

MINISTRY OF FINANCE

DRAFT BUDGET HIGHLIGHTS FY 2022/2023

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THE FY 2022 / 2023 STATE BUDGET PINPOINTS 4 MAIN OBJECTIVES FOR THE GOVERNMENT'S ACTIONS IN THE NEXT FISCAL YEAR, WHICH ENCOMPASS:

1. Maintaining efforts aimed at boosting social safety nets and improving the standards of living
2. Focusing on enhancing the efforts targeting human capital development in health and education
3. Maintaining the sustainability of the fiscal discipline and the government's debt levels, and reaching financial stability
4. Supporting and boosting economic activity specially in the industrial and export sectors

The government also targets supporting an economic growth that is led by the private sector, in addition to expanding the tax base through limiting the measures enabling tax evasion, expanding the mechanization activities, and boosting the inclusion of the informal economy.

BRIEF OUTLOOK ON FY 2022/23

For the upcoming fiscal year, the government plans to speed up the implementation of digital transformation and financial inclusion measures, in addition to expanding the efforts directed towards improving the business climate whether by upgrading tax measures and/or by increasing the adoption of electronic systems. Hence, more regulatory reforms that are oriented towards digitalization or mechanization are to be expected for the next fiscal year.

In addition to that, the Government plans to introduce new policies to boost economic activities that support growth, particularly in the manufacturing and export sectors, as well as to absorb workers whose jobs have been suspended. Other critical highlights of the FY 2022 / 23 budget include:

1. EXPENDITURE:

To cope with the rising global economic pressures, the Government targets increasing its expenditure by 15.4%, recording EGP 2.07 tn, which is however less than the targeted revenues for the next fiscal year that are expected to reach EGP 1.518 tn. Accordingly, it is expected for the budget deficit to widen to reach EGP 558.2 bn.

2. PRICES:

The rising global food and energy prices are stretching the Government's subsidy spend, where the state's total subsidy for the next fiscal year is expected to reach EGP 356 bn, with fuel subsidies recording EGP 28.1 bn and food (supply commodity) subsidies recording EGP 90 bn.

3. LOCAL DEVELOPMENT:

Both the health and education sectors are receiving more allocations in the upcoming fiscal year.

4. SOCIAL PROTECTION PROGRAMS:

To mitigate the effects of the current difficulties, the Government plans to adopt more social safety programs for the next fiscal year, with the state's allocation rising 4% to record EGP 293.4 bn.

5. TAXES:

For the upcoming fiscal year, the government plans to increase tax revenues by 16.4% to reach EGP 1.168 tn up from EGP 983 bn in FY 2021 / 22. According to the state budget, the government plans to do so by expanding the tax base via deterring tax evasion, informal economy inclusion, and adopting mechanization across different functions.

6. DEBT:

The Government plans to reduce the debt-to-GDP ratio to 84% for the next fiscal year, and to 75% over the next four years. In addition, the state plans to reduce the debt service costs to 7.6% of GDP as well as to reduce the budget deficit to 6.1% of the GDP from 6.2% forecasted this fiscal year, and to raise its primary surplus to 1.5% of GDP from a forecasted 1.3% this fiscal year. In terms of total foreign and local debt repayments, they are expected to reach EGP 690.1 bn, accounting for 45% of the government revenues and 33.3% of the government expenditure.

CHALLENGES FACING THE BUDGET

Potential increases in global oil prices could yield greater burdens on the government's coffers, where the government's expectations for the brent oil price is USD 80 per barrel for the next fiscal year.

A decline in global trade could impact the Suez Canal's revenues, with the FY 2022 / 23 draft budget expecting global trade to grow at 6% in 2022 and 4.9% in 2023.

An increase in the CBE's interest rates could lead to larger receipts serving the government's debt, where the average interest rate on government bills and bonds is 14.5% for the next fiscal year.

ECONOMIC INDICATORS

TARGETED FOR THE NEXT FISCAL YEAR (FY 2022/23)

NOTE: All increase/decrease percentages are in comparison to FY 2021/22



5.5%

GDP Growth Rate
FY 2022 / 23 GDP EGP 9.092 tn



7%

(± 2%)

Targeted Inflation



84%

as a % of GDP

Public Debt
to reach less than 75% by June 2026



6.1%

as a % of GDP

Total Budget Deficit
EGP 558.2 bn public debt



14.5%

Average interest rate on Government bills and bonds



1.5%

as a % of GDP

Primary Surplus



400

EGP bn

Wages and Compensation



965.4

EGP bn

Foreign and Domestic Loan Payments



80

USD per Barrel

Brent Oil Price



1.168

EGP bn (23% increase)

Total Tax Revenue



1.518

EGP tn (16.4% increase)

Total Revenue



330

USD per tonne

Average American wheat price



349.1

EGP bn

Total Non-Tax Revenue



18.5

EGP/USD (as of 10th of May, 2022)

Average Exchange Rate



820

EGP per tonne

Average Domestic wheat price



2.070

EGP tn

Total Government Expenditure
15.4% increase



376.4

EGP bn (9.6% increase)

Total Government Investments



125.6

EGP bn

Expenditure on Commodities and Services

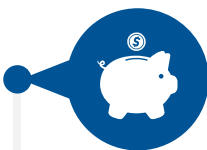


690.1

EGP bn

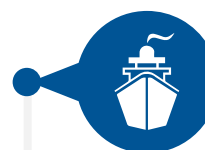
Expenditure on Interest Payments

OTHER MONITORED VARIABLES



EGP 7.7 BN

PROPERTY TAX REVENUE



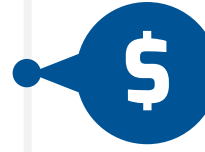
EGP 39.64 BN

SUEZ CANAL TAX REVENUES



EGP 477.6 BN (22.6% increase)

VAT REVENUE



EGP 46 BN (10.4% increase)

CUSTOMS TAX REVENUE



EGP 390.9 BN (20.4% increase)

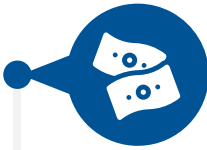
INCOME TAX REVENUE FROM NON-SOVEREIGN ENTITIES



EGP 86.754 BN

CIGARETTES AND TOBACCO REVENUES

FINANCING NEEDS FOR THE NEXT FISCAL YEAR



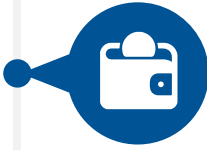
EGP 1.523 TN

TOTAL FINANCING NEEDS



EGP 84 BN

FOREIGN LOAN PAYMENTS



EGP 558.2 BN

PUBLIC DEBT



EGP 1.377 TN

DOMESTIC FINANCING SOURCES



EGP 146.4 BN

FOREIGN FINANCING SOURCES



EGP 881.4 BN

DOMESTIC LOAN PAYMENTS

(EGP 54.9 bn from loans from international institutions and EGP 91.5 bn from the issuance of international bonds)

GOVERNMENT EXPENDITURE AREAS

GOVERNMENT SPENDING ON HEALTHCARE

EGP 310 BN

GOVERNMENT SPENDING ON ON PRE-UNIVERSITY EDUCATION

EGP 317 BN

GOVERNMENT SPENDING ON HIGHER AND UNIVERSITY EDUCATION

EGP 159.2 BN

GOVERNMENT SPENDING ON SCIENTIFIC RESEARCH

EGP 79.3 BN

EXPENDITURE ON FOOD

EGP 12.2 BN (39.3% increase)

EXPENDITURE ON MEDICINES

EGP 14.6 BN

EXPENDITURE ON MEDICAL SUPPLIES

EGP 3.9 BN

EXPENDITURE ON WATER

EGP 2.7 BN (11% increase)

EXPENDITURE ON TRANSPORTATION

EGP 4.9 BN (6.8% increase)

ANNUAL INSTALLMENTS TO THE PENSIONS FUND

EGP 190.6 BN

TAKAFUL & KARAMA (MONTHLY CASH SUPPORT TO 4 MN LOW-INCOME FAMILIES)

EGP 22 BN

GOVERNMENT SPENDING ON FREE MEDICAL TREATMENTS TO CITIZENS AND EXPANDING THE UHIS

EGP 10.9 BN

SUBSIDY EXPENDITURES

	TOTAL SUBSIDIES, GRANTS AND SOCIAL WELFARE PAYMENTS	EGP 356 BN
	SUPPLY ON COMMODITIES	EGP 121 BN
	PETROLEUM MATERIAL SUBSIDIES	EGP 28.094 BN
	EXPORT SUBSIDY PROGRAM	EGP 6 BN
	FARMER SUBSIDY	EGP 545 MN
	MEDICINE AND INFANT FORMULA SUBSIDIES	EGP 2 BN
	MEDICAL INSURANCE SUBSIDIES	EGP 1.815 BN
	TOTAL SUBSIDIES FOR SOCIAL SERVICES	EGP 181.092 BN
	SUPPLY COMMODITY SUBSIDIES	EGP 90 BN
	CAR REPLACEMENT INITIATIVE	EGP 494 BN

PERFORMANCE OF KEY INDICATORS FOR FY 2021/22



GDP GROWTH RATE: 9% IN H1

(COMPARED TO THE 1.4% RECORDED IN THE SAME PERIOD LAST YEAR) AND EXPECTED TO RECORD 5.7% AT THE END OF FY 2021/22



BUDGET DEFICIT: 6.2% OF GDP



PUBLIC DEBT: 85% OF GDP



PRIMARY SURPLUS: 1.2% OF GDP

BY END OF FY 2021/22

FOR FY 2021/22 (JULY TO MARCH)



TOTAL BUDGET DEFICIT: 5.7% OF GDP

(COMPARED TO 5.13% OF GDP RECORDED IN THE SAME PERIOD LAST YEAR)



PRIMARY SURPLUS (BEFORE INTEREST PAYMENT):

EGP 31 BN (0.39% OF GDP) COMPARED TO THE EGP 25.3 BN RECORDED IN THE SAME PERIOD LAST YEAR (0.37% OF THE GDP)



PUBLIC INVESTMENTS:

EGP 132 BN (15% INCREASE)



INFLATION RATE:

INCREASED TO 8.8%
IN FEBRUARY 2022



INTERNATIONAL RESERVES: EGP 47.1 BN BY MARCH 2022

AND IS CAPABLE OF COVERING 5 MONTHS OF THE COUNTRY'S IMPORT RECEIPTS OF GOODS AND SERVICES (COMPARED TO EGP 40.3 BN RECORDED IN MARCH 2021)