

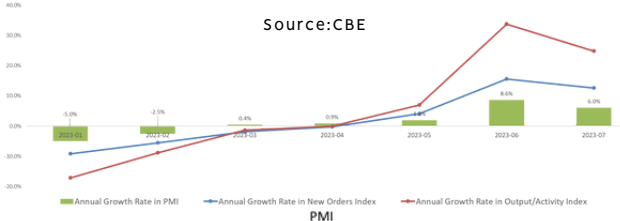
EGYPT'S ECONOMY: A TALE OF STRENGTHS

Strengths: AND CHALLENGES - AUGUST 2023

1. Net Foreign Reserves Growth: Egypt's net international reserves rose by \$73 million in July 2023 reaching \$34.9 billion up from \$34.8 billion in the previous month. This growth provides the country with a buffer against external shocks and enhances confidence in its ability to meet foreign payment obligations.



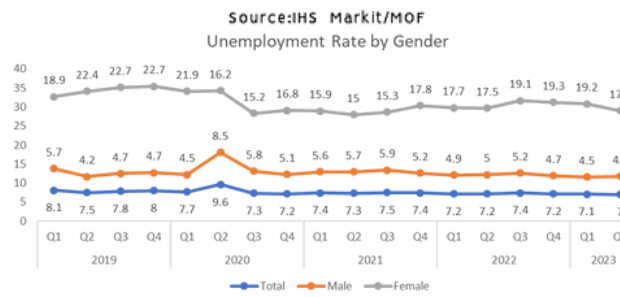
2. Purchasing Managers' Index (PMI) Improvement: The PMI, a key indicator of economic activity in the manufacturing sector, The PMI reading for July 2023 saw a slight increase on a monthly basis, reaching 49.2 points compared to 49.1 points in the previous month. It achieved a remarkable increase of 6% compared to the same month in 2022, in which the value of the index was around 46.4. which can be attributed to the increase in both new orders index and output/activity index that rose annually in July 2023 compared to same month in the previous year by 12.6% and 12.3% respectively.



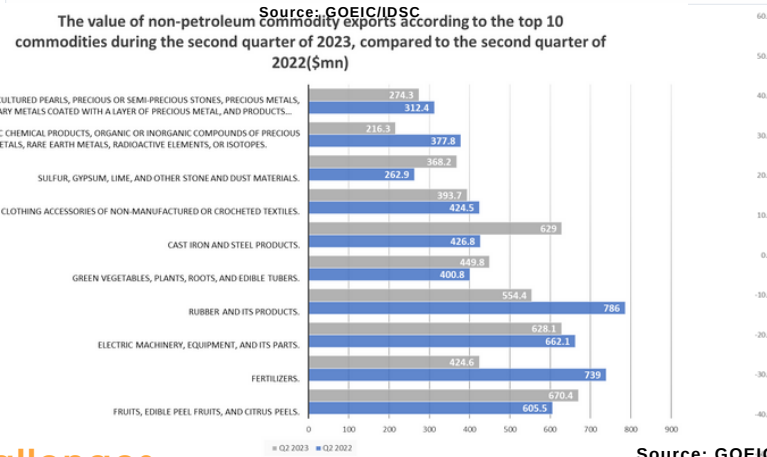
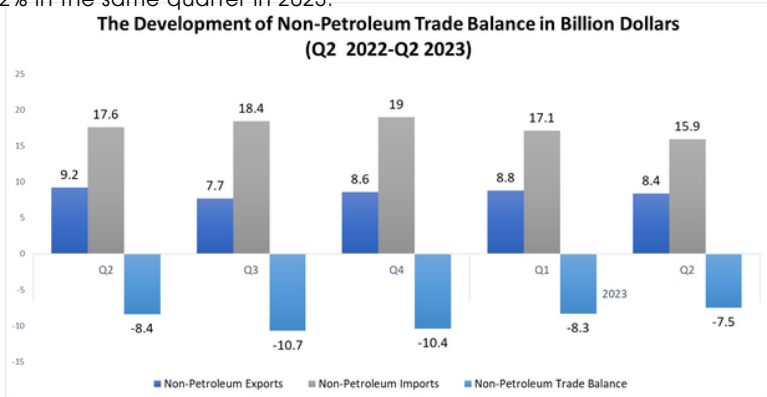
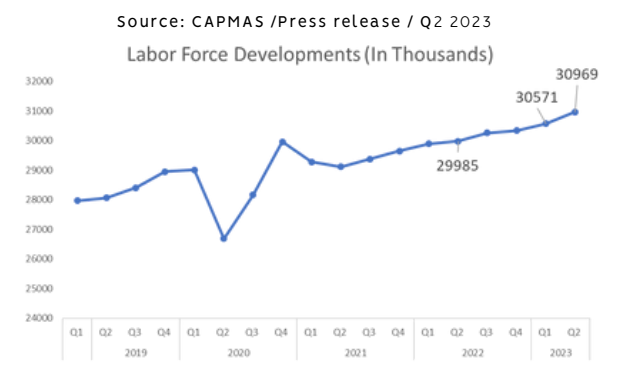
3. Unemployment Rate Reached Its Lowest Level Since 2019: Unemployment rate declined slightly throughout the second quarter of 2023, falling by 0.2 registering 7% down from 7.2% in the same quarter in the previous year. This was induced by the increase in the labor force by 3% recording 30,969 thousand in Q2 2023 up from 29,985 thousand in the corresponding period in the previous year. Which can be attributed to the rise in the number of employed by 966,000 recording 28,800 million in the second quarter in 2023 up from 27834 million in the same quarter in 2022, an increase of 3%.



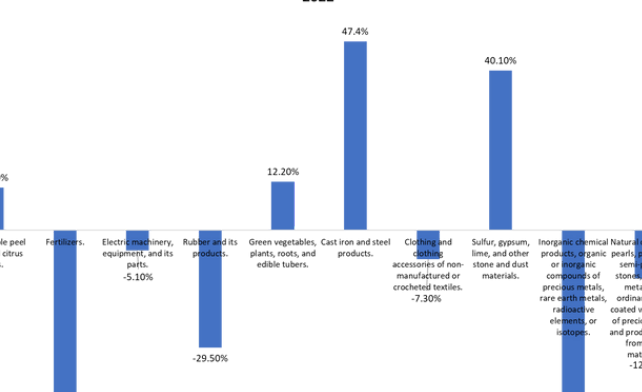
4. The Non-Petroleum Trade Balance Deficit Decreased By 11%: The non-petroleum trade deficit sharply declined by 11% during the second quarter of 2023, recording \$7.5 billion, down from \$8.4 billion in the corresponding period of 2022. The decline was triggered by the reduction in both the value of non-petroleum imports and exports. Whereas the non-petroleum imports recorded \$15.9 billion in the second quarter of 2023, compared to about \$17.6 billion in the same quarter in 2022 marking a reduction rate of roughly 10%. Furthermore, the value of non-petroleum exports decreased by roughly 9% recording \$8.4 billion in Q2 2023 down from nearly \$9.2 billion in the comparison period. However, it's worth mentioning that during the second quarter of 2023, fruits and edible peel fruits emerged as the largest non-petroleum export commodities in terms of value for Egypt, recording approximately 670.4 million dollars compared to about 605.5 million dollars during the same period in 2022. Cast iron and steel products followed in second place, recording around 629 million dollars during the second quarter of 2023, compared to about 426.8 million dollars during the same period in 2022, an increase of 47.4% which is considered the highest percentage of change in the value of non-petroleum commodity export according to the top 10 commodities during the second quarter of 2023, compared to the corresponding period of 2022.



5. Improvement in The Labor Force Participation Rate: The labor force participation rate slightly improved where it reached 43% up from 42.6% in the same the quarter of the previous year. whereas female participation rate slightly increased recording 15.5% in Q2 2023 up from 15% in the same quarter in the pervious year. Furthermore, Male Participation Rate increased slightly from 69% in the second quarter on 2022 to 69.2% in the same quarter in 2023.

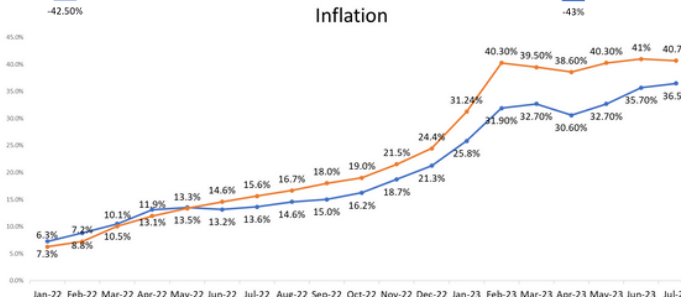


The Percentage of Change in The Value of non-petroleum commodity exports according to the top 10 commodities during the second quarter of 2023, compared to the second quarter of 2022

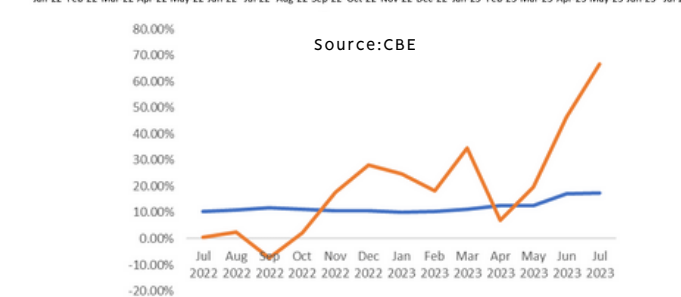


Challenges:

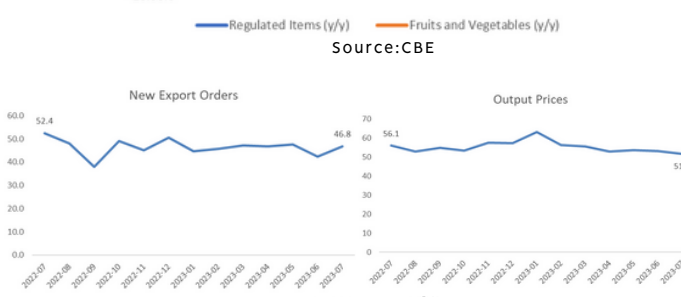
1. High Inflation: Inflation in Egypt continued its upward trend, reaching 36.5% in July 2023, up from 35.7% in June 2023. The main driver of this increase was the acceleration of food inflation, which reached an all-time high of 68.3% up from 65.9% in the previous month, while non-food inflation remained relatively stable at 21%.



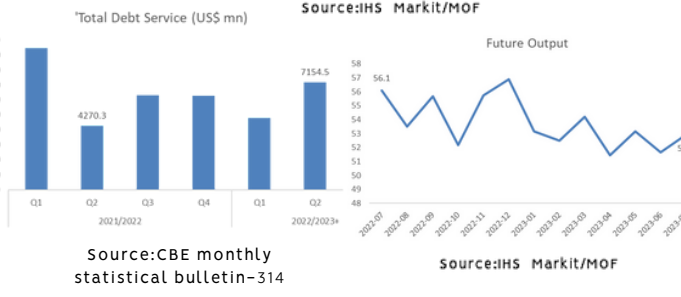
2. Declining Export Orders: The sharp decline in new export orders by 10.7% in July 2023 compared to the same month in the previous year, Which indicates challenges in the global market for Egyptian goods and services. This could impact export revenues and the trade balance.



3. Global Manufacturing Conditions Deterioration: The weakening global manufacturing conditions could hamper Egypt's export-oriented industries and their competitiveness in international markets. Whereas according to the global manufacturing index "JP Morgan", the global manufacturing sector remained in a noticeable contraction at the beginning of the second half of 2023. July witnessed a significant decline in production as a result of the continued global demand recession for the thirteenth consecutive month. Among the factors leading to the continued industrial decline are weak export orders and thus global trade flows, which have led global companies to reduce their purchasing activity, resulting in a decline in inventory levels. As a result of the sluggish global market conditions, cumulative business has been declining on a monthly basis since July 2022, and the latest decline rate was the strongest in six months.



4. Declining Output Prices : The decrease in output prices by 7.7% in July 2023 compared to the same month in the previous year indicates challenges in passing on higher input costs to consumers, which could squeeze profit margins for businesses.



5. Declining Future Output: The decrease in the future output by 5.7% in July 2023 compared to the same month in the previous year indicating pessimistic outlook of investors and business community toward Egypt's future economic conditions.

6. Sharp Decline in The Net Foreign Asset : On annual basis NFA declined sharply by around 120% compared to July 2022, whereas the annual growth in total foreign liability (79%) exceeded the annual growth rate in the Total foreign assets (62%). which can be attributed to the recent customs clearance operations that have been carried out for various goods and commodities from ports, releasing large quantities of necessities for the health, petroleum, and food sectors. These shipments included medicines, sera, medical supplies, pharmaceutical chemicals, baby milk, as well as fertilizers, animal feed additives, agricultural seeds, and seedlings. Additionally, it included meat, fish, poultry, rice, oils, wheat, soybeans, and legumes. Along with repayment of high debt service which increased by 68% in Q2 2023 compared to the same quarter in the previous year.

