

## 12<sup>th</sup> Arab-Austrian Economic Forum

### THE ARAB REPUBLIC OF EGYPT

Focus on Energy – Railway – Tourism

20 October 2021 – Vienna, Austria

Organized by:

Austro-Arab Chamber of Commerce (AACC)&

the **Embassy of the Arab Republic of Egyptian Vienna**

in cooperation with the **Union of Arab Chambers (UAC)**& the

**Federation of Egyptian Chambers of Commerce**

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# **Egypt and Austria**

## **Bilateral Relations**

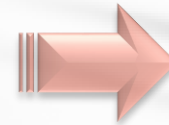
## Brief Background

- The Egyptian-Austrian Business Forum was launched during the visit of the Minister of Foreign Affairs to Austria in 2016, which inaugurated a new phase of cooperation between businessmen and investors from both sides.
- The second round of the Egyptian-Austrian Business Council was held in April 2018, which in turn contributed to revitalizing the course of economic relations and trade between Egypt and Austria
- The economic developments witnessed by Egypt provide a real opportunity to launch a new phase in cooperation between the two sides.



The Economic Cooperation is an essential dimension in the bilateral relations between Egypt and Austria.

The economic and trade relations between Egypt and Austria are governed by a number of bilateral agreements covering all fields, in addition to a set of bilateral agreements related to financial, commercial, economic and agricultural cooperation



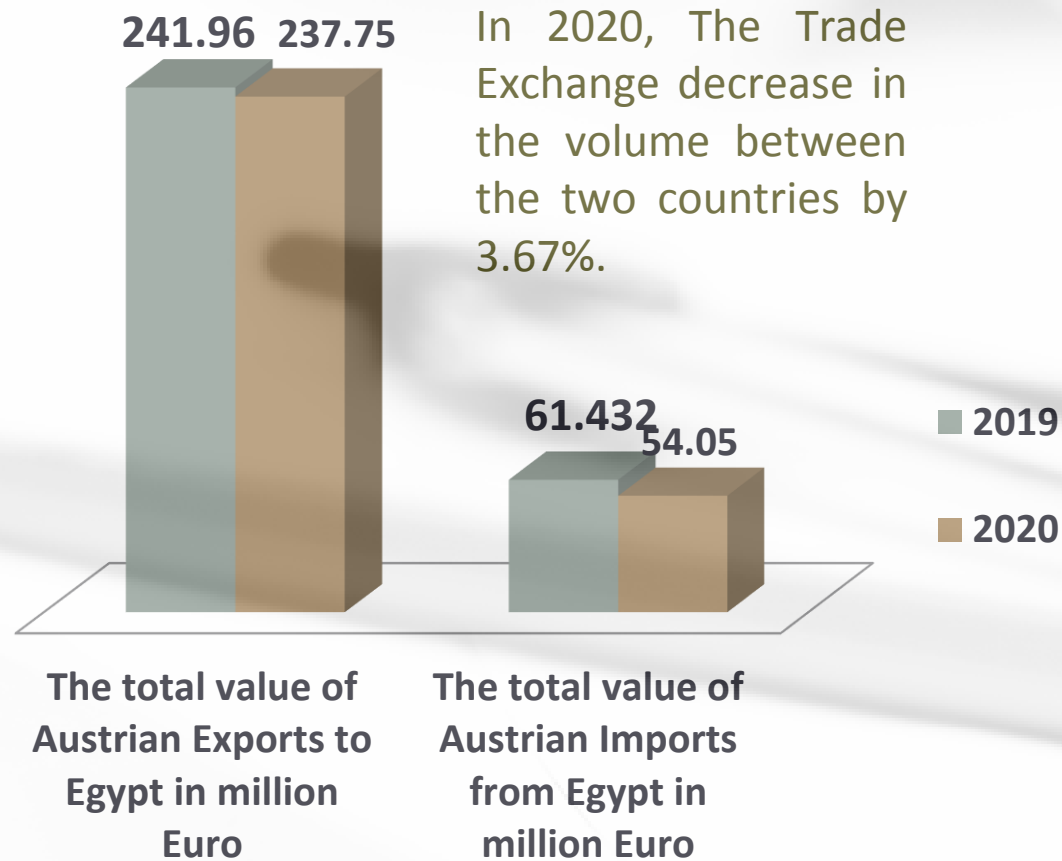
Financial

Commercial

Economic

Agricultural

## Egypt Ranks 3<sup>rd</sup> for Austrian Exports to Africa



### The Most Important Egyptian Exports to Austria are:

- Vegetables and fruits
- Cotton and cotton threads,
- Clothing and its accessories,
- Oil and petroleum products,
- Fertilizers and inorganic raw materials

### The Most Important Egyptian Imports from Austria are :

- Electrical machines and devices,
- Pharmaceutical and pharmaceutical products,
- Mechanical machines and devices,
- Medical and optical devices .
- Paper and cardboard and their products.

### Potential Exports from Egypt to Austria are:

- Textiles, ready-made clothes,
- Ceramics, Marble, Manufactured granite
- Furniture,
- Carpets,
- Food commodities.

## Austria Ranked **67th** Among the Countries Investing in Egypt

**Austrian Investment in Egypt are mostly diversified across the following sectors:**

- Chemical industries
- Transportation
- Engineering industries
- Food industries
- Medical and pharmaceutical industries
- Tourism
- Education.

**179  
Companies**

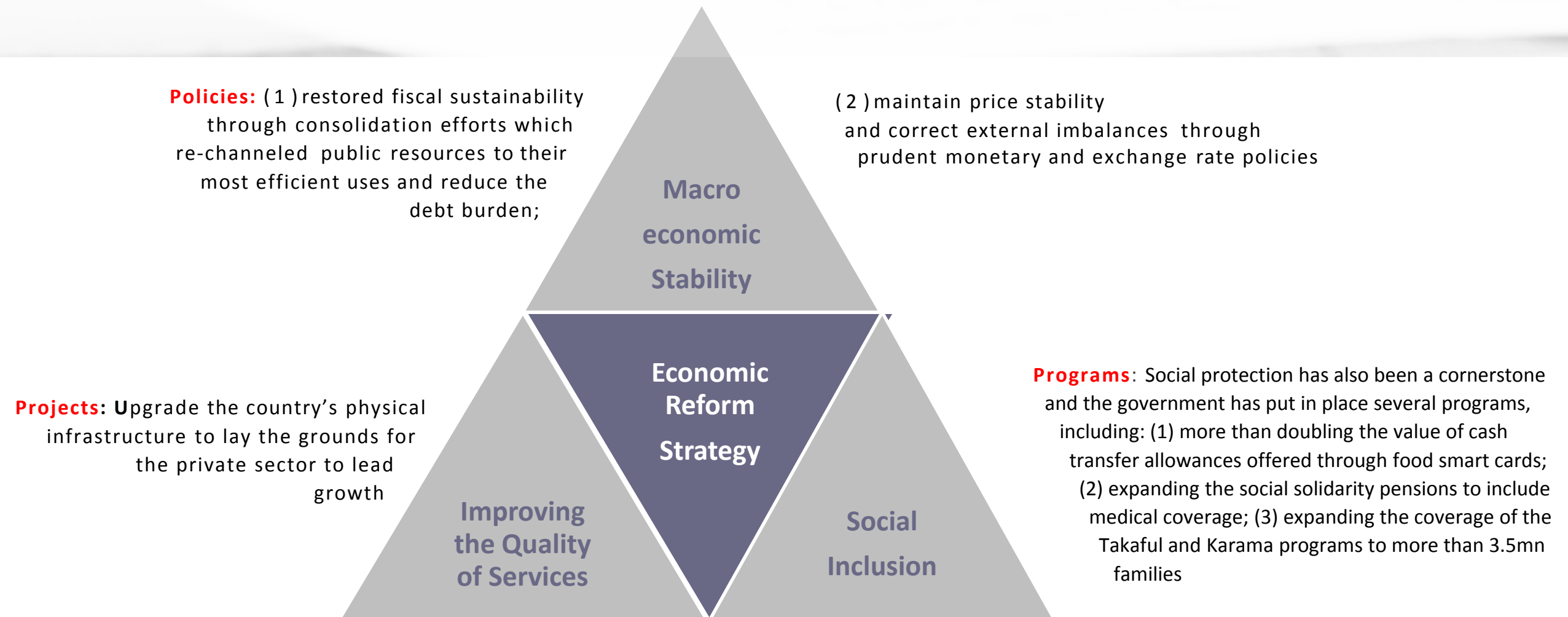
As of 30/6/2020 in Egypt that include Austrian investors. Out of which there were 14 Austrian representative offices.

None of the Companies with Austrian equity were listed in the Egyptian Stock Market.

# Egypt's Economic Landscape



Egypt is progressing with a comprehensive set of coherent, well-structured economic policies that strengthened the fundamental underpinnings of the economy.





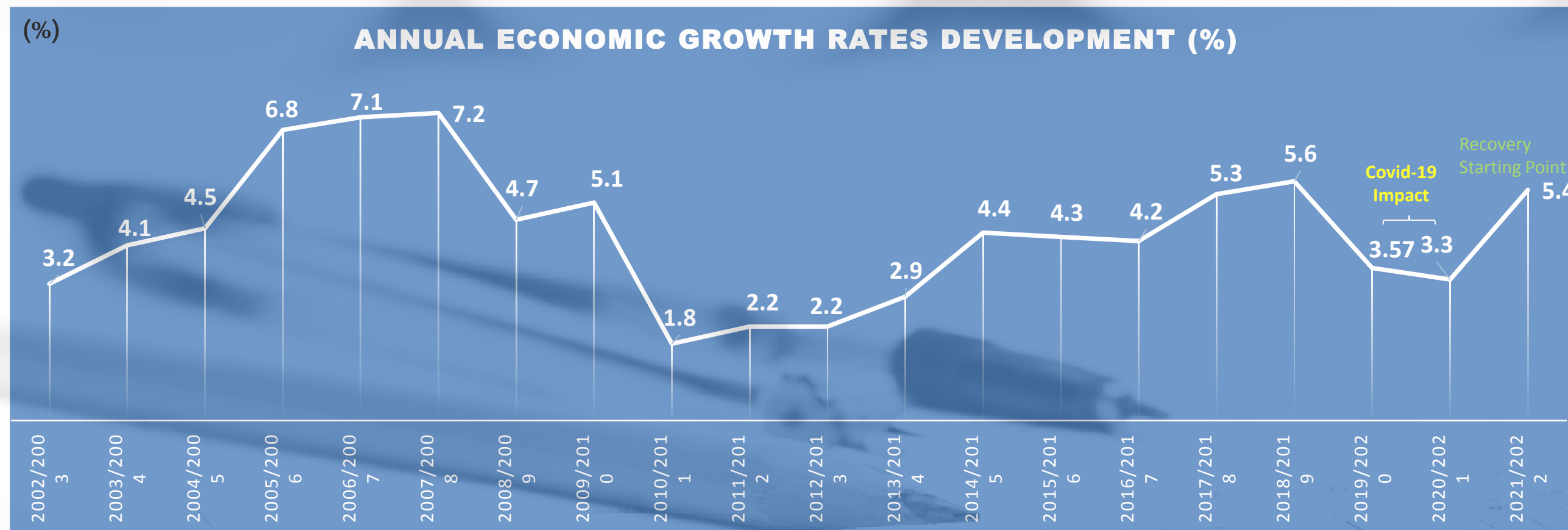
# Demand Side Reforms focusing on Monetary and Fiscal Sectors

By the end of 2016, Egypt embarked on an economic reform program based on:

- Achieving **macroeconomic stability** by:
  - Adjusting fiscal policy, especially **restructuring and reforming the energy subsidies**
  - Monetary policy, especially **exchange rate liberalization**
- Improving the **investment climate**
- Establishing **infrastructure projects** in conjunction with efforts to provide and improve the quality of services.
- **Cash transfer programs** are conditional to reach the neediest.



## Positive Growth Rates Despite Covid-19 Pandemic Spillovers.

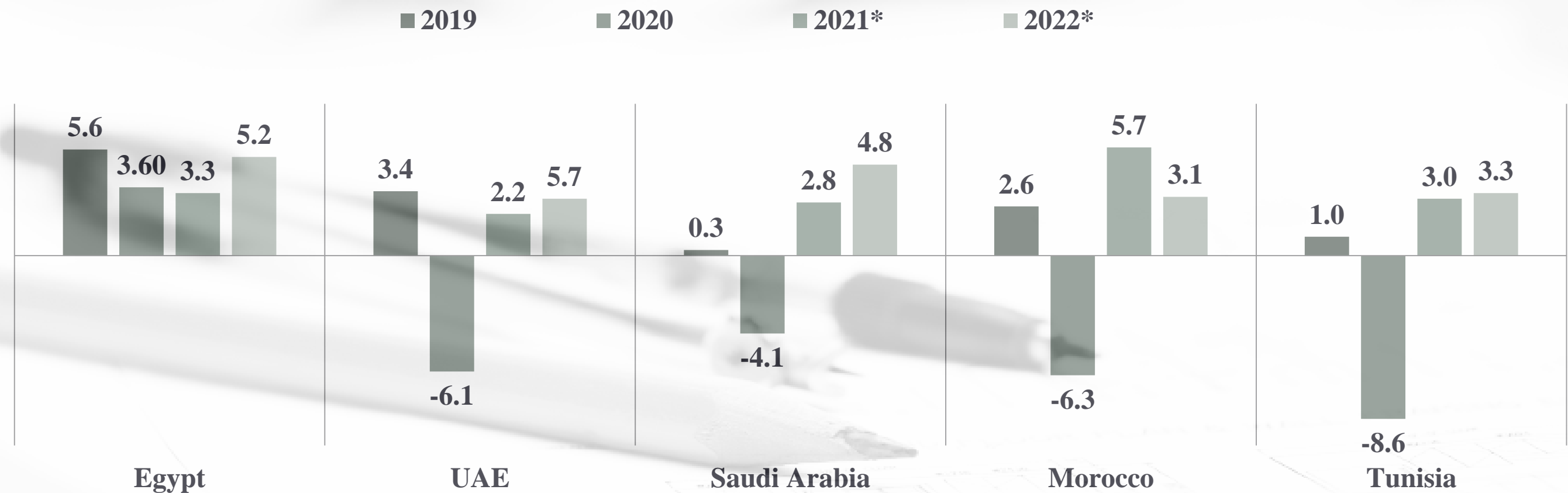


**Source:** Ministry of Planning and Economic Development,  
\* Forecasted value



“Egypt was one of the few emerging market countries that experienced a positive growth rate in 2020” , according to the IMF

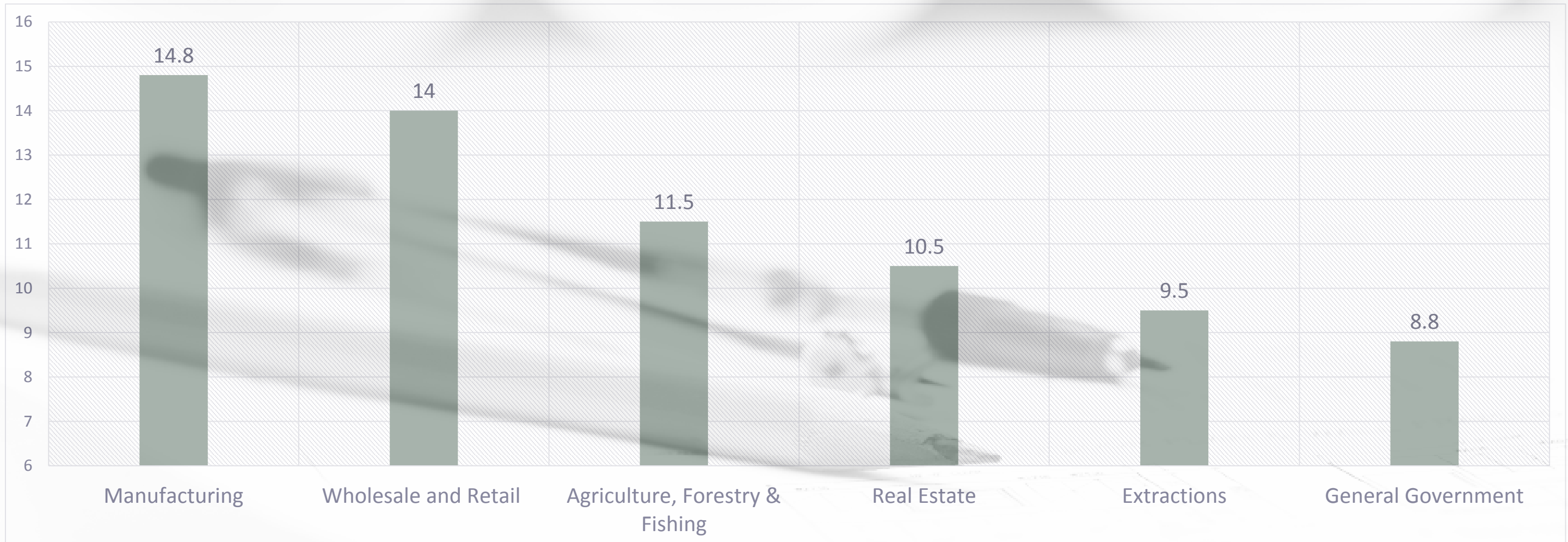
### IMF Economic Growth Expectations, October Outlook 2021





## Sectoral Share to GDP in FY 2020/21 (%)

- The First 3 sectors (Manufacturing, wholesale and retail, agriculture) accounted for about 40.3% of GDP in FY 2020/21





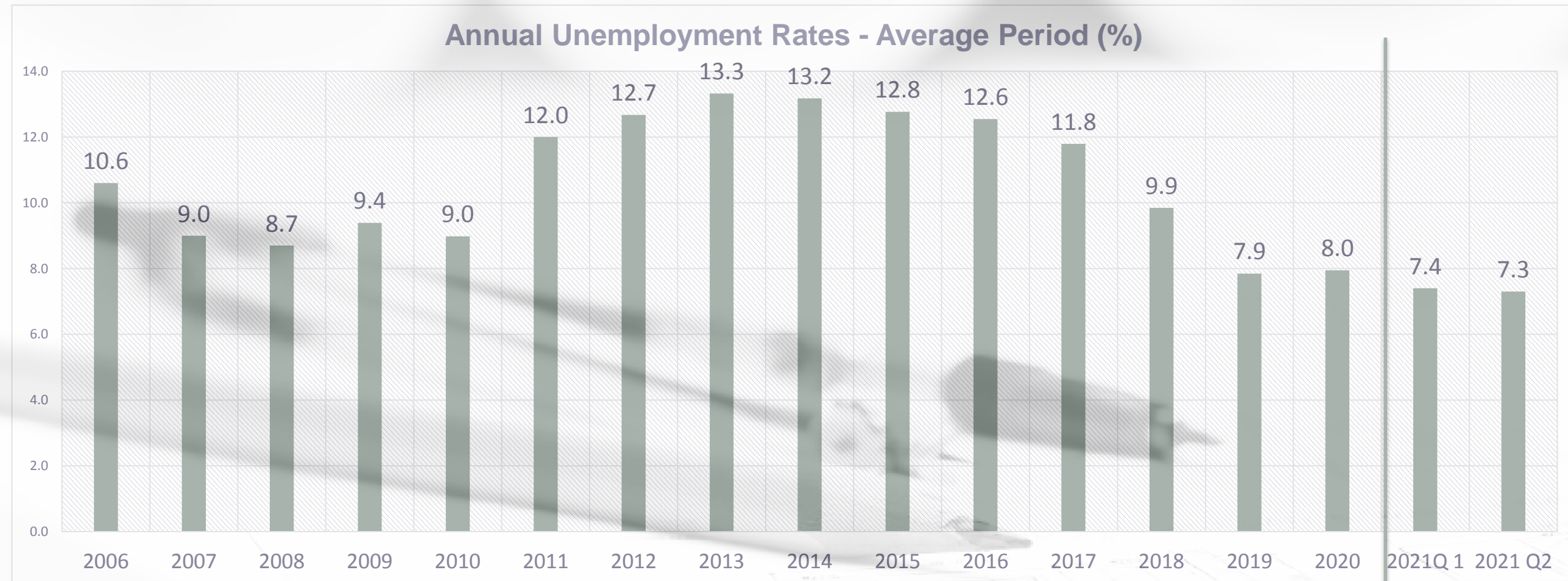
## Projections of GDP Growth rates :



Source: Ministry of Planning and Economic Development



Unemployment rates declined to 8% on average in 2020 despite Covid-19 spillovers, reaching 7.4% and 7.3% respectively in 2021 Q1 and 2021 Q2.



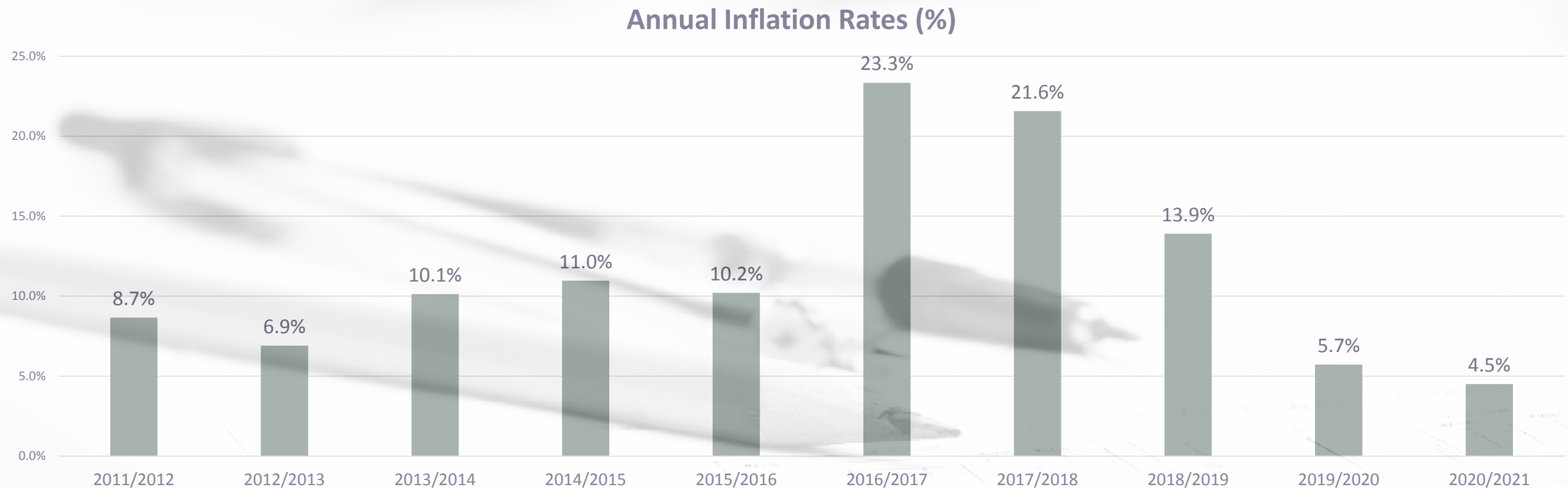
Source: CAPMAS, 2021

Annual data

Quarterly data



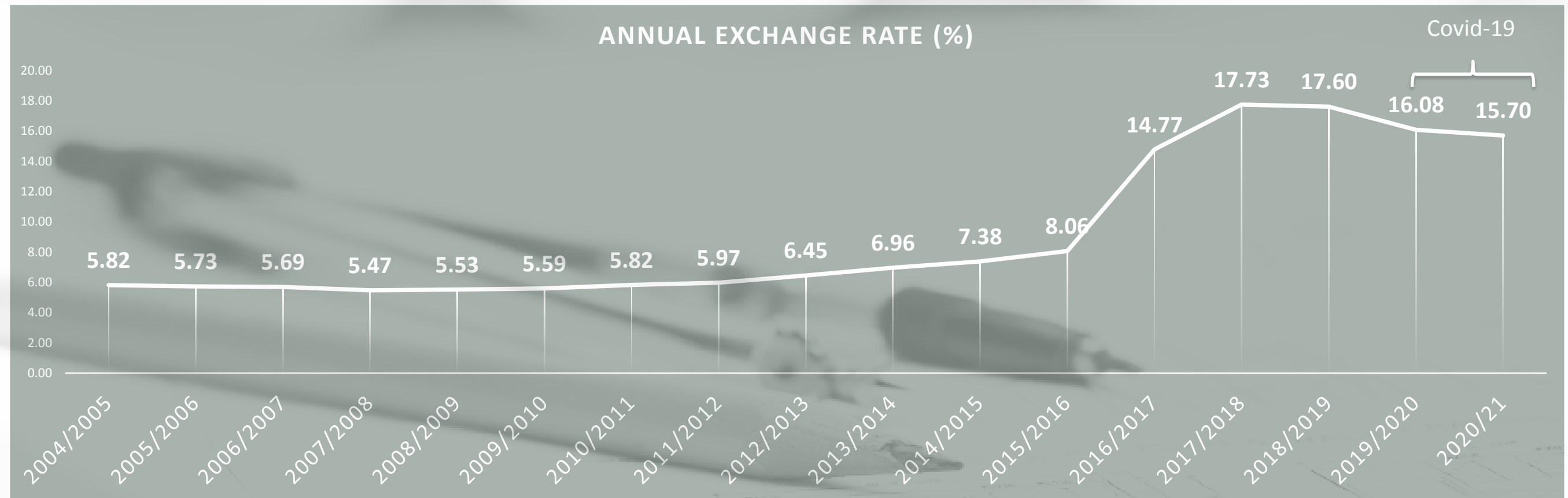
**Annual inflation rates in FY 2019/20 and 2020/21 have been adequately anchored, thanks to supportive steps taken by the CBE to stabilizing the economy and strengthening the ability of anchoring inflation which remains within the CBE targeted percentages of  $7\% \pm 2$**



**Source:** Central Bank of Egypt, 2021



The EGP vs USD is relatively stable in the last couple of years during Covid-19 pandemic, recording for each USD 15.70 EGP in FY 2020/21.

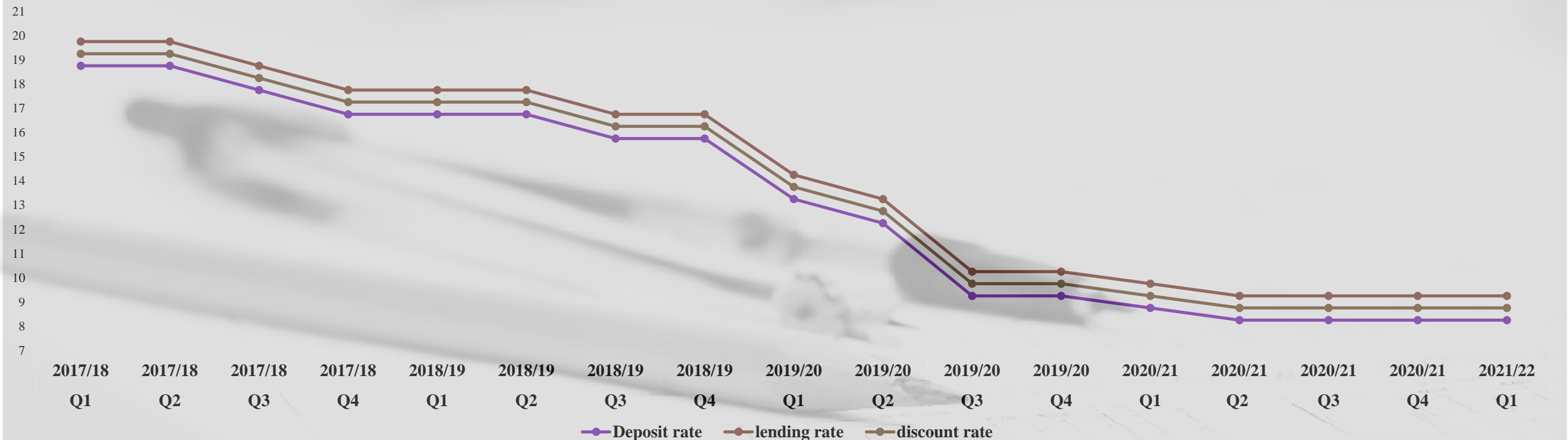


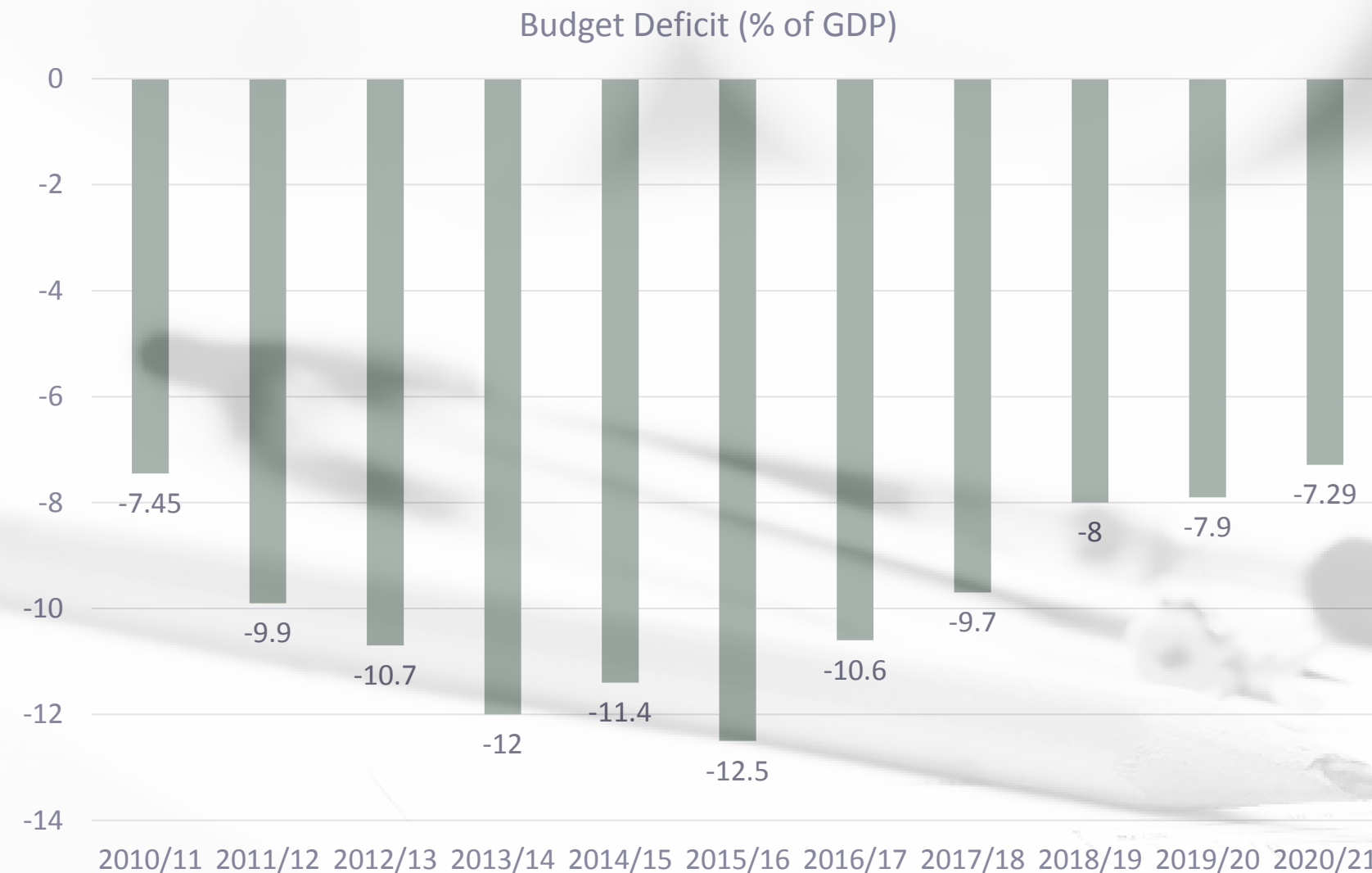
Source: Central Bank of Egypt, 2021



**Policy Rates Stand at 8.25% for deposits while lending rate is kept at 9.25%.**

**Key policy rates (End of Period) (in percent)**

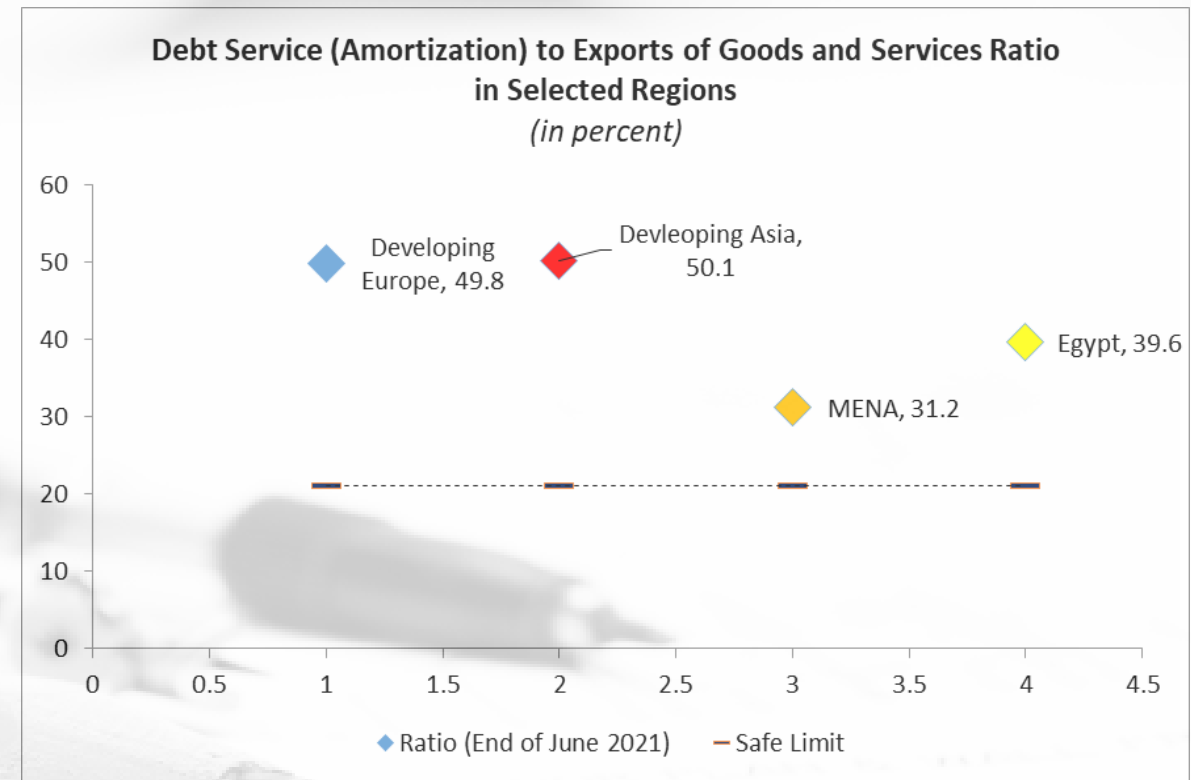
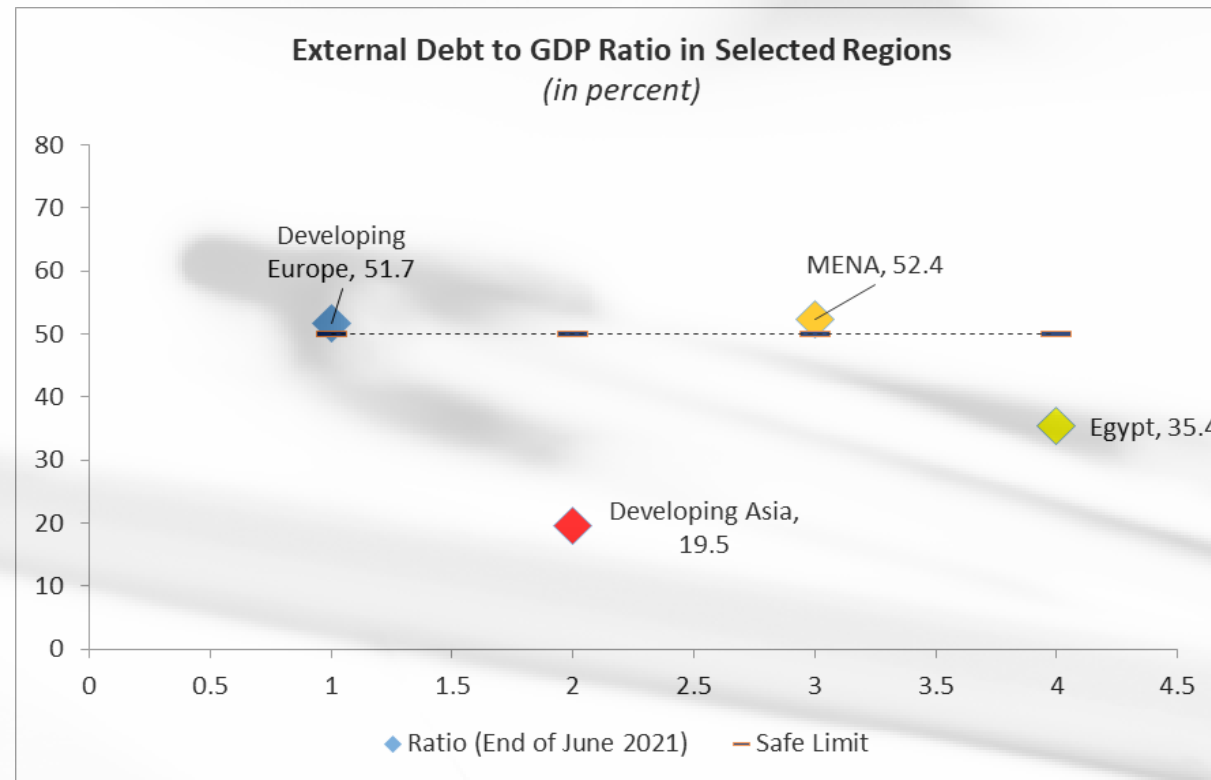




**Budget deficit is on the downward trajectory since FY 2016/17. Since then, the positive spillover of the economic reform program started to manifest**

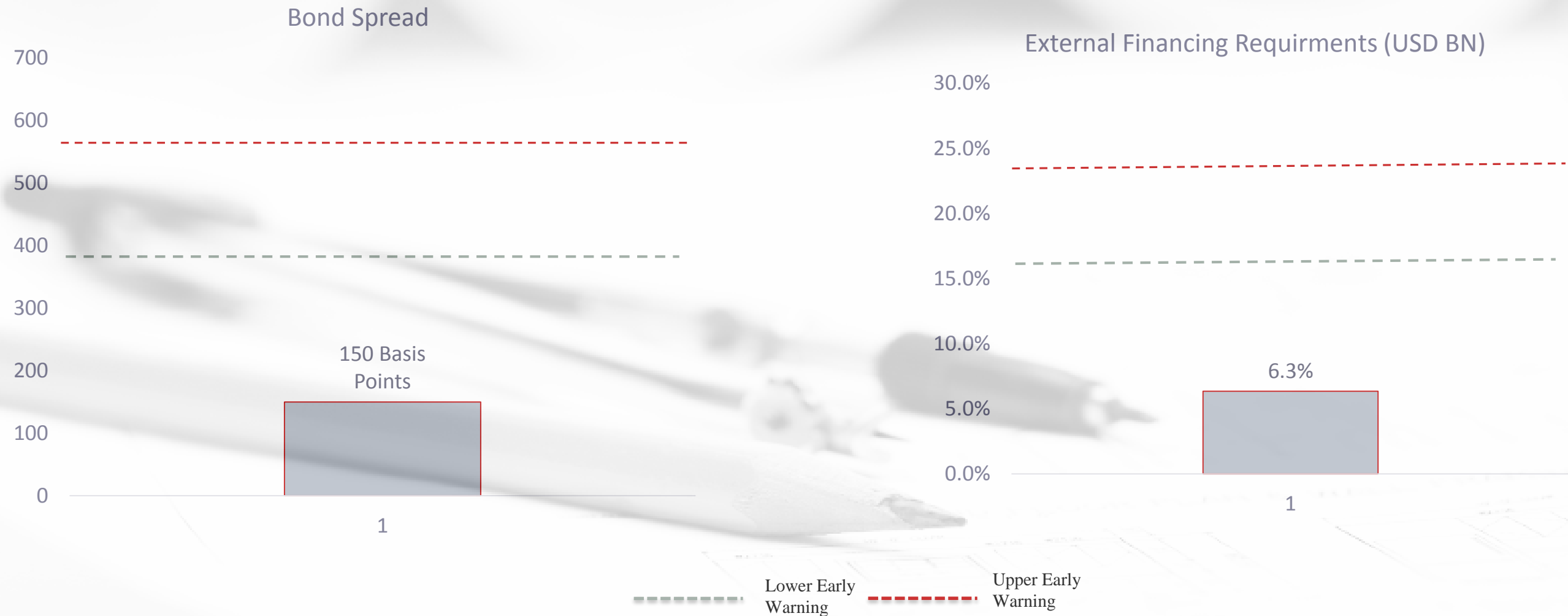


## According to the heat map, Egypt's external debt is sustainable





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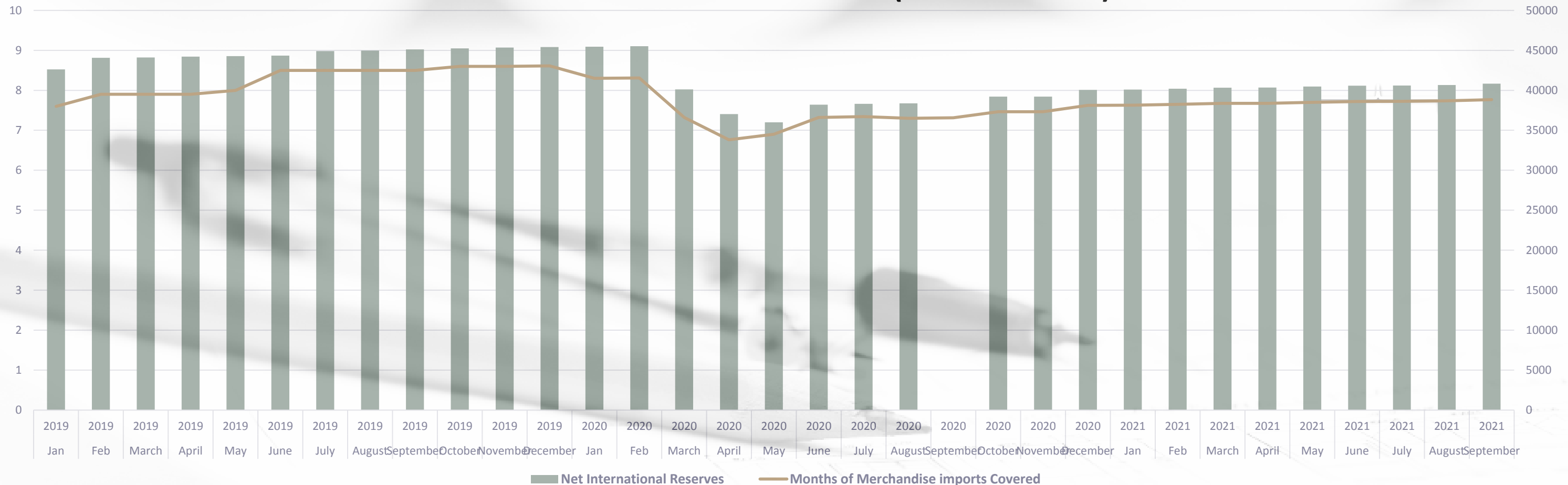


Source: Central Bank of Egypt.



**Egypt maintained a solid external position even in the global crisis, as NIR reached 40.8 billion USD covering about 7.6 months of merchandise imports which reflects the Egyptian economy resilience.**

### Net International Reserves (in Million USD)





• In spite of the global COVID-19 crisis, the sovereign credit rating agencies has Kept sovereign ratings of the Egyptian economy in the long-term and short-term, while maintaining a stable outlook.

• This reflects the international credit ratings' confidence in the Egyptian economy strength and its ability to cope positively and flexibly with the severe impacts of the pandemic.

• The stabilization of outlook was supported by Egypt's record in economic and financial reforms and macroeconomic stability, which led to the accumulation of foreign exchange reserves and high growth rates in the two years preceding the global COVID-19 crisis, as well as positive growth rates.

• The rating agencies noted that Egypt's foreign exchange reserves and access to domestic and foreign debt markets allow the government to cover high external financing needs and upcoming maturities.

• Egypt's credit rating affirmation is a critical action amid the economic and fiscal disruption that the world has been witnessing since the onset of COVID-19 crisis. Such a step asserts Egypt's economy creditworthiness and its ability to come out of the ongoing global crisis and to restore its high real GDP growth.

Egypt's position in International Credit Ratings					
Year		Moody's	Standard & Poor's	Fitch	
2021	Month	January , August	May	March, August	
	Ratings	B2	B	B+	
	Outlook	Stable outlook	Stable outlook	Stable outlook	
2020	Month	May	April	July	
	Ratings	B2	B	B+	
	Outlook	Stable outlook	Stable outlook	Stable outlook	
2019	Month	April	Nov.	Nov.	Mar.
	Ratings	B2	B	B	B+
	Outlook	Stable outlook	Stable outlook	Stable outlook	

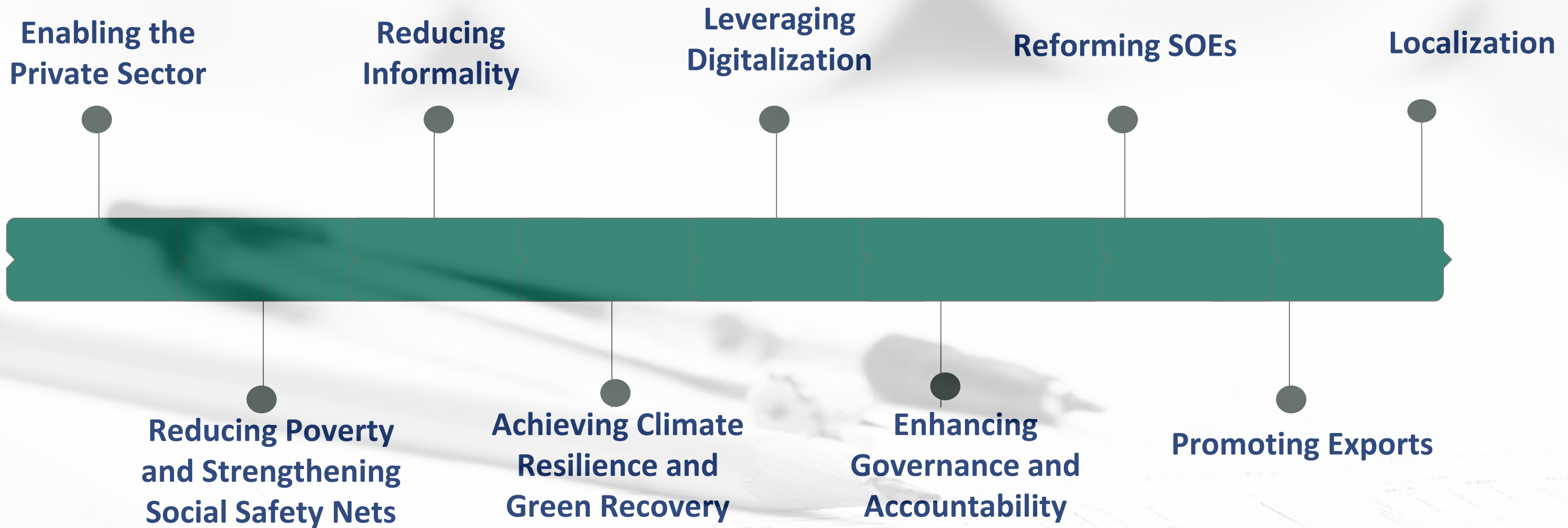
# The National Structural Reforms Program (NSRP)



- **The National Structural Reforms (NSRP) launched in April 2021** and it is the second phase of reforms, **targeting the real sector** through implementing a comprehensive package of radical and well-targeted reforms at both structural and legal levels and targeting the root causes of imbalances in the real sector and business environment.
- The NSRP aims at enhancing **the resilience of the Egyptian economy** and its ability **to absorb external and internal shocks**, promoting employment and employability and transforming the Egyptian economy into a more productive economy with maximized competitive advantages
- **The NSRP comes in line with Egypt's Vision 2030 and the UN Sustainable Development Goals (SDGs)**, supporting their goals and dimensions: economic, social, and environmental. In addition, the NSRP takes into account further aspects related to the green economy and environmental protection, the fourth industrial revolution, the pillars of Egyptian family development strategy, the necessity of controlling population growth rates and maintaining water and food security.



## The Targeted Structural Reforms Include a Set of Policies that Impacts the Aggregate Supply side to Lay the Groundwork for a long-term transformation toward an inclusive, resilient, and green economy

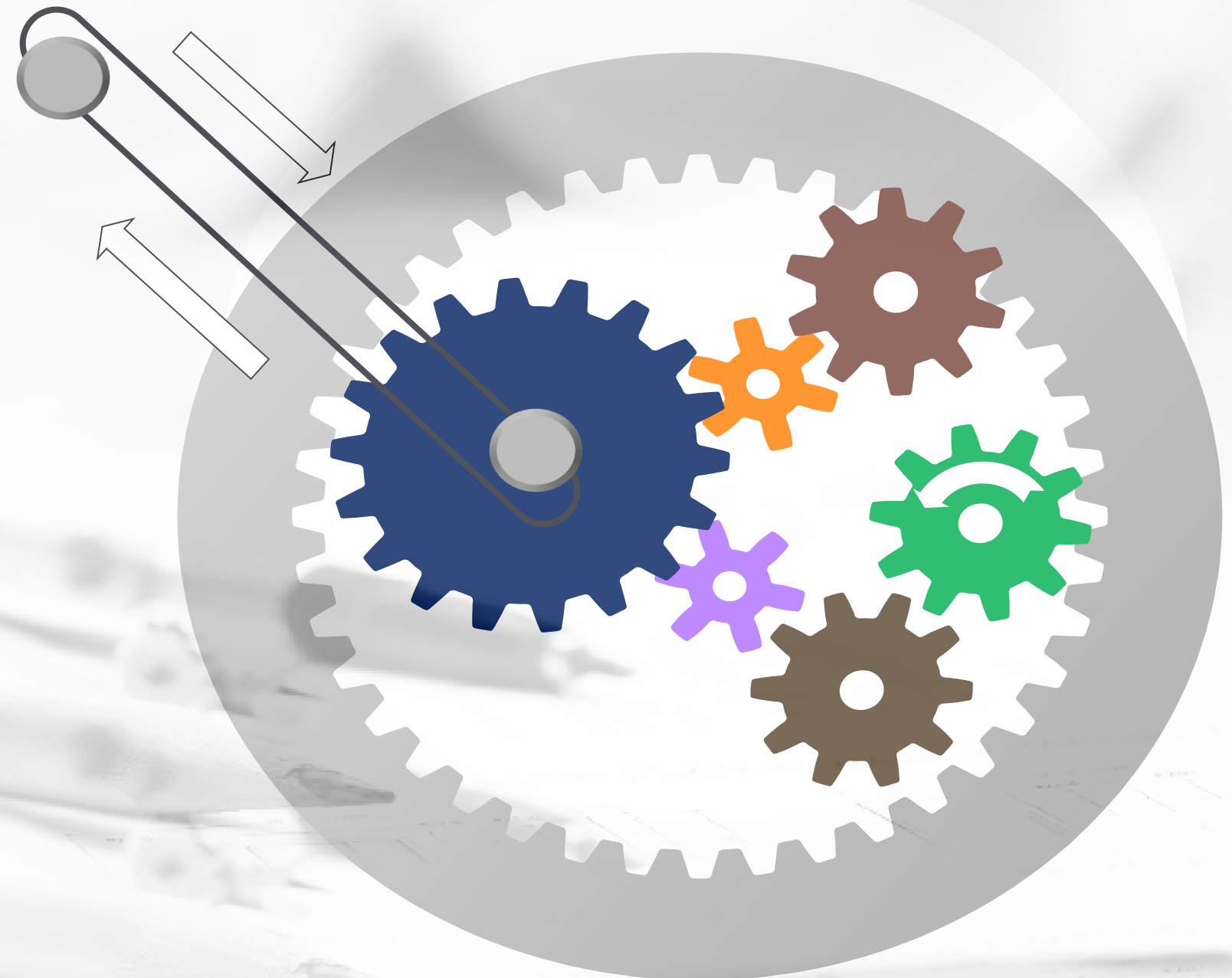


The NSRP encompasses comprehensive short-term and medium-term measures to implement the required radical reforms.

Financial System

Logistical System

Legislative System





➤ The program encompasses 6 pillars (**1 main and 5 supportive pillars**) supported by well-defined targets, covering structural and legislative measures.

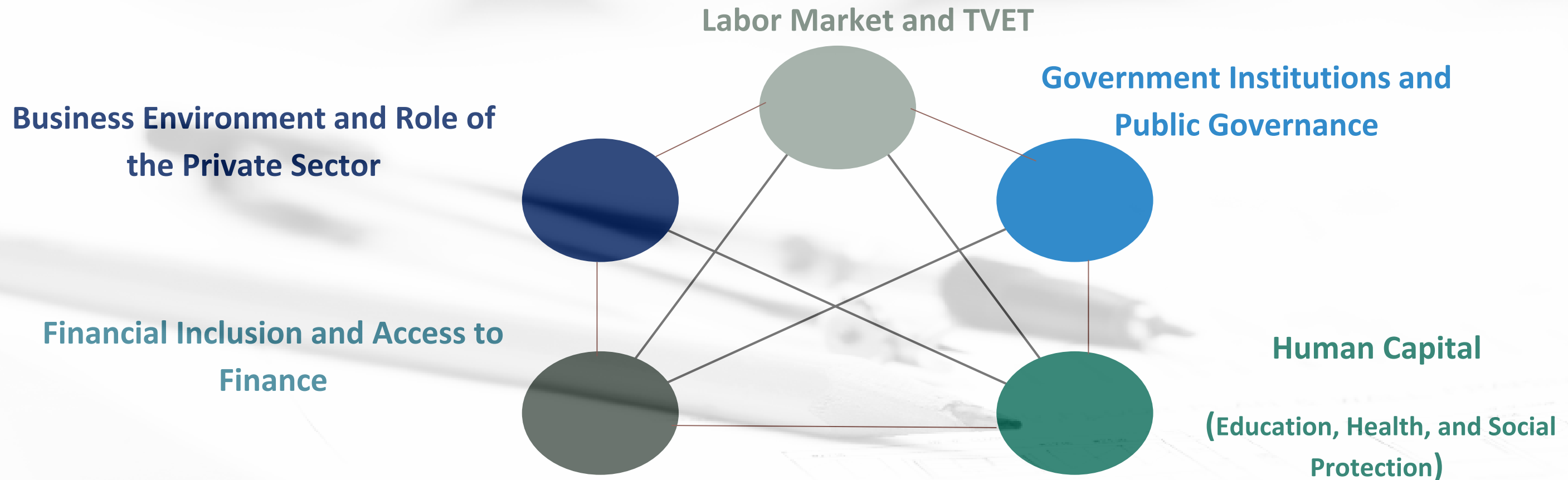
### **Main Pillar : Expanding the Relative Weight of the Following 3 Leading Sectors in the Egyptian Economy**

- 1. Manufacturing**
- 2. Agriculture**
- 3. Information and Communication Technology (ICT)**

These leading sectors have been selected according to specific criteria:

- ✓ High Potential of Growth
- ✓ Relative Weight in the GDP
- ✓ Employability
- ✓ Sectoral Linkages
- ✓ International Competitiveness Advantage
- ✓ High Potential of Value-Added Generation

## Five Supportive Pillars Were Interconnected Vertically and Horizontally to Support the Implementation of the Main Pillar





Economic Indicators	FY 2018/2019 Actual	FY 2020/2021 Actual	FY 2023-2024 Quantitative Targets
Real GDP Growth Rate (%)	5.6%	3.6%	6 - 7% With sustainable and positive growth rates during COVID-19 crisis.
Investment to GDP (%)	18%	13.7%	Not less than 20%
The Private Sector's Share of Total Investments (%)	46.4%	38.3 %	Increase the private sector's share of total investments by 20% per year.
Non-Oil Exports to GDP (%)	5.6%	4.9%	10% ( $\pm 1$ )
The Balance of Payments (Billion USD)	(1) deficit	(8.6) deficit	3 – 5 Surplus
Unemployment Rate (%) (Medium Average)	8.6%	8.3%	7.5% ( $\pm 1$ ) With an increase in the rate of participation in the labor market, especially the participation of women, and a focus on providing decent job opportunities.
Inflation Rate (%)	13.9%	5.7%	7 % ( $\pm 1.5$ ) This rate will be achieved after reaching the appropriate level that stimulates the market and achieves a general balance.

## I. Main Objectives/Policies of Reforming the Industrial Sector in the context of the NSRP:

- Upgrade the integration in the value chains.
- Increase the competitiveness of manufacturing industries.
- Localize and upstream manufacturing, while boosting local supply chains and deepening interconnections.
- Increase investment rates in manufacturing industries as well as the share of the sector in the GDP.
- Generate new job opportunities and support small and medium industries, and entrepreneurship.



### III. Main Objectives/Policies of Reforming the Agricultural Sector in the context of the NSRP:

- Maintain food and water security;
- Increase the productivity of the agricultural sector and its share of GDP;
- Create new job opportunities and increase the incomes of small farmers;
- Bolster agricultural exports and improve the sector competitiveness.



## II. Main Objectives/Policies of Reforming Information and Communication Technology (ICT) Sector in the context of the NSRP:

- Increase the sector's contribution to GDP and Develop the sector's export capacity from outsourcing services, products, electronic devices, and information technology consultancy.
- Raise the sector's capacity to create new job opportunities, enhance skills for future jobs, and support start-ups





## Supportive Pillar (1/5): Improve the Efficiency of the Labor Market and the TVET System

- Improve the technical education and vocational training system;
- Establish the institutional framework to activate the role of the private sector in education and training;
- Match supply and demand sides of the labor market; and
- Empower women, youth and people with special needs.



## **Supportive Pillar (2/5): Improve Business Environment and Enhance the Role of the Private Sector in the context of the NSRP**

- Create a supportive and enabling environment for competition.
- Facilitate and develop the movement of trade and remove barriers.
- Upgrade the logistics and transport sectors and enable private sector partnerships.
- Ease investment procedures.
- Support the transition to a green economy and the sustainable use of natural resources





## Supportive Pillar (3/5): Upgrade the Governance and the Efficiency of Public Institutions in the context of the NSRP

- Accelerate the pace of digitization;
- Promote administrative and institutional reform
- Empower local administration units and enhance their capacity
- Improve governance of State-owned Enterprises (SOEs).



## **Supportive Pillar (4/5): Promote Financial Inclusion and Facilitate Access to Finance in the context of the NSRP**

- Accelerate financial inclusion;
- Increase and diversify financing options availability to the private sector; and
- Stimulate the money market.



## **Supportive Pillar (5/5): Bolster Human Capital Development (Education, Health, and Social Protection)**

- Raise the efficiency of healthcare services and widen their scope;
- Activate the Egyptian family development strategy;
- Upgrade the competence of the educational system; and
- Widen coverage of the social protection network.



# Conclusion



- **The Egyptian economy is well-founded, well-structured, diversified and resilient**, which backed by major domestic structural reforms and well-coordinated economic policies.
- **The playing field is getting levelled**, with legal and structural reforms in place to ensure competition and the enhanced contribution for the private sector.
- **Green transformation and recovery is a necessity** and serious efforts are in place to ensure that
- **Knowledge, innovation and digital transformation** are clear targets to modernize businesses process, upscale industrialization, and enhance the skills of workforce to meet market requirements at both the international and domestic levels.

# Thank You