

COUNTRY PROFILE

Quarterly update

July 2016



United Nations
Economic Commission for Africa

Egypt

Introduction

The main purpose of this document is to update the country profile for Egypt, with emphasis on annual data recently published for 2015.

Recent social and economic developments: Highlights

- The prospects for the Egyptian economy in 2016 give grounds for prudent optimism. They depend partly on the Government's ability to respond to popular expectations and efficiently implement the strategy for sustainable development and macroeconomic reforms.
- Economic growth continued to fall back during the first half of the 2015/16 financial year. However, it is expected to accelerate as a result of renewed confidence on the part of investors, even though global economic trends continue to have an impact on economic activity.
- The budget deficit continued its downward trend during the first half of the 2015/16 financial year, reaching 11.2 per cent of GDP. 1
- The reforms under way should enable the country to resolve the problems posed by low-level and non-inclusive growth and the effects of population growth through sustainable urban development.

1 Egypt, Ministry of Finance. The Financial Monthly, vol. 11, No. 3 (January 2016).

Economic performance

Economic growth

Growth in real GDP slowed during the first half of the 2015/16 financial year, to 4.5 per cent instead of the 5.8 per cent recorded during the first half of the 2014/15 financial year. However, a full-year analysis indicates that this rate was 4.2 per cent for 2014/15, up from 2.2 per cent in 2013/14. Although the rate slowed during the period in question, economic activity was stimulated somewhat by public and private consumption, which contributed 4 and 5.9 percentage points respectively. Investment made a positive contribution of 0.7 points to growth in 2015/16, against 0.2 points in 2014/15. It should also be noted that export growth had a negative impact of 0.3 points, compared with a negative impact of 0.4 points during the financial year 2014/15.

Turning to demand, public and private consumption continued to fuel growth during the 2015/16 financial year. Private consumption increased by 4.2 per cent, 2 compared with 5.6 per cent during 2014/15. Public consumption rose by 4.3 per cent against 10.9 per cent during 2014/15. Recent data also indicate that investment grew substantially, by 6 per cent in 2015/16 compared with 1.4 per cent in 2014/15.

In the sphere of supply, five key sectors continued to fuel growth. The public administration sector, with a real growth rate of 8.8 per cent in 2015/16, contributed 0.8 points to growth as against 0.5 points in 2014/15. The other sectors which made a positive contribution to GDP growth were construction and public works, wholesale and retail trade, agriculture and hotels and restaurants, with growth rates of 10.7 per cent, 5.1 per cent,

2 All the figures on this page are taken from: Egypt, Ministry of Finance. The Financial Monthly, vol. 11, No. 8 (January 2016).

3.3 per cent and 4.5 per cent respectively, and contributions of 0.5 points, 0.7 points, 0.4 points and 0.4 points in 2015/16.

Budgetary policy

The most recent indicators for the period July 2015 – May 2016 show an improvement in receipts. This improvement is due to the reforms introduced by the Government at the beginning of this budgetary period in the context of economic activity. Total receipts were mainly fuelled by a rise in tax revenue. They increased by 1.9 per cent to 356.6 billion Egyptian pounds (12.9 per cent of GDP) over the period July 2015-May 2016, compared with 350.1 billion Egyptian pounds (14.4 per cent of GDP) between July 2014 and May 2015. Expenditure rose by 8.9 per cent to 655 billion Egyptian pounds (23.6 per cent of GDP) during 2015/16, compared with 601.4 billion Egyptian pounds (24.8 per cent of GDP) during the previous period. The budget deficit grew to 11.2 per cent of GDP from 10.8 per cent the previous year.

Inflation and monetary policy

Average annual inflation fell between July 2015 and May 2016. It stood at +9.8 per cent compared with +11 per cent between July 2014 and May 2015. This slowdown could be due to the introduction of new economic reforms at the beginning of 2014/15, resulting in an improvement in consumer purchasing power. Monthly inflation rose substantially to 12.3 per cent in May 2016, compared with 10.3 per cent in April 2016. It has remained high since May 2015, at a rate of 13.1 per cent. This increase could be due to a 14.3 per cent rise in food and beverages in May 2016 compared with 12.7 per cent in April 2016 and 14.8 per cent in May 2015. The product groups health, restaurants and hotels, culture and leisure, equipment and furniture, miscellaneous goods and services and transport also had an effect on the level of inflation during the period under review.

Current account

The deficit on the current account increased, rising from 1.3 per cent of GDP in the first half of 2014/15 to 2.5 per cent in the first half of 2015/16. This stemmed from a small worsening in the trade balance of 5.5 per cent of GDP, following a drop in exports and imports of goods. A number

of factors account for this fall, the most important of which is the deterioration in crude petroleum prices and commodity prices. Imports of goods fell by 12.6 per cent³ to US\$:28.6 billion in 2015/16 compared with US\$ 32.7 billion in 2014/15. Exports of goods also fell by 26 per cent to US\$ 9.1 billion in 2015/16 compared with US\$ 12.3 billion the previous year. The fall in exports of goods may be attributed mainly to a fall in exports of crude petroleum and other commodities, following the worsening of international oil prices. The surplus on trade in services grew by only US\$ 2.2 billion (0.6 per cent of GDP) in 2015/16, compared with US\$ 4.1 billion (1.2 per cent of GDP) the previous year. Quarterly data indicate that the balance on trade in goods deteriorated during the first half of 2016, as a result of the fall in imports and the value of exports, leading to negative repercussions on the current account.

Investment underpinned a rise of almost 2.6 per cent in the surplus on the financial account in 2015/16 to US\$ 2.9 billion. Net direct investment rose by 0.9 per cent to US\$ 3.1 billion during the first half of the 2015/16 financial year. Portfolio investment recorded a net positive balance of US\$ 1.6 billion (0.4 per cent of GDP) in 2015/16 compared with US\$ 2.6 billion (0.6 per cent of GDP) in 2014/15, thanks to the repayment of debt of US\$ 1.25 billion contracted in 2005, which matured on 25 September 2015.

³ All the figures on this page are taken from: Egypt, Ministry of Finance. *The Financial Monthly*, vol. 11, No. 3 (January 2016).

Economic performance

Macroeconomic performance

	Value	Year
GDP, current prices (millions of US dollars)	330 780	2014/15
Real GDP growth rate (per cent)	4.2	2014/15
Inflation rate (per cent)	11.2	2015

Source: Egypt, Ministry of Finance. The Financial Monthly.

Budgetary policy

(percentage of GDP)	Value	Year
Total revenue and grants	19,1	2014/15
Tax revenue	12,6	2014/15
Non-tax revenue	6,5	2014/15
Grants	1,0	2014/15
Net expenditure and loans	30,2	2014/15
Operational expenditure	17,4	2014/15
Of which, wages and salaries	8,2	2014/15
Of which, purchases of goods and services	1,3	2014/15
Of which, interest payments	7,9	2014/15
Development expenditure	2,5	2014/15
Current transfers	8,2	2014/15
Other expenditure	2,1	2014/15
Budget surplus/deficit (commitment basis) (Millions of Egyptian pounds)	-11,5	2014/15
Budget surplus/deficit (cash basis) (Millions of Egyptian pounds)	-11,0	2014/15

Source: Egypt, Ministry of Finance. The Financial Monthly.

Monetary policy

(percentages)	Value	Year
Central Bank discount rate	9,25	2015
Interbank rate	8,9	2015
Lending rate	11,7	2014/15
Deposit rate (average)	6,9	2014/15
Spread	4,8	2014/15

Source: Central Bank of Egypt. Economic Review.

Compte courant

(Millions of US dollars)	Value	Year
Imports of goods and services	61 306	2014/15
Exports of goods and services	22 245	2014/15
Trade balance	-39 060	2014/15
Current account	-12 143	2014/15

Source: Egypt, Ministry of Finance. The Financial Monthly.

Capital and financial account

(Millions of US dollars)	Value	Year
Direct investment: assets	12 546	2014/15
Direct investment: liabilities	-6 166	2014/15
Gross fixed capital formation (investment)	46 302,2	2014/15
Portfolio investment	-639	2014/15
Financial account	18 052	2014/15
Capital account	-123	2014/15
Net international reserves (and related items)	15 394	Dec. 2015

Source: Egypt, Ministry of Finance. The Financial Monthly.

Social development

Population

	Value	Year
Population (millions)	89.6	2015
Children (age 0-14, per cent)	33.2	2015
Adults (age 15-64, per cent)	61.6	2015
Adults, 65 + (per cent)	5.2	2015
Urban population (per cent)	43,0	2015
Annual average population growth rate	2,6	2015
Gross death rate (per 1,000)	6.1	2014
Gross birth rate (per 1,000)	27,2	2014

Source: Central Agency for Public Mobilization and Statistics (CAPMAS). www.capmas.gov.eg.

Poverty and employment

(percentages)	Value	Year
Unemployment rate	12,8	2015
Youth unemployment rates	38,9	2015
Share of employment in the primary sector	28,0	2013

Source: Central Agency for Public Mobilization and Statistics (CAPMAS). www.capmas.gov.eg.

Health

	Value	Year
Percentage of children aged under 5 below normal weight	16,0	2013
Neonatal mortality rate (per 1,000 births)	14	2014
Infant mortality rate (per 1,000 births)	39,7	2014
Under-5 mortality rate (per 1,000 births)	18,9	2014
Maternal mortality rate (per 1,000 births)	45	2013
Rate of HIV prevalence (age 15-24)	<1%	2015
Proportion of births assisted by skilled health personnel	n.a.	n.a.

Source: Central Agency for Public Mobilization and Statistics (CAPMAS). www.capmas.gov.eg.

Education

(percentages)	Value	Year
Net rate of primary enrolment	97	2013
Literacy rate among 15-24-year-olds, total	74,9	2013

Source: Central Agency for Public Mobilization and Statistics (CAPMAS). www.capmas.gov.eg.

References

Central Bank of Egypt. Economic Review, vol.55, No. 3 (2014-2015).

Central Agency for Public Mobilization and Statistics (CAPMAS). www.capmas.gov.eg.

Egypt. Egypt's Five Year Macroeconomic Framework and Strategy,

FY 14/15 - FY18/19, March 2015.

Egypt, Ministry of Finance. The Financial Monthly, vol. 11, No. 8 (June 2016)..