# Egypt

## Recent macroeconomic and financial developments

Economic growth decelerated from 3.6% in FY2019/20 to 3.3% in FY2020/21. Growth was driven by sound performance in construction, communications, and agriculture on the supply side, and by private and public consumption and public investment (much on social protection and services projects) on the demand side. However, tourism and manufacturing remained hindered by COVID-19 measures. Inflation stayed below the central bank's target of 7% in FY2021/22, providing scope for monetary policy to support the recovery. The fiscal deficit narrowed to 6.7% of GDP in FY2020/21 from 7% the previous year, due to a decline in interest payments, leading to a primary surplus of 0.9% of GDP. Public debt increased to 92% of GDP in FY2020/21 from 87.9% the previous year, reflecting the fiscal response to the crisis. Egypt has received the third-highest SDR allocation in Africa, of $2.8 billion, which was added to its foreign reserves. They came to $41 billion (equivalent to 6 months of imports) by end-FY2020/21. The current account deficit increased to 4.6% of GDP in 2020/21 from 3.1% in FY2019/20 due to the decline in tourism receipts and lower global trade. Egypt was the largest FDI recipient in Africa in the last three years, with net inflows of $5.2 billion in FY2020/21. The banking system remained liquid, profitable, and well capitalized with the capital-adequacy ratio estimated at 24.7% in September 2021. By June 2021, NPLs were estimated at 3.5% of total loans. Extreme poverty fell marginally from 4.5% in FY2019/20 to 4.4% in FY2020/21, and unemployment was estimated at 7.4% in June 2021.

## Outlook and risks

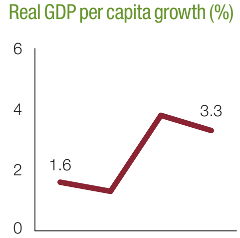
Because Egypt has shown resilience to the crisis since 2020, its economic outlook is favorable with the government's commitment to implement the second phase of structural reforms, announced in May 2021. Growth is expected to rebound to 5.7% in FY2021/22 and 5.1% in FY2022/23. International food prices are expected to increase in 2022 resulting in 7.1% inflation in FY2021/22 and 7.3% in FY2022/23, fueled by the Russia–Ukraine conflict. The fiscal deficit is projected to decline to 6% of GDP in FY2021/22 and in FY2022/23, driven by the authorities' commitment to return to the pre-crisis primary surplus of 2% of GDP. The current account deficit is expected to remain around 4.5–4.7% of GDP in FY2021/22 and in FY2022/23 with the expected high energy and food commodities prices. Egypt should mobilize the necessary resources to protect vulnerable populations' purchasing power and improve targeting of social protection programs. Further, Egypt should accelerate reforms to catalyze private development.

## Climate change issues and policy options

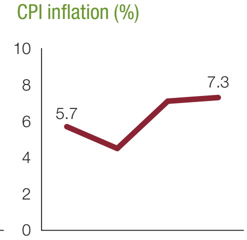
As a water-stressed and arid country, Egypt is highly vulnerable to climate change. It is 120 on the 2021 GCRI, but over the past few years has reduced its per capita $CO_2$ emissions. Its most sensitive sectors are water and agriculture. Improving water resources management is critical because agriculture is a key sector, providing livelihoods for 55% of the population, employing 23.3% of the labor force, and representing 22% of imports of goods in 2019. Energy, transport, waste, and industry are also at the core of the government's mitigation actions and commitment in its national strategy on Green Economy launched in 2016. The government is committed to increasing the share of RE to 42% by 2035. Submitted in 2017, Egypt's NDC is conditional on receiving international funding of $73 billion for 2020–30, and though does not include quantified targets or specific plans for emission reductions, is supported by the National Climate Strategy 2050, launched in November 2021. Egypt should take advantage of its scheduled hosting of COP27 in 2022 to mobilize climate-resilience resources.

Real GDP growth (%)

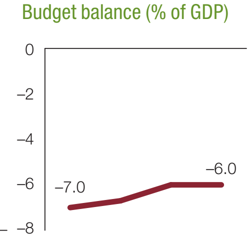

Real GDP per capita growth (%)



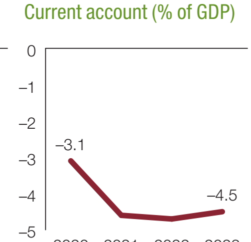

CPI inflation (%)




Budget balance (% of GDP)




Current account (% of GDP)




*Source:* Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team. Data in the figure correspond to Egypt's fiscal year, which runs from July 1 to June 30.