



LYNX Quarterly Macroeconomic Review

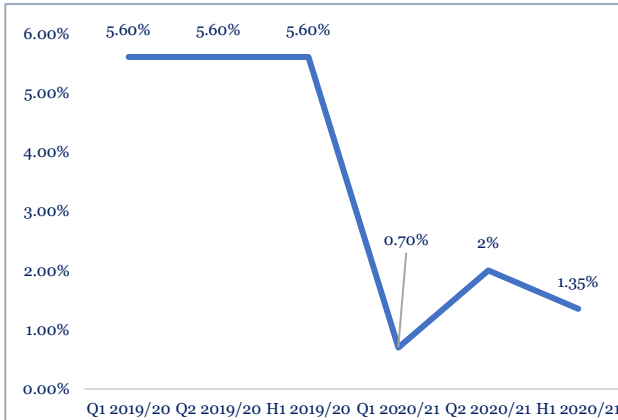
1H of FY2020/21

Real Sector

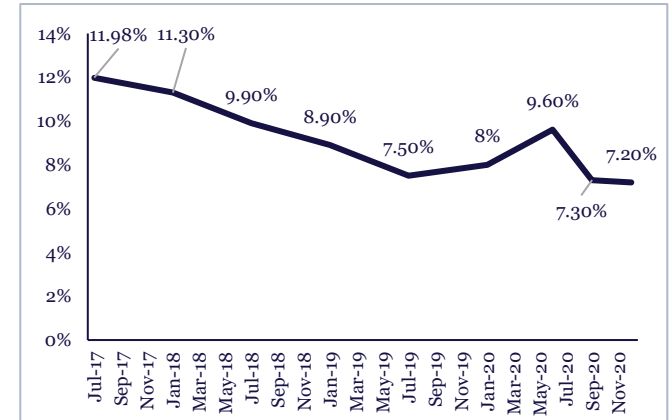
Introduction

- Growth Rate scored 2% in 2Q of FY2020/21 indicating a steadier pace towards rebound of the Egyptian economy supported by a more flexible approach by the Government of Egypt (GoE) towards lockdown measures during 1H of FY2020/21
- The GoE's launched the "Hayah Karima" initiative to rehabilitate the infrastructure for 1,000 villages in rural Egypt, with total investments of EGP 500 billion.
- There was an increase in governmental investments in public services and economic sectors, and several sector-specific initiatives aiming to bolster SMEs inclusion, tourism, real estate, consumer finance, and private consumption
- Challenges remain directed towards the stability of commodities and oil global prices as the GoE remains on its course to keep subsidy bills under control and toward market liberation of energy.
- The current focus revolves around securing procurement of COVID-19 vaccines with recent deals to locally manufacture SinoVac (China) vaccines.

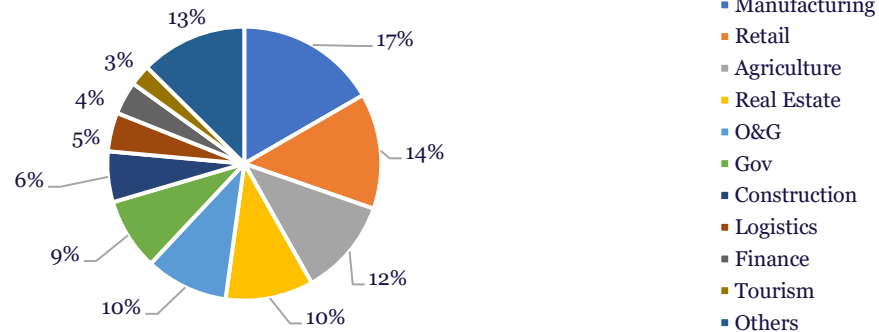
Real Growth Rate



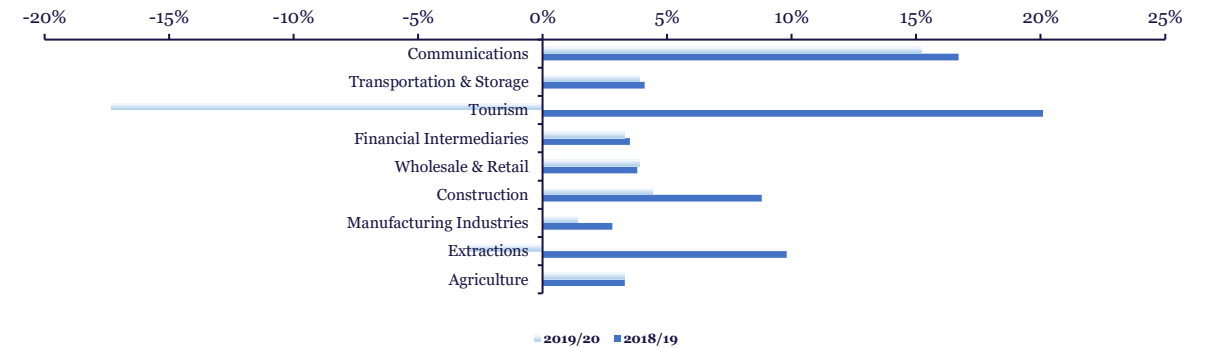
Unemployment



GDP distribution by Sector



Growth by Sector

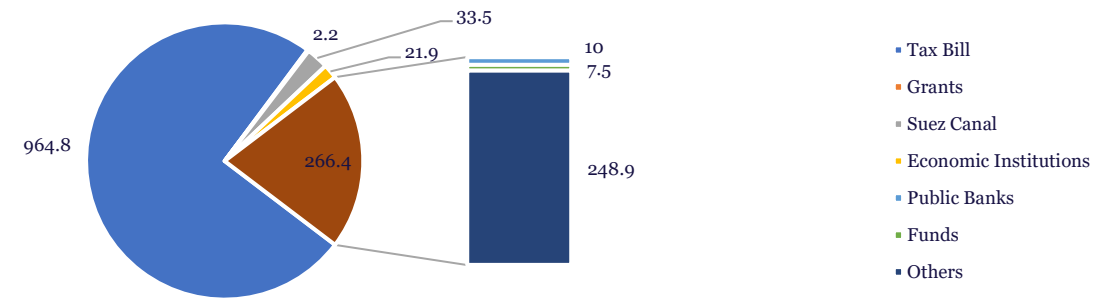


Fiscal Sector

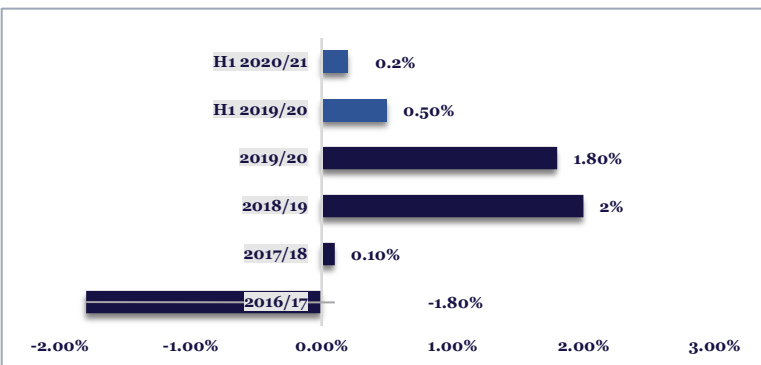
Introduction

- The primary surplus was about 0.2% during 1H FY 2020/21. Yet it remains to be seen whether the Ministry of Finance will achieve its early target of 1.5%, especially with EGP 120 billion unattained tax as a result of delays in the COVID-19 vaccination program.
- The GoE's increased spending on healthcare, education, and other critical sectors, beside upticks in wage bill, are also expected to resurface during FY2021/22.
- However, the GoE is expected to leverage recent amendments towards the automation of its tax regime to tighten control over the informal economy establishments, beside the introduction of E-commerce tax among others to stabilize its tax inflows.

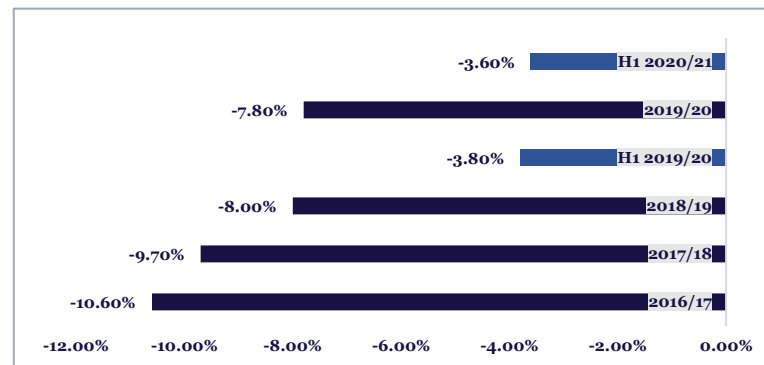
Sources of Budget Revenues – FY2020/21



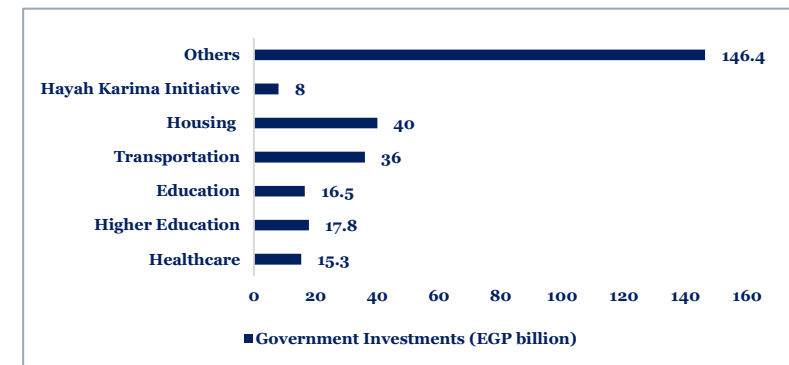
Primary Surplus



Overall Budget Deficit



Governmental Investments - FY2020/21

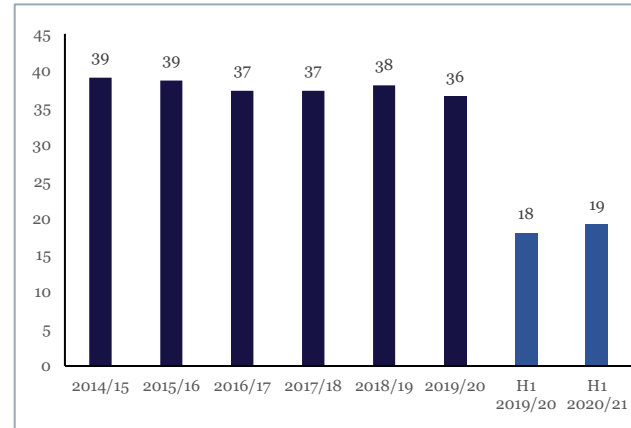


External Sector

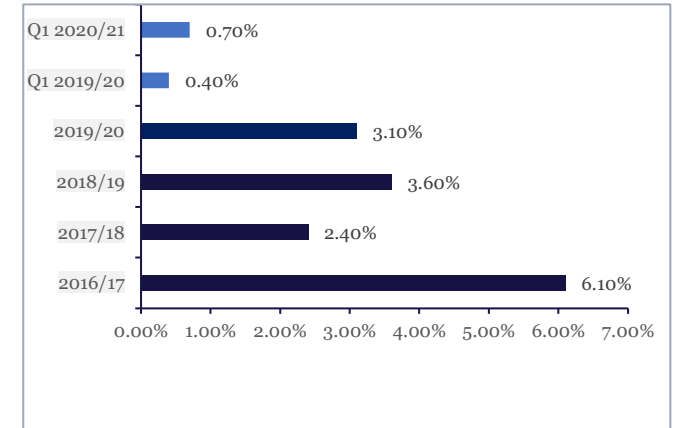
Introduction

- The External Sector is still set for a delay in rebound as tourism activities remain locked as global vaccination roll-out efforts are yet to accelerate. The tourism sector averaged USD 600 – 800 million in revenues since the beginning of 2021.
- Other receipts have slightly succeeded in combating the impact of COVID-19. The Suez Canal scored a minor downturn in its revenues thanks to a facilitated plan to attract and maintain its customers of shipping lines. The solid performance of engineering and food exports which lead to securing the performance of exports was also noted.
- Remittances maintained their upwards growth with forecasts leaning towards its continuance as regional and neighboring markets regain post-conflict economic activity on the short and medium terms.
- The GoE is expected to announce its updated export rebate program in Q4 FY 2020/21 with expectations of special incentivized focus for specific sectors and towards Africa. The new program will be applied as of July 1, 2021.

Trade Deficit

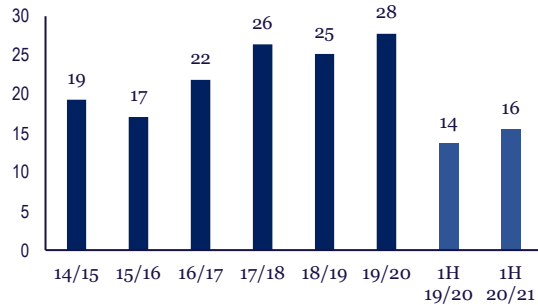


Current Account Deficit - % of GDP

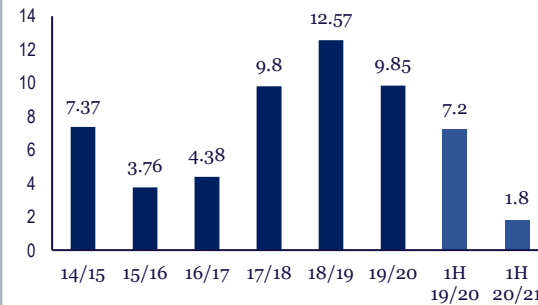


Current Account Receipts

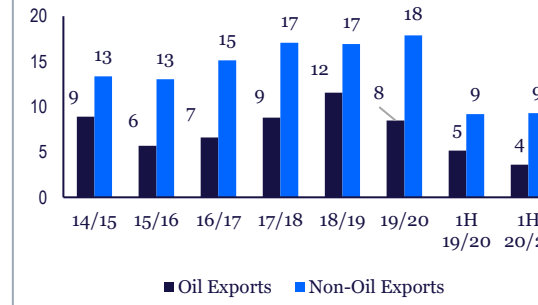
Remittances



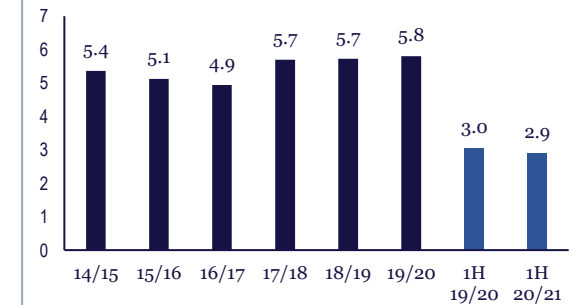
Tourism



Exports



Suez Canal

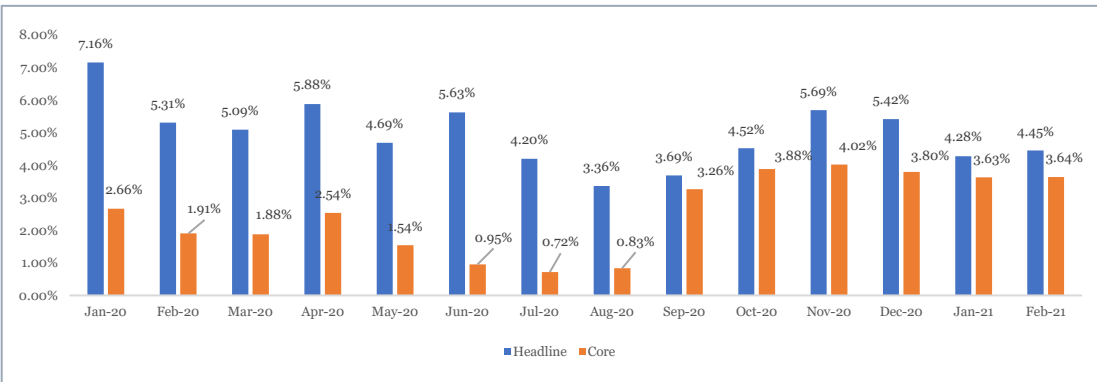


Monetary Sector

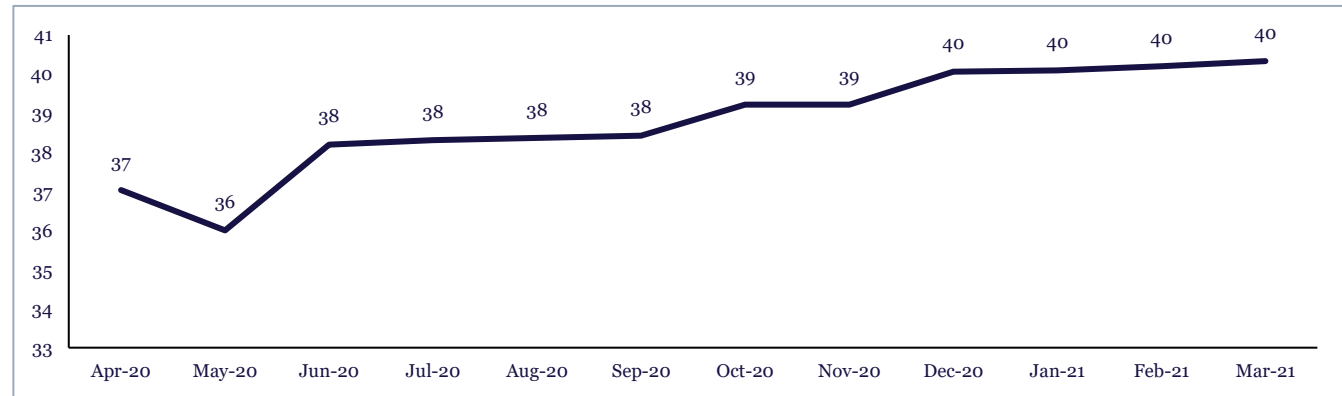
Introduction

- The CBE maintained its course towards controlling inflation levels while promoting the resumption of economic activities through introducing two rate-cuts of 50 bps collectively.
- The Central Bank of Egypt's (CBE) support to economic activity was enhanced through the introduction of special rate initiatives to finance mid-income and social housing, SMEs and industrial activity financing initiative. CBE's ongoing initiatives to support the tourism sector with the introduction of amended grace periods to settle pending corporate taxes and other dues were also noted.
- The CBE's challenges remains in monitoring inflation levels as businesses are still trying to garner private consumption once again.
- CBE's efforts to stabilize foreign reserves are on course as another tranche of the IMF Stand-by Arrangement is set to be delivered this year.

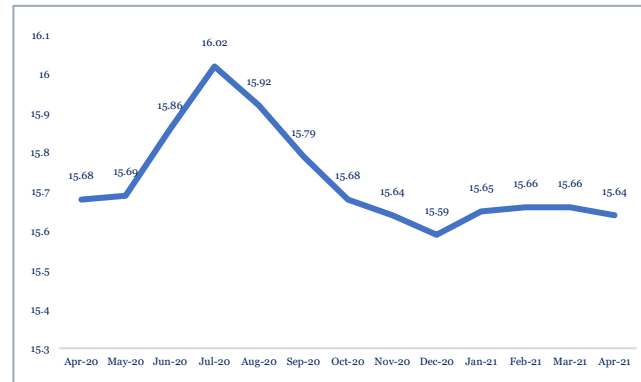
Inflation Rate – y-o-y (%)



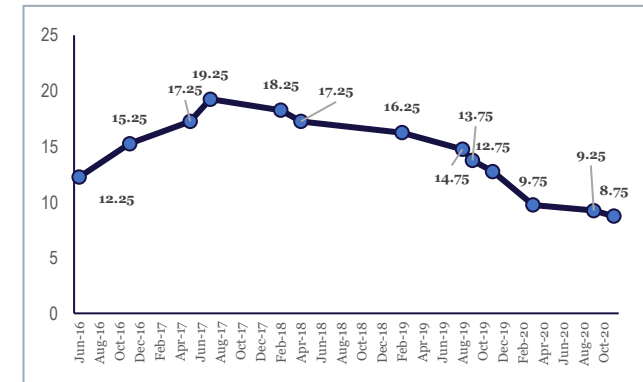
Foreign Reserves – (USD Billions)



EGP:USD Exchange Rate



Interest Rate – CBE Main Operations (%)

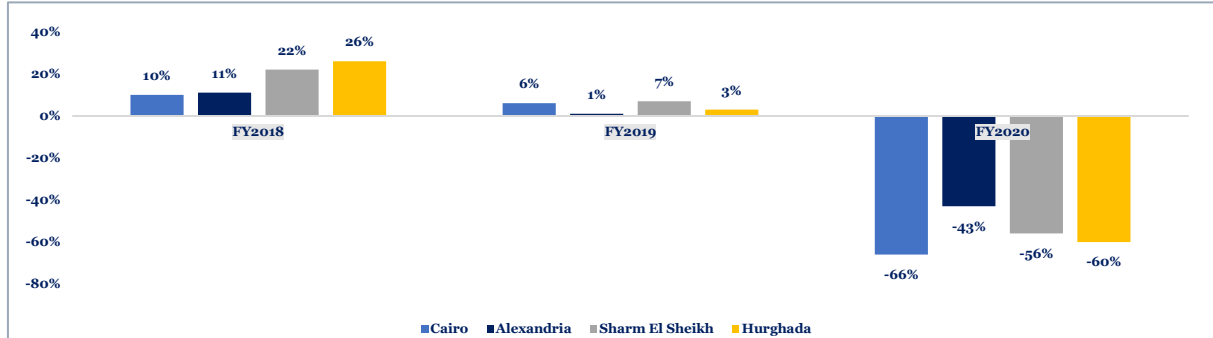


Sector in Focus: Tourism

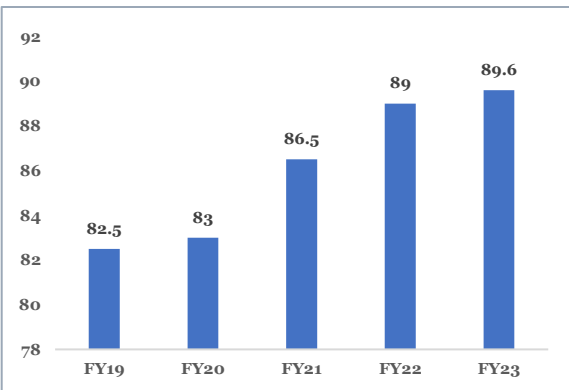
Introduction

- Tourism arrivals fell by 74% in 2020 as a result of global lockdown measures and travel restrictions; garnering only 3.5 million tourists of which 2.4 million arrived during the first 2 months of 2020.
- A sector specific initiative by the CBE availed a 5%-financing line for the sector with a grace period of 2 years to aid hotels in covering their wage bills and expenses.
- While global delay in vaccines supply chain may postpone recovery, the GoE's initiative to vaccinate tourism workers by end of May should contribute to the acceleration of the return of tourists to Egypt.
- Nonetheless, the GoE's incentives to inbound airlines and charter carriers should be complemented with availing instant COVID-19 testing facilities at airports.

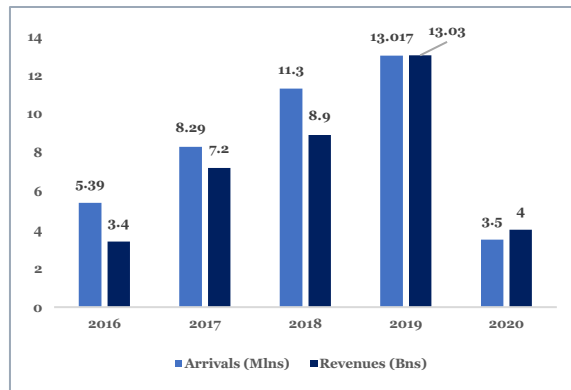
Occupancy Change – (% y-o-y)



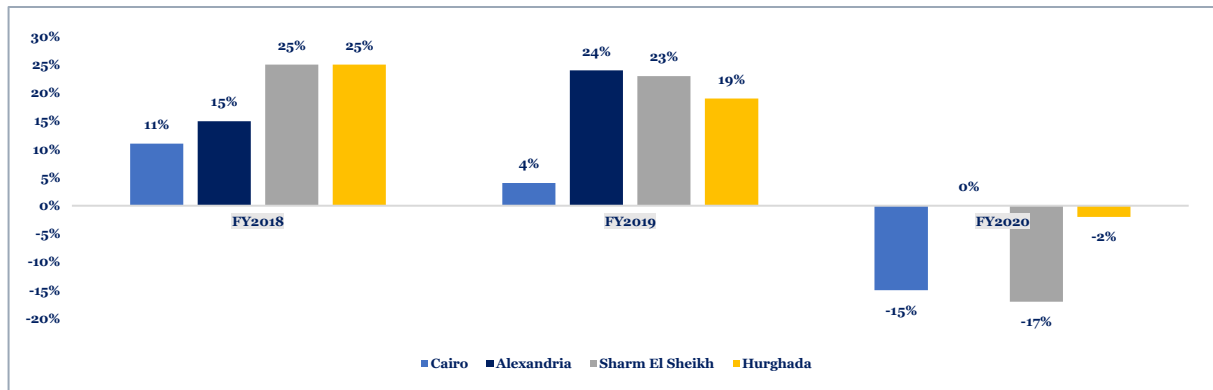
Branded Hotels Supply (Thousands)



Inbound Arrivals and Revenues



Average Day Rate – (% y-o-y)



Thank you

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