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## **Minister of Finance: The Egyptian economy has tripled in size over the past 6 years**



Egypt's Minister of Finance, Dr. Mohamed Maait, said that the size of the Egyptian economy has tripled in the past 6 years, which reflects the government's success in directing development funds to real investments, as well as feasible projects and initiatives that contributed to improving financial performance indicators during the fiscal year ending June 2022.

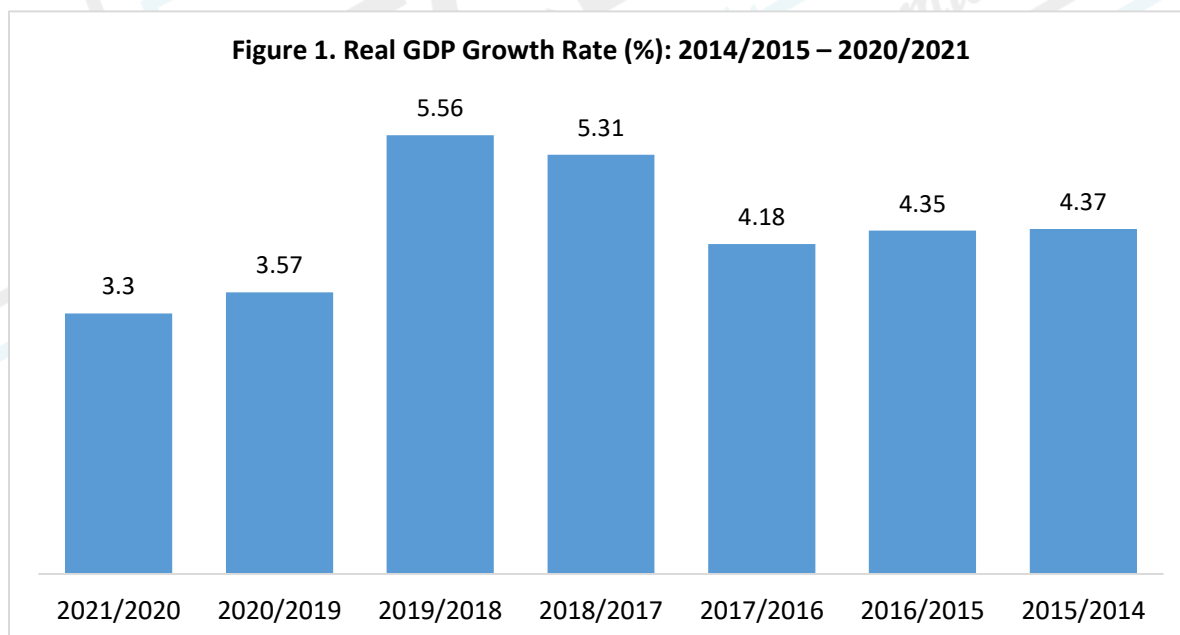
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### **Our Views**

Egypt has witnessed positive economic growth during the past 6 years, despite significant challenges such as the COVID-19 pandemic and the Russian-Ukrainian war.

## 1. GDP growth rate

- The growth rate referred to in the news is the current or nominal growth rate, which is an inaccurate indicator that does not reflect real economic performance and the evolution of actual volume of production as much as it reflects the high inflation rate experienced in Egypt recently.
- According to the news, for real GDP to triple in 6 years, a cumulative growth rate of 20 percent annually must be achieved. In fact, the maximum rate recorded by real growth was 5.6 percent in 2018/2019, which began to decline, recording 3.3 percent in 2020/2021, as shown in Figure 1. Hence, it is not valid to draw comparisons against previous periods or other countries without controlling for the impact of inflation to show the real development in the volume of GDP.<sup>1</sup>
- In fact, in real terms, GDP did not double, but rather achieved an increase of up to 30 percent during the six years referred to in the news.

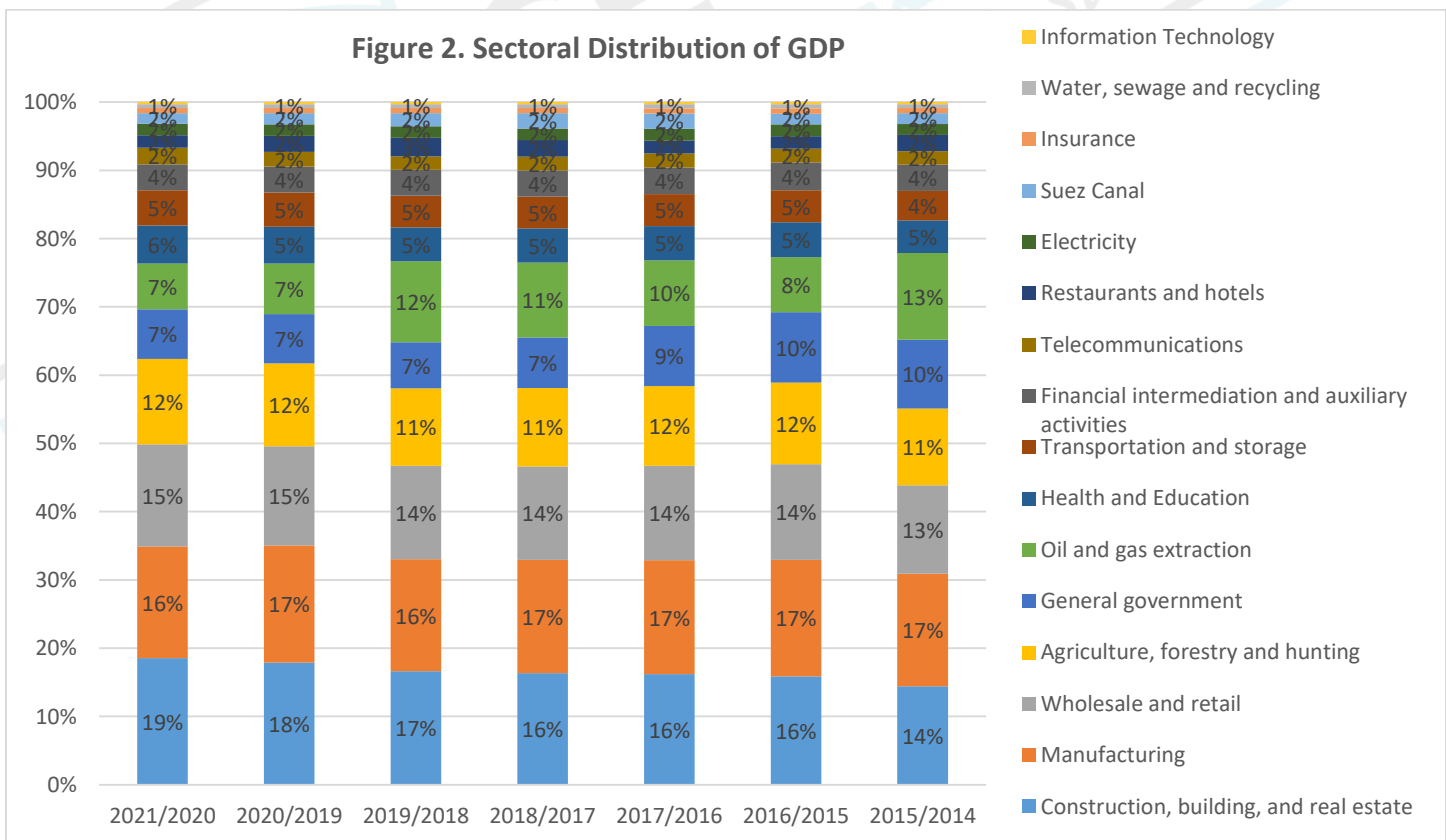


Source: National accounts data, Ministry of Planning and Economic Development  
<https://mped.gov.eg/GrossDomestic>

<sup>1</sup> Real GDP growth amounted to 6.6 percent in 2021/2022, according to several press websites quoting relevant ministries, but these data were not officially updated in the Ministry of Planning database, and hence were not taken into account.

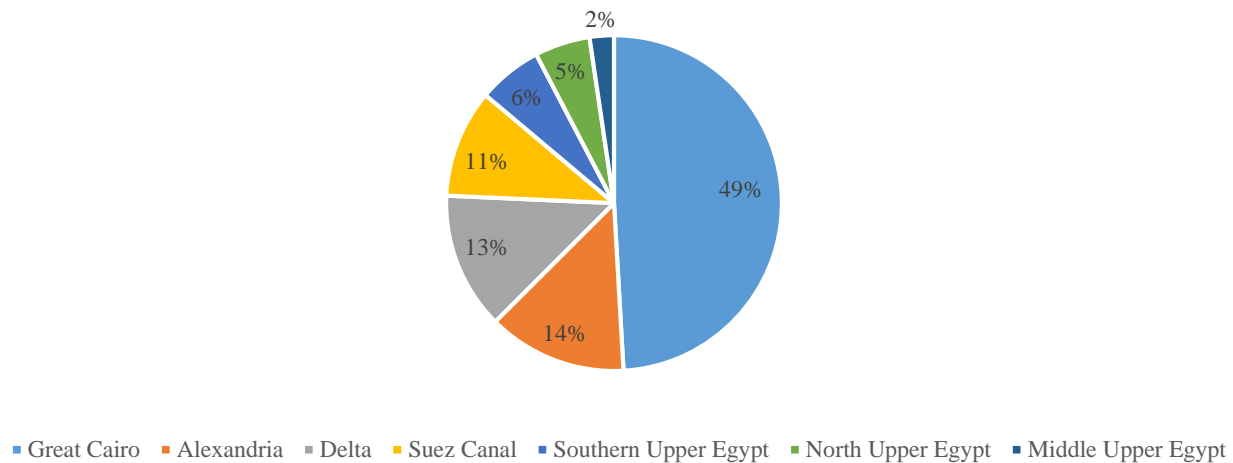
## 2. Economic and social dimensions

- While the growth rate is important, its structure and sectoral sources as well as geographical distribution are more important aspects, to show its equity and sustainability.
- As for the sources of growth, Figure 2 indicates the continuous rise in the contribution of the construction and real estate sectors to GDP from 14 percent in 2014/2015 to 19 percent in 2020/2021. But these are non-productive sectors that do not create sustainable job opportunities. The contribution of the manufacturing sector, however, remained almost stable around 16 - 17 percent over the same period.
- As for geographic equity, it is clear from Figure 3 that approximately 50 percent of Egypt's GDP is produced in the Greater Cairo region, which implies severe geographic inequity in distributing the fruits of growth, especially in terms of job creation.



Source: National accounts data, Ministry of Planning and Economic Development  
<https://mped.gov.eg/GrossDomestic>

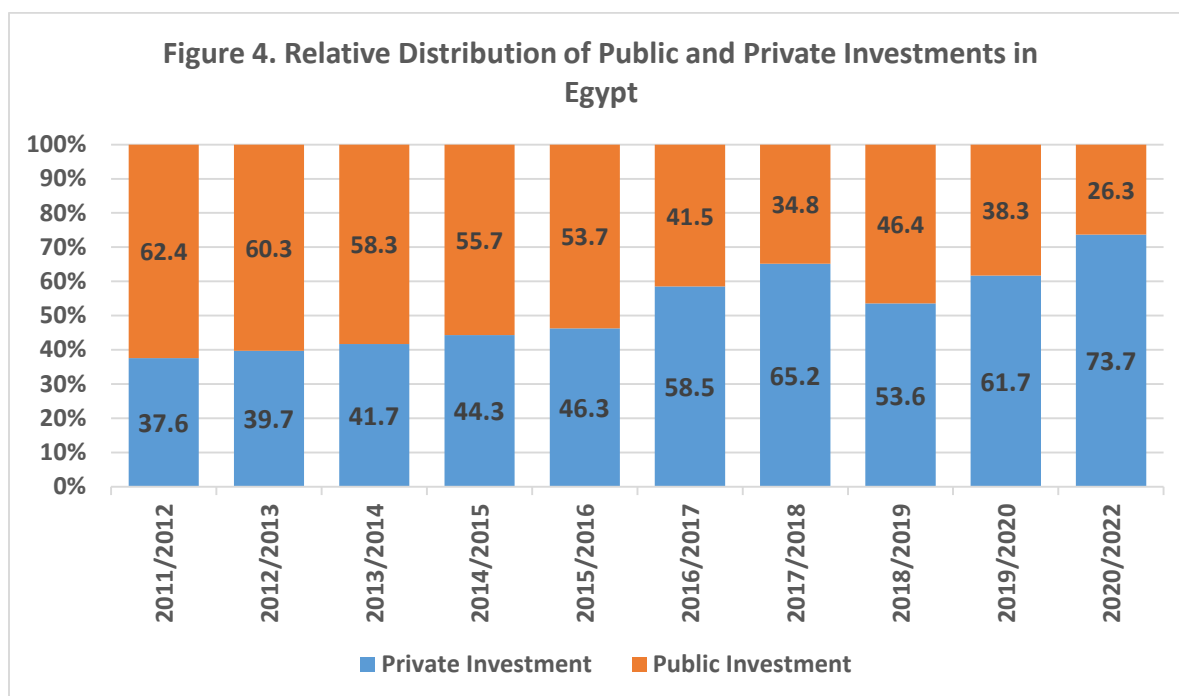
Figure 3. Relative Distribution of GDP by Region, 2015/2016



Source: National accounts data, Ministry of Planning and Economic Development  
<https://mped.gov.eg/GrossDomestic>

### **3. Private investment in Egypt**

- There is no doubt that investment is one of the most important drivers of growth, and as per the news the Egyptian government has been working to promote domestic and foreign investment. However, these efforts have yet to yield real results on the ground considering the fundamental problems facing the private sector as highlighted by ECES in its periodic *Business Barometer* report. In this regard, Figure 4 indicates a decline in the private sector's share of public investments in Egypt from 62.4 percent in 2011/2012 to only 26.3 percent in 2020/2021.



Source: National accounts data, Ministry of Planning and Economic Development  
<https://mped.gov.eg/GrossDomestic>

**Noteworthy:**

- The construction sector was one of the sectors displaying the greatest growth on a real basis during the period 2014/2015 – 2020/2021, while the manufacturing sector witnessed sharp fluctuations in growth during the same period, and even registered negative growth last year.
- Figures 5 – 10 below contain detailed data on real growth rates for each sector during the period 2014/2015 – 2020/2021.

Figure 5. Real Growth Rate, 2014/2015 – 2020/2021

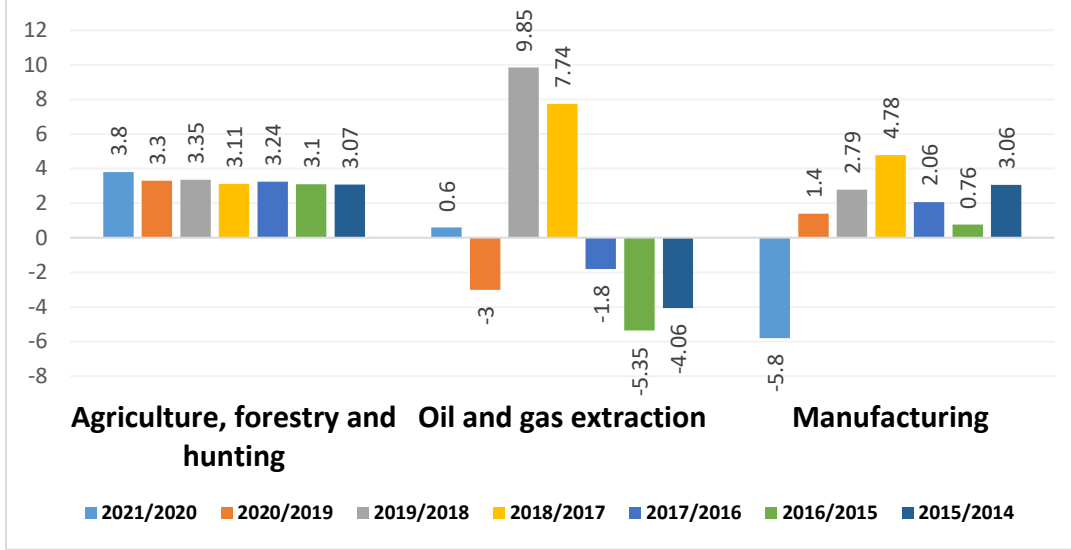
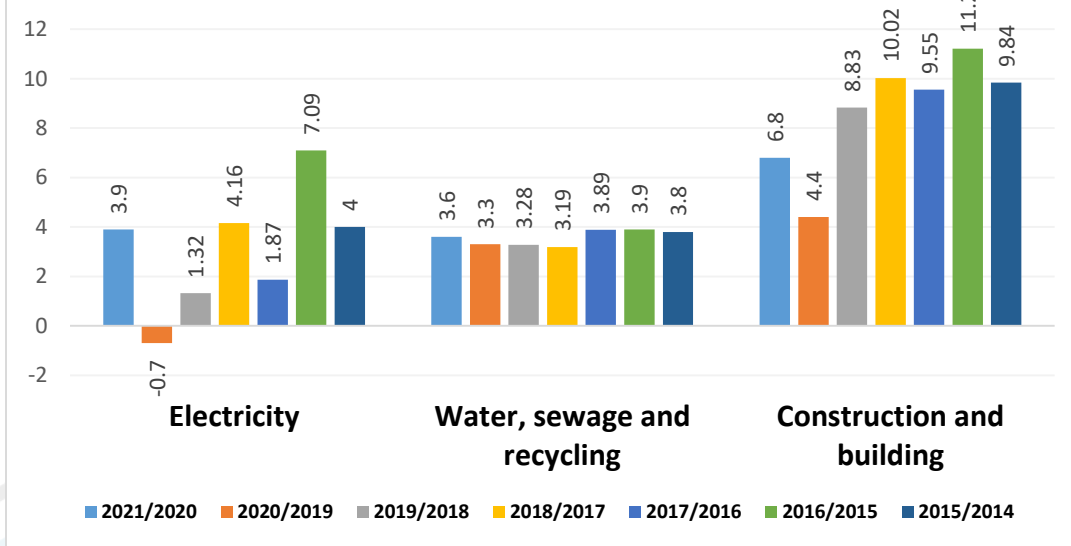
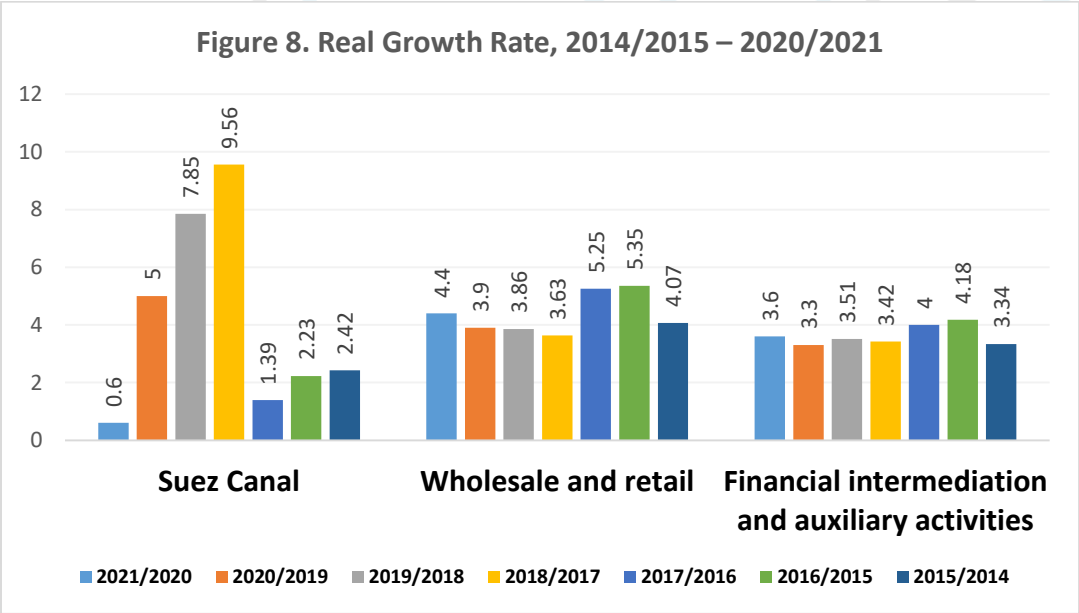
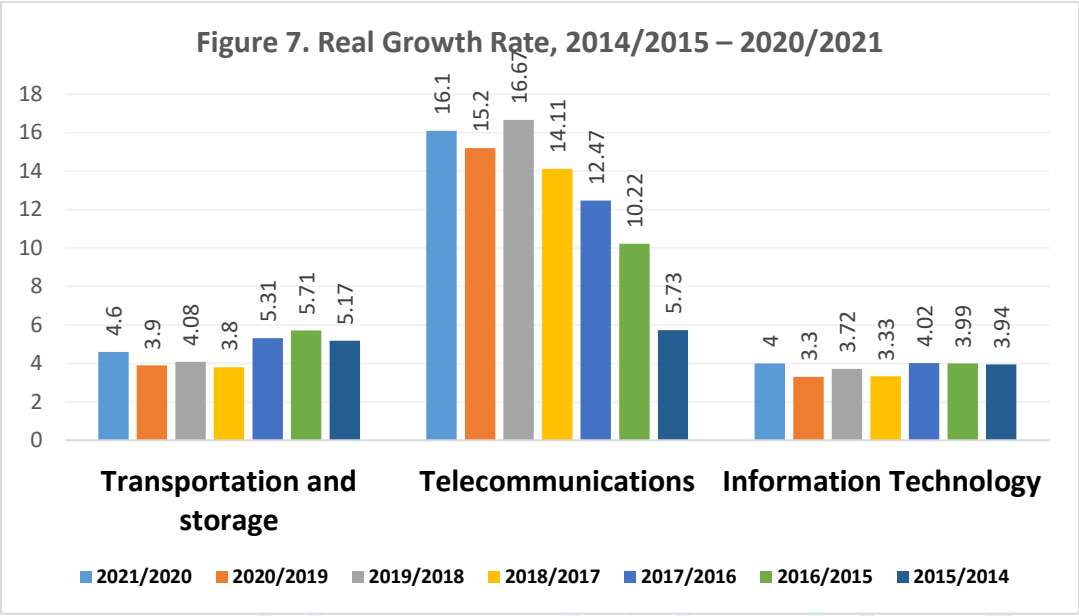
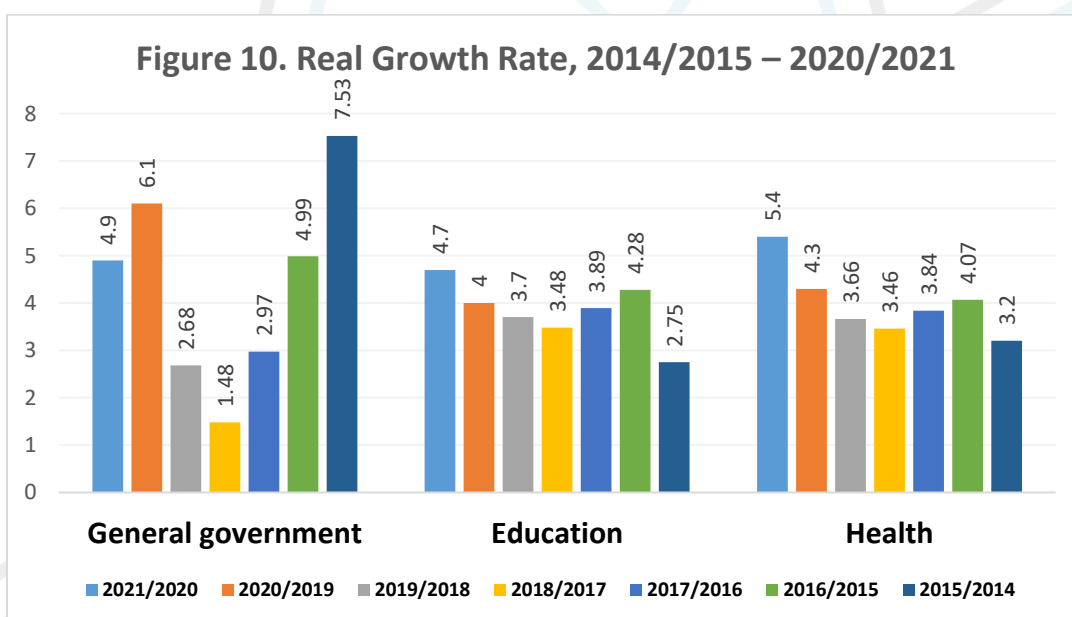
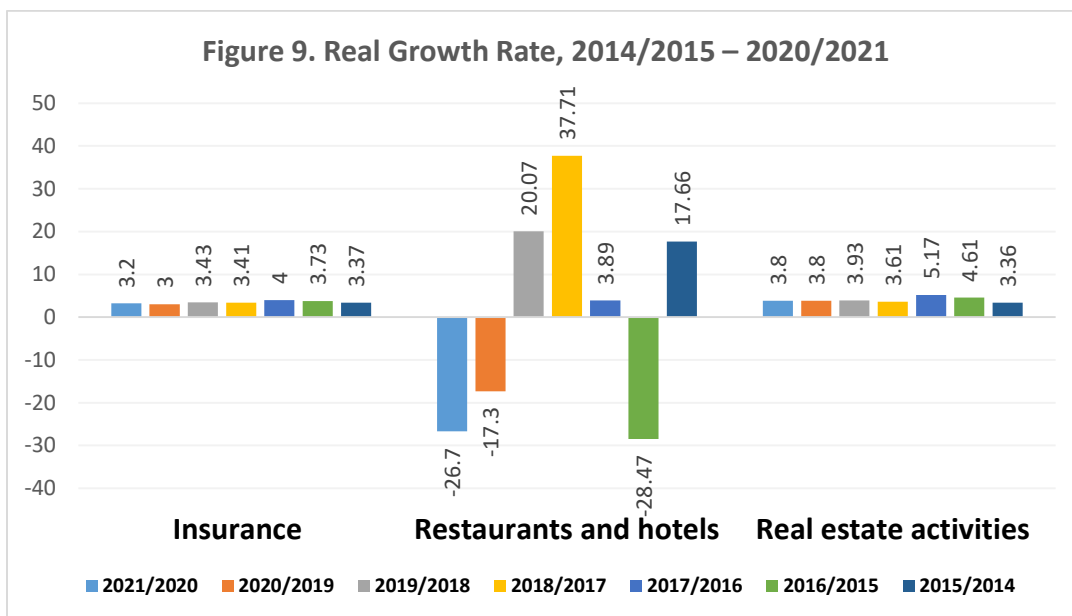


Figure 6. Real Growth Rate, 2014/2015 – 2020/2021







Source of Figures 5-10: National accounts data, Ministry of Planning and Economic Development

<https://mped.gov.eg/GrossDomestic>

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