

Egypt's Economic Reform & Stabilization Program

Sustaining inclusive balanced growth path



September 2019

*Ministry of
Finance of Egypt*

Agenda

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Latest Macroeconomic Developments

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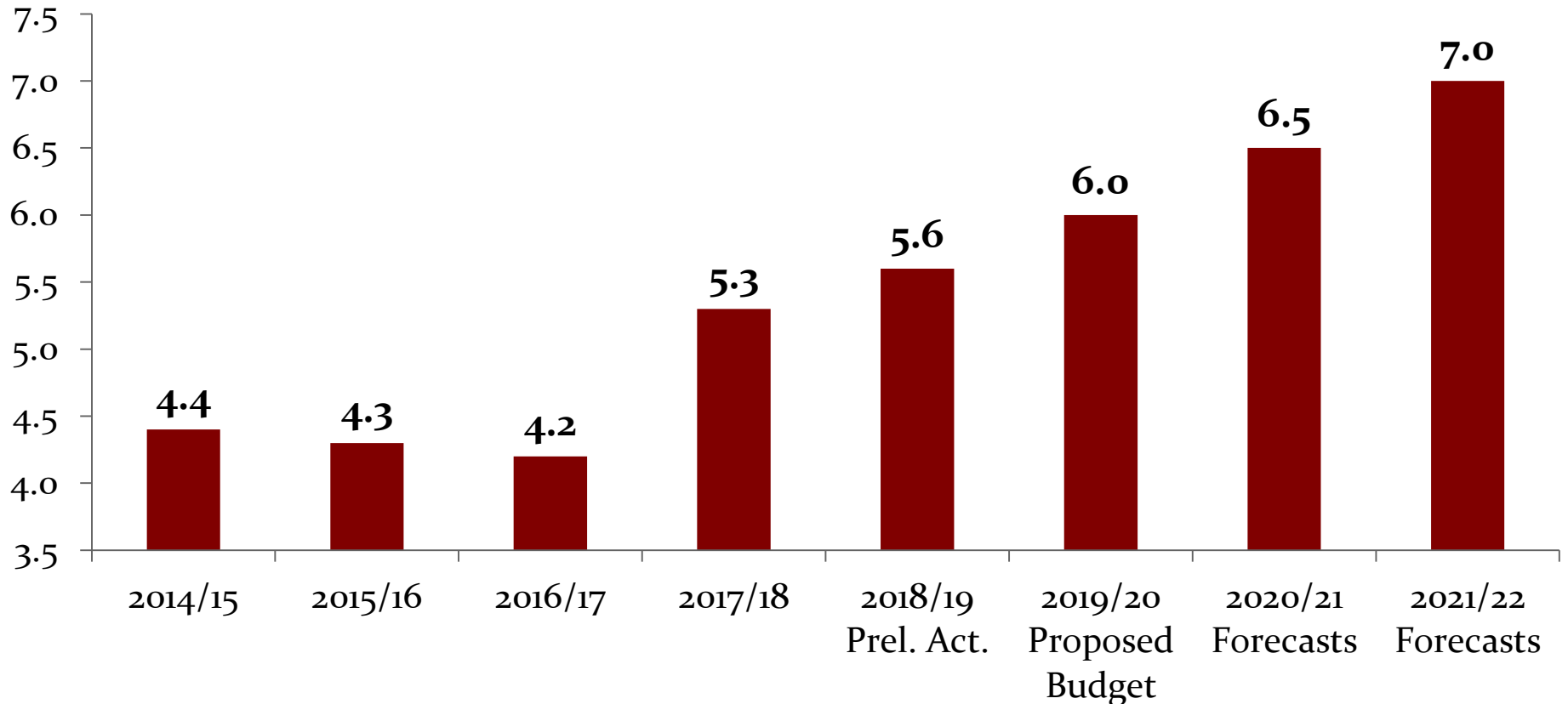
Social Protection Profile

(1) Latest Macroeconomic Developments

Higher and more resilient growth path

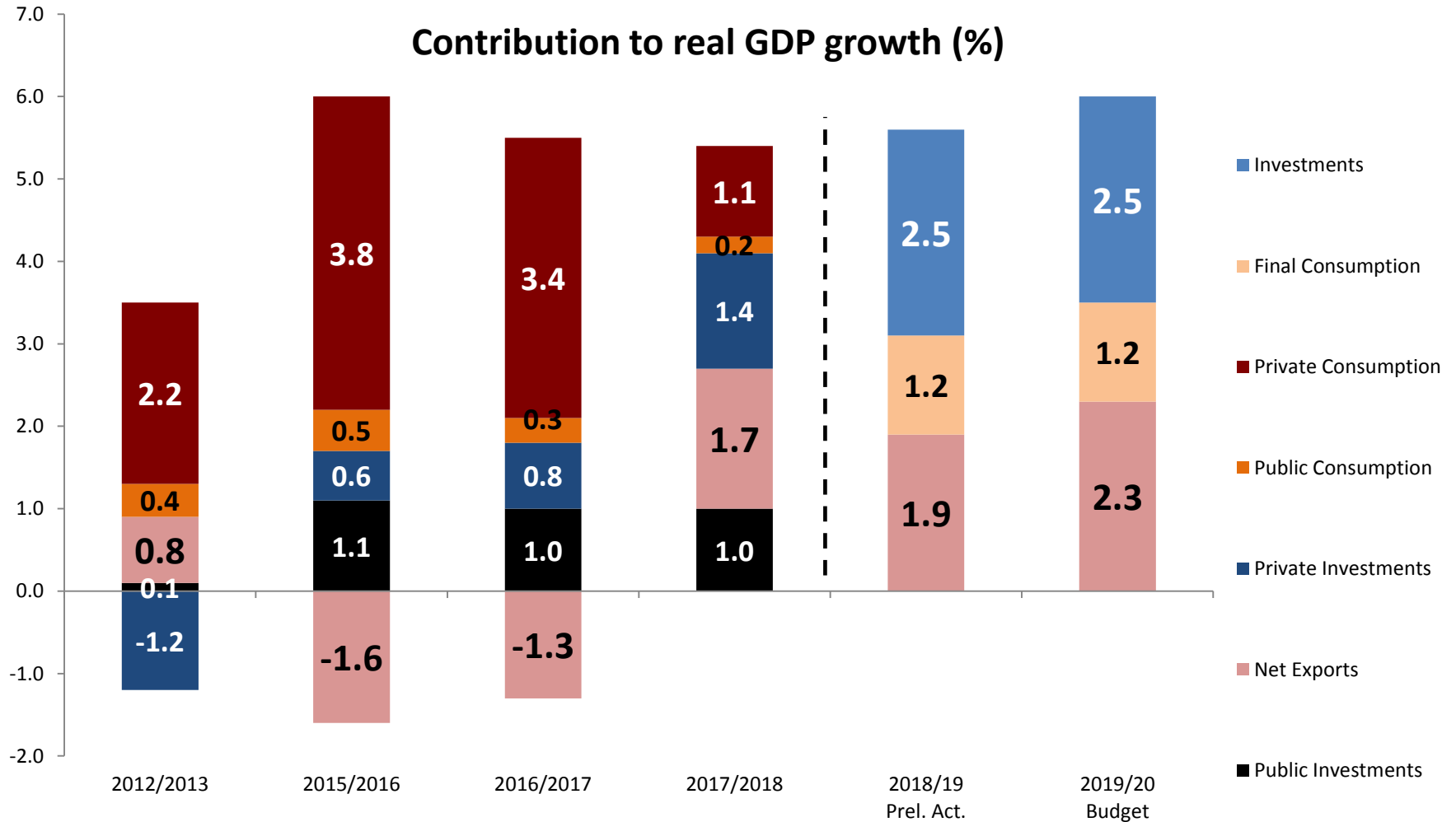
Implemented reforms restored confidence & enabled Egypt to achieve strong diversified economic recovery. Growth reached 5.6% in 2018/19, the highest rate since the financial crisis in 2008 & one of the highest rates among Emerging Markets. We target a 6-7% growth rate over the medium term.

Real Growth Rate (%)



More diversified growth with higher investment and net exports contributions

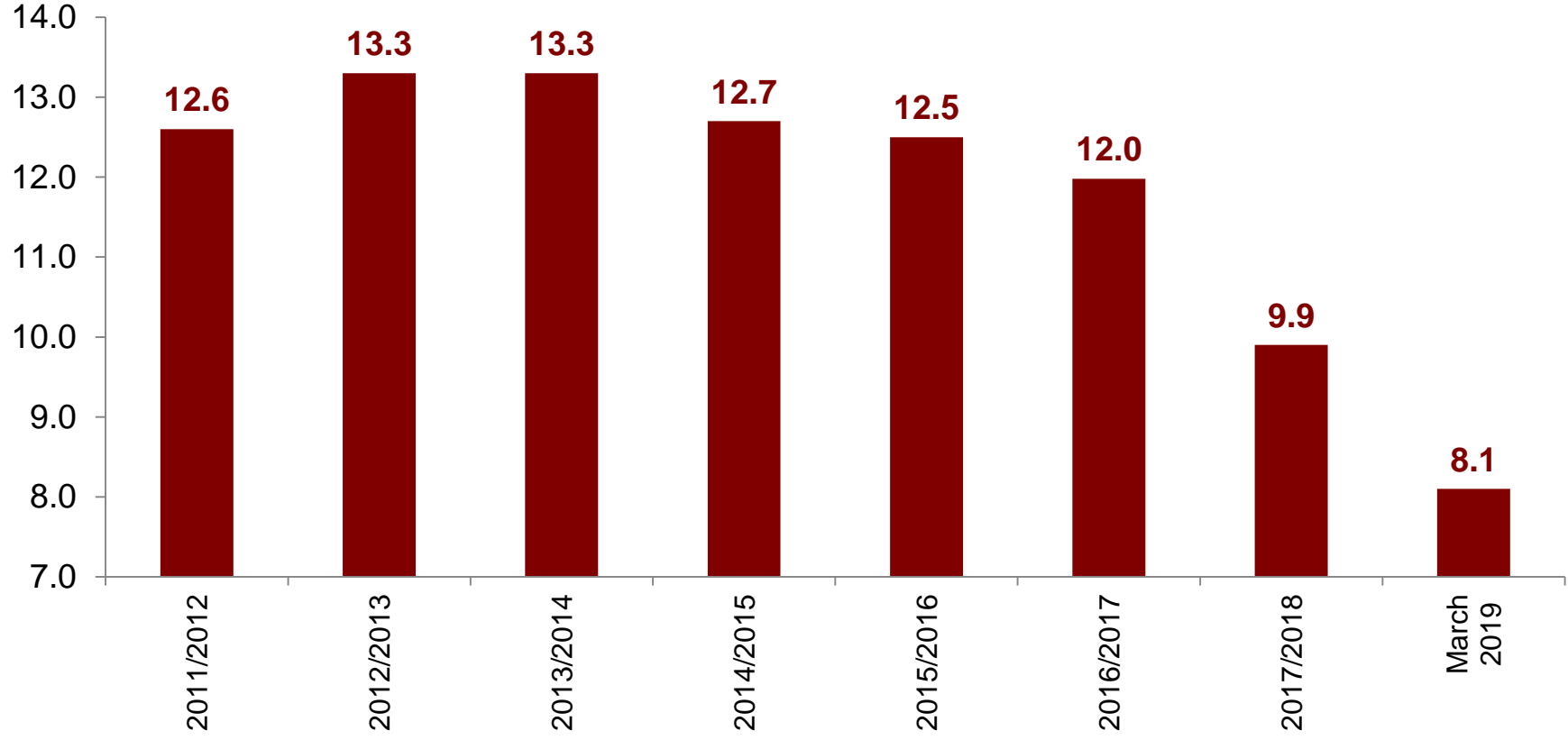
Economic reforms adopted led to strong investment and net exports performance, both becoming main drivers of growth since FY 2017/18.



More jobs are being created leading to lower unemployment rate

With realized job rich growth rates, unemployment is trending downward. It reached less than 8 percent recently.

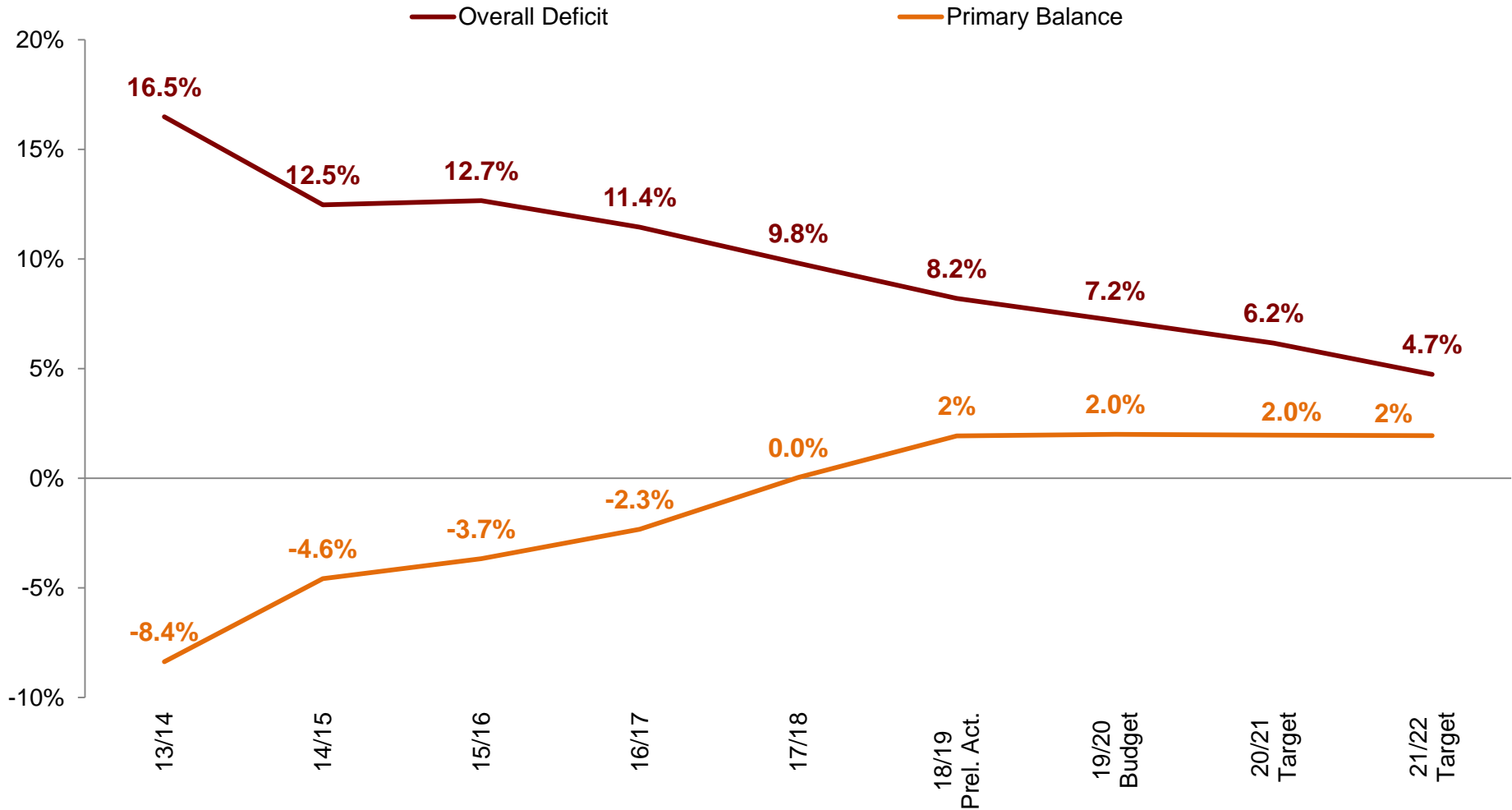
Unemployment Rate (%)



(2) Evolution of Fiscal Indicators

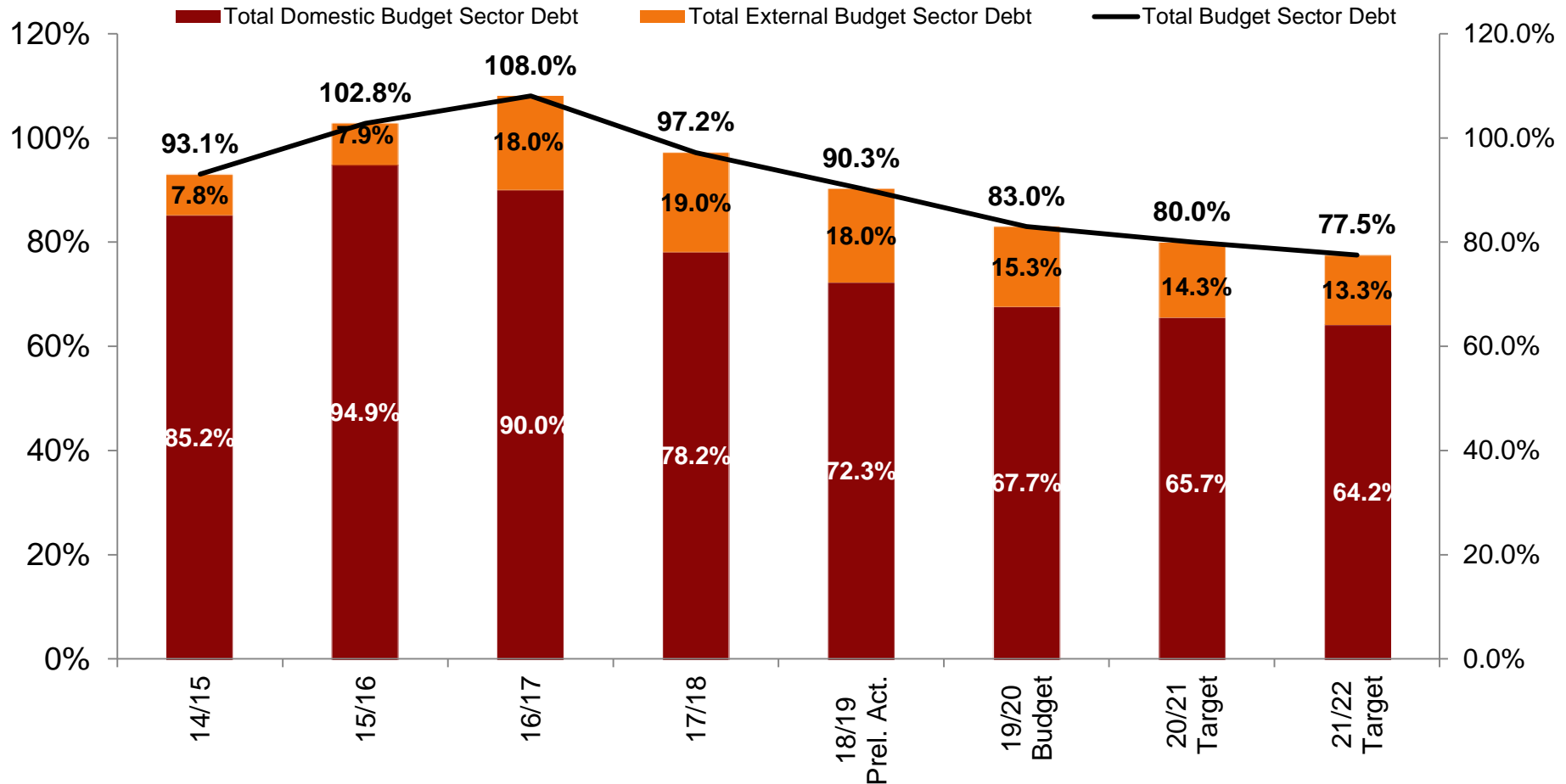
Significant pro-growth fiscal consolidation is ongoing driven by long-lasting reforms on both revenues & expenditure sides

Overall Deficit and Primary Balance (Excluding Grants) (% of GDP)



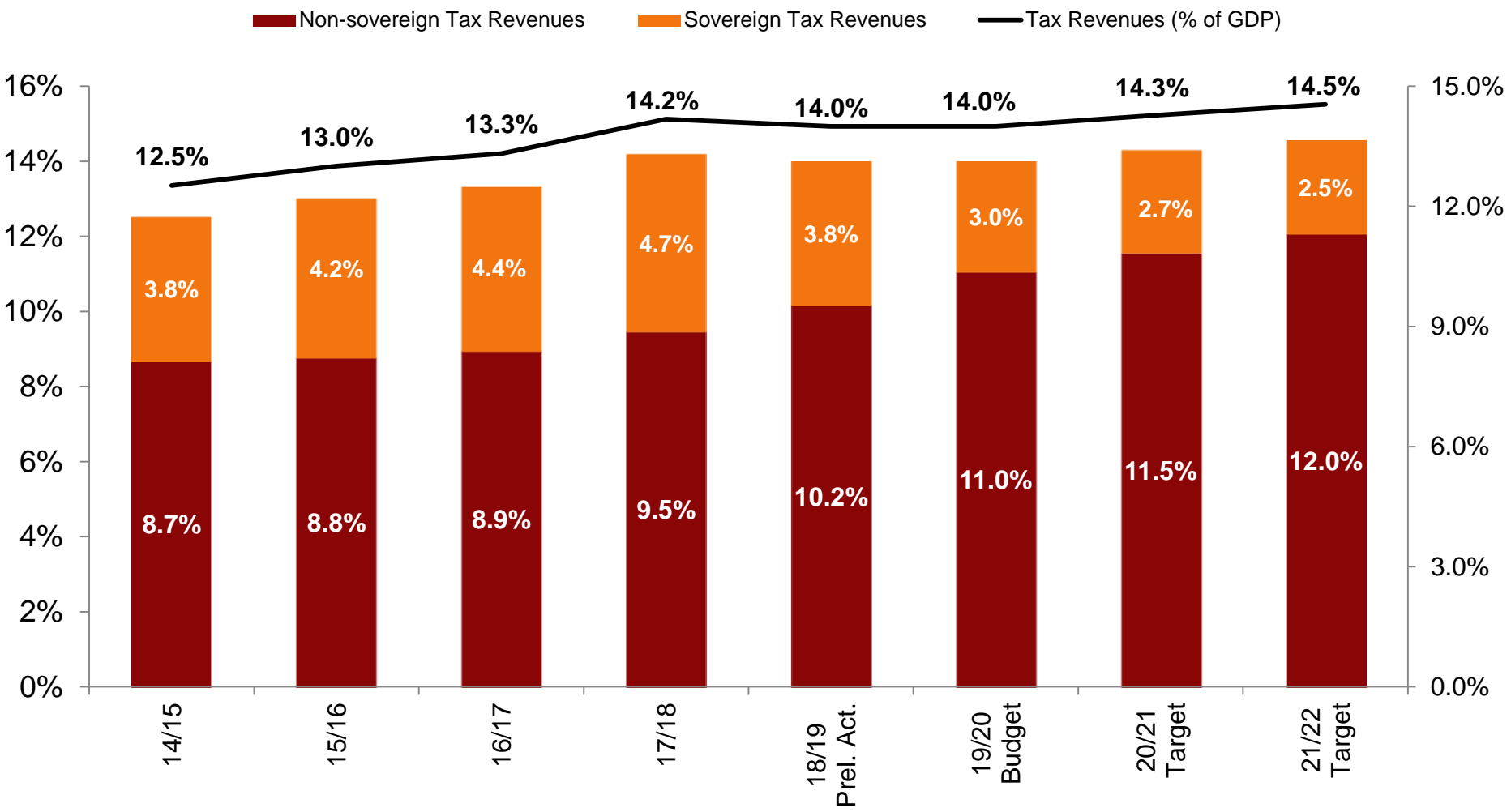
Putting debt to GDP ratio on a steep declining path to reach 90.3% by June 2019 and projected to further decline to less than 77.5% by June 2022

Total Budget Sector Debt (% of GDP)



As non-sovereign tax revenues continues to increases despite a stable tax policy. We target annual non-sovereign taxes increase by 0.5% of GDP.

Total Taxes (% of GDP)



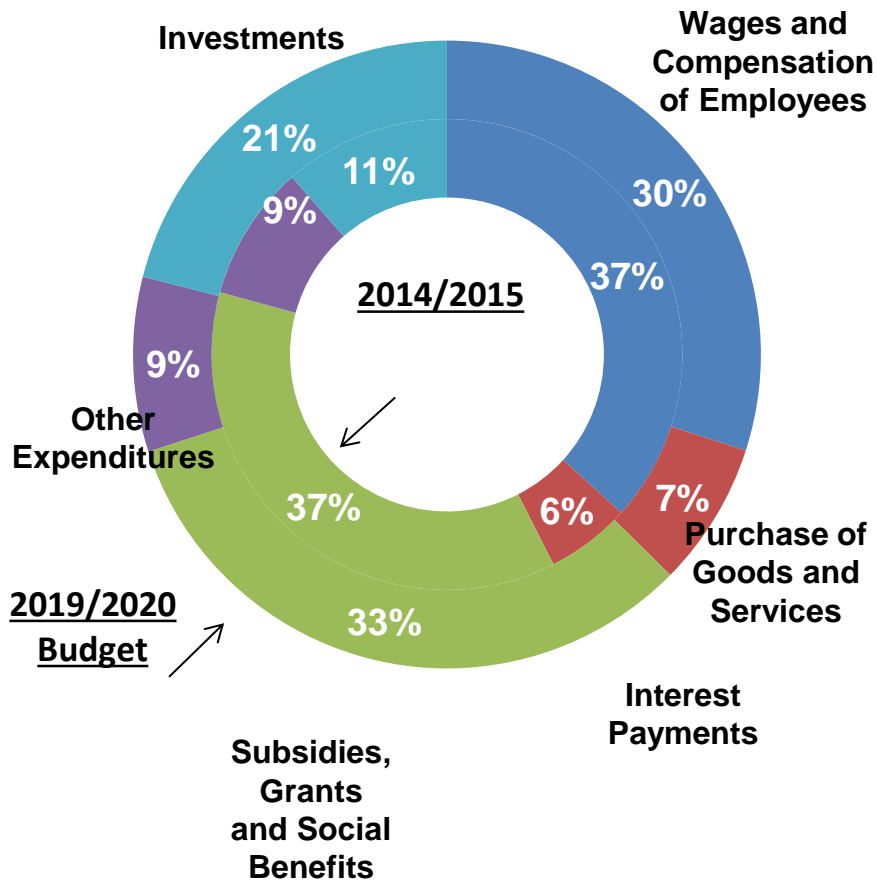
At the same time, improved expenditure structure supports a pro-growth and equitable fiscal consolidation path

Total Expenditures Breakdown (% of GDP)

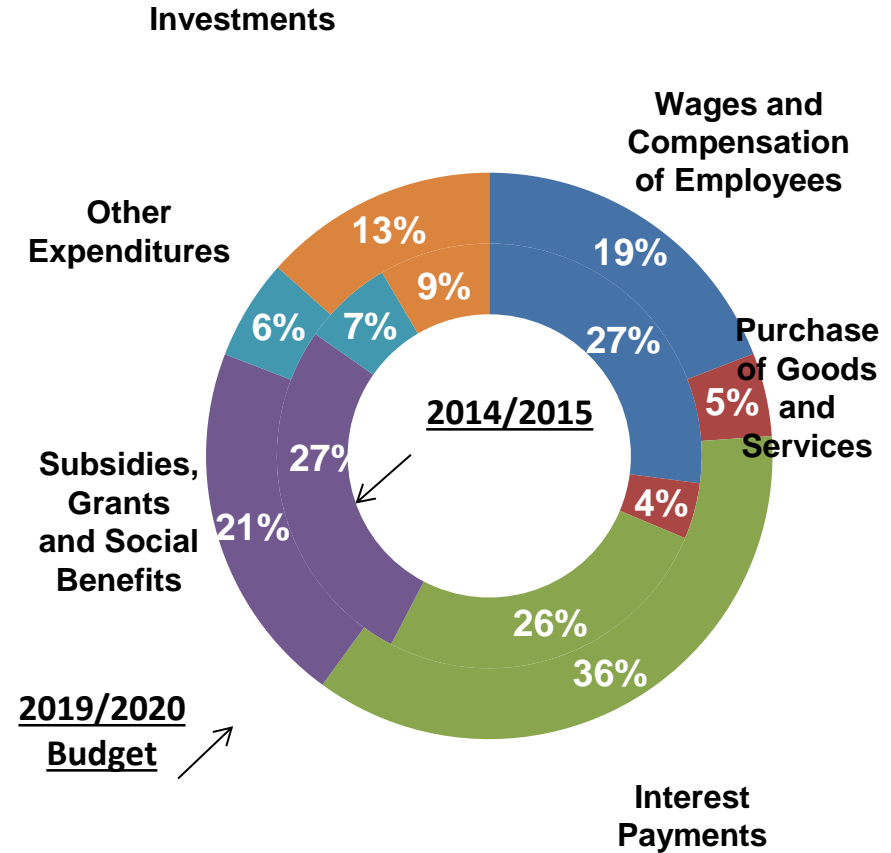
	14/15	15/16	16/17	17/18	18/19 Prel. Act.	19/20 Budget
Wages and Compensation of Employees	8.1%	7.9%	6.5%	5.4%	5.0%	4.9%
Purchase of Goods and Services	1.3%	1.3%	1.2%	1.2%	1.1%	1.2%
Interest Payments	7.9%	9.0%	9.1%	9.9%	10.1%	9.2%
Subsidies, Grants and Social Benefits, of which	8.1%	7.4%	8.0%	7.4%	5.5%	5.3%
Fuel Subsidies	3.0%	1.9%	3.3%	2.7%	1.6%	0.9%
Other Expenditures	2.1%	2.0%	1.8%	1.7%	1.5%	1.5%
Investments, of which	2.5%	2.6%	3.1%	2.5%	2.6%	3.4%
Self-financed investments	0.7%	0.6%	1.3%	0.9%	0.7%	1.2%
Deficit-financed investments	1.9%	1.9%	1.8%	1.6%	1.9%	2.3%

At the same time, improved expenditure structure supports a pro-growth and equitable fiscal consolidation path

Expenditures Breakdown (Excluding Interest Payments)

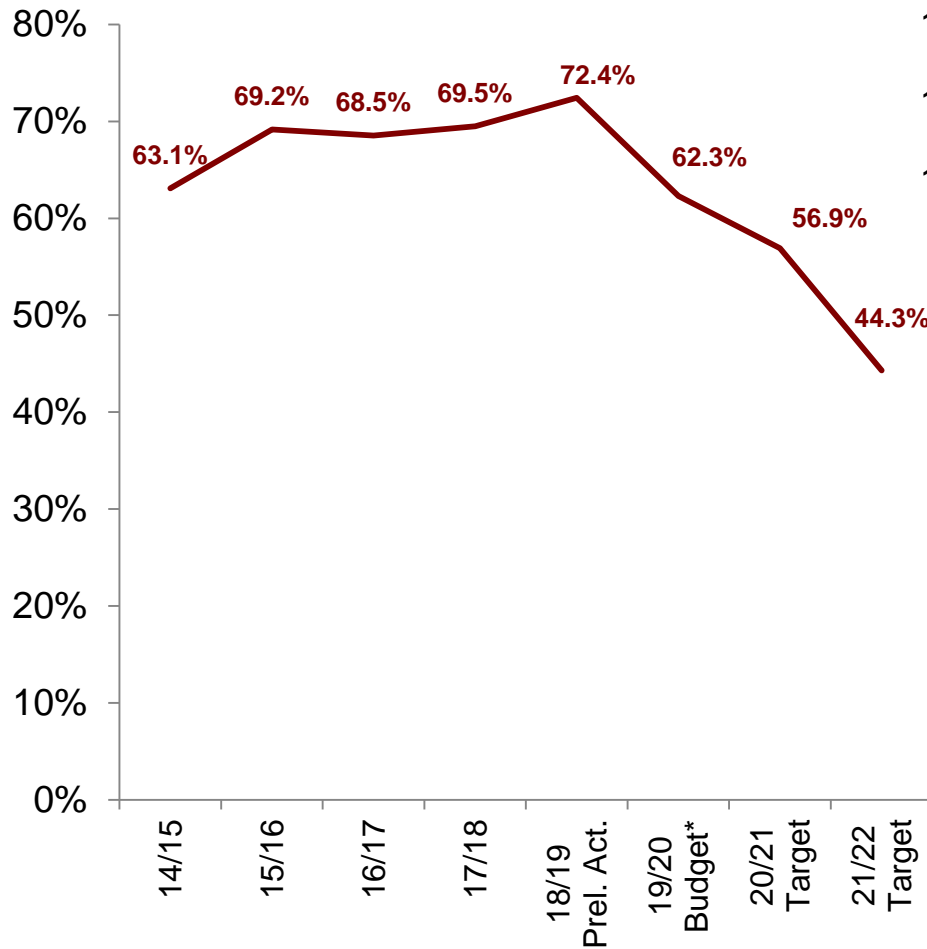


Expenditures Breakdown

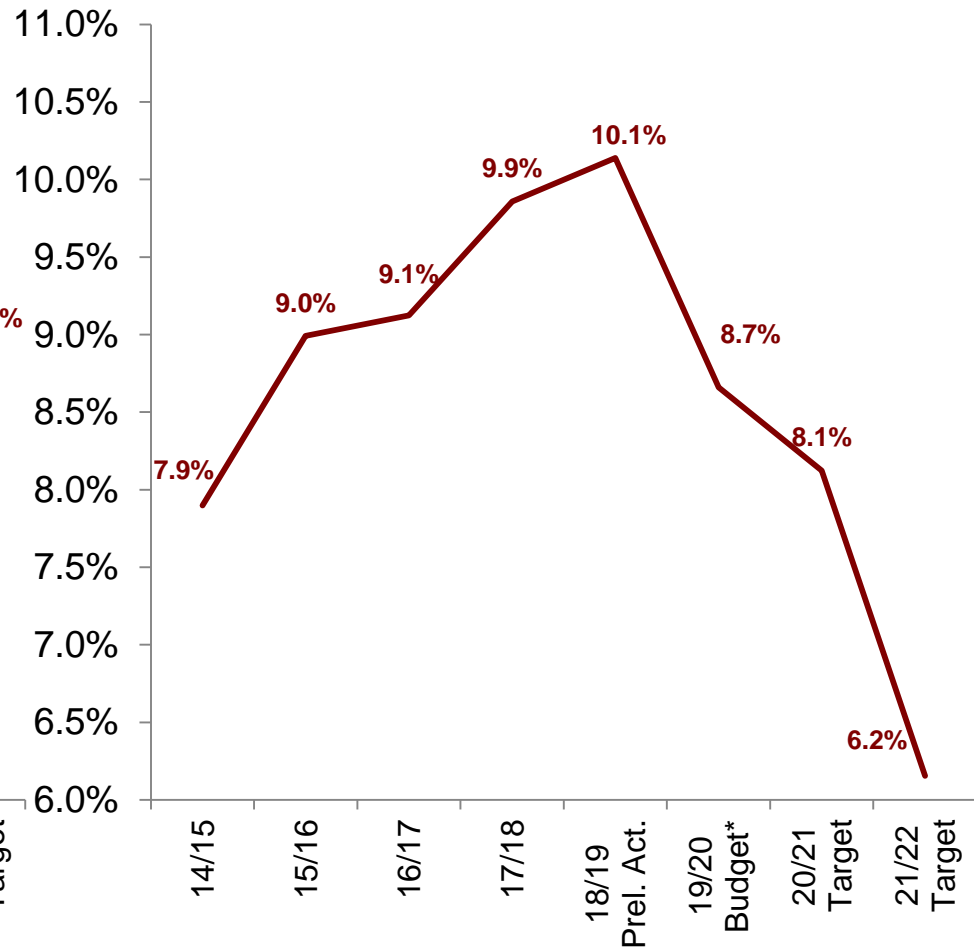


Ongoing pro-growth fiscal consolidation efforts will contain debt service costs over the medium-term

Total Interest Payments (% of Total Taxes)

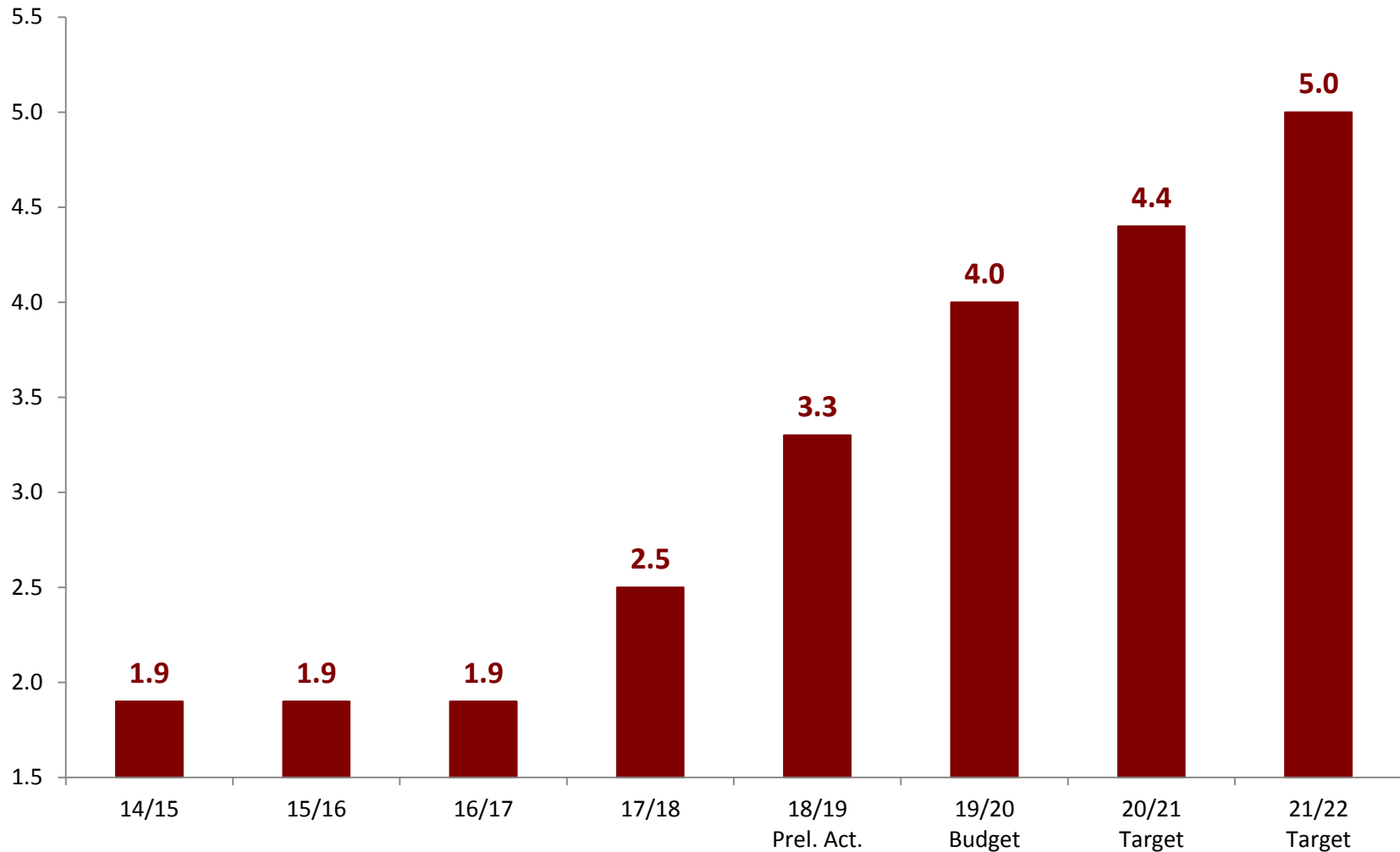


Total Interest Payments (% of GDP)



Supported by efforts to elongate debt maturity, with average debt maturity at 3.3 years in June 2019 and projected to reach 5 years by June 2022

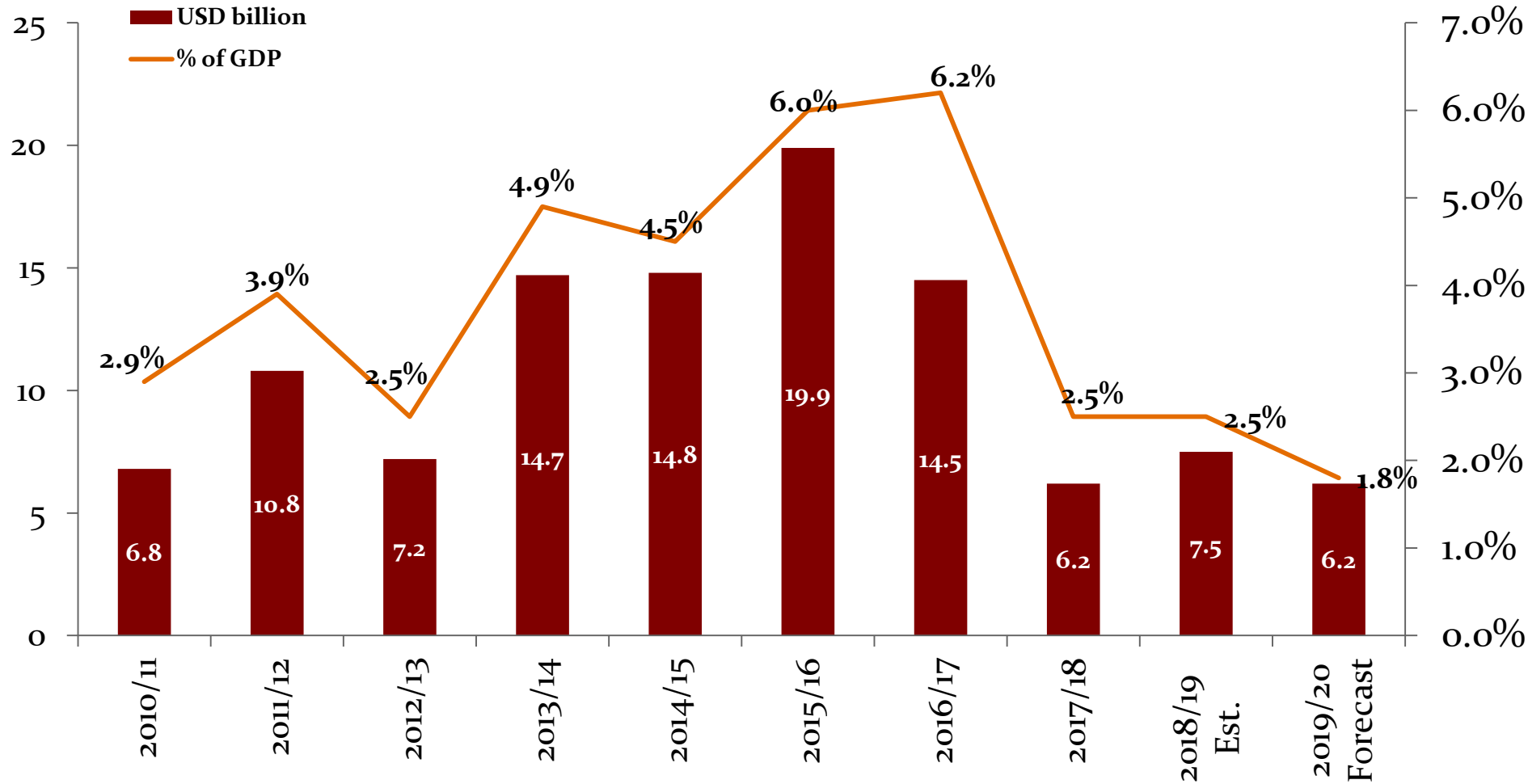
Average maturity (in year) of Egypt Budget sector debt



(3) External Accounts' Development

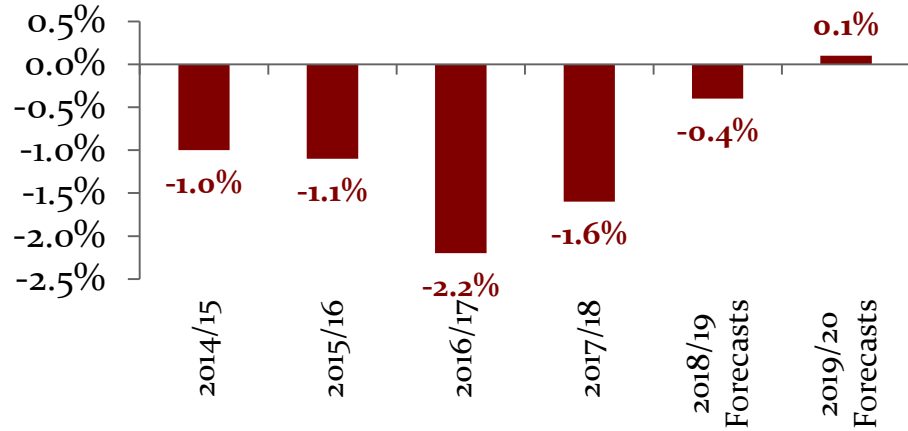
Exchange rate flexibility is prompting strong decline in current account deficit

Current Account Deficit excluding official transfers (grants)

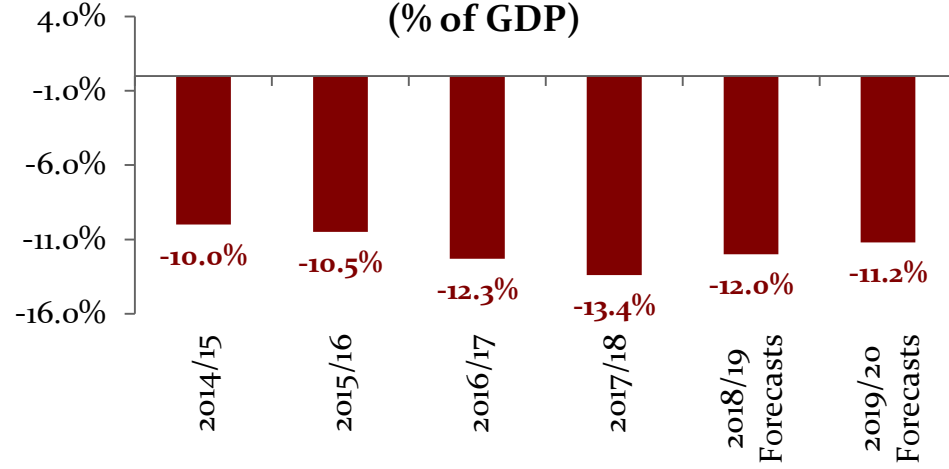


...driven by improved key foreign exchange inflows

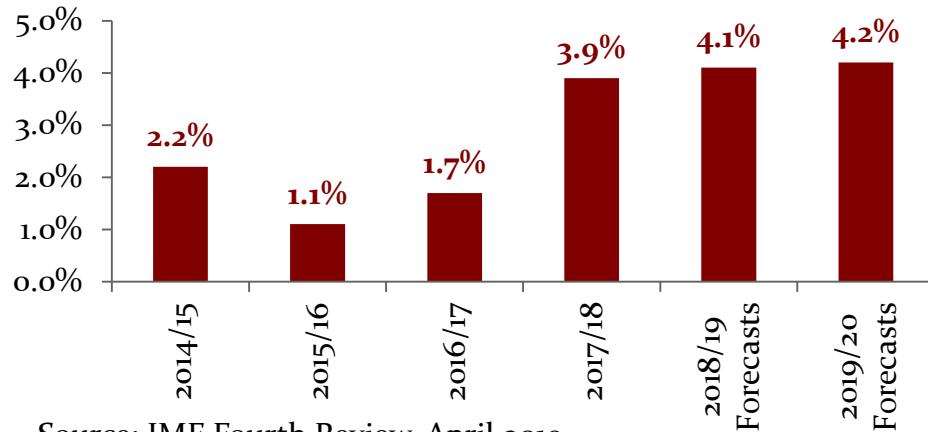
Oil Trade Balance (% of GDP)



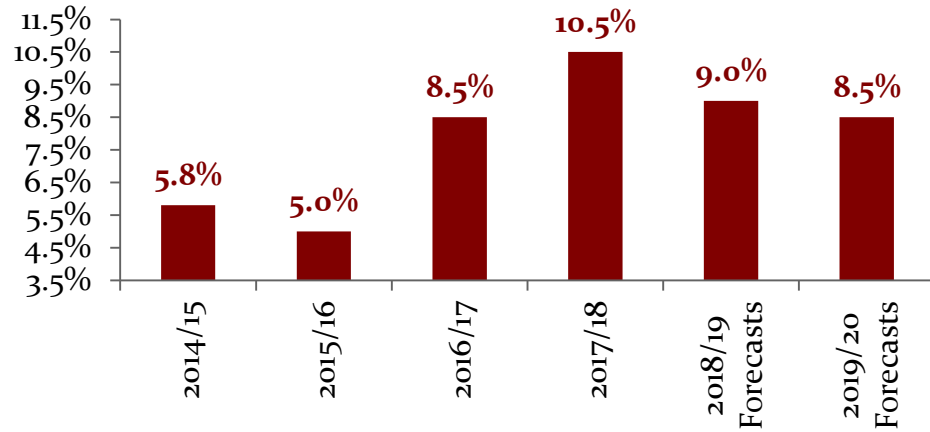
Non-oil Trade Balance (% of GDP)



Tourism Receipts (% of GDP)



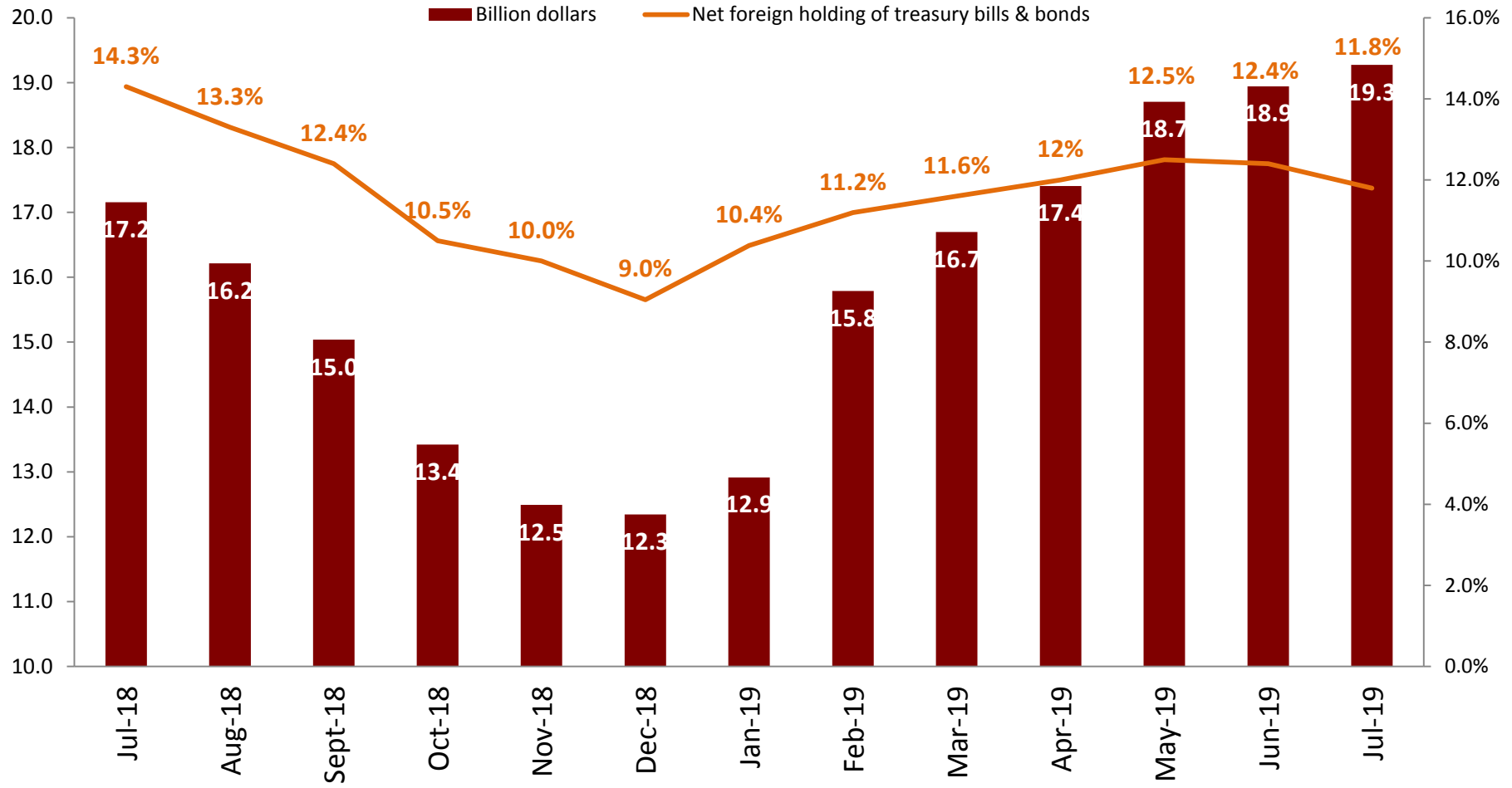
Workers' Remittances (% of GDP)



Source: IMF Fourth Review, April 2019

...and resumed strong foreign appetite for investments in domestic T-bills and bonds since beginning of 2019

Foreign Purchases of T-bills and bonds ^{1/}

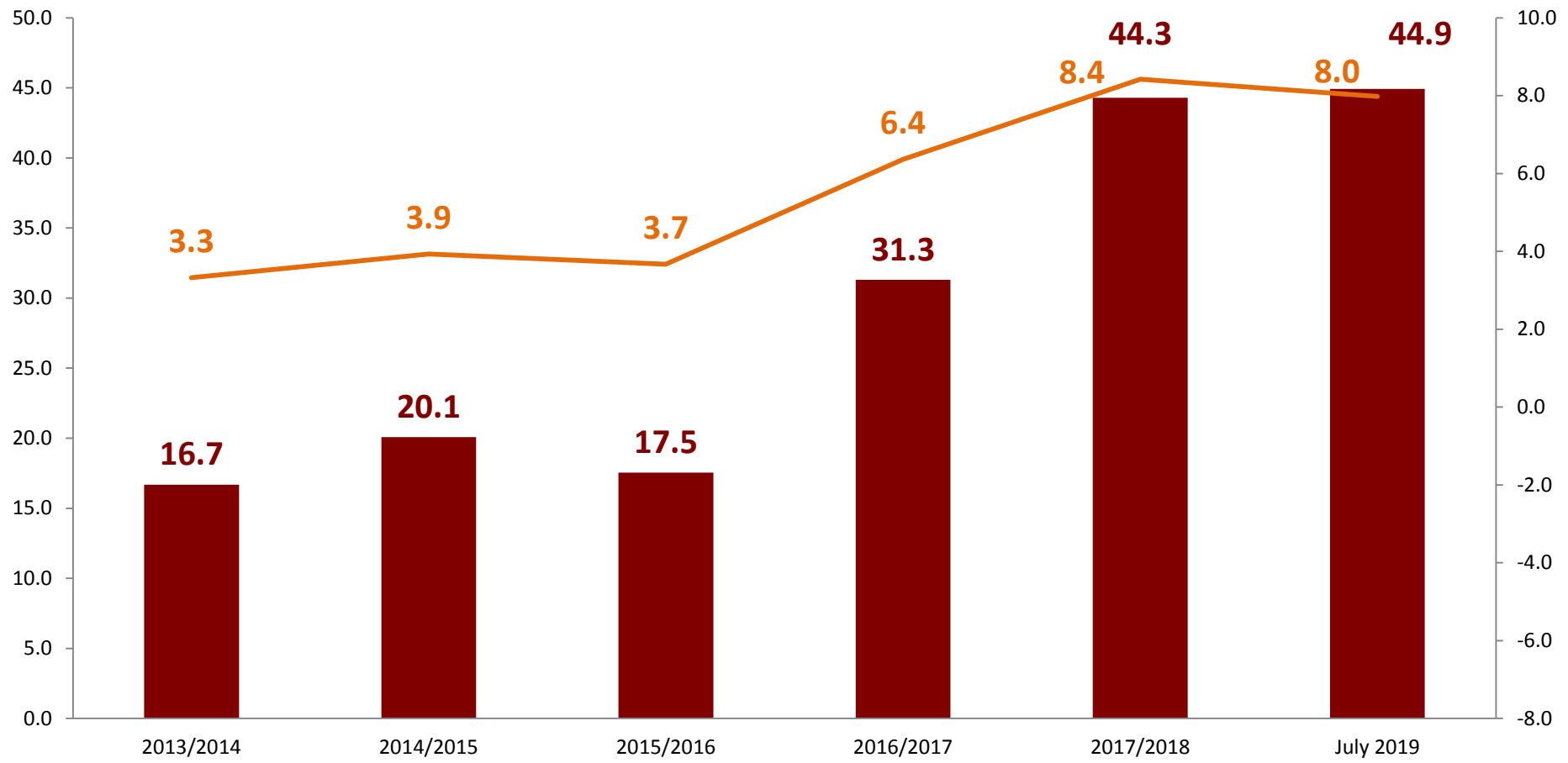


^{1/} The data reflects the last trading day of each month

NIR picked-up to reach a high of USD 44.4 billion by end June 2019 (on a preliminary basis), more than 8 months of imports coverage

Net International Reserves

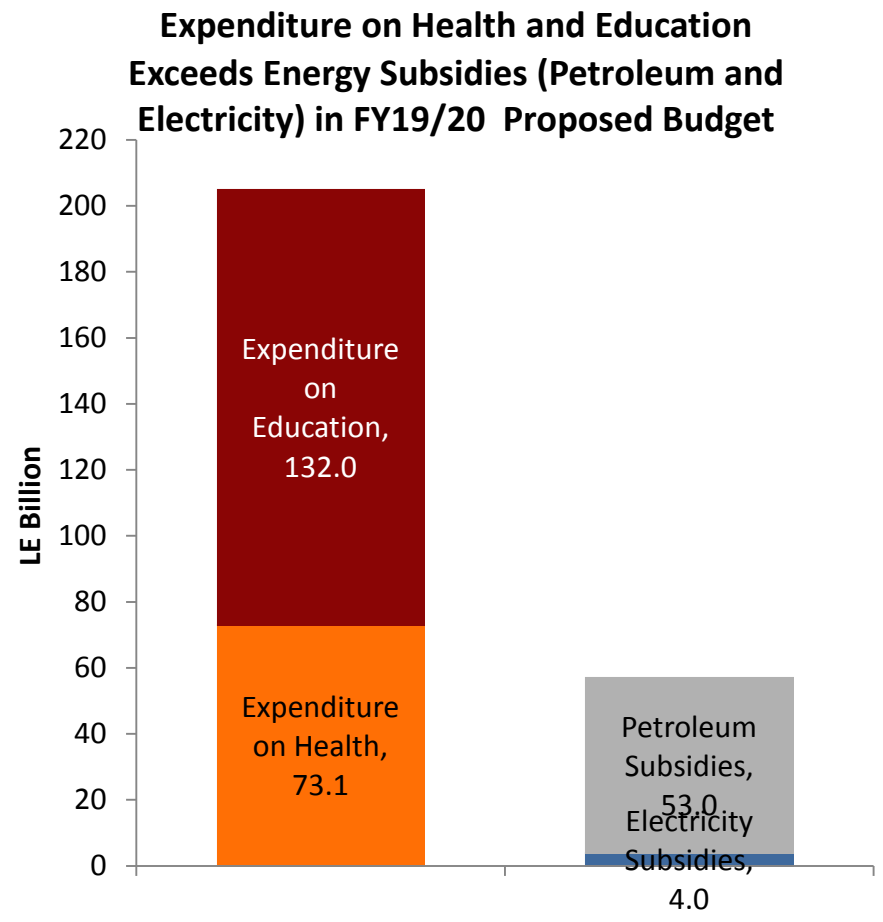
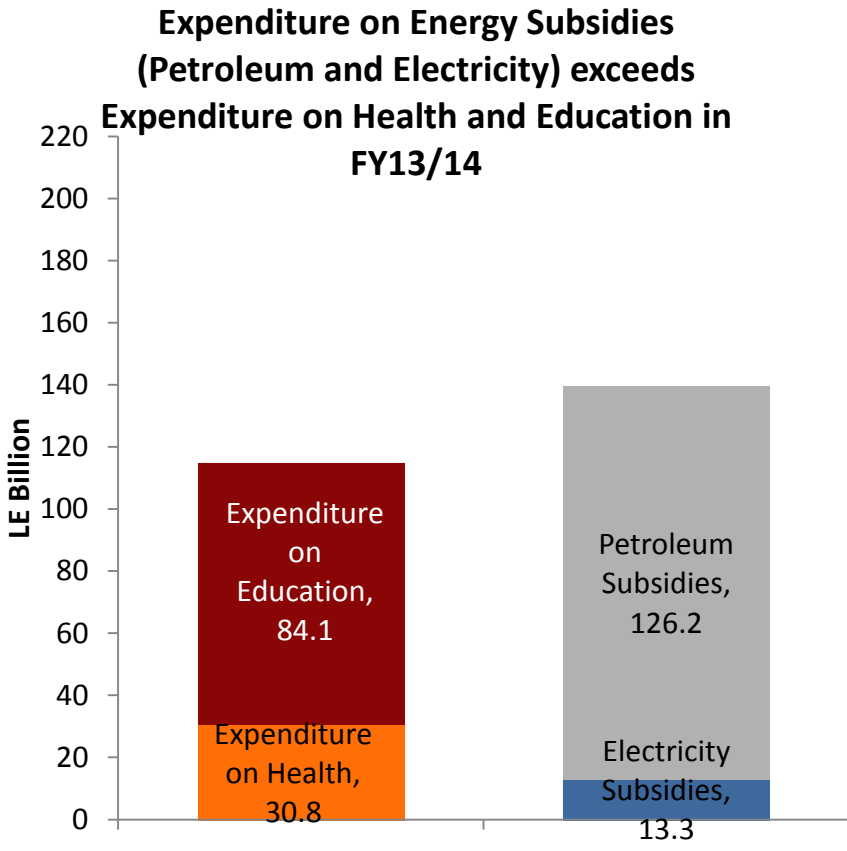
■ US\$ Billion — Months of Imports



(4) Social Protection Profile

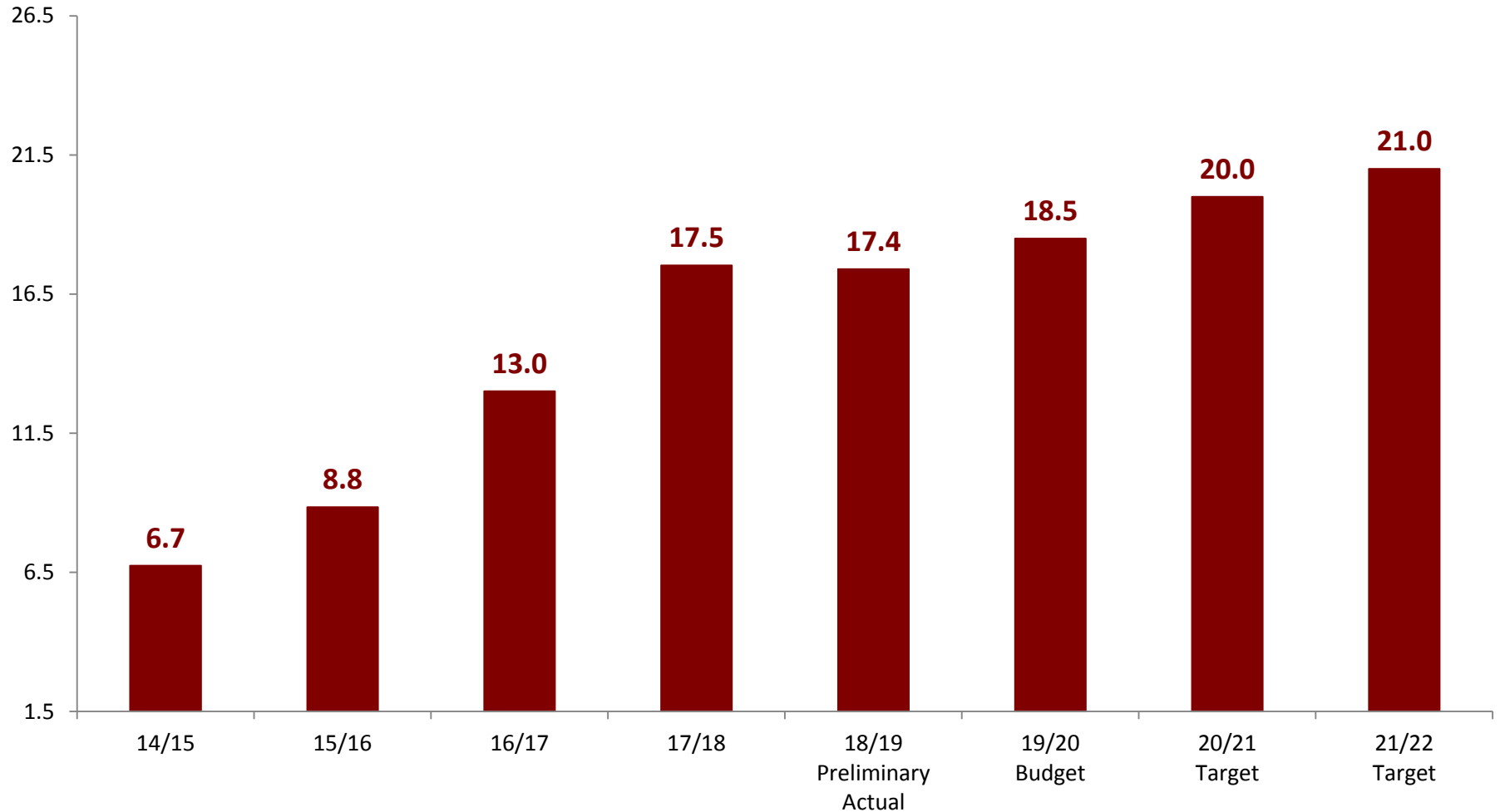
More equitable government spending policies

The government is restructuring subsidies schemes, developing a more efficient social protection network, increasing spending on human development, and introducing new programs targeting the most-vulnerable groups



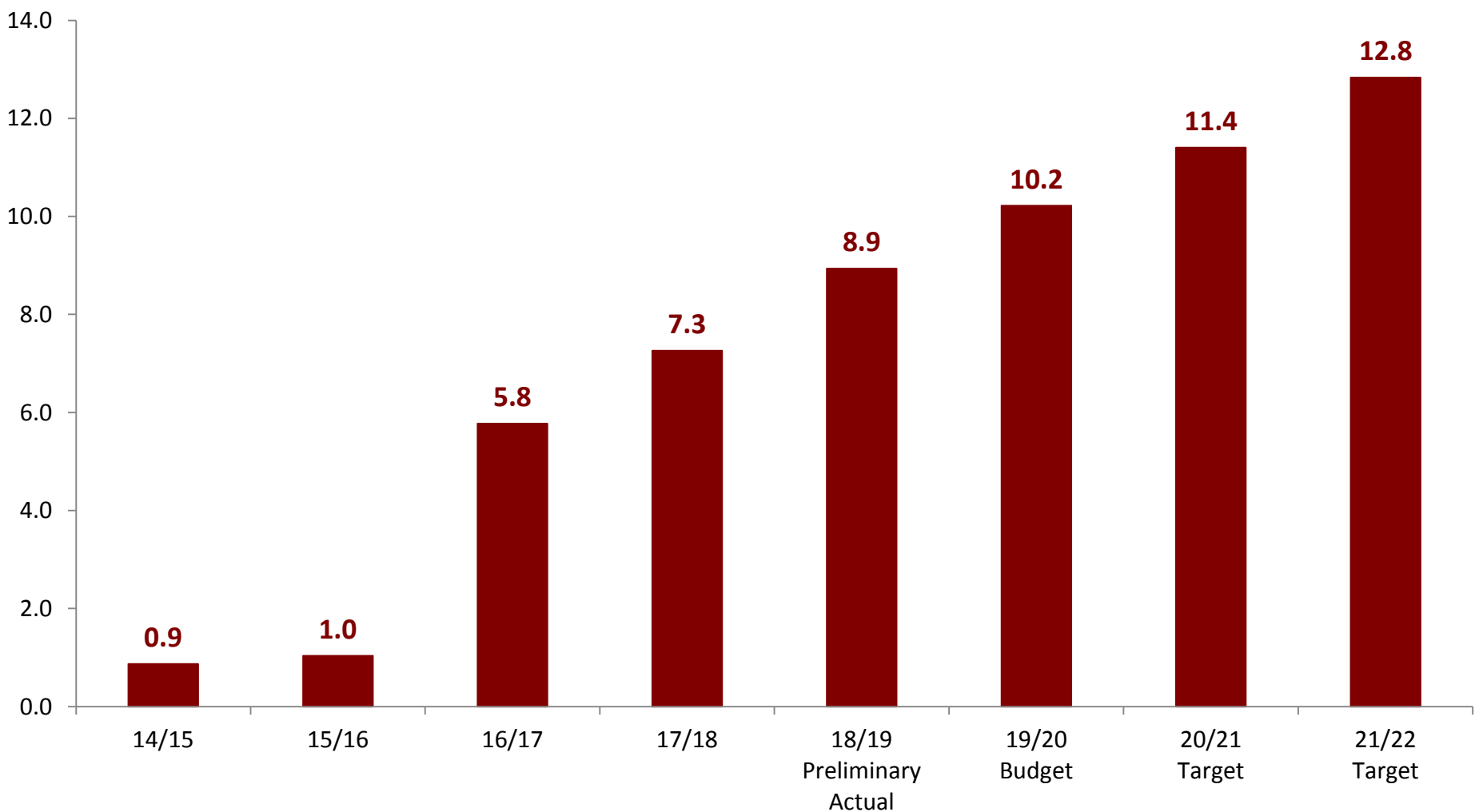
A gradual shift from in-kind subsidies to cash and semi-cash transfers to ensure better targeting.

Cash Transfers (Including Takaful and Karama Programs) - LE Billion



More allocations for health programs and initiatives

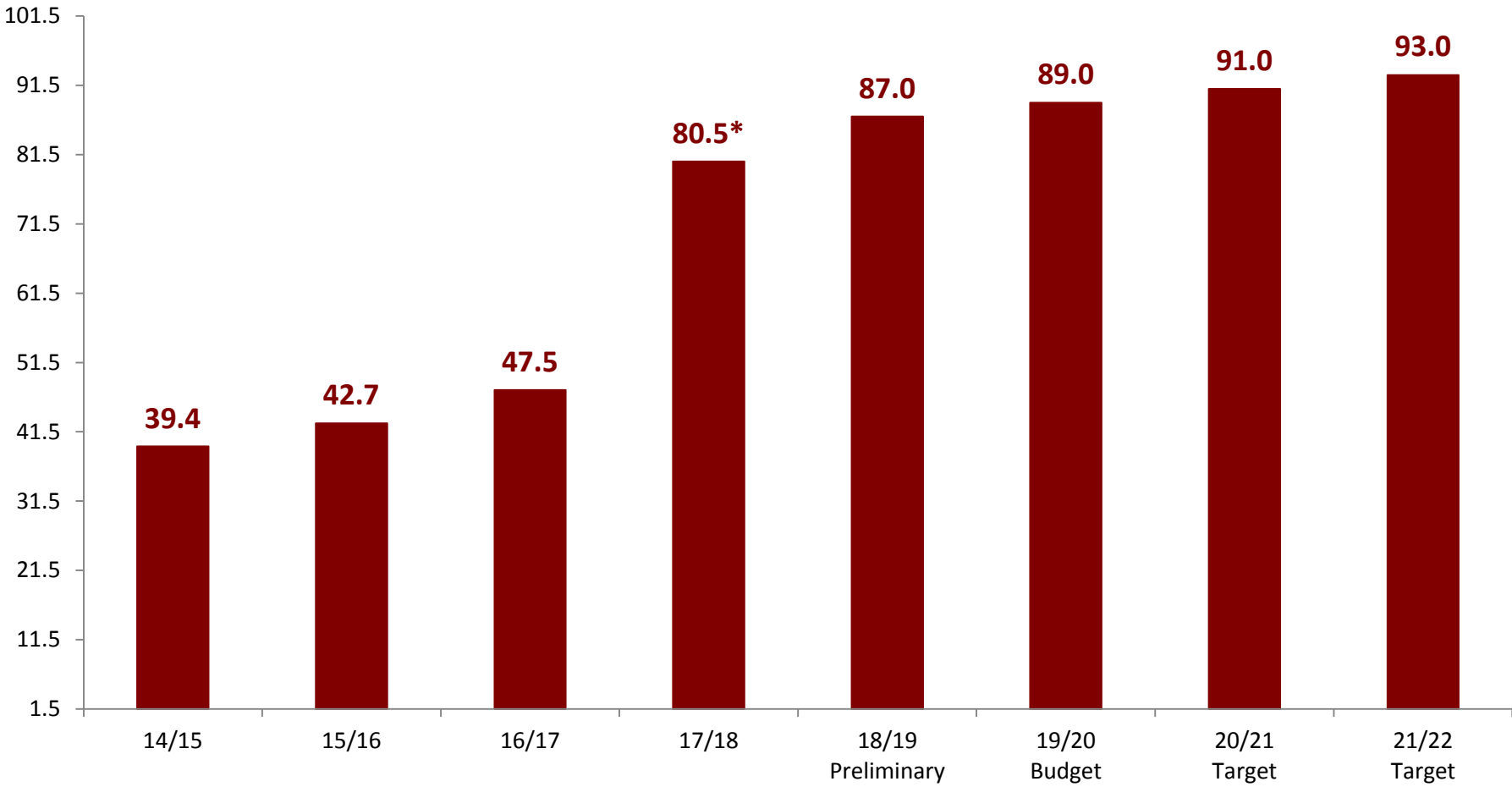
Subsidies and grants related to the health sector*



* includes medical treatment of Egyptian citizens by the treasury and health insurance subsidies

Egypt is filtering its food subsidies database to ensure better targeting and more efficient spending

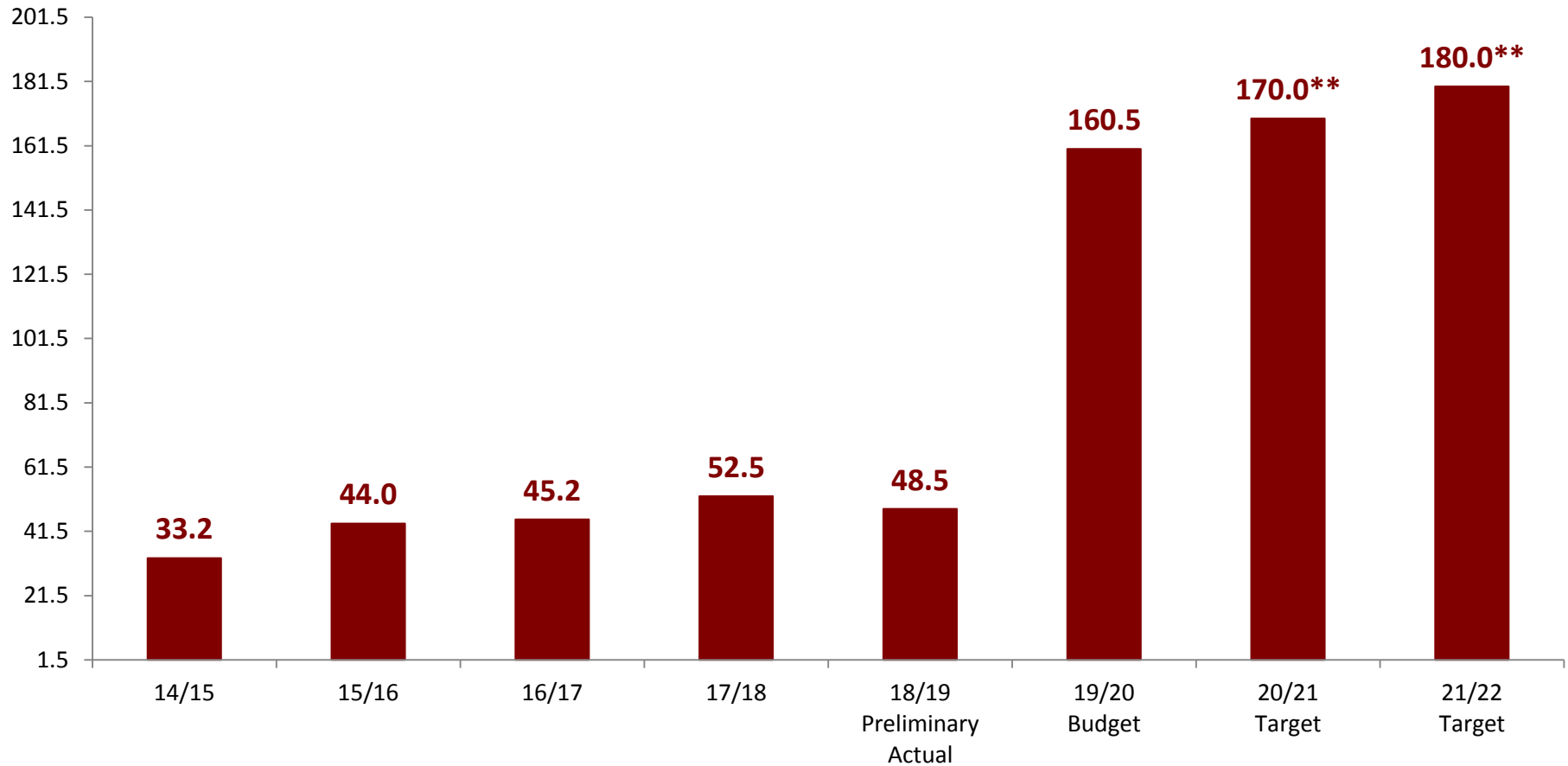
Food Subsidies - LE Billion



*140% increase in semi-cash allowance on food subsidy cards from LE 21 to LE 50 per month.

Egypt is implementing a comprehensive pension reform program to ensure its financial sustainability

Contributions to Social Funds - LE Billion



** In light of the new suggested treatment

Thank You