

# ECONOMIC PULSE

OF EGYPT



**August**

**2024**



# SYNTHESIS

**The IMF's latest country report on Egypt, released in August,** deemed the country's performance for the third review as "**satisfactory,**" with Egypt meeting half of the structural benchmarks, including a flexible exchange rate and increased tax and budget transparency. However, the country fell short in areas like timely publishing of annual audits and implementing quarterly fuel increases, prompting the IMF to adjust some benchmarks and extend deadlines.

**Economic indicators** reflect ongoing structural reforms, with **Q2 2023/2024 GDP** at current market prices rising to **EGP 3,441.1 billion**, up from EGP 2,517.6 billion in the previous year. Additionally, the total **GDP from the public and private sectors increased by 2.2%**, with the public sector showing a marginal growth of 0.2% to EGP 489.1 billion, and the **private sector growing by 2.8% to EGP 1,546.4 billion**, highlighting the resilience and balanced growth across both sectors amid ongoing structural reforms.

However, July 2024's non-oil economy showed mixed signals, with the **PMI at 49.7**, just below the growth threshold, indicating slight declines in output and new business. Despite fragile domestic demand, **export orders continued to rise, and business expectations improved**, though optimism remained cautious.

**Inflation** continued to ease in July, dropping to **25.7%**, the lowest since December 2022, despite recent price hikes in bread and fuel. The cooling of food and beverage inflation contributed to this decline, surprising analysts with a larger-than-expected drop. While inflation is expected to continue its downward trend, **August witnessed pressures from recent fuel and metro ticket price hikes**. Nonetheless, the improving inflation outlook has sparked speculation about potential interest rate cuts by the Central Bank of Egypt, possibly as early as Q4 2024 or Q1 2025.



# SYNTHESIS

**In terms of employment**, Egypt's unemployment rate fell to **6.5% in Q2 2024**, a decrease of 0.5 percentage points year-on-year and 0.2 points from the previous quarter, marking the third consecutive quarter of decline.

As **the Central Bank of Egypt** navigates the challenge of balancing monetary policy amid potential easing by the US Federal Reserve, domestic economic challenges are becoming more pronounced. **Suez Canal revenues** fell significantly from EGP 26.7 billion in June 2023 to **EGP 14.9 billion in June 2024**, and the **number of newly established companies** decreased from 2,718 to **2,456** in the same period, signaling a broader economic slowdown.

Additionally, **Egypt's trade balance** also showed signs of strain. In May 2024, the trade deficit **decreased by 10.3%** compared to May 2023, with **exports** slightly increasing by 0.4% to **USD 3.81 billion**, while **imports** decreased by 5.1% to **USD 7.38 billion**. This reflects both a contraction in domestic demand and challenges in the global trade environment.

**Net foreign direct investment** rose to **USD 3.2 billion** in Q2 2023/2024, contributing 0.8% to GDP. Egypt's **net foreign reserves** reached nearly **USD 46.5 billion** in July, aided by the USD 35 billion Ras El Hekma agreement, which turned a deficit into a surplus of USD 12.9 billion by June. **External debt** decreased by **USD 7.427 billion** to USD 160.607 billion, reflecting successful debt repayments as the Central Bank prepares for its September meeting.

**Taxation revenues** have seen a significant increase, with total taxation revenues rising from EGP 1,056.3 billion during July-May 2022/2023 to EGP 1,437.5 billion during the same period in 2023/2024. This increase is driven by higher taxes on incomes, profits, and capital earnings, as well as value-added taxes (VAT).



# SYNTHESIS

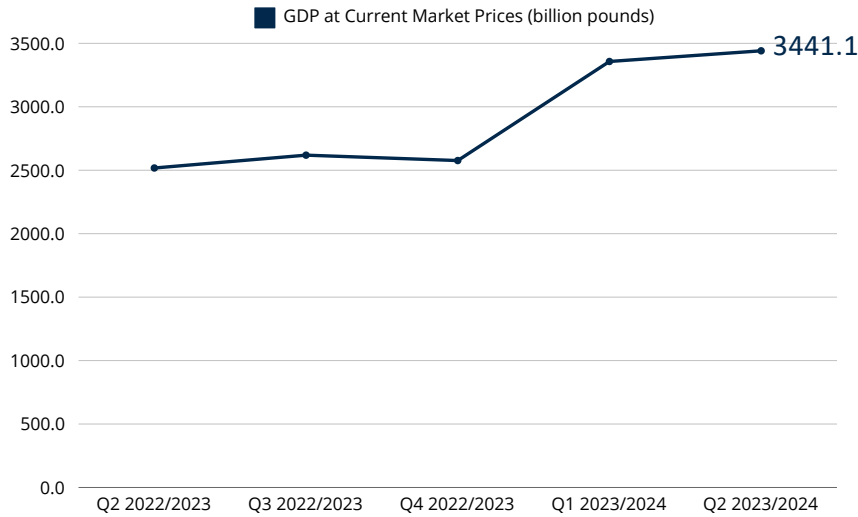
In light of these changes, the Egyptian Government announced **key public policy updates**, including plans to **boost energy production** and **add 28 GW of renewable energy within 5-7 years**. He also revealed upcoming tax reforms aimed at attracting investment and encouraging exports. While ruling out immediate wage hikes, the government emphasized balancing fiscal sustainability with social support measures.

The government plans to **restructure subsidies for essential commodities**, including cuts to sugar rations and potential increases in sugar prices on ration cards, with changes to bread subsidies also under review. In alignment with IMF recommendations, these measures are part of a broader strategy that includes a new social support package set to be announced in September, aimed at mitigating inflation's impact through wage and pension increases.



# UPDATES IN FIGURES

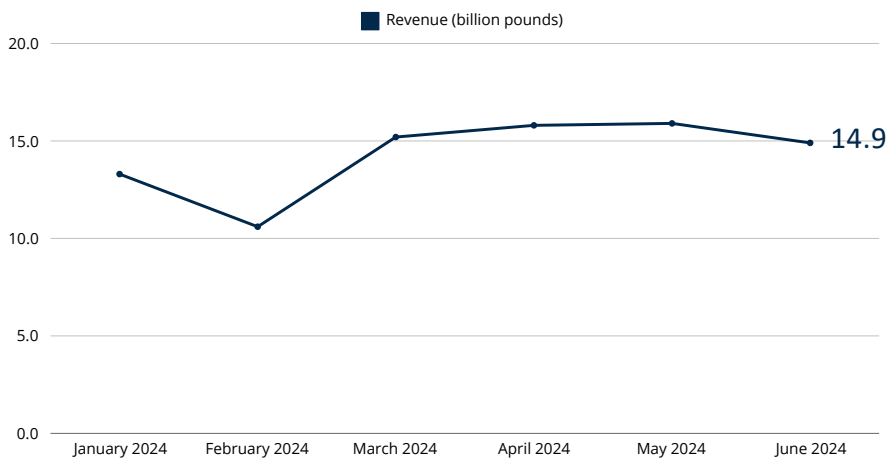
## ► GDP Growth



Source: CAPMAS

GDP at current market prices showed a significant rise from 2576.3 billion pounds in Q4 2022/2023 to 3441.1 billion pounds in Q2 2023/2024.

## ► Suez Canal Revenues



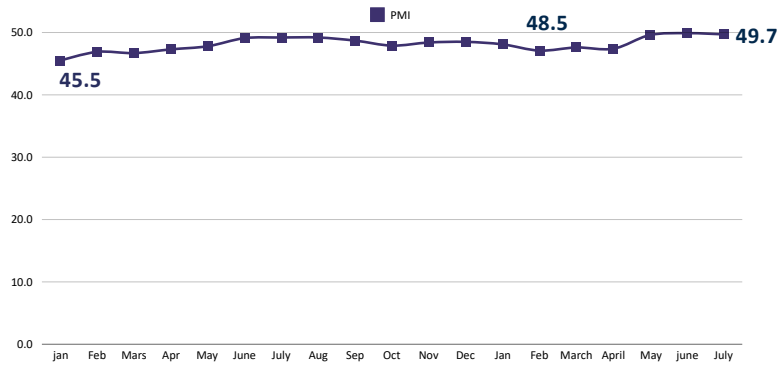
Source: CAPMAS

The graph shows a sharp decline in Suez Canal revenues, dropping from EGP 26.7 billion in June 2023 to EGP 14.9 billion in June 2024, with the lowest point at EGP 10.6 billion in February 2024.



# UPDATES IN FIGURES

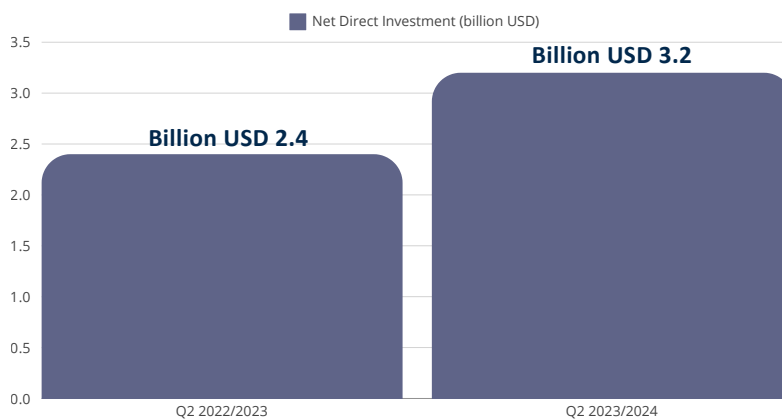
## ➤ Private Sector Performance



Source: S&P Global PMI.

The S&P Global Purchasing Managers' Index (PMI) for Egypt's non-oil private sector slightly declined to 47.9 in July from 49.6 in May, following its highest level since August 2021. This dip reflects a slight weakening in demand conditions, despite the earlier improvement driven by reduced inflationary pressures at the start of 2024.

## ➤ Net foreign direct Investment



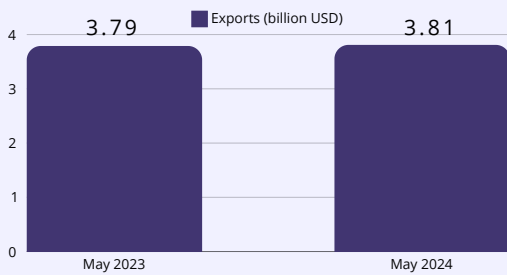
Source: CAPMAS

This graph shows the increase in Net Foreign Direct Investment from USD 2.4 billion in Q2 2022/2023 to USD 3.2 billion in Q2 2023/2024.

# Trade Balance

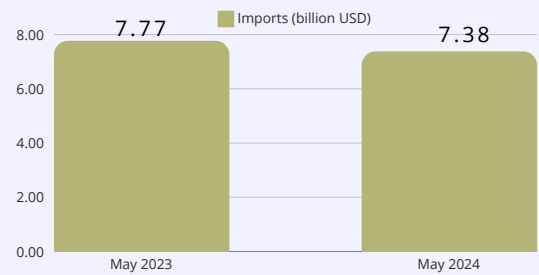
**CAPMAS released its report in August**, showing a 10.3% decrease in Egypt's trade deficit compared to May 2023. Exports declined to USD 3.29 billion from USD 3.81 billion, while imports slightly increased to USD 7.38 billion from USD 7.29 billion, resulting in a reduced trade balance deficit of USD 3.57 billion, down from USD 3.98 billion.

## Exports



This graph reflects a slight increase in exports from USD 3.79 billion in May 2023 to USD 3.81 billion in May 2024.

## Imports



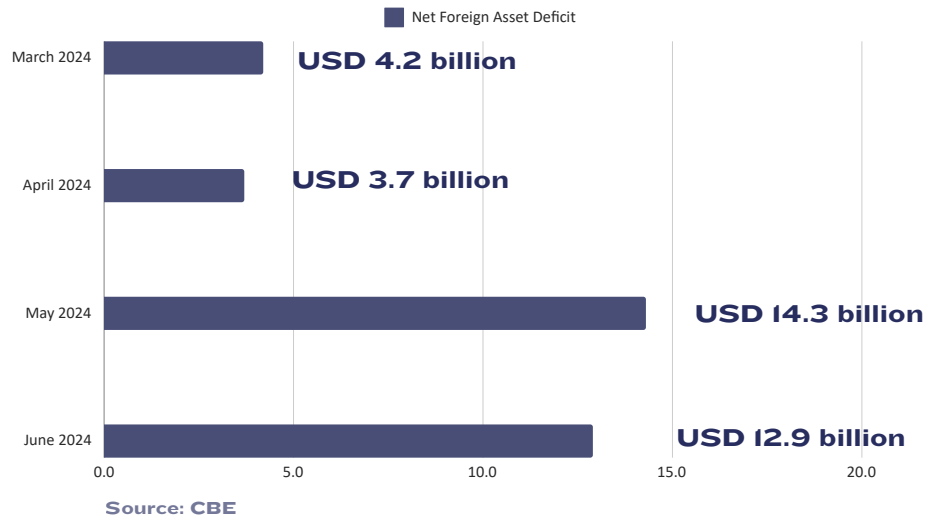
This graph shows a decrease in imports from USD 7.77 billion in May 2023 to USD 7.38 billion in May 2024, reflecting a 5.1% reduction in import values.





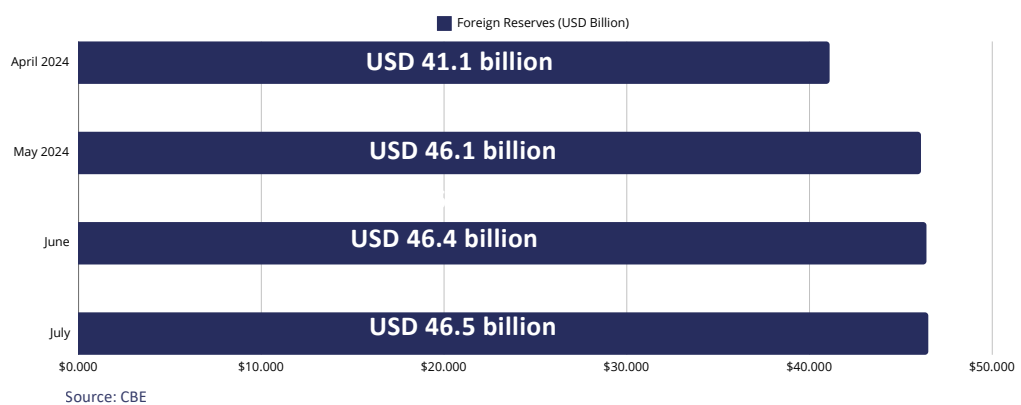
# UPDATES IN FIGURES

## ➤ Net foreign assets



The graph shows a significant recovery in Egypt's net foreign assets from a deficit of USD 4.2 billion in March 2024 to a surplus of USD 14.3 billion in May 2024, before slightly decreasing to USD 12.9 billion in June 2024.

## ➤ Net International Reserves



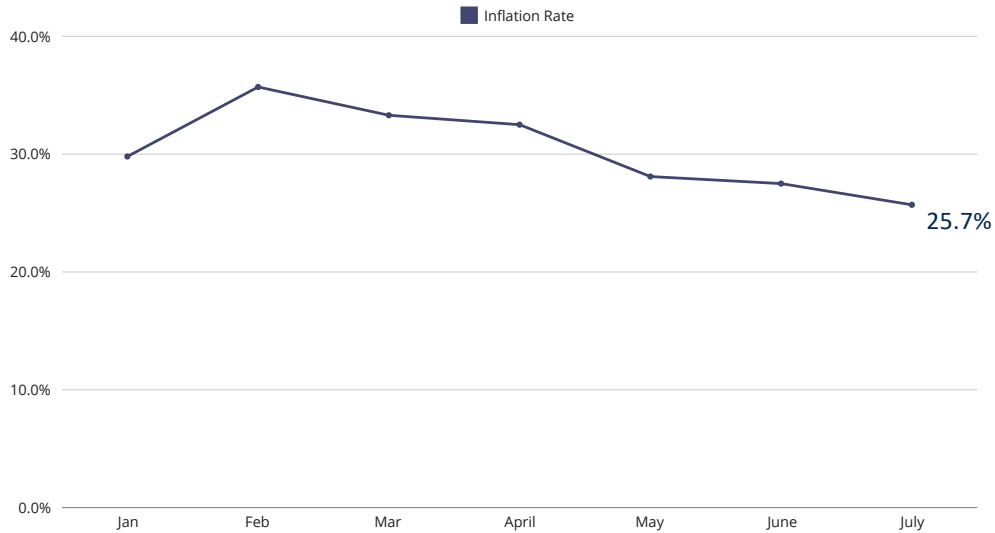
Egypt's net foreign reserves reached a new high in July, increasing by USD 105 million to nearly USD 46.5 billion, surpassing the previous record of USD 46.4 billion set in June.





# UPDATES IN FIGURES

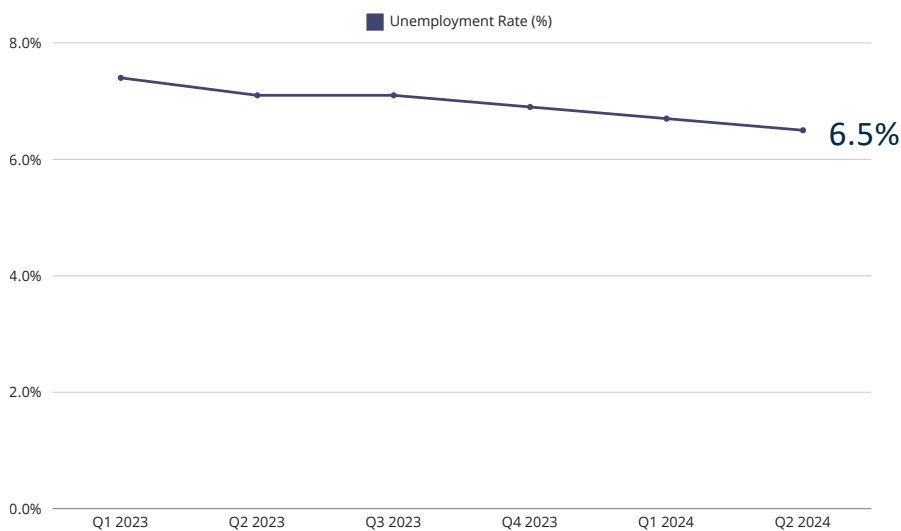
## ➤ Inflation Trends



Source: CAPMAS

Inflation continued to ease in July, dropping to 25.7%, the lowest since December 2022, despite recent price hikes in bread and fuel.

## ➤ Unemployment rate



Source: CAPMAS

The graph shows a consistent decline in Egypt's unemployment rate, decreasing from 7.4% in Q1 2023 to 6.5% in Q2 2024, reflecting ongoing improvements in the labor market over six consecutive quarters.



# POLICY UPDATES

## NEW SOCIAL SUPPORT PACKAGE:



The government will unveil a social protection package in September, with implementation starting in October. It includes wage and pension increases, and support for low-income households, as part of a broader strategy to restructure subsidies and potentially raise the personal income tax exemption threshold. This follows a 2024 initiative that introduced public-sector wage hikes and tax breaks.

## ENERGY SUPPLY AND SUSTAINABILITY:



The government is boosting energy production to address recent challenges. The Oil Minister will meet with foreign energy players to enhance local production by early 2025. Additionally, the government aims to add 28 GW of renewable energy to the grid within 5-7 years to reduce reliance on imports.

## ELECTRICITY AND SUBSIDY ADJUSTMENTS:



New measures to curb illegal electricity use include charging unauthorized consumption at EGP 2.15 per kWh and installing coded meters in buildings. The government also plans to cut state support for those guilty of electricity theft.

# ROAD AHEAD

*As we move forward, several critical economic events and decisions will shape Egypt's financial landscape in the coming weeks.*

**IMF Loan Review:** The much-anticipated **fourth review of Egypt's USD 8 billion IMF loan program is set to take place by the end of September** or early October. This review will be crucial in **unlocking a USD 1.3 billion tranche**, as the IMF assesses Egypt's progress on structural reforms. The IMF's latest report deemed Egypt's performance as "satisfactory," with the country meeting half of the structural benchmarks.

**Central Bank of Egypt (CBE) and Interest Rates:** All eyes are on the Central Bank of Egypt as it prepares for its **next Monetary Policy Committee meeting in September**. Amid global anticipation of a possible interest rate cut by the US Federal Reserve, the CBE faces the delicate task of maintaining stability. Despite pressures to reduce interest rates, **the CBE is expected to continue its current policy of holding rates steady**, taking into account the impact on foreign capital flows and the Egyptian pound.

**Investment Initiatives:** On the investment front, Egypt is witnessing promising developments. A local consortium led by Abu Tartour For Phosphoric Acid is set to establish a USD 1.2 billion phosphoric acid plant, which will boost the local fertilizer industry. Additionally, interest from one of India's largest black carbon producers signals potential for a USD 60 million carbon black factory, with a delegation expected to visit Egypt soon to explore locations.

**The US-Egypt Joint Economic Committee meeting on 4-5 September in Washington will focus on strengthening private sector partnerships, boosting trade, and enhancing bilateral investment.**



# CREDITS



**WALID RAMADAN**  
Public Affairs Director

*Walid is a seasoned Public Affairs strategist with expertise in trade, government relations, and investment affairs. With over 14 years of experience, he has successfully driven economic development through strategic policies, fostering international partnerships, and securing key trade agreements. Walid's focus on FDI and global market dynamics has been instrumental in advancing trade and cross-border investments.*



**MOHAMED EZZAT**  
Sr. Public policy specialist

*Mohamed is a Senior Public Policy Specialist with expertise in regulatory affairs, lobbying, and government relations. He has a strong background in public affairs, consistently driving impactful initiatives and shaping policies that support sustainable development*



**NOUR KHALED**  
Public Policy and Market  
Access Specialist

*Nour is an experienced public policy and market access specialist, with strong expertise in investment affairs. She excels at navigating regulatory frameworks, engaging with stakeholders, and shaping policies that support market entry and growth, aligning business objectives with evolving policies to drive investment opportunities.*

In 2015, IPA was established as the vital arm of Influence Communications Group, a renowned marketing communications consultancy in MEA since 2007. With a robust portfolio boasting over 90 local and regional clients, IPA is regarded as a premier public policy and public affairs firm.

Expertise is leveraged by our seasoned professionals to shape government policies and foster meaningful stakeholder communication. Beyond conventional roles, IPA serves a distinguished think think, delving deep into MEA's political landscape, regulatory frameworks, and socioeconomic dynamics to enact positive societal change.

Dedicated to the economic and public policy landscape of Egypt and MEA region, invaluable insights and strategic guidance are provided by IPA. Our expertise is seen as a beacon of knowledge, guiding through the evolving business environment, ensuring endeavors are rooted in wisdom and poised for success



[www.ipa-mea.com](http://www.ipa-mea.com)



6 building-204st-Degla Square- Maadi



(+2) 25213210/1

[ipa@influence-me.com](mailto:ipa@influence-me.com)