

Executive Summary

Latest Economic Developments

Egypt ranked first in the Middle East in the “Global Barometer” index. The Global Data Barometer is a global index study accomplished through an expert survey that is collaboratively designed by many international institutions specialized in the fiscal transparency area, such as GIFT, IBP, in collaboration with the World Bank and the Organization for Economic Co-operation and Development OECD.

The index assesses countries around the world on a set of robust comparative metrics focused on availability of data on public good. It aims to measure the state of data in relation to urgent societal issues in 109 countries. To do so, the Barometer draws on more than 100 country-level researchers. These researchers provide evidence on the governance, capability, availability, and use of data for public good across a variety of sectors, providing justifications and supporting evidence for their answers. The Barometer was developed in 2019 for updated, in-depth, country-level insights on data governance and availability.

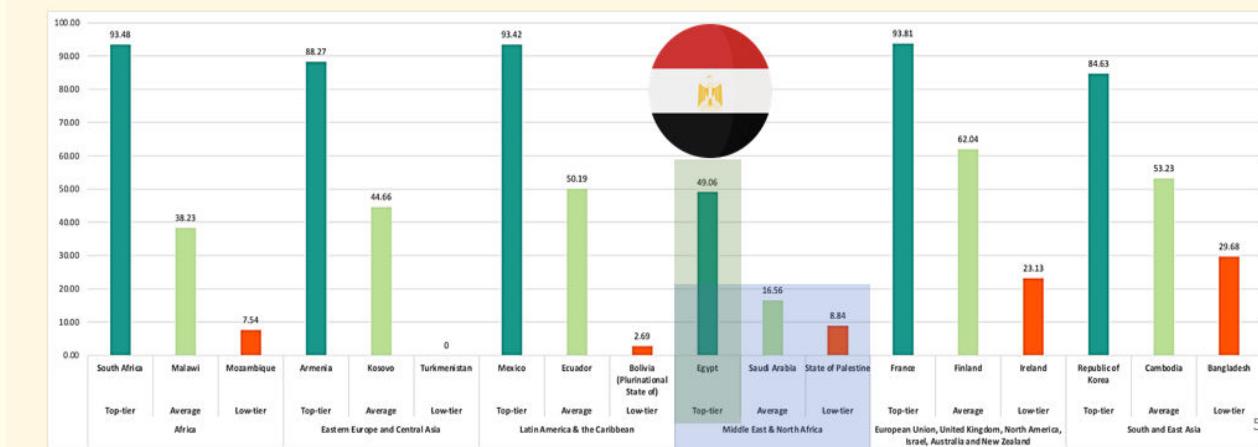
The index is also considered an important guide for research centers, and investors that helps them gauge the degree of country transparency about investment climate, currently implemented tax policies, and governance; as increased transparency has a direct impact on achieving lower corruption rates, improving economic and social welfare, and leading to improved economic competitiveness, while enhancing public financial management.



Global Data Barometer

Egypt in: Public Finance Module

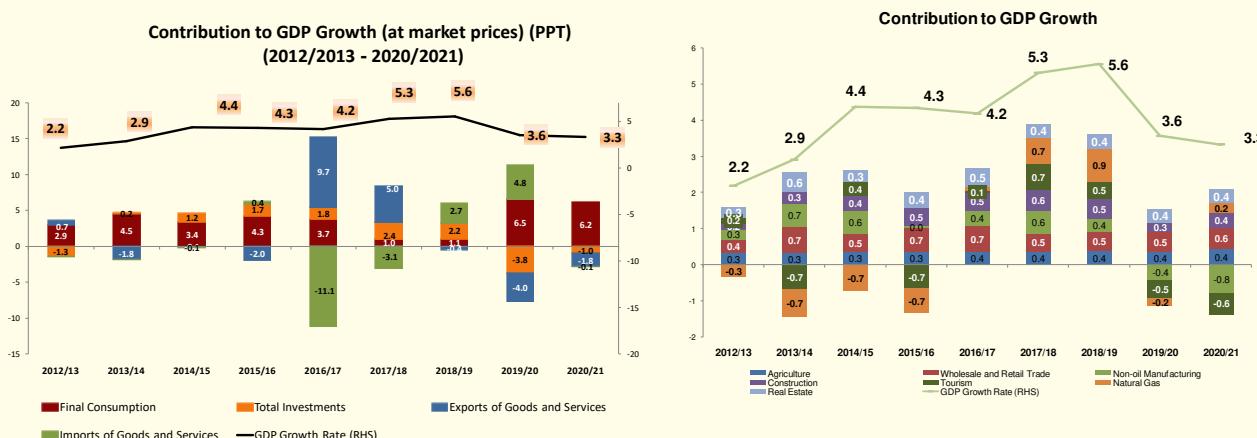
- Egypt scores highest (49) in MENA region.
- Egypt's score is right on the global average.



Recent Macroeconomic Indicators

Real Sector

In light of the responsiveness of recent macro-economic indicators to the comprehensive reform program, GDP grew by 3.3 percent during FY20/21 compared to 2.3 percent during 2011-2014 on average. It is worth mentioning that in light of the consequences of COVID-19 on the global economy, the Egyptian government has approved a stimulus package for the quick response and trying to contain the negative effects. Although the growth rate was expected to reach 6 percent during FY2019/2020, the Egyptian Economy succeeds to achieve positive growth rate, while other countries recorded negative growth. It is noteworthy that the pillars of growth are becoming more diversified and more sustainable, mainly due to the positive performance of consumption and net exports. On the sectoral side, growth has been driven by total social services sector (mainly real estate, general government, education and health), and the increase in telecommunications, transport, and financial Intermediation sectors, and the increase in agriculture, construction, and natural gas sectors. Meanwhile, during FY20/21, public and private consumption was the main drivers of economic growth contributing positively by 6.2 PPT. This growth led to job creation as the unemployment rate dropped to 7.3 percent in Q2 2021, compared to 9.9 in Q2 2020.



- **On the Demand Side**, Private consumption grew by 6.9 percent in FY20/21 (contributing to growth by 5.8 PPT during FY20/21), while Public Consumption grew by 3.7 percent in the year of study (contributing to growth by 0.4 PPT).
- **On the Supply Side**, main key sectors that led growth were **Total Social Services Sector** recording growth rate of 4.4 percent during FY20/21 (contributing positively to growth by 1.1 PPT), mainly driven by the growth in general government by 4.9 percent (contributing by 0.4 PPT), real-estate growth by 3.8 percent (contributing by 0.4 PPT), telecommunications sector rose by 16.1 percent (contributing to growth by 0.4 PPT), and the growth in wholesale and retail by 4.4 percent (contributing to growth by 0.6 PPT), and the growth in transport by 4.6 percent (contributing by 0.2 PPT), agriculture sector rose by 3.8 percent (contributing by 0.4 PPT), and construction sector rose by 6.8 percent (contributing to growth by 0.4 PPT), and education sector rose by 4.7 percent (contributing to growth by 0.1 PPT), and health sector rose by 5.4 percent (contributing to growth by 0.1 PPT). Natural Gas sector rose by 5 percent (contributing to growth by 0.2 PPT)
- **Net International Reserves (NIR)** has reached US\$ 35.5 billion at end of May 2022, compared to lowest level of US\$ 13.4 billion at end of March 2013.
- **Purchasing manager Index** reached 47 in May 2022, compared to 37.1 in December 2012.

- **Tourism receipts** reached US\$12.5 billion during FY18/19 compared to \$9.8 billion during FY17/18.

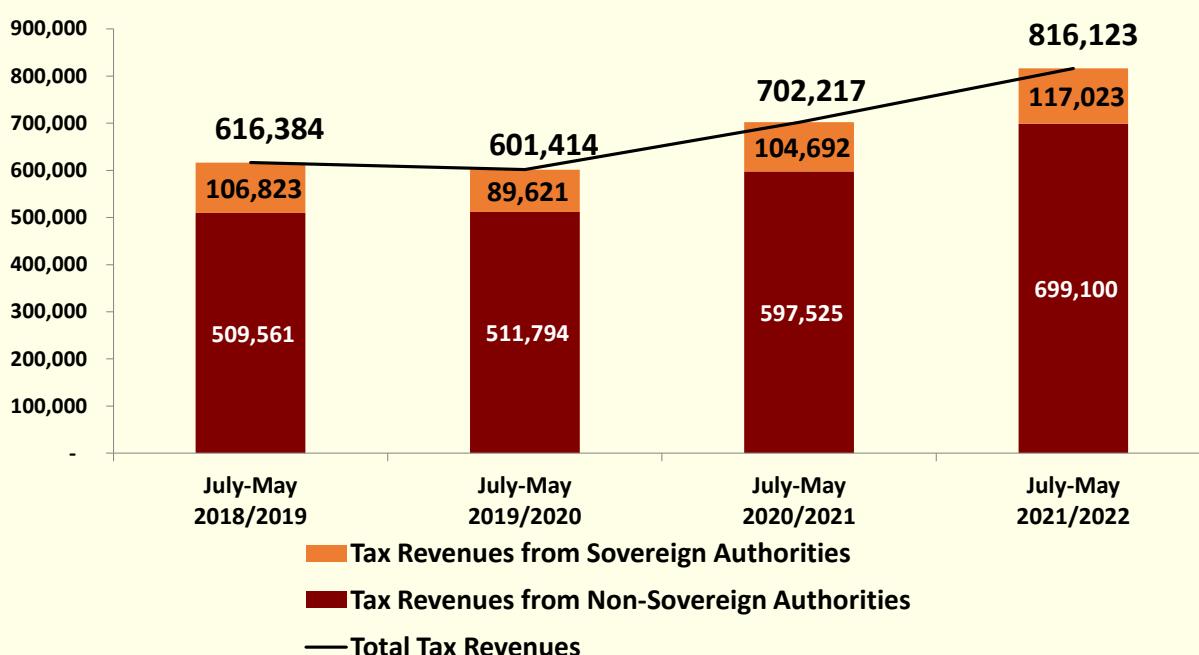
Fiscal Sector

Over the past five years, the Egyptian government has undertaken many reform measures aimed at putting the Egyptian economy on track while raising the efficiency of public services. The Ministry of Finance has been keen on achieving sustainability of public finance indicator, rationalization of consumption while diversifying its sources of finance without compromising to the safe limits of public debt. In addition to, supporting the social security net, providing quality health care to citizens, increasing financial allocations to raise the efficiency of infrastructure, human development, education and health programs.

Total fiscal balance as a percentage of GDP recorded -5.50% during the period July-May FY21/22. While, primary balance has reached LE 71.9 billion (0.91% of GDP), up from 0.74% the same period last year. This could be explained in light of the increase in revenues by 12.3%, and which has exceeded the increase in expenditures, rising by 11.2% during the period of study, compared to the same period of last year, as the state budget could successfully maintain its commitments to increasing spending on health, education, investment finances through treasury, wages, and to fulfil payments to social welfare programs, despite Covid-19 effect on economic activity.

Total Revenues increased by LE 112.7 billion (12.3 percent growth) to record around LE 1030 billion during the period of study, compared to the same period of last year. Tax revenues constitute 79.2 percent of total revenues while non-tax revenues constitute 20.8 percent.

Tax Revenues from Sovereign & Non-Sovereign Authorities



- **Tax Receipts** constituted around LE 816.1 billion of total revenues, increasing by LE 114 billion (16.2 percent growth), mainly driven by

- The increase in Tax Receipts from Sovereign Authorities by LE 12.3 billion (11.8 percent growth) to record LE 117 billion during the period July-May 2021/2022, compared to LE 104.7 billion during the same period of last year.
- The rise in Tax Receipts from Non- Sovereign Authorities by LE 102 billion (17 percent growth) to record LE 699.1 billion during the period of study, compared to LE 597.5 billion during the same period of last year.

This was supported by:

- **Receipts from Income Taxes** rose by LE 32.7 billion (12 percent growth) to reach LE 306 billion during the period of study.
 - ✓ **mainly driven by the increase in receipts from tax on domestic salaries** by LE 8.8 billion (12.9 percent growth) to reach LE 76.8 billion during the period of study.
 - ✓ **and taxes on industrial & commercial profits payable by Individuals** by LE 8 billion (21 percent growth) to reach LE 46.2 billion during the period of study.
 - ✓ **and tax receipts from Suez Canal** rose by LE 5.4 billion (18.6 percent growth) to reach LE 34.2 billion during the period of study.
 - ✓ **and tax receipts from Other Companies** rose by LE 17.4 billion (15.2 percent growth) to reach LE 131.6 billion during the period of study.
- **Receipts from Value Added Taxes** rose by LE 59.9 billion (18.2 percent growth) to reach LE 389.3 billion during the period of study.
 - ✓ **driven by the increase in receipts from value added tax on goods** by LE 21.5 billion (13.6 percent growth) to reach LE 179.4 billion during the period of study.
 - ✓ **and the increase in receipts from value added tax on services** by LE 13.5 billion (34.2 percent growth) to reach LE 53 billion during the period of study.
 - ✓ **receipts from excises on domestic commodities** rose by LE 15 billion (16.2 percent growth) to reach LE 107.6 billion during the period of study.
 - ✓ **and the increase in receipts from development fees** by LE 1.5 billion to reach LE 11.6 billion during the period of study.
 - ✓ **and the increase in receipts from stamp tax fees** by LE 4 billion (23 percent growth) to reach LE 21.3 billion during the period of study.
 - ✓ **and the increase in receipts from taxes on use of goods** by LE 3.7 billion to reach LE 13.8 billion during the period of study.
- **Receipts from property taxes** rose by around LE 16 billion (24 percent growth) to reach LE 83 billion during the period of study, compared to LE 67.1 billion during the same period of last year.
 - ✓ **in light of the increase in receipts from Tax on T-bills and bonds' payable interest** by LE15.2 billion to reach around LE 69.8 billion during the period of study.
- **Moreover, Tax receipts from International Trade** rose by LE 5.4 billion (16.6 percent growth) to reach LE 37.8 billion during the period of study.

- **Non-Tax Revenues (20.8 percent of total revenues) has reached around LE 214 billion during the period of study of which;**
 - **Proceeds from Sales of Goods and Services** rose by LE 12.9 billion (23.5 percent growth) to record LE 67.7 billion during the period of study.
 - ✓ mainly due to the increase in revenues from special accounts and funds by LE 10.4 billion to reach LE 54.9 billion during the period of study.
 - **Property Income** rose by LE 7.2 billion (11.4 percent growth) to record LE 70.8 billion during the period of study.
 - ✓ mainly due to the increase in non-tax dividends receipts by LE 9.5 billion to reach LE 57 billion during the period of study.
 - **Grants** rose to reach LE 2.7 billion during the period of study, mainly due to the increase in grants from international organization.
 - **Miscellaneous Revenues** recorded LE 70.4 billion during the period of study.

On the Expenditure side, Total expenditures have increased by 11.2 percent to reach LE 1470.9 billion during the period July-May FY21/22, compared to same period last year. The government continues its efforts to reprioritize spending towards social protection, investment in human capital and better distribution of services and to develop infrastructure.

Compensation of Employees

- **Wages and Compensation for Employees** rose by LE 33.6 billion (11.5 percent growth) to reach LE 326.5 billion during the period of study.

Purchases of goods and services

- **Purchases of goods and services** rose by LE 18.8 billion to reach LE 79.4 billion during the period of study mainly in light of increased spending on raw materials, and water and lighting.

Subsidies, grants & social benefits

- **Subsidies, grants, and social benefits** rose by LE 33.2 billion to reach LE 264.8 billion during the period of study.
 - ✓ **Spending on treasury contributions in pension** rose by LE 13.4 billion to reach LE 112.5 billion during the period of study in light of the settlements between the treasury and pension fund.
 - ✓ **Spending on social security benefits including Takaful& Karama cash transfer programs** rose by LE 0.9 billion to reach LE 18.4 billion during the period of study.
 - ✓ **Spending on GASC** rose by LE 12.7 billion to reach LE 83 billion during the period of study.

Purchases of non-financial assets

- **Purchases of non-financial assets** rose by LE 5.3 billion (2.8% growth), to reach LE 196.2 billion during the period of study, in light of the efforts to improve infrastructure, and the public services provided to citizens.

Social Spending and Human Development

- **Total Main Social Spending Items** rose by LE 70.1 billion (14.3 percent growth) to reach LE 561.3 billion during the period of study, compared to LE 491.2 billion during the same period of last year.
- **Total Spending on Health** rose by LE 18.5 billion (21.2 percent growth) to reach LE 105.7 billion during the period of study, compared to LE 87.2 billion during the same period of last year.
- **Total Spending on Education** rose by LE 26 billion (18.6 percent growth) to reach LE 165.4 billion during the period of study, compared to LE 139.4 billion during the same period of last year.

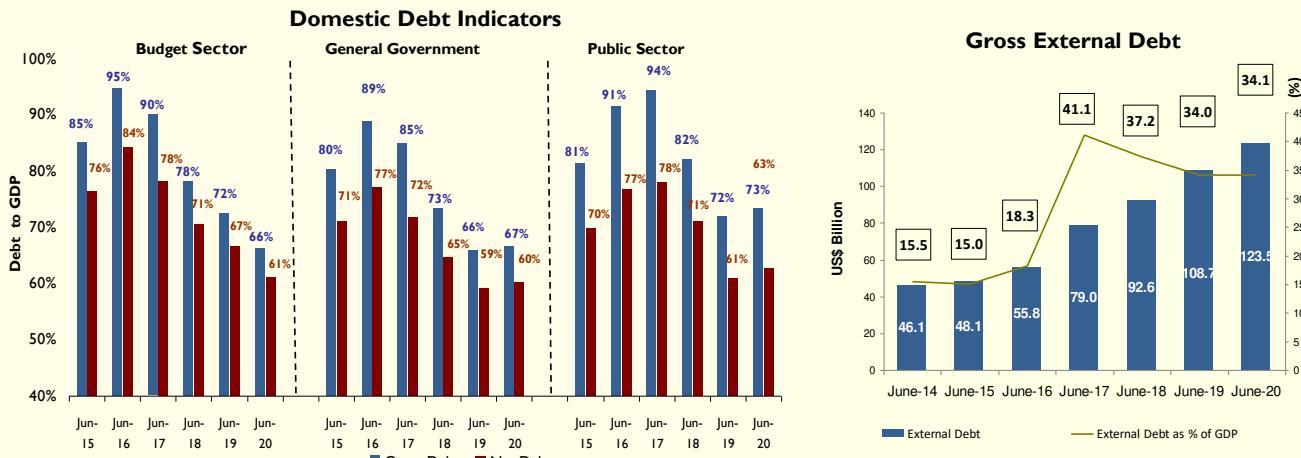
Fiscal Sector Performance during July-May 2021/2022

(LE billion)

	July-May	
	2022/21	2021/20
Revenues	1,030,101	917,413
Taxes	816,123	702,217
Grants	2,736	806
Other Revenues	211,242	214,390
Expenditure	1,470,893	1,323,112
Wages and Compensation of Employees	326,504	292,934
Purchase of Goods and Services	79,397	60,639
Interest Payments	508,506	463,956
Subsidies, Grants and Social Benefits	264,760	231,553
Other Expenditures	95,479	83,115
Purchases of Non-financial Assets (investments)	196,246	190,915
Cash Balance	-440,792	-405,698
Net Acquisition of Financial Assets	-4,183	7,266
Overall Budget Balance	-436,609	-412,964
Budget Primary Surplus/or Deficit (% of GDP)	0.91%	0.74%
Budget Overall Balance (% of GDP)	-5.50%	-5.97%

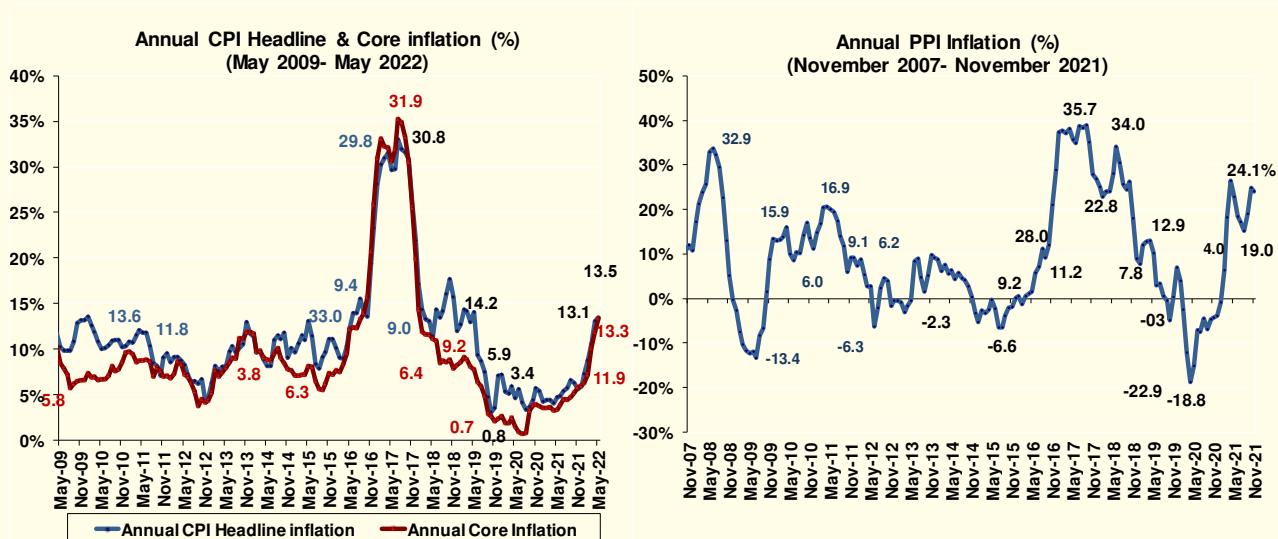
External & Domestic Debt

Total Government Debt (domestic and external) increased to LE 5094.2 billion (87.5 percent of GDP) at end of June 2020 compared to 4801.8 billion (90.2 percent of GDP) at end of June 2019. This is mainly driven by the increase in T-bonds stock worth LE 628 billion compared to LE 129.3 billion increase in T-bills stock implementing the ministry's policy of increasing debt maturity. Meanwhile, government external debt increased as loans increased to US\$ 45.5 billion end of June 2020, compared to US\$ 37.9 billion at end of June 2019. In addition, Banks debt increased to US\$ 11.9 billion at the end of June 2020, compared to US\$ 9.5 billion last fiscal year.



Inflation

Annual Urban Inflation increased to record 13.5 percent in May 2022, compared to 13.1 percent during last month. Meanwhile, average annual inflation rate reached 8.06 percent during July-May 21/22, compared to 4.46 percent during the same period of last year. Annual Core Inflation recorded 13.34 percent in April 2022, compared to 11.9 percent during last month.



Monetary Sector

According to recent data released by the CBE; M2 growth increased to record 18.5 percent in January 2022 (LE 5876 billion), compared to 18.3 percent last month. This is mainly due to the increase in **Quasi Money increased** to record 18.1 percent in January 2022, compared to 17.6 percent last month driven by the increase in **foreign currency demand deposits** to reach 20.6 percent in January 2022, compared to 15.6 percent last month and **demand deposits in local currency** increased to record 21.3 percent in January 2022, compared to 21.1 percent last month. Moreover, **Money (M1)** increased to record 19.8 percent in January 2022 driven by the increase in currency in circulation to record 14.6 percent in January 2022.

- **Net Foreign Assets (NFA)** annual growth decreased sharply to record -96.5 percent (LE 9674 billion) compared -3.2 percent last month driven by the decrease in Banks Reserves which recorded -41.3 percent in January 2022.

- **Net domestic assets (NDA)** annual growth has increased to 25.2 percent at end of January 2022 (LE 5866.9 billion) compared to 24.4 percent last month due to the increase in **Net Claims on Government, and GASC** to 15.8 percent in January 2022, compared to 14.1 percent last month.
- **Total Deposits annual growth rate– excluding deposits at the CBE** – has slightly increased to 24 percent (LE 6549 billion) at the end of January 2022, compared to 24.1 percent last month. **Out of total deposits, 79.4 percent belonged to the non-government sector.** Nevertheless, the **Loans-to-deposits Ratio** has stabilized at 48.3 percent at end of September 2021.
- **In the same context**, Monetary Policy Committee (MPC) decided on May 19th 2022 to raise by 200 basis points the Central Bank of Egypt's (CBE) **overnight deposit rate, overnight lending rate, and the rate of the main operation** to reach at 11.25 percent, 12.25 percent, and 11.75 percent, respectively. The discount rate was also raised by 200 basis points to reach at 11.75 percent.

External Sector

- **The Egyptian economy was resilient and being able to absorb external shocks caused by the global imbalances owing to the adopted reform program, which were reflected in the country's economic transactions with the external world during the First Half of FY 21/22.** The Balance of Payment recorded a marginal overall deficit of US\$ 14.1 million. This comes in light of the increase in the capital and financial account surplus to US\$ 11.4 billion during the period of study compared to US\$ 9.2 billion last year, supported by net inflows of direct investments, which reflects the confidence of foreign investors in the Egyptian economy despite the global imbalances.

Detailed Balance of payment performance:

- **The current account deficit increased marginally by US\$ 0.2 million to record LE 7.8 billion during the period of study, compared to US\$ 7.6 billion during the same period of last year, mainly due to:**
 - **Non-Oil trade deficit rose by 24.2 percent to reach US\$ 23.8 billion** (compared to US\$ 19.1 billion during last year). Mainly due to the increase in imports of production inputs, such as propylene polymers and inorganic or organic compounds; and imports of agricultural products, mainly soybeans, wheat and corn, due to the rise in their global prices, and the increase in imports of pharmaceuticals, gauze pads and vaccines (in light of the country's effort to combat COVID-19 pandemic). On the other hand, non-oil merchandise exports increased, however at a slower pace, mainly exports of; finished goods, phosphate, mineral fertilizers, household electric appliances, ready-made clothing, medicines, wires and cables, articles of aluminum and glassware.
 - **Investment income deficit widened**, which presents the difference between receipts and payments on investments to and from external world to reach US\$ 7.1 billion (compared to US\$ 5.4 billion during last year).

Which was offset by,

- **Oil trade balance shifted from a deficit of US\$ 54.2 million to a surplus of US\$ 2.1 billion.** This came as a main result of the rise in the value of natural gas exports by US\$ 2.6 billion, due to higher exported quantities, as well as the noticeable pickup in global prices.
- **Services surplus improved by US\$ 3.8 billion to record US\$ 5.6 billion during the period of study,** mainly due to:
 - **The increase in tourism receipts to record US\$ 5.8 billion during First Half of FY21/22** (compared to US\$ 1.8 billion during the same period of last year).
 - **The increase in transport receipts by 27.9 percent to record US\$ 4.7 billion during period of study** (compared to US\$ 3.6 billion during last year). **mainly driven by the increase in Suez Canal receipts by 16.6 percent to register US\$ 3.4 billion during the period of study.**
 - **The increase in remittances by 0.4 percent to record US\$ 15.6 billion.**

The Capital and Financial Accounts

- **The capital and financial accounts** recording net inflow of US\$ 11.4 billion during First Half of FY21/22, compared to US\$ 9.2 billion during the previous year, mainly driven by;
 - **FDIs net inflows has reached US\$ 3.3 billion during the year of study, of which FDIs in non-oil sector increased by US\$ 1.2 billion to record net inflows of US\$ 4.4 billion,** mainly due to the increase in investments or capital increases of existing companies to reach US\$ 1.4 billion (of which US\$ 160 million went to green field investments). Moreover, sale proceeds of companies and productive assets and net inflows for real estate purchases by non-residents has contributed to the increase in net FDIs inflows during the period of study. On the other hand, FDI in the oil sector registered US\$ 1.1 billion outflows, and portfolio investments in Egypt shifted to net outflows of US\$ 2.5 billion during the period of study.