

EU Delegation to Egypt
Key Trade and Economic Developments in Egypt
1 January – 25 February 2021

Trade and Investment Developments:

- **Between January and November 2020, total EU-Egypt trade decreased by ca. 12%** compared to the same period of the previous year. EU exports to Egypt fell by ca. 7% and Egypt's exports to the EU went down by ca. 22%.
- According to a statement of Egypt's Trade Minister, **in 2020 the country's non-oil trade deficit declined by 17% y-o-y due to lower imports**. Non-oil imports shrank by 12% while exports decreased by 1%. The total value of Egypt's exports hit USD 22.8 bn during the first 11 months of 2020, which is a slight drop (-2.2%), compared to USD 23.3 bn during the same period of the previous year.
- **FDI inflows into Egypt decreased 39% in 2020**. Egypt attracted USD 5.5 bn of FDI in 2020, down from USD 8.5 bn in 2019, which was a sharper drop than the 32% average among North African economies and 18% across Africa. Notwithstanding the above, according to a United Nations Conference on Trade and Development (UNCTAD) report, **during 2020 Egypt kept its position as the top recipient of foreign direct investment (FDI) in Africa**.
- On 1 January 2021, African countries that have ratified the African Continental Free Trade Area agreement and submitted their market access offers (among them Egypt), **started trading under the rules of the AfCFTA**. The official launch of trading under the agreement was postponed by 6 months from 1 July 2020 due to the covid-19 pandemic.
- On 6 January 2021, **Egypt extended its export ban on broad beans** for another three months, for food security purposes.
- **The Suez Canal Authority announced that the revenues generated by the canal had decreased by 3% in 2020** to USD 5.61 bn compared to USD 5.8 bn in 2019. The canal recorded its second-highest annual net tonnage (1.17 bn tonnes from over 18k ships). The authority decided to extend into 2021 incentives and reductions introduced last year in the context of a trade slowdown caused by the pandemic. LNG, LPG, and oil carriers will receive reductions on their Suez Canal transit in the range of 30%-75%. Moreover, transit fees for all ships will be fixed in 2021 at the same price as the previous year.
- **The number of tourists that visited Egypt in 2020** (3.6 mn) was over 70% lower than in previous year (13 mn), according to the Tourism Ministry's annual newsletter. Tourism revenues decreased from EGP 13 bn (ca. USD 774 mn) in 2019 to EGP 4 bn in 2020 (ca. USD 253 mn), as average monthly receipts declined 85-92% due to covid. The majority of tourists (2.5 mn) visited the country in January and February, before the pandemic brought the industry to a complete halt. Just 1.1 mn tourists visited Egypt in the second half of 2020 after authorities lifted travel restrictions. Egypt's government continues the implementation of relief measures for the tourism industry. Among others, it allowed the exemption of real estate tax for tourism establishments until April 2021, prolonged a debt relief initiative for tourism businesses until June 2021, and extended the loan initiative for tourism companies to pay workers until December 2021.
- **International and private schools in Egypt will no longer face limits on foreign ownership** after the Education Ministry reversed the 20% cap imposed in 2019. All school owners, Egyptian and international, will be subject to security checks, and the ministry still holds the right to refuse to issue a license on a case-by-case basis. The public education system needs a substantial capital inflow to meet its new classroom construction targets, a problem which is compounded by the influx of an estimated 800k students each year.

Economic Developments:

- **Egypt recorded a primary budget surplus of EGP 18.1 bn** (ca. USD 1.2 bn) after the first 7 months of the fiscal year 2020-21. State revenues rose 16% y-o-y, overall public spending increased by 12.4% and spending on social security programs by 24%. The overall budget deficit narrowed to 4.4% from 4.6% during the same period of the previous year.
- **Unemployment remained virtually unchanged in 4Q2020**, decreasing only marginally to 7.2% from 7.3% in 3Q2020 and 8% in 4Q2019. Women's participation in the labour, although generally very low at 16.1% (just 0.3 percentage points lower than during the comparable period in 2019), was well above the 13.4% seen in 3Q2020.
- **In January 2021, inflation was at its lowest in four months**, falling to 4.3% from 5.4% in December 2020 on the back of a steady drop in food prices as stockpiles across the country increased and exports fell.
- **In December 2020, foreign reserves reached their highest level since April 2020**, rising almost USD 800 mn to reach USD 40 bn. This was the largest monthly increase in 2020. In January 2021, the reserves rose by further USD 94 million, to record USD 40.2 bn.
- **The IMF has bumped its growth outlook for Egypt in FY2020-21 to 2.8%**, up from the 2% forecast in June 2020. The lifting of lockdown measures has helped the economy to show "early signs of recovery" after a milder-than-expected downturn. Following the approval by the Executive Board of the first review, Egypt can now draw the second USD 1.67 bn tranche, bringing the total amount disbursed under the Stand By Arrangement to USD 3.6 bn.
- **The World Bank forecasts Egypt's economy to end the FY2020-21 with 2.7% growth**, which will be milder than the 3.6% recorded last fiscal year, but higher than previous WB's forecasts of October 2020 (2.3%) and June 2020 (2.1%). The economy has avoided sliding into contraction thanks to reforms, solid policy buffers, "resilient" consumption patterns, international help, and mega-projects, but nonetheless has been "heavily disrupted" by covid-19. The collapse in tourism, natural gas extractives, and manufacturing negatively affected growth. The latter is expected to return to pre-pandemic growth levels (5.8%) in FY 2021-22.
- **Fitch Solutions estimates that Egypt's economic growth will move back towards 5% by the end of the 2021 calendar year**, helped by the upcoming vaccine rollout and continued public investment. In its latest MENA macroeconomic update, Fitch forecasted FY2020-21 GDP growth to amount to 3%, slightly below its 3.3% estimate of November 2020.
- In a statement to the Parliament, Egypt's Prime Minister announced that the country's priority was getting the economy back on track after last year's covid shock. **Over the next three years, the government plans to achieve an annual growth rate of 6%, double exports, and complete a raft of infrastructure projects.**
- According to a statement by Egypt's Minister of International Cooperation, during the first 10 months of 2020, the country signed development agreements worth USD 7.3 bn. **Egypt's development funding represents about 10% of public debt and 25% of external debt.**
- During the first 11 months of 2020, the Egyptian Micro, Small and Medium Enterprises Development Agency (**MSMEDA**) **funded about 124,000 small and micro projects**, with a total value of EGP 3.7 bn (ca. USD 237 million). These projects have contributed to providing ca. 195,000 job opportunities. Enterprises in Upper Egypt received ca. 46% of the funds.
- **Egypt has ranked #117 out of 180 in Transparency International's 2020 Corruption Perception Index**, falling 11 spots from 106 last year.