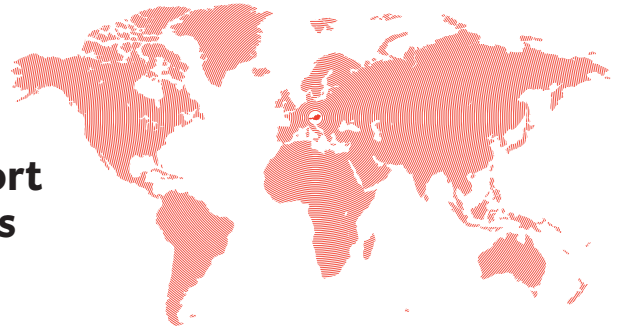


Oberbank

Economic and Banking Report Global Financial Institutions



Egypt

Economic situation

> Real economic growth of 3.6 %

Egypt, also known as the “Mother of the World“. Not without reason does this name adorn the nation. As a **gateway to Africa and the Middle East**, as well as a geographically well-located partner of all kinds of European states, Egypt offers numerous opportunities with its diversified economy. This diversity has also established itself as a stable absorber of internal and external shocks.

Until the start of the Covid-19-pandemic, the country on the Nile was in a remarkable economic boom. With the help of IMF aid and reform programmes, the nation managed to turn around and get the economy on track after uprisings and revolutions. However, the predicted economic growth of

6 % in 2020 could not be achieved due to the pandemic. Although Egypt is one of the few countries to have recorded an increase in GDP despite the pandemic, the state does not see this as a gain. Due to the **drastic population growth** and the associated demographic problems, an increase in economic output is essential to counteract poverty and to be able to cope with the official 10 % or unofficial **20 % unemployment**. No fewer than 34 new cities are being planned to accommodate these population masses.

In the context of the country’s economic performance, it is important to note that the prevailing GDP figures do not include the sizeable **informal economy**. It is estimated that 75 % of the

Egyptian economy remains hidden. This means that 2 out of 3 jobs are provided by the informal sector. The **inflation rate** in 2020 was 5.1 %, a significant decrease compared to the previous year (9.2 %). Experts forecast an increasing trend in 2021 (6.0 %). Before 2011, tourism as an important economic sector in Egypt provided considerable revenues with 11 % of the GDP. After a revolution-related slump and subsequent arduous regeneration work, Covid-19 caused **another record low in tourism in 2020**.

75 % of the Egyptian economy is hidden.

Megaprojects as “economic boosters”

Megaprojects are the driving force behind the economic growth strategy. With the help of prestigious and comprehensive construction projects, economic upswing is to be ensured throughout the country. Various land reclamation projects, especially the expansion of the Suez Canal regions, are intended to generate cross-sectoral growth. Industry as well as agriculture and tourism are to benefit from the long-term construction projects. The centrepiece of the mega-projects is the construction of the new capital, which will be located between Cairo and Suez.

In addition, many construction projects will be presented to foreign investors. The new investment law will also act as an incentive system. Administrative reforms, guaranteed repatriation of profits and special regulations concerning “free zones” are intended to attract new investors. However, the lack of actual implementation, coupled with the Covid-19 pandemic, make these plans seem unrealistic at the moment. Almost half of the foreign donors are currently investing in the energy sector. Especially in the oil and gas sector, there is an upward trend due to rising global prices as well as new concessions for oil and gas activities.

Summary:

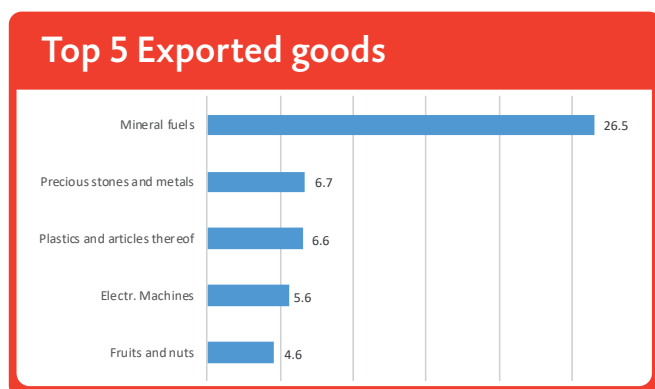
- **Economic growth** of 3.6 % despite pandemic
- Gateway to Africa and the Middle East
- Dramatic **population growth** drives economic growth
- **34 new cities** in planning **Megaprojects** as “economic boosters“

Key economic figures	2018	2019	2020*	2021*
Nominal GDP in billion USD	249.1	316.4	368.0	406.8
GDP/capita at purchasing power parity in USD	11,802	12,469	12,876	13,232
Population in millions	97.1	98.9	101.1	103.0
Real economic growth in %.	5.3	5.6	3.6	3.1
Inflation rate (%)	14.4	9.2	5.1	6.0
Unemployment rate in %	9.9	7.9	8.0	8.3
Egyptian pound (EGP) to EUR exchange rate	21.05	18.83	18.05	18.96
Goods exports of the country in billion USD	28.0	28.5	25.0	28.8
Goods imports of the country in billion USD	65.8	65.9	52.9	62.2

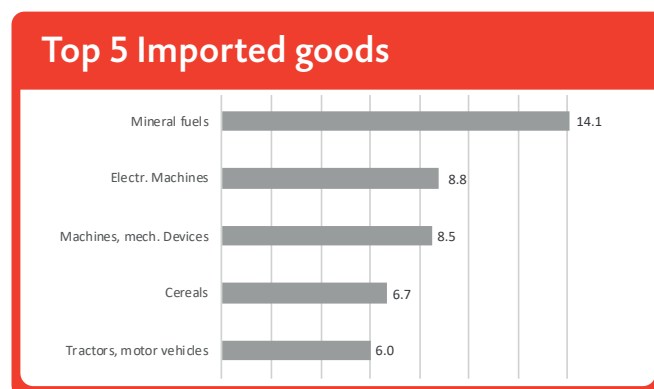
* Preliminary forecast; Source: WKO, Wirtschaftsbericht, March 2021

Exports/Imports

1/3 of Egypt's foreign trade is conducted through the EU. Although EU27 exports to Egypt decreased by 4.63 % in 2020, the EU remains Egypt's most important trading partner. In addition to this strong link, the nation is also intensifying its cooperation with Russia and China. In addition, Egypt has high hopes for strengthening its economic ties with Africa, which will be implemented through the trade agreement that will come into force in 2019.



Source: WKO, Länderprofil 2021; 2019 in %



Economic relations with Austria

In the area of financing for projects, Egypt represents an attractive market, which is characterised by a considerable demand for consumer and consumer goods as well as infrastructure projects. In particular, there are opportunities for Austrian companies in the energy and water sector, including environmental technologies and energy efficiency. Nevertheless, the rigid import regime, coupled with price pressure, continues to lead to complications.

> Imports to Austria

Imported products from Egypt declined by 11.2 %, returning to the same level as in 2018. The main imported goods continue to be fruits, vegetables, nuts and clothing.

Imports of goods 2020: -11.2 %

> Exports from Austria

In 2020, export successes were recorded due to the market opportunity perception of Austrian companies. With only -1.7 %, compared to the previous year, the export level remains almost constant despite the crisis. Export goods from Austria are mainly used in the industrial sector.

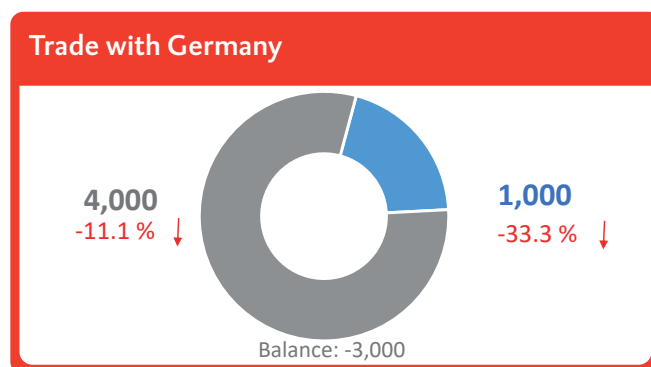
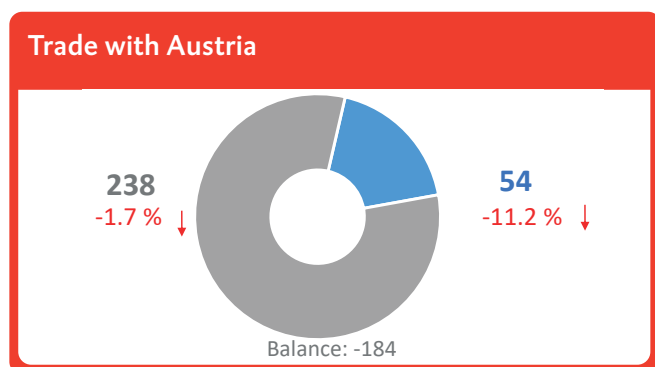
Exports of goods 2020: -1.7 %

Economic relations between Austria and Germany	2020	2019	Change on previous year in %
Austrian exports of goods in EUR million	237.8	241.9	-1.7
Austrian imports of goods in EUR million	54.1	60.9	-11.2*
Austrian exports of services in EUR million, 1st-3rd quarter	40	63	-36.5
Austrian imports of services in EUR million, 1st-3rd quarter	76	187	-59.4
German imports in EUR million	1,000	1,500	-33.3*
German exports in EUR million	4,000	3,600	-11.1

Source: Wirtschaftsbericht WKO and GTAI

* Own calculation

Egypt's foreign trade



2020, change YOY, in EUR million

Imports, exports and balance sheet from Egypt's perspective; own presentation

Assessment of the business environment

	Ägypten
Ease of Doing Business 2020	Rank 114 out of 190 countries
Global Competitiveness Index 2019	Rank 93 out of 141 countries
Corruption Perceptions Index 2020	Rank 117 out of 180 countries
Rule of Law Index (World Justice Project) 2020	Rank 125 out of 128 countries
Most important goods export market AT/DE 2020*	Rank 50 / Rank 44

* Forecasts

Compared to 2019, Egypt has improved its ranking by 3 and 4 places in terms of Austrian and German goods exports. This underpins Egypt's increasing importance for the domestic market. However, there are negative tendencies with regard to the perception of corruption and the rule of law in the

country. Despite positive economic developments, the nation is moving in an undesirable direction with a drop of 12 and 2 ranks (Corruption Perceptions Index and Rule of Law Index, respectively).

Current rankings of Oberbank regions in the Rule of Law Index:

Germany	6 (+/- 0)*
Austria	8 (-1)*
Czech Republic	18 (+1)*
Hungary	60 (-3)*
Slovakia	n. a.

* Change compared to 2019

The **Corruption Perceptions Index** is published by Transparency public officials and politicians. The resulting rankings are determined on the basis of independent surveys with experts and country analysts as well as with business people at home and abroad.

Rating Egypt

> Non-investmentgrade

Agency	Rating	Outlook	Date
Fitch	B+	Stable	10.03.2021
S&P	B	Stable	07.05.2021
Moody's	B2	Stable	11.05.2020

Fitch and S&P have reassessed the nation's 2021 rating. S&P bases its third rating since the outbreak of the pandemic on the arguments of macroeconomic stability despite the crisis. This stability allows for an increase in international reserves and thus leads to a steady GDP growth trend.

Fitch also uses these indicators for its recent rating. On the one hand, Fitch emphasises the country's resilience during the Covid-19-pandemic as well as the recent track record of fiscal and economic reforms. On the other hand,

Single-B ratings with stable outlook for the country.

however, it also points to challenges that still need to be overcome, such as a high budget deficit, high general government debt or political weaknesses, which justify the B rating.

Banks

> With momentum into the digital age

Digital progress is also making its way into Egypt's banking sector. In the wake of the Covid-19-pandemic, the Central Bank of Egypt (CBE) initiated measures to reduce cash transactions and instructed banks to come to terms with the digital revolution in the banking segment, in the form of e-banking methods and co. This encourages the avoidance of local transactions and offers

the possibility of same-day implementation of customer wishes. Despite advancing technologies, there are still problems in Egypt's payment transactions with Austrian companies. Therefore, it is recommended to insist on secured forms of payment, especially confirmed letters of credit.

In addition, Egypt enacted a new banking law in 2020, requiring a minimum capital of EGP 5 billion to increase the stability as well as the efficiency of the capital base of banks. This law aims to improve competitiveness with other banks, both nationally and internationally.

Egypt's biggest banks

Place	Bank	Total Assets
1	National Bank of Egypt**	124,979
2	Banque Misr SAE	57,956
3	Commercial International Bank (Egypt) SAE**	27,193*
4	Qatar National Bank Al Ahli SAE**	18,442*
5	Banque du Caire SAE**	13,145*
6	Arab African International Bank	12,017*
7	HSBC Bank Egypt SAE	6,565
8	Bank of Alexandria**	6,498
9	Faisal Islamic Bank of Egypt SAE	6,402
10	Bank Audi SAE	4,690

Total Assets 2019 /**2020 * Consolidated, in USD million
Source: Bankers Almanac, Total Assets as of 2019/2020, download on 04.08.2021

Oberbank Expertise

Banks shaded in grey:

Oberbank has an active relationship (SWIFT/RMA) with these relationship banks and can thus present documentary transactions for customers.

Payment transactions are also possible with all Egyptian banks via our clearing bank partners.

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Oberbank AG

Untere Donaulände 28, 4020 Linz – Österreich
[oberbank.at](https://www.oberbank.at)

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