

# EGYPTIAN ECONOMIC DEVELOPMENT IN NUMBERS



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Opinions and perspectives vary regarding the quality of performance and policies adopted by the Egyptian state. However, it is certain that numbers and indicators remain the standard on which to rely decisively in determining and measuring the impact of development. They serve as a guide to judge the policies and actions conducted on the ground. The language of numbers and indicators and monitoring their positive or negative development does not know bias and cannot lean towards one faction over another. Therefore, this article will focus on monitoring the most prominent features and governing indicators to evaluate the Egyptian economy by examining the development of data and performance indicators, in addition to reviewing the most important evaluations and expectations issued by international and regional institutions to diagnose the situation and performance of economic sectors in Egypt. This is based on the belief in the importance of accurate and up-to-date data and integrated indicators consistent with international standards to shape the foundations of development, measure its temporal and spatial development, and serve regional and international comparison purposes. Moreover, data is gathered and analyzed to assess the current programs that are undertaken to evaluate development projects and the potential payoffs on policies and developmental programs, and to take corrective measures based on scientific evidence documented by local and international performance indicators, far from opinions, speculations, biases, and controversy that are not based on any scientific methodology or clear, standardized evidence and constants for measurement and evaluation. Such analysis of data enables us to reach a decisive identification of the sectors that have almost achieved their targets and improved Egypt's global and regional ranking in international performance indicators. In addition, constant analysis contributes to raising the average performance to global performance averages, attracting prominent international praise from prestigious international organizations in all developmental sectors. Furthermore, analysis helps us identify developmental sectors that need more effort and corrective measures to achieve the desired developmental targets.

At the beginning, it is necessary to take a comprehensive look at the global situation before delving into monitoring the governing indicators and numbers which, undoubtedly, have strong repercussions on the local and regional situation. Amidst a global environment fraught with risks and challenges, the world has witnessed since 2020 the largest increase in debt since World War II, with the total global debt reaching 303 trillion dollars. In addition, global crises hit the world during 2022, starting from the supply and distribution chain crisis to the Russian-Ukrainian crisis, amidst the continuous increases in interest rates in the economies of advanced markets, and the geopolitical conflicts that have intensified recently, causing a widespread outflow of capital from emerging markets. Such changes shocked the global economy and pushed international institutions to reduce the growth expectations of the global economy, as the International Monetary Fund's forecast for the global growth rate in 2022 declined to about 3.2% compared to about 6% in 2021. Egypt suffered severe damage because of such circumstances like other countries. Despite these challenges, the International Monetary Fund (IMF) still expects a growth rate of 6.6% in 2022 for the Egyptian economy, making it one of the top 10 countries in the world in terms of growth expectations, the first in Africa, and the fourth in the Arab world. This positive trend was confirmed

by the World Bank's forecasts in June 2022, which expected the growth rate of the Egyptian economy to rise to 6.1% in 2022, which is higher than the global expected average of 2.9% in 2022, and higher than the expected average for the Middle East and North Africa, which rose to 5.3%. In the same context, the Arab Monetary Fund predicted a growth rate of 5.5% for the Egyptian economy in August 2022.

These expectations come from international and regional organizations that have expertise and weight in translating policies, procedures, and circumstances that countries go through into economic numbers, indicators, and forecasts. These positive views of the Egyptian economy from international and

**-The International Monetary Fund (IMF) has lowered its global growth forecast for 2022 to around 3.2%, compared to about 6% in 2021, and Egypt, like other countries, has suffered grave damage as a result. However, the IMF expects a 6.6% growth rate for the Egyptian economy in 2022, making it one of the top 10 countries in the world in terms of expected rates.**

regional organizations serve as clear evidence of confidence and a translation of their vision of the efforts and achievements made on the ground in Egypt, including:

- \* The government's program to support exporters and reduce their burdens,
  - \* The introduction of a state policy document to define the state's policy towards its assets.
  - \* The plans of the Egyptian government to strengthen the role of the private sector and increase reliance on local products, targeting an increase in the private sector's participation in the Egyptian economy and its contribution to actual investments by 65% over the next three years.
  - \* A plan to reduce public debt and budget deficit over the next four years,
  - \* A comprehensive vision to activate the Egyptian stock market,
  - \* Targeting the localization of industries equivalent to 23% of total Egyptian imports over five years,
  - \* Increasing Egyptian exports to \$100 billion over three years.
- The Egyptian economy achieved a growth rate of 6.6% during 2021/ 2022, despite all the global shocks and crises that affected the world. In this context, the World Bank praised the continued decline of the Egyptian budget deficit, despite global crises, and in another report praised the reforms conducted by the government







in the macroeconomy and efforts towards digital transformation and financial inclusion.

According to Forbes' list in September 2022, six Egyptian companies were among the top 100 Arab family-owned companies in the Middle East in 2022, and Egypt ranked first in Africa in terms of service exports in 2021, followed by Morocco, Ghana, South Africa, and Ethiopia, according to the United Nations Conference on Trade and Development. Egypt also ranked third in Africa in terms of merchandise exports. Furthermore, according to the World Bank report in November 2022, Egypt was among the top 5 countries in the world in receiving remittances from expatriate workers, with a value of \$32 billion in 2022. Such achievements made Egypt the guest of honor at the 25th St. Petersburg International Economic Forum, with a large pavilion dedicated to highlighting the achievements of the Egyptian economy.

Looking briefly at the supporting infrastructure for finance, business, and economy, we notice that there are 4,656 bank branches and 19,010 ATMs in Egypt as of 2021. Since growth is a direct outcome of development, investment projects, and employment, we can examine the finance, debts, and investment markets, both public and foreign direct investment, to assess Egypt's performance in this vital sector that contributes to increasing economic growth rates and achieving the targeted economic development, as well as its role in creating new job opportunities and reducing unemployment.

In 2021/ 2022, the credit provided to small and micro-enterprises reached 3,186 borrowers from the Local Development Fund, with 57.59% of this credit concentrated in five governorates: Minya, Dakahlia, Beni Suef, Sharqia, and Sohag. In the same year, the Small and Medium Enterprises Development Authority granted loans with a total of 4.50 billion Egyptian pounds for micro-enterprises, contributing to the addition of about 164,060 projects and generating more job opportunities. The focus on financing small, medium, and micro-enterprises has been reflected in Egypt's progress of 48 ranks in the Small and Medium Enterprises Financing Index, a sub-index of the Global Competitiveness Index, issued by the World Economic Forum. Egypt ranked 41 out of 141 countries in the latest index

release, up from 89 in 2018. Egypt also advanced 24 ranks in the Investor Protection Index, a sub-index of the Ease of Doing Business Index issued by the World Bank, ranking 57 out of 190 countries in 2020, up from 81 in 2018.

According to data from the Central Bank of Egypt, foreign direct investment flows in Egypt have doubled from \$4.2 billion in 2013/ 2014 to \$8.9 billion in 2021/ 2022. This is the highest value of foreign direct investment in Egypt since 2010/ 2011, indicating an increase of more than 15 times the amount in 2005/ 2006. Egypt is now the second largest recipient of foreign direct investment in Africa and the third largest recipient of Arab investment, accounting for 16.4% of total flows in Arab countries in 2021. Egypt has also maintained its position as the top attractive investment destination in Africa among 54 African countries according to the Investment Attractiveness Index in Africa for 2021.

According to data from the Central Bank of Egypt, there is another positive indicator showing a shift in foreign direct investment preferences towards non-oil sectors in Egypt. More than a quarter of these investments (26.50%) were devoted to the industrial sector, which is consistent with Egypt's ambitious plan to increase investments in real development sectors which are of immense importance, as opposed to extractive sectors. What matters is not only the size of the capital flow, but also its quality, which determines the extent of benefits that will contribute to the development of the country and the improvement of citizens' living standards. This has led to a decline in investment in the petroleum and extractive sectors, while investments in

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the industrial, agricultural, and real development sectors have increased. The latest official data announced by the Ministry of Finance and the Central Bank websites for the current year 2023 shows a number of positive indicators, including:

- A 51.9% increase in net foreign direct investment in Egypt during the second quarter of 2022/ 2023 compared to the same period of the previous year.
- A 16.5% growth in revenue from the Suez Canal which is one of the most important sources of foreign currency, in the first quarter of 2022\$1.97) 2023/ billion) compared to the same quarter of 2021 /2022.
- Fiscal year indicators that ended in June 2022 show relatively positive results, despite the wide-ranging external challenges. The budget deficit which lasted for more than 21 years has turned into a primary surplus of 1.3%, and the budget for the fiscal year 20232024/ aims to achieve a primary surplus of 2.5% of GDP.
- The budget has achieved a primary surplus of about EGP 100.4 billion in 20212022/, compared to EGP 93.2 billion for the same period of the previous fiscal year. The government also aims to achieve around EGP 295.6 billion in the budget for 20232024/, in addition to increasing tax revenues to about 12.6% of GDP in 20212022/ due to development and digitization efforts that have expanded the tax base and more accurately identified taxpayers, with a target of increasing that ratio to 12.9% in the budget for the fiscal year 2023 /2024.

With the International Monetary Fund's expectations for a steady increase in net foreign direct investment flows to Egypt, it is predicted to reach \$17.1 billion in 20242025/. These expectations reflect the measures taken by Egypt in recent years to improve the business environment, making it one of the most attractive markets for foreign investment in the African continent and the Middle East region. The aim is to liberate the private sector, attract investment, increase exports, create more job opportunities, and the most prominent efforts to support and improve the investment environment include:

- Approval by the Cabinet of a presidential draft resolution to form the "Supreme Council for Investment."
- Establishing a permanent unit within the Cabinet that is devoted to solving the problems of local and foreign investors and companies operating in Egypt in various economic activities.
- Launching an electronic platform affiliated with the Cabinet for registering investor complaints, which includes several key

services. [www.invest.shakwa.eg](http://www.invest.shakwa.eg)

- Addressing several issues related to customs, taxes, import approvals, industrial records issuance, and operating licenses.
- Launching an electronic site for receiving requests from investors who wish to obtain the "Golden License," which is a single approval for establishing, operating, and managing projects, including building permits and the allocation of necessary properties.

- Reducing the duration of permits and approvals for establishing and operating investment projects.
- Reducing the cost of establishing single-person companies by lowering the minimum capital requirement from EGP 50,000 to EGP 1,000.
- Establishing a committee for the immediate allocation of industrial lands with proper infrastructure, pursuant to Prime Ministerial Decision No. 2067 of 2022, which is responsible for setting the rules and procedures for allocating industrial lands under the usufruct system at the cost of proper infrastructure.
- Allocating lands under usufruct at an annual value of 5% of the ownership meter price, with the annual usufruct fee fixed for the first four years of the contract.

- Establishing the High Committee for Competition Neutrality under the Chairmanship of the Cabinet, which is responsible for developing the necessary standards and rules for the administrative bodies in the state to ensure the compatibility of their policies and decisions with the principles of competition and neutrality.
- Launching the State Ownership Document, which aims to increase private sector participation in the Egyptian economy.

- Issuing Customs Law No. 207 of 2020, which offers new facilities for customs operators and contributes to resolving disputes between importers and the Customs Authority.
- Activating joint inspection committees at ports and customs outlets, and electronically linking them to all relevant authorities to facilitate and accelerate customs inspection and clearance operations.

- Reviewing and simplifying the procedural and documentary cycle for customs release, with the application of automation and the electronic system for all ports to link customs outlets and land outlets throughout the republic.
- Implementing the Cargo Information pre-registration system starting from October 2021, which is a modern customs system that relies on providing shipment data or documents, such as the commercial invoice or purchase order and the initial bill of lading at least 48 hours before the shipment's departure from the exporting country, reducing the time and cost required for customs clearance upon the shipment's arrival. Egypt is among the first countries in the region to apply this system to cope with the advanced global systems in cross-border trade.

- Activating the Green Lane, Visual Inspection, Random Sampling, and Allowed-Lists systems for the immediate release of shipments listed in those lists.
- Moreover, Egypt's enjoys supportive and attractive strengths for investment, such as having a large consumer market, a flexible and diversified economic structure, supportive infrastructure, free trade agreements providing access to 1.5 billion consumers around the world, a young workforce, competitive wages, free zones with many advantages and incentives, and the political stability of the state and the strength of the rule of law.

These indicators were praised by Fitch Ratings in June 2022, which commended Egypt's unprecedented momentum in implementing many economic reforms supporting the business sector and starting to activate the Golden Investment License. In November 2022, Fitch Ratings raised Egypt's reform tracker score from 6 points in the third quarter of 2022 to 6.5 points in the fourth quarter of the same year, registering a higher score than the regional average of 4.4 points. Egypt's ranking in the sub-indicator of Starting Business in the Doing Business report improved within one year in 2020 compared to 2019 and advanced 15 places in the sub-indicator of Protecting Minority Investors in the Doing Business report in 2020 compared to 2019.

On the other hand, international indicators indicate Egypt's need to make more efforts to improve international trade indicators and cross-border trade indicators. Furthermore, it is necessary for Egypt to develop a national strategy to increase and improve labor productivity as a basic standard for improvement





and attraction of foreign investments. Egypt also is required urgently to solve the complexities of starting business procedures, reduce import burdens, and increase available credit to empower the private sector. The local credit provided to the private sector represented 27.1% of GDP in 2020, compared to 147% as the global average and 119% for low and middle-income countries, causing a decline in Egypt's rank in the Global Competitiveness Index in terms of credit granted to the private sector. There is also a critical need to enhance intellectual property protection and reinforce the current state efforts to launch the National Intellectual Property Strategy in September 2022 to create a stimulating environment for innovation, encouraging researchers in all fields, and contributing to the achievement of the goals of Egypt 2030 Vision for creating an innovative society. Additionally, the state aims to increase the private sector's share by about 65% within three years, register the informal sector, which is remarkably expanding in Egypt, and direct investments towards productive sectors by a greater percentage rather than service sectors.

The continuous improvement and provision of sustainable solution of all the problems and obstacles facing investment is the greatest evidence of the state's interest in this issue, and its importance as a strategic foundation and driver for development and employment to ensure a better future for Egypt. The Egyptian state is going through a crucial phase that requires all parties to work towards an important main goal; increasing the private sector's participation in the investments propose by the government. Maximizing private sector share comes in line with the change in economic ideology and the shift from relying on the public sector to allowing a larger space for the private sector to play a wider role in the economy and investment environment and encouraging it to take the lead with the state in the coming stage in order to expedite and facilitate procedures to attract the largest amount of investment.

The latest list of procedures announced by the Supreme Council for Investment is a real revolution that enhances the investment climate in Egypt to maintain current investments, provide opportunities for their expansion, attract more foreign investments, and contribute to maintaining a stable investment environment. Such an environment is essential for economic planning, forecasting, and preparing feasibility studies for projects, whether in terms of exchange rate stability, legislative stability, and tax policies in the country, and the existence of a

**Egypt is going through a critical stage that requires all parties to work towards an important main goal, which is to increase the private sector's participation in the investments made by the Egyptian state.**

clear tax legislative map for the next five years, which contributes to deepening the investor confidence. These measures include:

- Licensing natural gas-based industries using the free zone system.

- Ten days to complete all approvals when establishing companies to boost confidence in the investment climate in Egypt.

- Launching a unified electronic platform for establishing, operating, and liquidating projects and approving amendments to the Electronic Signature Law (Law No. 15 of 2004) and referring it to parliament to reduce bureaucratic barriers and simplify procedures.

**Continuous improvement and sustainable solutions for all the problems and obstacles facing investment are the clearest evidence of the state's interest in this issue, according it special importance as a strategic foundation and driver for development and employment in order to achieve a better future for Egypt .**



**Recent investment decisions represent a real revolution that enhances the investment climate in Egypt to maintain existing investments and provide opportunities for them to expand, in addition to attracting more foreign investment, and contribute to maintaining a stable investment environment that supports economic plans**



**-The industrial sector is of particular importance in the Egyptian economy since it came as the highest economic sector in terms of production value in 2022, and in its contribution to GDP at current prices by 16-80% in 2021/2022/. It also came in second place among economic sectors in terms of growth rate, which reached 9.57%. Additionally, it ranked first among economic sectors in terms of exports.**

- Legislative amendments to overcome land ownership restrictions and facilitate foreign ownership of properties.

- Expanding the issuance of the golden license and not restricting it to companies that establish strategic or national projects and amending the regulating articles to ensure that companies established before the 2017 Investment Law can obtain the golden license.

- Transferring the regulatory authorities in the utility sectors to ensure their independence to separate ownership from management.

- Not granting preferential treatment to companies and state-owned entities to promote competitive neutrality in the Egyptian market.

- Establishing a unit in the Cabinet to collect data on state-owned companies to unify the work frameworks for all state-owned companies, with results reported every three months.

- Registering foreign investors in the importers' registry even if they do not have Egyptian nationality as part of efforts to facilitate import procedures for foreign investors.

- Deregulation of financial or procedural burdens related to the establishment or operation of investment projects except after

obtaining the approval of the Board of Directors of the General Authority for Investment, the Cabinet, and the Supreme Council for Investment to confront the additional burdens imposed on investors.

- Clear regulations in cases of imposing fees to avoid the investor paying the same fees to multiple entities.

- Introducing a clearance system connecting investors' dues and their tax burdens.

- Refunding the value-added tax and accelerating procedures within 45 days.

- Issuing the state's tax policy document for the next 5 years as soon as possible.

- Finalizing amendments to the profit transfer regulation for holding and subsidiary companies to eased tax burdens and avoid double taxation.

- A compensation payout of only three months for investors in cases of property disputes, with administrative authorities obliged to intensify negotiations with investors on appropriate compensation, thus enhancing confidence in the investment climate in Egypt.

- Contracting a global consulting firm to develop a clear investment strategy and mechanisms to improve Egypt's ranking in the Ease of Doing Business Index in the coming years to achieve the national target of raising investment rates from 25% to 30%.

- Amending nine articles of the Economic Zones Law and granting additional advantages and exemptions.

- A permanent unit within the Cabinet to develop policies, laws, and regulations for start-up companies.

- Receiving complaints from start-up companies and developing suitable solutions.

- Adopting an integrated package of incentives and facilities to support some sectors and projects to achieve a qualitative leap in priority economic sectors, namely agriculture, industry, energy, and green hydrogen production projects, in addition to export fees and customs duties.

- Mandating the government to prepare and issue ratified decisions adopted as quickly as possible.

All these measures and policies adopted by the government aimed at increasing investments and starting more mega national development projects, which contributed to an increase in job opportunities in the labor market in Egypt, since all official data, statistics, and indicators for the labor market indicated a decline in unemployment rates. Out of a total of 29.36 million people who make up the workforce (aged 1527.19 ,64- million are employed, while 2.17 million are unemployed, compared to 3.60 million unemployed in 2016, despite the huge population growth during those years and the economic, social, health, and geopolitical crises that all countries in the world suffer from. 61% of workforce is concentrated in four sectors: agriculture (19.24%) with around 5.2 million workers, followed by wholesale and retail trade (15%) with a total of 4.1 million workers, then construction (13.75%), and manufacturing (12.56%) of total workers.

In light of the state's interest in the industrial sector, which occupies a distinctive position in the Egyptian economy, as it represents the highest economic sector in production value in 2022 and in its contribution to the GDP at current prices by a percentage of 16-80% in 2021/2022/. It occupies the second place among economic sectors in terms of growth rate at 9.57%, as well as the first place among economic sectors in exports at a rate of 58.88% and the fourth in terms of labour attraction at 12.54%. The state directed the largest proportion of public investments among other economic sectors to industry by 6.08%, and it was the most attractive sector for direct foreign investment inflows domestically in 2021/2022/ at a rate of 26.49%, followed by the agricultural sector, which comes second among economic sectors in production value, and in its contribution to the GDP by a percentage of 11.51%, as it is the first economic sector in terms of employment in Egypt.

As Anthony Robbins said, "Success is not a giant leap, but rather a series of small steps." Our steps are part of it, and we have written them in tangible progress and development. We seek to complete the path we started towards a future and a dream that we create and are proud to participate in building for a truly proud homeland that deserves its offspring to unite to shape its future to meet the hopes and aspirations of all citizens and future generations in all corners of Egypt.