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# EGYPT

# ECONOMIC MONITORING NOTE – SPRING 2013

## I. OVERVIEW

1. **The political situation in Egypt remains highly volatile and uncertain.** The political environment is highly fragmented with increasing polarization between the Muslim Brotherhood and other—less organized—factions that include secular and liberal parties as well as supporters of the former regime. At the same time, confrontations between the authorities and the judiciary continue to resurface. Following the controversial assumption of temporary exceptional powers, the President pushed forward a referendum on the new Constitution in December which was approved by a small majority but with a low voter turnout. New Parliamentary elections were called in late February to begin in late April, but the election law was subsequently challenged in the courts. This will likely delay elections until August. Meanwhile, the key opposition parties have declared that they will boycott the elections.

2. **In parallel, bouts of social unrest continue to plague the country**. The prolonged civil unrest that followed the attempted power-grab by the President and the referendum on the new Constitution in late 2012 was aggravated by violent protests in several Canal cities related to the issuance of severe sentences for a large number of people implicated in a recent fight between the fans of two soccer clubs. Further, the commemoration of the second anniversary of the January 2011 revolution was mired in violent clashes between different political groups and security forces.

3. **On this background, economic reforms have been put on hold, watered down, or delayed undermining approval of an agreement with the IMF**. Fund staff reached agreement on a $4.8 billion Stand-By Arrangement (SBA) in November, but planned Board approval in December was undermined by President Morsi's freezing of certain agreed tax and fuel subsidy reform measures pending further social consultations. The government submitted a revised, weaker program to the Shura Council and the IMF in late February, but the Fund believes that a stronger, fully transparent, and more broadly supported program is needed in order to resume negotiations on the SBA. Alternatively, the Fund could support Egypt with a short-term bridge loan (Rapid Financing Instrument) to carry it over elections, but this has so far been rejected by the government and has become less practical with the delay in elections. The delay with the IMF has meant that planned budget support from other international financial institutions, including the Bank, the African Development Bank, and the EU, has also been pushed back. Good progress has been made on the key elements of a Bank DPL focused on governance and social safety net reform but the DPL will be contingent on a full SBA. Meanwhile, an emergence safety net operation is being considered.

4. **Meanwhile, the financial and economic environment has continued to deteriorate**. International reserves declined to US$13.4 billion at end-March (less than 2½ months of imports) despite extraordinary support from Qatar and Turkey to the tune of $3 billion. Meanwhile, the exchange rate has depreciated by about 10 percent since the central bank introduced foreign exchange auctions in late December and a black market has emerged in response to central bank foreign exchange rationing and regulation. Output growth has slowed to about 2 percent while the fiscal deficit is continuing to increase and may reach 12 percent of GDP in FY13 absent strong measures. Unemployment is rising correspondingly, reaching 13 percent at end-2012, and the strong currency depreciation is pushing up inflation (currently at 8 percent). ***A higher degree of political and social stability combined with a strong stabilization and reform program supported by the international community is urgently needed to stem the downward spiral and avoid a potential full-blown economic and financial crisis.***

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*March 2013*

## II. POLITICAL AND SOCIAL BACKGROUND

5. **The political scene is becoming increasingly polarized between Islamists and non-Islamists, with the former seemingly more organized and forceful.** On November 22, 2012, President Morsi dismissed the Prosecutor General and issued a constitutional declaration granting himself temporary exceptional powers immune from judicial dispute as well as prevented the potential dissolution of the Shura Council (the Upper House of Parliament currently endowed with Legislature). This initiated a power struggle between the authorities and the judiciary, which remains ongoing. The National Salvation Front (NSF) emerged as a loose coalition of opposition groups (mostly liberals, socialists, and remnants of the old regime), trying to rally the public against the Presidency's attempted power-grab, but while President Morsi has withdrawn his temporary exceptional powers, the opposition has so far been unsuccessful in establishing a real alternative to the Muslim Brotherhood.

6. **Steps taken towards building democratic institutions have been controversial so far**. Egypt's newly drafted constitution passed with a 63.8 percent approval rate in a referendum in December, with a large proportion of the judiciary boycotting its supervision and a low voter turnout. The constitution-drafting process had been unsmooth, with the withdrawal of almost every non-Islamist member of the drafting committee. The House of Representatives (lower House of Parliament) elections were set to take place in late April, but the Supreme Constitutional Court rejected the law governing parliamentary elections. Consequently, the lower House of Parliament elections are now delayed and not expected to start until August. The NSF has threatened to boycott the elections.

7. **Political strife has been escalating**. The attempted power-grab by the President and the disorderly constitution drafting and approval process spurred upheaval in the streets in November and December 2012. Social unrest heightened in January as the second anniversary of the revolution was marked with nation-wide protests that turned violent with clashes between various political groups and security forces. The situation was aggravated further by civil disobedience around three Canal cities, following the issuance of death sentences to 21 locals implicated in deadly violence between soccer fans. A state of emergency was declared in these Canal cities, but was hardly enforced. Protests and unrest continued through the early months of 2013, including because of increasing shortages in diesel fuel used by trucks, buses and taxi cabs.

8. **The unstable political and social environment has delayed critical reforms, hence the support from the IMF and other international financial institutions thus further worsening financial and economic conditions.** Agreement on $4.8 billion IMF Stand-By Arrangement was withdrawn from Board consideration in December as President Morsi froze or delayed several key measures underpinning the agreed stabilization program (notably energy subsidy reforms and tax increases) amid social unrest related to the new constitution. This also put on hold financing from other international financial institutions, notably the World Bank, the African Development Bank, and the EU that were part of an overall financing package of $15 billion for FY2013-14. A revised and weaker program was prepared in late February, but the Fund has insisted on stronger and fully disclosed measures and broader political and social support for the program. Discussions are ongoing and negotiations could be resumed in early April if the government is prepared to move forward with the needed reforms prior to elections.

9. **Surprisingly, the government has announced a plan to start rationing subsidized bread and cooking gas using electronic smart cards.** The idea is to start a pilot scheme in Port Said, which could spark further unrest in an already tense environment there. Also, while reforming the food subsidy system

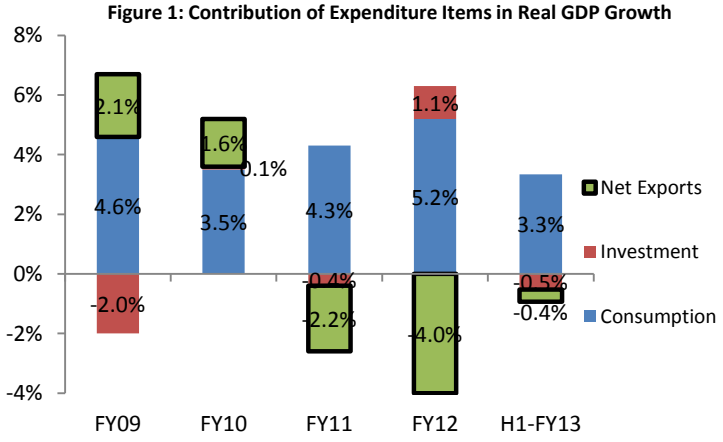
is sensible in tandem with the introduction of a proper, targeted social safety net, this seems hardly the time or the place and, priority should be given to reforming regressive energy subsidies.

## III. REAL SECTOR

10. **Economic activity has been slowing amid political uncertainty and social unrest**. With confidence weakened by the ongoing political uncertainty, social unrest, and delay in agreement on an ambitious economic stabilization and reform program that could be supported by the IMF and other international financial institutions, output growth has been slowing. Real GDP decelerated to 2.6 percent in the first quarter of 2012/13 and further to 2.2 percent in the second quarter, well below the growth rate targeted for the year in the November IMF staff agreement of 3 percent.

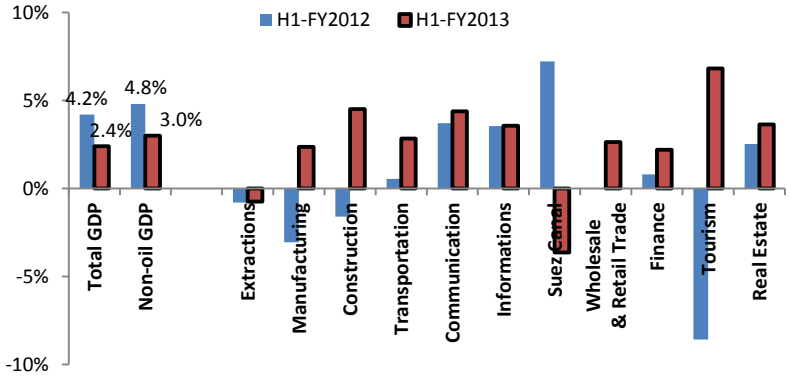
11. **On the demand side, growth has been driven by consumption while investment and net exports are contracting** (Figure 1). Total final consumption has reached 94 percent of GDP—about 10 percentage points higher than the pre-revolution levels. Public consumption rose significantly in the first half of 2012/13, driven by a rising public sector wage bill, increases in pensions, and ever higher subsidies. Private consumption also increased, albeit at a slower rate influenced by weak confidence and tight credit conditions. Total investment continued to decline as credit extended to the private sector has been crowded out by a rising fiscal deficit financed largely from the banking system and higher real interest rates while profits have also been squeezed thus reducing the scope for self-financing. Banking system claims on the government now stand at around 60% of net domestic credit. Further, the trade deficit has widened due to a deteriorating oil balance and a smaller services surplus. Weaker domestic oil production has created shortages, dampened oil exports and increased the need to import oil to meet domestic demand. Services exports have been hampered by sluggish global economic activity, especially in Europe.

**Figure 1: Contribution of Expenditure Items in Real GDP Growth**



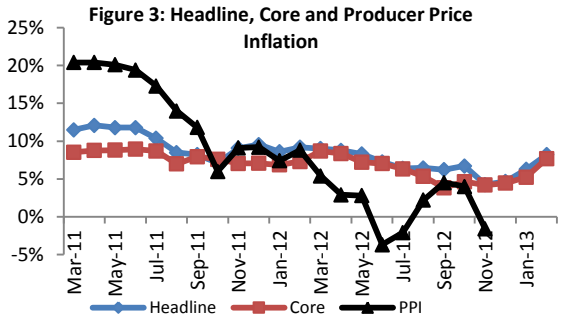

12. **However, weak growth during the first half of 2012/13 was fairly broad-based though the extractive industries and Suez Canal activity weakened** (Figure 2). Weak external demand and domestic security issues led to a weakening in the performance of key sectors that traditionally have contributed importantly to growth, most notably the Suez Canal which continued to suffer from slower international trade. Also, oil and gas extractions—

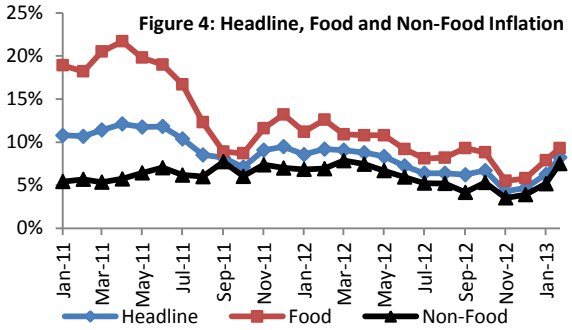
**Figure 2: Sectoral Growth Rates**



a vital sector that has forward and backward linkages with other sectors—has been facing technical difficulties as extractions have become increasingly expensive and requires more sophisticated technology.[1]

13. **The weakening economic activity and rising output gap has dampened inflationary pressures but more recently strong currency depreciation is pushing inflation higher**. Both core and headline inflation rates have been easing since early 2011, and producer prices have seen an even more dramatic deceleration—even into negative territory (Figures 3 and 4). The decline in inflation reflects mainly slower price increases for food, with food inflation declining from around 20 percent to 5-10 percent, on account of global demand and supply conditions and rising domestic subsidies. In recent months, the strong depreciation of the pound—some 10 percent since late December 2012—has been exerting upward pressure on import prices, driving the headline inflation rate to above 8 percent in February 2013.




14. **Unemployment has risen in tandem with the slowdown in output growth**. In the fourth quarter of 2012, the unemployment rate reached 13 percent, up more than four percentage points from pre-revolution levels. Of the 27 million large labor force, 3.5 million did not have a job. Some 88 percent of the unemployed are educated (holding at least an intermediate degree). Youth, aged between 15 and 29, make up around three quarters of the unemployed, with the largest portion (44% of the unemployed) falling in the 20-24 years age-bracket. While women have historically suffered higher unemployment rates (unemployed women are currently one quarter of the labor force), the increase in unemployment has mainly affected males whose rate of unemployment currently stands at 9.6 percent, some 5 percentage points higher than the pre-revolution levels. The latest poverty figures relate to 2010/11 where the poverty rate was calculated at 25.2 percent, up from 22 percent in 2008/09. Recent developments are likely to have further increased poverty in Egypt.

## IV. PUBLIC FINANCE

15. **Public finances have continued to deteriorate**. The overall budget deficit widened to EGP 120 billion in July—January 2012/13, 6.7 percent of the year's projected GDP. The government has already announced that the budget deficit for the year may be above 12 percent of GDP (almost 5 percentage points higher than the original SCAF-approved budget of 2012/13) if reform measures are not urgently implemented.

16. **Attempts to redress fiscal imbalances have been frustrated by popular unrest that flared throughout the early months of 2012/13**. The government decided to freeze its early-December decision to raise taxes on 25 consumption goods. Trying to appease the public, the tax hikes plan was toned down

[1] In a recent statement by the Egyptian Petroleum Minister, he declared that Egypt has almost exhausted "cheap oil", and that further extractions will require deeper rigs, higher technology and more flexible pricing schemes.

to include only 6 commodities. At the same time, income tax exemptions would be increased, as would social security pensions for low-income families. This follows and earlier decision by President Morsi to increase social allowances by 15 percent for public sector workers and pensioners (including the Armed Forces' pensioners). Further, the planned cuts to energy subsidies by 25 percent in 2012/13 have been restricted to increases in electricity prices for industries and non-poor households, raising the price of 95-octane gasoline to cost-recovery levels, and increasing fuel oil prices for cement and brick factories. Diesel fuel and LPG—which receive the largest portion of fuel subsidies—remain untouched. The second phase of the fuel subsidy reform that was due to start in April 2013 (rationing access to subsidized gasoline through the use of smartcards) was postponed until later in 2013.

17. **In light of the delayed fiscal reforms and populist decisions, total expenditure saw a 30 percent increase (y/y) in the period July—January 2012/13**. Recurrent expenditure—mainly on fuel subsidies, interest payments, and the wage bill—was the main driver of the surging public expenditures, while investment expenditure grew only modestly. With the delay in subsidy reforms, the fuel subsidy bill in the first seven months of the 2012/13 increased by 54 percent compared to the same period in the previous fiscal year to EGP 57 billion, about ¾ of the spending planned for the year. Currently fuel subsidies represent 20 percent of total expenditures and 34 percent of total revenues. Interest payments increased by 33 percent as the government increased its reliance on short-term T-bills and bonds to finance its increasing deficit. The wage bill increased by 21 percent reflecting mainly the hike in social allowances for public sector workers at the beginning of the year.

18. **Total revenues increased by around 25 percent (y/y) in the period July—January 2012/13 led by higher tax revenues**. Tax revenues increased by 35 percent, while non-tax revenues increased by less than 5 percent. Nevertheless, both tax and non-tax revenues are running well below their budgeted figures this year due to the weaker than envisaged economic activity. In addition, grants have been much lower than budgeted reflecting in part the condition of many donors on an IMF agreement.

19. **The government has increasingly been financing the growing deficit through short-term domestic debt instruments**. Total government debt amounted to 81 percent of GDP at end-2011/12 and will increase further this year. The average life to maturity of outstanding T-bonds and T-bills increased to 1.4 years at end-December 2012 compared to 1.3 the year before. The domestic portion of public debt is increasing, while external debt declined in the first quarter of 2012/13. In late December 2012, Standard & Poors cut Egypt's long-term credit rating to the same junk level as Greece. Fitch also cut Egypt's sovereign rating from B+ to B. In February and March 2013, Moody's downgraded Egypt's government bond ratings successively; first from B2 to B3, and then to Caa1.

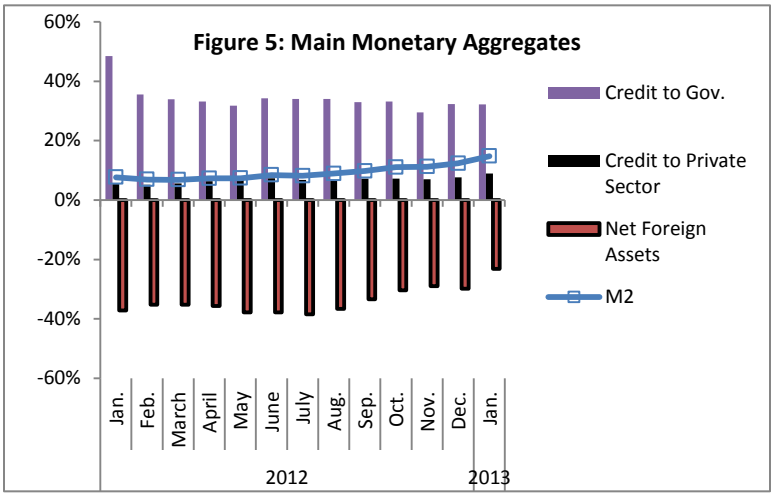
20. **Public and state-owned entities have been adding to the fiscal burden**. Most notably, EgyptAir, the national airline of Egypt, has been steadily losing money since January 2011.[2] This reflects in large part the drop in tourism following the revolution, but also severe underlying problems including a grossly overstaffed workforce. Further, the Egyptian General Petroleum Corporation (EGPC) has been accumulating a large debt to international drilling companies.[3]

[2] According to a statement by the Minister of Civil Aviation, Egyptair has lost about EGP 6 billion (US$900 million) since January 2011.

[3] While official figures are not available for the total arrears that EGPC has accumulated, officials at the Ministry of Petroleum have estimated that they amount to about $6.5 following a recent repayment of $1.5 billion.

## V. MONEY AND BANKING

21. **Money growth has been contained as expanding credit to the government has been offset by declining net foreign assets but it has started to increase.** Domestic credit from the banking sector has been increasing steadily through the early months of 2012/13, mainly driven by the accelerating credit extended to the government, while growth in credit to the private sector has been subdued. Meanwhile, net foreign assets of the banking system have been declining rapidly. Money growth has until recently remained under control but is picking up as financing of the government continues unabated while the decline in net foreign assets has been slowed down. This is likely to be adding to inflationary pressures in the period ahead.




22. **The CBE raised its policy rates to curb inflationary pressures.** In its meeting held on March 21, 2013, the Monetary Policy Committee (MPC) decided to raise the overnight deposit rate and overnight lending rate by 50 basis points to 9.75 percent and 10.75 percent, respectively, and raise the rate of the CBE's main operation (Repos and/or Deposit Auctions) by 50 basis points to 10.25 percent. The discount rate was raised by 75 basis points to 10.25 percent. This hike in key policy rates followed the recent uptick in inflation.

23. **The CBE has sought to reduce the risk of capital flight by imposing restrictions on banks foreign exchange operations**. The CBE has restricted the withdrawal of foreign exchange from banks, including through placing a limit on corporate and individual daily cash withdrawals per day. Also, new rules limit bank long positions in US dollars to no more than one percent of their capital. Meanwhile, dollarization is rising. While still below the pre-revolution level, dollarization increased by 1 percentage point in December 2012, the second largest spike since the 2011 revolution.

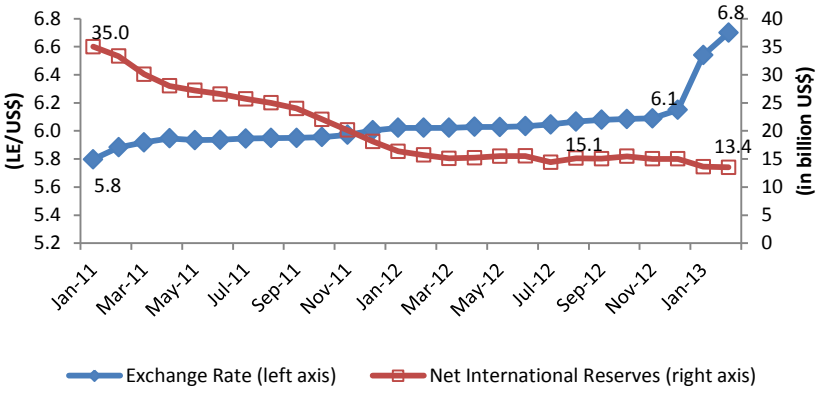
24. **The domestic banking sector has so far proven relatively resilient although its health is deteriorating**. Banking liquidity ratios have not changed much from the pre-revolution levels, with the loans-to-deposits ratio still just below 50 percent. Non-performing loans declined somewhat to 10 percent of total loans in the first quarter of 2012/13, though it is unclear to what extent ever-greening and improper loan classification may have contributed to this. With credit increasingly being extended to the public sector, assets may have become less risky. Indeed, there has been a slight improvement in capital adequacy of the banking sector; in September 2012, the capital base to risk-weighted assets ratio was at 16.4 percent, higher than the average of the two preceding years. However, bank assets are becoming more concentrated with uncertain impact on overall balance sheets. The budget deficit continues to be financed largely by T-bills and bonds which are held primarily by domestic banks. Yields on T-bills started to follow the key policy rates hike that the CBE undertook in late March, although they had been declining during the early months of 2012/13. The ongoing political tensions have kept yields very high at around 14.5 percent for 12-month maturities.

25. **Domestic banks have been downgraded by rating agencies.** This reflects increasing exposure to government securities, weakness in the operating environment, and the weakening capacity of Egyptian authorities to support government-owned banks. In February 2013, Moody's downgraded the standalone credit assessment of five Egyptian banks, three of which are government-owned. Another downgrade followed in March 2013, and all banks' ratings remain on review for further downgrade. The two successive downgrades of Egypt's banks by Moody's came after it had downgraded Egypt's sovereign bond rating along with other international rating agencies.

## VI. EXTERNAL POSITION

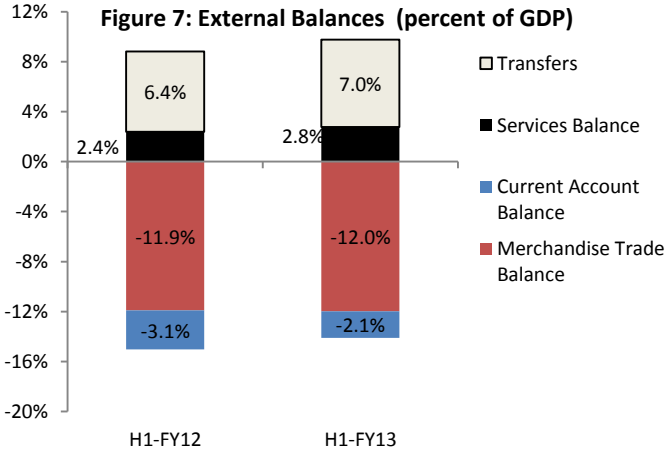
26. **Egypt's balance of payments have come under increasing pressure due to delays with the IMF and other international financial institutions which in turn have eroded confidence and triggered increasing capital outflows**. At the end of December 2012, the CBE introduced a new system of foreign exchange auctioning, in an attempt to decrease the rate of reserve depletion while containing downward pressure on the currency. Nevertheless, foreign exchange reserves continued declining, reaching $13.4 billion at end-March 2013 corresponding to less than 2½ months of merchandise imports (Figure 6). This is despite exceptional balance of payments support from Qatar ($2.5 billion) and Turkey ($0.5 billion) in December-January. In parallel, the exchange rate has been depreciating rapidly, surpassing LE6.7/$ at end-February—some 10 percent over a period of two months. Further, CBE regulations on its auctions and the interbank foreign exchange market have resulted in rationing and led to the emergence of a black market for foreign exchange where the pound reportedly is trading over LE7/$.

**Figure 6: Exchange Rate (period av.) and Net Internatioal Reserves**




27. **The external current account improved mainly due to higher workers' remittances but remained in deficit in the first half of 2012/13** (Figure 7). Non-oil merchandise imports decreased in the first half of 2012/13, due to weaker domestic demand, while oil imports surged sharply as domestic oil production declined. Unsurprisingly, oil exports also decreased in the first half of 2012/13, while non-oil exports increased only marginally given weak external demand. Tourism picked up somewhat from its depressed level, while Suez Canal revenues softened under the influence of weak global and European economic activity. Interestingly, workers' remittances picked up and are now almost twice the level from before the

**Figure 7: External Balances (percent of GDP)**



revolution with more Egyptians seeking job opportunities abroad in light of the deteriorating domestic conditions.

28. **Net FDI inflows were positive but small, while net portfolio investments continue to be negative.** The net inflow of FDI—0.2 percent of GDP in the first half of 2012/13—reflected a contraction in the net outflow of investments in the oil sector and substantial inflows of green-field investments. The U.S. and the U.K. top the list of investors in Egypt, followed by other European countries as well as Arab countries. On the other hand, net portfolio inflows in Egypt remained negative, albeit with a decreasing outflow. The negative balance of portfolio investments was mainly due to foreigners' net sales of Egyptian T-bills. Errors and omissions have been increasing to $1.8 billion in the first half of 2012/13 (compared to $1.5 billion in the same period a year earlier) in evidence of unrecorded capital flight.

## VII. OUTLOOK

29. **The economic outlook in Egypt is subject to large uncertainty and risks, and much will depend on how quickly a credible stabilization and reform program supported by the IMF and other donors can be introduced**. While it is somewhat difficult to envisage a situation where a prolonged delay does not result in a full blown economic and financial crisis—with a collapse of the exchange rate, output, and the financial sector—where all bets are off, such a scenario is very difficult to model and in some ways of little use. Instead, ***we explore a scenario where the government adopts some limited initial measures and discussions are resumed with the IMF with expectations that an agreement on a SBA is reached sometime in the coming months.*** In the meantime, we assume that Egypt manages to secure some emergency financing from other countries in the region (Libya has just promised $2 billion, and Egypt is also in talks with Iraq).

30. **In this scenario, the economy may begin to stabilize though pressures on the exchange rate are likely to continue as the CBE will be under pressure to reduce its intervention in the market.** Inflation would likely continue rising although this would be moderated by weak demand and a rising output gap. *We project that inflation could reach 12-13 percent by end-June*, though the average annual rate would be contained by the low inflation in the first seven months of the fiscal year. This may well prompt the central bank to raise interest rates further. The trade and current account balance would likely improve further on the back of real depreciation and weak demand. However, with private sector confidence expected to remain weak and both consumers and investors cautious, real GDP could slow to less than 2 percent in 2012/13 and unemployment could rise further. In the absence of fiscal measures, the deficit would likely reach 12 percent of GDP this year.

31. **On the assumption that an IMF SBA will be in place from the beginning of FY14, and that the program will be implemented as envisaged and prudent economic policies followed after that, the economy should start to improve over the course of next year and with progress towards sustainability over the medium-term.** An IMF-supported program would be anchored on a gradual increase in taxes and reduction in energy subsidies. Output growth could rise moderately to about 3 percent in FY14 and reach potential growth of 6-6.5 percent over the medium term. While fiscal tightening would exert a drag on growth in the coming years, and higher energy prices would reduce the competitiveness of energy-intensive industries in the short-term, this is expected to be outweighed by improved private sector confidence, capital inflows, and easier access to credit. Inflation would likely pick up in FY14 as energy prices increase and the currency may continue to depreciate somewhat, but the impact would be contained by the tightening of fiscal policy and sizeable output gap. The medium-term fiscal adjustment path would be driven by the earlier agreed target with the IMF of achieving a broadly sustainable debt level of 65-70 percent of GDP by FY17/FY18, with the fiscal deficit accordingly being

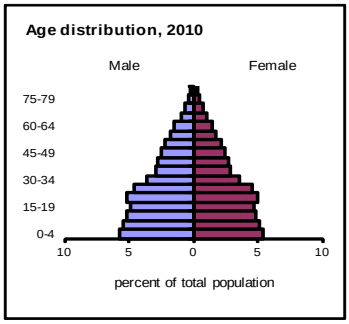
reduced gradually to 3-4 percent of GDP. Meanwhile, the balance of payments should gradually improve as real exchange rate depreciation and structural reforms enhance competitiveness and official and private capital inflows pick up. This should allow international reserves to be rebuilt to around their pre-revolution level over the medium term.

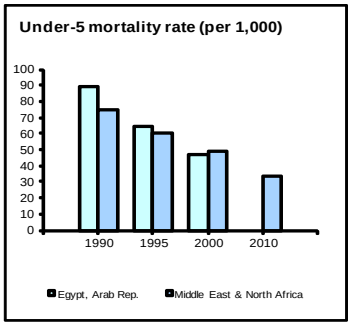
**Table 1. Medium-Term Macroeconomic Framework**

| | FY10 act. | FY11 act. | FY12 est. | FY13 proj. | FY14 proj. | FY15 proj. |
|---|---|---|---|---|---|---|
| Real GDP growth | 5.1 | 1.8 | 2.2 | 1.6 | 3.0 | 4.5 |
| CPI inflation (end of period) | 10.7 | 11.8 | 7.3 | 13.5 | 12.0 | 10.0 |
| General government (% of GDP) | | | | | | |
| Overall balance | -7.8 | -9.9 | -10.8 | -12.1 | -10.0 | -7.8 |
| Gross public debt | 73.2 | 76.6 | 80.6 | 87.6 | 85.0 | 80.1 |
| Current account balance (% of GDP) | -2.0 | -2.6 | -3.1 | -2.2 | -2.2 | -2.1 |
| Capital and financial account (% of GDP) | 3.8 | -1.1 | -1.2 | 1.6 | 2.2 | 2.9 |
| Official reserves (in billions of US$) | 35.2 | 26.6 | 15.6 | 14.5 | 20.0 | 23.1 |
| Official reserves (in month of imports) | 6.9 | 4.7 | 2.8 | 2.4 | 3.0 | 3.5 |

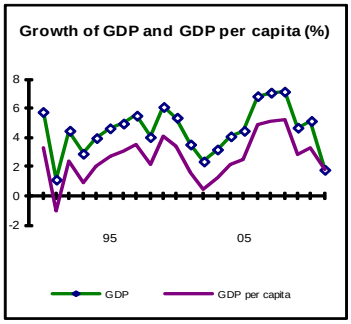
# Egypt, Arab Rep. at a glance

| Key Development Indicators | Egypt | M. East & North Africa | Lower middle income |
|---|---|---|---|
| *(2011)* | | | |
| Population, mid-year (millions) | 84.5 | 331 | 2,519 |
| Surface area (thousand sq. km) | *1,001* | 8,775 | 23,579 |
| Population growth (%) | 0.0 | 1.7 | 1.5 |
| Urban population (% of total population) | *43* | 58 | 39 |
| GNI (Atlas method, US$ billions) | 216.0 | 1,283 | 4,078 |
| GNI per capita (Atlas method, US$) | 2,560 | 3,874 | 1,619 |
| GNI per capita (PPP, international $) | *6,060* | *8,068* | 3,632 |
| GDP growth (%) | 1.8 | 4.3 | 6.9 |
| GDP per capita growth (%) | 1.8 | 2.5 | 5.3 |
| ***(most recent estimate, 2005–2011)*** | | | |
| Poverty headcount ratio at $1.25 a day (PPP, %) | <2 | 3 | .. |
| Poverty headcount ratio at $2.00 a day (PPP, %) | 15 | 14 | .. |
| Life expectancy at birth (years) | 70 | 72 | 65 |
| Infant mortality (per 1,000 live births) | 20 | 27 | 50 |
| Child malnutrition (% of children under 5) | 7 | 8 | 25 |
| Adult literacy, male (% of ages 15 and older) | 75 | 82 | 80 |
| Adult literacy, female (% of ages 15 and older) | 58 | 66 | 62 |
| Gross primary enrollment, male (% of age group) | 102 | 106 | 110 |
| Gross primary enrollment, female (% of age group) | 97 | 98 | 104 |
| Access to an improved water source (% of population) | 98 | 89 | 87 |
| Access to improved sanitation facilities (% of population) | 66 | 88 | 47 |




| Net Aid Flows | 1980 | 1990 | 2000 | 2011 [a] |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Net ODA and official aid | 1,383 | 6,065 | 1,371 | 594 |
| *Top 3 donors (in 2010):* | | | | |
| France | 33 | 140 | 242 | 140 |
| European Union Institutions | 32 | 48 | 73 | 137 |
| Germany | 107 | 347 | 65 | 104 |
| Aid (% of GNI) | 5.9 | 10.0 | 1.4 | 0.3 |
| Aid per capita (US$) | 31 | 105 | 20 | 7 |
| **Long-Term Economic Trends** | | | | |
| Consumer prices (annual % change) | .. | 21.2 | 2.8 | 11.6 |
| GDP implicit deflator (annual % change) | 18.0 | 17.6 | 4.9 | 11.2 |
| Exchange rate (annual average, local per US$) | 0.7 | 1.5 | 3.5 | 6.0 |
| Terms of trade index (2000 = 100) | .. | 108 | 100 | 90 |




| | | | | | 1980–90 | 1990–2000 | 2000–11 |
|---|---|---|---|---|---|---|---|
| | | | | | *(average annual growth %)* | | |
| Population, mid-year (millions) | 44.4 | 57.8 | 70.2 | 84.5 | 2.6 | 1.9 | 1.7 |
| GDP (US$ millions) | 23,568 | 61,807 | 96,824 | 229,531 | 5.6 | 4.4 | 5.0 |
| | | *(% of GDP)* | | | | | |
| Agriculture | 18.3 | 19.4 | 16.7 | 13.9 | 2.9 | 3.1 | 3.3 |
| Industry | 36.8 | 28.7 | 33.1 | 36.7 | 5.8 | 4.5 | 5.4 |
| Manufacturing | 12.2 | 17.8 | 19.4 | 15.2 | *8.4* | 4.1 | 4.7 |
| Services | 45.0 | 51.9 | 50.1 | 49.3 | 6.6 | 4.4 | 5.0 |
| Household final consumption expenditure | 69.2 | 71.9 | 75.9 | 72.2 | 4.0 | 3.8 | 3.5 |
| General gov't final consumption expenditure | 15.7 | 11.4 | 11.2 | 15.0 | 2.5 | 4.6 | 4.4 |
| Gross capital formation | 27.5 | 28.9 | 19.6 | 19.7 | 1.8 | 5.8 | 7.0 |
| Exports of goods and services | 30.5 | 20.4 | 16.2 | 23.3 | 4.3 | 3.5 | 13.6 |
| Imports of goods and services | 42.9 | 32.6 | 22.8 | 30.2 | -1.1 | 3.1 | 11.9 |
| Gross savings | 25.7 | 21.3 | 18.7 | 18.5 | | | |

Note: Figures in italics are for years other than those specified. 2011 data are preliminary. .. indicates data are not available.
a. Aid data are for 2010.

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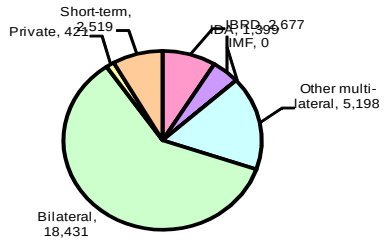
| **Balance of Payments and Trade** | **2000** | **2011** |
|---|---|---|
| *(US$ millions)* | | |
| Total merchandise exports (fob) | 6,388 | 26,993 |
| Total merchandise imports (cif) | 17,860 | 50,777 |
| Net trade in goods and services | -6,774 | -23,784 |
| Current account balance | -1,163 | -2,759 |
| as a % of GDP | -1.2 | -1.2 |
| Workers' remittances and compensation of employees (receipts) | 2,852 | *7,725* |
| Reserves, including gold | 13,629 | 29,657 |

| **Central Government Finance** | | |
|---|---|---|
| *(% of GDP)* | | |
| Current revenue (including grants) | 21.6 | 21.2 |
| Tax revenue | 14.6 | 14.6 |
| Current expenditure | 20.5 | 23.9 |
| Overall surplus/deficit | -3.9 | -9.6 |
| Highest marginal tax rate (%) | | |
| Individual | *34* | *20* |
| Corporate | .. | *20* |

| **External Debt and Resource Flows** | | |
|---|---|---|
| *(US$ millions)* | | |
| Total debt outstanding and disbursed | 29,016 | 30,645 |
| Total debt service | 1,832 | *3,714* |
| Debt relief (HIPC, MDRI) | – | – |
| Total debt (% of GDP) | 30.0 | - |
| Total debt service (% of exports) | 8.8 | *6.5* |
| Foreign direct investment (net inflows) | 1,235 | *6,712* |
| Portfolio equity (net inflows) | 269 | *393* |

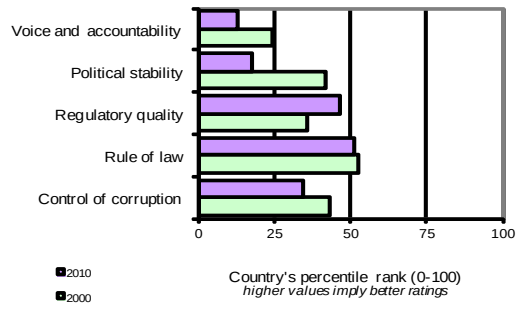
**Composition of total external debt, 2011**




US$ millions

| **Private Sector Development** | **2000** | **2011** |
|---|---|---|
| Time required to start a business (days) | – | 7 |
| Cost to start a business (% of GNI per capita) | – | 6.3 |
| Time required to register property (days) | – | 72 |
| Ranked as a major constraint to business (% of managers surveyed who agreed) | **2000** | **2010** |
| Tax rates | .. | *80.0* |
| Economic and regulatory policy uncertainty | .. | *63.8* |
| Stock market capitalization (% of GDP) | 29.7 | 37.5 |
| Bank capital to asset ratio (%) | 5.6 | 6.2 |

**Governance indicators, 2000 and 2010**




*Source: Worldwide Governance Indicators (www.govindicators.org)*

| **Technology and Infrastructure** | **2000** | **2010** |
|---|---|---|
| Paved roads (% of total) | 78.1 | *89.4* |
| Fixed line and mobile phone subscribers (per 100 people) | 10 | 99 |
| High technology exports (% of manufactured exports) | 0.3 | 0.9 |

| **Environment** | | |
|---|---|---|
| Agricultural land (% of land area) | 3 | *4* |
| Forest area (% of land area) | 0.1 | *0.1* |
| Terrestrial protected areas (% of land area) | 4.3 | 5.9 |
| Freshwater resources per capita (cu. meters) | *26* | *23* |
| Freshwater withdrawal (billion cubic meters) | .. | .. |
| CO2 emissions per capita (mt) | 2.1 | *2.7* |
| GDP per unit of energy use (2005 PPP $ per kg of oil equivalent) | 6.2 | *5.9* |
| Energy use per capita (kg of oil equivalent) | 668 | *903* |

| **World Bank Group portfolio** | **2000** | **2010** |
|---|---|---|
| *(US$ millions)* | | |
| IBRD | | |
| Total debt outstanding and disbursed | 639 | 2,092 |
| Disbursements | 6 | 327 |
| Principal repayments | 87 | 85 |
| Interest payments | 41 | 29 |
| IDA | | |
| Total debt outstanding and disbursed | 1,266 | 1,348 |
| Disbursements | 49 | 7 |
| Total debt service | 32 | 68 |
| IFC *(fiscal year)* | | |
| Total disbursed and outstanding portfolio | 163 | 432 |
| of which IFC own account | 163 | 432 |
| Disbursements for IFC own account | 25 | 63 |
| Portfolio sales, prepayments and repayments for IFC own account | 14 | 58 |
| MIGA | | |
| Gross exposure | – | *0* |
| New guarantees | 0 | *0* |

Note: Figures in italics are for years other than those specified. 2011 data are preliminary.
.. indicates data are not available. – indicates observation is not applicable.

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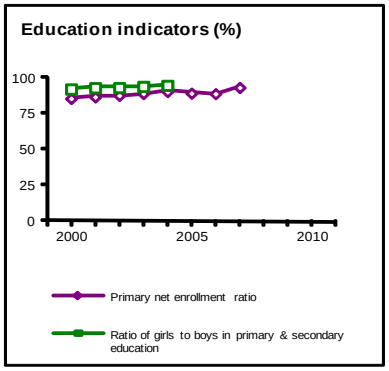
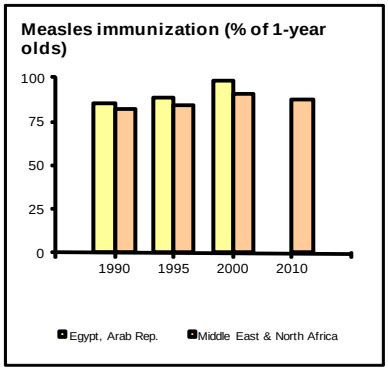
# Millennium Development Goals

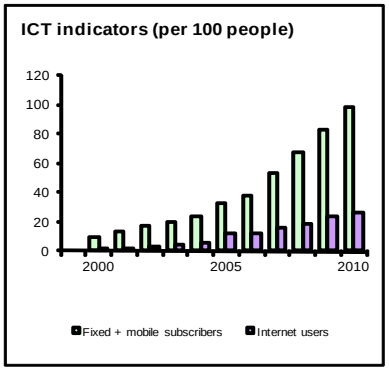
*Egypt, Arab Rep.*

*With selected targets to achieve between 1990 and 2015*
*(estimate closest to date shown, +/- 2 years)*

| | Egypt, Arab Rep. | | | |
|---|---|---|---|---|
| **Goal 1: halve the rates for extreme poverty and malnutrition** | **1990** | **1995** | **2000** | **2010** |
| Poverty headcount ratio at $1.25 a day (PPP, % of population) | *4.5* | *2.5* | <2 | *<2* |
| Poverty headcount ratio at national poverty line (% of population) | .. | *22.9* | 16.7 | .. |
| Share of income or consumption to the poorest quintile (%) | *8.6* | *9.5* | 9.0 | *9.0* |
| Prevalence of malnutrition (% of children under 5) | *11.6* | *10.8* | 4.3 | *6.8* |
| **Goal 2: ensure that children are able to complete primary schooling** | | | | |
| Primary school enrollment (net, %) | *81* | .. | 86 | *94* |
| Primary completion rate (% of relevant age group) | .. | *84* | 94 | *98* |
| Secondary school enrollment (gross, %) | 69 | *71* | 83 | .. |
| Youth literacy rate (% of people ages 15-24) | .. | *73* | .. | *85* |
| **Goal 3: eliminate gender disparity in education and empower women** | | | | |
| Ratio of girls to boys in primary and secondary education (%) | *81* | .. | 93 | .. |
| Women employed in the nonagricultural sector (% of nonagricultural employment) | 21 | 19 | 19 | *18* |
| Proportion of seats held by women in national parliament (%) | 4 | *2* | 2 | *2* |
| **Goal 4: reduce under-5 mortality by two-thirds** | | | | |
| Under-5 mortality rate (per 1,000) | 90 | 65 | 47 | *23* |
| Infant mortality rate (per 1,000 live births) | 66 | 50 | 38 | *20* |
| Measles immunization (proportion of one-year olds immunized, %) | 86 | 89 | 98 | *92* |
| **Goal 5: reduce maternal mortality by three-fourths** | | | | |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | .. | .. | .. | *130* |
| Births attended by skilled health staff (% of total) | *37* | 46 | 61 | *79* |
| Contraceptive prevalence (% of women ages 15-49) | *47* | 48 | 56 | *60* |
| **Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases** | | | | |
| Prevalence of HIV (% of population ages 15-49) | 0.1 | 0.1 | 0.1 | *0.1* |
| Incidence of tuberculosis (per 100,000 people) | 37 | 34 | 27 | *20* |
| Tuberculosis case detection rate (%, all forms) | 11 | 57 | 62 | 64 |
| **Goal 7: halve the proportion of people without sustainable access to basic needs** | | | | |
| Access to an improved water source (% of population) | 94 | 96 | 97 | *98* |
| Access to improved sanitation facilities (% of population) | 50 | 55 | 61 | *66* |
| Forest area (% of land area) | 0.0 | 0.1 | 0.1 | *0.1* |
| Terrestrial protected areas (% of land area) | 1.9 | 2.0 | 4.3 | 5.9 |
| CO2 emissions (metric tons per capita) | 1.3 | 1.5 | 2.1 | *2.7* |
| GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent) | 5.8 | 6.2 | 6.2 | *5.9* |
| **Goal 8: develop a global partnership for development** | | | | |
| Telephone mainlines (per 100 people) | 2.8 | 4.4 | 8.1 | 11.9 |
| Mobile phone subscribers (per 100 people) | 0.0 | 0.0 | 2.0 | 87.1 |
| Internet users (per 100 people) | 0.0 | 0.0 | 0.6 | 26.7 |
| Computer users (per 100 people) | .. | .. | .. | *2.16* |

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