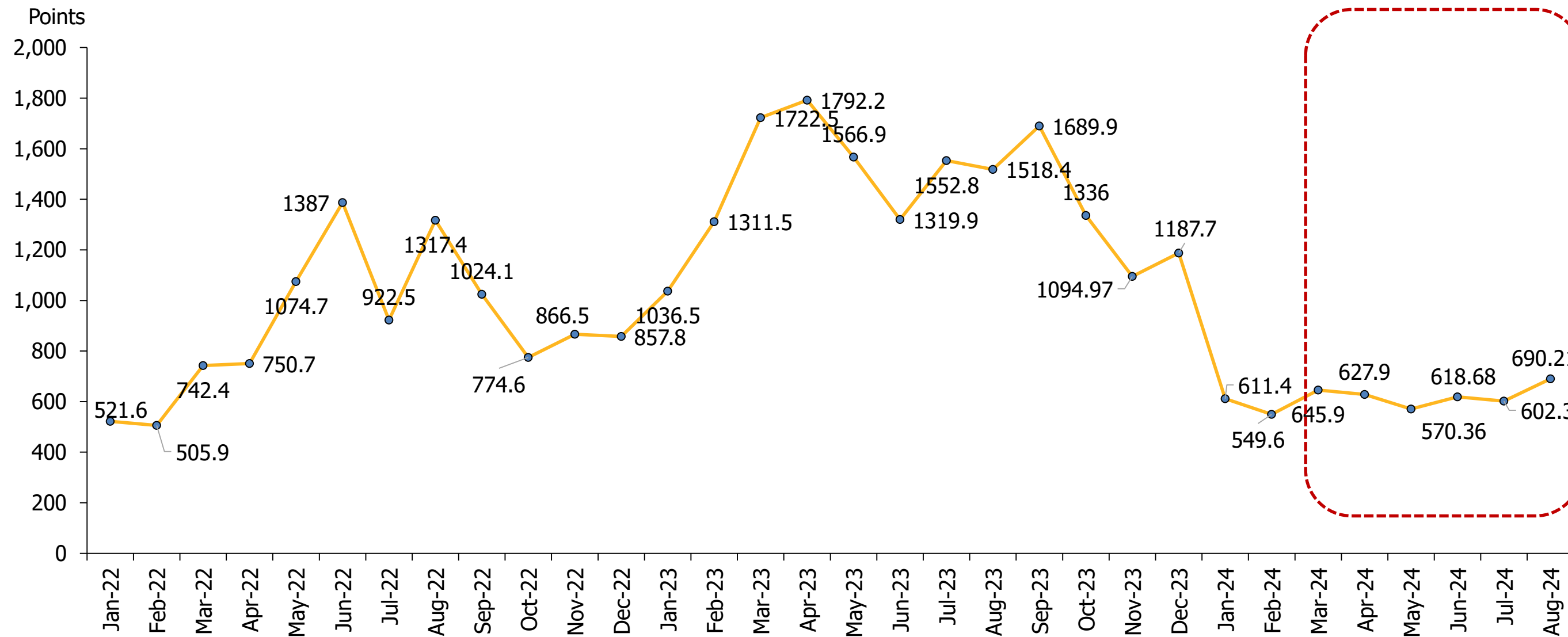


Sources: Central Bank of Egypt and Investia

# Egypt's 5 Years CDS

CDS Rates Declined Significantly After Announcement of IMF Agreement and Execution of Structural Reforms, Especially EGP Float, Regional Conflict Keeps Rates Elevated Above Historical Average

- Egypt's 5 years CDS registered 690 points in August 2024 following the escalation in the regional conflict and the disruption in international financial markets.
- Rates are down from a peak of 1792 points in May 2023, reflecting the lower risk perception of investors.



Sources: Investing.com and Investia

\* Credit default swaps are financial instruments used to help investors hedge against default risk. In Egypt main perceived risk stems from inability to pay off FX debt due to crunch in foreign currency supply.

# Egypt's Investment Systems\*

**Investment  
Zone**

**Internal  
Investment**

**Free Zone**

**Technological  
Zone**

**Special  
Economic Zone**

\* According to Investment Law no 72 of 2017 by project location and activity, and the Special Economic Zones law.

# Investment Profile

## Investment Incentives

### Recent Tax Incentives

- Law 160 of 2023 introduced a new tax incentive for investment projects and expansion of projects that carry out one of the industrial activities falling under the existing special incentives program. Under this new incentive, the investor is entitled to a refund of between 35% and 55% of the corporate tax paid on the income generated from the business operations.
- To receive the rebate project owners must meet the following conditions:
- At least 50% of the project investment should be in foreign currency sourced from abroad.
- The project should begin within six years from the implementation of Law 160 of 2023.
- Multiple investment incentives have been enacted recently targeting different sectors including health, education, tourism, manufacturing and startups.

## Easing Doing Business

### **Special incentives extension period**

Law 160 allows for an extension of the period during which the special incentives in the Investment Law apply, if the company is established within three years, with the Cabinet able to extend this period for up to nine years.

### **Additional incentives**

Law 160 also introduces the following exemptions as additional incentives:

- Exemption from usufruct charges for lands allocated to project establishment for a maximum period of 10 years from the start of operations.
- Exemption from the cost of infrastructure and public utilities, up to 50% of its total.
- Exemption from 50% of the project's utilities cost for a maximum period of 10 years.

## Investor Service Center

# Investment Profile

## Investment Incentives

Golden Licence portal facilitating the start of a business  
[www.goldenlicense.gov.eg](http://www.goldenlicense.gov.eg)

Land ownership for foreigners for investment purposes made easier

A single window for establishing companies and facilities  
[www.gafi.gov.eg](http://www.gafi.gov.eg)

Specific incentives for healthcare and tourism projects, in addition to facilities for start ups

## Easing Doing Business

New incentives for industrial projects with foreign investment

Cabinet granted in December 2023 new incentives to certain industrial investment projects and their expansions. The Cabinet decree outlines the targeted investment projects, detailing the rules and conditions for receiving investment incentives and categorizing the incentives.

More incentives and facilities have been granted to industrial investors recently related to project establishment, monitoring and land allocation.

[رحلة المستثمر - الهيئة العامة للتنمية الصناعية  
\(ida.gov.eg\)](http://www.ida.gov.eg)

## Investor Service Center

Parliament approves bill eliminating tax exemptions for state-owned entities to increase competitive neutrality

State Ownership Policy Released in December 2022 and updated in August 2023 highlighting the government role in each sector

IMC offers 152 investment opportunities across various industrial sectors under National Structural Reform Program measures  
[\(http://invest.imc-egypt.org/sector/en/\)](http://invest.imc-egypt.org/sector/en/)

# Investment Profile

## Investment Incentives

## Easing Doing Business

- ❖ An Investor Service Center (ISC) was created at GAFI and its branches to simplify and streamline investment procedures.
- ❖ ISC provides the following services:
  - (i) company incorporation
  - (ii) establishment of company branches
  - (iii) ratification of minutes of meeting of boards of directors and of general meetings
  - (iv) capital increase
  - (v) change of business activity
  - (vi) liquidation proceedings
  - (vii) other matters in connection with companies.

ISC provides a one stop shop for investors with representatives from various government bodies needed for the establishment and expansion of projects established under the Investment law.

## Investor Service Center



# Main Economic Indicators

Variable	In Units	FY 18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24*	FY24/25*	FY25/26*
<b>Real Sector</b>									
GDP at Market Prices	Current prices, EGP Bn	5596	6153	6663	7843	10155	13347	15640	17376
GDP at Market Prices	Current prices, USD Bn	318	383	424	478	397	348	329	374
Real GDP Growth	%	5.6	3.6	3.3	6.7	3.8	2.7	4.4	4.7
Population	In Mn	98.1	100.6	102.1	103.6	105.2	107.0	108.0	109.0
Productivity per worker	In LE	214406	234832	244967	281093	351467	n/a	n/a	n/a
Unemployment rate	% (period avg.)	8.6	8.3	7.3	7.3	7.2	7.5	7.1	6.7
<b>Fiscal Sector</b>									
Overall Budget Balance	% of GDP	-8.1	-7.4	-6.8	-6.1	-6	-6.3	-8.5	-6.4
Primary Balance	% of GDP	1.9	1.7	1.4	1.3	1.6	7.1	4.5	5.3
Total Budget Sector Debt (domestic and external)	As % of GDP (end of period)	83.9	80.9	84.6	87.2	95.7**	91.4**	n/a	n/a
Domestic Budget Sector Debt	As % of GDP	67.4	63.4	66.3	68.0	70.5	64.3	n/a	n/a
External Budget Sector Debt	As % of GDP	16.5	17.5	18.3	19.2	25.2	27.1	n/a	n/a
<b>Monetary Aggregates</b>									
Headline Urban Inflation Rate	Period Avg. (%)	13.9	5.7	4.5	8.5	41.4	33.3	25.7	13.1
M2 /GDP	% of GDP	69.0	73.8	80.4	84.3	81.2	82.5	73.2	69.0
M2 Growth rate	% (end of period)	11.8	17.5	18.0	23.5	24.7	38.6	18.5	11.2
Foreign Currency Deposits/Total Deposits	% (end of period)	21.2	16.9	13.9	14.5	20.9	26	23.2	21.7
Loans and Discount balances/Deposits	%	46.4	46.9	50.7	48.5	50.8	n/a	n/a	n/a
Household Sector Credit/ Total Domestic Credit	% (end of period)	9.1	9.2	10.3	10.3	9.6	n/a	n/a	n/a
Private Sector Credit/ Total Domestic Credit	% (end of period)	22.8	20.8	22	21.9	21.7	n/a	n/a	n/a
Net Claims on the Government / Total Dom. Credit	% (end of period)	63.8	66.8	64.9	65.5	66.9	n/a	n/a	n/a

\*Forecasted/ Estimated values , productivity per worker is calculated by fractioning GDP at current prices market prices/ number of employees

\*\* Preliminary

Sources: National accounts - Ministry of Planning, Ministry of Finance , CBE, IMF, CAPMAS, World Bank, Trading Economics, Statista, BMI

# Main Economic Indicators

Variable	In Units	FY 18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24*	FY24/25*	FY25/26*
<b>External Sector</b>									
<b>Trade Balance</b>	% of GDP	-12.0	-9.5	-9.9	-9.1	-7.7	-11.3	-11.0	-11.0
<b>Non- Petroleum Trade Balance</b>	In USD Bn	-38.0	-36.0	-42.1	-47.8	-31.6	-35.7	-35	-39.8
Non-Petroleum exports	In USD Bn	16.9	17.9	20.1	25.9	25.8	26.5	26.2	29.9
Non-Petroleum imports	In USD Bn	-55.0	-53.9	-62.1	-73.8	-57.4	-62.3	-61.2	-69.7
<b>Petroleum Trade Balance</b>	In USD Bn	0.01	-0.42	-0.01	4.43	0.41	-3.5	-1.3	-1.2
Petroleum exports	In USD Bn	11.6	8.5	8.6	18.0	13.8	6.7	9.4	9.3
Petroleum imports	In USD Bn	-11.5	-8.9	-8.6	-13.5	-13.4	-10.1	-10.7	-10.5
<b>Services Balance (Net)</b>	In USD Bn	13.0	9.0	5.1	11.2	21.9	17	20.6	21.6
Suez canal receipts	In USD Bn	5.7	5.8	5.9	7.0	8.8	6.8	10	10.2
Tourism Revenues	In USD Bn	12.6	9.9	4.9	10.7	13.6	12	12.6	15.1
Private Remittances	In USD Bn	25.2	27.8	31.4	31.9	22.1	23.1	24.6	27.1
Net Investment Income Balance	In USD Bn	-11.0	-11.4	-12.4	-15.8	-17.3	-22.6	-16.6	-16.6
<b>Current Account</b>	% of GDP	-3.4	-2.9	-4.4	-3.5	-1.2	-6.3	-2.4	-2.4
Net FDI	In USD Bn	8.2	7.5	5.2	8.9	10.0	32.2	8.4	9.7
Net FDI/GDP	% of GDP	2.6	1.9	1.2	1.9	2.5	9.3	2.5	2.6
Net Portfolio Investments	In USD Bn	4.2	-7.3	18.7	-21.0	-3.8	0.4	3.9	4.1
<b>Capital and financial balance</b>	In USD Bn	10.9	5.4	23.4	11.8	8.9	29.1	7.2	14.8
<b>Overall BOP balance</b>	In USD Bn	-0.1	-8.6	1.9	-10.5	0.9	8.6	-0.6	5.9
Net International Reserves	USD bn (end of period)	44.5	38.2	40.6	33.4	34.8	46.3	45.8	53.8
NIR in months of merchandise imports	Months	8.0	7.3	6.9	4.6	5.9	8.5	6.9	7.1

\*Forecasted/ Estimated values , productivity per worker is calculated by fractioning GDP at current prices market prices/ number of employees

\*\* Preliminary

Sources: National accounts - Ministry of Planning, Ministry of Finance , CBE, IMF, CAPMAS, World Bank, Trading Economics, Statista, BMI



Thank You