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Arab Republic of Egypt Economic Report

January 5, 1976

Europe, Middle East and North Africa Region

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CURRENCY EQUIVALENTS

Official Rate

1 Egyptian Pound (£E 1)	=	US$2.56 or SDR 2.118*
1 US Dollar	=	£E 0.391

Parallel Market Rate

1 Egyptian Pound (£E)	=	US$1.70
1 US Dollar	=	£E 0.587

* In the general realignment of currencies which occurred in February 1973 the value of the Egyptian pound was kept constant in terms of SDRs at £E = SDR 2.118. This was equivalent to an appreciation against the dollar to £E = 2.56, from its previous value of £E 1 = 2.30.

WEIGHTS AND MEASURES

1 hectare	=	2.379 feddans
1 feddan	=	1.038 acres
1 acre	=	0.963 feddans
1 sq. kilometer	=	238 feddans
1 ardeb (metric)	=	198 liters
	=	160 kilograms (kg) of lentils
	=	157 kg of clover
	=	155 kg of beans, chick peas, lupine, fenugreek
	=	140 kg of maize, millet
	=	120 kg of cottonseed, barley, sesame
	=	60 kg of groundnuts
1 kantar	=	157.5 kg of seed cotton
	=	50 kg of cotton lint
	=	45 kg of onions, sugarcane

FISCAL YEAR

Effective January 1, 1973, the fiscal year became identical with the calendar year (Gregorian calendar). Previously, the Government's fiscal year had been July 1-June 30.

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This Economic Report is based on the findings of an economic mission which visited Egypt in May-June 1975, and an updating mission in October 1975. The economic mission was composed of Messrs. Vinod Dubey (chief of mission), Khalid Ikram (deputy chief of mission), Francis X. Colaco (fiscal economist), Shahid Amjad Chaudhry (general economist), Javad Khalilzadeh-Shirazi (industrial economist), Muhammad al Ali (industrial economist; consultant), Miss Betty Dow (statistician), and Mrs. Lvnette Joseph (secretary). The updating mission was composed of Messrs. Khalid Ikram (chief of mission) and Shahid Amjad Chaudhry (general economist).

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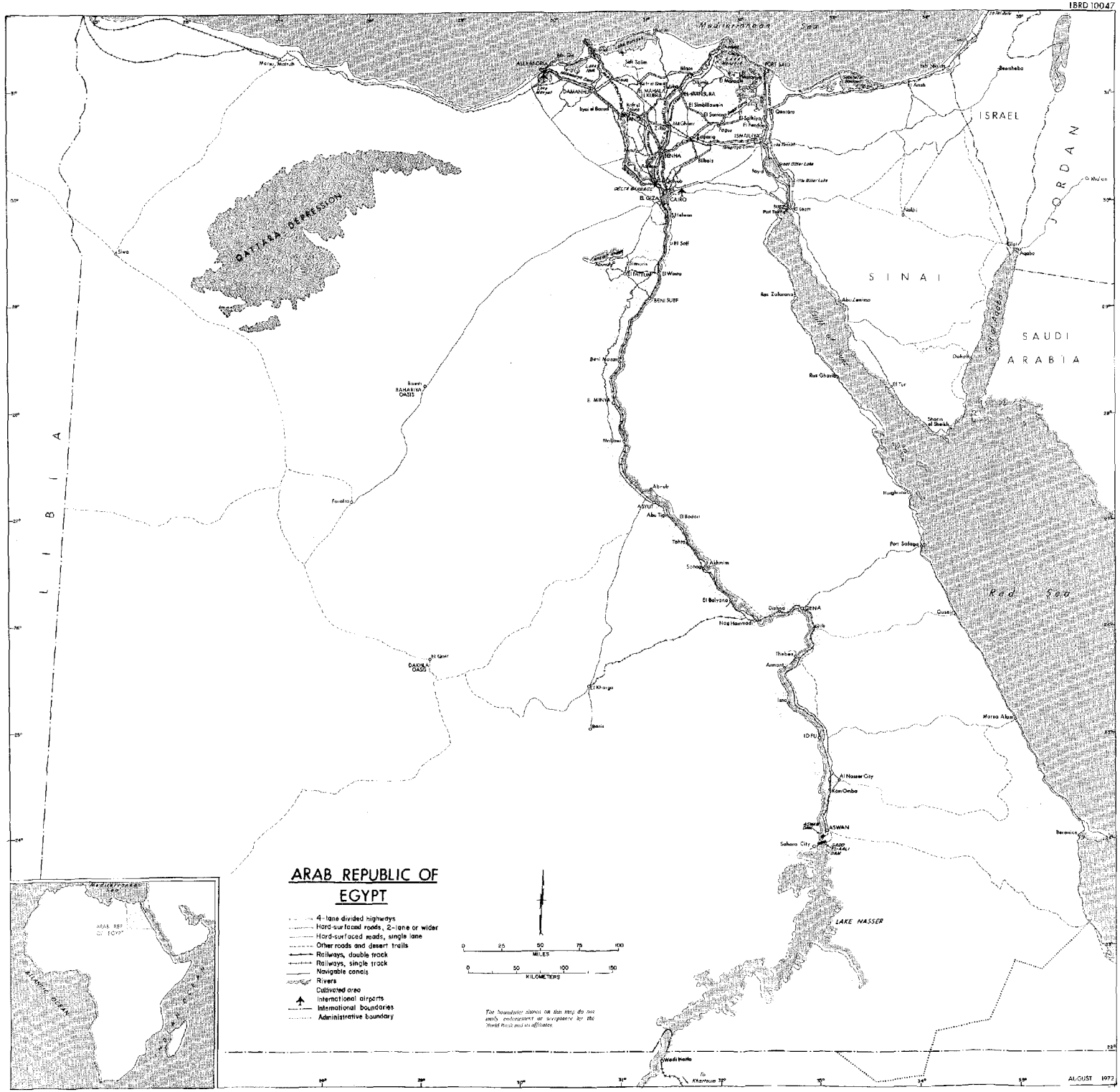
ARAB REPUBLIC OF EGYPT
4-lane divided highways
Hard-surfaced roads, 2-lane or wider
Hard-surfaced roads, single lane
Other roads and desert trails
Railways, double track
Railways, single track
Navigable canals
Rivers
Cultivated area
International airports
International boundaries
Administrative boundary
MILES
KILOMETERS
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
Mediterranean Sea
Red Sea
LIBYA
ISRAEL
JORDAN
SAUDI ARABIA
SINAI
QATTARA DEPRESSION
LAKE NASSER
ALEXANDRIA
CAIRO
ASWAN
ASTUT
LUXOR
QENA
PORT SAID
SUEZ
Wadi Halfa
To Khartoum
AUGUST 1972

COUNTRY DATA - EGYPT, ARAB REPUBLIC OF

AREA
1,002,000 km^2

POPULATION
36.4 million (mid-1974 - Estimated)
Rate of Growth: 2.2%

DENSITY
36.3 per km^2
Over 1000 per km^2 of inhabited area

POPULATION CHARACTERISTICS (1971)

Crude Birth Rate (per 1,000)	35.1
Crude Death Rate (per 1,000)	13.2
Infant Mortality (per 1,000 livebirths)	119.0 (1970)

HEALTH (1973)

Population per physician	1,700
Population per hospital bed	435

INCOME DISTRIBUTION (1965)

% of national income, highest quintile	47.0%
lowest quintile	4.2%

DISTRIBUTION OF LAND OWNERSHIP (1965)

% owned by top 5.5% of owners	43%

ACCESS TO PIPED WATER

% of population - urban	..
- rural	..

ACCESS TO ELECTRICITY

% of population - urban	..
- rural	..

NUTRITION

Calorie intake as % of requirements	103.0% (1970)
Per capita protein intake	83.5% (1969)

EDUCATION

Adult literacy rate	40% (1971)
Primary school enrollment	70% (1970)

GNP PER CAPITA IN 1974.[1/] US$280

GROSS NATIONAL PRODUCT IN 1974 / ANNUAL RATE OF GROWTH (%, constant prices)

	US $ Mln.	%	1960-65	1965-70	1970-73	1974
GNP at Market Prices	10,109	100.0	6.6	3.8	3.0	3.8
Gross Domestic Investment	1,894	18.7	11.0	-1.1	8.8	26.4
Gross National Saving 2/	310	3.1	-	-	-	-
Current Account Balance 2/	-1,584	-15.6	-	-	-	-
Exports of Goods, NFS	2,196	21.7	5.0	1.9	(3/)	(3/)
Imports of Goods, NFS	3,823	37.8	8.0	1.0	(3/)	(3/)

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1974

	Value Added[4/]		Employment		V. A. Per Worker	
	US $ Mln.	%	Mln.	%	US $	%
Agriculture	3,187	34.2	4.21	46.6	757	73.4
Industry and Mining	1,933	20.7	1.15	12.7	1,681	162.9
Electricity	123	1.3	.04	0.4	3,075	298.0
Construction	345	3.7	.31	3.4	1,113	107.9
Distribution Sector	1,352	14.5	1.29	14.3	1,048	101.6
Services Sector	2,389	25.6	2.04	22.6	1,171	113.5
Total/Average	9,329	100.0	9.04	100.0	1,032	100.0

GOVERNMENT FINANCE

	Central/Federal Government ($ Mln.)	% of GDP	
	1974[5/]	1974	1969-71[6/]
Current Receipts	2,926	31.6	21.3
Current Expenditure	3,105	33.5	20.7
Current Surplus	-179	-1.9	0.6
Emergency Fund 7/	1,308	14.1	9.2
Capital Expenditures	1,492	16.1	11.7
External Financing (net)	202	2.2	-0.4

1/ The Per Capita GNP estimate is at market prices, calculated by the same conversion technique as the 1975 World Bank Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.
2/ Excluding unrequited transfer receipts.
3/ Accurate constant price growth rates are not available due to insufficient information concerning trade deflators.
4/ At current factor costs.
5/ Preliminary figures.
6/ 1969-71 current receipts and expenditures not comparable with 1974 data because of differences in methodology.
7/ A Government account for special defence facilities and reconstruction, funded by Arab grants and earmarked revenue receipts. The operations of the Fund are excluded from the national budget.

MONEY, CREDIT and PRICES	1971	1972	1973	1974
		(Million LE Outstanding End Period)		
Money and Quasi Money	1,166	1,345	1,633	2,114
Claims on Government	1,342	1,469	1,656	2,038
Claims on Non-Government Sector	549	553	531	788
		(Percentages or Index Numbers)		
Money and Quasi Money as % of GDP	36.0	39.7	44.9	53.2
Consumer Price Index (1966/67 = 100)	113.6 1/	117.4	122.4	135.7
Annual percentage changes in:				
Consumer Price Index	4.0 1/	2.8	4.3	10.9
Claims on Government	13.6	9.5	12.7	23.1
Claims on Non-Government Sector	5.0	0.7	-4.0	48.4

BALANCE OF PAYMENTS

	1972	1973	1974
	(Millions US $)		
Exports of Goods	813	1,003	1,674
Imports of Goods	1,286	1,660 2/	3,428 2/
Trade Balance (deficit = -)	-473	-657	-1,754
Services, Net	7	7	170
Net Transfers	295	727 2/	1,258 2/
Balance on Current Account	-171	77	-326
Net MLT Borrowing			
Disbursements	417	362	522
Amortization	294	420	654
Subtotal	123	-58	-132
Other Non-Monetary Capital (net)	21	-13	-53
Overall Balance (surplus +)	-27	6	-511
Gross reserves			356

MERCHANDISE EXPORTS (AVERAGE 1973-74)

	US $ Mln	%
Raw Cotton	545	40.7
Yarns and textiles	218	16.3
Rice	73	5.5
All other commodities	502	37.5
Total	1,338	100.0

EXTERNAL DEBT, DECEMBER 31, 1974

	US $ Mln
Public Debt Outstanding & Disbursed	2,760

DEBT SERVICE RATIO for 1974 3/

	%
Public Debt Outstanding & Disbursed	32.3

RATE OF EXCHANGE

Through January 1973
US $ 1.00 = LE 0.435
1.00 = US $2.30

Since February 1973
US $ 1.00 LE 0.390
1.00 = US $2.56

IBRD/IDA LENDING, (Sept. 30, 1975) (Million US $):

	IBRD	IDA
Outstanding & Disbursed	5.9	72.1
Undisbursed	156.1	143.8
Outstanding incl. Undisbursed	162.0	215.9

1/ Due to non-availability of data on calendar year basis, figure refers to "fiscal" year 1970/71.
2/ Includes the market value of petroleum grants.
3/ Ratio of Debt Service to Exports of Goods and Non-Factor Services.

EMENA Region
December 19, 1975

SUMMARY AND CONCLUSIONS

i. In the period 1960-67, Egypt's GDP grew at an average rate of about 6 percent a year in real terms. This was accompanied by a steady increase in the level of investment, which reached 18 percent of GDP in 1966-67, and domestic savings (over 14 percent in 1966-67). Until the mid-1960's, there was a substantial inflow of external capital. After the war of 1967, investment was squeezed by the diversion of resources to defence and the virtual drying up of the capital inflow; during 1968-72 there was a net outflow to the West, if interest on debt is taken into account. There was a decline in the level of investment (to 12 percent of GDP in 1972) and in the growth of the GDP, which averaged around 3 percent a year in real terms in the period 1967-73. Domestic savings also dropped to about 8 percent of GDP in 1973.

ii. After the war of October 1973, the changed situation called for a new economic strategy. President Sadat's "October Working Paper," which was approved in a national referendum in May 1974, enunciated the basic principles which guide Egypt's present development policies. These envisage consolidation of state-owned enterprises, liberalization of the private sector, incentives to private foreign investment and expanded economic cooperation with Arab countries. Accordingly, in 1974 and the first half of 1975, Egypt initiated a number of steps in furtherance of these principles, which are expected to lead to a significant restructuring of the economy. In particular, steps were taken to remove some of the heavy restrictions on private business activities, to encourage foreign private investment and to expand exchange transactions outside the official rate. It should be noted, moreover, that this policy of economic liberalization was pursued in a largely unfavorable international political and economic environment.

Recent Economic Developments

iii. Egypt's economy in 1974 was dominated by pressures that originated in the external sector but spilled over into the rest of the economy. On the external side, these included the slow progress towards peace in the Middle East; the steep rise in the prices of Egypt's main imports, the recession in the OECD countries; and the slow disbursements of concessional assistance and private external capital. On the domestic side, the escalation in the world prices of food led to an almost three-fold increase in the net budgetary subsidies on the items of mass consumption, as the Government attempted to maintain the domestic price of imported foodstuffs.

iv. The deficit on the balance of payments was met largely by the use of bank credit facilities, which reached a level of LE 1,055 million ($2.7 billion) 1/ at the end of 1974. The debt structure worsened considerably and the short maturity period associated with bankers' facilities created severe

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1/ Including undisbursed amounts.

problems of liquidity. The heavy subsidization of the items of mass consumption, together with the slow growth of tax revenues, squeezed public sector savings and increased the Government's borrowings from the banking system. This resulted in a 29 percent increase in money and quasi-money in a year in which output in real terms is estimated to have increased by about 4 percent. Almost inevitably, inflation continued at a high rate. Thus, the Egyptian economy entered 1975 in a very vulnerable state, with both external and domestic resources fully stretched.

v. In the first half of 1975, the Government made efforts to prevent a major expansion in the use of bank credit facilities. It also sought to obtain long-term loans from Arab and other countries in order to repay the bank credits. These efforts succeeded in raising LE 625 million ($1.6 billion) on concessionary terms from Saudi Arabia, Kuwait, Iran, Abu Dhabi, and Qatar and a start has been made towards reducing the level of banking facilities. The pressure on the balance of payments was moderated and the debt structure improved. On the other hand, the net cost-of-living subsidies in 1975 were budgeted at LE 493 million ($1.26 billion) -- an increase of almost 50 percent above the actual figure for the previous year, owing to the inflation in the international prices of foodstuffs. Public sector savings — and hence, because of its size, total domestic savings -- for 1975 will remain low. A serious effort to contain consumption expenditures in the future has to be made in order to reduce the domestic resource gap without having recourse to additional debt.

vi. Production and Investment. The growth of output in 1974 is estimated at about 4 percent in real terms; with industry (largely because of greater utilization of capacity) and services (including construction and tourism) being the leading growth sectors. Investment expenditures increased from LE 470 million in 1973 (which was only marginally above the 1965/66 level) to LE 740 million in 1974 (in current prices), which is about 19 percent of GDP. The 1975 Plan envisages gross fixed investment of LE 1154 million, of which LE 1056 million will be in the public sector. The 1975 Plan has the following priorities: (i) reconstruction in the Suez Canal area (mainly in housing and related infrastructure); (ii) completion of ongoing projects; (iii) replacement, renewal, and better utilization of idle capacity; and (iv) new projects considered essential for economic development, such as for producing fertilizers and cement. The Plan also proposes tripling investment in the private sector to LE 98 million, almost all of which will be in service activities and commodities production. Preliminary estimates indicate that the real growth of the GDP in 1975 is likely to be about 4-5 percent, while actual investment may be about 75-80 percent of the target.

vii. The Domestic Budget. Preliminary budget figures for 1974 show a rise in the deficit to LE 653 million compared with LE 387 million in 1973, largely because of a 270 percent increase in the cost of living subsidies (to

LE 330 million) 1/, while current revenues increased by about 12 percent. Despite an estimated 35 percent increase in current revenues (arising principally from a doubling of revenues from customs duties, including collection of arrears), the 1975 budget projects a large deficit (LE 927 million). Direct bank financing of the budget deficit is projected at LE 125 million, but total lending by the banking sector to the Government may exceed this level. Preliminary figures for the first half of 1975 indicate that both current revenues and expenditures were in line with budgeted amounts. However, the revenues comprised substantial arrears in payments on import duties offset by a higher-than-projected growth of other taxes.

viii. Balance of Payments. Egypt's deficit on its commodity trade amounted to LE 685 million ($1,754 million) in 1974 (more than twice that experienced in 1973); this was largely due to the steep rise in the price of Egypt's main imports. Egypt's balance of payments difficulties were further compounded by a slow disbursement of medium-and long-term loans committed during 1973 and 1974 and a high level of debt repayment of LE 255 million ($654 million) in 1974; this resulted in a net outflow of LE 52 million ($132 million) on official medium- and long-term capital. Substantially increased Arab grants (LE 475 million ($1,217 million) in 1974) helped to reduce the current deficit but the overall deficit on the current and the capital accounts nevertheless amounted to LE 199 million ($511 million), which was met by the use of bank credit facilities.

ix. Estimates of Egypt's balance of trade and services in 1975 indicate a deficit of about LE 860 million ($2,200 million). Repayments of about LE 213 million ($545 million) have to be made during the year on outstanding medium- and long-term loans and suppliers' credits. The resulting deficit (of about LE 1.1 billion -- about $2,800 million) is expected to be financed largely through Arab grants, commodity loans, project loans and suppliers' credits.

Constraints on Development

x. The most severe constraints on Egyptian development are: (a) the heavy defense burden; (b) the pressing shortage of foreign exchange; (c) the external debt burden; (d) the rigid economic decision-making process; and (e) the rapid population growth, increasing the problems of food supply, unemployment, underemployment, and urban congestion. Moreover, the new economic strategy sketched out in the October Paper might give rise to competition among objectives, the simultaneous pursuit of all of which could act as a brake on development. The main areas of such potential conflict can be identified as: an equitable income distribution as against the incentives to be provided for the growth of the private sector; the protection to be given to industry and its results on economic efficiency; the rationalization of the price system (including both domestic prices and the foreign exchange rate) on

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1/ Almost entirely due to the increase in international prices of imported foodstuffs (largely flour, maize, sugar and edible oils).

the one hand, and price stability on the other; and the decentralization of decision-making versus the need to maintain some centrally determined social goals.

Development Prospects

xi. Despite the current economic difficulties, Egypt's economic potential over the long run is promising. The reasons for this assessment may be briefly summarized: (i) the country has a large market, a skilled population, low wages, varied raw materials, and a key geographical location, which makes it a natural base for industries that wish to supply the domestic market and the growing regional market. It is realized that the development prospects in the medium-term hinge to a large extent on the country's ability to attract external capital and technology. For this purpose, Egypt has promulgated Law No. 43 of 1974, which provides an incentive package for foreign investment; Egypt is also making major and apparently successful efforts to attract bilateral and international aid; (ii) Suez Canal revenues are estimated to reach a level of around LE 300 million per year by 1980; these could increase to a possible LE 500 million per year as a result of physical expansion and greater usage of the Canal; (iii) the improved prospects for oil production, which is put (by the oil companies) at one million barrels a day by 1980-82; (iv) considerably increased earnings from tourism; (v) a much more intensive utilization of agricultural land, with greater emphasis on the higher value-added crops; and (vi) an increased flow of remittances from Egyptians working in the richer Arab countries of the region.

xii. However, the realization of the long-term potential hinges upon a number of complex factors, some of which are not entirely within Egypt's control. The most important of these is a definite movement towards an equitable and permanent peace settlement in the Middle East. Moreover, the attainment of Egypt's prospects requires the transfer of large amounts of capital from abroad; this, in turn, must be preceded by a considerable amount of work on preparing a suitable portfolio of projects for the consideration of potential investors (whether private or official). And finally, it requires fundamental changes in economic policies and institutions. Hence, a realistic estimate of the time required to achieve a significant restructuring of the economy would be of the order of at least 5-10 years.

xiii. Furthermore, an inappropriate response to the short-term difficulties may obstruct or postpone the realization of the long-term potential. The Government has, therefore, formulated an economic management program to steer its way past the short-term obstacles. The main elements of this program are (i) improved coordination in economic policy-making; (ii) improved public sector efficiency through decentralization and other measures; (iii) rationalization of consumption subsidies and increased national savings, while protecting lower income groups through appropriate price, fiscal and monetary policies; (iv) promotion of efficient resource allocation through widening the parallel foreign exchange market and pursuing price policies that would better reflect economic scarcities; and (v) rationalization of the external debt situation and implementation of a debt management program.

Structure of Report

xiv. This Economic Report consists of three chapters. The first outlines the new direction that the Egyptian economy is expected to follow over the next few decades -- the October Working Paper has as its horizon the year 2000 AD -- and the Government's management program for dealing with the short-term economic problems. The second describes recent developments in the economy, including the Plan for 1975. The third chapter analyses the policy implications of the new economic strategy, and discusses some of the more important areas in which the quest for the new goals may come into conflict with other, equally important, objectives.

I. OBJECTIVES AND STRATEGY

1.1 Since the war of October 1973, Egypt has had three main policy objectives: (i) the maintenance of defense preparedness; (ii) reconstruction and economic development; and (iii) the preservation of the social welfare framework. It was also clear that after the war the political and economic milieu -- within Egypt, in the region, and internationally -- had changed dramatically, and that in order to take advantage of the new environment, a fresh economic strategy would have to be articulated. This is what President Sadat did in his October Working Paper.

The October Working Paper

1.2 This document was presented to the People's Assembly in April 1974 and approved by a national referendum in May. It laid out a comprehensive outline for a major redirection of policies in both political and economic spheres. The argument for a change in economic strategy, and the new direction that it outlined, were essentially as follows:

(1) The war of October 1973 had unified all sections of Egypt's society. This unity must be harnessed for the "construction battle", which had as its aim the modernization of Egyptian society by the year 2000.

(2) The basic element in the modernization process was an acceleration of economic growth. This would require changes in the roles of the different sectors. Moreover, Egypt would require considerable assistance from aboad—in the form of both finance and technology--and would thus have to adopt an "outward-looking" economic policy.

(3) The public sector had played a crucial role in Egypt's past development, but experience had highlighted a number of shortcomings. In particular, the sector suffered from (a) an excess of bureaucracy, and (b) the "annexation" of some activities that were not compatible with the public sector's mission and should have been left to the private sector.

In the final analysis, however, the public sector had played a positive role, especially in carrying out major projects, increasing production, and paying the price of implementing Egypt's policy of full employment and stabilized prices. What was required was a reorientation of the sector, so as to rid it of obstructions, and increase its efficiency. In the future, the main focus of the public sector's activities would be: (a) to serve as the primary instrument for carrying out the development plan (as it was the only sector directly

committed by the Plan); (b) to undertake basic projects that other sectors would not or could not take up; and (c) to provide essential services to private and foreign investment.

(4) The private sector had been neutralized as a productive agent owing to a number of "contradictory policies" in the past. It was now time for those conditions to disappear, and for the private sector to be provided with stability and encouragement for maximizing production.

(5) Although the main burden of development would fall on its own shoulders, Egypt would still require a great deal of foreign resources. The changed conditions in the world made it extremely likely that, given a proper response, the necessary amounts of external capital would be forthcoming.

The new circumstances were of two types: One was the vast increase in the financial resources of the Arab world. The owners of these surplus funds would wish to invest a part of them in Egypt, because of cultural and historical links, and because Egypt would provide a sound economic haven. The second factor was the status acquired by Egypt after the October war, which induced other countries to take its goals and efforts seriously, and to want to invest in it.

The Egyptian response must be to grasp these new opportunities -- as the October Paper puts it: "our national responsibility does not permit us to miss such an opportunity." To avail of this, however, would require an "outward-looking" attitude. Egypt was prepared to adopt such a policy by providing foreign investors with all the necessary legislative guarantees.

(6) The development effort could not be a haphazard affair, but must take place in a planned framework. The priorities set for the Plan would emphasize a modernized industry, an intensive, high-value agriculture, oil and energy development, and tourism.

(7) Finally, it would be ensured that social goals were not neglected. The Paper stressed that "economic development cannot proceed soundly forth unless accompanied by a social development at compatible rates." As part of a better balanced social development, there would be more equitable growth between the regions, thereby reducing the disparities that had developed between the capital and the provinces.

1.3 The strategy sketched out in the October Paper has profound consequences for the structure and dynamics of the economy. The Egyptian economy, as it had developed in the last decade, was marked by a predominance of the public sector (following the wide-ranging nationalizations of 1961), rigid controls on prices, imports, investment, and indeed on virtually all economic decisions, detailed central planning of most projects and policies, increasing resort to administrative fiat as a means of implementing policy, a lack of competition, low productivity in most sectors, and a falling rate of investment and external aid. In short, the economy had become cloistered and anaemic, and the October Paper proposed a bold new strategy to enable it to break out of its relative isolation. This strategy has come to be known as the "opening up," 1/ or "open door" policy, and essentially connotes the movement towards a less regimented economy in which both the private sector and foreign investment are permitted to play an active and competitive role.

1.4 The movement towards the goal of a more open, liberal economy did not proceed smoothly in 1974, but was interrupted by a number of factors, both external and internal. The first was the slow movement towards a Middle East peace settlement, which prevented a major shift of resources from defense to development. The second major factor was the rapid inflation in the prices of Egypt's main imports. Moreover, disbursements of external capital were much lower than expected, which led to a serious squeeze on the balance of payments and made it impossible to liberalize the allocation of foreign exchange. Third, the sheer weight and inertia of established ideas and institutions made it inevitable that such fundamental changes as proposed in the October Paper would not come about easily or automatically. And finally, the translation of policy pronouncements into a body of effective legislation to be enacted by the People's Assembly was, unavoidably, a time-consuming process.

Prospects: Long- and Short-Term

1.5 The economy's potential over the longer run is considerable, because of the array of development assets that it can deploy. Egypt's most important asset, of course, is its human resources. For a country at its level of per capita income, Egypt possesses a large supply of trained engineers, doctors, educators, agricultural specialists, administrators, and other skilled workers required for modernization. This skilled manpower, together with Egypt's large internal market and key geographical location, make the country a natural base for industries that wish to expand into the rapidly growing regional market.

1.6 Second, there is the dramatically increased financial capacity of the Arab world, and Egypt's unique position in it. The latter arises from a complex of factors: Egypt's long historical and cultural role in the region; its protracted and vigorous espousal of the Arab cause; its political leadership; its size as the largest Arab state with a well-developed industrial

1/ "Al infitah" in Arabic.

and financial infrastructure and labor force. These elements combine to give Egypt an unparalleled standing in the region, enabling it both to attract investible funds from the oil-rich Arab countries, and to supply large amounts of skilled labor, which generate a considerable volume of remittances back to Egypt.

1.7 Third, Suez Canal revenues are estimated to reach a level of around LE 300 million per year by 1980, and could increase further as a result of physical expansion and greater usage of the Canal. Fourth, there are considerable prospects for oil production, which is estimated to reach a level of one million barrels a day by 1980-82. Finally, Egypt's climatic, physical and historical endowments give it a tremendous potential for the development of tourism. These prospects should be further enhanced by virtue of the country's proximity to Europe.

1.8 However, the realization of the long-term potential hinges upon a number of complex factors, some of which are not entirely within Egypt's control. The most important of these is a definite movement towards an equitable and permanent peace settlement in the Middle East. Moreover, the attainment of Egypt's prospects requires the transfer of large amounts of capital from abroad; this, in turn, must be preceded by a considerable amount of work on preparing a suitable portfolio of projects for the consideration of potential investors (whether private or official). And finally, it requires significant changes in economic policies and institutions. Hence, a realistic estimate of the time required to make up the neglect of the past and to achieve a significant restructuring of the economy would be of the order of at least 5-10 years.

1.9 The Egyptian Government also recognizes that an inappropriate response to the short-term difficulties of the economy may jeopardize or postpone the realization of its long-term potential. The Government has, therefore, drawn up a comprehensive economic management program, which is designed to meet the short-term exigencies. The main elements of the program are:

(i) Improved coordination of economic decision-making and the follow-up of the implementation of policy decisions through the setting up of a small secretariat, consisting of technical experts and representatives of the economic ministries, attached to the Supreme Committee for Economic and Political Planning, which is chaired by the Prime Minister.

(ii) More realistic pricing policies: (a) of foreign exchange through a widening of the parallel market to include all commodity imports except basic consumption goods by 1977; (b) by a greater use of dual pricing for items of mass consumption and utilities; (c) discrimination in the distribution of subsidies to ensure that the benefits are limited to the poorer sections of the population; (d) decentralization of decision-making in an increasing number of public sector enterprises.

(iii) Better management of external resources and external debt by: (a) centralization of all information relating to external debt; (b) establishment of a unit to analyze the implications of alternative borrowing policies; (c) tightening up of procedures for the foreign exchange budget; (d) imposing a ceiling on the use of banking facilities, and making a serious effort to reduce them below present levels by refinancing.

(iv) Outlining a clear set of economic priorities by: (a) the formulation of an indicative plan frame for 1976-80 within which the Annual Plan for 1976 will be prepared; (b) the submission of quarterly reviews of the behavior of the leading economic and social indicators to the Supreme Committee for Economic and Political Planning.

1.10 The first steps in this program have already been taken. In September 1973 the Government had established a "parallel market" for certain classes of transactions in foreign exchange, in which a devalued rate (about LE 1 = $1.70) of the Egyptian pound was applied. During 1974, this market was expanded by the introduction of the "own exchange imports scheme," whereby Egyptians holding foreign exchange abroad were permitted to use their balances to import commodities from a list of about 300 items. Imports under the parallel market and the own exchange import scheme are expected to account for about 15 percent of total imports in 1975. A comprehensive incentive package for foreign investment has been promulgated as Law No. 43 of 1974.

1.11 The Government has also adopted an active policy for managing debt. It has reduced the net use of bankers' facilities: in the first ten months of 1975, new letters of credit opened under such facilities amounted to $1.5 billion, compared with repayments of $1.74 billion. As part of its efforts in the debt management field, the Government is setting up a debt monitoring unit which will centralize all information relating to Egypt's indebtedness.

1.12 A number of reforms have also been instituted in other fields. The system of dual pricing 1/ has been extended -- the commodities now covered are rice, fertilizer, sugar and tea, while kerosene has been taken off the ration list. The Government has also undertaken some reforms in the banking sector: each bank is now allowed to offer a complete range of banking services; is given much more flexibility on personnel questions; and is permitted to compete with the joint venture banks that are being set up. Further reforms of the banking sector, including the abolition of the legal ceiling on interest rates, have been legislated. A revision of the taxation system is under study and legislation for submission to Parliament is being drafted. The Government has also enacted legislation to decentralize a considerable amount of decision-making in public industrial enterprises.

1/ See paragraph 2.13.

1.13 The system of planning, monitoring and policy coordination has been strengthened. The Annual Plan for 1976 was submitted to Parliament in November, and was prepared in the context of a medium-term plan framework covering the period 1976-80. The Ministry of Planning has also commenced a quarterly review of the economy, which is submitted to the Supreme Planning Council of Ministers. Finally, a technical secretariat to coordinate important economic policies is being established in the Prime Minister's office.

II. RECENT ECONOMIC DEVELOPMENTS

2.1 The behavior of the Egyptian economy in 1974 was largely dominated by international events. To reiterate, the most important of these were: the slow progress towards peace in the Middle East; the steep rise in the prices of Egypt's main imports; the recession in the industrialized countries of the free world and the consequent drop (towards the end of 1974) in the demand for Egypt's major exports, especially of raw cotton; and the slower disbursements of concessional assistance and private external capital than had been envisaged. Consequently, Egypt's external accounts came under severe pressure.

2.2 These events, of course, had repercussions on the rest of the economy. The Government attempted to damp down the increase in the domestic price of imported foodstuffs by a nearly threefold increase in net budgetary subsidies on the so-called "supply commodities". 1/ This reduced public savings, and induced the Government to borrow, directly and indirectly, large amounts from the banking system. The change in the composition of imports towards the more "essential" items decreased Government revenues from import duties. The diversion of cotton exports to bilateral agreement countries reduced the earnings of urgently required convertible exchange. The shortfall in medium- and long-term external capital increased the pressures on the Government to resort to banking facilities; this, given the high interest rates which prevailed during the year, significantly increased the effective costs of debt servicing and limited the room for maneuver of debt management policy. The behavior of the main macroeconomic variables is discussed below.

Gross Domestic Product

2.3 An analysis of Egypt's gross domestic product (GDP) is subject to a number of caveats, imposed by both conceptual difficulties and availability of data.

1/ The items of mass consumption, distributed by the General Authority for Supply Commodities.

2.4 The constant price series summarized in Table 1 shows that after two years of expanding at over 4 percent annually, the economy slowed to a growth rate of about 3.5 percent in 1973. The main factor responsible for this was a fall in value-added in the mining sector of 9.8 percent (caused largely by a falling-off in income generated in crude oil extraction) and a decrease of 14.7 percent in construction. Industrial growth in 1973 is estimated at 3 percent, and agricultural at 2.4 percent, i.e. roughly in line with the increase in population (about 2.5 percent a year).

2.5 In 1974 the GDP is estimated to have increased in real terms by 3.9 percent over 1973. The main increases were in manufacturing (6.6 percent) and construction (21.9 percent); the latter represented in part a recovery from the war year of 1973, when value-added in the sector had fallen below the level in the previous year. The mining sector continued to show a fall in value-added (by 6.1 percent), while agricultural growth slipped to one percent, i.e. considerably short of the growth rate of the population.

Table 1: GROSS DOMESTIC PRODUCT AT CONSTANT PRICES /1 /2
(LE million)

	1969/70	1970/71	1971/72	1972	1972	1973	1974
	(In 1969/70 prices)				(In 1972 prices)		
Agriculture	771.9	761.5	791.6	839.3	933.1	955.5	963.0
Industry & mining	542.0	600.2	651.9	615.4	589.3	602.6	638.5
Construction	123.7	115.2	117.3	118.0	121.2	103.4	126.0
Transport & communications	130.9	145.0	148.5	151.3	154.5	161.3	168.9
Trade and finance	229.0	237.5	253.1	264.4	280.0	297.2	311.0
Other	755.3	811.2	820.6	867.9	878.4	940.6	1097.1
GDP at factor cost	2552.8	2670.6	2783.0	2856.3	2956.5	3060.6	3178.5
Growth of GDP (%)	--	4.5	4.1	--	--	3.5	3.9

/1 Calendar year data for some sectors may not be on a consistent basis with the earlier fiscal year data.
/2 For details see Annex Table 2.2.

Source: Ministry of Planning.

2.6 The structure of the economy continued to be heavily influenced by the agricultural sector, which accounted for about 30 percent of the GDP. Another very important sector was "Other Services" -- consisting largely of government services -- which comprised nearly 35 percent of GDP, while the industries and mining sector formed about 20 percent (Table 2.2 of Statistical Appendix).

Performance of Major Sectors

2.7 Agriculture: The agricultural sector continued to be a major source of weakness during 1974, with value-added increasing by only one percent in real terms. The most important reason for this was the decline in productivity of all the major crops: the production per feddan of wheat in 1974 was about 0.65 ardeb 1/ less than in 1973, of maize 0.70 ardeb, of millet (sorghum) 0.73 ardeb, of sugarcane about 0.5 ton, and of rice about 0.15 ton. Cotton was even worse, with declines in both productivity--of 0.17 metric kantar per feddan--and cultivated area--of 104,000 feddans. The (small) net increase in the real value of agricultural production was brought about by (i) the increase in the output of the major crops (except cotton) as a result of increases in their acreage (largely at the expense of cotton), and (ii) the increase in animal production (of 3.8 percent) and fish production (8.9 percent). Industry: Value-added in the industry and mining sector increased in real terms by nearly 6 percent. This conceals a fall in the output of the mining component, caused by a drop in the quantity of crude oil produced of over 900,000 tons, resulting from the closing down of the Suez Gulf oilfields in the first quarter of 1974, following the war of October 1973. The increase in manufacturing output came mainly from the chemical industry, coal and coke products, the textile industry, and food and beverage industries. There were declines in the output of the artificial ghee (cooking fat), rubber, and cement industries. Transport and Communications: This sector showed an increase in real value-added of 4.7 percent. All the components of the sector contributed to the rise, except railways, which suffered from a fall in the freight carried of nearly 4 percent. Electricity: Electric power generated increased by nearly 15 percent above the level of the previous year. Power utilization was also higher in 1974, by about 610 million KWH.

Employment

2.8 The available data show an annual average growth in civilian employment of about 2 percent to a total of 9.04 million in 1974. In a population of nearly 37 million in 1974, the civilian labor force was estimated at about 9.8 million. The level of employment in 1974 thus works out to about 92 percent of the civilian labor force. The increase in employment in 1974 (179,000 jobs) is estimated to have covered only 70 percent of the increase in the labor force in that year.

2.9 The main structural changes in employment have been the decline in the share of agriculture (from 48.9 percent in 1969/70 to 46.6 percent in 1974)

1/ A unit of measurement that varies with the commodity; see inside front cover.

and construction (from 4.7 percent in 1969/70 to 3.5 percent in 1974), and an increase in that of manufacturing and mining (from 11.1 percent in 1969/70 to 12.7 percent in 1974). There has also been an increase in the share of the services sectors, from 35.3 percent in 1969/70 to an estimated 37.2 percent in 1974.

Table 2: EMPLOYMENT BY ECONOMIC SECTOR /1
(in thousands of persons)

	1969/70	1970/71	1972	1973	1974
Agriculture	4048.3	4056.9	4133.7	4163.8	4212.4
Industry & mining	916.1	1052.8	1086.9	1112.4	1149.5
Construction	387.9	365.8	348.4	302.3	315.2
Transport & communications	347.2	374.5	385.5	401.8	405.0
Trade and finance	801.7	815.6	828.9	864.3	883.2
Other	1773.5	1840.4	2027.3	2115.1	2073.5
Total	8274.7	8506.0	8710.7	8859.7	9038.8

/1 For details see Annexure Table 1.1.

Source: Ministry of Planning.

2.10 It is difficult to quantify the extent of underemployment and actual unemployment. There does not appear to be any appreciable degree of unemployment in the rural areas during the peak seasons, but seasonal and regional underemployment may be quite significant. In the urban areas, and particularly in the services sector, there appears to be a considerable amount of underemployment and low productivity employment. This is accentuated by the drift of labor towards the towns. The sensitive problem of unemployment of educated groups has been partially defused by automatically providing jobs in the government sector to all university graduates, but at the cost of increasing underemployment in this sector. A much more liberal attitude towards emigration, especially to the neighboring Arab countries, has also contributed to easing the employment problem.

Wages

2.11 The Egyptian wage structure rests on legislation establishing minimum wage rates -- currently ŁE 12 (about $31) per month -- in both the public and private sectors. These minimum wages are supplemented by fringe benefits, bonuses, and profit sharing, which are particularly important in the public industrial sector.

2.12 Wage increases are not formally linked to increases in productivity, but tend to be awarded to help keep up with the rising cost of living. Thus,

during the past two years, when price rises had accelerated, wage increases were more readily granted. The rise was especially large in 1974, and was particularly marked in some sectors, e.g., construction. However, as appears from Table 3, these rises were insufficient to prevent a fall in average real wages. If the more realistic (unofficial) estimates of the inflation rate are considered, there is little doubt that the squeeze was quite marked.

Table 3: AVERAGE WAGES AND SALARIES BY ECONOMIC SECTOR /1
(LE at current prices)

	1969/70	1970/71	1972	1973	1974
Agriculture	53.0	55.6	57.3	60.5	65.1
Industry & Mining	191.8	248.2	257.1	287.1	297.0
Construction	184.6	190.5	198.6	222.6	233.2
Transport & Communications	245.6	260.3	266.7	279.7	291.4
Trade & Finance	158.0	162.7	182.0	190.1	195.5
Other	283.1	299.4	305.9	320.0	366.9
Overall Average	142.6	157.3	167.5	179.7	195.2
Real Wages /2	142.6	153.6	158.5	156.5	153.9
Annual Change (%)		+ 7.8	+ 3.2	- 1.2	- 1.6

/1 Computed from Annexure Tables 1.1 and 9.1.
/2 Deflated by Consumer Price Index, with 1969/70 = 100.

Source: Ministry of Planning.

Prices

2.13 Largely as a result of controls, Egypt has experienced relatively stable prices for many years. The picture, however, began to change rapidly in 1973. This was chiefly due to the rising import prices for food and other items, and the strains and dislocations caused by the October war. The consumer price index rose by 7 percent, with the food and beverages component registering an increase of 11 percent. The authorities sought to damp down the increases by reducing the size of the subsidized bread and by adopting a "two-tier" price system for some commodities. Thus, for example, the price of sugar in excess of the basic ration was raised from 15 piasters a kilogram to 25 piasters a kilogram. However, the cost of maintaining stable domestic prices for the supply commodities in the face of rising import prices rose substantially: the General Authority for Supply Commodities registered a trading loss of £E 89 million in 1973 compared with £E 11 million in 1972.

2.14 This trend was intensified in 1974. The consumer price index (shown below) rose by 10 percent, with the food and beverages subindex increasing by about 15 percent. Much of the increase in the latter was caused by the rapid spurt in prices of the non-controlled items, such as vegetables, fruits, and livestock products. The cost of subsidizing domestic prices also rose sharply: the trading loss of the General Authority for Supply Commodities rose to £E 330 million. Moreover, it was widely felt that the official price indices greatly understated the degree of inflation; unofficial estimates put the general price rise in 1974 at around 20 percent.

Table 4: CONSUMER PRICE INDEX FOR URBAN POPULATION /1
(1966/67 = 100)

End of period	1969	1970	1971	1972	1973	1974
Food and beverages	109.9	115.7	120.2	126.0	139.9	161.3
Housing	109.1	108.5	108.5	105.7	106.2	106.5
Furniture and other durables	96.0	96.7	97.0	97.4	98.5	109.0
Clothing	102.5	101.7	103.7	107.7	117.8	129.9
Transport and communications	119.8	119.8	119.8	121.4	123.1	123.1
Services	108.6	113.8	117.0	119.7	121.8	127.3
Personal expenses	114.3	114.4	114.6	114.8	116.0	120.4
All items	109.6	112.8	115.9	119.1	127.7	141.0

/1 For details (including weights) see Annexure Table 9.2.

The Domestic Budget

2.15 Preliminary budget figures for 1974 show a deficit of £E 653 million compared with £E 386 million in 1973. On the basis of monetary data, it appears that financing of the deficit by the banking system amounted to £E 320 million. The increase in the budget deficit between 1973 and 1974 is largely explained by the 270 percent increase in the cost-of-living subsidies, and the fact that current revenues increased by only about 12 percent. The latter figure may understate the taxes actually levied; customs duties collected (the principal revenue item) increased by only 16 percent in a period when import value doubled, as a result of substantial arrears in payments. Also worth noting is a 20 percent increase in transfers to the budget from public enterprises (principally the profits of the Cotton General Organization).

Table 5: SUMMARY OF STATE BUDGET
(LE million)

	1972 Actual	1973 Actual	1974 Budget	1974 Prelim. Actual	1975 Budget
Receipts	903	1018	1196	1143	1543
Central Govt Revenues	664	694	799	778	1060
Local Govt Revenues	58	60	67	48	88
Public Economic Sector	181	264	330	317	395
Current Expenditure	792	953	1319	1213	1713
Central Govt	688	714	809	733	889
Local Govt	42	51	63	50	88
Public Authorities' Deficit	45	165	408	394	86
Public Organisations' Deficit	17	23	20	17	8
Subsidies	---	---	19	19	642
Current Account surplus or deficit (-)	111	65	-123	-70	-170
Investment expenditure	414	451	520	583	757
Overall Deficit (-)	-303	-386	-643	-653	-927
Total Financing	303	387	644	653	927
External borrowing (net)	18	51	102	79	-10
Domestic financing (net)	285	335	541	574	937

For details and notes see Annexure Table 5.1.

2.16 The 1975 budget projects a large deficit (£E 927 million), despite a 35 percent increase in current revenues (which in turn arises principally from a doubling of revenues from customs duties, including collection of arrears). Estimates based on revenue collections in the first half of 1975 indicate that tax receipts are running at the budgeted amounts, except for import duties, where arrears of about £E 100 million have accumulated. These arrears will have to be cut at least by half, if the budgeted target for tax collections is to be realised. Direct bank financing of the budget deficit is projected at £E 125 million, but total lending by the banking sector to the Government may exceed this level.

2.17 In short, the budgetary outturn during 1975 will remain under considerable strain. Much of the deficit will be accounted for by the weight of consumption subsidies, but given their importance in maintaining the real incomes of low-income groups and the Government's commitment to this goal, a reduction is feasible only over a period. However, some rationalization, price adjustment, and the elimination of certain anomalies should be possible, so as to reduce subsidies and ensure that they go only to the poorer section of the population (see para 3.24). A summary of the budget is presented above; public sector policy issues are addressed in Chapter III.

Balance of Payments

2.18 Egypt's balance of payments came under great pressure in 1974. In considerable measure, this stemmed from international developments that were outside the Government's control, and have been described earlier. (See paragraph 2.1). The upshot was that despite a large increase in grants from Arab countries, Egypt resorted to substantial short-term borrowing abroad, chiefly in the form of bank credit facilities.

2.19 Egypt's deficit on its commodity trade amounted to $1,754 million (£E 685 million) in 1974, more than twice that experienced in 1973. Exports of goods increased by 67 percent to $1,674 million (£E 654 million), but fell far short of the increase in imports. Egypt's balance of payments difficulties were further compounded by a slow disbursement of medium- and long-term loans committed during 1973 and 1974; this resulted in a net outflow of $132 million (£E 52) million on medium- and long-term capital. Substantially increased Arab grants amounting to $1,217 million (£E 475 million in 1974) were inadequate to cover the overall deficit on the current and capital accounts of $511 million (£E 199 million), which was met by the use of bank credit facilities. Net utilization of bankers' facilities is estimated at $583 million (£E 228 million) in 1974.

Table 6: BALANCE OF PAYMENTS SUMMARY
($ million)

	1972	1973	1974	est 1975
Exports	813	1003	1674	1670
(Raw cotton, yarn and textiles)	(469)	(609)	(960)	(810)
Imports	-1286	-1660	-3428	4170
(Foodstuffs)	(245)	(496)	(991)	(1150)
Trade Balance	-473	-657	-1754	-2500
Services (net)	7	7	170	300
Transfers (net)	295	727	1258	800
Current Balance	-171	77	-326	-1400
M&LT Capital (net)	123	-58	-132	2000
Other non-monetary capital (net)	21	-13	- 53	..
Overall Balance	-27	6	-511	600
Memo Items				
Commercial Banks: increase in foreign liabilities (+)	22	272	583	..
Debt Service, M&LT	339	466	720	750
Debt Service Ratio (on MLT debt only)	33.4	35.8	32.3	31.0

2.20 Exchange control statistics for the Central Bank of Egypt for the period January-June 1975 show a deficit of about $1,394 million (£E 545 million) on the balance of trade. This results from a continued stagnation of exports $835 million (£E 326 million) compared to $897 million (£E 350 million) for the same period last year), and a sharp increase in imports, the value of which almost doubled to $2,230 million (£E 871 million). The services account showed a small surplus of about $44 million (£E 17 million). Receipts from services increased to $419 million (£E 164 million)--largely because of a doubling in workers' remittances to about $152 million (£E 60 million). On the other hand, there were increased interest and commercial payments of $93 million and $82 million respectively (£E 36 million and £E 32 million)--the latter consisting almost entirely of commissions to foreign banks for extension of bank credit facilities. Even allowing for a decrease in the level of imports during the second half of 1975 and an increase in earnings from services as a result of the opening of the Suez Canal, Egypt's balance of trade and services during 1975 is likely to show a deficit of about $2,200 million (£E 860 million). In addition, repayments of about $550 million 1/ (£E 213 million) have to be made during the year on outstanding medium and long-term

1/ Total debt service payments (principal and interest) in 1975 are estimated at $750 million.

loans and suppliers' credits. The total projected deficit is therefore likely to be about $2.8 million (£E 1.1 billion) and is expected to be financed largely through Arab grants, cash and commodity loans, project loans and suppliers' credits. Long-term loans from Arab countries and Iran totalling $1,600 million have been announced (see paragraph 2.26). As a result of the capital inflows the overall balance is likely to show a surplus of about $600 million (£E 235 million), which is expected to be used largely to reduce bank credit facilities.

External Assistance

2.21 Egypt had been the beneficiary of substantial amounts of western external aid until the mid-1960's. Thereafter, new commitments of Western assistance practically ceased: the gross inflow of medium- and long-term capital fell by nearly 50 percent immediately after the 1967 war. Although aid levels gradually rose again, net inflows from western countries averaged only $10-12 million (£E 4-5 million) annually in medium- and long-term capital over the five years FY1968-1972; in fact, amortization payments exceeded disbursements by about $7 million (£E 3 million) in 1973. During the period 1968-1973, non-military aid from Eastern countries (estimated in excess of $1,200 million (£E 470 million)) financed the bulk of Egypt's development. These inflows, however, declined significantly in 1974 and new commitments in this year dropped to a relatively low level of $76 million (£E 30 million). On the aggregate, slow disbursements of medium and long-term aid resulted in a net outflow on this account, to both Eastern and Western bloc countries, of $132 million (£E 52 million) in 1974. Drawings on suppliers credits exceeded repayments by about $21 million (£E 8 million); disbursements on medium- and long-term loans amounted to about $249 million (£E 97 million) while repayments of such loans amounted to $402 million (£E 157 million). In addition, interest payments (mainly on bank credit facilities) amounted to about $156 million (£E 61 million).

2.22 Grants received from Arab countries in 1974 amounted to $1,217 million (£E 475 million) and financed about 36 percent of Egypt's merchandise imports. Of this, $996 million (£E 389 million) was received in convertible foreign exchange while the rest was in the form of petroleum grants. A major development during the year was the renewal of substantial aid commitments from OECD countries.

External Debt

2.23 Egypt's external debt profile worsened in 1974, almost entirely as a result of its borrowing extremely short-term funds at high rates of interest (in the form of bank credit facilities). Bank credit facilities utilized (including undisbursed) amounted to $2,700 million (£E 1055 million) at the end of 1974, compared with about $1,127 million (£E 440 million) at the end of 1973. Outstanding debt to correspondent banks overseas (i.e. disbursed amounts or letters of credit encashed by these institutions) amounted to $1,082 million (£E 423 million) compared with $499 million (£E 195 million) at the end of 1973. The use of this type of financing created enormous external liquidity problems for Egypt in 1975, during which about $2,050 million (£E 800 million) of repayments on these credits are expected to fall due.

2.24 Egypt's non-military medium- and long-term debt outstanding and disbursed at December 31, 1974, is estimated at $2,760 million (£E 1078 million), i.e., roughly the same level as the previous year. The composition of this debt changed, however, with medium- and long-term loans increasing slightly to $1,769 million (£E 691 million) and amounts owed as suppliers' credits and balance of bilateral accounts showing significant declines to $474 million and $417 million (£E 185 million and £E 163 million), respectively. In addition, $100 million (£E 39 million) of medium-term debt was contracted from financial institutions. At end 1974, the USSR was Egypt's principal creditor, followed in importance by Germany, Kuwait, the United States, Australia and Italy. IBRD/IDA debt comprised about 1 percent of the total. Of the reported external public debt at end 1974, about 31 percent was due to be repaid within two years, 40 percent within three years, and 46 percent within four years. No reliable estimates of military debt are available, but it is understood that Egypt is seeking a rescheduling of service payments on such debt.

2.25 During 1975, the Egyptian authorities embarked upon a four-pronged strategy to place the country's external accounts on a sounder basis. The first step was to undertake a 'holding action' to stop outstanding foreign bank credit to Egypt spiralling even higher (and worsening the liquidity position) by placing a 'one-to-one' limit on the use of banking facilities. Thus the amount of new letters of credit opened against bankers' facilities in any given period could not exceed the amount of cash repayments made on such facilities falling due in that period. In practice, this meant some postponement of future imports required by Egypt in the absence of other sources of financing. Simultaneously, the Egyptian Government sought the aid of Arab and other states for substantial medium and long-term loans on concessionary terms which would constitute a 'fund' to be held in the Central Bank to meet further payments due on bankers' facilities, and which would help to provide a comprehensive solution to Egypt's liquidity problems. Third, an appeal was launched to Western countries to provide medium and long-term aid in a quick-disbursing form (such as program loans and commodity assistance) in order to finance Egypt's essential imports. Finally, the Soviet Union was approached for a rescheduling of debt service payments.

2.26 Except in the rescheduling of the debt to the Soviet Union, the Government's efforts have largely been successful. Control was successfully exercised over the use of new banking facilities: during the period January-October 1975, new letters of credit authorized against banking facilities amounted to $1250 million (£E 488 million) or about 72 percent of the total repayments of $1735 million (£E 677 million) which were made in this period for banking facilities previously utilized. Long-term loans, at concessionary terms, totalling $1600 million (£E 625 million) -- $500 million from Kuwait, $600 million from Saudi Arabia, $200 million each from Iran and Abu Dhabi, and $100 million from Qatar -- have been announced to date. In addition, OECD countries have committed about $650 million in calendar 1975 as concessional aid. Discussions with the USSR on a debt rearrangement are still going on.

2.27 Egypt's external accounts have accordingly been strengthened. The long-term Arab loans have not only allowed Egypt to repay outstanding debt -- arrears on suppliers' credits have been cut down from six months to about two months, while arrears on banking facilities (which were about one month in June 1975) have been eliminated -- but also enabled it to reduce the use of bank credit facilities. The Government's policy is to continue this trend.

Planning and Priorities

2.28 The first attempt at comprehensive development planning in Egypt was a Five-Year Plan which was issued in 1960 and covered the period July 1960 to June 1965. A Second Five-Year Plan for the period 1965/66 to 1969/70 was prepared, but never implemented. Owing largely to the uncertain situation created after the war of 1967, the system of medium-term planning was, in effect, abandoned and replaced by annual plans. A fresh start towards lengthening the planning horizon was made in 1974 with the adoption of an 18-month Interim Plan, and work has commenced on a Five-Year Plan for the period 1976-80.

2.29 The Interim Plan runs from July 1974 to December 1975; for 1975 it has the following priorities:

(i) reconstruction in the Suez Canal area;

(ii) completion of ongoing projects;

(iii) renewal, balancing, and better utilization of existing industrial capacity;

(iv) investment in new "strategic" projects, i.e., those considered vital to the needs of the public, or those whose output forms an important input into other sectors; for example, fertilizers and cement.

2.30 Compared with previous Annual Plans, that for 1975 marks an important change as regards both strategy and size. The strategy for the 1975 Plan reflects three broad features. First, it is an interim plan, to bridge the period of abnormal conditions that arose after the war of October 1973 and a future time when planning for the usual quinquennial periods could be resumed. Second, it is the first attempt to give an operational meaning to the "Open Door" economic policy. The Plan thus assigns a much greater role to the private sector -- private investment in 1975 is projected at almost three times the level of the previous year -- and foreign capital. Third, in an effort to rapidly increase output, it concentrates largely on short-gestation projects, such as those for balancing and modernization, and the fuller use of existing industrial capacity. This emphasis on the so-called "productive" sectors does, however, lead to some neglect of the social sectors.

2.31 The Plan aims at raising the GDP (at factor cost in 1973 prices) by 9.2 percent. The major contributions to this growth are projected to come from the commodity sectors, which are estimated to increase by 10.2 percent. Within this group the fastest increases are forecast for construction (51.4 percent), electricity (24.1), manufacturing (11.1) and petroleum (14.4); agriculture is expected to grow only at 3.7 percent. The distribution sectors -- comprising transport and communications, and trade and finance -- are projected to grow at 10.9 percent. The service sectors are projected to grow at only 6.3 percent.

2.32 The 1975 Plan projects total investment at ŁE 1465 million. This is made up of fixed capital formation of ŁE 1155 million (public sector ŁE 1057 million, private sector ŁE 98 million), and a change in inventories of ŁE 310 million (ŁE 40 million in the business sector, and ŁE 270 million of "strategic" commodities).

2.33 The distribution of investment follows the order of priorities discussed above. The bulk of investment (34 percent) is allocated to the transportation and Suez Canal sector, followed by industry and mining (19.7 percent), and housing (14.1 percent). Education, health, and other services are allocated a total of only 6.2 percent. Within the total allocations, the shares of the public and private sectors, of course, differ appreciably. Thus, the major portion of private sector investment (54 percent) is destined for housing, while another 32 percent is earmarked for industry and mining. The details of the sectoral distribution of fixed investment are shown in Table 7. Estimates based on preliminary figures for the first half of 1975 indicate that investment during the year may amount to about 75-80 percent of the planned level.

Table 7: SECTORAL DISTRIBUTION OF PLANNED INVESTMENT, 1975
(£E million)

Sector	Public		Private		Total		Percentage of Private to Total
	Value	%	Value	%	Value	%	
Agriculture	45.1	4.2	5.0	5.1	50.1	4.3	10.0
Irrigation and Drainage	42.3	4.0	1.0	1.0	43.3	3.7	2.3
Industry and Mining	196.3	18.6	31.1	31.5	227.4	19.9	9.7
Petroleum	82.4	7.8	-	-	82.3	7.1	-
Transportation and Communication, Storage and Suez Canal	388.2	36.8	4.8	4.9	393.0	34.0	1.2
Housing	109.1	10.3	53.0	54.0	162.1	14.1	32.7
Others	192.8	18.3	3.3	3.5	196.1	16.9	6.5
Total	1056.2	100.0	98.2	100.0	1154.4	100.0	8.5

For details see Annexure Table 2.3.

2.34 The sectoral distribution of investment and the Plan strategy of concentrating on construction, the completion of ongoing projects, and the better use of available capacity, is expected to reduce the foreign exchange component of fixed investment from about 54 percent in 1974 to 40.5 percent in 1975. The proportion of foreign exchange in total fixed capital formation varies from 76 percent for construction machinery, and 67 percent for petroleum to less than 9 percent for education and 11 percent for health. It should be noted that while construction machinery has the highest foreign exchange component, in absolute terms the sector's requirements are relatively modest and account for only 4.5 percent of the total foreign exchange portion of the Plan. The details of the foreign exchange element are set out in Table 8.

Table 8: FOREIGN EXCHANGE COMPONENT OF PLANNED INVESTMENT, 1975
(£E million)

	Total Investment	Foreign Exchange Component		Percentage of Total Foreign Exchange
		Value	% of Total Investment	
Agriculture	50.1	8.1	16.2	1.7
Irrigation and Drainage	43.3	7.0	16.2	1.5
Industry and Mining	227.4	107.6	47.3	23.0
Petroleum	82.4	55.3	67.1	11.8
Communication & Transportation, Storage and Suez Canal Canal	393.0	129.9	49.1	41.2
Housing	162.1	22.1	13.6	4.7
Others	196.1	75.0	38.2	16.1
Total	1154.4	468.0	40.5	100.0

For details, see Annexure Table 2.4.

2.35 The financing of the foreign exchange requirements shows a predominant reliance on flows from free currency sources (87.3 percent). This can largely be traced to the objectives of the Plan, particularly its emphasis on construction, the needs of which were never incorporated in any bilateral payments agreement. The Egyptian authorities hope that some part of the bilateral financing can be renegotiated to cover the changed priorities that the country has set for itself.

2.36 The Plan estimates that domestic savings of nearly £E 366 million will become available in 1975, compared with £E 248 million in the previous year. This represents an increase of about 47 percent over the preliminary estimate for 1974, but in terms of the requirements of investment in 1975 it constitutes barely a quarter. Owing to the increase in the subsidy bill, even this figure may not be attained. The overwhelming amount of investment will perforce have to be financed through an inflow of external capital.

2.37 The major increases in domestic savings are projected to come from the private sector -- private savings are expected to more than double over the previous year's level -- and from larger surpluses in the public business sector. The current transactions of the Government will remain in overall deficit, even though a surplus on the Administration Budget has been forecast. The creation of this surplus depends to a considerable extent on whether the actual collections of import duties come up to the expectations of the authorities. The sources of domestic savings, as shown in the Plan, are as follows:

Table 9: SOURCES OF SAVINGS, 1975

	£E million
Household Savings	54.0
Surplus of Insurance Funds	275.0
Surplus Transferred to Government	294.0
Other Surpluses of Business Sector	140.6
Private Sector	98.0
Deficit of Government Service Sector	-495.9
	365.7

2.38 The Plan projects the external capital inflow at nearly £E 1100 million, i.e. at 75 percent of the investment requirements in 1975. It should be noted that this figure does not include £E 250 million of unrequited transfers from Arab countries. When this is taken into account, it becomes extremely clear that Egypt's investment strategy for 1975 hinges almost completely on obtaining funds from abroad. It also underlines the magnitude of the effort that Egypt will have to make in order to reduce the reliance on external sources of financing in the future.

III. POLICY IMPLICATIONS OF THE NEW ECONOMIC STRATEGY

3.1 The October Working Paper spelt out the logic of a new economic strategy; putting this into effect has a number of implications for policy. Moreover, there is a likelihood that the quest for the goals adumbrated in the new strategy will give rise to competition with other objectives that the Egyptian authorities hold to be of equal moment. The most important themes for policy and the potential areas of conflict are discussed in this chapter.

The Balance of Payments

3.2 (a) Exchange Rate: In the current situation, attention will perhaps have to be given first to the exchange rate. It had been apparent for some time that the official exchange rate of £E 1 = $2.56 overvalued the Egyptian pound; hence, in September 1973 the authorities announced the creation of a "parallel foreign exchange market," in which exporters of specified commodities were given a premium of 50 percent over the official rate, thereby giving rise to an effective exchange rate for exports of about £E 1 = $1.70. The parallel market was further extended in 1974 by the introduction of the "own exchange import scheme," whereby Egyptians holding foreign exchange abroad could import, without requiring a license, goods (from a list of about 300 items) up to a value of £E 5,000. (For larger amounts a license was necessary, but required only a minimum of formalities.) The rapid growth of imports under this scheme, together with other evidence, indicates that the implicit exchange rate conferred by the sale of the imported item 1/ probably offers a much greater premium than even the parallel market rate. It appears, therefore, that the degree of overvaluation of the official exchange rate is very considerable. Moreover, it will be noted that the present schemes lead to a multiplicity of rates, some of which (i.e. those for the own exchange imports) are different for each transaction.

3.3 The Government is aware of the distortions that are caused by the existence of the overvalued rate. However, it feels that an immediate devaluation of the pound would not be the most appropriate response. This argument is based on the grounds that Egypt's exports comprise a large element of items that are price-inelastic, (the "traditional" cotton-based exports) and go to the Eastern bloc countries (about 64 percent of Egypt's exports in 1974 were to the bilateral agreements area), while most of Egypt's imports consist of necessities (and hence cannot be curtailed) which come mainly from the free currency bloc -- about 74 percent of imports in 1974 originated in such countries. Thus, in the short-term, the orthodox measure of a devaluation and reunification of the exchange rate might only worsen the foreign exchange situation.

1/ There is an element of uncertainty in this transaction, as the implicit exchange rate depends upon the sale price of the commodity.

3.4 This concern of the authorities is not entirely unwarranted. However, if the economy is to be opened up to foreign competition, a start must be made towards compelling the exchange rate to reflect the realities of the situation, so as to avoid a misallocation of resources. Moreover, the present complexity of the exchange rate structure can make a meaningful analysis of policies and projects very difficult, can encourage speculation, lead to a distortion of priorities, and produce unknown (and unintended) divergences between the social and private profitability of some activities. As a first step towards rationalizing the exchange rate, therefore, the authorities have decided to gradually increase the scope of the parallel market and the "own exchange" scheme so as to encompass all transactions, other than the import of the basic items of mass consumption.

(b) Direction of Trade: Even a gradual adjustment of the exchange rate would be a major element in improving the allocation of foreign exchange resources, and thus ameliorating the balance of payments position. However, there are some important structural constraints on Egypt's foreign trade and balance of payments that will have to be tackled directly. One such restraint is the direction of Egypt's external trade, and particularly the imbalance with the Western countries.

3.5 As pointed out above, the bulk of Egypt's exports go to the Eastern bloc countries under various bilateral agreements, while most of her imports originate in the convertible currency areas. Egyptian policy is to shift an increasing portion of its exports towards these areas, but this diversion has been fairly small--the share of the convertible currency areas in exports in 1974 rose to 36 percent from 33 percent the year before. The share of imports, however, increased to 74 percent from 62 percent in 1973.

3.6 In part, the origin of imports is explained by the greater credit facilities offered by the Western countries; in part, by the availability of items required by Egypt. The more difficult problem is the stimulation of exports to these countries. The major factor appears to be that the quality of much of Egypt's manufactures is acceptable to the Eastern bloc, but not to Western markets; nearly 71 percent of total manufactured exports went to bilateral agreement countries in 1974. Moreover, the effective depreciation of the exchange rate (through the creation of the parallel market) was not of much help in redirecting private sector industrial exports--over 90 percent of these still went to the bilateral agreement countries in 1974.

3.7 This raises important questions for future export policy. Egypt's development strategy casts industry, and especially a sophisticated engineering goods sector, in the role of a spearhead in the thrust towards higher growth rates of both production and exports. But for these goods price competitiveness is not enough by itself. Other important considerations are quality, design, reliability, running cost, regular availability of spares, and the extension of credit to potential buyers. Thus, a major structural change in the direction and composition of exports will require a considerable amount of additional measures, quite apart from the rationalization of the exchange rate. The successful implementation of such a comprehensive

policy package, even if vigorously pursued, can be expected to occupy at least the next five year plan period. Moreover, as Egypt will be aiming chiefly at the rich Middle East market, the improvement of quality will have to be a continuing process.

3.8 (c) Debt Management Policies: The success of the "open-door" policy depends to a considerable extent on Egypt's ability to attract inflows of foreign capital. In addition to providing legal safeguards for foreign investment, Egypt will have to adopt a carefully articulated policy for managing its external debt and for improving the time profile of debt repayment. At present, the structure of Egypt's external debt contains a large element of short-term maturities (as short as 180 days), chiefly bank credit facilities; these reached a particularly high level (around $2.7 billion or £E 1.06 billion) 1/ during 1974. The prevalence of this form of liability greatly reduces the scope for maneuver in the foreign exchange budget by increasing the liquidity requirements of the economy--it is estimated that about $2050 million (£E 800 million) of bankers' facilities would fall due for repayment in 1975, which is more than the total projected export earnings for that year.

3.9 It appears that the authorities have recently had a notable success in starting to bring this debt within manageable limits. The first step was to limit the creation of new short-term debt in any period to the amount of repayments made in that time. However, as the main element in its policy of reducing short-term debt, the government has obtained cash loans amounting to about $1600 million (LE 625 million), on medium-term and concessional conditions, from Saudi Arabia, Kuwait, Iran, Abu Dhabi, and Qatar. These loans are to be used largely to "fund" the bankers' facilities, and the successful completion of this exercise should give Egypt much more flexibility in its foreign exchange budgeting.

3.10 In order to maintain its creditworthiness, Egypt will have to continue this trend. In addition, it would be helpful if some guidelines were also formulated for borrowing on medium- and long-term; for example, in terms of the grant element, the minimum grace period, etc. This would help to discriminate between the various loans being offered, and might also serve to decrease the reliance on suppliers' credits and lengthen the repayment profile. At present, nearly 40 percent of Egypt's external (medium- and long-term) debt is repayable within 3 years, and 46 percent in 4 years.

Price System

3.11 The Egyptian economy is characterized by controls over prices at almost all levels. These controls encompass the prices of inputs sold to the farmers, the prices paid to the farmers by the agricultural cooperatives, the prices at which raw materials are sold to government-owned industries, and the prices of final output produced by the latter. Much of the private manufacturing sector is also formally subject to price controls, although there

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1/ Including undisbursed amounts.

is some evidence that in recent years these have been honored more in the breach than in the observance. In addition, a number of items of mass consumption -- the so-called "supply commodities" -- are also sold at controlled prices, (in some instances up to a specified quantity). Rent controls apply to housing, and much of the transportation system, of course, is government operated. Excluded from controls are minor agricultural products, some part of the major crops, and products of small industries and handicrafts.

3.12 The price system, therefore, performs only a limited economic role, and one that is not in consonance with the new development strategy charted out by Egypt. The "open-door" policy will entail a number of important changes in the structure and working of almost all aspects of the price mechanism.

3.13 A major result of past price policy has been to cause agriculture's terms-of-trade with industry to deteriorate, largely as a means of transferring resources to the latter sector. This transfer was brought about through an indirect tax on agriculture, which was effected by fixing producer prices for the major exported crops (cotton and rice) at low levels. A second major element of policy has been the maintenance of a low consumer price level for basic foods, especially wheat. Fixing the prices of these commodities at the retail level and then allowing them to work their way back to the producer level, combined with the administered price of cotton and inputs, effectively determined the cost and profitability relationships that dominate agricultural production, especially in the "old" lands 1/ which account for the overwhelming part of agricultural output. Prices for livestock products, berseem (Egyptian clover), fruits and vegetables were left uncontrolled, and have registered rapid rises.

3.14 In the face of these large discrepancies in income-earning possibilities, there have been persistent pressures to alter the government-imposed cropping pattern so as to increase the area under fruits, vegetables, and berseem. 2/ Moreover, because of the high price of berseem, farmers have stretched out the short-season berseem crop to obtain a second cutting before planting cotton. This delays cotton planting and increases the susceptibility of cotton to insects and pests. Thus, while the farmer is induced, as a result of the pricing policy, to move out of traditional crops, he is constrained in doing so by the imposed cropping pattern and the lack of inputs for such a move. On the other hand, while he is required to grow traditional crops, his inducement to do so is limited because of the fixed, low prices. These two competing forces are an important explanation for the slow growth of yields in Egyptian agriculture in the past decade.

1/ Those farmed prior to 1960.

2/ Once a permanent orchard is established, a farmer is freed from the requirement to follow the required cropping pattern on that land.

3.15 Another important price that will have to be revised is the interest rate. Prior to the enactment of Law No. 120 of 1975 (dated September 25, 1975), interest rates in Egypt were limited to a maximum of 7 percent a year, although this ceiling could be raised slightly in some cases by adding on an administrative charge. The available evidence indicates that the existing interest rates are well below the rate of profit in the economy. Moreover, with the implementation of the "liberalization" policies and the concomitant removal or weakening of price controls, this divergence will become even more marked. This could lead to serious distortions and misallocations in the economy, with capital-intensive techniques being encouraged and windfall gains being bestowed on anyone who has access to credit facilities. It should also be pointed out that the existing interest rates constitute a serious disincentive to thrift, at least in the form of holding liquid assets. Commercial banks are not permitted to pay interest on current deposits, while the maximum rate on savings deposits has up to now been only 4.5 percent. When the current rate of inflation is taken into account, the real interest rates are, in fact, negative.

The Public Sector

3.16 The public sector dominates the economy of Egypt. It accounts for about 90 percent of total investment and 75 percent of industrial production; it owns all financial intermediaries, foreign trading, and wholesale firms; it controls most of the transport sector; it is the major source of domestic resource mobilization; and fiscal performance is the main determinant of monetary and credit expansion. The new economic strategy makes it clear that the adoption of a more liberal outlook does not mean the abandonment of the public sector, but only a change in its structure and functions.

3.17 There are two main issues in the reform of the public sector: the mobilization of domestic resources, and the improvement of the efficiency of public enterprises. The two are connected to some extent, because a more efficient public industrial sector would be able to transfer larger amounts to the budget, but the improved efficiency of the public sector is also important from the point of better resource allocation and use.

3.18 Because of the scope of public sector activities, the domestic resource mobilization effort is largely synonymous with public sector savings. The urgency of increasing domestic savings derives additional importance from the financing of the development plans. The 1975 Plan, although largely financed through external capital inflows, requires a considerable generation of domestic resources: each £E 1 invested in foreign exchange must be complemented by £E 1.50 in domestic resources. If the required level of current account surpluses cannot be obtained, then recourse will perforce be had (as in 1974) to increased borrowing from the banking system, with its attendant dangers of intensified inflationary pressures.

3.19 The inadequate mobilization of domestic resources threatens to become an increasingly important constraint on the development process. Gross domestic savings reached a level of nearly 14.5 percent of gross domestic income in 1966/67. Thereafter the ratio fell sharply and has generally remained

at between 7-9 percent; in 1974 it is estimated at about 5 percent. It may have been politically difficult to restrain consumption expenditures in 1974 and 1975, but a serious effort must be made to do so in the future; otherwise it is not easy to see how the domestic resource gap can be filled without having recourse to additional debt.

Government Expenditure

3.20 The main determinants of current budgetary expenditures are defense spending and subsidies, especially cost-of-living subsidies.

3.21 Defence expenditures consumed a significant proportion (39 percent in 1974) of total Central Government current expenditures. It is unlikely that the absolute amount of spending on defence will be decreased until a Middle East peace settlement is reached. However, the government is making an attempt to hold down the growth of these expenditures. Thus, the 1975 budget estimates an increase of only about £E 20 million, so that the share of defence in total Central Government current expenditures drops to 35 percent.

3.22 Direct subsidies are provided for certain items of mass consumption -- wheat and flour, edible oil, maize, and sugar -- and for fertilizers, pesticides, and "utility" (i.e. low-grade) cloth. Since 1973, a two-tier pricing system has been in operation for some commodities. Under this system, a certain quantity of the rationed items is made available at the subsidized price, while additional amounts are sold at prices that yield a profit to the General Authority for Supply Commodities. The difference between the loss on the subsidized part and the profit on the rest constitutes the net cost of subsidizing the "supply" commodities.

Table 10: SUPPLY AUTHORITY OPERATIONS
(£E million)

	1972	1973	1974 Budget	1974 Actual	1975 Budget
Subsidies (losses)	42	136	375	393	514
of which: wheat/flour	15	79	282	216	298
: maize	-	4	11	17	44
: sugar (rationed)	6	19	10	69	25
: edible oil (rationed)	16	17	47	55	77
Profits	31	47	54	63	21
of which: tea	18	14	11	14	10
: sugar (non-rationed)	6	23	32	36	-
: edible oil (non-rationed)	3	5	7	8	5
Net loss	11	89	322	330	493

For details see Annexure Tables 5.3 and 5.4.

3.23 This cost has increased precipitously, largely as a result of rising import prices. Thus, in 1972 the Supply Authority had a net loss of only £E 11 million. In 1973 this rose to £E 89 million, in 1974 to £E 322 million, while the estimate for 1975 is £E 493 million. Quite clearly, the control of these subsidies could produce substantial additions to domestic resource mobilization.

3.24 The Government regards the maintenance of stable prices of the essential items of consumption as being crucial to its economic and social policies. It points to the unrest, triggered off largely by deteriorating economic conditions, which preceded the change in government (in April 1975), and is (understandably) reluctant to risk social unrest by reducing the cost-of-living subsidies. However, it is still possible to control increases in them, and to use them more effectively, by a variety of means. First, the use of subsidies should be made more selective. At present, there is no correlation between income and subsidies: the bread subsidy is available to both the rich and the poor; the fertilizer subsidy is given equally to the cotton grower, who must sell a part of his output at prices fixed by the government, and the fruits and vegetables farmer, who also benefits from uncontrolled prices. Second, the heavy subsidization of some items can lead to a wasteful, or uneconomic, use of them. It would be worthwhile, therefore, to extend the dual-pricing system to additional commodities, so that essential quantities are made available at low prices, while amounts in excess of this quantity are sold at economic prices. Third, attention must be given to subsidies that exist in the form of pricing below economic cost. These are particularly apparent in the pricing of petroleum products, and for public utilities, especially public transport and electricity. Fourth, it would be useful for formulating policy to bring together all the subsidies, direct and indirect, that are paid. This would make explicit the total cost of subsidization, and focus attention on alternative uses of those resources.

Government Revenue

3.25 The revenue side of the budget is dominated by two elements: taxes, and receipts from public enterprises. According to preliminary budget estimates, Central Government tax revenues accounted for 61 percent of total budgetary receipts in 1974, while transfers from the public economic sector provided 28 percent.

3.26 Egypt's tax effort ranks high relative to other countries with comparable per capita income, sectoral composition of GDP, and degree of openness of the economy. However, much of the tax revenues are realized from indirect taxes. In 1974, for example, receipts from customs duties amounted to 34 percent of Central Government tax revenues, and 30 percent from taxes on goods and services (excise duties and price differentials); only 25 percent came from business profits and personal income taxes. Moreover, the 1975 budget projects an increase in the share of customs revenues to 38 percent of the total. A reform of the tax system which has equity as a goal, therefore, must examine the degree of regressivity, and formulate measures to decrease it.

3.27 Second, the elasticity of the tax system--i.e., its ability to respond automatically to changes in the variables on which it is based--also needs to be examined, with a view to increasing it. Excluding transfers from the public economic sector, it appears that government revenues have not kept pace with the growth of the GDP in recent years. Current receipts as a percentage of GDP declined from 21.6 in 1970/71 to 21.3 in 1972, 20.7 in 1973, and about 20.7 in 1974.

3.28 Finally, the rationalization of the economic regime will require an overhaul of the tax administration system. Income tax rates in Egypt are steeply progressive, but it is widely believed that considerable evasion of taxes takes place, especially at higher incomes. Moreover, the basic thrust of the liberalization measures will involve a reform of the price system, including the removal of price controls and the moderation of subsidization. This means that the income distribution problem will have to be handled through a system of taxes and transfers, which would put an additional burden on equitably administering the essential subsidies (both direct and indirect).

Public Sector Enterprises

3.29 The public economic sector is the other major contributor to the budget. Public sector enterprises are required by law to transfer to the budget 65 percent of the surplus available for distribution. These mandatory transfers increased in 1974 by £E 88 million (about 65 percent); the rise was due principally to an increase of £E 80 million from the General Organization for Cotton, and resulted largely from higher international prices for cotton in the first half of 1974, when most of the previous year's crop was sold. The 1975 budget estimates that transfers from public enterprises will be 24 percent above the level of the previous year, chiefly because of receipts from the Suez Canal Authority.

3.30 The data available on investments in the public industrial sector indicate that the rate of return on assets was about 11 percent in 1973, which is quite low consdering prevailing inflation rates. It does not appear, however, that much higher rates can be realized in Egypt until public enterprises are permitted greater freedom to raise prices, and given more latitude in decisions regarding employment, output, markets, etc.

3.31 As part of its economic liberalization program, the Government issued a decree (No. 111 of 1975, dated September 4, 1975) dissolving the General Organizations that had previously controlled all major investment and production decisions in industry. The decree permits individual enterprises to have greater flexibility in many areas, but does not resolve a number of issues on pricing policy, employment decisions, production scheduling, export sales, etc. It is understood that other measures to resolve some of these matters are under consideration.

3.32 The level of domestic savings and the efforts required to increase it form one important group of policy concerns. Another major issue relates to the sources of savings. At present the public sector captures -- through

the tax system, the social security, and postal savings schemes -- a substantial amount of private incomes, and uses them to finance public sector expenditures. As the private sector grows in size with the implementation of the open-door policy, its needs for financing will increase. Consideration will therefore have to be given to what mechanisms can be developed for tapping the available private savings and channelling them to the growing private sector, while also providing adequate amounts of resources to the public sector. This emphasizes, once again, the importance both of containing private consumption and increasing public sector savings.

Revival of the Private Sector

3.33 A major element in the new economic strategy is the reinvigoration of the private sector, including private foreign capital. This has two broad implications for policy.

3.34 First, it will require a clarification of the respective roles of the public and private sectors, i.e., what fields will be open to each. Moreover, it will also require a clear demonstration by the Government of the application of the rule of law in its dealings with the private sector. In practical terms, the Government will have to assure private enterprise and foreign investment that nationalization and arbitrary sequestration are matters of the past.

3.35 The second main group of policy issues comprises the system of incentives for the private sector (including both domestic and foreign investment).

3.36 (a) Foreign investment. To attract external capital and technology, the Government has promulgated Law No. 43 of 1974, which provides an incentive package for foreign investment and issues guarantees against nationalization, except under due process of law. The incentives differ between investments in free trade zones and those in other areas.

3.37 For investments in free trade zones, the incentives include complete exemption from all taxes and tariff duties for an indefinite period; no restrictions on repatriation of earnings and capital, and the provision of an implicit subsidy on infrastructural facilities as a result of the prevailing underpricing of utility rates. Free trade zone projects must export their output and pay a one percent levy (in foreign exchange) on its value in lieu of taxes. In addition, purchases of all local inputs must be paid for in foreign currency at the official rate of exchange. The increase in national income arising from the employment of local labor, the foreign exchange received for the use of local resources, and the one percent levy constitute the primary benefits that will accrue to the Egyptian economy from investments in free trade zones. However, the incentive schemes, as presently conceived, do not include any provision to encourage the development of industries with a high content of domestic value-added, nor the use of processes that would utilize domestic raw materials. Thus, it would be necessary for the licensing authorities to consider these factors in project appraisal when determining priorities.

3.38 The incentive measures for foreign investment in areas outside free trade zones include full exemption from business profit taxes for a period of five years following the commencement of operations. Beyond this initial tax holiday, annual distribution of profits up to a maximum of 5 percent of invested capital to shareholders resident in Egypt are exempted from taxation. Moreover, interest paid on foreign loans will enjoy exemption from taxation. This provision is likely to encourage high debt/equity ratios, and consequently result in low taxable income in Egypt after the lapse of the tax-exemption period for profits. The merit of this incentive element of the foreign investment law may thus need to be reconsidered.

3.39 The repatriation of earnings of foreign investments outside free trade areas is directly linked to their net export earnings. Thus, there is a built-in mechanism in the Law to encourage foreign investments outside free trade areas in export-oriented and domestic resource-based industries. However, this provision of the Law could discourage investment in import-substitution industries which might be efficient, and which could generate competitive pressures on existing firms.

3.40 (b) Domestic private investment. For stimulating domestic private investment, the Government has yet to offer incentive measures similar to those for foreign investment. To be sure, the Government has accepted an enlarged role for private sector industry and has indicated that nationalization is a thing of the past. Furthermore, the apparent relaxation of the restrictions on industrial licensing, and the liberalization of the import regime for industrial inputs have contributed to the improvement of the investment climate. But however important these actions might be as signals of intent, some more tangible incentives need to be extended to domestic private investment.

3.41 To effectively exploit the potential contribution that the private sector can make to Egypt's industrial development, it would be advisable to extend the fiscal concessions provided under Law No. 43 (with appropriate modifications) to domestic private investment as well. Indeed, it could be argued that presently the income tax system not only lacks stimulants, but also dampens incentives for private investment. For, in addition to a business profit tax at the rate of about 40 percent, earnings of individuals in excess of LE 1,000 or more per annum are subject to a progressive surtax with rates starting from 9 percent and peaking at 95 percent for incomes of LE 10,000 or more annually. As part of its tax reform, the Government is studying the possible disincentive effect of the surtax rate structure on investment. A lowering of the surtax rates to more moderate levels, combined with effective collection, would appear advisable. The reforms might also consider providing tax incentives for reinvestment of business income, in order to increase private savings.

3.42 Domestic private investment is also seriously constrained by the availability of foreign exchange for importation of capital goods. The national foreign exchange budget does not make a provision for imports of capital equipment for the private sector. The sole source of institutional foreign exchange finance for private sector industry is the Bank of Alexandria, whose foreign exchange resources consist of an IDA credit of $15 million extended to

the Egyptian Government in 1973 and a second one for $25 million in 1975. However, it is likely that substantial additional foreign exchange resources will be required to meet the private sector's investment requirements. Thus, it would be desirable to make available to the private sector additional foreign exchange through the parallel market, transferred, if necessary, from the national foreign exchange budget. Such a step would be a concrete indication of the Government's intention to strengthen the role of the private sector in industry.

New Methods of Economic Management

3.43 A fundamental change required by the new economic order will be in the methods of guiding and regulating the economy. Hitherto, the predominant methods have been administrative controls and directives of various kinds. The new situation will demand a dismantling of much of this apparatus, and its substitution by more indirect and sophisticated measures. In the liberalized set-up the Government will have to rely chiefly on fiscal, monetary, price and exchange rate policies in order to achieve its aims. Some goals, however, may continue to require direct methods; for example, a wage policy could be directly administered.

3.44 The mixed economy that Egypt is aiming at will possess a more complex structure than exists at present. In order to move this system towards the required goals, the procedures for setting priorities will have to be strengthened. Planning will become a different task: in place of an economy dominated by public investment, which can easily be directed into designated channels, the economy will also include a much larger private sector, whose investment decisions are more amenable to incentives and disincentives than to prescriptions. Thus, planning will have to incorporate a new dimension, namely, the setting of indicative targets for the private sector. Moreover, development plans will have to include a more explicit discussion of policies to be followed during the plan period. Much more attention will also have to be given to ensuring the common consistency of the plans of different sub-sectors and enterprises in the private sector, and to meshing these in with public sector operations, so as to avoid the creation of bottlenecks and imbalances.

Competing Objectives and Policies

3.45 The policy implications of the "open-door" strategy have a potential for imposing a cost in terms of other important goals that the country has set. These "tradeoffs" will have to be carefully evaluated. The most important of such problem areas are identified below.

Private Sector Incentives and Other Goals

3.46 (a) Income distribution: Egypt has followed a policy of restraining the growth of income at the top, while raising those at lower levels, through both legislation (e.g. on minimum wage rates) and subsidization of items of

mass consumption. Furthermore, Egypt's performance on raising tax revenues is one of the best among countries at comparable levels of per capita income. However, the new economic strategy will impose a different set of pressures on the tax system, and will require a considerable restructuring of it.

3.47 The liberalization of the economy will entail the giving of substantial incentives and concessions to the private sector in order to encourage it to return to the economic scene after an extended period of time. Many of these incentives may take the form of relief from taxation on corporate profits and dividends, higher depreciation allowances, etc.

3.48 These developments may result in a greater skewing of the income distribution and lead to a possible conflict between considerations of equity and the drive towards a more growth-oriented economy. The Government will thus have to simultaneously undertake a reform of the taxation system. This reform will have to cover a number of areas: (i) At present, the bulk of Egypt's tax revenues come from indirect taxes, which have a regressive impact. An important aim of the reform should be to redesign the system so that direct taxes bear a much larger share of the total. (ii) The opening up of the economy to external influences has been partly responsible for the sudden increase in the value of assets; this is particularly evident in the case of real estate. It would seem appropriate to introduce a capital gains tax, in order to capture a part of the windfall increase in the value of assets that has taken place. (iii) While income differentials may be important sources of incentives, too great differences in visible consumption can cause social friction. A considerable part of the expenditure of the richer class in Egypt currently appears to be on imported items. This suggests that the proposed tax reform should pay close attention to a review of import duties, with a view to increasing those that impinge upon the commodities consumed by the richer classes. (iv) In recent years, farmers who grow fruit, vegetables, and berseem have benefitted from the absence of controls on the prices of their products and have greatly increased their incomes. The agricultural tax, however, is based not on income, but on the rentable value of the land, which is recomputed every ten years. Much of the increase in the incomes of those farmers who are not subject to the Government-imposed cropping patterns appears to have escaped the tax net. A reform of the system of agricultural taxation should be taken up, or at least arrangements should be made for reviewing rentable values at more frequent intervals.

3.49 (b) Efficiency: One of the important incentives whereby to foster a private sector revival is likely to be the system of tariffs and other protective devices. While the infant industry argument for extending protection to the new industries may be extensively applicable in the Egyptian case, the system of protection would have to be carefully constructed so as not to create distortions and misallocations.

3.50 The available evidence on the pattern of effective protection of industry in Egypt in the 1960's points to the existence of substantial inefficiencies in the industrial sector. For a sample of ten industries, effective rates of protection (ERP) ranged from -28 (cement) to +599 (iron and steel)

percent. An important implication of such a wide dispersion of ERP's is that resource use is much less efficient in highly protected industries than in less protected industries. Thus, economic efficiency would be higher if there were a shift of resources from the former to the latter. Since in a liberalized economy effective protection will have significant resource-pull impact, future protection policy will have to avoid such wide disparities in effective rates of protection.

Exchange Rate Adjustment and Other Goals

3.51 (a) Price stability. Another area of competing aims may arise from the need to rationalize the exchange rate and to fix it at a realistic level. In the Egyptian circumstances, this would mean a significant depreciation of the rate, even if only an implicit one -- through widening the scope of the parallel market. This measure is likely to result in an upward pressure on prices in the short term.

3.52 (b) Budget: The price effects resulting from a devaluation would be particularly marked on items that are either wholly imported or which possess a substantial foreign component. The vitally important "supply commodities" consist almost entirely of imported items; if their prices to the final consumer were to be maintained at the present levels, the subsidy (i.e. the deficit of the General Authority for Supply Commodities) would have to be increased. Similarly, the domestic resources required for servicing external debt would also be raised.

3.53 However, the inflows of external capital would be valued higher in terms of Egyptian currency; so also would be merchandise imports, which may be expected to lead to an increase in collections of import duties. The overall effect on the budget may, therefore, be positive.

Agricultural Price Incentives and Domestic Resources

3.54 The October Paper lists intensive agricultural production as one of the priorities for development. Apart from providing the agricultural sector with the necessary inputs, the authorities may have to bring the prices paid for agricultural commodities into line with those prevailing in the international market. This will mean a substantial rise in prices of some important commodities, which if were to be held down would require an increase in subsidies from budgetary resources. In order to minimize this, it would be worthwhile to move first to a set of prices ratios that are in line with those prevailing in the world market. The equalization of the levels of domestic and international prices for agricultural products could take place at a subsequent stage.

Decentralization and Social Goals

3.55 It appears that a considerable decentralization of decision-making, especially in the public sector, will be a sine qua non of the liberalization process. This is likely to create inconsistences with other, centrally determined, policy objectives. For example, if public enterprises are given a

free hand in their personnel policies, they may move towards reducing the overmanning that is prevalent in these organizations. This could conflict with employment goals, particularly in the short run.

3.56 To sum up, the Egyptian economy is moving away from rigid controls towards a more open and liberal direction. This strategy seems appropriate in view of the changed international environment, and the increased opportunities available to Egypt, including access to external capital. However, the movement will require a considerable change in attitudes, policies, and the structure and role of economic institutions. It is also possible that the movement in one direction may inhibit, retard, or even run counter to action to attain other, perhaps equally important, goals. A source of tension that may emerge is a worsening of the distribution of income and wealth. This could come about as a result both of the windfall appreciation in the value of assets which followed the opening up of the economy, and of the relaxation of price controls. To some extent, the effects of these factors can already be seen. A meaningful reform of the taxation system, including tax administration and collection, should therefore form an important and urgent part of the Government's economic management program, so that any potential friction arising from distributional considerations is dealt with, and does not impede movement towards the wider economic and social goals of the country.

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Table 1.1: Employment by Economic Sector

(In thousands of persons)

Split years ended June 30	1969/70	1970/71	1971/72	1973	1974
Commodity sectors	5,375.1	5,505.9	5,582.6	5,613.8	5,715.4
Agriculture	4,048.3	4,056.9	4,094.7	4,163.8	4,212.4
Industry and mining	916.1	1,052.8	1,094.3	1,112.4	1,149.5
Electricity	22.8	30.4	33.9	35.3	38.3
Construction	387.9	365.8	359.7	302.3	315.2
Distribution sectors	1,148.9	1,190.1	1,217.4	1,266.1	1,288.2
Transport, communications and storage	347.2	374.5	388.5	401.8	405.0
Trade and finance	801.7	815.6	828.9	864.3	883.2
Service sectors	1,750.7	1,810.0	1,871.5	1,979.8	2,035.2
Housing	136.3	137.0	137.4	138.0	139.1
Public utilities	33.7	35.5	37.1	41.5	43.0
Other services	1,580.7	1,637.5	1,697.0	1,800.3	1,853.1
Total	8,274.7	8,506.0	8,671.5	8,859.7	9,038.8

Source: Ministry of Planning.

Table 2.1: Gross National Product at Current Prices by Kind of Economic Activity[1/]

(In millions of Egyptian pounds)

Split years ended June 30	1969/70	1970/71	1971/72	1972	1973	1974
Commodity sectors	1,479.4	1,546.7	1,656.2	1,736.5	1,849.7	2,182.7
Agriculture	771.9	774.1	854.6	932.9	1,062.4	1,244.9
Industry and mining	542.0	611.2	636.5	640.6	635.0	754.9
Electricity	41.8	40.0	47.8	45.0	44.8	48.0
Construction	123.7	121.4	117.3	118.0	107.5	134.9
Distribution sectors	359.9	383.1	410.9	430.2	470.0	528.2
Transport, communications and storage	130.9	143.6	147.8	151.0	158.6	167.4
Trade and finance	229.0	239.5	263.1	279.2	311.4	360.8
Service sectors	713.5	770.7	816.9	835.2	897.2	933.2
Housing	118.2	120.2	121.1	122.0	124.0	127.1
Public utilities	11.7	13.3	13.8	12.2	13.8	14.2
Other services	583.6	637.2	682.0	701.0	759.4	791.9
GDP at factor cost	2,552.8	2,700.5	2,884.0	3,001.9	3,216.9	3,644.1
Net indirect taxes	418.5	445.0	452.7	388.0	446.0	312.0
GDP at market prices	2,971.3	3,145.5	3,336.7	3,389.9	3,633.9	3,956.1
Net factor income	-44.5	-59.2	-62.2	-9.8	-29.0	-7.0
GNP at market prices	2,926.8	3,086.3	3,274.5	3,380.1	3,663.9	3,949.1

Source: Ministry of Planning.

1/ Calendar year data for some sectors are evidently not on a consistent basis with the earlier fiscal year data (e.g., agriculture, industry and mining, electricity and public utilities, as well as net indirect taxes and net factor income).

Table 2.2: Gross Domestic Product at Constant Prices [1/]
(In millions of Egyptian pounds at constant prices)

Split years ended June 30	1969/70	1970/71	1971/72	1972	1972	1973	1974
	(In 1969/70 prices)				(In 1972 prices)		
Commodity sectors	1,479.4	1,521.5	1,573.8	1,618.8	1,689.4	1,710.8	1,780.3
Agriculture	771.9	761.5	791.6	839.3	933.1	955.5	963.0
Industry and mining	542.0	600.2	615.9	615.4	589.3	602.6	638.3
Electricity	41.8	44.6	49.0	46.1	45.8	49.3	56.8
Construction	123.7	115.2	117.3	118.0	121.2	103.4	162.0
Distribution sectors	359.9	382.5	401.6	415.7	434.5	458.5	479.9
Transport, communications & storage	130.9	145.0	148.5	151.3	154.5	161.3	168.9
Trade and finance	229.0	237.5	253.1	264.4	280.0	297.2	311.0
Service sectors	713.5	766.6	807.6	821.8	832.6	891.3	918.3
Housing	118.2	120.1	121.0	121.0	121.6	124.0	126.6
Public utilities	11.7	13.3	13.8	12.2	13.4	14.0	14.6
Other services	583.6	633.2	672.8	688.6	697.6	753.3	777.1
GDP at factor cost	2,552.8	2,670.6	2,783.0	2,856.3	2,956.5	3,060.6	3,178.5

Source: Ministry of Planning.

1/ Calendar year data for some sectors may not be on a consistent basis with the earlier fiscal year data.

Table 2.3: Sectoral Distribution of Planned Investment, 1975
(LE million)

Sector	Public Value	Public %	Private Value	Private %	Total Value	Total %	Percentage of Private to total
Agriculture	45.1	4.2	5.0	5.1	50.1	4.3	10.0
Irrigation and Drainage	42.3	4.0	1.0	1.0	43.3	3.7	2.3
Industry and Mining	196.3	18.6	21.1	21.5	217.4	19.7	9.7
Petroleum	82.3	7.8	-	-	82.3	7.1	-
Construction Machinery	27.1	2.6	0.5	0.5	27.6	2.4	1.8
Electricity	45.7	4.3	-	-	45.7	4.0	-
Total Commodities Sectors	438.9	41.5	37.6	38.3	476.5	41.3	3.9
Transportation and Communication, Storage and Suez Canal	388.2	36.8	4.8	4.9	393.0	34.0	1.2
Trade and Finance	11.7	1.1	1.1	1.0	12.8	1.1	7.9
Total Distribution Sectors	399.9	37.9	5.9	5.9	405.8	35.1	1.4
Housing	109.1	10.3	53.0	54.0	162.1	14.1	32.7
Public Utilities	38.6	3.7	-	-	38.6	3.3	-
Education Services and Scientific Research	25.8	2.4	0.4	0.4	26.2	2.3	1.5
Health Services	8.1	0.8	0.1	0.1	8.2	0.7	1.2
Other Services	25.8	3.4	1.2	1.3	37.0	3.2	3.2
Total Services Sectors	217.4	20.6	54.7	55.8	272.1	23.6	20.1
TOTAL	1056.2	100.0	98.2	100.0	1154.4	100.0	8.5

Source: Ministry of Planning.

Table 2.4: Foreign Exchange Component of Planned Investment, 1975
(LE million)

	Total Investment	Foreign Exchange Component		Percentage of Total Foreign Exchange
		Value	% of Total Investment	
Agriculture	50.1	8.1	16.2	1.7
Irrigation and Drainage	43.3	7.0	16.2	1.5
Industry and Mining		107.6		23.0
Petroleum	82.4	55.3	67.1	11.8
Construction Machinery	27.6	20.9	75.7	4.5
Electricity	45.7	24.1	52.7	5.2
Total Commodities Sectors	476.5	223.0	46.8	47.7
Communication & Transportation, Storage and Suez Canal	393.0	192.9	49.1	41.2
Trade and Finance	12.8	2.4	18.9	0.5
Total Distribution Sectors	405.8	195.3	48.1	41.7
Housing	162.1	22.1	13.6	4.7
Public Utilities	38.6	11.7	30.3	2.5
Education Services and Educational Research	26.2	2.3	8.8	0.5
Health Services	8.2	0.9	11.0	0.2
Other Services	37.0	12.7	34.3	2.7
Total Services Sectors	272.1	49.7	18.3	10.6
TOTAL	1154.4	468.0	40.5	100.0

Source: Ministry of Planning.

Table 3.1: Detailed Balance of Payments, 1970-74[1/]

(In millions of Egyptian pounds)

	1970	1971	1972	1973	Prelim. 1974
A. Trade balance	-162.4	-171.1	-205.5	-259.7	-685.3
Exports, f.o.b.	355.4	369.7	353.7	396.3	653.9
Imports, c.i.f.	-517.8	-540.8	-559.2	-656.0[2/]	-1,339.2[2/]
B. Services (net)	-38.3	-40.0	3.0	2.7	66.2
Receipts	76.4	79.2	134.1	166.4	277.6
Shipping	(4.2)	(5.3)	(5.5)	(5.7)	(7.9)
Nonmerchandise insurance	(0.2)	(0.4)	(0.2)	(0.3)	(0.2)
Interest, dividends and other revenues	(14.1)	(12.6)	(46.3)	(47.5)	(107.9)
Travel and other receipts	(57.9)	(60.9)	(82.1)	(112.9)	(161.6)
Payments	-114.7	-119.2	-131.1	-163.7	-211.4
Shipping	(-8.2)	(-8.3)	(-7.3)	(-6.5)	(-9.3)
Nonmerchandise insurance	(-2.4)	(-3.4)	(-1.6)	(-1.5)	(-3.5)
Interest, dividends and other revenues	(-29.4)	(-32.5)	(-30.4)	(-50.5)	(-61.1)
Travel and maintenance expenses	(-9.0)	(-8.1)	(-18.5)	(-24.0)	(-41.1)
Other commercial payments	(-11.7)	(-13.8)	(-13.9)	(-20.0)	(-36.1)
Government, n.i.e.	(-33.4)	(-35.7)	(-27.3)	(-22.7)	(-30.3)
Other payments	(-20.6)	(-17.4)	(-32.1)	(-38.5)	(-30.0)
C. Unrequited transfers	134.0	121.3	128.2	287.4	491.6
Private	1.7	4.8	2.5	2.4	16.3
Government	132.3	116.5	125.7	285.0[2/]	475.3[2/]
D. Current balance (A+B+C)	-66.7	-89.8	-74.3	30.4	-127.5
E. Capital transactions (net)	2.0	11.3	56.4	-24.2	-67.0
Long-term loans	10.6	-11.3	34.4	23.2	-59.9
Drawings	(79.7)	(65.4)	(81.6)	(79.6)	(97.3)
Repayments	(-69.1)	(-76.7)	(-47.2)	(-56.4)	(-157.2)
Suppliers' credits	-4.8	26.0	19.2	-46.2	8.4
Drawings	(61.9)	(91.3)	(99.8)	(63.3)	(106.8)
Repayments	(-66.7)	(-65.3)	(-80.6)	(-109.5)	(-98.4)
Others (net)	-3.8	-3.4	2.8	-1.2	-15.5
U.S. Government LE holdings	(0.1)	(4.3)	(5.1)	(--)	(-9.2)
Other official	(0.4)	(-2.1)	(1.9)	(1.8)	(-2.9)
Compensation for nationalization	(-4.7)	(-5.9)	(-4.4)	(-3.0)	(-4.4)
Other private	(0.4)	(0.3)	(0.2)	(--)	(1.0)
F. Errors and omissions (net)	-8.6	3.3	-3.2	-3.9	-4.9
G. Allocation of SDRs	10.9	8.7	9.4	--	--
H. Overall balance	-62.4	-66.5	-11.7	2.3	-199.4
I. Monetary movements (increase in assets -)	62.4	66.5	11.7	-2.3	199.4
Commercial banks (net)	13.9	-15.3	-6.4	88.7	136.5
Liabilities	(6.6)	(-12.7)	(9.4)	(107.5)	(227.9)
Assets	(7.3)	(-2.6)	(-15.8)	(-18.8)	(-91.4)
Payments agreements and credit facilities (net)	26.3	50.0	34.0	-44.7	-0.6
Central Bank subscription to Arab International Bank	--	-2.7	--	--	-4.1
Reserves and related items	22.2	34.6	-15.9	-46.3	67.6
Use of Fund credit[3/]	(-0.4)	(8.7)	(-21.2)	(17.9)	(14.5)
Foreign institutions' deposits	(24.3)	(21.3)	(-0.4)	(21.2)	(1.0)
Monetary gold[3/]	(3.5)	(--)	(--)	(--)	(--)
SDRs[3/]	(--)	(-3.0)	(1.1)	(-12.3)	(0.2)
Foreign exchange and other claims	(-5.2)	(7.6)	(4.6)	(-73.1)	(51.9)

Sources: Central Bank of Egypt and International Monetary Fund, Balance of Payments Yearbook.

1/ Except where otherwise noted, data are based on the Central Bank's exchange control records.

2/ Includes the market value of petroleum grants (LE 33.7 million in 1973, LE 86.4 million in 1974). Note that import data do not include own exchange imports.

3/ IMF record.

Table 3.1A: Detailed Balance of Payments, 1970-74

(In millions of U.S. dollars)

	1970	1971	1972	1973	Prelim. 1974
A. Trade balance	-373.5	-393.5	-472.7	-657.1	-1,754.4
Exports, f.o.b.	817.4	850.3	813.5	1,002.6 2/	1,674.0 2/
Imports, c.i.f.	-1,190.9	-1,243.8	-1,286.2	-1,659.7 2/	-3,428.4 2/
B. Services (net)	-88.1	-92.0	6.9	6.8	169.5
Receipts	175.7	182.2	308.5	421.0	710.7
Shipping	(9.6)	(12.2)	(12.7)	(14.4)	(20.2)
Nonmerchandise insurance	(0.5)	(0.9)	(0.5)	(0.8)	(0.5)
Interest, dividends and other revenues	(32.4)	(29.0)	(106.5)	(120.2)	(276.2)
Travel and other receipts	(133.2)	(140.1)	(188.8)	(285.6)	(413.8)
Payments	-263.8	-274.2	-301.6	-414.2	-541.2
Shipping	(-18.9)	(-19.1)	(-16.8)	(-16.4)	(-23.8)
Nonmerchandise insurance	(-5.5)	(-7.8)	(-3.7)	(-3.8)	(-9.0)
Interest, dividends and other revenues	(-67.6)	(-74.8)	(-69.9)	(-127.8)	(-156.4)
Travel and maintenance expenses	(-20.7)	(-18.6)	(-42.6)	(-60.7)	(-105.2)
Other commercial payments	(-26.9)	(-31.8)	(-32.0)	(-50.6)	(-92.4)
Government, n.i.e.	(-76.8)	(-82.1)	(-62.8)	(-57.5)	(-77.6)
Other payments	(-47.4)	(-40.0)	(-73.8)	(-97.4)	(-76.8)
C. Unrequited transfers	308.2	279.0	294.9	727.2	1,258.5
Private	3.9	11.0	5.8 2/	6.1 2/	41.7 2/
Government	304.3	268.0	289.1 2/	721.1 2/	1,216.8 2/
D. Current balance (A+B+C)	-153.4	-206.5	-170.9	76.9	-326.4
E. Capital transactions (net)	4.6	26.0	129.7	-61.2	-171.5
Long-term loans	24.4	-26.0	79.1	58.7	-153.3
Drawings	(183.3)	(150.4)	(187.7)	(201.4)	(249.1)
Repayments	(-158.9)	(-176.4)	(-108.6)	(-142.7)	(-402.4)
Suppliers' credits	-11.0	59.8	44.1	-116.9	21.5
Drawings	(142.4)	(210.0)	(229.5)	(160.1)	(273.4)
Repayments	(-153.4)	(-150.2)	(-185.4)	(-277.0)	(-251.9)
Others (net)	-8.8	-7.8	6.5	-3.0	-39.7
U.S. Government LE holdings	(0.2)	(9.9)	(11.7)	(--)	(-23.6)
Other official	(0.9)	(-4.8)	(4.4)	(4.6)	(-7.4)
Compensation for nationalization	(-10.8)	(-13.6)	(-10.1)	(-7.6)	(-11.3)
Other private	(0.9)	(0.7)	(0.5)	(--)	(2.6)
F. Errors and omissions (net)	-19.8	7.7	-7.3	-9.9	-12.6
G. Allocation of SDRs	25.1	20.0	21.6	--	--
H. Overall balance	-143.5	-153.0	-26.9	5.8	-510.5
I. Monetary movements (increase in assets -)	143.5	153.0	26.9	-5.8	510.5
Commercial banks (net)	32.0	-35.2	-14.7	224.4	349.4
Liabilities	(15.2)	(-29.2)	(21.6)	(272.0)	(583.4)
Assets	(16.8)	(-6.0)	(-36.3)	(-47.6)	(-234.0)
Payments agreements and credit facilities (net)	60.5	115.0	78.2	-113.1	-1.5
Central Bank subscription to Arab International Bank	--	-6.3	--	--	-10.5
Reserves and related items	51.0	79.5	-36.6	-117.1	153.1
Use of Fund credit 3/	(-0.9)	(20.0)	(-48.8)	(45.3)	(37.1)
Foreign institutions deposits 3/	(55.9)	(49.0)	(-0.9)	(53.6)	(2.6)
Monetary gold	(8.0)	(--)	(--)	(--)	(--)
SDRs 3/	(--)	(-6.9)	(2.5)	(-31.1)	(0.5)
Foreign exchange and other claims	(-12.0)	(17.4)	(10.6)	(-184.9)	(132.9)

Source: Central Bank of Egypt/I.M.F.

1/ Except where otherwise noted, data are based on the Central Bank's exchange control records.
2/ Includes the market value of petroleum grants. Note that import data do not include own exchange imports.
3/ IMF record.

TABLE 3.2: Commodity Composition of Exports (Payments basis)

(in millions of Egyptian pounds)

	1973	1974
Fuels	5.9	40.5
Crude petroleum	5.2	33.4
Petroleum products	0.7	7.1
Primary products	230.3	344.0
Raw cotton	168.4	259.0
Other	61.9	85.0
Rice, husked and bleached	(21.8)	(35.8)
Rice, husked	--	--
Onions and garlic, fresh	(11.8)	(11.8)
Onions and garlic, dehydrated	(0.6)	(2.8)
Groundnuts	(1.3)	(2.3)
Oranges	(8.8)	(11.2)
Potatoes	(5.1)	(4.7)
Other vegetables, fruits and pulses	(2.9)	(2.0)
Fish, poultry and animals	(0.8)	(1.0)
Cotton waste, rags and straw	(3.6)	(3.6)
Raw flax	(0.8)	(1.8)
Other	(4.4)	(8.0)
Semi-finished products	39.5	88.9
Cotton yarn	35.7	83.2
Other yarn	0.1	--
Other	3.7	5.7
Finished products	120.6	180.5
Textiles	19.1	33.0
Cement	3.7	1.6
Chemicals	7.7	12.6
Footwear	4.3	11.5
Other leather goods	3.4	4.0
Sugar	1.1	0.5
Alcoholic drinks	4.0	8.2
Books and periodicals	0.6	1.2
Furniture, wood and metal	1.9	2.5
Other[1/]	74.8	105.4
Total	396.3	653.9

Source: Central Bank of Egypt, based on Exchange Control statistics.

1/ Including clothes.

Table 3.3: COMMODITY COMPOSITION OF IMPORTS

Payments Basis

(In millions of Egyptian pounds)

	1973	1974
Live animals, animal and vegetable products, food and beverages industry	196.0	387.2
Live animals	4.8	2.2
Meat, fish and poultry	10.3	12.1
Vegetables and fruits	2.3	3.6
Coffee and tea	9.8	10.1
Cereals and products thereof	152.3	295.9
Seeds	4.2	11.0
Sugar and confectionery	1.5	29.8
Tobacco	9.0	17.7
Others	1.8	4.8
Fats, grease, oils, fuels and mineral products	65.2	114.8
Animal and vegetable fats, grease and oils	37.5	59.9
Fuels	25.4	50.4
Others	2.3	4.5
Products of chemical industries, rubber and leather	76.3	228.2
Organic and inorganic chemicals	20.2	51.7
Pharmaceutical products	5.5	12.2
Fertilizers	20.8	96.5
Dyestuffs and tanning materials	5.0	10.0
Essential oils and cosmetics	2.3	4.6
Miscellaneous chemical products	12.0	28.9
Resinoids and artificial resins	2.3	9.9
Rubber	3.8	6.8
Raw hides or tanning leather	3.4	5.2
Others	1.0	2.4
Wood, cork, paper, textile materials and articles	39.9	111.4
Wood and manufactures thereof	13.9	49.4
Paper and paperboard and manufactures thereof	9.5	36.3
Wool and other animal hair	4.5	9.0
Cotton	1.0	2.1
Artificial textile fibers (discontinuous)	1.6	2.6
Other vegetable textile materials	2.5	3.7
Other textile articles	2.5	2.8
Others	4.4	5.5
Base metals and articles thereof	35.2	87.5
Iron and steel	23.7	56.0
Copper	1.1	7.2
Aluminum and articles thereof	3.7	7.6
Lead and articles thereof	1.5	5.2
Zinc and articles thereof	1.0	2.9
Tin and articles thereof	0.3	3.4
Other base metals and articles thereof	1.8	2.5
Miscellaneous articles of base metals	2.1	2.7
Machinery, boilers, electrical appliances, transport equipment	117.5	190.8
Boilers and mechanical appliances	63.8	105.9
Machinery and electrical appliances	22.4	44.7
Railway locomotives and coaches	5.2	6.4
Motor cars and buses and their spare parts	19.5	24.7
Aircraft	0.8	2.2
Ships, boats and floating structures	3.4	3.6
Scientific, technical and medical instruments	2.4	3.3
Miscellaneous and unclassified articles	92.2	132.9
TOTAL IMPORTS	622.3	1,252.8

1/ Excludes the market value of petroleum grants.

Source: Central Bank of Egypt, based on Exchange Control statistics.

Table 3.4: PAYMENTS BY/TO BILATERAL AGREEMENT COUNTRIES

(In millions of Egyptian pounds)

	1973		1974	
	Imports	Exports	Imports	Exports
U.S.S.R.	96.1	140.1	131.3	221.9
Czechoslovakia	23.3	23.8	35.3	44.8
E. Germany	23.8	15.4	35.7	26.4
Romania	15.4	9.0	37.1	17.3
Poland	16.0	15.8	16.4	15.0
China	11.9	8.4	12.2	15.9
Bulgaria	10.0	5.4	18.9	13.0
Hungary	8.9	7.0	5.0	13.8
Sudan	10.3	4.0	10.3	7.0
Spain	6.6	7.7	7.8	5.5
Greece	2.9	3.2	12.5	8.1
Yugoslavia	3.8	4.6	14.0	4.3
Iraq	5.8	2.2	4.0	3.8
Libya	--	6.6	0.1	8.6
Syria	2.1	4.6	4.5	2.4
Ceylon	3.2	3.6	2.6	3.7
N. Korea	1.2	1.2	2.9	1.8
Algeria	3.0	0.3	0.8	0.6
Turkey	1.7	0.1	0.6	1.2
Others	2.3	3.2	2.8	3.2
TOTAL	248.3	266.2	354.8	418.3

Source: Central Bank of Egypt, based on Exchange Control statistics.

Table 3.5: Own Exchange Imports 1/
(In thousands of Egyptian pounds)

	1974		1975	
	July-Sept.	Oct.-Dec.	Jan.-March	April-June
Imports cleared by customs under advance approvals	730	2,162	4,975	8,534
Imports cleared by customs without advance approval	523	2,866	4,355	6,098
TOTAL CLEARANCES	1,253	5,028	9,330	14,632

1/ Under Article V of Ministerial Arrete No. 64 of 1974

Source: Egyptian General Trade Organization/Ministry of Finance

Table 3.6: Transactions in the Parallel Market [1/]
(In millions of Egyptian Pounds)

	1973	1974					1975	
	Sept.-Dec.	Jan.-Mar.	April-June	July-Sept.	Oct.-Dec.	Total	Jan.-Mar.	April-June
Receipts during period:								
Exports	2.2	4.9	7.3	10.1	9.5	31.8	12.5	10.6
Tourism	8.2	7.5	11.8	12.9	10.7	42.9	7.8	8.5
Remittances	14.8	13.2	22.9	24.0	23.2	83.3	22.2	24.4
Other invisibles	4.6	1.1	1.9	3.2	9.1	15.3	6.9	7.3
Payments during period:								
Imports	1.8	7.1	15.1	29.8	48.0	100.0	38.8	26.7
Invisibles	5.6	5.4	5.6	9.5	14.5	35.0	14.0	10.1
Balances at end of period:								
Amounts under settlement		0.9	-3.0	-1.8	-7.4	-11.3	-5.5	-1.1
Commercial bank holding	39.2	52.5	69.0	75.9	56.7	56.7	48.2	49.9
Export accounts			5.8	8.0	9.8	9.8	9.4	12.1
Tourism accounts	0.6	2.4	0.3	0.3	0.3	0.3	0.3	0.3

1/ Figures include transactions carried out through tourism and export accounts.

Source: Ministry of Finance/Central Bank of Egypt.

Table 3.7: Imports Through the Parallel Market (Payments basis)

(In thousands of Egyptian pounds)

	1974		1975	
	July-Sept.	Oct.-Dec.	January	February
Animals and animal products	154	37	58	3
Vegetable products	2,042	62	44	3,326
Oil and fats	50	15	7	103
Foodstuffs and beverages	176	1,538	123	108
Mineral products (salt, etc.)	515	799	526	27
Chemical products	5,852	7,384	3,177	1,552
Rubber industry	1,686	2,471	605	807
Raw hides and skins	8893	1,058	166	74
Wood and cork products	195	1,708	393	364
Paper and paper boards and articles thereof	3,683	7,345	601	758
Textiles and textile articles	1,707	2,328	127	200
Articles of stones of glass others	234	579	58	72
Metals and articles thereof (iron, aluminum, zinc)	3,828	8,537	1,278	2,863
Machinery and mechanical appliances, electrical equipment	4,810	10,578	2,872	2,178
Vehicles	2,028	1,832	1,034	817
Scientific, professional and medical appliances	174	395	247	126
Miscellaneous (other industries, books, etc.)	1,723	1,366	2,646	27
Total	29,750	48,032	13,962	-13,413

Source: Central Bank of Egypt

Table 3.8: Trade in Crude Petroleum and Petroleum Products

(In thousands of metric tons)

	1969/70	1970/71	1971/72	1972	1973	1974
Balance of trade (1 + 2)	7,673	10,275	8,827	4,172	1,012	-197
1. Crude oil	10,344	12,260	9,505	4,598	1,209	-139
Exports, of which:	11,288	13,737	10,680	5,986	2,752	2,351
Egyptian's share	(6,326)	(8,263)	(4,491)	(2,262)	(2,082)	(1,342)
Partners' share	(4,962)	(5,474)	(6,189)	(3,724)	(670)	(1,009)
Imports,[1/] of which:	-944	-1,477	-1,174	-1,388	-1,543	-2,490
Crude oil grants	(--)	(--)	(--)	(--)	(-1,112)	(2,454)
2. Petroleum products	-2,671	-1,985	-678	-426	197	-58
Exports	156	189	583	739	802	852
Imports, of which:	-2,827	-2,174	-1,261	-1,165	-605	-910
Petroleum product grants	(--)	(--)	(--)	(--)	(-170)	(-234)
Memorandum item:						
Purchase of crude oil from partner companies	360	561	1,271	1,463	2,171	1,381

Source: Egyptian General Petroleum Corporation/IMF.

1/ Excludes purchases from partner companies which are detailed in the memorandum item.

Table 3.9: Foreign Exchange Receipts and Payments: Oil Sector

(In thousands of Egyptian pounds)

	1970	1971	1972	1973	1974
A. Public sector (1 - 2 - 3)	-12,622	-18,400	-23,387	-46,426	-90,432
1. Export receipts	31,423	29,161	18,027	24,694	73,070
Crude petroleum	29,568	25,994	11,224	9,866	33,481
Refined products	1,855	3,167	6,803	14,828	39,589
2. Payments for crude and products	37,903	43,384	37,002	64,467	154,621
Crude petroleum	9,970	17,748	19,053	45,736	118,643
From partners	(3,091)	(4,670)	(7,942)	(13,318)	(20,423)
From abroad 1/	(6,879)	(13,078)	(11,111)	(32,418)	(98,220)
Refined products 1/	27,933	25,636	17,949	18,731	35,978
3. Payments for other goods and services	6,142	4,677	4,412	6,653	8,881
Spare parts and chemicals	3,466	2,196	1,965	3,176	5,039
Transportation of crude oil	2,676	2,481	2,447	3,477	3,842
B. Foreign-owned oil companies	8,077	4,806	5,649	7,060	26,795
Payments to Government	3,481	2,171	1,457	1,755	18,179
Tax payments 2/	3,481	2,171	1,457	1,577	9,375
Other payments 3/	--	--	--	178	8,804
Local currency purchases by oil companies 4/	4,596	2,635	4,192	5,305	8,616
C. Net position (A + B)	-4,545	-13,594	-17,738	-39,366	-63,637
Memorandum item:					
Market value of crude oil grants	--	--	--	27,254	78,973
Market value of petroleum product grants	--	--	--	6,399	7,454

Source: Egyptian General Petroleum Corporation/IMF.

1/ Includes market value of oil grants, as shown in memorandum item.

2/ Does not include the market value of royalty crude.

3/ Any other payments in foreign exchange such as signature bonuses on exploration agreements.

4/ Purchases of local currency to settle expenses incurred in Egypt.

Table 3.10: Foreign Exchange Budgets

(in Millions of US Dollars)

	1974 (Actuals)			1975 (Planned)		
	Free	Bilateral	Total	Free	Bilateral	Total
1. Current Receipts	2,162	1,102	3,264	2,075	862	2,937
Own Earnings	1,014	901	1,915	1,122	862	1,984
(Exports)	(605)	(867)	(1,472)	(497)	(822)	(1,319)
(Invisibles)	(409)	(34)	(443)	(625)	(40)	(665)
Arab Subsidy & Other Receipts	1,148	201	1,349	953	--	953
2. Current Payments for Financial Obligations Falling Due	-1,562	-296	-1,858	-2,447	-588	-3,035
3. Current Payments for Invisibles and Downpayments for Imports	-369	-71	-440	-472	-106	-578
4. Imports (Excluding Downpayments)	-2,658 1/	-748	-3,406 1/	-4,232	-1,005	-5,237
5. Global Financing Requirements (1+2+3+4)	-2,427	-13	-2,440	-5,076	-837	-5,913
6. Sources of Financing	2,338	13	2,351	3,496	96	3,592
(Banking Facilities)	(1,997)	(--)	(1,997)	(2,267)	(--)	(2,267)
(Suppliers Credits)	(296)	(--)	(296)	(589)	(--)	(589)
(Other)	(45)	(13)	(58)	(640)	(96)	(736)
7. Surplus/Deficit	-89	--	-89	-1,580	-741	-2,321

Source: Ministry of Finance Data/IBRD interpretation.

1/ Excludes oil gifts of $221 million received in 1974.

TABLE 4.1: Summary Statement of External Debt by Main Categories

(in millions of Egyptian pounds)

	Outstanding and disbursed Dec. 31, 1974	Percent of total (%)	Arrears on Dec. 31, 1974	Repayments due in:							
				1975 1/	1976	1977	1978	1979	1980	After 1980	No fixed maturity
I. Principal											
(1) Medium and long term loans	690.7	64.1	5.1	86.9	92.2	72.7	51.2	41.0	35.9	156.8	153.8
Arab countries	58.1	5.4	--	5.5	5.7	4.4	4.9	5.5	5.5	26.6	--
Western countries (including rescheduling agreements)	224.8	20.9	5.0	32.0	26.1	23.2	24.5	16.0	14.5	88.3	--
Eastern countries	315.0	29.2	0.1	35.3	27.9	24.2	20.2	17.5	14.0	22.1	153.8
IBRD/IDA	13.7	1.3	--	--	--	--	--	0.1	0.1	13.5	--
IMF	63.0	5.8	--	12.8	30.9	19.3	--	--	--	--	--
Other multilateral organizations (Kuwait Fund, AD Fund, etc.)	16.1	1.5	--	1.3	1.6	1.6	1.6	1.9	1.8	6.3	--
(2) Suppliers credits	185.1	17.2	27.8	119.1	27.8	13.2	8.9	5.8	6.1	4.1	--
Arab countries	1.0	--	0.8	1.0	--	--	--	--	--	--	--
Western countries	138.2	12.9	25.6	104.4	18.2	6.0	3.4	1.7	0.6	3.8	--
Eastern countries	45.9	4.3	1.4	13.7	9.6	7.2	5.5	4.1	5.5	0.3	--
TOTAL M&L term loans and suppliers credits (a)	875.8	81.3	32.9	206.0	120.0	85.9	60.1	46.8	42.0	160.9	153.8
Memorandum items:											
(3) Financial institutions	38.8	3.6	--	7.0	4.7	4.7	4.8	3.7	3.7	10.2	--
(4) Balance due on bilateral accounts (gross liabilities)	163.0	15.1	--	--	--	--	--	--	--	--	163.0
TOTAL Memorandum items (b)	201.8	18.7	--	7.0	4.7	4.7	4.8	3.7	3.7	10.2	163.0
TOTAL Principal, (a) + (b)	1,077.6	100.0	32.9	213.0	124.7	90.6	64.9	50.5	45.7	171.1	316.8
II. Interest on medium and long term loans 2/	84.1		8.6	30.1	11.2	9.0	8.0	6.8	4.6	14.4	--

Source: Ministry of Economy and Economic Cooperation

1/ 1975 Repayments include arrears on Dec. 31, 1974.

2/ Interest on suppliers' credits is included under principal.

TABLE 4.2: Outstanding Medium and Long-Term Loans from Governments, Multilateral Organizations and Financial Institutions

(in millions of Egyptian pounds)

	December 31, 1974			Payments due in:							
	Out-standing as of	Ar-rears on	Due after	1975	1976	1977	1978	1979	1980	After 1980	No fixed maturity
1. Arab countries	58.1	--	58.1	5.5	5.7	4.4	4.9	5.5	5.5	26.6	--
- Abu Dhabi	12.7	--	12.7	--	--	0.4	0.9	1.3	1.3	8.8	--
- Kuwait	42.2	--	42.2	4.0	4.0	4.0	4.0	4.2	4.2	17.8	--
- Saudi	3.2	--	3.2	1.5	1.7	--	--	--	--	--	--
2. Western countries	93.2	5.0	88.2	7.4	6.6	6.2	6.2	5.9	5.0	50.7	--
- Germany (Federal Republic)	32.3	1.5	30.8	3.0	2.9	2.8	2.8	2.4	1.1	15.8	--
- United States	21.5	--	21.5	0.8	0.8	1.0	1.0	1.0	1.0	15.9	--
- Italy	20.4	3.5	16.9	3.3	1.4	1.2	1.2	1.2	1.2	7.4	--
- United Kingdom	3.8	--	3.8	0.3	0.3	--	--	--	0.1	2.9	--
- Japan	4.1	--	4.1	--	--	--	--	--	0.4	3.7	--
- Spain	7.4	--	7.4	--	1.1	1.1	1.1	1.1	1.0	2.0	--
- Denmark	3.7	--	3.7	--	0.1	0.1	0.1	0.2	0.2	3.0	--
3. Eastern countries	315.0	0.1	314.9	35.2	27.9	24.2	20.2	17.5	14.0	22.1	153.8
- Bulgaria	4.1	--	4.1	1.0	0.8	0.8	0.5	0.2	--	--	0.8
- Czechoslovakia	26.2	--	26.2	3.9	3.7	2.7	2.2	1.6	1.2	0.8	10.1
- Eastern Germany	27.3	--	27.3	1.6	1.4	1.4	1.4	1.4	1.4	3.0	15.7
- Hungary	7.7	--	7.7	1.6	1.4	1.2	0.8	0.6	0.3	--	1.8
- Mainland China	9.5	--	9.5	0.5	--	--	--	--	--	--	9.0
- Poland	7.7	--	7.7	0.8	0.7	0.6	0.6	0.5	0.3	0.3	3.9
- Romania	9.5	--	9.5	--	--	--	--	--	--	--	9.5
- U.S.S.R.	215.4	--	215.4	25.1	19.3	17.0	14.3	12.8	10.4	16.8	99.7
- Yugoslavia	7.6	0.1	7.5	0.7	0.6	0.5	0.4	0.4	0.4	1.2	3.3
4. IBRD/IDA	13.7	--	13.7	--	--	--	--	0.1	0.1	13.5	--
5. IMF	63.0	--	63.0	12.8	20.9	19.3	--	--	--	--	--
6. Other multilateral organizations (Kuwait Fund)	16.1	--	16.1	1.3	1.6	1.6	1.6	1.9	1.8	6.3	--
7. Rescheduling agreements	131.6	--	131.6	19.6	19.5	17.0	18.3	10.1	9.5	37.6	--
- Germany (Federal Republic)	67.0	--	67.0	6.5	6.5	6.5	6.5	6.5	6.2	28.3	--
- United States	34.1	--	34.1	9.1	9.0	7.2	8.4	0.2	0.2	--	--
- Italy	18.5	--	18.5	1.6	1.6	1.5	1.5	1.5	1.5	9.3	--
- United Kingdom	1.6	--	1.6	1.0	0.6	--	--	--	--	--	--
- Japan	4.4	--	4.4	0.8	0.9	0.9	0.9	0.9	--	--	--
- Canada	0.3	--	0.3	0.2	0.1	--	--	--	--	--	--
- Mexico	5.7	--	5.7	0.4	0.8	0.9	1.0	1.0	1.6	--	--
8. Total (loans from government and international institutions)	690.7	5.1	685.6	81.8	92.2	72.7	51.2	41.0	35.9	156.8	153.8
9. Financial Institutions	38.8	--	38.8	7.0	4.7	4.7	4.8	3.7	3.7	10.2	--
- Lebanon	20.7	--	20.7	2.7	2.7	2.7	2.8	1.7	1.7	6.4	--
- Kuwait	17.0	--	17.0	3.2	2.0	2.0	2.0	2.0	2.0	3.8	--
- International Arab Bank	1.1	--	1.1	1.1	--	--	--	--	--	--	--

Source: Ministry of Economy and Economic Cooperation.

TABLE 4.3: Outstanding Suppliers Credits

(in millions of Egyptian pounds)

	December 31, 1974			Payments due in:						
	Out-standing as of	Ar-rears on	Due after	1975	1976	1977	1978	1979	1980	After 1980
1. Western countries	138.2	25.6	112.6	78.8	18.2	6.0	3.4	1.7	0.6	3.8
United States	10.2	3.4	6.8	4.6	1.3	0.9	--	--	--	--
Germany (Federal Republic)	14.0	7.8	6.2	3.6	1.7	0.5	0.2	0.2	--	--
Italy	1.5	0.5	1.0	1.0	--	--	--	--	--	--
United Kingdom	10.2	4.3	5.9	3.8	0.9	0.6	0.4	0.2	--	--
Denmark	3.0	0.4	2.6	0.7	0.7	0.5	0.4	0.2	0.1	--
Spain	3.8	0.5	3.3	0.9	0.7	0.8	0.7	0.2	--	--
France	16.4	3.9	12.5	9.8	1.3	0.9	0.4	0.1	--	--
Switzerland	3.7	1.9	1.8	1.4	0.4	--	--	--	--	--
Australia	57.6	--	57.6	48.7	8.9	--	--	--	--	--
Japan	1.8	0.5	1.3	0.5	0.4	0.2	0.1	0.1	--	--
Austria	0.5	0.3	0.2	0.2	--	--	--	--	--	--
Sweden	4.8	0.9	3.9	1.0	1.0	0.8	0.7	0.2	0.2	--
Netherlands	3.2	1.0	2.2	1.6	0.2	0.2	0.1	0.1	--	--
India	6.7	--	6.7	0.7	0.6	0.5	0.4	0.4	0.3	3.8
Belgium	0.8	0.2	0.6	0.3	0.2	0.1	--	--	--	--
2. Arab countries	1.0	0.8	0.2	0.2	--	--	--	--	--	--
Lebanon	1.0	0.8	0.2	0.2	--	--	--	--	--	--
3. C.M.E.A. countries and mainland China	45.9	1.4	44.5	12.3	9.6	7.2	5.5	4.1	5.5	0.3
Bulgaria	2.8	--	2.8	0.7	0.6	0.6	0.5	0.4	--	--
Czechoslovakia	3.9	0.1	3.8	1.5	1.3	0.6	0.3	0.1	--	--
Eastern Germany	7.9	0.6	7.3	2.9	1.6	1.3	0.8	0.5	0.2	--
Hungary	0.2	--	0.2	0.1	0.1	--	--	--	--	--
Mainland China	--	--	--	--	--	--	--	--	--	--
Poland	2.1	0.1	2.0	0.8	0.5	0.2	0.2	0.1	0.1	0.1
Romania	6.5	0.2	6.3	2.1	1.4	1.2	0.8	0.4	0.2	0.2
U.S.S.R.	22.5	0.4	22.1	4.2	4.1	3.3	2.9	2.6	5.0	--
TOTAL	185.1	27.8	157.3	91.3	27.8	13.2	8.9	5.8	6.1	4.1

Source: Ministry of Economy and Economic Cooperation

Table 4.4: Outstanding External Bank Credits 1970-75 1/

(In Millions of Egyptian Pounds)

	Including Undisbursed 2/ (End of period)	Disbursed Only (End of period)	Utilized During Period 2/
1970	**104.8**	**50.0**	**122.7**
1971	**96.1**	**44.1**	**98.6**
1972	**135.5**	**55.3**	**96.5**
1973	**440.3**	**194.5**	**430.7**
1974			
January-March	**512.8**	**241.3**	**135.4**
April-June	**635.7**	**307.9**	**213.2**
July-September	**754.7**	**319.0**	**224.3**
October-December	**1,055.2**	**422.9**	**337.9**
1975			
January-March	1,004.1	466.7	183.3
April-June	997.6	533.4	130.2
July	989.1	507.3	59.5
August	972.2	521.5	49.2

Position at Aug. 30, 1975 (Outstanding Amounts)

Sight credits	59.6
Maturities of 180 days or more	912.6
TOTAL	972.2

Amounts due for repayments Within Six Months from Reporting Date

Total amounts due within six months	Amounts due in Sept '75	Amounts due in Oct '75	Amounts due in Nov '75	Amounts due in Dec '75	Amounts due in Jan '76	Amounts due in Feb '76
307.853	60.606	57.322	60.679	71.510	32.952	24,784

1/ Correspondent bank credits for financing trade. Excludes Euro-currency loans.

2/ Includes sight credits.

Source: Central Bank of Egypt

Table 4.5: Repayments and New Authorizations
For Use of External Bank Credits
January-September 1975
(LE Million)

	Repayments	New Letters of Credit Authorized
January	75.0	80.3
February	62.6	46.5
March	45.2	56.5
April	60.7	60.0
May	41.4	35.0
June	68.0	35.2
July	137.1	59.5
August	70.4	49.2
September	76.5	45.6
October	40.1	19.6
TOTAL	677.0	487.4

Source: Central Bank of Egypt

Table 5.1: Summary of State Budget

(In millions of Egyptian pounds)

Fiscal periods[1]	1970/71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim. Actual[2]	1975 Budget
Receipts	869	903	1,018	1,196	1,143	1,543
Central government revenue, of which:	625	664	694	799	778	1,060
Taxes on income and profits	(143)	(146)	(161)	(178)	(176)	(187)
Taxes on goods and services	(166)	(181)	(191)	(207)	(209)	(217)
Taxes on international trade	(196)	(194)	(205)	(254)	(238)	(481)
Local governments' revenue	56	58	60	67	48	88
Public economic sector	188	181	264	330	317	395
Transferred profits[3]	(101)	(81)	(137)	(252)	(225)	(278)
Investment financing[4]	(87)	(100)	(127)	(78)	(92)	(117)
Current expenditure	702	792	953	1,319	1,213	1,713
Central government current expenditure	615	688	714	809	733	889
Local governments' current expenditure	46	42	51	63	50	88
Public Authorities' deficits[5]	26	45	165	408	394	86
Public Organizations' deficits[6]	15	17	23	20	17	8
Subsidies	--	--	--	19[7]	19	642[8]
Current account surplus or deficit (-)	167	111	65	-123	-70	-170
Investment expenditure[9]	358	414	451	520	583	757
Overall deficit (-)	-191	-303	-386	-643	-653	-927
Total financing:	191	303	387	644	653	927
External borrowing (net)	--	18	51	102	79	-10
Domestic borrowing (net)	191	285	335	541	574	937
Social insurance and pension funds	188	214	224	256	251	376
Savings certificates	23	32	38	27	39	30
Postal savings	3	9	10	8	18	14
Public economic sector[10]	-102	-47	-120	125	39	392
Banking system	79	77	183	125	227	125
Memorandum items						
Emergency Fund						
Expenditure	245	351	399	465	511	775
Grants[11]	118	126	251	...	389	...
Jihad bonds[12]	--	14	13	...	2	...

Source: Derived from Ministry of Finance data/IMF.

1/ Fiscal year ended June 30 up to 1970/71; calendar year basis for 1973 and thereafter. Figures for 1972 are based on actuals for the 18 month period July 1971 - December 1972 adjusted to an annual basis.

2/ Based on actuals for the first 11 months and estimates by Ministry of Finance staff for the concluding month.

3/ Mandatory transfers under the legal requirement that 65 per cent of net profits after tax and depreciation be transferred to the Treasury.

4/ Resources generated internally by Public Authorities and Public Economic Organizations to finance part of their investment. The associated expenditure is included in the item "Investment expenditure". An alternative presentation would exclude this provision from both receipts and expenditure, which would affect the current account but not the overall deficit.

5/ Deficits in current operations of Public Authorities met by government subventions.

6/ Deficits in current operations of Public Economic Organizations met by government subventions.

7/ Subsidies for essential commodities paid directly by the Treasury and not through the General Supply Authority (almost entirely for low-grade textiles).

8/ In the 1975 budget the provision for subsidies has to a large extent been consolidated under one heading.

9/ Includes self-financed investments of the public economic sector but excludes certain reconstruction expenditure (LE 243 million) to be financed from the Emergency Fund in 1975.

10/ Calculated as a residual; inclues net lending and borrowing from units within the public economic sector including the affiliated companies and presumably also the disposal of the surplus or financing of the deficit of the Emergency Fund.

11/ Grants received primarily from other Arab countries and credited to the Emergency Fund (as recorded in the balance of payments, excluding oil grants).

12/ Net proceeds of the domestic sale of Jihad bonds credited to the Emergency Fund.

Table 5.2: Government Revenue[1]

(In millions of Egyptian pounds)

Fiscal periods[2]	1970/71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim.	1975 Budget
Central government tax revenue	564.4	583.6	616.0	718.6	700.8	968.5
Taxes on net income and profits	143.5	146.1	160.8	178.3	176.2	188.6
Business profit taxes	115.3	120.2	128.5	146.7	145.8	160.5
Personal income taxes	28.2	25.9	32.3	31.6	30.4	28.1
Taxes on property	19.2	23.8	16.7	24.0	19.6	25.7
Estate duties	2.4	2.1	2.5	2.2	2.6	2.5
Taxes on immovable property	16.8	21.7	14.2	21.8	17.0	23.2
Taxes on goods and services	166.0	181.2	190.7	207.4	208.9	216.9
Excise and consumption duties	62.7	68.2	68.0	79.9	83.9	85.3
Price differentials	103.3	113.0	122.7	127.5	125.0	131.6
Taxes on international trade	196.3	193.7	205.1	254.4	237.9	480.6
Customs duties	196.3	193.7	205.1	254.4	237.9	480.6
Other taxes	39.4	38.7	42.7	54.5	58.2	56.7
Stamp duties	34.3	33.6	39.0	51.3	56.1	53.7
Other	5.1	5.1	3.7	3.2	2.1	3.0
Central government nontax revenue	60.8	80.0	77.6	80.8	77.1	92.1
Fees	17.5	16.5	19.4	15.8	17.1	21.3
Miscellaneous	43.3	63.5	58.2	65.0	60.0	70.8
Total central government revenue	625.2	663.6	693.6	799.4	777.9	1,060.6
Local governments' revenue	55.7	58.4	60.0	66.6	47.9	87.8
Total current revenue	680.9	722.0	753.6	866.0	825.8	1,148.4

Source: Ministry of Finance /IMF.

1/ Consolidates revenues credited to the Administration Budget, the domestic revenues of the Emergency Fund, and revenues paid directly to the account of the Treasury.

2/ For an explanation of the fiscal period, see footnote 1 to Table 5.1.

Table 5.3: Commercial Operations of the General Authority for Supply Commodities

(In millions of Egyptian pounds)

Fiscal periods[1/]	1970/71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim.	1975 Budget
Subsidies (losses)	41.8	41.9	136.2	375.1	393.2	514.1
Wheat and flour	20.9	15.1	79.0	281.5	216.4	298.4
Maize	0.8	0.4	4.4	11.0	16.5	44.4
Edible oil (rationed)	10.4	15.8	16.8	46.8	55.3	76.9
Sugar (rationed)	8.0	6.0	19.0	10.0	68.9	25.2
Other	1.7	4.6	17.0	25.8	36.1	69.2
Profits	38.6	30.5	47.2	53.5	63.1	20.9
Cotton seed	2.0	1.4	2.5	2.1	2.0	2.1
Edible oil (non-rationed)	4.2	2.7	5.0	6.5	8.0	5.0
Tea	12.6	17.9	14.4	10.7	14.0	10.0
Coffee	0.9	1.3	--	--	0.1	--
Sugar (non-rationed)	18.0	6.4	22.6	31.5	36.0	--
Other	0.9	0.9	2.7	2.7	3.0	3.8
Net profit or loss (-)	-3.2	-11.3	-89.0	-321.6	-330.1	-493.2

Source: General Authority for Supply Commodities /IMF.

1/ For an explanation of the fiscal periods, see footnote 1 to Table 5.1.

Table 3...: Special Fund for Subsidies[1/]

(In millions of Egyptian pounds)

	1974 Budget	1975 Budget
General Authority for Supply Commodities	329.1	490.9
Cairo Authority for Public Transport	4.1	5.6
Agricultural Credit Corporation	8.5	5.4
Textile Corporation	12.0	23.7
Meat Authority	0.5	0.8
Fish Authority	0.6	0.6
Petroleum Organization	0.6	25.9[2/]
Agricultural Stabilization Fund	--	88.9[3/]
Cooperative Building Authority	0.1	0.3
Total	355.5	642.2

Source: Ministry of Finance/IMF.

1/ The Special Fund was established in the 1975 budget to show the level of subsidies more clearly. The 1974 figures are provided for purposes of comparison and were contained in various sections of the 1974 budget.

2/ For portugas and kerosene.

3/ For fertilizers and pesticides; in 1974 the subsidization of fertilizers and pesticides was financed by the Agricultural Banks through credit extended by the commercial banks.

Table 5.5 Administration Budget Current Expenditures [1]
(LE millions)

Fiscal periods [2]	1970/71		July 1971-December 1972 [2] Full 18 Months		July 1971-December 1972 [2] Annual Basis		1973		1974		1975
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Prelim	Budget
Central Government:											
Defense (excl. Emergency Fund)	244.0	238.0	383.3	399.9	255.5	266.6	281.3	282.4	295.5	289.2	309.2
Security and justice	55.5	52.2	85.7	83.3	57.1	55.5	67.4	64.2	72.3	53.9	74.5
Agriculture	19.4	18.1	30.5	29.6	20.3	19.7	17.7	16.4	19.7	16.8	21.3
Irrigation and drainage	22.3	20.4	43.8	25.0	29.2	16.7	19.3	18.4	20.5	19.8	23.0
Education, research and youth	140.6	136.3	221.7	218.9	147.8	145.9	154.3	146.8	172.6	144.5	189.9
Health, social and religious	62.5	56.5	89.0	91.0	59.4	60.7	79.4	73.9	85.8	67.5	90.2
Transport and communication	6.7	6.7	12.5	11.2	8.3	7.5	9.2	8.6	8.9	7.8	10.1
Culture and information	4.7	4.2	7.5	3.7	5.0	2.5	2.9	2.8	4.3	3.7	4.7
Other current expenditures [3]	90.5	82.9	165.1	168.9	110.1	112.6	122.0	100.2	129.4	119.9	166.1
Total Central Government	646.2	615.3	1,039.1	1,031.5	692.7	687.7	753.5	713.7	809.0	733.1	889.0
Local Government	43.8	46.1	71.0	63.8	47.3	42.5	55.4	51.1	63.5	50.2	87.8
Total Current Expenditures	690.0	661.4	1,110.1	1,095.3	740.0	730.2	808.9	764.8	872.5	783.3	976.8

Source: Ministry of Finance (Central Budget Department).

1/ Some data reflect changes in coverage (mainly reductions) over time due to reorganizations (e.g., shifting of functions from Ministries to Authorities, whose accounts are in a different budget).
2/ See footnotes 1-3 of Table 5.1.
3/ Largely general administration, but including some economic and social services not listed above.

Table 5.6: Egypt: Public Sector Investment Expenditure
(LE millions)

Fiscal periods[1/]	1970/71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim	1975 Budget
General public services	12.5	10.9	8.0	15.4	16.3	21.0
General administration	0.7	1.7	0.3	1.0	1.5	2.6
Public order and safety	1.9	2.5	1.9	10.1	7.6	4.6
Local administration	9.9	6.7	5.8	4.3	7.2	13.8
Education	8.6	18.9	20.5	14.0	23.0	32.7
Health	4.0	7.1	4.8	6.4	5.9	13.3
Housing	24.2	28.7	33.1	32.0	32.0	57.5
Community and social services	1.4	2.0	1.7	2.0	2.5	4.9
Economic services	277.7	316.0	358.8	432.6	484.0	602.7
Agriculture	51.7	53.1	51.0	87.0	80.9	90.1
Mining, petroleum and manufacturing	155.9	186.1	188.6	206.5	242.3	255.8
Electricity	25.2	22.9	21.5	18.0	26.9	27.5
Transport and communication	34.6	44.0	86.3	110.8	123.1	197.8
Trade and supply	9.6	7.4	6.7	8.2	8.2	22.0
Tourism	0.7	2.5	4.7	2.1	2.6	9.5
Other[2/]	29.9	30.8	24.5	17.6	19.4	25.2
Total	358.3	414.4	451.4	520.0	583.1	757.3

Source: Ministry of Finance

1/ Fiscal year ended June 30 for 1970/71 and December 31 from 1973. Figures for 1972 are based on actuals for 18-month period July 1971 through December 1972 adjusted to an annual basis.

2/ Investment expenditure not allocated through public sector budget but financed from the Treasury Fund.

Table 5.7: Transfers to Treasury from Public Authorities and Public Economic Organizations 1/
(LE millions)

Fiscal periods 2/	1970/71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim	1975 Budget
Sector						
Agriculture and irrigation	14.0	9.3	3.4	4.1	-	2.5
Industry and petroleum	22.5	18.3	19.6	29.6	25.4	57.6
of which:						
Textile industry	(6.5)	(6.3)	(8.4)	(10.2)		(11.2)
Petroleum industry	(4.2)	(1.7)	(4.1)	(3.1)		(30.1)
Electricity	5.6	-	-	-	-	4.5
Transportation and communication 3/	15.2	12.3	9.0	12.6	14.8	73.8
Finance and economy	28.0	32.1	99.1	192.6	181.2	125.6
of which:						
Cotton General Organization	(14.5)	(15.5)	(64.8)	(123.9)	(145.0)	(102.7)
Central Bank	(10.8)	(13.8)	(16.7)	(15.6)	(10.8)	(18.7)
Supply and internal trade	7.9	3.0	-	4.0	-	6.5
Housing and construction	1.3	0.7	0.9	1.6	1.2	0.5
Health	5.6	3.9	4.3	6.4	2.6	6.2
Insurance	0.7	0.9	0.2	1.1	-	1.1
TOTALS	100.8	80.5	136.5	252.0	225.2	278.3

Source: Ministry of Finance

1/ Mandatory transfers under the legal requirement that 65% of net profits after tax and depreciation be transferred to the Treasury.
2/ Fiscal year ended June 30 for 1970/71 and December 31 from 1973. Figures for 1972 are based on actuals for 18-month period July 1971 through December 1972 adjusted to an annual basis.
3/ Includes Suez Canal Authority.

Table 5.8: Public Authorities: Current Deficits
(LE million)

Fiscal periods[1]	1970-71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim	1975 Budget
Sector						
Agriculture and irrigation	6.2	17.5	15.2	14.1	12.0	12.8
Industry and petroleum	1.9	1.5	1.0	1.2	0.9	1.2
Transport and communications	5.3	10.7	13.1	5.2	3.1	1.8
Supply and domestic trade	-	-	92.8	329.4	329.0	0.1[2]
Finance and economy	0.2	0.1	--	0.2	0.3	0.8
Housing and construction	4.5	5.5	7.2	9.4	7.3	10.6
Health	0.8	0.9	0.8	2.2	1.9	2.2
Education, research and youth	1.1	--	26.4	36.3	30.8	42.6
Culture and information	6.0	8.7	8.4	6.8	5.5	11.1
Defense, security and justice	--	--	--	3.6	3.1	3.2
	26.0	44.9	164.9	408.4	393.9	86.4

Source: Ministry of Finance

1/ Fiscal year ended June 30 for 1970/71 and December 31 from 1973. Figures for 1972 are based on actuals for 18-month period July 1971 through December 1972 adjusted to an annual basis.

2/ In the 1975 budget subsidies are being provided from a separate provision for which LE642 million has been approved.

Table 5.9 Public Economic Organizations: Current Deficits
(LE Millions)

Fiscal periods[1]/	1970/71 Actual	1972 Actual	1973 Actual	1974 Budget	1974 Prelim	1975 Budget
Sector						
Agriculture and irrigation	3.0	2.5	4.3	6.0	4.9	--
Industry and petroleum	3.4	1.7	2.9	6.3	6.3	7.2
Electricity	-	0.7	--	--	--	--
Transport and communication	7.4	11.5	15.0	7.1	6.2	0.3
Housing and construction	0.1	0.3	0.2	--	--	0.1
Tourism	1.3	0.3	0.2	1.1	--	0.3
Totals	15.2	17.0	22.6	20.5	17.4	7.9

Source: Ministry of Finance

1/ Fiscal Year ended June 30 for 1970/71 end December 31 from 1973. Figures for 1972 are based on actuals for 18 month period July 1971 through December 1972 adjusted to an annual basis.

Table 6.1: Monetary Survey[1/]

(In millions of Egyptian pounds)

End of period	1969	1970	1971	1972	1973	1974
Foreign assets, net	-180.2	-232.7	-332.7	-308.2	-165.4	**+554.0**
Excluding net IMF position	-158.2	-211.2	-299.8	-296.7	-136.0	**-443.0**
IMF position, net	-22.0	-21.5	-32.9	-11.5	-29.4	**-111.0**
Claims on Government	1,042.6	1,172.2	1,327.2	1,459.9	1,656.0	2,049.2
Credit to Government	954.6	1,080.2	1,230.6	1,354.5	1,539.7	1,915.2
Counterpart of Post Office savings deposits	72.5	76.5	81.1	89.9	100.8	119.2
Counterpart of Treasury coin	15.5	15.5	15.5	15.5	15.5	15.5
Claims on nongovernment sector	518.1	522.5	549.0	553.0	531.1	788.2
Affiliated companies	326.5	324.2	342.4	330.2	305.3	433.9
Specialized banks, of which:	120.6	129.0	131.5	127.4	120.3	201.1
Agricultural Banks	(96.3)	(99.4)	(91.4)	(101.3)	(96.2)	(177.3)
Private sector and cooperatives	71.0	69.3	75.1	95.4	105.5	153.2
Unclassified assets	59.2	61.7	68.7	117.2	151.9	119.5
Assets = Liabilities	1,439.7	1,523.7	1,612.2	1,821.9	2,173.6	2,732.2
Money	746.0	782.8	846.2	989.3	1,204.8	1,502.8
Currency in circulation	495.9	524.9	558.7	631.4	777.2	947.6
Demand deposits	250.1	257.9	287.5	357.9	427.6	555.2
Affiliated companies	(125.3)	(113.7)	(123.1)	(170.9)	(198.2)	(249.8)
Private sector and cooperatives	(123.7)	(135.7)	(153.1)	(183.7)	(226.4)	(303.0)
Specialized banks	(1.1)	(8.5)	(11.3)	(3.3)	(3.0)	(2.4)
Quasi-money	325.2	346.4	319.4	355.9	432.2	616.8
Affiliated companies	135.1	136.7	93.9	97.7	131.0	236.0
Private sector and cooperatives	117.2	132.7	143.7	168.3	199.5	258.9
Specialized banks	0.4	0.5	0.7	--	0.9	2.7
Post Office savings deposits	72.5	76.5	81.1	89.9	100.8	119.2
Government deposits	102.0	119.9	143.8	147.6	147.7	219.0
Counterpart funds	145.7	145.8	150.1	151.2	150.9	141.7
Capital accounts	101.8	114.3	134.6	154.5	164.9	172.9
Unclassified liabilities	68.8	77.0	95.1	109.7	113.8	144.4
Other items, net[2/]	-6.4	-10.8	-3.2	-15.0	-39.8	-64.5
Valuation adjustment, net	-43.4	-51.7	-73.9	-71.3	--	--

Sources: Central Bank of Egypt and International Monetary Fund, International Financial Statistics/IMF.

1/ Adjusted so as to value foreign assets and liabilities uniformly at the official exchange rate. Items affected are marked by an asterisk.

2/ Currency in commercial banks plus bankers' deposits plus borrowing from Central Bank minus reserves minus claims on commercial banks.

Table 7.1: Output of Selected Industrial Products

(In thousands of metric tons unless otherwise specified)

	1972	1973
Spinning and weaving		
Cotton yarn	179	182
Cotton textiles	115	118
Wool yarn	12	12
Wool textiles	4	4
Synthetic yarn	10	10
Synthetic textiles	25	23
Foodstuffs		
Sugar	615	633
Candies	87	81
Pasteurized milk		38.4
Cheese (white and processed)	135	135
Vegetables and fruits	25	24
Cottonseed oil	145	160
Oilseed cake	601	600
Soft drink (millions of bottles)	660	600
Beer (millions of liters)	30	32
Cigarettes	32	23
Building Materials		
Cements	3,868	3,617
Building bricks	810	797
Gypsum and plaster	205	320
Chemical Products		
Sulphuric acid	28	32
Paper	149	146
Fertilizers		
Superphosphate	518	419
Ammonium Nitrate	784	420
Tires (thousands)	927	860
Engineering Products		
Cars (units)	6,130	5,590
Trucks (units)	1,709	1,518
Tractors (units)	1,247	1,243
Buses (units)	373	413
Refrigerators (thousands)	55	39
Televisions (thousands)	76	51
Radios (thousands)		148
Bicycles (thousands)		32
Metallurgical Products		
Reinforcing iron	239	226
Steel billets	9	4
Steel section	81	87
Steel sheets	179	167
Cast iron products	46	53
Minerals		
Phosphate	563	592
Manganese	3	3
Iron ore	427	n.a.
Salt	n.a.	304

Source: Ministry of Industry and Mining

1/ Preliminary.

Table 7.2: Public and Private Sectors Manufactured Exports
(LE 1,000)

Sub-sector	Actual Exports 1973			Actual Exports 1974			Target Exports 1975		
	Free	Clearing	Total	Free	Clearing	Total	Free	Clearing	Total
Spinning and weaving (Textile)	23,557	49,704	73,261	23,855	81,802	105,657	25,840	64,819	90,659
Food	9,875	11,572	21,447	20,115	12,918	33,033	7,250	10,250	17,500
Chemicals	975	2,208	3,183	1,469	3,978	5,447	7,918	4,538	7,456
Engineering	4,590	4,293	8,883	7,953	6,432	14,385	7,110	5,640	12,750
Metallurgical	597	4,615	5,212	3,704	6,095	9,799	4,057	5,628	9,685
Building "	4,703	1,384	6,087	2,865	643	3,508	420	1,334	1,754
Aluminium Complex	-	-	-	-	-	-	3,500	8,750	12,250
Total public sector	44,297	73,776	118,073	59,961	111,868	171,829	51,095	100,959	152,054
Total private sector	2,585	27,617	30,202	4,866	49,445	54,311	3,185	29,015	32,200
Totol Industrial Sector	46,882	101,393	148,275	64,827	161,313	226,140	54,280	129,974	184,254

Source: Ministry of Industry and Mining.

Table 7.3: PRIVATE SECTOR MANUFACTURED EXPORTS

(£E million)

Subsector	1974 Actual Exports			1975 Target		
	Free	Agree-ments	Total	Free	Agree-ments	Total
Leather goods	0.1	21.6	21.7	0.1	12.0	12.1
Textiles	0.7	11.8	12.5	0.4	6.0	6.4
Chemicals	2.3	8.6	10.9	0.6	6.0	6.6
Wood	0.4	5.0	5.4	0.7	3.0	3.7
Handicrafts (Khan El-Khalili)	0.4	2.4	2.8	0.8	1.6	2.4
Metallurgical	0.4	0.1	0.5	0.3	0.1	0.4
Building materials	0.3	-	0.3	0.1	-	0.1
Food	0.1	-	0.1	0.2	0.3	0.5
TOTAL	4.7	49.5	54.2	3.2	29.0	32.2

Source: Ministry of Industry and Mining, Industrial Control Authority.

Table 7.4: Public Investment by Main Industrial Subsectors (Actuals)[1/]

(In £E million)

Subsector	1968/69	1969/70	1970/71	1971/72 (18 months)	1973	1974	1975 (Plan)
Food	10.5	7.4	6.3	10.8	5.4	11.8	17.7
Textiles	5.9	10.6	7.7	14.7	12.0	21.5	12.5
Chemicals	18.5	8.5	10.4	12.1	8.5	17.0	29.0
Building Materials	6.3	6.3	5.4	6.5	3.0	5.0	13.6
Metallurgical	-	0.5	5.3	6.5	2.4	7.5	6.5
Engineering	6.8	5.0			6.1	6.0	7.0
Sub-total	48.0	58.3	35.1	50.6	37.4	68.8	68.3
Steel Complex	19.4	29.0	40.0	67.8	32.4	58.0	41.0
Total	67.4	76.3	75.1	118.5 [2/]	69.8	126.8	127.3

1/ The figures do not include investment for replacement and renewals.
2/ £E 79 million on a 12-month basis.

Source: General Organization for Industrialization.

Table 7.5: Private Investment in Manufacturing,

Approvals by General Organization for Industrialization
(LE '000)

Sector	1971/1972		1973		1974		1975 (January-April)	
	No. of Projects	Total Investment	No. of Projects	Total Investment	No. of Projects	Total Investment	No. of Projects	Total Investment
Spinning and Weaving	66	2,299.0	49	1,575.0	69	5,118	68	5,576
Engineering Industries	102	2,146.0	185	9,848.0	252	4,149	109	3,807
Metallic Industries	13	589.0	5	141.0	9	1,068	5	321
Chemical Industries	27	434.0	97	4,478.0	46	2,322	45	3,999
Food Stuff Industries	48	542.0	57	2,033.0	89	1,173	38	1,208
Electric Industries	8	221.0	14	314.0	29	5,723	13	3,536
Small Scale Industries	15	683.0	40	1,602.0	20	1,381	5	520
Total	279	6,914.0	447	19,991.0	514	20,934.0	283	18,967.0
Average Investment		24.8		44.7		40.7		67.0

Source: General Organization for Industrialization.

Table 7.6: FOREIGN INVESTMENT PROJECTS (INSIDE THE COUNTRY) APPROVED AS OF MARCH 1975

(In millions of Egyptian pounds)

Area of Activity	Number of Projects	Proposed Investment		
		Local Currency	Foreign Exchange	Total
Petrochemicals	46	5.1	11.9	17.0
Metallurgical and Engineering Industries	22	7.9	7.6	15.5
Food Industries	11	2.5	5.7	8.2
Building Materials Industries	16	3.3	3.7	7.0
Textile Industries	26	1.0	4.8	5.8
Housing and Real Estate	13	36.6	36.0	72.6
Tourism	34	13.8	44.2	58.0
Livestock and Fisheries	8	1.0	3.8	4.8
Mining Industries	2	0.02	0.3	0.3
TOTAL	178	71.2	118.0	189.2

Source: Ministry of Economy and Economic Cooperation, General Authority for Arab and Foreign Investment and Free Zones.

Table 7.7: **FOREIGN INVESTMENT PROJECTS APPROVED FOR FREE TRADE ZONES AS OF MARCH 1975**

(In millions of Egyptian pounds)

Area of Activity	Number of Projects	Proposed Investment		
		Local Currency	Foreign Exchange	Total
Petroleum	2	--	540.0	540.0
Building Materials and Refractories	2	6.0	86.0	92.0
Textile Industries	1	0.3	54.8	55.1
Engineering Industries	2	--	28.0	28.0
Food Industries	4	0.1	7.2	7.3
Chemical Industries	8	0.2	2.3	2.5
Metallurgical Industries	1	0.05	0.1	0.2
Services	5	0.6	6.8	7.4
Finance, Trade and Warehouses	6	0.1	2.7	2.8
Livestocks	1	--	0.03	0.03
TOTAL	32	7.35	727.9	735.3

Source: Ministry of Economy and Economic Cooperation, General Authority for Arab and Foreign Investment and Free Zones.

Table 8.1: Oil and Gas Production, Official Forecasts, 1975-1980

(In Millions of Metric Tons)

	1974	1975	1976	1977	1978	1979	1980
Present Fields:							
Morgan	3.3	3.6	3.8	5.0	6.5	6.8	7.5
July	1.0	2.5	3.8	5.0	6.5	7.5	7.0
Ramadan	0.02	1.8	3.7	5.0	6.2	7.5	7.0
G.P.C.	1.6	1.8	1.7	1.5	1.3	1.2	1.0
COPE (Sinai)	-	-	-	3.6	3.1	2.7	2.3
NIPCO	0.8	0.5	0.5	0.4	0.3	0.3	0.2
FAPCO	0.1	0.1	0.4	0.4	0.3	0.3	0.2
WIPCO	0.6	0.5	0.2	0.1	0.1	-	-
Gas 1/	-	0.1	1.0	1.9	2.9	3.4	3.3
TOTAL	7.6	10.9	15.1	21.5	25.6	28.0	27.5
(Of which State share:	(5.1)	(7.2)	(12.4)	(18.7)	(22.4)	(24.0)	(22.9)
Expected Discoveries:							
Oil	-	-	1.5	4.2	9.9	15.3	22.5
Gas	-	-	-	-	-	-	-
TOTAL	-	-	1.5	4.2	9.9	15.3	22.5
(Of which State share:	-	-	(1.3)	(2.3)	(5.9)	(9.3)	(14.0)
Total Present Fields and Expected Discoveries							
Production	7.6	10.9	16.6	25.7	35.5	43.3	50.0
State Share	5.1	7.2	13.7	21.0	28.3	33.3	36.9
Surplus of Oil and Gas for Export	1.3	1.6	4.3	5.6	10.0	14.9	18.2
Surplus of Refined Products for Export	0.9	2.0	2.1	5.6	6.4	4.6	3.6

1/ Abu Madi, Abu Kir, Abu Gharadik

Source: Egyptian General Petroleum Organisation, May 1975

Table 8.2: Production of Major Agricultural Crops

(Production in thousands of metric tons; acreage in thousands of feddans; yield in metric tons per feddan)

Agricultural year ended October 31 1/	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75 Target	1974/75 Production
Winter crops							
Wheat							
Production	1,516	1,729	1,616	1,837	1,884		2,026
Acreage	1,304	1,349	1,239	1,248	1,370	1,390	1,394
Yield	1.16	1.28	1.30	1.47	1.38		1.46
Horse beans							
Production	277	256	361	273	234		234
Acreage	302	261	336	270	244	300	246
Yield	0.92	0.98	1.07	1.01	0.96		0.95
Onions							
Production	227	283	267	230	359		203
Acreage	33	37	32	27	39	35	21
Yield	6.8	7.6	8.3	8.5	9.17		9.59
Summer and autumn crops							
Cotton							
Production (unginned)	1,404	1,418	1,422	1,368	1,204		
Lint	509	510	514	490	441		
Cottonseed	884	899	895	862	753		
Acreage	1,627	1,525	1,552	1,600	1,453	1,350	1,347
Yield (lint)	0.313	0.334	0.331	0.306	0.303		
Rice (paddy)							
Production	2,605	2,534	2,507	2,274	2,242		
Acreage	1,143	1,137	1,146	997	1,053	1,100	1,050
Yield	2.28	2.23	2.19	2.28	2.13		
Maize							
Production	2,393	2,342	2,417	2,507	2,640		
Acreage	1,504	1,521	1,531	1,654	1,755	1,615	1,650
Yield	1.59	1.54	1.58	1.52	1.51		
Millet (sorghum)							
Production	874	854	831	853	824		
Acreage	501	494	483	487	499	500	500
Yield	1.74	1.73	1.72	1.75	1.65		
Sugar cane							
Production	6,945	7,498	7,713	7,349	7,018		
Acreage	186	193	202	198	208	225	220
Yield	37.3	38.8	38.2	37.1	33.7		
Groundnuts							
Production	38.2	33.2	29.6	25.8	25.2		
Acreage	43	36	34	29	29	40	35
Yield	0.89	0.87	0.87	0.88	0.87		
Fruits and vegetables							
Oranges							
Production	567	707	683	767	819		
Acreage	118	119	121	122	130		
Other fruits							
Production	523	617	632	671	756		
Acreage	126	130	132	136	143		
Potatoes							
Production	548	451	595	796	709		
Acreage	77	66	84	106	95		
Yield	7.1	6.8	7.1	7.5	7.5		
Other vegetables							
Production	4,706	4,827	4,878	4,982	5,297		
Acreage	636	653	665	707	725		

Source: Ministry of Agriculture

1/ Fiscal year national accounts data through 1971/72 reflect summer and autumn crops of one agricultural year and winter crops of the next, e.g., 1971/72 covers 1971 cotton and 1972 wheat.

2/ Preliminary estimates, except for cotton and winter crops.

Table 9.1: Wages and Salaries by Economic Sector

(In millions of Egyptian pounds at current prices)

Split years ended June 30	1969/70	1970/71	1972	1973	1974
Commodity sectors	472.0	565.1	595.7	650.2	726.5
Agriculture	218.4	225.4	236.9	252.1	274.1
Industry and mining	175.7	261.3	279.4	319.4	341.4
Electricity	6.3	8.7	10.2	11.4	13.5
Construction	71.6	69.7	69.2	67.3	73.5
Distribution sectors	212.0	230.2	253.7	276.7	290.7
Transport, communications and storage	85.3	97.5	102.8	112.4	118.0
Trade and finance	126.7	132.7	150.9	164.3	172.7
Service sectors	495.7	542.3	610.0	665.5	747.3
Housing	10.7	10.8	10.9	10.9	11.0
Public utilities	8.3	8.7	10.4	10.8	11.2
Other services	476.7	522.8	588.7	643.8	725.1
Total	1,179.7	1,337.6	1,459.4	1,592.4	1,764.5

Source: Ministry of Planning.

Table 9.2: Consumer Price Index for Urban Population

(1966/67 = 100)

End of period	1969	1970	1971	1972	1973	1974
Food and beverages (52.5)[1/]	109.9	115.7	120.2	126.0	139.9	161.3
Cereals (11.2)	98.8	98.3	98.9	99.1	120.6	120.9
Pulses (6.6)	110.5	136.9	161.3	121.5	127.1	186.1
Meat, fish and eggs (13.1)	114.5	129.1	131.2	147.7	163.6	190.3
Dairy products (5.9)	117.6	115.1	118.4	128.1	151.0	173.3
Vegetables (3.8)	110.8	101.5	113.8	174.9	163.6	210.4
Fruits (2.9)	109.3	111.5	112.1	126.1	144.9	154.2
Housing (15.7)	109.1	108.5	108.5	105.7	106.2	106.5
Furniture and other durables (1.3)	96.0	96.7	97.0	97.4	98.5	109.0
Clothing (8.4)	102.5	101.7	103.7	107.7	117.8	129.9
Transport and communications (4.4)	119.8	119.8	119.8	121.4	123.1	123.1
Services (9.9)	108.6	113.8	117.0	119.7	121.8	127.3
Personal expenses (7.8)	114.3	114.4	114.6	114.8	116.0	120.4
All items (100.0)	109.6	112.8	115.9	119.1	127.7	141.0

Source: Central Agency for Public Mobilization and Statistics.

1/ The numbers in parentheses are indicative commodity weights based on the commodity weights employed in five regional subindices and population weights for these regions (including the Canal Zone, for which no observations are now taken). The original weights were derived from a family budget survey of 1964/65 and the sample population census of 1966. The subindex for food and beverages includes also oils and fats (2.2), sugar and sweets (2.5) and beverages (4.3).