INTERNATIONAL MONETARY FUND

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ARAB REPUBLIC OF EGYPT

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ARAB REPUBLIC OF EGYPT

September 2020

In the context of the Request for Purchase Under the Rapid Financing Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 11, 2020, following discussions that ended on April 29, 2020, with the officials of the Arab Republic of Egypt on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 4, 2020.
- An **Assessment of the Risks to the Fund and the Fund's Liquidity Position.**
- A **Statement by the Executive Director** for the Arab Republic of Egypt.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Approves US$ 2.772 Billion in Emergency Support to Egypt to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The Executive Board of the IMF approved Egypt's request for emergency financial assistance of US$ 2.772 billion to meet the urgent balance of payments needs stemming from the outbreak of the COVID-19 pandemic.

- The pandemic and global shock pose an immediate and severe economic disruption that could negatively impact Egypt's hard-won macroeconomic stability if not addressed.

- The RFI will help alleviate pressing financing needs, including for health, social protection, and supporting the most impacted sectors and vulnerable groups.

Washington, DC – May 11, 2020: The Executive Board of the International Monetary Fund (IMF) approved Egypt's request for emergency financial assistance of SDR 2,037.1 million (US$ 2.772 billion, 100 percent of quota) under the Rapid Financing Instrument (RFI) to meet the urgent balance of payments needs stemming from the outbreak of the COVID-19 pandemic. Purchase under the RFI entails exceptional access due to outstanding credit under the previous extended arrangement under the Extended Fund Facility.

Egypt achieved a remarkable turnaround prior to the COVID-19 shock, carrying out a successful economic reform program supported by the IMF's Extended Fund Facility (EFF) to correct large external and domestic imbalances. The pandemic and global shock pose an immediate and severe economic disruption that could negatively impact Egypt's hard-won macroeconomic stability if not addressed. The authorities have launched a comprehensive package to contain the economic impact of the COVID-19 shock. The RFI will help alleviate some of the most pressing financing needs, including for spending on health, social protection, and supporting the most impacted sectors and vulnerable groups.

The IMF remains closely engaged with the Egyptian government and the Central Bank of Egypt and stands ready to provide policy advice and further support, as needed.

Following the Executive Board discussion, Mr. Geoffrey Okamoto, First Deputy Managing Director and acting Chair, made the following statement:

"The COVID-19 pandemic has drastically disrupted people's lives, livelihoods, and economic conditions in Egypt. The global shock has resulted in a tourism standstill, significant capital flight, and a slowdown in remittances, resulting in an urgent balance of payments need.

"The Government of Egypt has responded to the crisis with a comprehensive package aimed at tackling the health emergency and supporting economic activity. The authorities acted swiftly to allocate resources to the health sector, provide targeted support to the most severely impacted sectors, and expand social safety net programs to protect the most vulnerable.

Similarly, the Central Bank of Egypt adopted a broad set of measures, including lowering the policy rate and postponing repayments of existing credit facilities.

“Emergency support under the Rapid Financing Instrument will help limit the decline in international reserves and provide financing to the budget for targeted and temporary spending, aimed at containing and mitigating the economic impact of the pandemic. The authorities are committed to full transparency and accountability on crisis-related spending including through publishing information on procurement plans and awarded contracts, as well as ex-post audits of such spending

“Additional expeditious support from multilateral and bilateral creditors will be needed to close the remaining balance of payments gap, ease the adjustment burden, and preserve Egypt’s hard-won macroeconomic stability.

“As the crisis abates, measures to lower the debt level would need to resume along with continued implementation of structural reforms to increase the role of the private sector to achieve higher and inclusive private sector-led growth and job creation, unlocking Egypt’s growth potential and entrenching resilience.”

INTERNATIONAL MONETARY FUND

ARAB REPUBLIC OF EGYPT

May 4, 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic has drastically disrupted people's lives, livelihoods, and economic conditions. Growth is expected to slow considerably in both 2019/20 and 2020/21 as tourism is at a standstill and domestic activity is expected to significantly slow. The external accounts are expected to deteriorate from portfolio outflows and the shock to tourism and remittances, resulting in an urgent balance of payments need.

Purchase under the Rapid Financing Instrument (RFI). The authorities have requested a purchase under the RFI of 100 percent of quota (SDR 2,037.1 million) to alleviate the urgent balance of payments need. The pandemic and global shock pose an immediate and severe economic disruption that could negatively impact Egypt's hard-won macroeconomic stability if not addressed. While maximum access under an RFI will still leave a financing gap, it will ease immediate financing needs. The authorities have requested a follow-on Stand-By Arrangement, while also seeking financing from other multilateral and official bilateral creditors.

Policies. The authorities launched a broad policy response to contain the economic impact of the shock. Fiscal, monetary, and financial sector measures were announced to increase health sector allocations, cushion the directly impacted sectors, and expand support to the poor and vulnerable. The Central Bank of Egypt has initiated measures to ease pressures in domestic liquidity and credit conditions. Discussions agreed that fiscal policy should prioritize health issues, limit the macroeconomic impact and address social needs, and stressed that spending measures should be timely, temporary, targeted, and transparent. Exchange rate flexibility is critical as a shock absorber, and monetary stance should continue to ensure low and stable inflation and maintain policy credibility. Resuming debt reduction will be essential once the crisis passes.

Exceptional access (EA) and debt sustainability. The authorities' favorable track record and commitment to strong policies should support a solid rebound after the crisis and market access as conditions normalize. The crisis has increased near-term risks, and staff assesses that Egypt's public debt remains sustainable but not with high probability. The proposed RFI financing requires EA, and staff assesses Egypt to meet the criteria for EA safeguards for the full 100 percent of quota. Also, Egypt's capacity to repay the Fund is adequate. Staff therefore recommends approval of Egypt's request for a purchase under the RFI of 100 percent of quota (SDR 2,037.1 million).

Approved By
Juha Kähkönen and Petya Koeva-Brooks

Virtual discussions took place April 28–29, 2020. The staff team comprised Uma Ramakrishnan (head), Deeksha Kale, Matthew Gaertner, Nikoloz Gigineishvili, Suchanan Tambunlertchai (all MCD), Geoffrey Keim (SPR), Emine Hanedar (FAD), Constant Verkoren (MCM), Said Bakhache (Senior Resident Representative), and Karim Badr (Resident Representative Office). Ms. Abdelati (OED) also participated in the discussions. The team met virtually with Mohammed Maait, Minister of Finance; Tarek Amer, Governor of the Central Bank of Egypt; and other senior officials.

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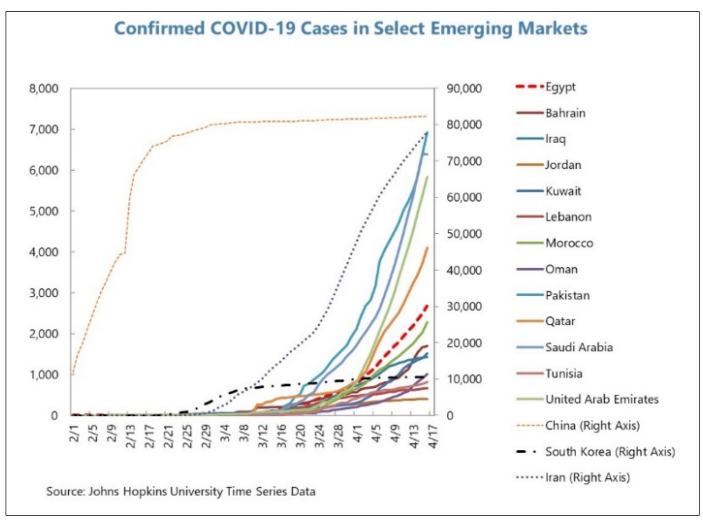
RECENT ECONOMIC DEVELOPMENTS

1. **Egypt achieved a remarkable turnaround prior to the COVID-19 shock, carrying out a successful reform program to correct large external and domestic imbalances, but challenges remained.** The authorities' 2016–19 program, supported by the arrangement under the Extended Fund Facility (EFF), implemented bold economic measures, including liberalization of the exchange rate, removal of most fuel price subsidies, and substantial fiscal consolidation to ensure public debt sustainability. Fiscal savings were partly utilized to strengthen social protection to ease the burden of adjustment on the poor, and reforms were initiated in multiple structural areas including competition policy, public procurement, industrial land allocation, and SOE governance. The authorities' strong ownership and commitment were critical in achieving macroeconomic stabilization, accompanied by a recovery in growth, employment, and market confidence, and a sharp decline in public debt. However, challenges remain particularly in addressing poverty and inequality. Since the EFF's conclusion, the authorities have been showing readiness to embark on the next wave of reforms to entrench macroeconomic stability and further advance structural reforms—including strengthening competition and leveling the playing field for all economic stakeholders, improving access to finance and land, and enhancing fiscal transparency—to achieve sustained higher and inclusive private sector-led growth and job creation.

2. **Macroeconomic performance remained favorable following completion of the EFF.** Real GDP increased 5.6 percent (year-on-year) in the first half of 2019/20, supporting a steady decline in unemployment to 8 percent, while 12-month consumer price inflation slowed to 5 percent in March 2020 from 14 percent in May 2019. International reserves at end-February were at $45 billion (125 percent of the ARA metric), while a primary fiscal surplus of 2 percent of GDP was projected to keep public debt on a downward trajectory. Financial market conditions also continued to improve through early 2020, with T-bill yields declining to their lowest level since early 2016 and Egypt regularly accessing international capital markets.

IMPACT OF THE SHOCK

3. **The COVID-19 pandemic has drastically impaired economic conditions, with Egypt experiencing significant pressure as the virus spread.** Confirmed cases have been rising (5,537 as of April 30) as has the death toll (392). To mitigate the spread, the authorities have set up testing centers, imposed a partial curfew, halted all air travel, suspended schools and universities, closed historical sites, places of worship, restaurants, and entertainment

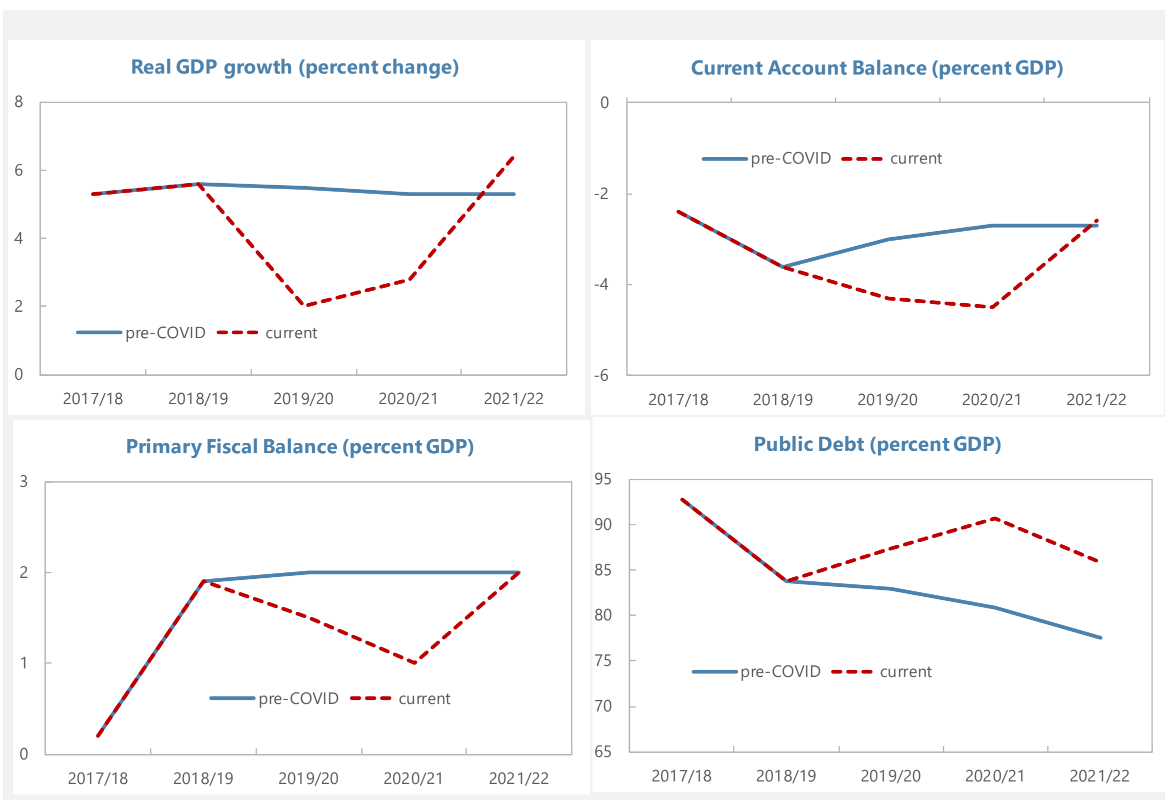


establishments, and encouraged civil servants to work from home in nonessential sectors. Tourism was brought to an immediate standstill, while turbulent global market conditions have resulted in a significant reversal of capital flows, although outflows have slowed significantly in recent weeks.

4. **The impact on the near-term macroeconomic outlook is expected to be significant.** The buffers built during the EFF have put Egypt in a strong position to confront the crisis, but the economic impact is likely to be sizable. In addition to the impact on tourism and other exports, remittances are likely to be hit hard, and domestic activity is expected to slow significantly as a result of the containment measures to slow the spread of the virus. The crisis could also particularly affect the livelihoods of the poor and vulnerable and those in the informal sector.

- *While forecasts are subject to higher than usual uncertainty, the impact from both supply and demand shocks is likely to be severe.* A significant economic contraction is projected in Q4 of FY19/20 and Q1 of FY20/21, resulting in a downward revision in real GDP growth to 2 percent in 2019/20 and 2.8 percent in 2020/21. Unemployment is also likely to rise, particularly from the sharp slowdown in tourism. A strong rebound is currently projected in 2021/22 assuming domestic activity starts to normalize; a full recovery in tourism to pre-COVID levels may take longer as health concerns may continue to weigh on international travel.

COVID-19 Related Revisions to Projections



- *Public finances are likely to come under significant pressure.* With budget discussions ongoing and specific measures still being quantified, preliminary indications are that the primary surplus could decline from the budgeted 2 percent of GDP to 1.4 percent in 2019/20 and 1 percent in 2020/21, reflecting higher spending to contain the impact of the shock. As a result, public debt is projected to rise from 84 percent of GDP in 2018/19 to 91.5 percent in 2020/21, compared with a pre-COVID projection of 79 percent for 2020/21. Debt is expected to resume its downward trajectory from 2021/22, as the crisis abates.

- *Financial sector remains stable, but the crisis poses risks.* As in other countries, the economic slowdown could adversely impact banks' loan portfolios, possibly resulting in higher provisioning charges, lower earnings, and tighter liquidity conditions. However, the banking system is relatively well positioned to handle stress, with most recent data showing that, at an aggregate level, the banking system is liquid and well capitalized, with strong profitability and asset quality.

5. The external shock creates an urgent balance of payments need. The external balance is expected to deteriorate from portfolio outflows, weaker FDI, the shock to tourism, and weaker remittances. The external financing gap is estimated at roughly $9.2 billion in FY19/20 and $4.5 billion in FY20/21. Staff assesses that the balance of payments need is immediate, with Egypt having already lost more than $5 billion in reserves in March; further rapid reduction could undermine confidence and generate unwarranted economic instability.

Egypt: Summary External Financing Needs and Sources

	Pre Covid-19		Post Covid-19	
	2019/20	2020/21	2019/20	2020/21
	(billion dollars)			
Financing needs	**37.2**	**35.8**	**38.4**	**42.0**
Current account deficit	11.2	10.6	15.2	16.2
of which: net interest payments	4.3	4.6	4.2	4.3
Maturing short-term debt	14.4	16.9	16.2	19.2
Amortization of medium and long-term debt	11.6	8.2	7.0	6.5
Financing sources	**37.2**	**35.8**	**29.2**	**37.5**
FDI, net	9.6	10.8	7.8	7.1
Rollover of short-term debt	14.4	16.9	16.2	19.2
Medium and long-term borrowing	10.7	8.7	7.7	6.7
IMF EFF	2.0	-0.2	2.0	-0.2
Other net capital flows	-0.2	0.5	-12.4	1.5
Of which: portfolio investment	4.4	5.0	-12.5	3.0
Change in reserves	1.8	-0.8	8.8	3.1
Change in arrears 1/	-1.0	0.0	-1.0	0.0
Errors and omissions	0.0	0.0	0.0	0.0
Rapid financing instrument				
Financing gap before RFI	0.0	0.0	-9.2	-4.5
RFI purchase	0.0	0.0	-2.8	0.0
Residual financing gap	0.0	0.0	-6.4	-4.5
of which: Expected bilateral and multilateral financing	0.0	0.0	-2.2	0.0

1/ EGPC arrears.

POLICY RESPONSE

6. **The authorities have launched a comprehensive package to contain the economic impact of the COVID-19 shock.** A package for EGP 100 billion (1.8 percent of GDP) of fiscal, monetary, and financial sector measures has been announced.[1] While the entire set of measures underlying the package have not all been announced, the current fiscal package includes increased allocations to the health sector and a range of measures to cushion the impact on most severely impacted sectors (see table). In addition, social support for the poor and vulnerable has been expanded, with the coverage of the targeted conditional cash transfer programs Takaful and Karama scaled up to reach additional 60,000–70,000 families to a total of 2.9 million families. Additional measures are under consideration in the context of the FY20/21 budget.

Fiscal Measures in Response to Covid-19

Measures	Fiscal Cost (In Percent of GDP)
Additional funding for medical equipment and supplies and higher wage appropriations for public health staff	0.135
Options for delayed payment of corporate income taxes in installments	0.026
Reduction in electricity and natural gas tariffs for industries	0.036
A three month deferral of property tax payments	0.004
An increase in the share of production in duty free zones that can be sold in the domestic market	0.000
Higher subsidy pay-outs for exporter	0.022
A six-month holiday on property taxes and deferral of government fees for the tourism sector	0.004
Financial support for the aviation sector	0.003
Additional funding for contractors implementing government investment programs	0.175
A three-month cash payment to workers impacted by the crisis	0.053
Financing to purchase additional quantities of basic commodities	0.070
Total	**0.527**

7. **Staff agreed that the immediate focus of fiscal policy should be to forcefully tackle the health issue, limit the macroeconomic impact, and address social needs.** There was agreement that crisis spending measures should be timely, transparent, temporary, and targeted at the sectors most affected by the pandemic, including higher health and social spending. Given limited fiscal space, staff noted that restoring the primary surplus to 2 percent of GDP as conditions normalize from 2021/22 will be essential to resume the downward trajectory of public debt. The authorities agree that reduction in the debt will need to be pursued once recovery in underway. In this regard, to further support revenue mobilization, the authorities are committed to amending the medium-term revenue strategy to reflect the new economic environment created by COVID-19, including through support from IMF capacity development. There was also agreement that reducing gross financing needs and lowering rollover risk is a critical objective for debt sustainability; staff noted that it would need to be underpinned by updated strategies for medium-term debt management.

[1] The announced package has components that do not have a direct fiscal impact and some spending items that were already included in the budget or reallocated from other parts of the budget.

8. **Transparency and accountability of emergency spending will be important**. It is expected that the proposed purchase from the RFI will be made available for budget support (see also ¶17). To ensure transparency, the authorities are committed to publishing documentation on government procurement plans and awarded contracts for the emergency responses to COVID-19, including the awarded companies and information on beneficial ownership information, in line with the applicable law. As is customary, the State Audit Authority will audit crisis-mitigating inflows and spending including ex-post validation of spending, and publish the results after the end of the fiscal year as required in the constitutional mandate.

9. **The Central Bank of Egypt (CBE) has also introduced a series of measures to support liquidity and credit conditions.** With inflation easing and expectations anchored within the CBE's target (of 9+/- 3 percent), the CBE reduced the policy interest rate by 300 basis points to 9.25 percent in mid-March to help support economic activity and alleviate pressures in domestic financial markets. The authorities accommodated large capital outflows through a drawdown in reserves, which they viewed as necessary to avoid excessive exchange rate volatility in the context of the abrupt and severe turbulence in financial markets. Repayments under existing credit facilities for all customers were automatically postponed for a period of six months, and the preferential interest rate under CBE-supported lending schemes was reduced from 10 to 8 percent. Temporary daily limits for withdrawals and cash deposits were introduced (these limits were subsequently raised), and two state banks issued EGP 100 billion in high-yield (15 percent) local currency deposit certificates, which in staff's view may have helped forestall an increase in dollarization. In addition, limits for mobile payments were increased and a new debt relief initiative was introduced for individuals with overdue payments on debts under EGP 1 million. The CBE also announced a stock-purchase program to support the domestic equity market during the crisis, which the authorities noted would be administered by portfolio managers under strict guidelines to prevent conflict of interest and was not yet utilized.

10. **A pause to additional monetary policy easing would be advisable until the impact of the latest easing becomes clearer.** Scope for further easing needs to carefully weigh the tradeoffs of its impact on inflation vis-à-vis potential additional capital flight that may create exchange rate pressures, which may in turn fuel inflation. The CBE noted their commitment to respond to developments in inflation. The authorities are carefully monitoring developments and recognize that maintaining policy credibility requires anchoring inflation expectations and consistent signaling across its various policy actions.

11. **Exchange rate flexibility is a critical shock absorber.** Despite significant portfolio outflows, the pound has depreciated by less than 2 percent since end-February. The authorities agreed that the exchange rate should flexibly adjust to market forces with FX intervention limited to contain disorderly market conditions; they are committed to allowing two-way movements based on FX demand and supply.

12. **The CBE agreed that banks should engage with heavily affected borrowers to alleviate near-term stresses via targeted loan modifications.** While the temporary moratorium on loan repayments can dampen the immediate impact of the outbreak, more targeted restructuring modalities, directed towards those borrowers that have been disproportionally affected, could help

reduce moral hazard and contain costs to the banking system. To support restructurings and boost the provision of credit to the real economy, consideration could be given to allow banks to temporarily draw down their financial buffers (e.g., capital conservation buffer), subject to the preparation of credible restoration plans. Banks should continue to strictly apply loan classification rules and provisioning requirements, and closely assess the creditworthiness of their borrowers—especially those that benefit from temporary concessions. Enhancing reporting of asset quality trends and performance of restructured loans could help ensure accurate monitoring of underlying vulnerabilities. Staff also encouraged accelerating the enactment of the draft Central Bank and Banking Sector Act.

13. The authorities reiterated their commitment to continued implementation of structural reforms to support more inclusive private sector-led growth as the crisis abates. Staff agreed that once recovery is underway addressing broader structural reforms—including strengthening competition and leveling the playing field for all economic stakeholders, improving access to finance and land, and enhancing fiscal transparency to tackle governance and corruption issues—would be essential to achieve sustained higher and inclusive private sector-led growth and job creation.

DEBT SUSTAINABILITY

14. Egypt's public debt is assessed to be sustainable, but not with high probability. Risks have increased from the impact of the shock on the domestic and external environment (Annex I). Egypt's level of public debt is high and gross financing needs are large. While the impact on economic activity from the pandemic has increased risks, several factors—including the high share of domestic currency debt issued locally and held by domestic financial institutions, retention of credit ratings by major ratings agencies with a stable outlook since the crisis started, and sizeable buffers coming into this crisis—help mitigate these risks (Annex II). While the COVID-19 shock will result in higher public debt than previously projected in 2019/20 and 2020/21, the primary surplus is expected to return to 2 percent of GDP from 2021/22 and public debt is projected to resume its downward trajectory. The authorities are cognizant of debt risks and agreed on the need to lengthen maturities of their treasury issuances; in this context, they are already executing a strategy to lengthen the maturity structure of domestic public debt which is beginning to demonstrate results. The authorities' favorable track record and commitment to a strong policy framework should support a solid rebound after the crisis, reinforcing investor confidence, and facilitating continued market access as financial market conditions normalize.

RISKS

15. Downside risks to the outlook arise from the unusual uncertainty about the duration and magnitude of the outbreak and the persistence of measures to contain it. If the crisis turns out to be more severe and/or longer than expected, the output loss could be larger in 2020, with associated delays in the recovery and macroeconomic stabilization. This could result in even higher unemployment, larger public debt, lower growth, rising poverty and inequality, asset quality erosion in the banking sector, and social pressures. Further tightening of global financial conditions poses rollover and interest rate risks.

MODALITIES OF SUPPORT

16. Staff supports the authorities' request for a purchase under the RFI of 100 percent of quota (SDR 2,037.1 million) to help Egypt meet its urgent BoP needs. Given the significant balance of payments pressures arising from pressures in the external current and financial accounts, there is an urgent financing need. While maximum access under an RFI will still leave a financing gap in 2019/20 and 2020/21, the RFI will serve as a bridge while allowing the authorities to explore options to fill the remaining gap. The authorities have requested financing from a Stand-By Arrangement, as well as exploring possible financing from other multilateral institutions and official bilateral creditors. The authorities are pursuing policies that are appropriate to address the impact of the virus and remain committed to a strong macroeconomic framework and sustained structural reform implementation to support strong medium-term growth. The proposed RFI purchase requires exceptional access as the 2016 EFF has left Egypt close to its normal access limit (at 422 percent of quota), but based on available external debt obligations, Egypt meets the criteria for EA safeguards for the full 100 percent of quota access under the RFI (see Annex 1). The authorities are committed to working closely with the Fund in an effort to find solutions for its BoP difficulties.

17. The proposed purchase under the RFI will be made available for Egypt's BoP needs and is intended to be on-lent for budget support. In this regard, the Ministry of Finance and the CBE will agree to a Memorandum of Understanding that clarifies the responsibilities for timely servicing of the obligations to the Fund. In addition, the authorities are committed to a fiscal safeguards review by the IMF, as required under the IMF's Safeguards Assessments Policy, as the RFI will lead to exceptional access to Fund resources and involve budget support of more than 25 percent of total cumulative access.

18. Capacity to repay the Fund under such an access would remain adequate. The authorities' commitment to sound macroeconomic policies should facilitate Egypt's continued market access, with an impressive track record of fiscal consolidation and public debt reduction under the 2016–19 EFF. Projected debt service payments to the Fund would peak at 9.3 percent of gross international reserves and 5.1 percent of exports.

19. An updated safeguards assessment of the CBE will be needed under the RFI purchase. The update will assess the status of outstanding reforms stemming from the 2017 safeguards assessment, including the enactment of the amended CBE Law and revamping the central bank's financial reporting practices to comply with Egyptian Accounting Standards/IFRS.

STAFF APPRAISAL

20. The COVID-19 shock has had a significant and immediate negative impact on the Egyptian economy, creating an urgent balance of payments need. Growth is projected to sharply slow during 2019/20 and 2020/21 as a result of a halt in tourism, reduced remittances, and a slowdown in domestic activity. A flexible exchange rate and adequate reserves provide a significant cushion to counter the shock, but the shock has nevertheless created an estimated external financing gap of $14 billion during 2019/20 and 2020/21.

21. The authorities' response measures have been comprehensive, with a wide-ranging package to contain the health crisis and maintain macroeconomic stability. This includes additional allocations to the healthcare sector; an expansion of the cash transfer social program; and exceptional support for the most severely impacted sectors, particularly tourism and its related activities. The reduction in the CBE's policy rate has supported domestic financial markets.

22. Staff stressed that support measures must be timely, targeted, transparent, and temporary, focusing on the immediate health spending needs and protecting the most vulnerable. The available fiscal space should prioritize allocating the necessary health spending to address the pandemic, support the poor, and the people and businesses directly impacted by the crisis. The exchange rate should be allowed to move flexibly with two-way movements reflecting market demand and supply, with intervention limited to address disorderly conditions. The CBE should also continue to monitor banking sector conditions closely. Once recovery is underway, the temporary policies should be reversed, with fiscal policy resuming a primary surplus target of 2 percent of GDP and downward trajectory of public debt. Pausing further policy rate cuts would be appropriate until the impact of the already large monetary stimulus becomes clearer. Transparency and accountability to ensure that the emergency funds are used for their intended purposes is crucial. The authorities should also soon resume their efforts to broaden structural reforms to support private sector development to achieve strong and inclusive medium-term growth and job creation.

23. Staff supports the proposed purchase under the RFI. Egypt meets the qualification requirements for the RFI, its debt is sustainable with continued strong policy implementation, and its capacity to repay the Fund remains adequate.

Table 1. Egypt: Selected Macroeconomic Indicators, 2017/18–2023/24 1/

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
			Proj.	Proj.	Proj.	Proj.	Proj.
Output and prices				(percent change)			
Real GDP (market prices)	5.3	5.6	2.0	2.8	6.4	5.3	5.3
Consumer prices (end of period)	14.4	9.4	6.2	9.0	8.5	8.0	7.5
Consumer prices (period average)	20.9	13.9	5.8	8.2	8.7	8.1	7.8
Public finances 2/				(percent of GDP)			
Gross Debt	92.7	83.8	87.5	91.5	86.7	82.9	79.2
External	19.2	17.9	19.6	21.6	19.6	18.6	17.5
Domestic	73.5	65.9	67.9	69.9	67.1	64.3	61.7
Budget sector 3/							
Revenue and grants	18.5	17.7	18.1	18.9	18.8	19.0	19.0
Expenditure (incl. net acquisition of financial assets)	28.3	25.8	26.5	26.7	24.6	23.7	23.7
Of which: Energy subsidies	3.4	1.9	0.7	0.4	0.4	0.4	0.4
Overall balance	-9.7	-8.1	-8.3	-7.8	-5.7	-4.7	-4.7
Overall balance, excl. grants	-9.8	-8.1	-8.4	-7.9	-5.8	-4.7	-4.7
Primary balance 4/	0.2	1.9	1.4	1.0	2.0	2.0	2.0
Monetary sector				(percent change)			
Credit to the private sector	10.1	12.4	13.0	13.0	14.0	15.0	15.0
Reserve money	23.7	-4.5	11.1	13.0	13.0	14.0	15.0
Broad money (M2)	18.5	11.8	9.4	14.7	15.8	14.9	15.4
Treasury bill rate, 3 month (average, in percent)	18.8	18.6	…	…	…	…	…
External sector				(percent of GDP, unless otherwise indicated)			
Exports of goods (in US$, percentage change)	18.9	10.3	-7.2	-8.8	18.8	8.0	5.2
Imports of goods (in US$, percentage change)	6.9	5.4	-9.8	-12.3	7.2	20.1	13.7
Merchandise trade balance	-14.9	-12.6	-9.6	-8.0	-7.4	-9.2	-10.4
Current account	-2.4	-3.6	-4.3	-4.6	-2.7	-2.4	-2.5
Capital and financial account (incl. errors and omissions)	4.0	1.3	-1.1	2.5	3.1	2.7	4.2
Foreign direct investment (net, in billions of US$)	7.4	7.9	7.8	7.1	8.5	11.4	15.5
External debt 5/	37.4	34.1	33.2	35.4	31.9	28.5	26.7
Gross international reserves (in billions of US$)	43.5	43.9	35.0	31.9	32.6	32.3	38.3
In months of next year's imports of goods and services	6.7	7.4	6.9	5.7	4.9	4.3	4.7
In percent of short-term external debt 6/	139.1	167.6	111.1	91.5	87.7	79.5	94.4
Financing gap (in billions of US$)	0.0	0.0	-9.2	-4.5	0.0	0.0	0.0
Memorandum items:							
Nominal GDP (in billions of Egyptian pounds)	4,437	5,322	5,701	6,317	7,320	8,345	9,477
Nominal GDP (in billions of US$)	250	302	…	…	…	…	…
GDP per capita (in US$)	2,580	3,047	…	…	…	…	…
Unemployment rate (period average, percent)	10.9	8.6	…	…	…	…	…
Population (in millions)	97.0	99.2	101.5	103.8	106.2	108.7	111.2

Sources: Egyptian authorities; and IMF staff estimates and projections.
1/ Fiscal year ends June 30. Fiscal projections for 2020/21 are prelimenary. Budget discussions are ongoing in response to the COVID-19 shock.
2/ General government includes the budget sector, the National Investment Bank (NIB), and social insurance funds.
3/ Budget sector comprises central government, local governments, and some public corporations.
4/ The primary balance for 2017/18 excludes the recapitalization of the CBE for EGP 6 billion.
5/ Includes multilateral and bilateral public sector borrowing, private borrowing and prospective financing.
6/ Debt at remaining maturity and stock of foreign holding of T-bills.

Table 2a. Egypt: Balance of Payments, 2017/18–2024/25
(In billions of US$, unless otherwise indicated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account	-6.0	-10.9	-15.2	-16.2	-10.1	-9.8	-10.7	-12.0
Balance on goods and services	-26.2	-25.0	-23.2	-24.2	-18.0	-18.5	-20.7	-23.4
Exports of goods and services	47.3	52.9	47.6	36.7	48.9	61.5	69.9	77.3
Imports of goods and services	-73.5	-77.9	-70.9	-60.8	-66.9	-80.0	-90.6	-100.6
Trade balance	-37.3	-38.0	-33.6	-28.5	-27.8	-36.9	-44.5	-51.9
Oil and gas	-3.7	0.0	2.0	2.0	0.9	-0.1	-1.6	-3.3
Other	-33.6	-38.0	-35.5	-30.5	-28.7	-36.8	-42.9	-48.6
Exports of goods	25.8	28.5	26.4	24.1	28.6	30.9	32.5	33.8
Oil and gas	8.8	11.6	10.4	8.5	7.9	7.5	7.4	7.1
Other	17.1	16.9	16.0	15.6	20.7	23.5	25.1	26.8
Imports of goods	-63.1	-66.5	-60.0	-52.6	-56.4	-67.8	-77.0	-85.7
Oil and gas	-12.5	-11.5	-8.5	-6.5	-7.1	-7.5	-9.0	-10.4
Other	-50.6	-55.0	-51.5	-46.1	-49.4	-60.2	-68.1	-75.4
Services (net)	11.1	13.0	10.3	4.4	9.8	18.4	23.8	28.5
Receipts	21.5	24.4	21.2	12.6	20.2	30.6	37.4	43.4
Of which: Tourism receipts	9.8	12.6	10.2	3.1	8.8	16.8	21.8	26.2
Of which: Suez canal receipts	5.7	5.7	5.4	5.3	5.7	6.0	6.3	6.7
Payments	-10.4	-11.4	-10.9	-8.2	-10.4	-12.2	-13.6	-14.9
Of which : Transportation	-1.5	-1.8	-1.7	-1.5	-1.6	-2.0	-2.2	-2.5
Of which: Travel	-2.5	-2.9	-2.9	-0.9	-2.6	-2.8	-3.0	-3.2
Primary income (net)	-6.3	-11.0	-14.2	-14.1	-15.1	-15.3	-15.2	-15.0
Receipts	0.8	1.0	1.2	1.2	1.3	1.3	1.4	1.5
Payments	-7.1	-12.0	-15.4	-15.3	-16.3	-16.7	-16.6	-16.5
Transfers	26.5	25.1	22.3	22.1	23.0	24.1	25.2	26.4
Official grants	0.2	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Private remittances	26.3	24.8	21.9	21.7	22.7	23.7	24.8	26.0
Capital and financial account	13.1	4.2	-3.9	8.8	11.5	10.7	18.0	20.8
Medium- and long-term loans (net)	1.0	1.2	1.0	0.7	0.9	0.5	0.1	0.0
Drawings	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.8
Amortization	2.3	2.5	2.7	3.0	2.8	3.2	3.7	3.7
FDI (net)	7.4	7.9	7.8	7.1	8.5	11.4	15.5	17.1
Portfolio investment (net)	12.1	4.1	-12.5	3.0	6.0	7.0	6.4	6.4
Commercial banks' NFA	2.9	-1.7	6.0	1.3	3.2	3.7	-0.5	0.0
Other (including short-term capital and central bank deposits)	-10.1	-7.1	-6.2	-3.3	-7.2	-11.9	-3.3	-2.8
Errors and omissions (net)	-3.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	4.0	-6.8	-19.0	-7.4	1.4	1.0	7.3	8.8
Financing	-4.0	6.8	9.8	2.9	-1.4	-1.0	-7.3	-8.8
Reserves ("-" indicates increase)	-12.8	0.2	8.8	3.1	-0.7	0.3	-6.0	-7.5
Change in arrears ("-" indicates decrease) 1/	-1.2	-0.2	-1.0	0.0	0.0	0.0	0.0	0.0
Net use of IMF resources	5.3	2.0	2.0	-0.2	-0.7	-1.3	-1.3	-1.3
Other financing	4.8	4.8	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	-9.2	-4.5	0.0	0.0	0.0	0.0
Rapid Financing Instrument purchase	0.0	0.0	-2.8	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	-6.5	-4.5	0.0	0.0	0.0	0.0
Memorandum items:								
Current account excluding grants	-6.2	-11.2	-15.5	-16.6	-10.4	-10.1	-11.1	-12.4
Terms of trade (percent change)	2.7	-0.2	-3.2	-0.4	1.9	1.3	0.6	0.3
Gross international reserves (end of period)	43.5	43.9	35.0	31.9	32.6	32.3	38.3	45.7
In months of next year's imports of G&S	6.7	7.4	6.9	5.7	4.9	4.3	4.7	5.1
In percent of ARA metric (floating)	159	144	114	102	93	84	92	103
External debt	92.6	108.7	114.6	117.8	116.3	110.6	111.0	113.0
External debt service	13.2	13.4	13.8	14.7	20.1	25.4	18.6	17.0
External debt service (in percent of exports of GNFS)	28.0	25.3	29.0	40.1	41.1	41.3	26.6	22.0
Stock of external arrears	1.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Real effective exchange rate (period average, percentage change)	-12.9	14.9	…	…	…	…	…	…

Sources: Central Bank of Egypt; and IMF staff estimates and projections.
1/ EGPC arrears.

Table 2b. Egypt: Balance of Payments, 2017/18–2024/25
(In percent of GDP, unless otherwise indicated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account	-2.4	-3.6	-4.3	-4.6	-2.7	-2.4	-2.5	-2.6
Balance on goods and services	-10.5	-8.3	-6.6	-6.8	-4.8	-4.6	-4.8	-5.1
Exports of goods and services	18.9	17.5	13.6	10.3	13.0	15.3	16.4	16.8
Imports of goods and services	-29.4	-25.8	-20.3	-17.1	-17.8	-19.9	-21.2	-21.9
Trade balance	-14.9	-12.6	-9.6	-8.0	-7.4	-9.2	-10.4	-11.3
Oil and gas	-1.5	0.0	0.6	0.5	0.2	0.0	-0.4	-0.7
Other	-13.4	-12.6	-10.2	-8.5	-7.7	-9.2	-10.0	-10.6
Exports	10.3	9.4	7.6	6.8	7.6	7.7	7.6	7.4
Oil and gas	3.5	3.8	3.0	2.4	2.1	1.9	1.7	1.5
Other	6.8	5.6	4.6	4.4	5.5	5.8	5.9	5.8
Imports	-25.2	-22.0	-17.2	-14.8	-15.1	-16.9	-18.0	-18.7
Oil and gas	-5.0	-3.8	-2.4	-1.8	-1.9	-1.9	-2.1	-2.3
Other	-20.2	-18.2	-14.7	-12.9	-13.2	-15.0	-15.9	-16.4
Services (net)	4.4	4.3	3.0	1.2	2.6	4.6	5.6	6.2
Receipts	8.6	8.1	6.1	3.5	5.4	7.6	8.7	9.5
Of which: Tourism receipts	3.9	4.2	2.9	0.9	2.4	4.2	5.1	5.7
Of which: Suez canal dues	2.3	1.9	1.5	1.5	1.5	1.5	1.5	1.4
Payments	-4.1	-3.8	-3.1	-2.3	-2.8	-3.0	-3.2	-3.2
Of which: Transportation	-0.6	-0.6	-0.5	-0.4	-0.4	-0.5	-0.5	-0.5
Of which: Travel	-1.0	-1.0	-0.8	-0.3	-0.7	-0.7	-0.7	-0.7
Primary income (net)	-2.5	-3.6	-4.1	-4.0	-4.0	-3.8	-3.6	-3.3
Receipts	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Payments	-2.8	-4.0	-4.4	-4.3	-4.4	-4.2	-3.9	-3.6
Transfers	10.6	8.3	6.4	6.2	6.1	6.0	5.9	5.7
Official grants	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Private remittances	10.5	8.2	6.3	6.1	6.0	5.9	5.8	5.7
Capital and financial account	5.2	1.4	-1.1	2.5	3.1	2.7	4.2	4.5
Medium- and long-term loans (net)	0.4	0.4	0.3	0.2	0.2	0.1	0.0	0.0
Drawings	1.3	1.2	1.1	1.0	1.0	0.9	0.9	0.8
Amortization	0.9	0.8	0.8	0.8	0.7	0.8	0.9	0.8
FDI (net)	3.0	2.6	2.2	2.0	2.3	2.8	3.6	3.7
Portfolio investment (net)	4.8	1.4	-3.6	0.8	1.6	1.7	1.5	1.4
Commercial banks' NFA	1.2	-0.6	1.7	0.4	0.9	0.9	-0.1	0.0
Other (including short-term capital and central bank deposits)	-4.0	-2.4	-1.8	-0.9	-1.9	-3.0	-0.8	-0.6
Errors and omissions (net)	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.6	-2.3	-5.4	-2.1	0.4	0.2	1.7	1.9
Financing	-1.6	2.3	2.8	0.8	-0.4	-0.2	-1.7	-1.9
Reserves ("-" indicates increase)	-5.1	0.1	2.5	0.9	-0.2	0.1	-1.4	-1.6
Change in arrears ("-" indicates decrease) 1/	-0.5	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0
Net use of Fund resources	2.1	0.7	0.6	-0.1	-0.2	-0.3	-0.3	-0.3
Other financing	1.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	-2.6	-1.3	0.0	0.0	0.0	0.0
Rapid Financing Instrument purchase	0.0	0.0	-0.8	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	-1.8	-1.3	0.0	0.0	0.0	0.0
Memorandum items:								
Current account excluding grants	-2.5	-3.7	-4.4	-4.7	-2.8	-2.5	-2.6	-2.7
Gross international reserves (end of period)	17.6	13.8	10.1	9.6	9.0	8.3	9.2	10.2
External debt	37.4	34.1	33.2	35.4	31.9	28.5	26.7	25.3
External debt service	5.3	4.4	4.0	4.1	5.4	6.3	4.4	3.7

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

Table 3a. Egypt: Budget Sector Operations, 2017/18–2024/25 1/
(In billions of Egyptian pounds, unless otherwise indicated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj. 6/	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	821.1	941.9	1,033.1	1,193.7	1,377.6	1,585.6	1,803.9	2,057.5
Tax revenue	629.3	736.1	760.3	869.5	1,001.9	1,157.3	1,317.5	1,503.5
Income and property	258.6	309.0	333.0	385.3	439.8	510.5	578.8	659.6
Personal income tax	64.6	87.3	107.5	124.6	144.4	164.7	187.0	212.9
Corporate income tax	142.7	162.8	164.3	189.8	219.9	250.7	284.7	324.3
EGPC	52.0	42.5	29.8	41.6	48.2	55.0	62.4	71.1
Other	90.7	120.2	134.5	148.2	171.7	195.8	222.3	253.2
Property	51.4	58.9	61.2	70.9	75.4	95.1	107.1	122.4
Goods and services	294.3	350.6	357.8	417.4	483.7	551.4	626.2	713.2
Oil excises	40.5	41.5	23.4	16.8	19.4	22.1	25.2	28.6
VAT and nonoil excises	253.8	309.1	334.4	400.7	464.3	529.3	601.1	684.5
International trade	37.9	42.0	39.3	38.6	45.7	58.1	70.1	82.5
Other taxes	38.5	34.5	30.3	28.2	32.7	37.3	42.3	48.2
Nontax revenue	188.6	203.2	268.9	322.0	373.1	425.4	483.1	550.2
Oil-related nontax revenue	19.8	15.4	26.9	21.8	25.2	28.8	32.7	37.2
Other nontax revenues	156.2	187.8	242.1	300.2	347.9	396.6	450.4	512.9
Of which: interest income	3.3	5.7	2.4	2.4	2.7	3.1	3.5	4.0
Grants	3.2	2.6	3.9	2.2	2.6	2.9	3.3	3.8
Expenditure	1,244.4	1,369.9	1,503.9	1,671.7	1,777.2	1,955.5	2,221.4	2,470.1
Wages and other remunerations	240.1	266.1	294.3	335.0	388.2	442.6	502.6	572.4
Purchases of goods and services	53.1	62.4	72.9	100.2	108.9	124.1	141.0	160.5
Interest	437.4	533.0	556.2	559.5	569.6	563.2	636.8	661.1
Domestic	415.2	497.8	527.7	528.5	526.7	516.5	584.4	600.1
External	22.2	35.2	28.5	31.0	42.9	46.7	52.4	61.0
Subsidies, grants, and social benefits	329.4	287.5	298.8	326.3	364.1	395.7	429.9	463.9
Energy subsidies	149.4	100.7	41.0	28.2	29.5	33.6	38.2	43.5
Of which: fuel subsidy	120.8	84.7	37.0	28.2	29.5	33.6	38.2	43.5
Food subsidies 2/	81.2	87.6	89.6	85.2	101.2	107.6	114.2	117.1
Transfer to SIF	52.5	48.5	82.2	130.0	137.3	145.0	153.1	161.7
Other	46.3	50.7	86.1	82.9	96.1	109.6	124.4	141.7
Other current	74.8	77.6	90.4	105.0	121.7	138.7	157.5	179.4
Investment	109.7	143.3	191.2	245.7	224.7	291.2	353.7	432.8
Cash balance	-423.3	-428.0	-470.8	-478.0	-399.6	-369.9	-417.5	-412.6
Net acquisition of financial assets	9.3	2.0	5.0	17.7	20.0	22.8	25.9	29.5
Overall balance	-432.6	-430.0	-475.8	-495.7	-419.6	-392.7	-443.4	-442.1
Financing	432.6	430.0	475.8	495.7	419.6	392.7	443.4	442.1
Net domestic	228.5	299.8	302.6	419.0	433.8	378.4	424.1	450.0
Bank	155.7	403.5	297.6	411.0	424.5	367.9	412.1	436.4
Nonbank	72.8	-103.7	5.0	8.0	9.3	10.6	12.0	13.7
Net external	204.1	129.3	23.2	-3.0	-14.2	14.3	19.3	-7.9
Financing gap	0.0	0.0	150.0	79.7	0.0	0.0	0.0	0.0
Memorandum items:								
Primary balance 3/	10.9	103.1	80.4	63.8	150.0	170.5	193.4	219.0
Oil balance 4/	-37.2	-1.3	39.1	52.0	63.4	72.3	82.0	93.4
Financing gap (in billions of US$)	0.0	0.0	9.2	4.5	0.0	0.0	0.0	0.0
Gross budget sector debt 5/	4,315	4,802	5,386	6,230	6,875	7,532	8,229	8,937
Gross general government debt	4,111	4,460	4,988	5,780	6,343	6,915	7,505	8,119
Nominal GDP (in billions of Egyptian pounds)	4,437	5,322	5,701	6,317	7,320	8,345	9,477	10,793

Sources: Ministry of Finance; and IMF staff estimates.

1/ Budget sector comprises central and local governments, and some public corporations. Fiscal year ends June 30. Cash basis.
2/ Food subsidies include subsidies paid to farmers.
3/ The primary balance for 2017/18 excludes the recapitalization of the CBE for EGP 6 billion.
4/ Oil revenue minus fuel subsidies. Oil revenue includes corporate income tax receipts from EGPC and foreign partners, royalties, extraordinary payments, excise taxes on petrol products, and dividends collected from EGPC.
5/ Includes debt issued to the SIF for settlement of past arrears and implied future liabilities.
6/ Fiscal projections for 2020/21 are preliminary. Budget discussions are ongoing in response to the COVID-19 shock.

Table 3b. Egypt: Budget Sector Operations, 2017/18–2024/25 1/
(In percent of GDP)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj.	Proj. 6/	Proj.	Proj.	Proj.	Proj.
Revenue and grants	18.5	17.7	18.1	18.9	18.8	19.0	19.0	19.1
Tax revenue	14.2	13.8	13.3	13.8	13.7	13.9	13.9	13.9
Income and corporate tax	5.8	5.8	5.8	6.1	6.0	6.1	6.1	6.1
Personal income tax	1.5	1.6	1.9	2.0	2.0	2.0	2.0	2.0
Corporate income tax	3.2	3.1	2.9	3.0	3.0	3.0	3.0	3.0
EGPC	1.2	0.8	0.5	0.7	0.7	0.7	0.7	0.7
Other	2.0	2.3	2.4	2.3	2.3	2.3	2.3	2.3
Property	1.2	1.1	1.1	1.1	1.0	1.1	1.1	1.1
Goods and services	6.6	6.6	6.3	6.6	6.6	6.6	6.6	6.6
Oil excises	0.9	0.8	0.4	0.3	0.3	0.3	0.3	0.3
VAT and nonoil excises	5.7	5.8	5.9	6.3	6.3	6.3	6.3	6.3
International trade	0.9	0.8	0.7	0.6	0.6	0.7	0.7	0.8
Other taxes	0.9	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Nontax revenue	4.3	3.8	4.7	5.1	5.1	5.1	5.1	5.1
Oil-related nontax revenue	0.4	0.3	0.5	0.3	0.3	0.3	0.3	0.3
Other nontax revenues	3.5	3.5	4.2	4.8	4.8	4.8	4.8	4.8
Of which: interest income	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Expenditure	28.0	25.7	26.4	26.5	24.3	23.4	23.4	22.9
Unidentified Spending Measures 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wages and other remunerations	5.4	5.0	5.2	5.3	5.3	5.3	5.3	5.3
Purchases of goods and services	1.2	1.2	1.3	1.6	1.5	1.5	1.5	1.5
Interest	9.9	10.0	9.8	8.9	7.8	6.7	6.7	6.1
Domestic	9.4	9.4	9.3	8.4	7.2	6.2	6.2	5.6
External	0.5	0.7	0.5	0.5	0.6	0.6	0.6	0.6
Subsidies, grants and social benefits	7.4	5.4	5.2	5.2	5.0	4.7	4.5	4.3
Energy subsidies	3.4	1.9	0.7	0.4	0.4	0.4	0.4	0.4
Of which: fuel subsidy	2.7	1.6	0.6	0.4	0.4	0.4	0.4	0.4
Food subsidies 2/	1.8	1.6	1.6	1.3	1.4	1.3	1.2	1.1
Transfers to SIF	1.2	0.9	1.4	2.1	1.9	1.7	1.6	1.5
Other	1.0	1.0	1.5	1.3	1.3	1.3	1.3	1.3
Other current	1.7	1.5	1.6	1.7	1.7	1.7	1.7	1.7
Investment	2.5	2.7	3.4	3.9	3.1	3.5	3.7	4.0
Cash balance	-9.5	-8.0	-8.3	-7.6	-5.5	-4.4	-4.4	-3.8
Net acquisition of financial assets	0.2	0.0	0.1	0.3	0.3	0.3	0.3	0.3
Overall balance	-9.7	-8.1	-8.3	-7.8	-5.7	-4.7	-4.7	-4.1
Financing	9.7	8.1	8.3	7.8	5.7	4.7	4.7	4.1
Net domestic	5.1	5.6	5.3	6.6	5.9	4.5	4.5	4.2
Bank	3.5	7.6	5.2	6.5	5.8	4.4	4.3	4.0
Nonbank	1.6	-1.9	0.1	0.1	0.1	0.1	0.1	0.1
Net external	4.6	2.4	0.4	0.0	-0.2	0.2	0.2	-0.1
Financing gap	0.0	0.0	2.6	1.3	0.0	0.0	0.0	0.0
Memorandum items:								
Primary balance 3/	0.2	1.9	1.4	1.0	2.0	2.0	2.0	2.0
Oil balance 4/	-0.8	0.0	0.7	0.8	0.9	0.9	0.9	0.9
Gross budget sector debt 5/	97.3	90.2	94.5	98.6	93.9	90.3	86.8	82.8
Nominal GDP (EGP billions)	4,437	5,322	5,701	6,317	7,320	8,345	9,477	10,793

Sources: Ministry of Finance; and IMF staff estimates.

1/ Budget sector comprises central and local governments, and some public corporations. Fiscal year ends June 30. Cash basis.

2/ Food subsidies include subsidies paid to farmers.

3/ The primary balance for 2017/18 excludes the recapitalization of the CBE for 6 billion Egyptian pounds.

4/ Oil revenue minus fuel subsidies. Oil revenue includes corporate income tax receipts from EGPC and foreign partners, royalties, extraordinary payments, excise taxes on petrol products, and dividends collected from EGPC.

5/ Includes debt issued to the SIF for settlement of past arrears and implied future liabilities.

6/ Fiscal projections for 2020/21 are preliminary. Budget discussions are ongoing in response to the COVID-19 shock.

Table 4. Egypt: General Government Operations, 2017/18–2024/25 1/

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj.	Proj. 2/	Proj.	Proj.	Proj.	Proj.
	(In billions of Egyptian pounds)							
Revenue and grants	918.4	1,070.8	1,169.8	1,339.5	1,531.8	1,757.6	1,999.2	2,279.9
Tax revenue	629.3	736.1	760.3	869.5	1,001.9	1,157.3	1,317.5	1,503.5
Income and property	258.6	309.0	333.0	385.3	439.8	510.5	578.8	659.6
Personal income tax	64.6	87.3	107.5	124.6	144.4	164.7	187.0	212.9
Corporate income tax	142.7	162.8	164.3	189.8	219.9	250.7	284.7	324.3
EGPC	52.0	42.5	29.8	41.6	48.2	55.0	62.4	71.1
Other	90.7	120.2	134.5	148.2	171.7	195.8	222.3	253.2
Goods and services	294.3	350.6	357.8	417.4	483.7	551.4	626.2	713.2
Oil excises	40.5	41.5	23.4	16.8	19.4	22.1	25.2	28.6
VAT and nonoil excises	253.8	309.1	334.4	400.7	464.3	529.3	601.1	684.5
International trade taxes	37.9	42.0	39.3	38.6	45.7	58.1	70.1	82.5
Other taxes	38.5	34.5	30.3	28.2	32.7	37.3	42.3	48.2
Nontax revenue	285.9	332.1	405.6	467.7	527.3	597.4	678.4	772.6
Of which: Interest income	15.0	9.4	9.6	12.6	15.2	18.0	18.0	18.0
Grants	3.2	2.6	3.9	2.2	2.6	2.9	3.3	3.8
Expenditure	1,336.0	1,465.1	1,610.9	1,801.9	1,887.7	2,093.0	2,351.1	2,644.0
Wages and other remunerations	239.1	268.5	297.1	338.1	391.8	446.7	507.2	577.7
Purchases of goods and services	48.3	63.2	73.9	101.3	110.0	125.3	142.2	161.9
Interest	415.1	469.7	522.2	541.3	523.1	528.1	570.7	613.4
Domestic interest	392.9	439.3	493.7	509.7	478.8	479.3	514.5	546.7
External interest	22.2	30.4	28.5	31.6	44.3	48.8	56.2	66.7
Subsidies, grants, and social benefits	455.5	442.4	435.5	470.0	515.9	562.4	619.1	675.3
Other current	72.3	77.9	90.8	105.4	122.1	139.2	158.0	181.9
Investment	105.7	143.5	191.4	245.8	224.9	291.3	353.8	433.9
Net acquisition of financial assets	5.4	-1.2	2.7	15.2	17.5	21.7	24.8	28.3
Overall balance	-423.0	-393.1	-443.8	-477.6	-373.5	-357.0	-376.7	-392.4
Financing	423.0	392.2	443.8	477.6	373.5	357.0	376.7	392.4
Net domestic	218.9	262.9	270.7	401.0	387.6	342.8	357.4	400.3
Bank	146.1	366.6	265.7	393.0	378.4	332.2	345.4	386.7
Nonbank	72.8	-103.7	5.0	8.0	9.3	10.6	12.0	13.7
Net external	204.1	129.3	23.2	-3.0	-14.2	14.3	19.3	-7.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	150.0	79.7	0.0	0.0	0.0	0.0
	(In percent of GDP, unless otherwise indicated)							
Revenue and grants	20.7	20.1	20.5	21.2	20.9	21.1	21.1	21.1
Tax revenue	14.2	13.8	13.3	13.8	13.7	13.9	13.9	13.9
Unidentified Tax Measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	6.4	6.2	7.1	7.4	7.2	7.2	7.2	7.2
Of which: Interest income	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Grants	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Expenditure	30.1	27.5	28.3	28.5	25.8	25.1	24.8	24.5
Unidentified Spending Measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wages and other remunerations	5.4	5.0	5.2	5.4	5.4	5.4	5.4	5.4
Purchases of goods and services	1.1	1.2	1.3	1.6	1.5	1.5	1.5	1.5
Interest	9.4	8.8	9.2	8.6	7.1	6.3	6.0	5.7
Subsidies, grants, and social benefits	10.3	8.3	7.6	7.4	7.0	6.7	6.5	6.3
Other current	1.6	1.5	1.6	1.7	1.7	1.7	1.7	1.7
Investment	2.4	2.7	3.4	3.9	3.1	3.5	3.7	4.0
Unidentified Measures								
Net acquisition of financial assets	0.1	0.0	0.0	0.2	0.2	0.3	0.3	0.3
Overall balance	-9.5	-7.4	-7.8	-7.6	-5.1	-4.3	-4.0	-3.6
Financing	9.5	7.4	7.8	7.6	5.1	4.3	4.0	3.6
Net domestic	4.9	4.9	4.7	6.3	5.3	4.1	3.8	3.7
Bank	3.3	6.9	4.7	6.2	5.2	4.0	3.6	3.6
Nonbank	1.6	-1.9	0.1	0.1	0.1	0.1	0.1	0.1
Net external	4.6	2.4	0.4	0.0	-0.2	0.2	0.2	-0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	2.6	1.3	0.0	0.0	0.0	0.0
Memorandum items:								
Primary balance	-0.2	1.4	1.4	1.0	2.0	2.1	2.0	2.0
Gross debt	92.7	83.8	87.5	91.5	86.7	82.9	79.2	75.2
Gross debt (in billions of EGP)	4,111	4,460	4,988	5,780	6,343	6,915	7,505	8,119
Nominal GDP (in billions of EGP)	4,437	5,322	5,701	6,317	7,320	8,345	9,477	10,793

Sources: Ministry of Finance; and IMF staff estimates.

1/ General government includes budget sector, National Investment Bank (NIB) and Social Insurance Funds (SIF). Fiscal year ends June 30. Cash basis.

2/ Fiscal projections for 2020/21 are preliminary. Budget discussions are ongoing in response to the COVID-19 shock.

Table 5. Egypt: Central Bank Accounts, 2017/18–2024/25

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(end-period, in billions of EGP, unless otherwise indicated)							
Net foreign assets	301	264	176	179	341	607	843	1130
Foreign assets	776	734	578	605	655	694	873	1106
Foreign liabilities	474	470	401	426	314	87	30	-24
Net domestic assets	442	420	584	680	629	499	429	333
Net domestic credit	263	143	305	419	381	279	215	138
Net credit to central government	731	747	778	790	797	796	803	790
Net credit to public economic authorities	-15	-1	-1	-1	-1	-1	-1	-1
Credit to banks	326	300	262	276	237	193	194	195
Banks' deposits in foreign currency	-125	-121	-121	-139	-147	-151	-156	-169
Open market operations	-653	-782	-613	-507	-504	-558	-625	-676
Other items net	178	277	278	261	249	220	214	195
Reserve money 1/	784	733	760	859	970	1106	1272	1463
Currency in circulation	483	536	622	713	843	982	1140	1359
Reserves and highly liquid assets of banks	301	197	138	146	128	124	132	104
Cash in vaults	44	49	28	12	13	11	39	14
Reserves	234	148	107	131	112	110	91	87
Deposits on overnight	24	0	3	3	3	3	3	3

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

Table 6. Egypt: Monetary Survey, 2017/18–2024/25

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(End-period, in billions of EGP)							
Net foreign assets	310	300	113	80	172	345	577	848
Central bank	301	264	176	179	341	607	843	1,130
Commercial banks	8	36	-64	-99	-169	-262	-266	-282
Net domestic assets	3,147	3,564	4,116	4,770	5,444	6,106	6,866	7,673
Net claims on central and local government	1,972	2,039	2,330	2,827	3,291	3,707	4,204	4,702
Net claims on public economic authorities	246	389	385	428	448	473	495	519
Claims on public sector companies	160	162	162	180	196	214	219	223
Claims on private sector	1,083	1,217	1,375	1,554	1,772	2,037	2,343	2,706
Net other items	-313	-244	-136	-220	-261	-325	-395	-478
Broad money (M2)	3,457	3,864	4,228	4,850	5,616	6,451	7,444	8,521
Domestic currency component (M2D)	2,740	3,149	3,568	4,091	4,812	5,590	6,559	7,553
Currency outside banks	439	487	622	713	843	982	1,140	1,359
Domestic currency deposits	2,299	2,662	2,947	3,378	3,970	4,608	5,419	6,194
Foreign currency deposits	717	715	660	759	804	861	885	968
	(Annual percent change, unless otherwise indicated)							
Broad money (M2)	18.5	11.8	9.4	14.7	15.8	14.9	15.4	14.5
Domestic currency component (M2D)	23.2	14.9	13.3	14.6	17.6	16.2	17.3	15.2
Reserve money 1/	23.7	-4.5	11.1	13.0	13.0	14.0	15.0	15.0
Contribution to broad money growth	18.5	11.8	9.4	14.7	15.8	14.9	15.4	14.5
Net foreign assets	8.5	-0.3	-4.9	-0.8	1.9	3.1	3.6	3.6
Net domestic assets	9.9	12.0	14.3	15.5	13.9	11.8	11.8	10.8
Credit to the private sector	10.1	12.4	13.0	13.0	14.0	15.0	15.0	15.5
Credit to government and public sector companies	8.9	3.3	13.2	20.7	15.9	12.5	12.8	11.4
Memorandum items:								
Velocity								
Velocity GDP/M2D (level)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Velocity GDP/M2 (level)	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4
M2 (in percent of GDP)	77.9	72.6	74.2	76.8	76.7	77.3	78.5	79.0
Money multiplier (M2D/reserve money)	3.8	4.6	4.7	4.8	5.0	5.1	5.2	5.2
Money multiplier (M2/reserve money)	4.8	5.6	5.6	5.6	5.8	5.8	5.9	5.8
M2 (in real terms)	3.6	2.2	3.1	5.2	6.7	6.4	7.3	7.0
Domestic currency deposits (in real terms)	11.3	5.9	4.2	5.2	8.3	7.5	9.3	6.8
Claims on private sector (in real terms)	-3.7	2.8	6.4	3.7	5.1	6.5	6.9	7.9
Foreign currency deposits (in percent of total deposits)	23.8	21.2	18.3	18.3	16.8	15.7	14.0	13.5

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

Table 7a. Egypt: Summary of National Accounts, 2017/18–2024/25

(In percent)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Projections					
	(Annual change, in percent)							
Real GDP at market price	5.3	5.6	2.0	2.8	6.4	5.3	5.3	5.6
Domestic demand (absorption)	3.0	2.9	0.1	1.1	3.6	5.7	5.4	5.8
Private	8.1	3.1	-0.6	0.1	3.7	5.6	5.4	5.8
Public	-3.3	1.2	6.4	8.8	3.2	5.9	5.4	6.1
Consumption	1.1	1.1	-1.5	-0.2	4.0	4.6	4.3	4.3
Private	1.0	0.9	-2.4	-1.5	3.8	4.4	4.1	4.1
Public	1.7	2.8	5.8	9.4	5.1	5.4	5.3	6.0
Investment	15.7	13.1	8.6	7.2	2.0	10.4	10.0	11.7
Gross fixed capital formation	16.9	13.2	10.8	7.2	2.0	10.4	10.0	11.7
Private	-2.5	36.9	12.0	8.0	8.0	12.0	13.0	15.0
Public	38.5	-5.4	9.4	6.2	-5.1	8.2	5.9	6.9
Net exports of goods and services 1/	1.9	2.3	1.8	1.7	2.7	-0.4	-0.2	-0.4
Exports of goods and services	31.6	-2.1	-2.4	-18.1	29.2	22.8	10.9	7.8
Imports of goods and services	10.6	-8.9	-8.6	-20.4	7.6	22.9	11.0	8.8
Real GDP at factor cost	5.6	5.1	1.4	2.8	6.4	5.3	5.3	5.6
Agriculture	3.1	3.3	4.0	4.0	3.5	3.5	3.5	3.5
Construction	10.0	8.8	0.5	8.3	10.0	9.0	9.0	10.0
Industry	6.0	5.1	0.8	4.1	3.5	3.9	4.8	5.1
Services	5.3	5.4	1.0	0.7	8.9	6.5	5.7	6.0
General government	1.5	2.7	3.6	3.0	3.0	3.0	3.0	3.0
Suez Canal	9.6	7.9	0.2	5.5	10.0	8.0	8.0	8.0
	(Contribution to real growth, in percent 2/)							
Real GDP at market price	5.3	5.6	2.0	2.8	6.4	5.3	5.3	5.6
Domestic demand (absorption)	3.4	3.2	0.2	1.2	3.8	5.8	5.5	6.0
Private	0.6	3.5	-1.2	-0.3	3.7	4.5	4.5	4.8
Public	2.9	-0.2	1.3	1.5	0.1	1.2	1.0	1.2
Consumption	1.0	1.0	-1.4	-0.2	3.4	3.8	3.5	3.5
Private	0.9	0.8	-1.9	-1.1	2.8	3.2	3.0	2.9
Public	0.2	0.3	0.5	0.9	0.5	0.6	0.6	0.6
Investment	2.4	2.2	1.6	1.4	0.4	2.0	2.0	2.5
Gross fixed capital formation	2.5	2.2	1.9	1.4	0.4	2.0	2.0	2.5
Private	-0.2	2.7	1.1	0.8	0.9	1.3	1.5	1.9
Public	2.7	-0.5	0.8	0.6	-0.5	0.7	0.5	0.6
Net exports of goods and services	1.9	2.3	1.8	1.7	2.7	-0.4	-0.2	-0.4
Exports of goods and services	5.0	-0.4	-0.4	-3.2	4.1	3.9	2.2	1.6
Imports of goods and services	-3.1	2.7	2.3	4.9	-1.4	-4.3	-2.4	-2.0
Real GDP at factor cost	5.6	5.1	1.4	2.8	6.4	5.3	5.3	5.6
Agriculture	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4
Construction	0.6	0.5	0.0	0.5	0.6	0.6	0.6	0.7
Industry	1.6	1.5	0.2	0.3	0.9	1.1	1.3	1.4
Services	2.6	2.3	0.4	0.4	3.6	2.8	2.5	2.6
General government	0.1	0.2	0.3	0.3	0.3	0.2	0.2	0.2
Suez Canal	0.2	0.2	0.0	0.1	0.2	0.2	0.2	0.2

Sources: Egyptian authorities; and IMF staff estimates and projections.

1/ Contribution to growth.

2/ Components do not sum up to total due to statistical discrepancies associated with changes of base years.

Table 7b. Egypt: Summary of National Accounts, 2017/18–2024/25

(In percent of GDP)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Projections					
			(In percent of nominal GDP)					
GDP at market price	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand (absorption)	110.5	108.2	106.6	106.8	104.8	104.6	104.8	105.1
Private	93.0	92.3	89.7	89.0	88.1	87.7	87.9	88.1
Public	17.5	15.9	16.9	17.8	16.6	16.9	16.9	16.9
Consumption	93.8	90.4	87.5	86.8	85.7	84.6	83.9	83.0
Private	85.4	82.7	79.5	78.2	77.2	76.1	75.5	74.6
Public	8.4	7.7	8.0	8.5	8.4	8.4	8.4	8.4
Investment	16.7	17.9	19.1	20.0	19.1	20.0	20.9	22.1
Gross fixed capital formation	16.3	17.6	19.1	20.0	19.1	20.0	20.9	22.1
Private	7.1	9.3	10.2	10.7	10.9	11.6	12.4	13.6
Public	9.1	8.2	8.9	9.2	8.2	8.4	8.5	8.5
Net exports of goods and services	-10.5	-8.2	-6.6	-6.8	-4.8	-4.6	-4.8	-5.1
Exports of goods and services	18.9	17.5	13.6	10.3	13.0	15.3	16.3	16.8
Imports of goods and services	-29.4	-25.7	-20.2	-17.0	-17.8	-19.9	-21.2	-21.9
Net factor income	-2.5	-3.6	-4.1	-4.0	-4.0	-3.8	-3.6	-3.3
Net remittances inflows	10.5	8.2	6.3	6.1	6.0	5.9	5.8	5.7
Net official transfers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gross National Disposable Income	108.1	104.7	102.3	102.2	102.1	102.2	102.3	102.5
National savings	14.3	14.3	14.8	15.4	16.4	17.6	18.4	19.5
Private	21.3	19.0	19.2	18.9	18.2	18.1	18.4	18.8
Public	-7.0	-4.7	-4.4	-3.4	-1.8	-0.5	0.0	0.6
Savings-investment balance	-2.4	-3.6	-4.3	-4.6	-2.7	-2.4	-2.5	-2.6
Private	14.2	9.7	8.9	8.1	7.3	6.5	6.0	5.3
Public	-16.2	-12.9	-13.3	-12.7	-10.0	-9.0	-8.5	-7.9
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	11.5	11.4	11.7	11.8	11.4	10.3	9.4	8.5
Construction	5.9	6.2	6.2	6.5	6.7	6.4	6.1	5.9
Industry	29.9	30.5	30.4	29.8	28.7	26.0	23.9	21.9
Services	43.1	43.2	42.9	42.9	44.5	49.3	53.4	57.1
General government	7.4	6.8	6.9	6.9	6.7	6.0	5.4	4.9
Suez Canal	2.2	2.0	1.9	2.0	2.0	1.9	1.8	1.7

Sources: Egyptian authorities; and IMF staff estimates and projections.

Table 8. Egypt: Medium-Term Macroeconomic Framework, 2017/18–2024/25
(In percent of GDP, unless otherwise indicated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Projections					
Growth and prices								
Real GDP (annual change, in percent)	5.3	5.6	2.0	2.8	6.4	5.3	5.3	5.6
CPI inflation (end-of-period, in percent)	14.4	9.4	6.2	9.0	8.5	8.0	7.5	7.0
CPI inflation (average, in percent)	20.9	13.9	5.8	8.2	8.7	8.1	7.8	7.2
Unemployment rate (period average, in percent)	10.9	8.6	…	…	…	…	…	…
Savings-investment balance	-2.4	-3.6	-4.3	-4.6	-2.7	-2.4	-2.5	-2.6
Investment	16.7	17.9	19.1	20.0	19.1	20.0	20.9	22.1
Domestic savings	14.3	14.3	14.8	15.4	16.4	17.6	18.4	19.5
Public finances								
General government								
Revenue and grants	20.7	20.1	20.5	21.2	20.9	21.1	21.1	21.1
Expenditure and NAFA	30.2	27.5	28.3	28.8	26.0	25.3	25.1	24.8
Overall balance	-9.5	-7.4	-7.8	-7.6	-5.1	-4.3	-4.0	-3.6
Overall balance, excl. grants	-9.6	-7.4	-7.9	-7.6	-5.1	-4.3	-4.0	-3.7
Primary balance	-0.2	1.4	1.4	1.0	2.0	2.1	2.0	2.0
Gross debt	92.7	83.8	87.5	91.5	86.7	82.9	79.2	75.2
Domestic	73.5	65.9	67.9	69.9	67.1	64.3	61.7	59.0
External	19.2	17.9	19.6	21.6	19.6	18.6	17.5	16.2
Budget sector								
Revenue and grants	18.5	17.7	18.1	18.9	18.8	19.0	19.0	19.1
Tax revenue	14.2	13.8	13.3	13.8	13.7	13.9	13.9	13.9
Non-tax revenue	4.3	3.8	4.7	5.1	5.1	5.1	5.1	5.1
Grants	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Expenditure and NAFA	28.3	25.8	26.5	26.7	24.6	23.7	23.7	23.2
Of which: Current	25.8	23.1	23.1	22.9	21.5	20.2	20.0	19.2
Capital	2.5	2.7	3.4	3.9	3.1	3.5	3.7	4.0
Overall budget balance	-9.7	-8.1	-8.3	-7.8	-5.7	-4.7	-4.7	-4.1
Overall budget balance, excl. grants	-9.8	-8.1	-8.4	-7.9	-5.8	-4.7	-4.7	-4.1
Primary budget balance	0.2	1.9	1.4	1.0	2.0	2.0	2.0	2.0
Balance of payments and external debt								
Current account	-2.4	-3.6	-4.3	-4.6	-2.7	-2.4	-2.5	-2.6
Trade balance	-14.9	-12.6	-9.6	-8.0	-7.4	-9.2	-10.4	-11.3
Oil and gas	-1.5	0.0	0.6	0.5	0.2	0.0	-0.4	-0.7
Other	-13.4	-12.6	-10.2	-8.5	-7.7	-9.2	-10.0	-10.6
Capital and financial account (incl. errors and omissions)	4.0	1.3	-1.1	2.5	3.1	2.7	4.2	4.5
Financing gap	0.0	0.0	-2.6	-1.3	0.0	0.0	0.0	0.0
Official reserves (in billions of US$)	43.5	43.9	35.0	31.9	32.6	32.3	38.3	45.7
(In months of next year's imports of goods and services)	6.7	7.4	6.9	5.7	4.9	4.3	4.7	5.1
External debt (in percent of GDP)	37.4	34.1	33.2	35.4	31.9	28.5	26.7	25.3

Sources: Egyptian authorities; and IMF staff estimates and projections.

Table 9. Egypt: Financial Soundness Indicators of the Banking System
(End-June, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	Sep. 2019
Capital adequacy							
Regulatory capital to RWA	13.7	13.9	14.5	14.0	14.7	15.7	18.1
Common equity to RWA	10.7	11.4	12.1	11.7	9.2	10.4	11.0
Asset quality							
NPLs to total loans	9.3	8.5	7.1	6.0	4.9	4.1	4.5
Loan provisions to non-performing loans	99.8	98.9	99.0	99.1	98.3	98.0	97.4
Profitability							
Return on assets	1.0	1.3	1.5	2.0	1.5	1.4	1.4
Return on average equity	14.5	18.9	24.4	30.9	21.5	19.2	19.2
Liquidity							
Average liquidity ratio							
Local currency	61.8	62.7	59.7	55.4	47.1	40.3	45.8
Foreign currency	55.2	57.4	52.0	60.2	66.4	67.7	73.9
Loans to deposits	44.1	40.8	40.9	47.0	46.0	46.2	44.1

Source: Central Bank of Egypt.

Table 10. Egypt: Capacity to Repay the Fund, 2016/17–2023/24 1/ 2/

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
						Projections			
Fund repurchases and charges									
Millions of SDRs	22.6	78.7	171.2	255.9	412.1	780.8	1,235.0	2,555.1	2,576.6
Repurchases	0.0	0.0	0.0	0.0	164.2	522.4	955.2	2,331.9	2,451.3
Charges and fees	22.6	78.7	171.2	255.9	248.0	258.4	279.8	223.2	125.3
Millions of US$	31.6	109.8	239.0	357.2	575.3	1,089.9	1,723.9	3,566.7	3,596.6
Percent of exports of goods and nonfactor services	0.1	0.2	0.5	0.7	1.6	2.2	2.8	5.1	4.7
Percent of total debt service 3/	0.0	0.1	0.2	0.3	0.5	0.8	1.2	2.2	2.1
Percent of quota	1.1	3.9	8.4	12.6	20.2	38.3	60.6	125.4	126.5
Percent of gross international reserves	0.1	0.3	0.5	1.0	1.8	3.3	5.3	9.3	7.9
Fund credit outstanding									
Millions of SDRs	1,970	5,731	7,164	10,634	10,470	9,947	8,992	6,660	4,209
Millions of US$	2,750	8,000	10,000	14,844	14,614	13,885	12,552	9,297	5,875
Percent of exports of goods and nonfactor services	7.4	16.9	18.9	31.2	39.9	28.4	20.4	13.3	7.6
Percent of quota	96.7	281.3	351.7	522.0	513.9	488.3	441.4	326.9	206.6
Percent of gross international reserves	9.0	18.4	22.8	42.4	45.8	42.6	38.9	24.3	12.8
Memorandum items:									
Exports of goods and nonfactor services (in millions of US$)	37,128	47,314	52,919	47,630	36,666	48,865	61,505	69,902	77,273
Debt service (in millions of US$)	89,099	87,213	109,834	135,896	124,493	142,458	149,632	159,672	170,081
Quota (in millions of SDRs, end of period) 4/	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1	2,037.1
Quota (millions of US$ at eop exchange rate)	1,459.3	1,459.3	1,459.3	1,459.3	1,459.3	1,459.3	1,459.3	1,459.3	1,459.3
Gross international reserves (in millions of US$)	30,652	43,497	43,850	35,014	31,884	32,606	32,260	38,264	45,729

Source: IMF staff calculations.

1/ Fiscal year starts on July 1 and ends on June 30.
2/ Assumes repurchases are made on obligations schedule.
3/ Debt service includes interest on the entire debt stock and amortization of medium- and long-term debt.
4/ Quota changed from 943.7 to 2037.1 millions SDRs effective as of February 2016.

Table 11. Egypt: External Financing Requirements and Sources, 2017/18–2024/25
(In billions of US$, unless otherwise indicated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
			Projections					
Gross financing requirements	22.9	26.1	38.4	42.0	43.6	52.0	42.8	43.0
Current account deficit	6.0	10.9	15.2	16.2	10.1	9.8	10.7	12.0
Of which: Net interest payments	2.2	3.2	4.2	4.3	4.9	5.0	4.8	4.7
Maturing short-term debt	12.3	11.1	16.2	19.2	21.8	24.8	24.3	24.3
Private sector	2.1	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Public sector	10.2	8.5	13.7	16.7	19.2	22.2	21.7	21.7
Amortization of medium and long-term debt	4.7	4.2	7.0	6.5	11.7	17.4	7.9	6.7
Private sector	0.2	0.3	0.0	0.0	0.0	0.2	0.3	0.3
Public sector	4.5	3.8	7.0	6.4	11.7	17.3	7.5	6.4
MLT to external private creditors	2.4	1.3	2.2	3.8	3.6	3.6	1.3	0.3
By domestic private sector	0.2	0.3	0.0	0.0	0.0	0.2	0.3	0.3
By domestic public sector	2.2	1.0	2.2	3.8	3.6	3.4	1.0	0.0
MLT to external official creditors	2.3	2.8	4.8	2.6	8.1	13.8	6.6	6.4
IMF	0.0	0.0	0.0	0.2	0.7	1.3	1.3	1.3
To other official creditors	2.3	2.8	4.8	2.4	7.4	12.5	5.2	6.1
By domestic private sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
By domestic public sector	2.3	2.8	4.8	2.4	7.4	12.5	5.2	5.1
Sources of financing	22.9	26.2	29.2	37.5	43.6	52.0	42.8	43.0
Foreign direct investment (net)	7.4	7.9	7.8	7.1	8.5	11.4	15.5	17.1
Roll-over of short-term debt	12.3	11.1	16.2	19.2	21.8	24.8	24.3	24.3
Medium- and long-term borrowing	14.5	18.5	7.7	6.7	7.7	8.7	8.7	8.8
Private sector	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public sector	13.2	17.4	6.5	5.5	6.6	7.6	7.6	7.6
Other net capital flows	0.6	-13.1	-12.4	1.5	7.0	8.0	0.7	-0.3
Of which: portfolio investment	12.1	4.1	-12.5	3.0	6.0	7.0	6.4	6.4
Net use of Fund resources	5.3	2.0	2.0	-0.2	-0.7	-1.3	-1.3	-1.3
Change in reserves (- increase) `	-12.8	0.2	8.8	3.1	-0.7	0.3	-6.0	-7.5
Change in arrears ("-" indicates decrease)	-1.2	-0.2	-1.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-3.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	-9.2	-4.5	0.0	0.0	0.0	0.0
Rapid Financing Instrument purchase	0.0	0.0	-2.8	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	-6.5	-4.5	0.0	0.0	0.0	0.0
Memorandum items:								
Gross international reserves (GIR)	43.5	43.9	35.0	31.9	32.6	32.3	38.3	45.7
External debt	92.6	108.7	114.6	117.8	116.3	110.6	111.0	113.0

Sources: Central Bank of Egypt; and IMF staff estimates and projections.

Annex I. Assessment of Exceptional Access Criteria

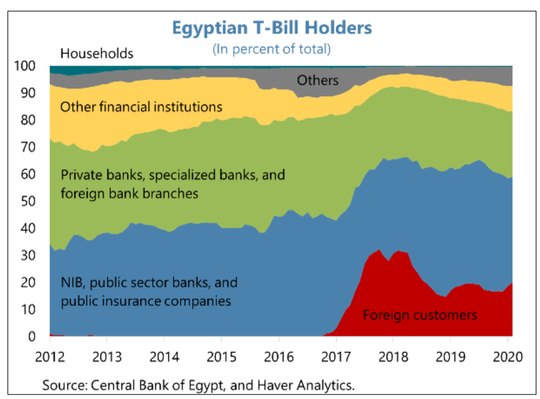
Staff Assesses that Egypt Meets the Exceptional Access Criteria.

Criterion 1*—The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account resulting in a need for Fund financing that cannot be met within the normal limits.*

Egypt is facing exceptional balance of payments pressures arising from COVID-19 related disruptions to tourism, remittances and capital flows, with an estimated financing gap of $14 billion. Given that Egypt almost fully utilized its normal access under the 2016 EFF and SDR 8.6 billion (or 422 percent of quota) is outstanding, access to meaningful financing under an RFI will require exceptional access.

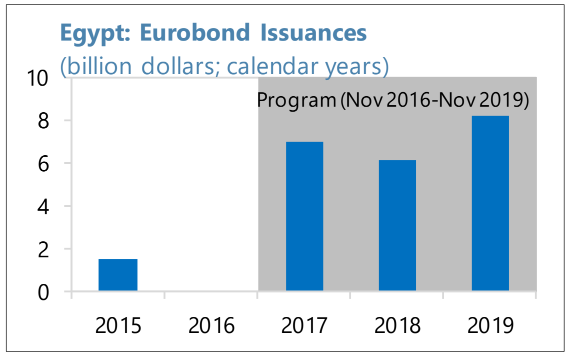
Criterion 2*— A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. Where the member's debt is assessed to be unsustainable ex ante, exceptional access will only be made available where the financing being provided from sources other than the Fund restores debt sustainability with a high probability. Where the member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources.*

Vulnerabilities arise from the elevated level of public debt (87.5 percent of GDP projected at the end of 2019/20), gross financing needs (37 percent of GDP), and the impact on economic activity from the COVID-19 pandemic. While the COVID-19 shock will result in higher public debt than previously projected in 2019/20 and 2020/21, the primary surplus is expected to return to 2 percent of GDP from 2021/22 and public debt is projected to resume its downward trajectory. The authorities are cognizant of debt risks and are executing a strategy to lengthen maturities on the large stock of treasury bills, which is beginning to demonstrate results. Reflecting the still-high debt and GFN levels, staff assesses public debt to be sustainable, but not with high probability. However, several factors including the high share of domestic currency debt issued locally and held by domestic financial institutions, retention of credit ratings by major ratings agencies with a stable outlook since the COVID crisis, and sizeable buffers coming into this crisis help mitigate the risks. Debt risks have recently increased due to the worsening domestic and external environment. Egypt maintained favorable market access prior to the pandemic—most recently issuing Eurobonds at 4, 12, and 40-year maturities in November 2019. Safeguards, in the form of non-Fund external debt obligations are sufficient for the RFI request. These exposures include the stock of Eurobonds



(about $20 billion after the November 2019 issuance), for which the first maturity is in 2022, and deposits at the CBE held by three official bilateral creditors (totaling about $17 billion). The low share of FX debt is a mitigating factor to external financing risks.

Criterion 3*—The member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.*



Egypt regained market access quickly following the 2016 crisis with total issuances of about $21 billion during 2017–19. Egypt maintained favorable market access prior to the pandemic and is expected to regain access to capital markets as financial market conditions begin to normalize. Spreads have risen for Egypt, but remain lower than some other comparable emerging markets, reflecting a broader sell-off across emerging and frontier markets. Thus, the higher spreads are indicative of a general, not Egypt-specific, concern that should unwind with the current crisis so long as strong policies are maintained. Close engagement with the Fund—including in the context of the requested SBA—would help ensure maintenance of a strong policy framework to support a solid rebound after the crisis, which should reinforce investor confidence and assure market access at a level adequate for Egypt to meet its Fund obligations.

Criterion 4*—The policy program provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.*

The authorities' strong program ownership and track record of implementation under the 2016–19 EFF was critical in stabilizing the economy, establishing credibility, and restoring confidence. The authorities' steadfast commitment to policies needed to support macroeconomic stability and more inclusive growth, including further progress on structural reforms, has been reinforced at the highest political level. The authorities intend to pursue all necessary policies to alleviate the BoP pressures while avoiding measures or policies that may compound these difficulties. Institution building to support strong policy frameworks is ongoing, including through capacity development support from the IMF. The government appears to have broad support to implement its policies providing a strong prospect of success. Managing the crisis in a way that minimizes the socio-economic impact will be important to maintain social cohesion.

Annex II. Public and External Debt Sustainability Analysis

The Debt Sustainability Analysis indicates that Egypt's debt remains sustainable, but not with a high probability. Under the baseline scenario, debt is projected to increase in 2019/20 and 2020/21 and then resume its downward trajectory to 75 percent of GDP by 2024/25. The main risks are a more prolonged and severe impact of the COVID-19, a sustained increase in interest rates due to tightening of global financial conditions, and a less ambitious fiscal consolidation path. Contingent liabilities arising from state-owned enterprises present additional risks. Recognizing the high GFNs, the authorities are already extending their maturities and intend to extend them further. Over the medium term, sustained fiscal consolidation in combination with structural reforms to boost growth is needed to put Egypt's debt on a steady declining path.

Baseline Scenario

1. The baseline projections assume a temporary two-quarter shock to growth that spills from FY19/20 into FY20/21. Real GDP growth is expected to decline from an average of 5½ percent in 2017/18 and 2018/19 to 2 percent in 2019/20 (after recording 5.6 percent in 1H19/20) and to 2.8 percent in 2020/21. Growth is projected to recover to 5½ percent over the medium term. Average inflation is expected to increase from about 6 percent in FY19/20 to 9 percent in 20/21 and decline to 7 percent in the medium term. Effective interest rates on general government debt are projected to decline, reflecting the decline in inflation forecasts.

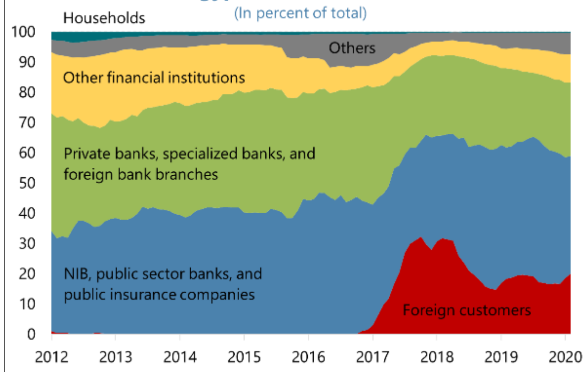
2. As discussed in past published IMF staff reports under the EFF, Egypt's debt has been assessed to be sustainable but is subject to significant risks. Despite the sharp downward trend since 2016/17, the debt-to-GDP ratio remains above the benchmark of 70 percent of GDP for emerging markets. The COVID-19 crisis has exacerbated debt as growth has significantly slowed and fiscal deficits are projected to be higher. As a result, and given the temporary nature of the shock, general government debt is projected to increase from 84 percent of GDP in FY18/19 to about 91 percent of GDP in FY20/21, and decline thereafter to 75 percent of GDP in 2024/25. Over the medium term, primary surpluses and sustained high growth will restore the debt-to-GDP ratio to a firm downward trajectory to reach 75 percent of GDP in FY24/25.

3. The baseline debt projections are subject to significant risks but also accompanied by a number of mitigating factors. As noted, risks arise from the high debt level relative to the benchmark as well as high gross financing needs at above 30 percent of GDP compared to the 15 percent of GDP benchmark. Spreads have increased recently from their pre-COVID-19 level of about 465 basis points to above the high risk benchmark of 600 basis points reflecting the global risk-off sentiment (rather than an Egypt-specific shock), thus changing the risk for the "market perception" indicator from moderate to high.[1] Risk stemming from the change in the "share of

[1] The pre-COVID-19 spread reflects the average EMBIG spread for Egypt in February 2020.

short-term debt" are high; but risks to debt sustainability are alleviated as a large share of participants in the local treasury security market are domestic financial institutions (see text chart). Moreover, the risk stemming from "debt held by nonresidents" and from "debt denominated in foreign currency" is moderate as the indicators are 26 percent and 28 percent, respectively, which is above the benchmark levels for emerging markets but well below the high risk benchmark levels of 45 and 60. In addition, the authorities have already begun to extend maturities and are planning to extend maturities further.

Egyptian T-Bill Holders
(In percent of total)



Source: Central Bank of Egypt, and Haver Analytics.

Realism of Baseline Assumptions

4. The current forecasts entail higher than usual uncertainty. Past forecasts of macro-economic variables have been mixed. The median forecast error was -0.1 percent for growth, 1.2 percent for inflation, and -1.1 percent for the primary balance during 2008–2016, implying an optimistic bias. However, part of the bias is attributed to the exceptional volatility of the sample period, which includes the global financial crisis and two political transitions (2011 and 2013). While in the last two years, the forecast errors for GDP have narrowed, the current forecasts are subject to higher than usual uncertainty given the uncertainty about the impact of COVID-19.

5. Additional risks stem from tighter global financial conditions, lower primary surplus, and materialization of contingent liabilities. Tighter global financial conditions could lead to an increase in interest rates whereby debt could deviate from the projected debt path. A higher than projected impact of the COVID-19 on revenues or spending pressures could lower the primary balance and increase debt compared to the baseline scenario. Contingent liabilities could arise from a call on government guaranteed debt.

Alternative Scenarios and Stress Test

6. Debt sustainability worsens under the historical and primary balance shock scenario. With growth and the primary balance remaining at their last 10-year averages, the debt-to-GDP ratio would increase to 98 percent of GDP in 2024/25, while gross financing needs would increase to about 55 percent of GDP in 2024/25. Alternatively, a scenario with an unchanged growth forecast but a temporary revision of the envisaged fiscal consolidation of primary surpluses by about 1 percent of GDP would imply a debt-to-GDP ratio of 89 percent in 2021/22 compared with 86 percent of GDP in the baseline.

7. The public debt trajectory is vulnerable to macroeconomic shocks and risks from contingent liabilities:

- Under a *growth shock* where GDP growth is 1.2 percentage points lower (one standard deviation) and inflation is 0.3 percentage point lower compared to the baseline in 2019/20 and 2020/21, debt would decline to 78 percent of GDP over the medium term compared to 75 percent in the baseline.

- A *real interest rate shock* with an increase of the interest rate by about 350 basis points over the projection period, increases debt by around 3 percentage point of GDP to 78 percent of GDP over the medium term compared to the baseline.

- A large *real exchange rate shock* with a hundred percent depreciation of the Egyptian pound will increase debt in the next year by 6 percentage points of GDP to 79 percent of GDP over the medium term.

- A *combined macro-fiscal shock* with lower growth and a looser fiscal stance could weaken debt dynamics significantly. A temporary growth shortfall of 1 percentage point for two years, a looser fiscal stance by about 1 percentage points over two years, and about 140 percent of nominal exchange rate depreciation increases debt to 100 percent of GDP in the following year compared to 91 percent of GDP under the baseline. Over the medium-term, debt would remain about 11 percentage points of GDP higher than under the baseline.

- *Materializing of contingent liabilities or a call on government guarantees* from state-owned enterprises are another potential source of vulnerability. A customized shock scenario, in which a contingent liability of 10 percent of GDP materializes, leading to a deterioration of the primary balance, higher interest rates and temporary adverse impacts on other macro-economic variables, would increase debt-to-GDP ratio to 103 percent of GDP in 2020/21 compared to 91 percent in the baseline.

- *The most severe shock combines the macro-fiscal shock with a materialization of a contingent liability*. In this case, debt-to-GDP ratio will increase in the next year to 110 percent of GDP. Over the medium-term debt would decline to around 94 percent of GDP instead of 75 percent of GDP in the baseline and gross financing needs would be 49 percent of GDP.

External Debt

8. **External debt is expected to peak at about 35 percent of GDP in 2021 and decline thereafter.** The standard shock scenarios suggest that external debt would remain near or below their current levels in the medium term. As with public debt, a significant portion of external debt is scheduled to mature in the next years, in part reflecting the maturity of large deposits of several Gulf Cooperation Council members at the CBE. Cognizant of the need to extend maturities on external debt, the authorities' have approached these creditors with a view to rolling them over at longer maturities and have already rolled over at least $6 billion of the $13.4 billion that is scheduled to mature during FY2019/20 and FY2020/21.

Figure 1. Egypt: Public Sector Debt Sustainability Analysis – Baseline Scenario

(In percent of GDP, unless otherwise indicated)

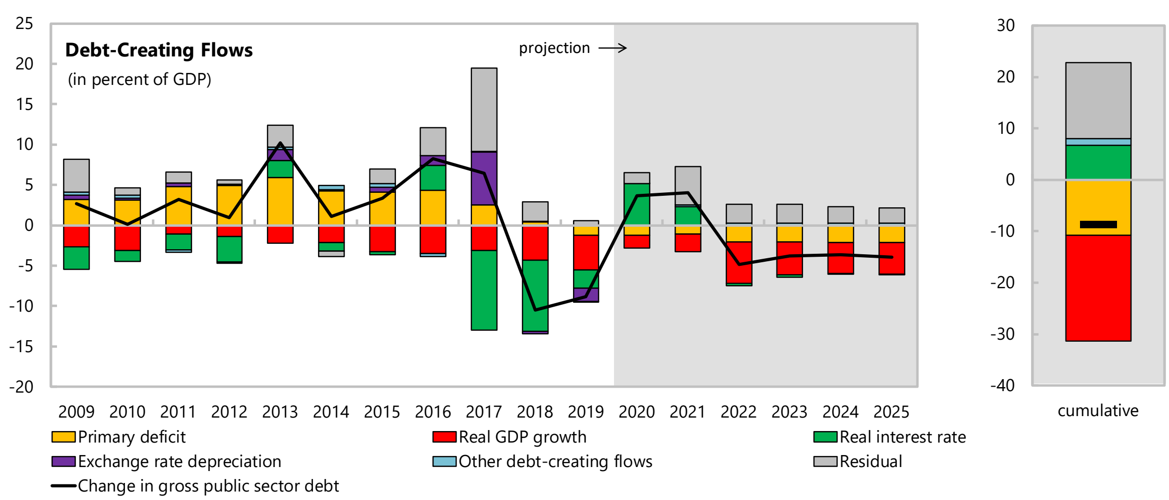
Debt, Economic and Market Indicators [1]

	Actual			Projections					
	2009-2017 [2]	2018	2019	2020	2021	2022	2023	2024	2025
Nominal gross public debt	82.6	92.7	83.8	87.5	91.5	86.7	82.8	79.2	75.2
Public gross financing needs	28.0	32.2	32.2	37.4	35.2	38.2	38.1	38.6	38.6
Real GDP growth (in percent)	3.6	5.3	5.6	2.0	2.8	6.4	5.3	5.3	5.6
Inflation (GDP deflator, in percent)	11.6	21.4	13.6	5.0	7.7	8.9	8.2	7.9	7.9
Nominal GDP growth (in percent)	15.7	27.9	19.9	7.1	10.8	15.9	14.0	13.6	13.9
Effective interest rate (in percent) [4]	9.5	11.6	11.4	11.7	10.9	9.0	8.3	8.3	8.2

As of April 29, 2020		
Sovereign Spreads		
EMBIG (bp) 3/		805
5Y CDS (bp)		655
Ratings	Foreign	Local
Moody's	B2	B2
S&Ps	B	B
Fitch	B+	B+

Contribution to Changes in Public Debt

	Actual			Projections							
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	cumulative	debt-stabilizing primary balance [9]
Change in gross public sector debt	4.0	-10.5	-8.9	3.7	4.0	-4.9	-3.8	-3.7	-4.0	-8.6	
Identified debt-creating flows	1.3	-12.9	-9.4	2.4	-0.8	-7.2	-6.1	-5.7	-5.8	-23.3	
Primary deficit	4.1	0.4	-1.2	-1.3	-1.0	-2.1	-2.1	-2.1	-2.1	-10.7	-3.7
Primary (noninterest) revenue and grants	22.0	20.4	19.9	20.3	21.0	20.7	20.8	20.9	21.0	124.8	
Primary (noninterest) expenditure	26.1	20.8	18.7	19.1	20.0	18.6	18.8	18.8	18.8	114.1	
Automatic debt dynamics [5]	-2.9	-13.4	-8.2	3.6	0.0	-5.4	-4.3	-3.9	-4.0	-13.9	
Interest rate/growth differential [6]	-4.2	-13.1	-6.6	3.6	0.0	-5.4	-4.3	-3.9	-4.0	-13.9	
Of which: real interest rate	-1.7	-8.8	-2.3	5.1	2.3	-0.3	-0.3	0.0	-0.1	6.7	
Of which: real GDP growth	-2.5	-4.3	-4.3	-1.6	-2.2	-5.1	-4.1	-3.8	-3.9	-20.7	
Exchange rate depreciation [7]	1.3	-0.3	-1.6	…	…	…	…	…	…	…	
Other identified debt-creating flows	0.2	0.1	0.0	0.0	0.2	0.2	0.3	0.3	0.3	1.3	
Privatization Proceeds (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
GG: Net Lending	0.2	0.1	0.0	0.0	0.2	0.2	0.3	0.3	0.3	1.3	
Residual, including asset changes [8]	2.7	2.4	0.6	1.3	4.8	2.4	2.3	2.0	1.9	14.7	



Source: IMF staff.

1/ Public sector is defined as general government.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

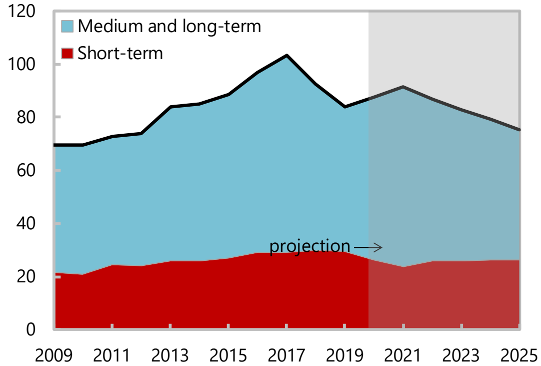
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 2. Egypt: Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

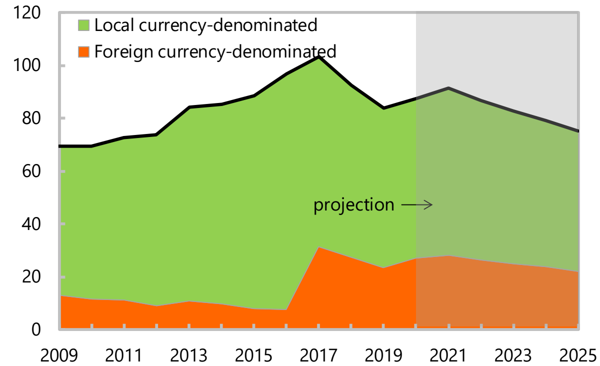
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

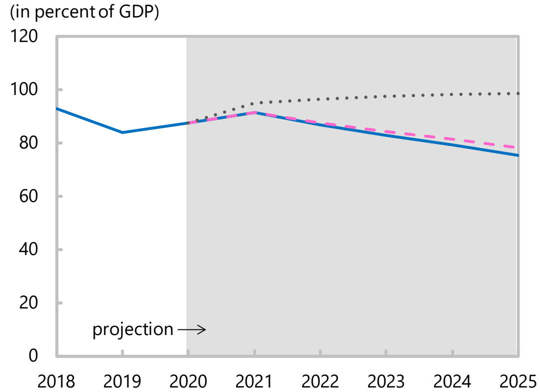


Alternative Scenarios

Baseline   Historical   Constant Primary Balance

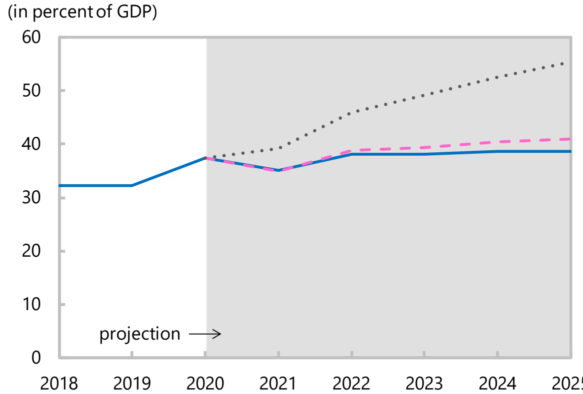
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

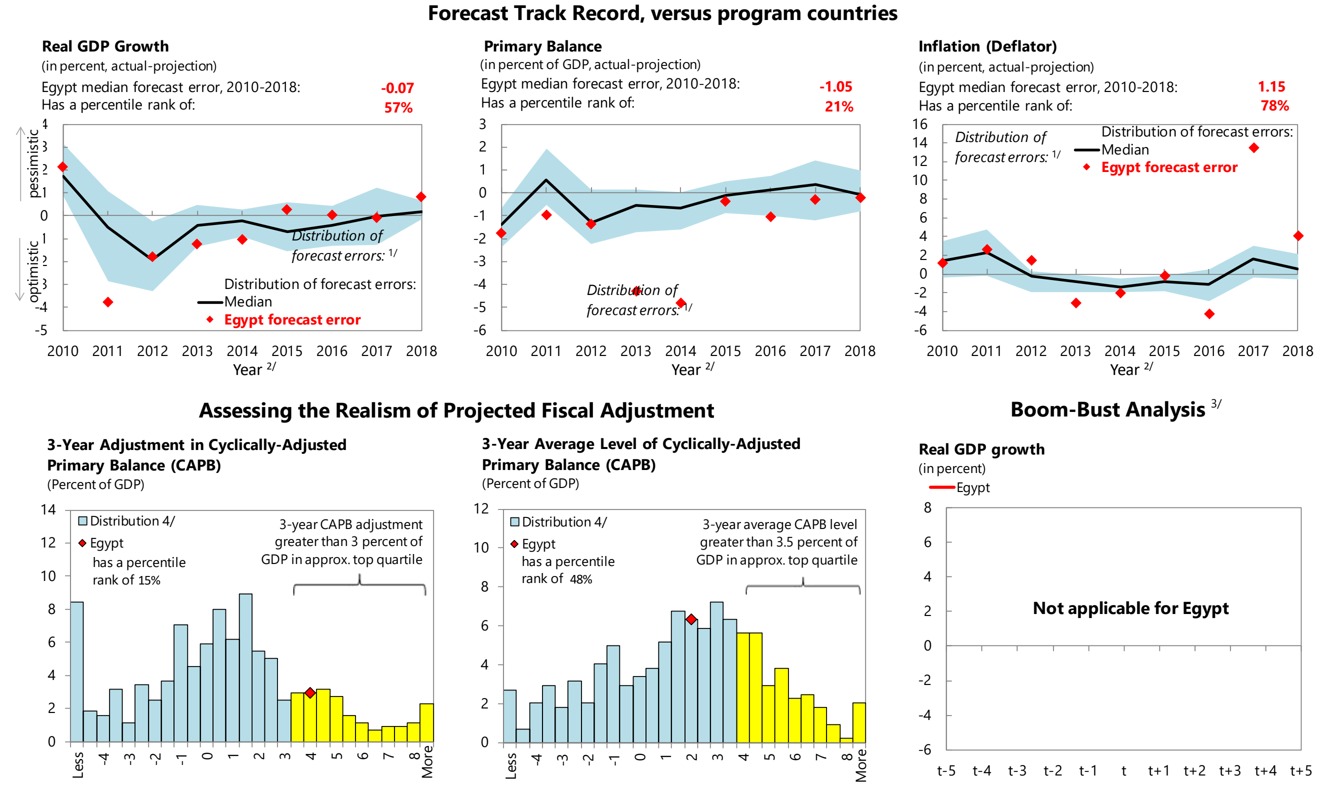
(in percent)

Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	2.0	2.8	6.4	5.3	6.0	5.6
Inflation	5.0	7.7	8.9	8.2	7.9	7.9
Primary Balance	1.3	1.0	2.1	2.1	2.1	2.1
Effective interest rate	11.7	10.9	9.0	8.3	8.3	8.2
Constant Primary Balance Scenario						
Real GDP growth	2.0	2.8	6.4	5.3	6.0	5.6
Inflation	5.0	7.7	8.9	8.2	7.9	7.9
Primary Balance	1.3	1.3	1.3	1.3	1.3	1.3
Effective interest rate	11.7	10.9	9.1	8.3	8.2	8.1

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	2.0	3.9	3.9	3.9	3.9	3.9
Inflation	5.0	7.7	8.9	8.2	7.9	7.9
Primary Balance	1.3	-3.3	-3.3	-3.3	-3.3	-3.3
Effective interest rate	11.7	10.9	7.7	6.5	6.1	5.8

Source: IMF staff.

Figure 3. Egypt: Public DSA – Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes program countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Egypt, as it meets neither the positive output gap criterion nor the private credit growth criterion.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

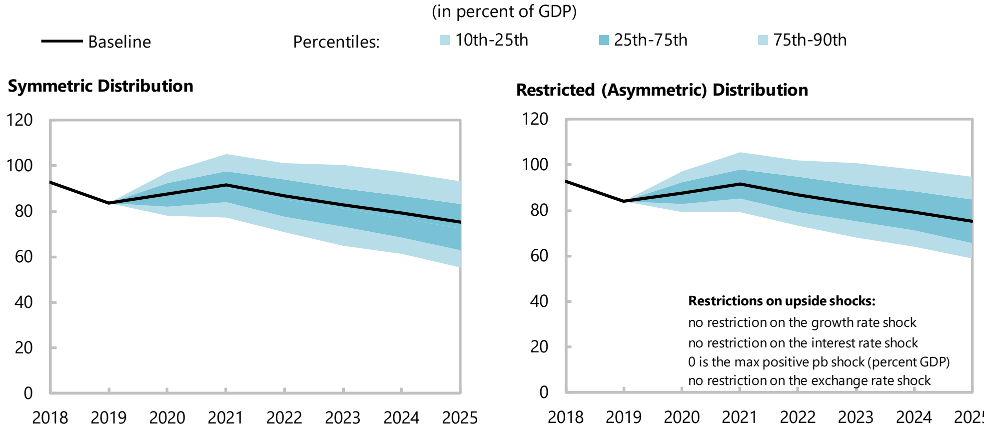
Figure 4. Egypt: Public DSA Risk Assessment

Heat Map

Debt level [1/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs [2/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile [3/]	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

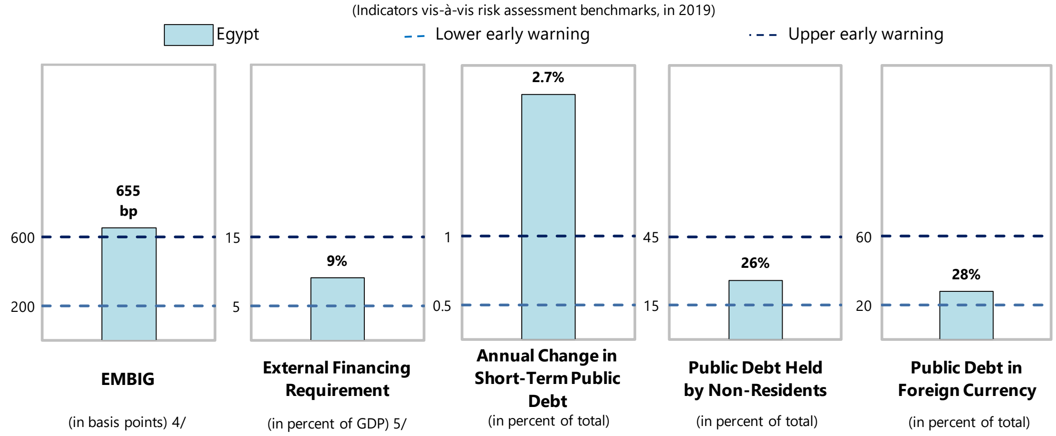
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

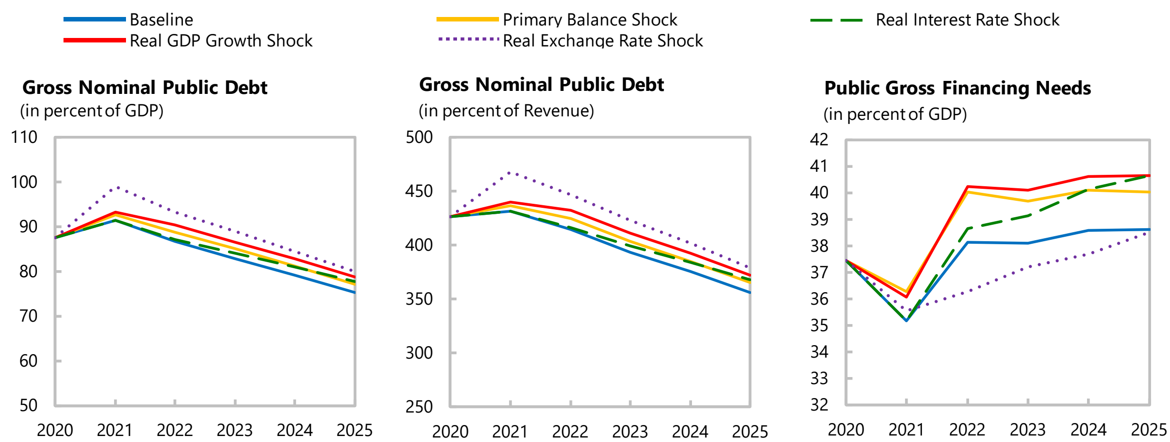
200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, January 23 2020 - April 23 2020 .

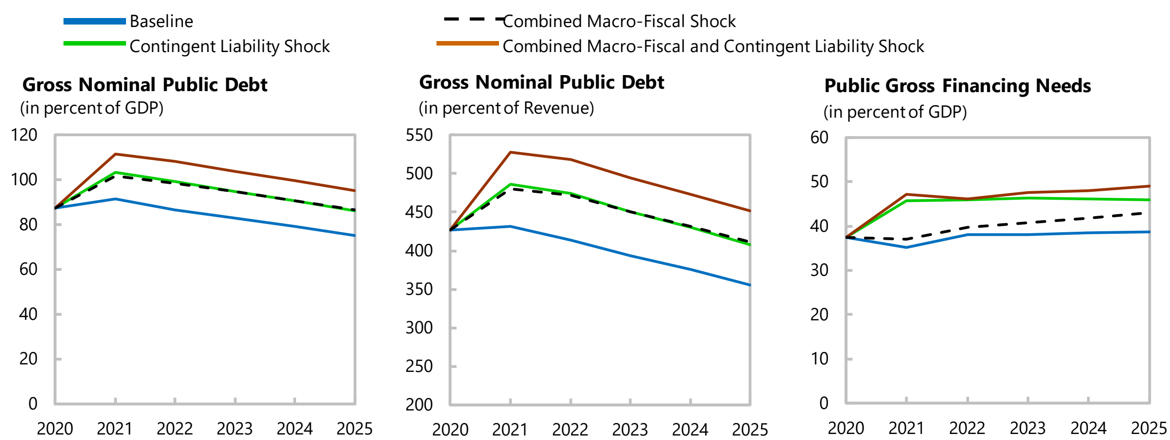
5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 5. Egypt: Public DSA – Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

Primary Balance Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	2.0	2.8	6.4	5.3	6.0	5.6
Inflation	5.0	7.7	8.9	8.2	7.9	7.9
Primary balance	1.3	-0.1	1.0	2.1	2.1	2.1
Effective interest rate	11.7	10.9	9.1	8.4	8.2	8.1
Real Interest Rate Shock						
Real GDP growth	2.0	2.8	6.4	5.3	6.0	5.6
Inflation	5.0	7.7	8.9	8.2	7.9	7.9
Primary balance	1.3	1.0	2.1	2.1	2.1	2.1
Effective interest rate	11.7	10.9	9.7	9.2	9.2	9.2
Combined Shock						
Real GDP growth	2.0	1.5	5.1	5.3	6.0	5.6
Inflation	5.0	42.5	8.9	8.2	7.9	7.9
Primary balance	1.3	-0.1	1.0	2.1	2.1	2.1
Effective interest rate	11.7	12.4	8.5	8.2	8.2	8.3
Contingent Liability Shock						
Real GDP growth	2.0	1.5	5.1	5.3	6.0	5.6
Inflation	5.0	7.4	8.5	8.2	7.9	7.9
Primary balance	1.3	-9.0	2.1	2.1	2.1	2.1
Effective interest rate	11.7	10.9	8.9	8.2	8.1	8.1

Real GDP Growth Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	2.0	1.5	5.1	5.3	6.0	5.6
Inflation	5.0	7.4	8.5	8.2	7.9	7.9
Primary balance	1.3	0.7	1.5	2.1	2.1	2.1
Effective interest rate	11.7	10.9	9.1	8.4	8.2	8.1
Real Exchange Rate Shock						
Real GDP growth	2.0	2.8	6.4	5.3	6.0	5.6
Inflation	5.0	42.5	8.9	8.2	7.9	7.9
Primary balance	1.3	1.0	2.1	2.1	2.1	2.1
Effective interest rate	11.7	12.4	7.9	7.4	7.3	7.3
Combined Macro-Fiscal and Contingent Liability Shock						
Real GDP growth	2.0	1.5	5.1	5.3	6.0	5.6
Inflation	5.0	42.5	8.9	8.2	7.9	7.9
Primary balance	1.3	-10.1	1.0	2.1	2.1	2.1
Effective interest rate	11.7	12.4	8.5	8.1	8.1	8.2

Source: IMF staff.

Figure 6. Egypt: External Debt Sustainability Framework, 2015–2025

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2015	2016	2017	2018	2019			2020	2021	2022	2023	2024	2025	Debt-stabilizing non-interest current account 6/
Baseline: External debt	**15.0**	**18.3**	**41.3**	**37.4**	**34.1**			**33.2**	**35.4**	**31.9**	**28.5**	**26.7**	**25.3**	**-4.4**
Change in external debt	-0.1	3.3	23.0	-3.9	-3.3			-0.9	2.2	-3.5	-3.4	-1.8	-1.4	
Identified external debt-creating flows (4+8+9)	0.5	3.9	7.9	0.6	-5.4			1.5	1.7	-1.6	-1.9	-2.5	-2.5	
Current account deficit, excluding interest payments	3.5	5.7	5.1	1.5	2.5			3.1	3.3	1.4	1.2	1.4	1.6	
Deficit in balance of goods and services	8.5	9.7	12.3	10.5	8.3			6.6	6.8	4.8	4.6	4.8	5.1	
Exports	13.3	10.5	14.5	18.9	17.5			13.6	10.3	13.0	15.3	16.4	16.8	
Imports	21.8	20.1	26.8	29.4	25.8			20.3	17.1	17.8	19.9	21.2	21.9	
Net non-debt creating capital inflows (negative)	-2.0	-2.1	-3.2	-3.1	-2.6			-2.2	-2.0	-2.2	-2.8	-3.6	-3.7	
Automatic debt dynamics 1/	-1.0	0.2	5.9	2.2	-5.4			0.6	0.3	-0.8	-0.3	-0.3	-0.3	
Contribution from nominal interest rate	0.2	0.3	0.5	1.2	1.1			1.1	1.2	1.4	1.3	1.2	1.1	
Contribution from real GDP growth	-0.6	-0.7	-1.0	-2.2	-1.7			-0.6	-0.9	-2.2	-1.6	-1.4	-1.4	
Contribution from price and exchange rate changes 2/	-0.6	0.6	6.4	3.3	-4.7			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-0.5	-0.6	15.1	-4.5	2.1			-2.4	0.6	-1.8	-1.4	0.7	1.0	
External debt-to-exports ratio (in percent)	113.1	174.7	285.1	197.8	194.9			243.5	344.3	245.0	186.1	163.5	150.5	
Gross external financing need (in billions of US dollars) 4/	18.1	25.2	24.0	20.5	25.7			28.9	35.5	32.1	34.7	39.2	39.9	
in percent of GDP	5.4	7.6	9.4	8.2	8.5			8.3	10.0	8.6	8.7	9.1	8.6	
Scenario with key variables at their historical averages 5/						10-Year Historical Average	10-Year Standard Deviation	**33.2**	**33.4**	**31.2**	**30.3**	**31.3**	**32.9**	**-2.9**
Key Macroeconomic Assumptions Underlying Baseline														
Real GDP growth (in percent)	4.4	4.3	4.1	5.3	5.6	3.9	1.3	2.0	2.8	6.4	5.3	6.0	5.6	
GDP deflator in US dollars (change in percent)	4.1	-4.0	-25.9	-7.3	14.5	1.1	11.6	13.4	-0.8	-1.3	1.6	1.2	1.7	
Nominal external interest rate (in percent)	1.4	1.7	2.2	2.7	3.5	2.0	0.6	3.9	3.8	4.1	4.3	4.3	4.3	
Growth of exports (US dollar terms, in percent)	1.4	-21.0	6.7	27.4	11.8	2.0	13.2	-10.0	-23.0	33.3	25.9	13.7	10.5	
Growth of imports (US dollar terms, in percent)	4.4	-7.5	2.8	6.8	6.1	2.8	5.6	-9.1	-14.1	9.9	19.6	13.3	11.1	
Current account balance, excluding interest payments	-3.5	-5.7	-5.1	-1.5	-2.5	-2.8	1.6	-3.1	-3.3	-1.4	-1.2	-1.4	-1.6	
Net non-debt creating capital inflows	2.0	2.1	3.2	3.1	2.6	1.9	1.0	2.2	2.0	2.2	2.8	3.6	3.7	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

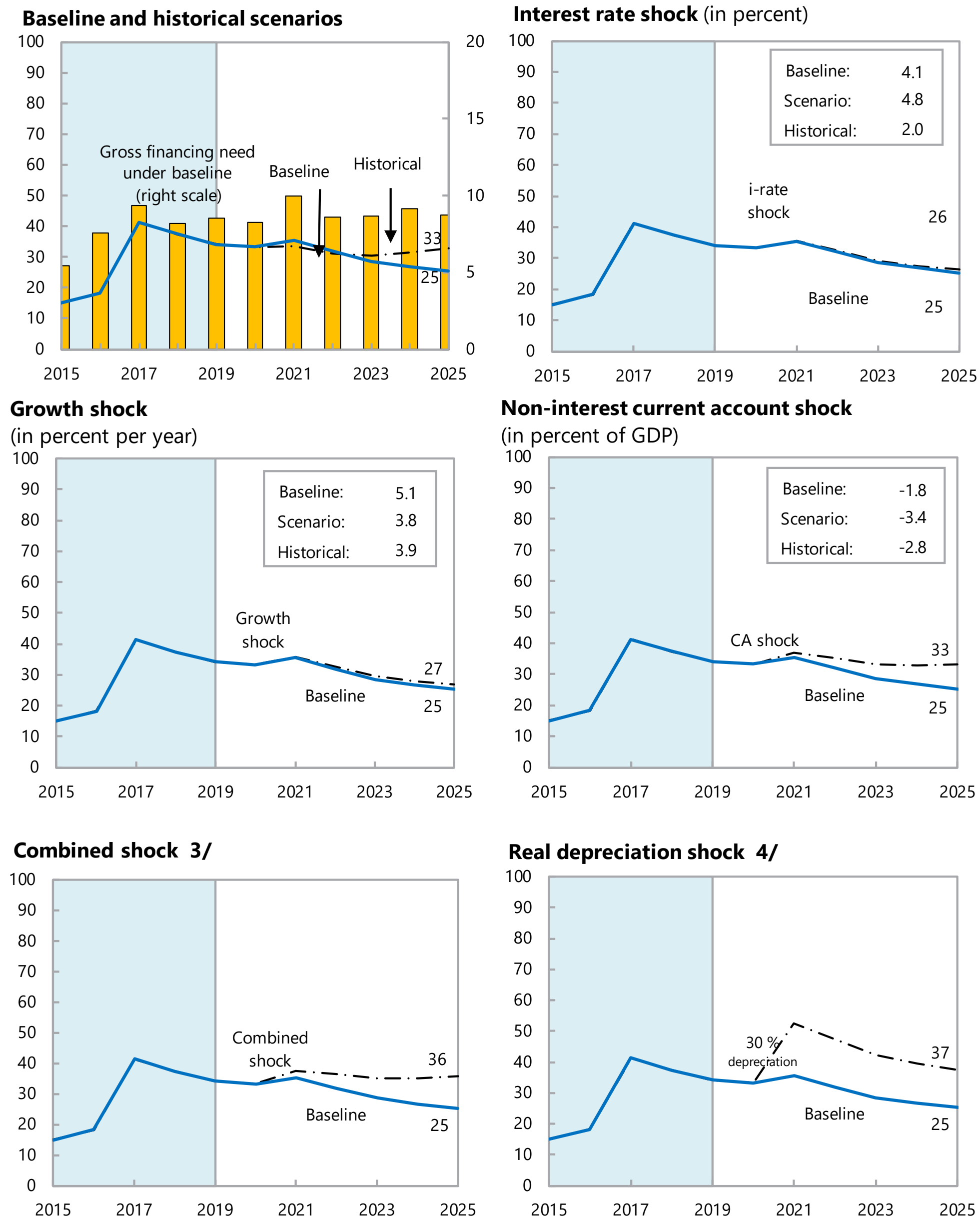
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 7. Egypt: External Debt Sustainability Analysis: Bounds Tests 1/2/



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent one standard deviation shocks applied to nominal interest rate, growth rate, and current account balance.

4/ One-time real exchange rate depreciation of 30 percent occurs in 2018/19.

Appendix I. Letter of Intent

May 4, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C.

Dear Ms. Georgieva,

1. The COVID-19 outbreak has affected the Egyptian economy in multiple ways and has necessitated a quick and decisive response. The Government of Egypt has made significant progress in expanding laboratory testing, conducting sanitation operations, setting up hospitals for treatment as well as for quarantine, building personal protective equipment reserves, and developing a disease surveillance system, including the use of mobile applications for contact tracing. In addition, several precautionary measures have been put in place to contain the spread via social distancing, including imposing a nighttime curfew, allowing and encouraging working from home, requesting physical presence of essential workers only at all government entities, canceling all public gatherings, closure of all schools and universities as well as historical sites and places of worship, and halting international flights. The combination of these domestic measures, the global slowdown, and financial market turmoil have significantly affected economic growth; the effect is further compounded by capital outflows, the complete halt in tourism, reduced remittances, and slower industrial and construction activity.

2. The buffers that Egypt built over the past few years by implementing our strong home-grown economic reform program have significantly improved our ability to deal with exogenous shocks. Nevertheless, the unprecedented magnitude of the ongoing health crisis and its economic fallout have led to a balance of payments gap.

3. To support Egypt meet the immediate external and fiscal financing needs and to safeguard the significant macroeconomic gains achieved over the past three years, we request a purchase under the Rapid Financing Instrument (RFI) in the amount equivalent to the maximum allowed 100 percent of Egypt's quota. This rapid disbursement would help alleviate some of the most pressing financing needs, including in health, social protection, and supporting the most impacted sectors and the most vulnerable groups. At the same time, we intend to engage with the IMF staff on a follow-up Stand-by Arrangement (SBA) to support our ongoing efforts to maintain macroeconomic stability including through a balanced policy framework, and to safeguard the hard-won economic stability of the past three years. These efforts will place us on a strong footing for a robust and speedy recovery once the health crisis is behind us; it will enable and facilitate the acceleration of our structural reform agenda aimed at higher inclusive and sustainable private sector-led growth and job creation in Egypt.

4. Since the pandemic outbreak, the Government's response has been firm and decisive. Our immediate focus has been on tackling the health crisis while limiting its macro, financial and social impacts and addressing the needs of the vulnerable and affected sectors. President El Sisi announced a comprehensive EGP 100 billion (1.8 percent of GDP) support package. Almost EGP 40 billion has already been allocated for public health sector measures and to support the most affected sectors and the vulnerable. So far the announced measures includes accelerating the payment of EGP 10 billion to contractors and suppliers (mostly private sector) to ensure smooth implementation of government investments; announcing a 14 percent increase in pensions starting July 2020 that will benefit almost 10 million households; cash transfers for about 2 million irregular workers; lower energy costs for industry ; payment over three installments of due corporate taxes for 2019 only for affected sectors, temporary real estate tax relief for industrial and tourism sectors; higher subsidy pay-outs for exporters; a 6-month grace period for MSMEs for insurance premia; an extension to a moratorium on agricultural land tax for 2 years; a reduction in the stamp duty on capital market transactions; and postponement of the capital gains tax for residents for 17 months while abolishing it for nonresidents; halving the dividend tax for companies listed on the stock exchange. The coverage of targeted cash transfer programs Takaful and Karama is being expanded to reach additional 60,000–70,000 families to a total of 2.9 million families. In addition, exports of all types of legumes, as well as selected sanitation and medical supplies, were suspended for 3 months to ensure availability of basic commodities. In addition, the support package includes EGP 50 billion in support for the tourism sector (which accounts for about 10 percent of employment);

5. We are committed to safeguarding fiscal and debt sustainability, while providing maximum needed support for the health sector and affected sectors as well as protecting the vulnerable. Accordingly, our crisis-related measures to contain its economic impact are designed to be timely, targeted, transparent, and temporary. If additional spending is needed to address the crisis, the Government is prepared to reallocate resources from less urgent spending items to crisis related spending items. As conditions improve, we will roll back all temporary measures implemented to address the crisis, with a goal of achieving a primary balance of around 2 percent of GDP in 2021/22 assuming relative containment of the COVID-19 crisis, and resuming the downward trajectory of the debt-to-GDP ratio to reach 75 percent by 2024/25.

6. In the interest of transparency and accountability, we will continue to track and report all crisis-related spending, including through our various fiscal documents published throughout the budget cycle in line with international best practices. We intend to publish all crisis-related spending in a consolidated manner on the ministry of finance web site and we will publish government procurement plans and awarded contracts for the emergency responses to COVID-19, including the names of the awarded companies and information on beneficial ownership in accordance with the applicable law. As is customary, the State Audit Authority will audit crisis-mitigating inflows and spending including ex-post validation of delivery, and publish the results after the end of the fiscal year in line with our constitutional mandate. As recovery sets in, we are determined to continue our efforts aiming to strengthen and widen the revenue base and accordingly will update our draft medium-term revenue strategy to reflect emerging needs related to the COVID-19 shock. With a view to continue our efforts and achievements in mitigating debt vulnerabilities including by

reducing the Government's gross financing needs, we intend to continue efforts to achieve our public debt management objective of lengthening the maturity of our domestic debt, including by rolling over debt owed to the central bank over longer maturities and at market rates.

7. The Central Bank of Egypt (CBE) has also taken decisive measures, including cutting the policy interest rate by 300bps in March 2020, to support economic activity and alleviate liquidity pressures in domestic financial markets. Repayments under existing credit facilities for all customers were postponed for six months, and the preferential interest rate on loans to industry, tourism, agriculture, and housing for middle-class families granted under the CBE-supported lending schemes was reduced from 10 to 8 percent. The CBE announced an EGP 20 billion stock-purchase program to support share prices. The CBE has temporarily limited cash withdrawals and deposits on EGP, and two state banks have issued one-year high-yield (15 percent) local currency deposit certificates. In other measures, the limits for mobile payments were raised severalfold; a new debt relief initiative was introduced for individuals with overdue payments on debts under EGP 1 million if customers make a 50 percent payment to settle their debts with banks and allow them to reenter the banking sector and participate in economic activity. In addition, the credit registry rule has been amended cancelling the blacklist for corporates and the negative list for individuals and decreasing the disclosure period of historical data (after repayment) on the nonperforming clients.

8. To safeguard monetary and financial stability, the CBE will roll back these measures when conditions allow. In particular, the CBE stands ready to tighten if inflationary pressures were to appear, and commits to roll back all the new initiatives introduced to reduce the burden of the crisis. The CBE remains committed to maintaining exchange rate flexibility to help absorb exogenous shocks while containing disorderly market conditions. We still expect the enactment of the new Central Bank and Banking Sector Act as soon as possible.

9. We intend to continue our close dialogue with the IMF to address Egypt's balance of payment needs in a sustainable manner and to implement a set of strong macroeconomic and structural policies that will strengthen stability and ensure speedy and robust recovery to be supported by a prospective SBA. We are also reaching out to other international institutions including the World Bank and African Development Bank, and bilateral partners for additional financial support to meet our balance of payments and fiscal needs. Furthermore, we intend to continue our reform plans to enhance the business environment, foster competition, and strengthen the role of the private sector. We will comply with the provisions of IMF's Articles of Agreement, including by not imposing any restrictions on the making of payments and transfers for international transactions, trade restrictions for balance of payments purposes, or multiple currency practices, or entering into bilateral payments agreements which are inconsistent with Article VIII of the IMF's Articles of Agreement.

10. We request that the purchase under the RFI aimed at addressing the immediate balance of payments needs be made available to the budget. In line with the safeguards policy, we will agree on a memorandum of understanding between the Ministry of Finance and the Central Bank of Egypt on their respective responsibilities for servicing the related financial obligations to the IMF. In line with the IMF's safeguards policy, the CBE also agrees to undergo an update of the safeguards

assessment, provide IMF staff with the most recent central bank's external audit reports, and authorize the external auditors to hold discussions IMF staff. Also in line with IMF policies, we also commit to requesting a fiscal safeguards assessment given that RFI financing will entail exceptional access to IMF resources and will be used for budgetary spending. Steps are underway to finalize and publish the financial audit of the central bank for FY2019.

11. We authorize the IMF to publish this letter of intent and the staff report for the request for disbursement under the RFI.

Sincerely yours,

/s/	/s/
Tarek Amer	**Mohamed Maait**
Governor of the Central Bank of Egypt	Minister of Finance
Arab Republic of Egypt	Arab Republic of Egypt

INTERNATIONAL MONETARY FUND

ARAB REPUBLIC OF EGYPT

May 6, 2020

ASSESSMENT OF THE RISKS TO THE FUND AND THE FUND'S LIQUIDITY POSITION

Approved By
Andrew Tweedie and Petya Koeva Brooks

Prepared by the Finance and Strategy, Policy, and Review Departments.

CONTENTS

INTRODUCTION

1. This note assesses the risks to the Fund arising from the proposed purchase under the Rapid Financing Instrument (RFI) for Egypt and its effects on the Fund's liquidity, in accordance with the policy on exceptional access. The Egyptian authorities have requested a purchase under the RFI of 100 percent of quota (SDR 2,037.1 million) to alleviate an urgent balance-of-payments need. The COVID-19 pandemic, and its global economic and financial consequences, is causing severe disruptions that could put Egypt's hard-won macroeconomic stability at risk without adequate external support. While maximum access under an RFI will still leave a financing gap, it will ease immediate external financing pressures. The remaining gap is expected to be met by a combination of a prospective Stand-By Arrangement (SBA) with the IMF, which the authorities have requested, as well as financing from other multilateral and official bilateral creditors.

BACKGROUND

2. Egypt completed a three-year EFF arrangement in 2019, its first Fund-supported arrangement since the 1990s.

- Egypt's most recent Fund arrangement was an EFF arrangement for an amount of SDR 8,597 million, or approximately US$12 billion (422 percent of quota), approved on November 11, 2016. All reviews were concluded and the arrangement fully drawn, with the Executive Board completing the fifth and final review on July 24, 2019. Egypt's EFF-supported reform program was largely successful in achieving macroeconomic stabilization, addressing external and domestic imbalances, and putting debt on a downward trajectory while also implementing a first wave of structural reforms. Still, public debt and gross financing needs have remained elevated and a significant structural reform agenda remains.

- In the 1990s, Egypt had three arrangements with the Fund, including two that were treated as precautionary (Table 1): a two-year precautionary SBA, approved on October 11, 1996, for an amount of SDR 271 million (40 percent of quota); and a three-year arrangement under the Extended Fund Facility (EFF), approved by on September 20, 1993, for SDR 400 million (59 percent of quota). Egypt purchased SDR 147 million out of SDR 234 million (51 percent of quota) available under an SBA arrangement approved on May 17, 1991.

Table 1. Egypt: IMF Financial Arrangements and Fund Exposure, 1986–2030
(in millions of SDR)

Year	Type of New Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount of New Arrangement	Amount Drawn	Fund Exposure 1/	
1986						25.0	
1987	SBA	15-May-1987	30-Nov-1988	250.0	116.0	128.5	
1988						116.0	
1989						116.0	
1990						87.0	
1991	SBA	17-May-1991	31-May-1993	234.4	147.2	89.0	
1992						147.2	
1993	EFF	20-Sep-1993	19-Sep-1996	400.0	0.0	147.2	
1994						132.2	
1995						69.5	
1996	SBA	11-Oct-1996	30-Sep-1998	271.4	0.0	10.9	
1997						0.0	
:						:	
:						:	
2015						0.0	
2016	EFF	11-Nov-2016	29-Jul-2019	8,596.6	8,596.6	1,970.1	
2017						4,298.3	
2018						5,731.1	
2019						8,596.6	
2020	RFI	May 2020		*2,037.10*		*10,633.7*	2/
2021						*10,469.5*	2/
2022						*9,947.1*	2/
2023						*8,992.0*	2/
2024						*6,660.1*	2/
2025						*4,208.7*	2/
2026						*2,776.0*	2/
2027						*1,507.4*	2/
2028						*597.0*	2/
2029						*119.4*	2/
2030						*0.0*	2/

Source: Finance Department
1/ As of end-December, unless otherwise stated.
2/ Figures in italics include prospective transactions under the proposed RFI purchase. As of the end of fiscal year starting on July 1 and ending on June 30.

3. **Egypt's total external debt has risen considerably since 2016.** Total external debt remained below 20 percent of GDP during 2012/13 through 2015/16 but rose in the wake of the sharp devaluation in November 2016. External debt plateaued at around 36 percent of GDP at end-2018/19 (Table 2). Medium- and long-term borrowings by the public sector have the largest share in external debt. Compared with other exceptional access borrowers, overall external debt as a share of GDP is relatively modest, but public external debt is slightly above the median (Figure 1).

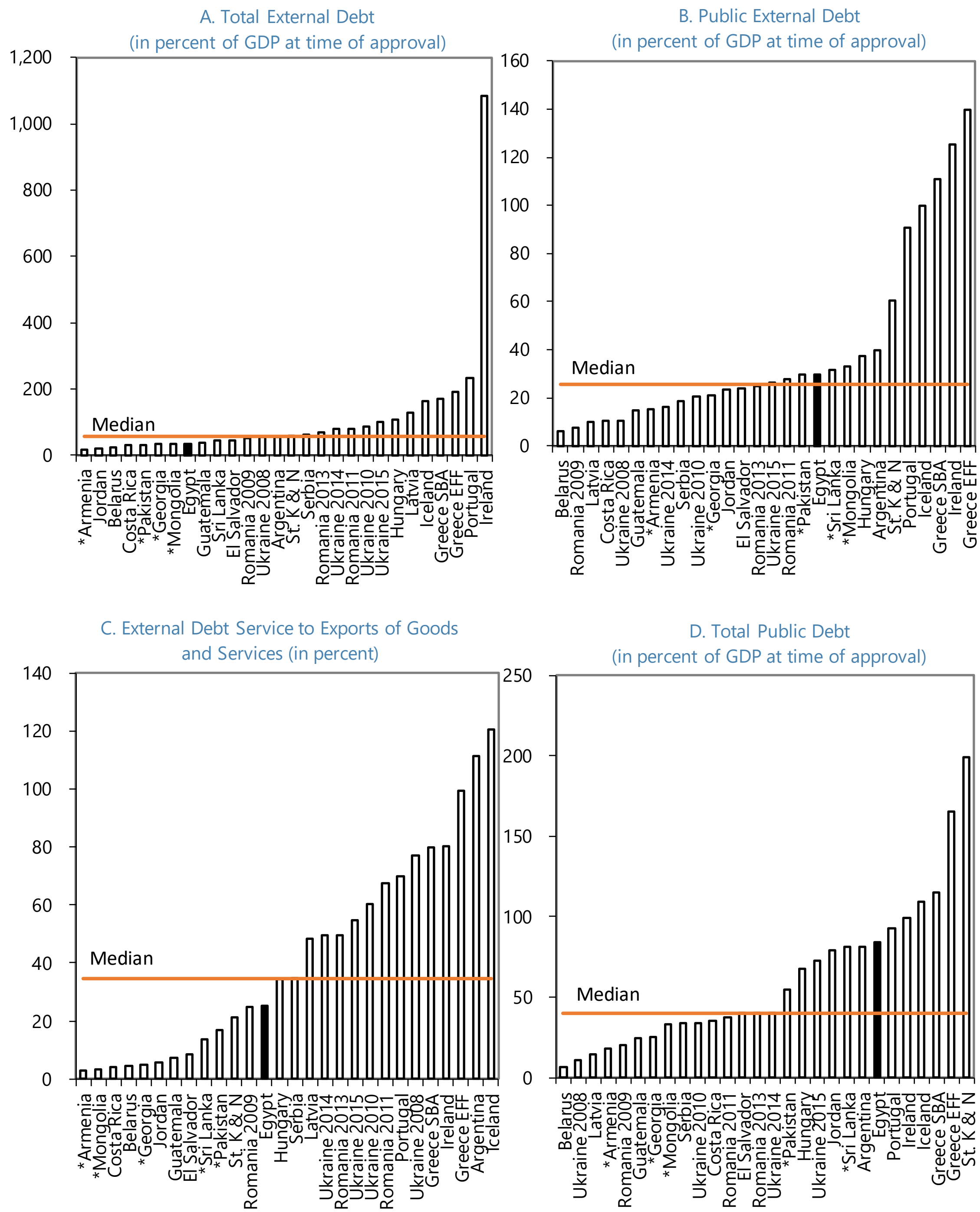
Table 2. Egypt: External Debt Structure, 2012/13–2018/19 1/ 2/

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	(In billions of U.S. Dollars)						
Total External Debt	43.2	46.1	48.1	55.8	79.0	92.6	108.7
Medium and long-term debt	36.2	42.4	45.5	48.7	66.8	80.4	97.6
Bonds	5.2	6.1	4.9	3.5	9.0	14.3	19.4
of which Public	5.2	6.1	4.9	3.5	9.0	14.3	19.4
Loans	31.0	36.3	40.5	45.3	57.8	66.1	78.3
Public	31.0	36.3	40.5	45.1	57.6	65.6	77.9
Multilateral	12.0	12.2	12.2	14.1	21.8	28.4	32.8
of which IMF	1.4	1.4	1.3	1.3	4.0	9.3	11.2
Use of Fund Credit	0.0	0.0	0.0	0.0	2.7	8.1	10.0
SDR Allocation	1.4	1.4	1.3	1.3	1.2	1.3	1.2
Bilateral (including official deposits)	18.5	23.5	26.7	27.8	29.4	28.8	30.0
Repo and suppliers' credit	0.6	0.5	1.5	3.1	6.5	8.4	15.1
Private non-guaranteed	0.0	0.0	0.0	0.2	0.2	0.5	0.4
Short-term external debt	7.0	3.7	2.6	7.0	12.3	12.3	11.1
Central Bank	4.5	0.5	0.0	3.2	8.2	6.3	3.2
Banks	0.8	0.9	1.4	1.9	1.1	1.8	3.7
Other sectors	1.8	2.3	1.1	1.9	3.0	4.1	4.2
	(In Percent of GDP)						
Total External Debt	15.0	15.1	14.5	16.8	30.8	37.0	36.0
Medium and long-term debt	12.6	13.9	13.7	14.7	26.0	32.1	32.3
Bonds	1.8	2.0	1.5	1.1	3.5	5.7	6.4
of which Public	1.8	2.0	1.5	1.1	3.5	5.7	6.4
Loans	10.8	11.9	12.2	13.6	22.5	26.4	25.9
Public	10.8	11.9	12.2	13.6	22.5	26.2	25.8
Multilateral	4.2	4.0	3.7	4.2	8.5	11.4	10.9
of which IMF	0.5	0.5	0.4	0.4	1.6	3.7	3.7
Use of Fund Credit	0.0	0.0	0.0	0.0	1.1	3.2	3.3
SDR Allocation	0.5	0.5	0.4	0.4	0.5	0.5	0.4
Bilateral (including official deposits)	6.4	7.7	8.1	8.4	11.5	11.5	9.9
Repo and suppliers' credit	0.2	0.2	0.5	0.9	2.5	3.4	5.0
Private non-guaranteed	0.0	0.0	0.0	0.1	0.1	0.2	0.1
Short-term external debt	2.4	1.2	0.8	2.1	4.8	4.9	3.7
Central Bank	1.6	0.2	0.0	1.0	3.2	2.5	1.1
Banks	0.3	0.3	0.4	0.6	0.4	0.7	1.2
Other sectors	0.6	0.7	0.3	0.6	1.2	1.6	1.4

Source: Central Bank of Egypt (CBE), Haver Analytics, and IMF staff estimates.
1/ As of the end of fiscal year starting on July 1 and ending on June 30.
2/ Public debt includes official deposits, which are not covered in the general government concept for the public DSA.

4. **Public debt and gross financing needs remain high.** Gross public debt is estimated at 87.5 percent of GDP in 2019/20), down from a peak of 103 percent in 2016/17, but well above the median for recent exceptional access cases (Figure 1). It also considerably exceeds the MAC DSA debt benchmark of 70 percent of GDP for emerging markets. Domestic debt is high and under upward pressure from the potential fiscal impact of the COVID-19 pandemic; there are also risks that could arise from materialization of contingent liabilities related to state-owned enterprises. Gross financing needs are projected to exceed 30 percent of GDP through 2025, more than double the existing MAC DSA framework's benchmark of 15 percent of GDP for emerging markets. However, the authorities have indicated their commitment to resuming fiscal consolidation as the crisis abates, which is projected to put public debt on a downward trajectory from 2021/22. The authorities have also implemented a strategy to extend maturities on the large stock of treasury bills. Additional mitigating factors include room for domestic financing given Egypt's large domestic banking system, a significant part of which is public sector-controlled, and the authorities' well-advanced discussions with bilateral creditors to extend maturities on their deposits at the CBE.

Figure 1. Debt Ratios for Recent Exceptional Access Arrangements 1/ 2/



Source: Egyptian authorities and IMF staff estimates.

1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008. For Egypt, ratios reflect end-FY2019 data.

2/ Asterisks indicate PRGT-eligible countries at the time of the program.

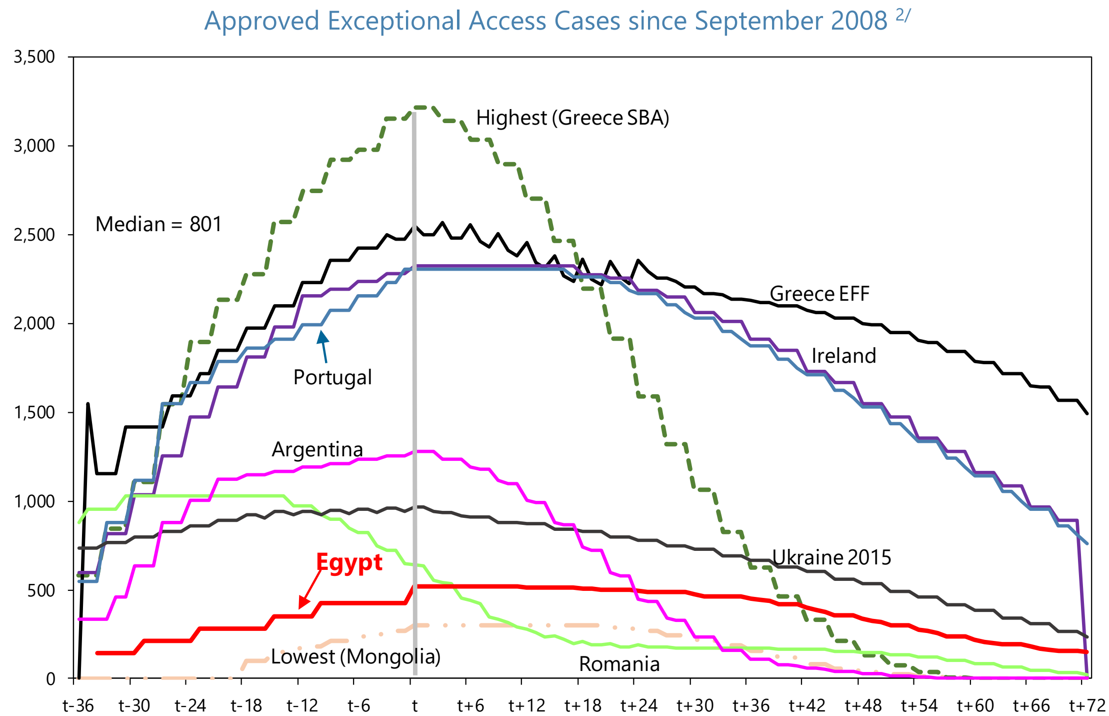
PURCHASE UNDER THE RFI—RISKS AND IMPACT ON FUND FINANCES[1]

A. Risks to the Fund

5. **Access under the proposed RFI purchase would exceed the cumulative access limit, but be modest relative to recent exceptional access cases (Figures 2 and 3)**. Purchases under the 2016 EFF arrangement brought Egypt close to the normal cumulative access limit (435 percent of quota), with credit outstanding at 422 percent of quota. With the proposed RFI purchase, credit outstanding will rise to 522 percent of quota. This is relatively modest compared with other recent exceptional access cases, notably the large arrangements to support European borrowers in the early 2010s and more recently Argentina.

Figure 2. Credit Outstanding in the GRA around Peak Borrowing [1/]

(in percent of quota)



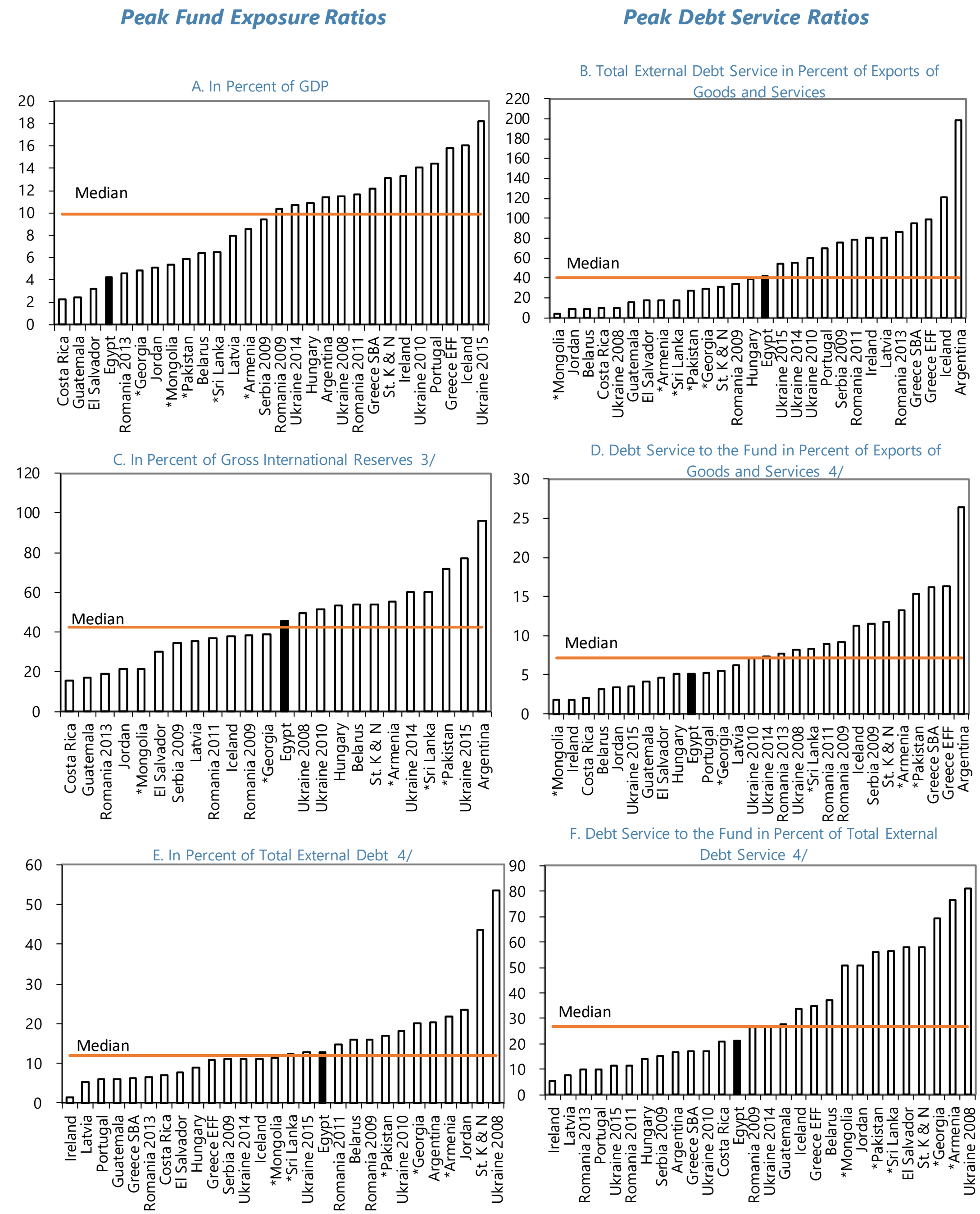
Source: Finance Department and IMF staff estimates.

1/ Peak borrowing "t" is defined as the highest level of credit outstanding for a member. Repurchases are assumed to be on an obligations basis.

2/ Based on quotas at the time of approval, i.e., pre-14th Review quotas for all countries except Argentina and Egypt. Median credit outstanding at peak is 801 percent of quota; average is 1,028 percent of quota.

[1] The impact of the requested SBA is outside the scope of this assessment and will be assessed separately at a later stage.

Figure 3. Peak Fund Exposure and Debt Service Ratios for Recent Exceptional Access Cases 1/ 2/



Source: Egyptian authorities and IMF staff estimates.
1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008.
2/ Asterisks indicate PRGT-eligible countries at the time of the program. In Panel F, Georgia's debt service to the Fund includes one from PRGF loan.
3/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.
4/ For arrangements of which total external debt (or debt service) ratio is not available, public external debt ratio is shown instead.

Table 3. Egypt: Capacity to Repay Indicators [1/ 2/]

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Exposure and Repayments (In SDR millions)											
GRA credit to Egypt	10,633.7	10,469.5	9,947.1	8,992.0	6,660.1	4,208.7	2,776.0	1,507.4	597.0	119.4	0.0
(In percent of quota)	(522.0)	(513.9)	(488.3)	(441.4)	(326.9)	(206.6)	(136.3)	(74.0)	(29.3)	(5.9)	(0.0)
Charges due on GRA credit 3/	255.9	248.0	258.4	279.9	223.2	125.3	45.5	25.0	12.6	4.4	0.7
Repurchases under EFF	0.0	164.2	522.4	955.2	1,313.4	1,432.8	1,432.8	1,268.6	910.4	477.6	119.4
Repurchases under RFI	0.0	0.0	0.0	0.0	1,018.6	1,018.6	0.0	0.0	0.0	0.0	0.0
Debt service due on GRA credit 4/	255.9	412.1	780.8	1,235.0	2,555.1	2,576.6	1,478.2	1,293.6	923.0	482.0	120.1
Debt and Debt Service Ratios											
In percent of GDP											
Total external debt	32.8	33.0	31.0	27.6	26.0	24.6	22.7	21.2	20.1	19.3	18.8
External debt, public	30.2	31.0	30.0	27.4	24.2	22.4	20.7	19.3	18.3	17.5	17.1
GRA credit to Egypt	4.2	4.1	3.7	3.1	2.2	1.3	0.7	0.4	0.1	0.0	0.0
Total external debt service	4.0	4.1	5.4	6.3	4.4	3.7	3.4	3.1	2.9	2.7	2.6
Public external debt service	3.3	2.9	4.7	5.4	2.6	2.5	2.2	2.0	1.9	1.8	1.7
Debt service due on GRA credit	0.1	0.2	0.3	0.4	0.8	0.8	0.4	0.3	0.2	0.1	0.0
In percent of Gross International Reserves											
Total external debt	327.3	369.5	356.8	342.9	290.1	247.2	228.2	213.1	201.6	193.6	188.8
External debt, public	302.0	346.6	345.3	340.9	269.9	224.9	207.6	193.9	183.4	176.1	171.8
GRA credit to Egypt	42.1	45.6	42.5	39.0	24.4	13.0	7.5	3.6	1.2	0.2	0.0
Debt service due on GRA credit	1.0	1.8	3.3	5.4	9.4	7.9	4.0	3.1	1.9	0.9	0.2
In percent of Exports of Goods and Services											
Total external debt service	29.0	40.1	41.1	41.3	26.6	22.0	19.9	18.4	17.2	16.2	15.6
Public external debt service	24.2	28.2	35.7	35.0	16.0	15.0	13.1	12.1	11.3	10.7	10.3
Debt service due on GRA credit	0.7	1.6	2.2	2.8	5.1	4.7	2.4	1.8	1.1	0.5	0.1
In percent of Total External Debt											
GRA credit to Egypt	12.8	12.3	11.9	11.4	8.4	5.2	3.3	1.7	0.6	0.1	0.0
In percent of Total External Debt Service											
Debt service due on GRA credit	2.6	3.9	5.4	6.8	19.2	21.3	11.8	9.9	6.6	3.2	0.7
In percent of Total Public External Debt											
GRA credit to Egypt	13.9	13.1	12.3	11.4	9.0	5.7	3.6	1.8	0.7	0.1	0.0
In percent of Total Public External Debt Service											
Debt service due on GRA credit	3.1	5.5	6.2	8.0	32.0	31.2	18.0	14.9	10.0	4.9	1.1

Source: Egyptian authorities, Finance Department, and IMF staff estimates.

1/ Assumes a drawing under the RFI and indicators based on the macroeconomic scenario presented in the accompanying staff report. GRA credit and debt service due on GRA credit includes amounts under the proposed RFI purchase and the 2016 EFF arrangement.
2/ Fiscal year starts on July 1 and ends on June 30.
3/ Includes GRA basic rate of charge, surcharges, service charges, and SDR charges. Of charges due in FY2020, SDR 62.5 million is due in the period following Executive Board consideration of the proposed RFI purchase.
4/ Includes charges due on GRA credit and repurchases. Of the FY2020 figure, SDR 62.5 million is due in the period following Executive Board consideration of the proposed RFI purchase.

6. While Egypt already has sizable Fund credit outstanding, peak Fund exposure metrics would generally remain below or close to recent exceptional access cases. In particular, peak Fund exposure ratios (stock of outstanding obligations to the Fund as a share of GDP, gross international reserves, and total external debt) are below or close to the median for exceptional access cases approved by the Fund since September 2008 (Figure 3). The same applies for most key external debt service ratios, including total external debt service, and debt service obligations to the Fund, in percent of exports of goods and services. Capacity to repay indicators (Table 3) are also broadly in line with those for recent exceptional access borrowers from the GRA in recent years (Figure 3). Nonetheless, in the wake of the COVID-19 pandemic, Egypt—and the global economy—face exceptionally high uncertainties, implying a significant risk of more adverse outcomes for the currently projected risk indicators.

B. Impact on the Fund's Liquidity Position and Credit Exposure

7. The proposed RFI purchase would have a modest impact on the Fund's liquidity position. With the RFI purchase, the Fund's Forward Commitment Capacity (FCC) would decline by around 1.1 percent from its current level of SDR 192 billion (Table 4). Since Egypt is not a member of the Financial Transactions Plan (FTP), there would be no additional second-round impact on the FCC, when Egypt purchases under the RFI.

8. The marginal impact of the proposed RFI on the Fund's overall credit exposure would be limited, but it would add to what is already the Fund's second largest outstanding credit (Table 4, Figure 4).

- Egypt will remain the Fund's second largest borrower under the current GRA lending portfolio. After the purchase under the proposed RFI and together with the previous purchases under the 2016–19 EFF arrangement, Egypt's GRA credit outstanding will account for 14 percent of total Fund credit outstanding, which is second by a large margin to Argentina (42 percent).

- Credit concentration measured by the Fund's exposure to the top five borrowers would increase marginally from 77.4 percent to 78.0 percent.

- The Fund's current level of precautionary balances significantly exceeds the credit exposure to Egypt. The exposure to Egypt after the purchase under the RFI would amount to 64 percent of the estimated level of precautionary balances (PBs) at end-FY2020. The estimated ratio of total Fund credit outstanding to PBs would rise from 443 percent to 456 percent after the purchase.

- Were Egypt to accrue arrears on charges, the Fund's burden sharing mechanism would be clearly insufficient to cover such arrears. GRA charges for Egypt, projected at SDR 248 million for 2020/21, significantly exceed the Fund's residual burden-sharing capacity, which has very low capacity in the current interest rate environment.

Table 4. Egypt: Impact on GRA Finances
(in millions of SDR unless otherwise noted)

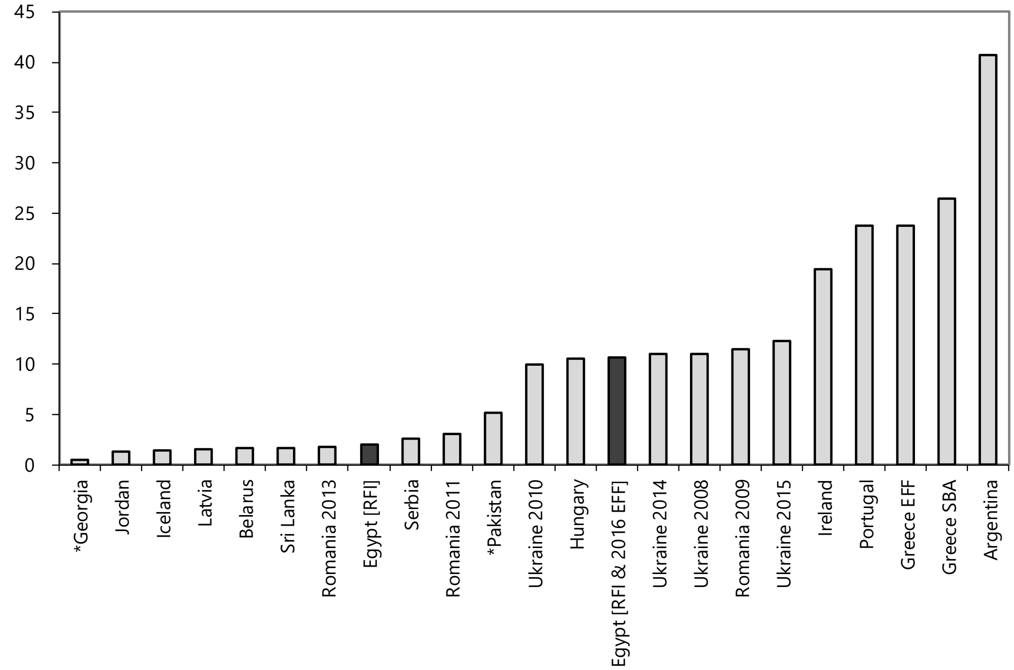
	As of 5/1/2020
Liquidity measures	
Current one-year Forward Commitment Capacity (FCC) 1/	191,892.2
Impact of the RFI approval on the FCC 2/	-2,037.1
(in percent of current one-year FCC)	-1.1
Prudential measures	
Fund GRA credit outstanding to Egypt 3/	10,633.7
In percent of current precautionary balances	63.7
In percent of total GRA credit outstanding	14.0
Fund GRA credit outstanding to top five borrowers	
In percent of total GRA credit outstanding	77.4
In percent of total GRA credit outstanding including Egypt's RFI purchase	78.0
Egypt's annual GRA charges in percent of Fund's residual burden sharing capacity for 2020/21	2,345
Memorandum items	
Fund's precautionary balances (end-FY2020)	16,700
Fund's residual burden-sharing capacity 4/	10.6

Sources: Egyptian authorities, Finance Department, and IMF staff estimates.

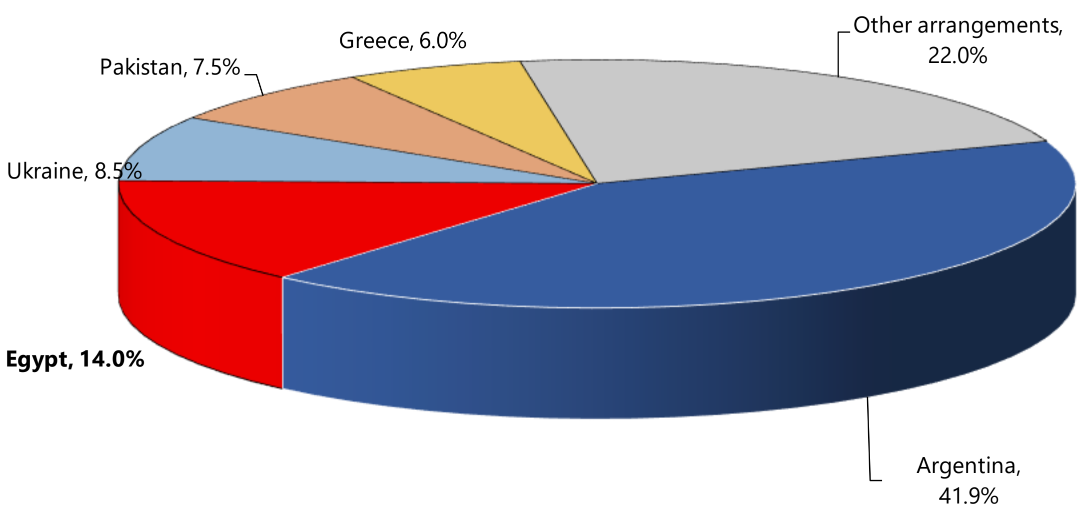
1/ The FCC is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources under the New Arrangements to Borrow or the 2016 Bilateral Borrowings Agreements.
2/ A single country's negative impact on the FCC is defined as the country's sum of Fund credit and undrawn commitments minus repurchases one-year forward.
3/ Projected credit outstanding for Egypt at approval of the proposed RFI, which amounts to the sum of purchase under the RFI and credit outstanding under the 2016 EFF arrangement.
4/ Burden-sharing capacity is calculated based on the floor for remuneration which, under current policies, is 85 percent of the SDR interest rate. Residual burden-sharing capacity is equal to the total burden-sharing capacity minus the portion being utilized to offset deferred charges.

Figure 4. Exceptional Access Levels and Credit Concentration

A. Total Access of Recent Exceptional Access Arrangements 1/
(In billions of SDRs)



B. Credit Concentration of Fund GRA Exposure 2/
(As a percentage of total credit outstanding)



Source: Finance Department.
1/ Does not include FCL arrangements as well as arrangements with relatively low access in SDRs. Asterisks indicate countries that were PRGT-Eligible at the time of approval.
2/ Total credit outstanding refers to credit outstanding as of May 1, 2020 plus Egypt's purchase under the proposed RFI.

ASSESSMENT

9. The proposed RFI purchase is intended to help Egypt cope with the global impact of the COVID-19 pandemic and maintain macroeconomic stability. A sharp slowdown in domestic activity is expected as a result of the containment measures introduced to slow the spread of the virus. At the same time the external balance is expected to deteriorate from portfolio outflows, weaker FDI, the shock to tourism, and weaker remittances. EMBIG spreads have risen sharply—reflecting a broader sell-off across emerging and frontier markets—and the authorities have drawn down on their still-substantial foreign exchange reserve buffer. While maximum access under an RFI will still leave a financing gap in 2019/20 and 2020/21, the RFI will serve as a bridge while allowing the authorities to explore options to fill the remaining gap. These options include prospective support from an SBA requested by the authorities—for which a separate risk assessment will be prepared at a later stage—as well as possible support from other multilateral institutions and official bilateral creditors.

10. Egypt's capacity to repay the Fund is adequate. Capacity to repay indicators are broadly in line with those for other recent exceptional access arrangements. Downside risks to Egypt's repayment capabilities arise from the unusual uncertainty about the duration and magnitude of the outbreak and the persistence of measures to contain it. If the crisis turns out to be more severe and/or longer than expected, the output losses could be larger and the recovery would be delayed. Additional risks include large public gross financing needs that could leave Egypt vulnerable to a prolonged loss of market access, and materialization of contingent liabilities to the state. At the same time, several factors mitigate these risks, including that a significant portion of the financing need is based in domestic currency, substantial foreign exchange reserves buffers, and exchange rate flexibility as a crucial shock absorber. The authorities are cognizant of the risks, and have been taking measures to lower the risks of the public debt profile, including by lengthening debt maturities.

11. The proposed purchase under the RFI will have a modest impact on the Fund's liquidity, and—together with Egypt's prior purchases under the EFF—a moderate impact on the Fund's credit exposure. On approval, the Fund's liquidity will be reduced by the full amount of the purchase and the Fund's remaining lending capacity will fall by a modest 1.1 percent. While Egypt's request under the RFI is small compared with past exceptional access arrangements, Egypt will, on the basis of the Fund's current lending portfolio, remain the second largest borrower of GRA resources (by a large margin after Argentina). The RFI will leave the Fund's credit exposure to Egypt at 64 percent of current precautionary balances, and at 14 percent of total GRA credit outstanding.

**Statement by Mr. Beblawi, Executive Director for Egypt
and Ms. Abdelati, Senior Advisor to the Executive Director
May 11, 2020**

As previously recognized by Directors, Egypt has a strong track record of delivering on its EFF-supported home-grown reform program, which has been described as possibly the Fund's most successful program. Among its achievements were monetary and exchange rate stability following the floating of the currency, eliminating fuel subsidies and introducing a fuel indexation mechanism, an improvement in the fiscal primary balance by 5.5 percentage points of GDP in less than 3 years, gradual expansion of the integrated social protection package, and a reduction of debt by over 20 percentage points of GDP between June 2017 and December 2019. Notably, growth averaged 5 percent for the three years, higher than projected at the start of the program. Structural reforms advanced under the EFF and have continued since the last Board meeting nine months ago in important areas, including the banking law, further expanding of social programs, competition, reforms that enhance financial sustainability of the pension system, and modernizing the public procurement system, medium-term revenue strategy. Prior to COVID-19, Egypt had advanced the macroeconomic gains, built up some buffers, the economic outlook was very positive, and investor confidence was strong.

A sudden balance of payments need has emerged since March 2020, following the restrictions on domestic activity, the global economic recession, and financial market turmoil. It is difficult to assess the eventual size of the balance of payments gap, since the depth and duration of the crisis remain unknown. Staff estimates a worsening of the overall balance of payments by $25 billion for the two years (compared to near balance previously), of which three-quarters occurs in the year ending June 2020, reflecting sizeable capital outflows, cessation of tourism, and lower remittances. Short-term liquidity support is urgently needed to maintain reserves at a level that preserves the hard-won confidence gains. The purchase under the Rapid Financing Instrument (RFI) is a welcome first step, as the authorities continue to seek additional financing from the Fund, under a UCT arrangement, and from other official and private sources.

The authorities undertook swift and decisive measures to contain the spread of COVID-19 and mitigate its impact on the economy, including through a package of fiscal, monetary, and financial measures together amounting to over $6 billion, or around 1.8 percent of GDP. The approach assigned a high priority to provide adequate liquidity, support affected businesses, mitigate the loss of livelihoods of the poor and vulnerable and those in the informal sector so as to safeguard social cohesion. Nevertheless, a primary fiscal surplus of around 1½ percent of GDP is still expected in the fiscal year ending in June 2020, compared to 2 percent previously targeted. The primary deficit is expected to be contained due to overperformance in the first eight months, use of contingency reserves, and budgetary reallocations where appropriate. Officials are proud of the recent track record and success in placing debt on a downward trajectory by targeting primary surpluses of 2 percent of GDP over the medium-term, which they intend to resume as soon as feasible. The Ministry of Finance has been targeting the COVID-related support measures to where they would be most effective, ensuring that measures taken are adjustable, reversible, and preserve the fiscal position to safeguard debt sustainability.

With regard to debt sustainability, this is the first RFI request with Exceptional Access (EA), and one of the first EA requests since the 2015 change in EA policy. This is a particularly uncertain time for all countries, who are all subject to a sudden worsening of the debt profile and to being highly vulnerable to risks from a more prolonged or deeper crisis. In this context, we would like to point out that Egypt has several country-specific factors that help it maintain debt sustainability, as recognized in the staff report, despite debt indicators breaching some standard benchmarks. A key factor is the track record of successfully reducing debt to GDP by 20 percentage points in 30 months, while targeting a primary surplus of 2 percent of GDP over the medium term. Rollover risk is mitigated by the fact that the bulk of domestic currency denominated debt is held by liquid and profitable domestic banks, and by the policy pursued toward a gradual shift toward issuing debt at longer maturities. Rollover of amounts, coming due to external bilateral creditors over the next year, has been secured or is in an advanced stage of discussion. Moreover, the share of external debt is relatively low, and Egypt enjoys a positive perception among international private investors. Ratings have remained stable despite the magnitude of the shock and spreads on sovereign debt have not risen as much as for other peer emerging economies. The authorities are discussing a near term international issuance. Gross financing needs remain on the high side, but are on an improved path, benefiting from the lengthening of the debt maturities from an average of 1.8 years in June 2017 to 3.6 years in December 2019; this process was expected to accelerate, as inflation has slowed markedly and would bring down the cost of borrowing for longer maturities. The authorities look forward to the opportunity to discuss with staff the debt sustainability assessment in detail and to provide additional relevant information.

A multi-pronged approach to supporting vulnerable groups is in place. Since 2014, the Ministry of Social Solidarity has established a system to vet households for eligibility for cash transfers. By end-2019, the Takaful and Karama program was covering 2.5 million households and supplements the social security programs for the disabled and elderly, which cover another 1.2 million, and a semi-cash subsidy program that secures basic food items to the lower end of the middle-income groups, as well as social housing projects and the recent adoption of the universal health coverage system. As part of COVID-19 response, a monthly cash subsidy will be provided for three months to workers who have lost their jobs, health workers will receive higher wages and bonuses, and the annual increase in pension payments was brought forward by a few months to ease the impact on pensioners. In addition, adequate supplies of basic commodities were secured to ensure affordability and the health and education sectors will receive a double digit increase in next year's budget. In the LOI, the authorities have outlined the existing reporting, procurement, and accountability procedures that are already in place under current laws to reassure the Board of the accountability framework for expenditures related to COVID-19.

The Egyptian authorities value the engagement with the Fund and appreciate the work of the mission team. They look forward to continuing close engagement in the period ahead. In this unprecedented global crisis, the Fund's role is more important than ever. Egypt is not new to managing crises and has had its share following the Global Financial Crisis (GFC), including disruptions due to the 2011 and the 2013 Revolutions. Growth had averaged 7 percent for the 3 years prior to the GFC and public debt stood below 67 percent of GDP in 2008. Despite this latest setback, the Government and Central Bank are prepared to do what is needed to contain the fallout from this crisis and to steer the economy to sustainable private sector-led growth.