EGYPT

Egypt’s economic freedom score is 55.7, making its economy the 130th freest in the 2021 Index. Its overall score has increased by 1.7 points, with improvements in 9 of the 12 categories of economic freedom. 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.

Although the Egyptian economy has been in the mostly unfree category since the inception of the Index in 1995, the country improved its economic freedom score this year for the third year in a row. To maintain that momentum, the government should pursue policy reforms to reduce public debt and upgrade institutional performance to strengthen the three rule-of-law indicators: property rights, judicial effectiveness, and government integrity.

IMPACT OF COVID-19: As of December 1, 2020, 6,666 deaths had been attributed to the pandemic in Egypt, and economic growth was forecast to decline to 3.5 percent for the year.

BACKGROUND: After the army deposed longtime President Hosni Mubarak in 2011 amid the Arab Spring protests, the ensuing political instability ultimately led the army to oust Mubarak’s elected but increasingly unpopular successor, Mohamed Morsi of the Muslim Brotherhood. Under a new constitution, President Abdel Fattah el-Sisi was elected to a four-year term in 2014 and reelected in 2018. Constitutional amendments approved in April 2019 strengthened presidential authority and could permit el-Sisi to rule until 2030. Most economic activity takes place in the highly fertile Nile Valley. Despite sporadic terrorist attacks, the vital tourism industry has rebounded, but Egypt remains dependent on aid from Saudi Arabia and international financial institutions.
Property rights are recognized, but real estate laws are complex, titles to real property can be difficult to establish, and enforcement may be delayed. Although the judiciary is proud of its independence and enjoys a high level of public trust, the executive branch exerts influence on courts that have been politicized under the authoritarian government. Corruption is pervasive at all levels of government.

The top individual income tax rate is 22.5 percent. The top standard corporate tax rate is also 22.5 percent, but companies in the oil and gas sector are subject to a rate of 40.55 percent. The overall tax burden equals 17.1 percent of total domestic income. Government spending has amounted to 29.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 9.1 percent of GDP. Public debt is equivalent to 83.8 percent of GDP.

Business freedom has been facilitated by abolition of the mandate to obtain a certificate of non-confusion (of the company name) when starting a business and by improving one-stop-shop efficiency. The electricity supply has become more reliable. Labor force participation has declined. Removal of most subsidies for petroleum products ensures that retail fuel prices remain at cost-recovery levels.

Egypt has nine preferential trade agreements in force. The trade-weighted average tariff rate is 9.0 percent, and 157 non-tariff measures are in effect. A recently adopted investment code consolidated investment-related rules, but investment in several sectors remains restricted. The banking sector is well capitalized and stable, with local banks attaining continued profitability and rating upgrades. The vibrant credit market is open to foreigners.