



Egypt's Sustainable Economic Development Challenge

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Abstract

With more than 37, one million cases infected with the novel Coronavirus (COVID-19) globally as world meter website announced as of October 10, 2020, the world's economic activities are straggling with suspension and full lockdown for several industries and service by aborting the aviation traffic between countries. In order to reduce the impacts of the crises outbreak on the world's economy, several nations have developed and applied a long term strategy to face the consequences of the outbreak. However, many countries were impacted badly. Before the COVID-19 outbreak, the Egyptian economy was witnessing high growth. But the negative impact of COVID-19 pandemic started in Egypt in March 2020 precisely when Egypt had reported its first case of German old tourist tested positive, which directly slow down the economic wheel and affecting all the industrial key sectors and causing shrinking for specific sectors and expansions for others.

Keywords

Egypt; COVID-19; Economic crisis; Recession; Sectors

Introduction

Egypt Geo-strategic location

Egypt's considered as the cradle of civilization, localized in middle of the world in the heart of Africa, which makes Egypt plays a vital role in international commerce connecting authenticity of the east with modernity of the west, with population reaching about 102 million as of October 2020 of manpower which is great nations fuel, it is worth mentioning that the Egyptian economy mainly depends on agriculture, media, petroleum imports, natural gas, and tourism, geo-strategic location as shown in Figure 1.



Figure 1: Egypt Geo-strategic location.

Egypt had planned a sustainable development strategy, "Egypt's Vision 2030", a milestone of ambitious planning which will remap Egypt to be a great nation by 2030, the vision aiming to maximize the benefits from its given wealth from (Natural resources, manpower, Geostrategic location, etc.). The concept of the development pathway adopted by such promising strategy is based on several elements as follows:

- Economic development
- Energy
- Knowledge, innovation and scientific research
- Transparency and efficiency of government institutions
- Social justice
- Health
- Education and training
- Culture
- Environment
- Urban development

Egyptian economic outlook before the COVID-19 outbreak:

According to the World Bank's latest Macro Poverty Outlook The fiscal year 2018/19 witnessing a huge leap in the growth rate reaching 5.6% compared to 5.3% during past fiscal year 2017/18 and the fiscal year 2016/17 recorded 4.2% which is reflecting positive indicator for the Egyptian economy as shown in Figure 2.



Figure 2: Egyptian economy.

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Inflation rate: As in 2019 the inflation rate has declined to reach 9.2% compared to 14.4% in 2018. We noticed that 2017 was the worst year reaching the highest rates by 29.5% (Figure 3).

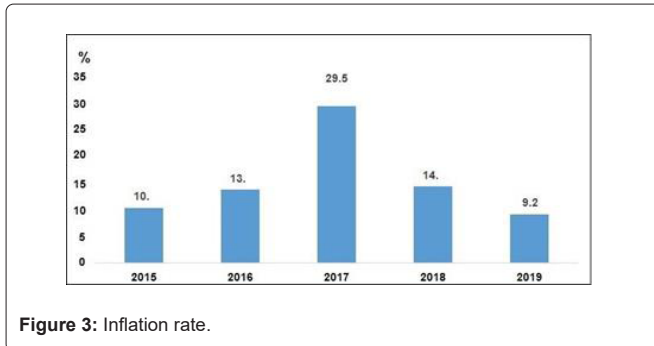


Figure 3: Inflation rate.

Egyptian economy during the COVID 19 pandemic: The negative impact of COVID 19 pandemic started in Egypt in March 2020 precisely when Egypt had reported its first case of German old tourist tested positive, currently according to the world map COVID 19 meter the last statistic as of 08/10/2020 reported 104,035 total confirmed cases and 6,010 total deaths from since the beginning of the crisis, which directly slow down the economic wheel and affecting all the industrial key sectors and causing shrinking for specific sectors and expansions for others [1].

Unemployment rate: The Central Agency for Public Mobilization and Statistics (CAPMAS) had declared in a statement August 17 that Egypt unemployment rate had reached the highest level in the past two years with 9.6% of the total workforce in the second quarter of 2020, up from 7.7% compared with the first quarter (Figure 4).

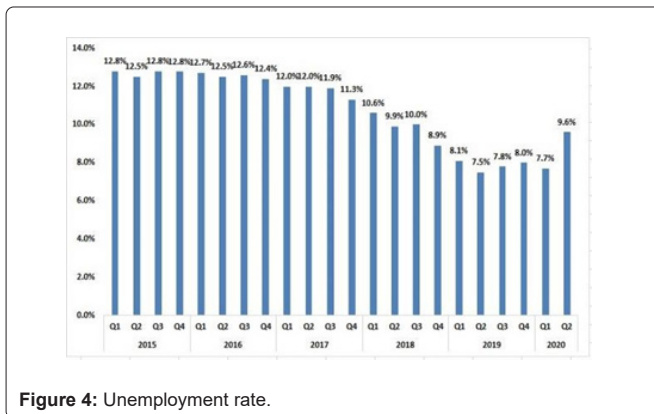


Figure 4: Unemployment rate.

Impacts on commercial activity public/private sectors: In order to reduce the negative impacts of the pandemic on the world economy, many countries have applied emergency measures and approved economic stimulus packages to override the negative impact on its economy; one of these countries was Egypt which applied these policies. The governmental sector adopted many prevention procedures such as exemptions for employees of the followings sectors: transportation, hospitals, ambulances, sanitation services and electricity. Granting exceptional leaves for employees who suffered from chronic illnesses, pregnant employees and those caring for children younger than 12 years old [2].

The Private Sector Local and multinational businesses have applied a new policy to preserve their staffs' health while maintaining operations at minimal losses. These include working remotely, reduced staffing on premises to 50% of actual employee's numbers, and many more emergency procedures.

Pandemic impact on Egyptian key sectors: One of the bad impact for COVID 19 in Egypt is that it had affected several economic and industrial activities with different levels of damage, on the contrary there are some sectors that had benefited from the pandemic, they were the biggest winners from it, we will mention some of them in the below context.

Aviation and Tourism industry is one of the most fragile industry which is easily affected by any instability in global fuel price/political issue or other reasons such as COVID-19 crisis, according to the International Air Transport Association (IATA) had announced that the Egyptian airlines revenues decreased by USD 1.6 billion and passenger volumes drop by 9.5 million through 2020, which can be translated into USD 2.4 billion in GDP losses (0.85% of GDP). Tourism considered as a country's 3rd source of national income after non-oil exports, according to the Minister of Antiquities and Tourism, the lockdown could result in monthly losses of USD 1 billion to the tourism industry.

Construction and real estate sector is considered as one of the main engines for the Egyptian economy with yearly between 10% up to 15% in GDP and with work force representing about 15% form the labor force, the virus outbreak had suspended all imports and exports activities for construction raw materials which negatively reflected into schedules delays.

Education sector the education authorities had suspended all educational operations for 2 weeks as of 15 March 2020 until further notice with the intentions of transferring all the offline activities into online ones.

Fast-Moving Consumer Goods (FMCG), Manufacturing and other commerce the COVID-19 outbreak had increased the consumer's behaviour toward the consumption and saving for goods and foods which led to increase in consumer's goods prices and some products scarcity.

Healthcare and Pharmaceuticals according to the United Nations Economic Commission for Africa, the virus outbreak increased the global health spending up to USD 10.6 billion. leading to a significant leap in the demand pattern for the prevention and sanitizers materials, surgical masks, ethyl alcohol and ethanol in Egypt has resulted in significant price increases and dwindling supplies.

The global economy needs around 18 months to recover from the effect of coronavirus and the Egyptian economic sectors, especially automotive market, would also suffer as a result of the shortage in the supply chain due to the stoppage of several factories, senior investment analyst at Financial Advice Corporate Transactions (FACT) Mohamed Sameh told Egypt today [3].

Economic emergency measures and development challenge: The Egyptian authorities had declared several emergency measures bundles to mitigate the negative impact of COVID 19 on Egypt, by supporting the most affected sectors by reducing the following industrial factors prices:

- Industrial electricity by 10 piasters (\$0.0064).
- Natural gas prices for this sector by \$4.5.
- Supporting LE 1 billion (\$63.9 million) for exporting (March-April).
- providing to exporters during March and April.
- Central Bank of Egypt interest rate decreased by 3%.
- Adjourning the real estate tax payment of the imposed on factories and tourist facilities for 3 months.

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