EGYPT

Egypt’s economic freedom score is 52.5, making its economy the 144th freest in the 2019 Index. Its overall score has decreased by 0.9 point, with declines in scores for monetary freedom, business freedom, and judicial effectiveness overwhelming improvements in property rights and government spending. Egypt is ranked 11th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Economic policy remains focused on fiscal and business-related structural reforms to restore financial stability and improve the business environment after years of political turmoil. Growing confidence in the availability of hard currency has raised investor confidence. Although fuel and electricity subsidies have been reduced, they are still substantial. Progress on improvements in investment and bankruptcy laws has been slow. Weak institutional capacity and stiff opposition from interest groups continue to block needed economic reforms.

BACKGROUND: In 2011, the army deposed longtime President Hosni Mubarak amid the Arab Spring protests. The ensuing political instability led to the election of a new parliament and president, recurring street demonstrations, and an army coup that ousted Mubarak’s unpopular successor, Mohamed Morsi of the Muslim Brotherhood’s Freedom and Justice Party, in 2013. Under a new constitution, President Abdel Fattah el-Sisi was elected to a four-year term in 2014 and reelected in 2018. Most economic activity takes place in the highly fertile Nile Valley. Despite sporadic terrorist attacks, the vital tourism industry has rebounded, but economic growth continues to lag, and Cairo has become more dependent on aid from Saudi Arabia and international financial institutions.
Property rights are recognized, but legal complexity often causes enforcement to be delayed. The rule of law remains unstable because of the judicial system’s increasing politicization under the authoritarian government. Corruption is pervasive at all levels of government, and official mechanisms for investigating and punishing it are very weak. Approximately half of the population surveyed reported paying a bribe in 2017.

The top individual income tax rates is 25 percent, and the top corporate income tax rate is 23 percent. Other taxes include property and general sales taxes. The overall tax burden equals 18.0 percent of total domestic income. Over the past three years, government spending has amounted to 32.6 percent of the country’s output (GDP), and budget deficits have averaged 11.0 percent of GDP. Public debt is equivalent to 103.3 percent of GDP.

Ongoing regulatory reforms have made starting a business less time-consuming, but registering property has become more expensive. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. The government continues to reduce electricity subsidies and plans to suspend all petroleum product subsidies by 2019 in an effort to control the debt.

The combined value of exports and imports is equal to 44.8 percent of GDP. The average applied tariff rate is 6.6 percent. As of June 30, 2018, according to the WTO, Egypt had 156 nontariff measures in force. Foreign investment in several sectors of the economy is restricted, and numerous state-owned enterprises distort the economy. About 40 percent of adult Egyptians have access to an account with a formal banking institution.