



Egypt's Economy: Creating Prosperity for all Egyptians

One year after historic monetary and fiscal policy changes and an agreement with the International Monetary Fund (IMF), Egypt's economy has responded with rapid growth in exports, investment, and improved public finances. Through bold reforms to public subsidy programs, a modernized investment policy and progressive taxation reforms, Egypt has transformed its economy to better compete on the global stage and create jobs for Egyptians. As a result, today Egypt is building one of the most dynamic economies.

MACROECONOMIC INDICATORS AND PUBLIC FINANCES

- ▶ Egypt's growth picked up during fiscal year (FY) 2016/17, with full-year GDP rising by 4.2% compared to the projected 3.5% growth rate. This growth was led by key sectors of Egypt's economy, including wholesale and retail, non-oil manufacturing, telecommunications, natural gas and construction.
- ▶ Investment in Egypt has increased sharply, led by the economic reform measures and the government's efforts to improve the legislative business environment, including the new investment law to improve the ease of doing business in Egypt.
 - Foreign direct investment (FDI) increased by 27.5% in the last fiscal year. Foreign investment in domestic debt instruments rose in the 2016/17 fiscal year to \$9.8 billion, compared with \$1.1 billion in the previous year. Total portfolio investment into Egypt reached \$16 billion this year.
- ▶ Currency liberalization has made Egyptian exports more competitive abroad, leading to a 46% decrease in Egypt's trade deficit. Net international reserves increased to a record high of USD \$36 billion in September 2017, compared to USD \$19 billion in September 2016.
- ▶ Unemployment decreased to 11.98% in the second quarter of 2017, down from 12.5% in 2016. This represents the creation of 700,000 new jobs for Egyptians.
- ▶ Egypt's primary deficit remains in line with the IMF's projections as of November 2017 at 1.8% of GDP.
 - Egypt's government continues to target achieving a primary surplus in the current fiscal year to reduce government debt. In its latest review, the IMF stated, "This will reduce interest expenditures and create budgetary space for public infrastructure and well-targeted social spending."



Egypt's economy continues to perform strongly, and reforms that have already been implemented are beginning to pay off in terms of macroeconomic stabilization and the return of confidence... Seizing the current moment of opportunity to transform Egypt into a dynamic, modern, and fast-growing economy will improve the living standards and increase prosperity for all Egyptians.

—SUBIR LALL, INTERNATIONAL MONETARY FUND





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NEW INITIATIVES TO SUPPORT GROWTH

- ▶ **Executive regulations on industrial licensing:** To carry out Egypt's recent investment law, the Egyptian government announced new regulations to streamline the process for obtaining a new industrial license. These efforts aim to cut paperwork requirements and reduce bureaucracy. To achieve this, a unified authority has been created to issue industrial licenses and create a system of private accreditation for industrial facilities.
- ▶ **New special economic zones:** In July 2017, President El Sisi issued a decree creating the Golden Triangle Economic Zone on Egypt's Red Sea coast. The economic zone will be home to a diverse group of industries including mining, tourism, agriculture, solar energy and water desalination. The project aims to create \$16.5 billion in new investment over the next 30 years, creating new jobs and opportunities for Upper Egypt.
- ▶ **Supporting MSMEs:** There are 2.5 million micro, small and medium enterprises (MSMEs) in Egypt, which comprise 75% of the Egyptian labor force. Through the new Egypt Entrepreneurship Program (EEP), MSMEs will benefit from increased funding, new startup accelerators, startup services platforms and legislative and regulatory reforms to support the growth of MSMEs and create new jobs for Egyptians.

ENSURING SOCIAL PROTECTION

- ▶ **Increased social protection spending:** In addition to economic reforms, Egypt has committed approximately 1 percent of GDP achieved from the financial consolidation to additional food subsidies, health insurance for young children, female primary provides programs focused on vocational training for youth, to include more free school meals.
- ▶ **Expanded cash-transfer programs:** Building on programs such as Takaful and Karama ('Dignity' and 'Solidarity' in Arabic), cash transfer programs work to protect poor families with young children, the elderly and persons with disabilities through income support, which benefit approximately 2 million families (over 6 million Egyptians).
 - As part of Egypt's economic reforms, the Takaful and Karama programs have been expanded to 27 governorates across Egypt. Since the program's launch, Takaful and Karama have disbursed a combined EGP 3 billion to Egyptians in need.
 - The World Bank supports the Takaful and Karama programs with a USD \$400 million contribution through its Strengthening Social Safety Nets Project.

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To help reduce the impact of Egypt's ambitious economic reforms program, the country has placed a strong focus on social measures to support the income of the poor and the vulnerable... We are very pleased to be supporting the government's social protection efforts, especially in the expansion of the Takaful and Karama program, which is reaching out to people who live in extreme poverty”

—ASAD ALAM, WORLD BANK

