

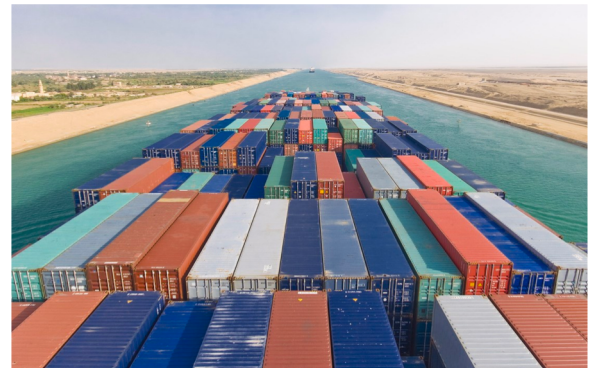


Egypt's Economy: Historic Reforms Delivering Lasting Results

Egypt's historic and ambitious program of economic reforms has produced transformational growth in GDP, exports and investment. Through reforms to public subsidy programs, a modernized investment policy and the launch of an expanded social security net to protect vulnerable citizens, Egypt has positioned its economy to better compete on the global stage and create jobs. As a result, Egypt is now one of the world's most dynamic emerging economies.

MACROECONOMIC INDICATORS AND PUBLIC FINANCES

- ▶ Egypt's growth accelerated during the most recent fiscal year, and is expected to reach 5.7–6%. Egypt's growth rate in the first half of 2018 was its highest in eight years. The World Bank recently raised Egypt's GDP growth forecast for the 2018/19 fiscal year to 5.5%.
- ▶ Currency liberalization has made Egyptian exports more competitive abroad, leading to a **25% decrease** in Egypt's trade deficit in 2017. Net international reserves increased to USD \$44.258 billion in June 2018, while **Egypt's non-oil exports increased by 12.3%**, with a value of more than \$24 billion in fiscal year 2017/18.
- ▶ Unemployment decreased to **9.9%** in the second quarter of 2018, down from 12% during the same period in the previous year.
- ▶ As a result of subsidy reforms, **Egypt achieved its first primary fiscal surplus** in 15 years during the 2017/18 fiscal year, reporting a **0.2% surplus** compared to a deficit of 1.8% of GDP in the 2016/17 fiscal year. Egypt's government is targeting a 2% primary budget surplus in the current fiscal year.
- ▶ As a result of the improved business environment and fiscal reforms, **Egypt's foreign currency reserves have reached new highs** in 2018. Egypt's Central Bank announced that in August 2018, **the nation's foreign currency reserves rose to \$44.41 billion**, compared to \$36 billion before the 25 January revolution in 2011.
- ▶ Foreign investments in government debt instruments have risen as Egypt has become a more attractive investment option, **reaching \$23 billion** at the end of Q1 2018.



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We are clearly seeing a rebound in the foreign direct investment and in investment in Egypt in general...What we are seeing is a clear rebound of growth as well, and hopefully the Egyptian economy is back on a productive, positive path that will be beneficial for all.”

—CHRISTINE LAGARDE
MANAGING DIRECTOR
INTERNATIONAL MONETARY FUND
19 APRIL 2018





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NEW INITIATIVES TO SUPPORT GROWTH

- ▶ **New Megaprojects:** Egypt has undertaken an ambitious program of national projects to stimulate economic development. In addition to the New Suez Canal, completed in 2015, Egypt is building a New Administrative Capital, launching development zones, and building new infrastructure to facilitate growth.
- ▶ **Financial Inclusion:** In 2017, Egypt was chosen as a model country for a new financial inclusion initiative by the World Bank Group, the International Telecommunication Union and the Bill and Melinda Gates Foundation. The initiative will support research in digital finance and accelerate digital financial inclusion in Egypt, where as many as 44 million adults are outside the formal financial system.
- ▶ **Energy Development:** New discoveries and development are transforming Egypt into an energy hub for the Mediterranean. The massive Zohr gas field is expected to produce 2 billion cubic feet of natural gas per day by September 2018.

LEGISLATIVE REFORMS TO SUPPORT BUSINESS

- ▶ **Investment Reform:** In 2017, Egypt ratified a landmark law to modernize and reduce barriers to how international companies invest and operate in Egypt. The law ensures that foreign investors receive the same treatment under law as Egyptian nationals and has led to a sharp increase in foreign direct investment (FDI) in Egypt, rising 27.5% in the 2017/18 fiscal year. The International Monetary Fund expects FDI to reach \$9.5 billion in the current fiscal year, up from USD \$7.8 billion last year.
- ▶ **Subsidy Reform:** Egypt has implemented major changes to fuel, food and energy subsidies over the last year, which the IMF has credited with significantly reducing public deficits and helping the government better target assistance to poor households.
- ▶ **Tax Reform:** Egypt modernized its tax structure in 2017, implementing a new value-added tax (VAT) to help broaden the tax base and increasing revenues while reducing market distortions. The VAT exempts basic goods and services to protect the poor. Egypt's Parliament also passed a law in 2016 to modernize tax authorities, easing the process of settling tax disputes in Egypt.
- ▶ **Industrial Licensing:** Egypt took action in 2017 to streamline approvals for new industrial licenses, helping new projects launch faster and speed economic growth in Egypt.
- ▶ **Bankruptcy:** Egypt passed its first-ever bankruptcy law in January 2018 to improve the business environment and better protect both debtors and creditors.

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Egypt has transformed into a haven for debt investors from a crisis zone in less than two years...Strong growth in inflows from tourism and remittances have also helped offset fund outflows in recent months.”

—BLOOMBERG,
15 AUGUST 2018

ENSURING SOCIAL PROTECTION

- ▶ **Increased social protection spending:** In addition to economic reforms, Egypt has committed approximately 1 percent of GDP to additional food subsidies, health insurance for young children and programs focused on vocational training for youth.
- ▶ **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, benefiting approximately 2 million families (over 6 million Egyptians).