EGYPT

Egypt’s economic freedom score is 49.1, making its economy the 152nd freest in the 2022 Index. 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.

Over the past five years, Egypt’s economic growth accelerated from 2017 through 2019 but slowed in 2020 and 2021. A five-year trend of incrementally improved economic freedom has suffered a significant reversal. Driven down by steep declines in scores for judicial effectiveness and labor freedom, Egypt has recorded a 3.5-point overall loss of economic freedom since 2017 and has fallen from the “Mostly Unfree” category to the “Repressed” category. Although the tax burden score is sound, fiscal health has weakened significantly.

IMPACT OF COVID-19: As of December 1, 2021, 20,537 deaths had been attributed to the pandemic in Egypt, and the government’s response to the crisis ranked 83rd among the countries included in this Index in terms of its stringency. The economy grew just 3.6 percent in 2020.

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 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.
The Egyptian legal system provides protection for real and personal property. Laws on real estate ownership are complex, and titles to real property may be difficult to establish and trace. Enforcement may be delayed. Although the judiciary is proudly independent and enjoys a high level of public trust, the authoritarian executive branch exerts influence over increasingly politicized courts. 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 oil and gas companies are subject to a 40.55 percent rate. The overall tax burden equals 16.7 percent of total domestic income. Government spending has amounted to 28.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 8.4 percent of GDP. Public debt is equivalent to 90.2 percent of GDP.

A new bankruptcy law and amendments to the 1981 Companies Law were enacted in 2018, improving the business regulatory system. The government bureaucracy and public sector are unusually large, and Egypt has one of the world’s highest rates of government workers per capita. Amid rising inflation, the government continues to subsidize large state-owned enterprises and grant them regulatory relief.

Egypt has 10 preferential trade agreements in force. The trade-weighted average tariff rate is 12.4 percent, and 176 nontariff measures are in effect. Egypt has more than 100 bilateral investment treaties. A recently adopted investment code consolidated regulations, but investment in several sectors remains restricted. The financial sector is dominated by banks, which are well capitalized and have recorded rating upgrades.