

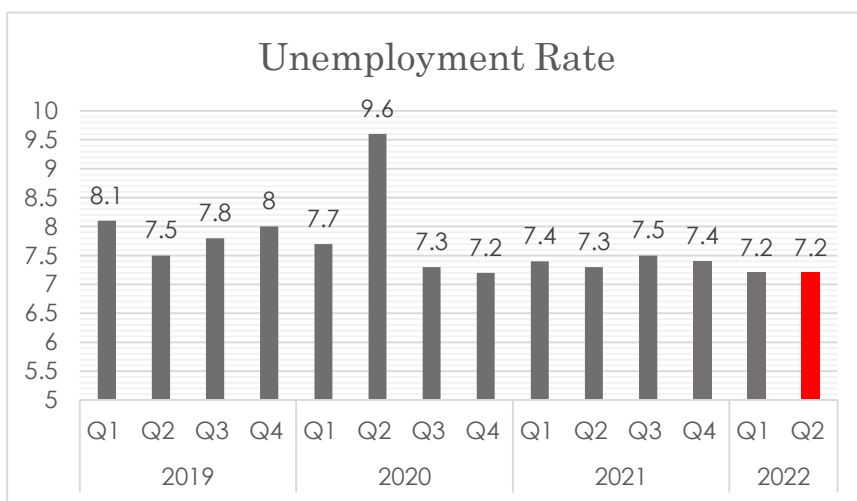


Stable Unemployment Rates in Q2 2022

August 16, 2022

Steady Unemployment Rate in Q2 2022...

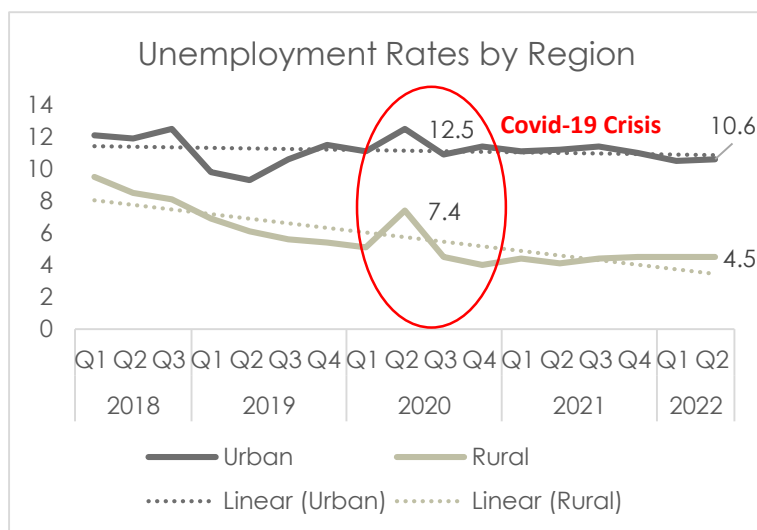
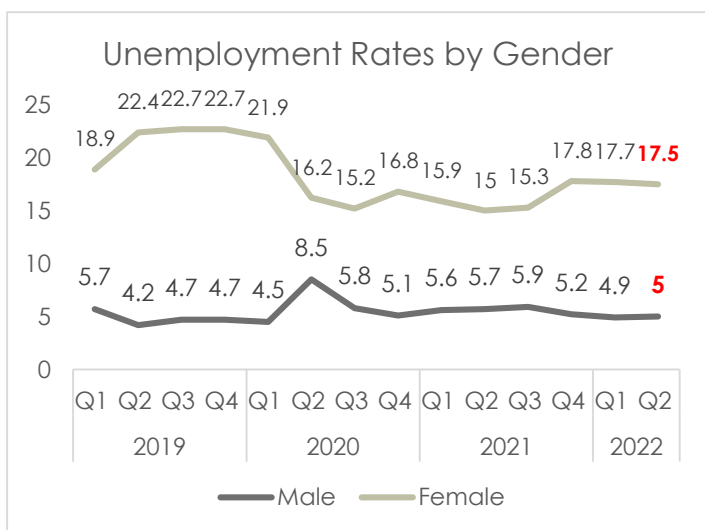
The latest CAPMAS figures revealed that unemployment rate has stabilized during the second quarter of 2022 at 7.2%, compared to the previous quarter. Down from 7.3% in Q2 2021 and 7.5% in Q2 2019, reflecting a better situation than the pre-Covid era.



Source: CAPMAS, Press release, Q2 2022

Narrowed but Still Persistent Unemployment Gender Gap...

The female unemployment rate slightly declined in Q2 2022 by 0.2 percentage points registering 17.5% compared to the first quarter of the year. However, on an annual basis, it increased considerably by 2.5 percentage points up from 15% in Q2 2021. As for, the male unemployment rate was almost constant in Q2 compared to the previous quarter at 5% while decreased by 0.7 percentage points from 5.7% in the same quarter of 2021.

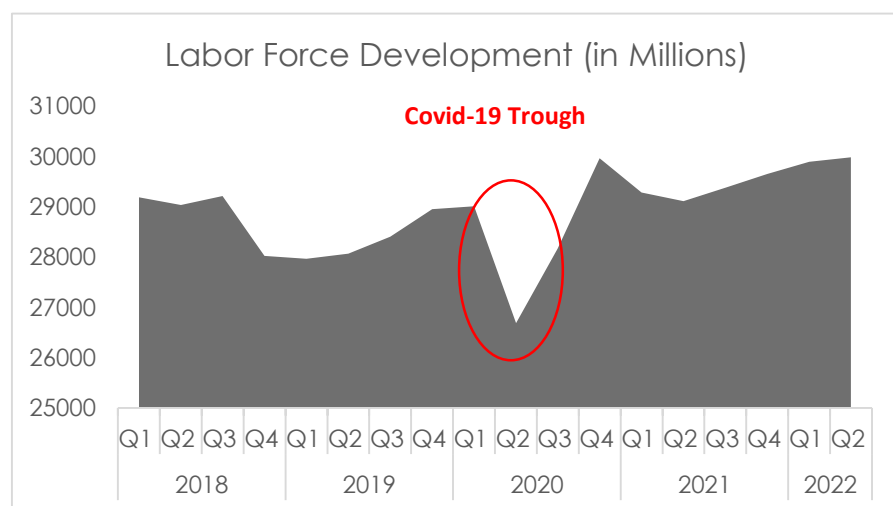


Urban Unemployment Rate: Although Declining Yet More Vulnerable and higher in magnitude to Rural...

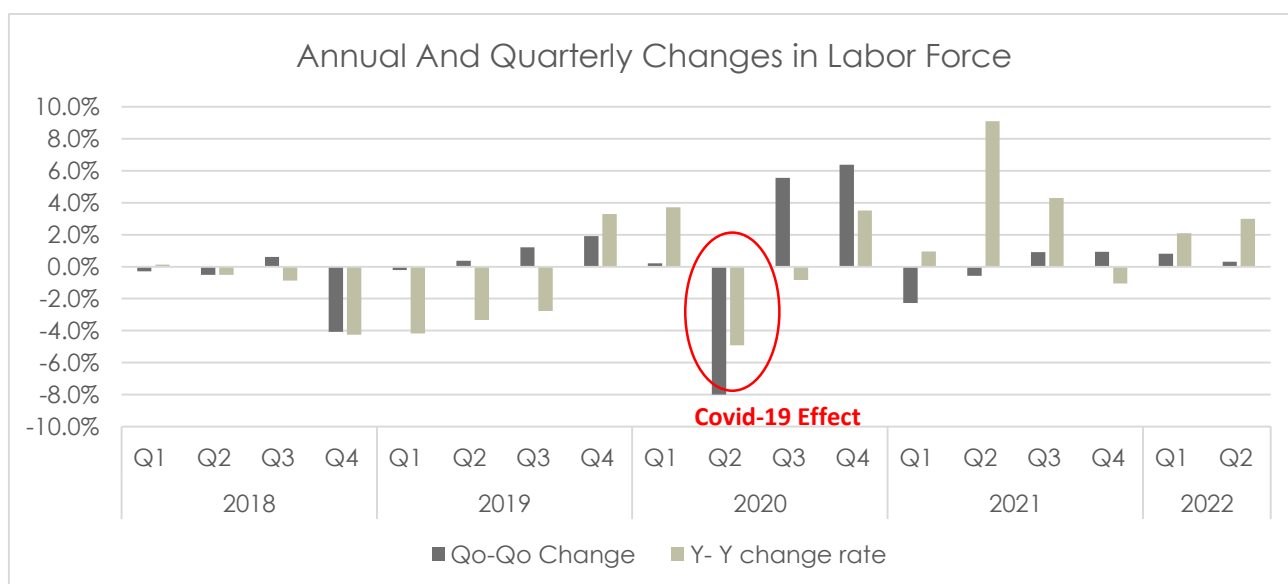
The rural unemployment trend is decaying faster than that of the urban unemployment. However, it has been noticed that the rural unemployment was severely hit by the Covid-19 pandemic. The recovery path from the spillovers was faster and more significant in rural areas than in urban. As the latter decreased by about 2 percentage points since Covid-19 hit in Q2 2020 whereas the rural unemployment rate dropped by 3 pp between Q2 of 2020 and 2022.

Labor Force Dynamics...

The labor force marginally inched up in Q2 2022 by 0.3% registering approximately 30 million for Q2 2022 compared to 29.9 million during the previous quarter, and recorded a 3% Y-o-Y increase. It is worth noting that the labor force was decreasing annually during the pre-Covid period except for Q4 2019 and Q1 2020 before the pandemic effects emerged in Q2 2020.



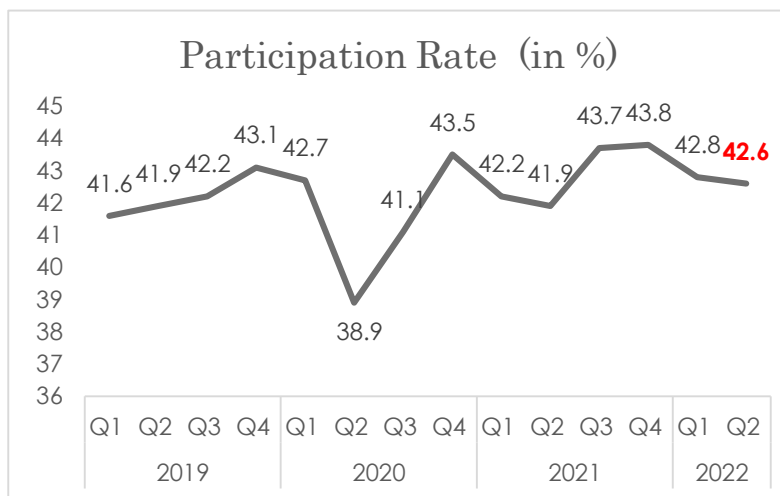
Source: CAPMAS, Press release, Q2 2022



Source: CAPMAS, Press release, Q2 2022

Participation Rate flattened in Q2 2022...

The participation rate retreated for the second quarter in a row at slower pace by 0.2 percentage points in Q2 2022, reaching 42.6% from 42.8%. Male and female participation rates went down slightly in Q2 2022, by 0.3 and 0.2 percentage points respectively at 69% and 15%.



Source: CAPMAS, Press release, Q2 2022

The Agricultural Sector: Most Labor-Attractive Sector in Q2 2022...

Recent data indicated that about 260 thousand workers switched towards the agricultural sector in Q2 2022. Whereas in the previous quarter, the construction was at the lead. The transportation and storage sector followed, intaking 148 thousand workers. Then the manufacturing sector came in third place with 70 thousand workers.



Source: CAPMAS, Press release, Q2 2022

Same Sectoral Employment Share Rankings in Q2 2022

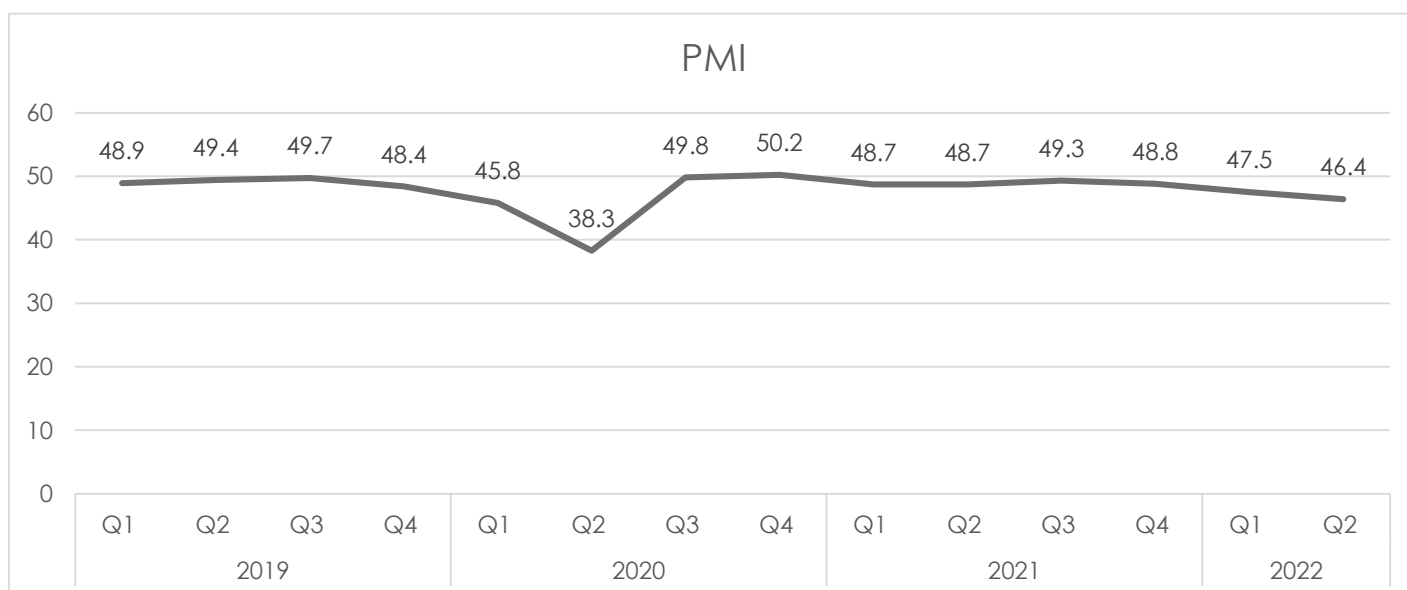
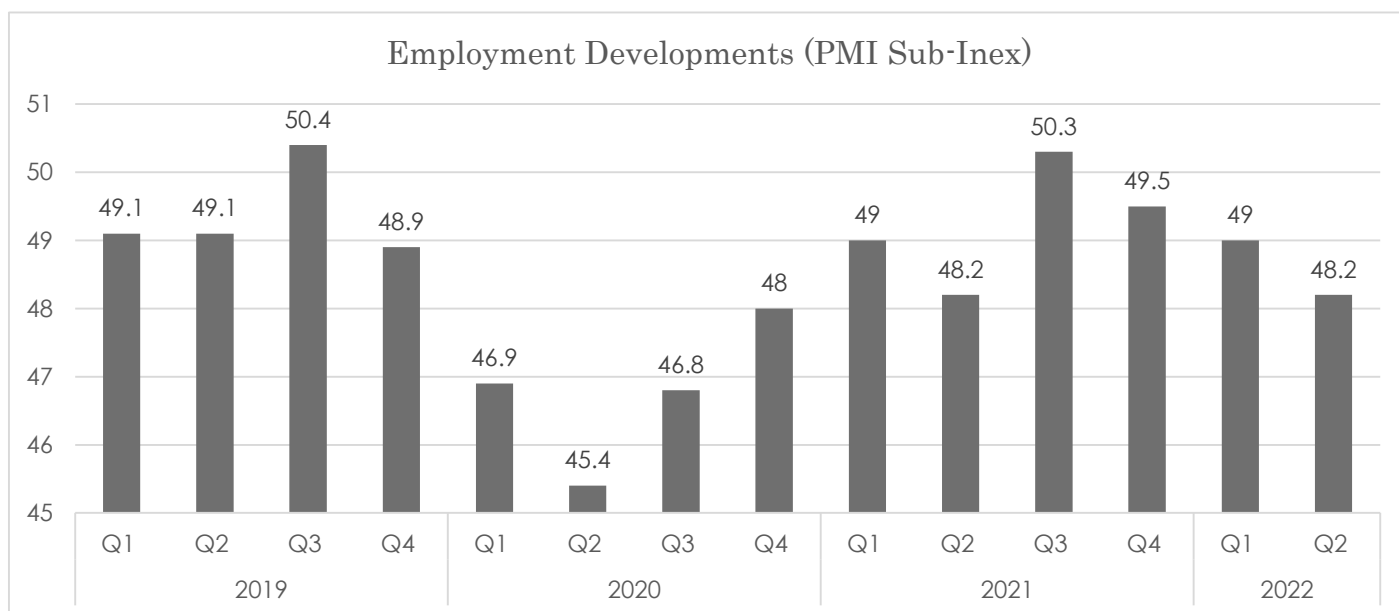


Source: CAPMAS, Press release, Q2 2022

When comparing the sectoral employment shares with the previous quarter, the rankings did not change. The agriculture sector remained at first place with a share of 20% approximately. Wholesale and retail came second accounted for 15% of workers. Construction and manufacturing proportions were around 13%.

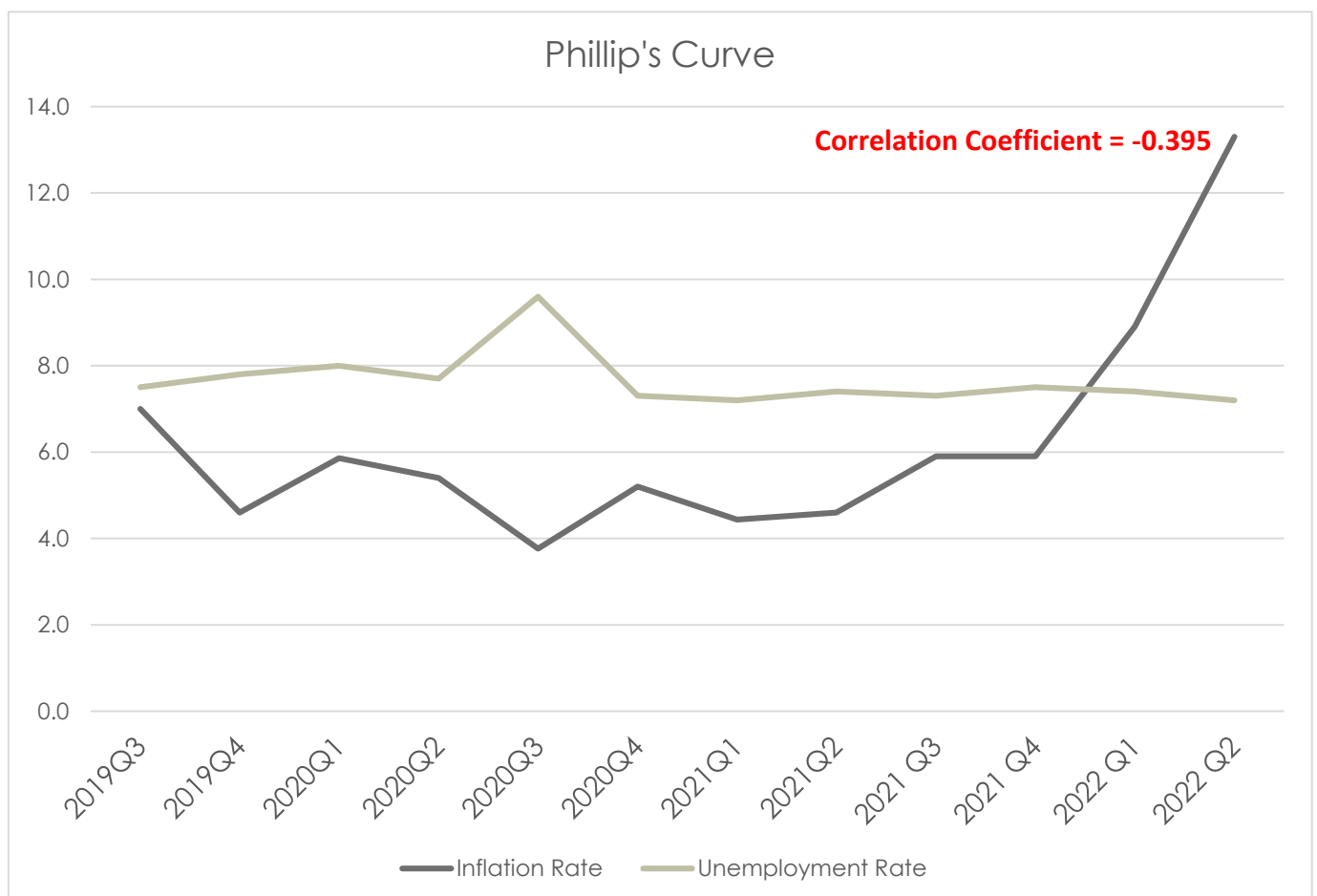
Uninterrupted Decline in the Non-oil Private Sector Employment Dynamics...

PMI data unfolded the fact that the non-oil private sector conditions were deteriorating since Q3 2021, before the Russian-Ukrainian crisis that started during Q1 2022. Accordingly, the employment index followed a similar downward trajectory, down from 50.3 in Q3 2021 reaching 48.2 in Q2 2022, with a decline rate of about -4.2%. Thus, it's safely saying that the Russian-Ukrainian crisis is not the only reason behind the contraction in manufacturing production. Albeit, a set of serious structural changes must be done to improve investments climate, exports performance and manufacturing value added.



The Phillip's Curve...

The Phillip's curve graph below represents the inflation and unemployment rates moving in opposite directions, over the period of Q3 2019 till Q2 2022. The correlation coefficient between the two variables under study was negatively significant, taking into consideration the lime lag, registering -0.40 approximately, which is theoretically and evidently intuitive. The remarkable hike in domestic inflation rate, as featured in the graph, was fueled by the Russian-Ukrainian spillovers leading to unprecedented historical inflation rate globally and consequently transmitted domestically by the pass-through effect. Although, the latest published inflation data softened partially in July 2022, the core inflation remains higher than the headline inflation rate and followed an upward trajectory recording 14.6%.



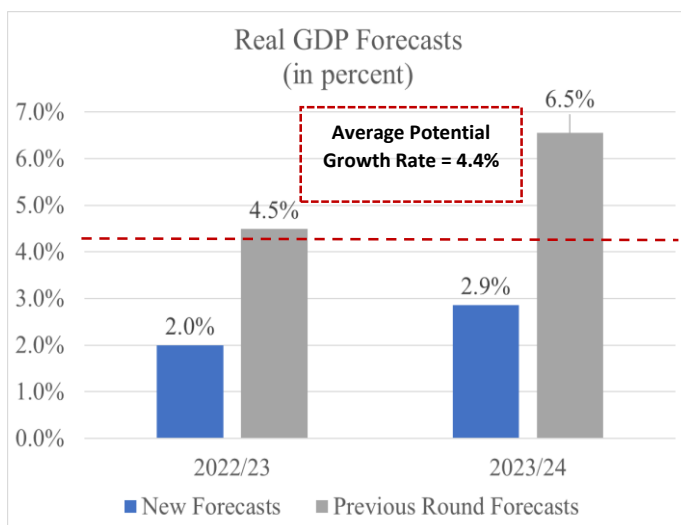
Source: CBE, CAPMAS

Unemployment, and Economic Growth Forecasts...

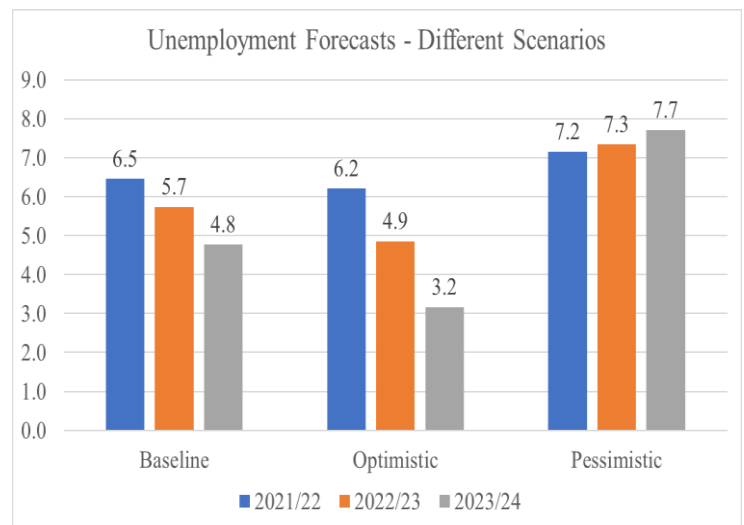
Although Real GDP growth rate is expected to increase on average between the two upcoming fiscal years, yet, it will be well below the historical average potential level of 4.4%. Such growth would not be enough to absorb the unemployed persons added to the labor market each quarter. Accordingly, our revised forecasts revealed that unemployment rate will be on the upward trajectory during the next couple of years hovering around 7.3%-7.7%.

In the meantime, pessimistic scenario predicts that real GDP growth rate will be hovering around the negative zone triggered by the continued tension between Russia and Ukraine, internationally. Domestically, tightened economic and financial conditions leading to further widening in the external financing gap. Such dynamics would put pressures on the official reserves and net foreign assets that will eventually lead to further devaluation in the Egyptian Pound (EGP).

As such, the prices would be elevated leading to diminished demand in terms of lower consumption and investments. Adding to the above, the expected exchange rate developments would have some adverse spillovers on both exports and imports, knowing that EGP is counter-cyclical, i.e. , in the sense that a positive income shock in a country deteriorates the current account, and the adjustment occurs through a devaluation of the currency (i.e., the currency depreciates in good times).



Source: MAP's estimates



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