Egypt

Egypt: Current Path

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Chart 2: Population structure in the Current Path, 1990-2043

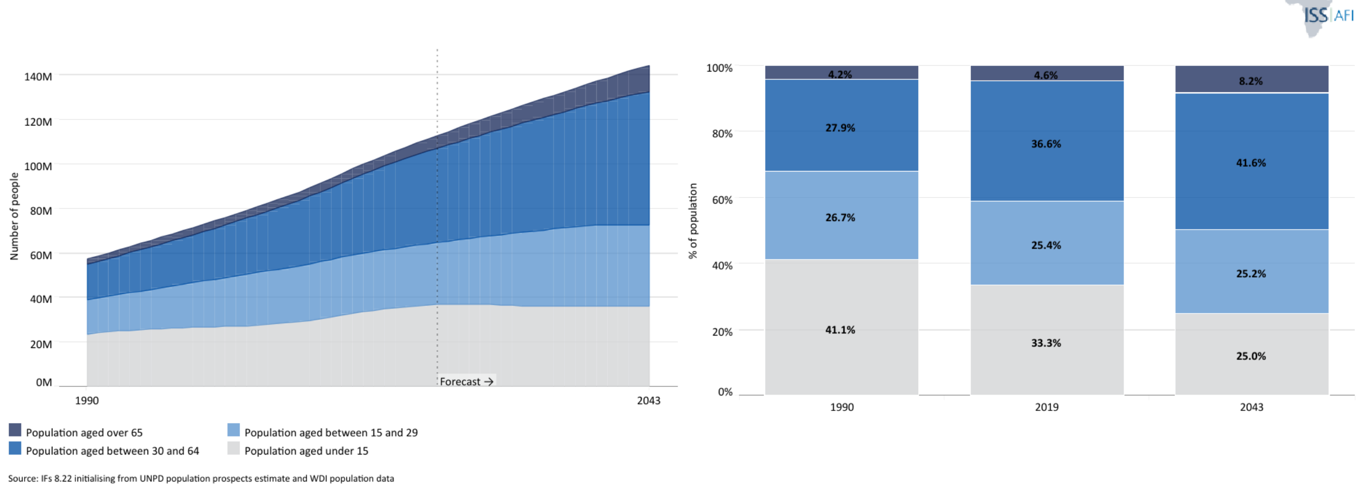


Chart 2 presents the Current Path of the population structure, from 2019 to 2043.

Egypt is the most populous country in North Africa, and the 3rd most populous country in Africa after Nigeria and Ethiopia. In 1990, Egypt's population stood at 57.2 million people. By 2023, the population had nearly doubled to 113 million people. This growth can be attributed to the high fertility rate in many parts of the country, particularly in the rural areas where fertility rates are far above the national average. A study by the United Nations (UN) Population Fund in 2018 found that fertility rates reached 2.75 in urban governorates, compared to 3.52 to 3.93 for both Upper Egypt and border governorates, respectively. Also, there is also a high proportion of women within their childbearing age coupled with low usage of modern contraceptives mainly due to socio-economic factors. These include the perception that more than three children are ideal, lack of female empowerment with husbands still being the main decision makers and disapproving of family planning, and inadequate labour market opportunities for women. Rapid population growth as a result of high fertility rates and population momentum have costly repercussions for the economy and human development prospects. It inevitably contributes to the deterioration of quality of life in terms of health, nutrition, access to employment and other basic amenities.

However, population growth has slowed in recent years due to the slowing fertility rate. In 2023, Egypt's population growth rate of 1.5% made it the 10th-lowest in Africa. This was below the average of 2.6% for Africa and a decline from the 2.2% it recorded in 1990. Likewise, in 2023, the total fertility rate among women in the childbearing age in Egypt of 2.8 births per woman was below Africa's average of 4.3 births per woman and was the 11th-lowest in Africa and the 4th-lowest in North Africa after Tunisia, Morocco and Libya. In terms of population structure, 32.6% of Egyptians were below the age of 15 years while 62.3% were in the age group 15–64 years (working age) and 5% were 65 years and older. Comparing this with the structure in 1990 reveals that Egypt's population structure has fundamentally changed over the past three decades.

The country's youth bulge (the ratio of its population aged between 15 and 29 to the total adult population) stood at about 37% in 2023—a fall from 45% in 1990. This was below the average of 45.4% for Africa but higher than the 33.9% average for North Africa. The median age for Egypt in 2023 was 25.3 years—an increase from 18.4 years recorded in 1990 and Africa's median age of 20.4 years but below North Africa's average of 27.4 years. The large youth bulge in the country raises concerns about youth unemployment and underemployment. The IMF projection in 2019 was that the country needs to create about 3.5 million jobs over the next 5 years to benefit from its demographic dividend.

In the forecast horizon, the structure of the Egyptian population will change as the share of the youth population declines.

With the country's population growth rate declining to 0.9% by 2043, the total population will rise modestly reaching 145.4 million in 2043 by which it will be the fourth-largest in Africa after Nigeria, Ethiopia and DRC. By then, the median age will increase to 30.0 years, and the youth bulge will slightly fall to 33.6%. The proportion of people under the age of 15 will decline to 25%, while the share of the working-age population and the population aged 65 and older will increase to 66.8% and 8.2%, respectively, by 2043. Such rapid decline in population growth will follow the rise in the use of modern contraceptives in the country reaching 74% of fertile women. This can facilitate Egypt's development and improve average incomes much quicker as the demands on the fiscus to cater to its youthful population will reduce.

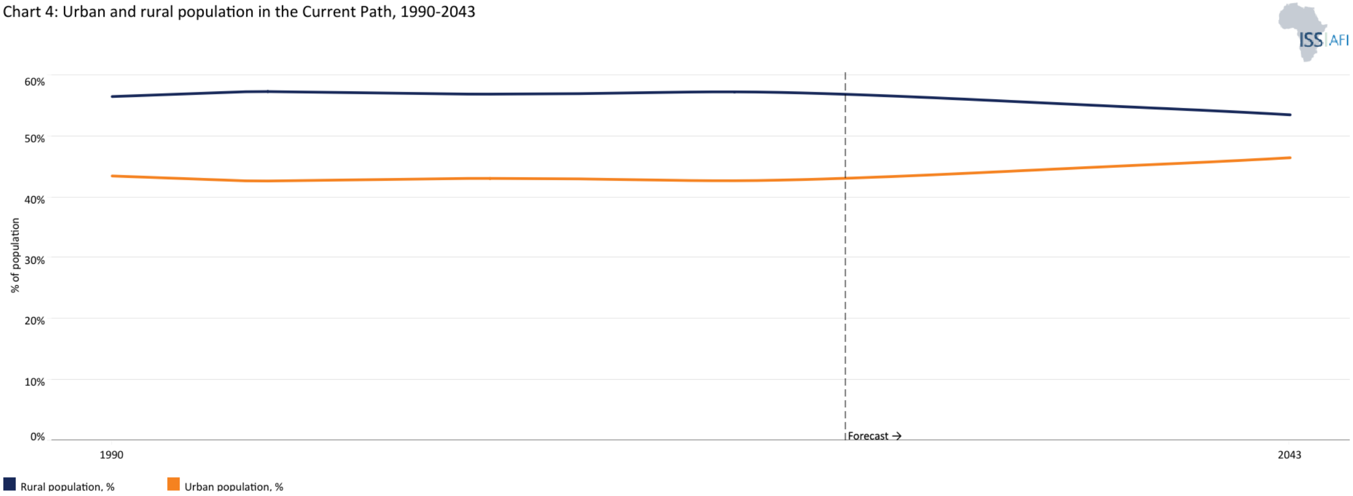
Chart 3: Population distribution map, 2023

Chart goes here

Chart 3 presents a population distribution map for 2023.

The total land area of Egypt is approximately 101 million km^2. In 2023, Egypt was the most densely populated country in North Africa and the 16th most densely populated country in Africa. The population density of Egypt is estimated to be about 1.14 people per hectare, which is higher than the average of 0.49 for Africa and 0.32 for Northern Africa. The majority of Egyptians reside in the rural areas along the fertile soils of the Nile valley and in the urban clusters of Cairo and Alexandria. The population density along the Nile is among the highest globally at more than 2 000 people per square kilometre. The most densely populated cities in Egypt include the national capital Cairo, Alexandria, Kalyouble, Gharbia, Suhag, Menoufia and Giza, among others. Other small communities are spread throughout the desert around the oases and historic trade routes.

Chart 4: Urban and rural population in the Current Path, 1990-2043



Source: IFs 8.22 initialising from UN World Urbanization Prospects data

Chart 4 presents the urban and rural population in the Current Path, from 1990 to 2043.

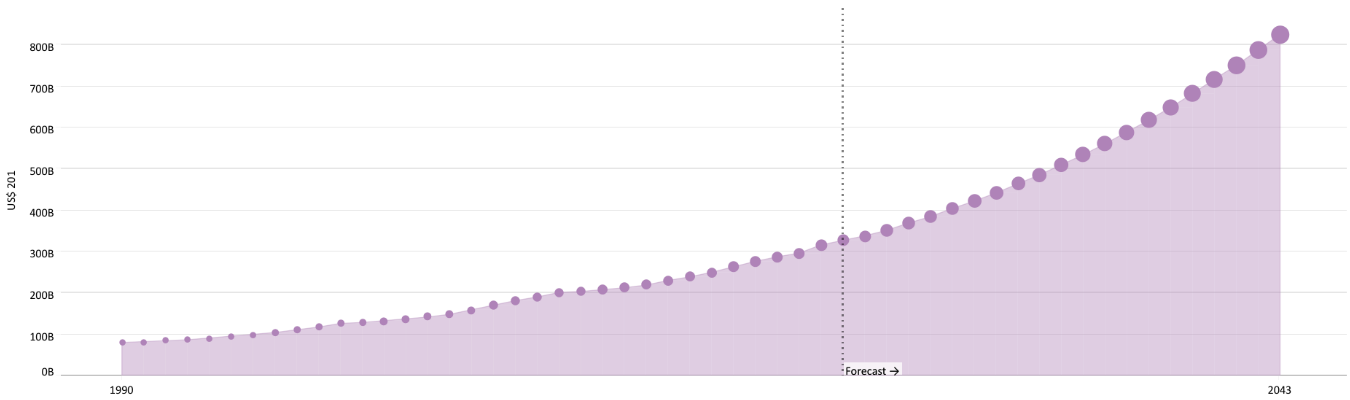
In 1990, more than half (56.5%) of Egypt's population resided in rural areas, below the average of 68.5% for Africa and 64.4% for lower-middle-income countries in Africa. Contrary to the situation in most other developing countries, the proportion of people in rural areas over the past three decades has generally stagnated. By 2023, 57% of the Egyptians still resided in rural areas compared to 55.2% average for Africa and 48.8% for Africa's lower-middle-income countries. This signals ruralisation or counter-urbanisation in Egypt while its income peers are urbanising rapidly. The higher rural population can be explained by the fact that the majority of the population is concentrated along the fertile soils of the Nile Valley. Only 13 of Egypt's cities have a population of more than 300 000 with eleven of them having inhabitants of under 500 000.

Nonetheless, there has been rapid migration into Cairo such that in 2017, about 500 000 additional people moved to settle in the city of Cairo making it the fastest growing city in the world. By 2030, Cairo will have 25 million people. The rapid population and urban expansion will further strain the provision and access to basic services like water and sanitation, especially to the 10 million to 12 million Egyptians living in informal settlements in urban areas. Already, about two-thirds of residents in the Greater Cairo Region reside in informal settlements which are mostly slums, and lack basic social amenities such as water and electricity. As a result, Cairo is considered to be one of the cities under threat globally, especially because Egypt is forecast to experience a critical water shortage by 2025.

To ease the pressure on Cairo, the government has been building a new city to serve as the New Administrative Capital since 2016. Located 30 miles east of Cairo and covering a 270-square-mile area, the new city, when completed, can accommodate almost 6.5 million people. With phase one almost completed, more than 1 500 families have already moved into the new city. Also, many government ministries have moved there with 48 000 government employees working there.

The trend of ruralisation will continue into the future as the proportion of the population that will reside in rural areas will only slightly decline to 53.5%, above the 41.2% average for its income peers meaning that the country will experience a slower rate of urbanisation compared to its income peers.

Chart 5: GDP (MER) and growth in the Current Path, 1990-2043



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Source: IFs 8.22 initialising from IMF data

Chart 5 presents GDP in market exchange rates (MER) and growth rate in the Current Path, from 1990 to 2043.

In 2023, Egypt was the third-largest economy in Africa after Nigeria and South Africa. Its economy depends mainly on agriculture, telecommunication, petroleum exports, natural gas and tourism; it is also home to the Suez Canal, an artificial sea-level waterway which is considered the most important centre of maritime transport in the Middle East. Egypt's GDP measured in market exchange rates (MER) almost quadrupled from US$79.9 billion in 1990 to US$327.9 billion in 2023. The average GDP growth rate within this period stood at 4.4% per annum, above the average of 3.8% for lower-middle-income countries in Africa. Although Egypt's Vision 2030 targets a GDP growth rate of 10%, this goal was not met as the average growth rate between 2015 to 2020 stood at 4.5%.

The country's economic liberation began in the 1970s and intensified in the 1980s. Some of the policies implemented included the substitution of expenditure on defence for infrastructural projects, as well as the shoring up of the natural gas industry, and the liberalisation of foreign trade. By the late 1990s, these investments gradually paid off, leading to an improvement in GDP. Since then, the oil and gas industry has been a major contributor to economic growth in the country. The discoveries and dynamic legislation of large oil fields in areas such as the Gulf of Suez, Western Desert, Eastern Desert and Sinai, have strengthened the robust oil and gas industry and been a huge contributor to more rapid economic growth. In fact, by the 1990s, the country was a strategic oil producer based on fields in four areas — the Gulf of Suez, Western Desert, Eastern Desert and Sinai. By 2011, the sector was growing at unprecedented levels attracting nearly 70% of Egypt's foreign direct investment. In recent years, the government under President Sisi, with the assistance of the IMF, has embarked on an economic reform agenda to restructure the economy. Through this, tax reforms have been introduced, while government expenditure has been cut down and several infrastructural projects such as the construction of a new capital city, a large nuclear energy project and a second canal parallel to Suez are intended to boost the economy.

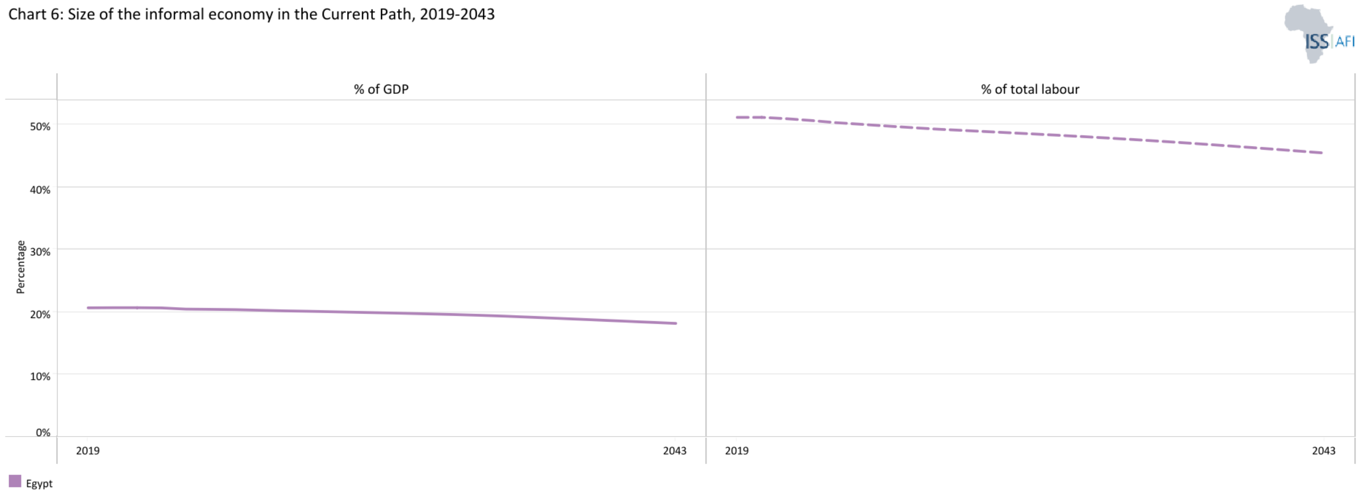
Although the macroeconomic indicators improved, the country still suffers from the impact of fiscal and monetary instability. The economy is challenged in all spheres, including weakening domestic currency, high inflation rate, capital flight and rising public debt. Also, Egypt's high growth rates have not translated into the needed jobs to reduce unemployment. The country's long-standing challenges were further compounded by the COVID-19 pandemic. Due to slowed economic activity, the pandemic worsened the high unemployment rate (from 7.7% in 2019 to 9.6% in 2020) especially in the formal sector, creating a wider budget deficit. This also led to a drop in foreign reserves, tourism, Suez Canal revenues and merchandise exports.

Post COVID-19, the country is currently experiencing an economic downturn which perhaps is the most severe since 2011 with debt-to-GDP ratio significantly increasing to 92.7% in 2023. Similarly, annual urban inflation was rising to 33.8% by the end of 2023 mainly driving higher food prices, rising cost of production and expansionary monetary policies particularly in extending credit to the public sector.

While the country's economic growth prospect is higher than its income peers, it will still lag behind its Vision 2030 targets if nothing is done to accelerate its development potential and harness its economic opportunities. Even by 2030 which is the end of the implementation of the vision, Egypt will not meet its growth target of 12% on the Current Path. Indeed, by 2043, the average growth rate will be about 4.7% far below the desired target in Vision 2030.

Despite the negative economic repercussions, Egypt's economic outlook remains positive with expected strong growth based on the IMF projections. Nonetheless, the country needs to deal with the many structural difficulties and economic vulnerabilities, particularly on issues related to stabilising the economy, underperforming non-oil sector, job creation mechanisms, the business development environment and rising government debt. On the Current Path, Egypt's GDP is estimated to more than double to US$826 billion by 2043. The increase in GDP reflects the higher rate of economic growth expected to occur within the next 20 years.

Chart 6: Size of the informal economy in the Current Path, 2019-2043



Source: IFs 8.22 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 6 presents the size of the informal economy as per cent of GDP and per cent of total labour (non-agriculture), from 2019 to 2043. The data in our modelling are largely estimates and therefore may differ from other sources.

Compared to most oil-rich Gulf countries, Egypt has a large informal sector. It accounts for about 68-70% of all new jobs and grows by 1% every year. The country is inundated with several small businesses that are unable to offer formal employment to the teeming labour force. Estimates show that 53% of establishments in Egypt are considered informal businesses.

The size of the informal sector in Egypt was equivalent to 20.5% of GDP, representing US$67.2 billion, in 2023, which was below the average of 29.2% for lower-middle-income African countries. Among Africa's 24 lower-middle-income countries, only Algeria has a smaller informal sector. This suggests that compared to its income peer group, Egypt has performed relatively better in formalising its economy. However, other estimates show that informality in Egypt may be higher than this. Indeed, it is estimated that the informal sector contribution to GDP ranges between 29.3% to 50% of GDP depending on the data sources used. Such a large informality denies the government the needed tax revenue for development. The size of the informal sector will slightly decline to 18.2% of GDP by 2043 equivalent to US$150.4 billion and below the average of 26.3% for its income peers in Africa.

The informal sector contributes significantly to employment creation in Egypt. In 2023, 50.4% of the total labour force in

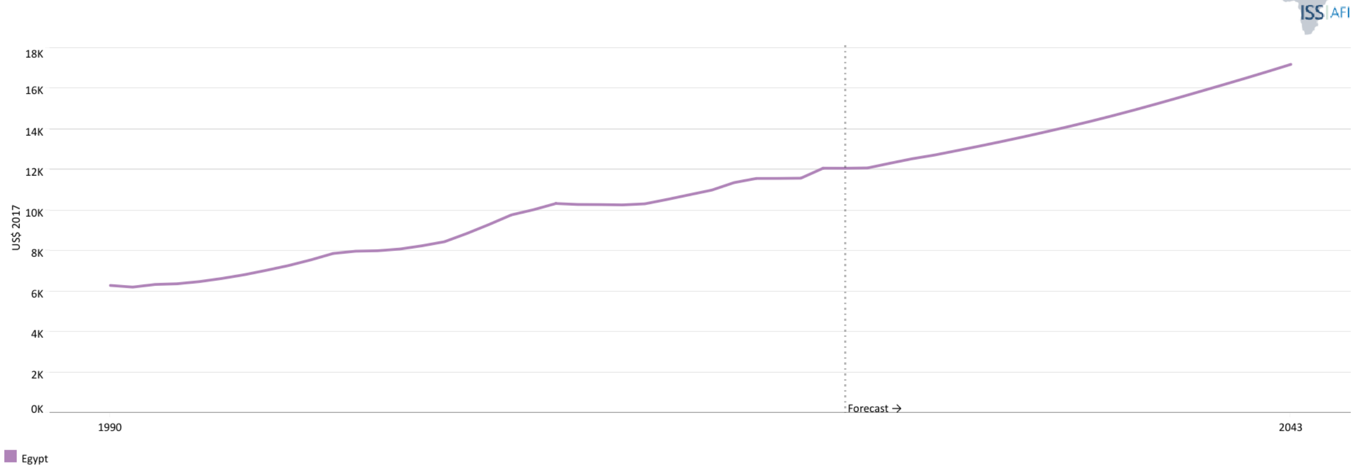
Egypt were employed in the informal sector making it the tenth-largest among Africa's lower-middle-income countries. Although this was below the 55.5% average for lower-middle-income countries in Africa, it's very high particularly compared with the contribution of the sector to GDP. This may be due to the high levels of informal employment within the formal sector. Many larger firms do not offer formal employment, as only about half of employees in such firms have contracts and social insurance. Another reason could be that our modelling underestimates the informal sector's contribution especially as other sources estimate a much larger value, as explained above.

An important feature of informal employment in Egypt is that it is more prevalent among vulnerable age groups: youth (between 15 and 24 years) and aged (65 years and above). Almost 93% of all working-aged and 90% of young people working are employed in the informal sector.

A World Bank analysis shows that Egyptian workers in the informal sector crave stability and job security, as most jobs lack written contracts or social insurance. Also, most workers in the sector indicate that they are willing to work for even 20% lower wages in the formal private sector due to the job security that comes with it. In fact, Egypt ranks among the 10 worst countries (out of 149 countries) for working people in the International Trade Union Confederation's (ITUC) Global Rights Index report of 2024. Together with its large youth bulge, the survivalist employment in the informal economy could be a key driver for socio-economic unrest.

On the Current Path, informal labour will decline to 45.5% by 2043 which will still be below the average for its income peers in Africa. By 2043, the size of the informal sector in Egypt will be about 6.6 percentage points lower than the average for lower-middle-income African countries.

Chart 7: GDP per capita in Current Path, 1990-2043

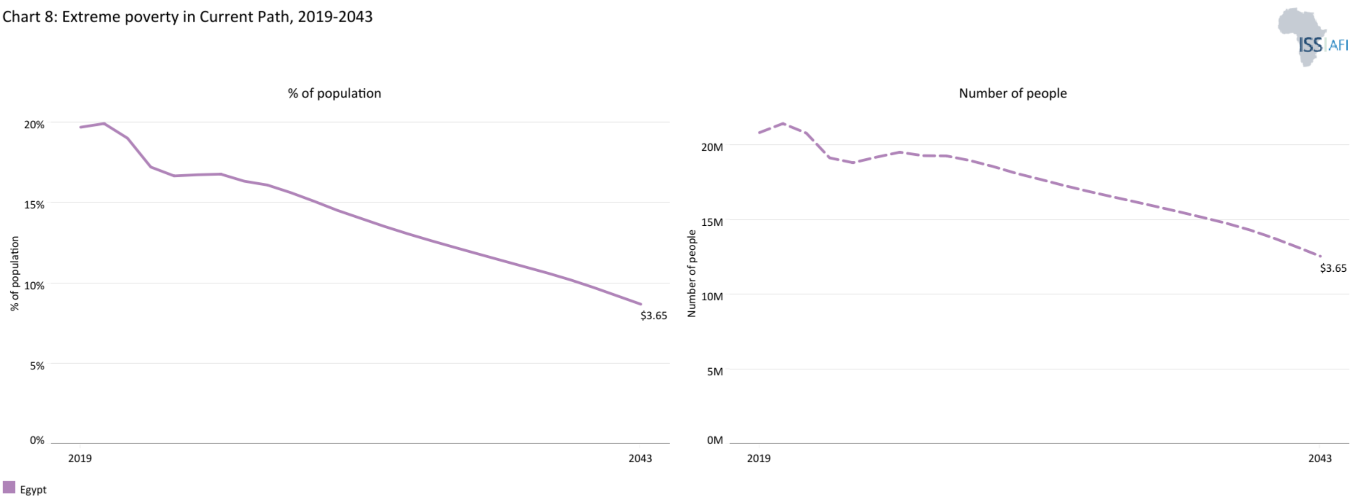


Source: IFs 8.22 initialising from IMF data

Chart 7 presents GDP per capita in the Current Path, from 1990 to 2043, compared with the average for the Africa income group.

Despite its limitations, GDP per capita is generally used to measure the standard of living and is the most widely used and accepted indicator to compare welfare among countries. Egypt has the highest GDP per capita among the 24 lower–middle-income countries in Africa. Using the purchasing power parity (PPP) measure for this analysis, it's GDP per capita of US$12 070 in 2023 was almost twice the group average of US$6 127. This figure represents a tremendous improvement (almost 100%) from the US$6 297 it recorded in 1990. This GDP per capita is due to its relatively high economic growth and slower population growth which ensures that gains from growth are higher than compared to the average of its income peers. On the Current Path, Egypt will still have the largest GDP per capita among its peers at US$17 190 by 2043. At this rate, the country's GDP per capita will be more than twice the average of US$7 942 for its income-group peers in Africa.

Chart 8: Extreme poverty in Current Path, 2019-2043



Source: IFs 8.22 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 8 presents the rate and numbers of extremely poor people in the Current Path from 2019 to 2043.

In 2015, the World Bank adopted US$1.90 per person per day (in 2011 prices using GNI), also used to measure progress towards achieving Sustainable Development Goal (SDG) 1 of eradicating extreme poverty. In 2022, the World Bank updated the poverty lines to 2017 constant dollar values as follows:

- The previous US$1.90 extreme poverty line is now set at US$2.15, also for use with low-income countries.
- US$3.20 for lower-middle-income countries, now US$3.65 in 2017 values.
- US$5.50 for upper-middle-income countries, now US$6.85 in 2017 values.
- US$22.70 for high-income countries. The Bank has not yet announced the new poverty line in 2017 US$ prices for high-income countries.

Monetary poverty only tells part of the story, however. In addition, the global Multidimensional Poverty Index (MPI) measures acute multidimensional poverty by measuring each person’s overlapping deprivations across 10 indicators in three equally weighted dimensions: health, education and standard of living. The MPI complements the international $2.15 a day poverty rate by identifying who is multidimensionally poor and also shows the composition of multidimensional poverty. The headcount or incidence of multidimensional poverty is often several percentage points higher than that of monetary poverty. This implies that individuals living above the monetary poverty line may still suffer deprivations in health, education and/or standard of living.

Egypt has seen significant progress in many human development indicators but still experiences a number of challenges. As a lower-middle-income country, Egypt uses the US$3.65 benchmark for extreme poverty. According to the World Bank macro poverty data, 17.8% of Egyptians lived below the poverty line of US$3.65% in 2010. In 2023, 18.8 million Egyptians, representing 16.7% of the population, lived below the poverty line of US$3.65, far below the average of 46.4% for lower-middle-income countries in Africa. It means that over the past decades, the country’s effort at poverty eradication has yielded some results as the poverty rate declined below the average for its income peers in Africa. This is partly due to the government's implementation of its Haya Karima (Decent Life) initiative that has accelerated poverty reduction, particularly in rural areas.

Aside from income poverty, Egypt also experiences multidimensional poverty. According to the 2023 Human Development Report, Egypt was ranked 106th out of 204 states. Although this was an improvement over previous scores, it still has gaps in nutrition, school attendance, years of schooling, housing and even sanitation with 5.2% of the Egyptian population considered to be multidimensionally poor. Roughly 6.1% of the population is categorised as vulnerable and 0.6% are in severe poverty, with these figures disproportionately affecting those in rural areas. Regional inequalities and disparities also persist. Most of the poor and vulnerable population lives in the governorate of rural Upper Egypt especially in places such as Assyout, Sohag, Luxor and Minya. Based on the 2018 Household Income and Expenditure Survey, about 52% of people within this area cannot afford basic needs including food. The government reported that between the 2017/18 and 2019/20 financial year, household income in urban areas grew by 16% compared to 13% in rural areas. However, poverty rates in rural areas dropped faster than in urban areas, pointing to income polarisation and the difference in how people in rural and urban areas experience poverty.

On the Current Path, Egypt's progress in reducing poverty rates will be more rapid compared to the average of its income-group peers in Africa such that by 2043, the poverty rate of 8.7% (equivalent to 12.6 million Egyptians) will be about 24 percentage points lower than the average for lower-middle-income countries in Africa.

Chart 9: National Development Plan of Egypt

Chart goes here

Chart 9 depicts the National Development Plan.

The Sustainable Development Strategy: Egypt Vision 2030 is the broad framework for attaining Egyptians' dreams and aspirations of an advanced and prosperous nation inspired by the ancient Egyptian civilization's achievements. Its overall vision is that "*By 2030, Egypt will be a country with a competitive, balanced, and diversified economy, depending on knowledge and creativity, and based on justice, social integration, and participation, with a balanced and varied ecosystem, a country that* *uses the genius of the place and the citizens in order to achieve sustainable development and improve the quality of the life for all. Moreover, the government looks forward to lifting Egypt, through this strategy, to a position among the top 30 countries in the world, in terms of economic development indicators, fighting corruption, human development, market competitiveness, and the quality of life.*"

The plan, developed on the principles of the sustainable development concept, intends to improve the quality of life of the present generation without compromising the right to a better life for future generations. Also, to ensure complementarity between the targets of the United Nations Sustainable Development Goals and Egypt's Vision 2030, efforts were made to incorporate the SDGs targets into the Egyptian national planning system. This was the first nationally formulated strategy prepared in accordance with long-term strategic participatory planning. It incorporated broad stakeholder participation with strategic inputs from civil society, the private sector, ministries, and government agencies, women, youth and the disabled. In addition, the plan was formulated with the support and participation of international development partners.

The plan is broken into three dimensions, namely economic, social and environmental and further broken down into ten pillars. The economic dimension consists of the pillars of economic development; energy; knowledge, innovation and scientific research; and the transparency and efficiency of government institutions. The social dimension also comprises pillars of social justice; education and training; health; and culture. The final dimension of the environment involves the pillars of environment and urban development. There are also two additional pillars of domestic policy as well as foreign policy and national security, which serve as the comprehensive framework for the strategy and determination of the other pillars.

Each pillar consists of strategic targets, sub-targets, performance indicators, planned quantitative targets, expected challenges, and the appropriate programme and project sequence for execution based on priority. The strategic visions build on previous visions such as Egypt's Strategy 2017, The Strategic Framework of Income Multiplying 2022 and the Urban Plan, 2052. In all, there are over 330 performance indicators and 50 associated strategic targets that are to be achieved through implementing about 200 programmes and projects.

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Mr Enoch Randy Aikins joined the AFI in May 2021. Before that, Enoch was a research and programmes officer at the Institute for Democratic Governance in Accra. He also worked as a research assistant (economic division) with the Institute for Statistical Social and Economic Research at the University of Ghana. Enoch's interests include African politics and governance, economic development, public sector reform, poverty and inequality. He has an MPhil in economics from the University of Ghana, Legon.

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