ECONOMIC SNAPSHOT

Key Highlights of the IMF’s Second Review on Egypt

Real GDP growth rebounded f to 4.2% in 2016/17

Inflation started to moderate after reaching a peak in July 2017

Business environment reforms

Improved external competitiveness

The floating of the exchange rate which led the parallel market to disappear, increased capital inflows and foreign reserves

Points of Strength

Primary fiscal deficit narrowed to 1.8% of GDP in 2016/17

Recovery in tourism

Growth is projected to strengthen to 4.8% in 2017/18 and rise to 6% in the medium term

Inflation is expected to decline to around 12% by June and to single digits in 2019

IMF’s Outlook

Current account deficit is projected to narrow to 4.5% of GDP in 2017/18 and to 3.5% of GDP by 2021/22

A primary fiscal surplus of 0.2 % GDP is projected in 2017/18 driven by the full year impact of the VAT increase, and lower wages and fuel subsidies

General government debt is projected to decline by about 17% of GDP by the end of the program

Increasing revenues by reducing VAT exemptions, making the tax system more progressive and the tax administration more efficient

Eliminating most fuel subsidies (excluding LPG) by 2019. The next fuel price increase and indexation mechanism* are scheduled for December 2018.

*Rule determining frequency and magnitude of price changes.

Shifting subsidy spending towards cash transfer programs like Karama and Takaful

Further Recommendations

Letting the private sector flourish

Deep and lasting structural reforms to create jobs

Reform of the central bank law; improving access to finance and land

Key Risks

Premature easing of monetary policy

Pressures to expand spending beyond budgetary allocations

Opposition to reforms by vested interests

Loss of momentum on structural reforms

Worsening of the security situation

Slower recovery of tourism

A sustained rise of global oil prices

Lower growth in Egypt’s main trading partners or unexpected tightening of global financial conditions

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