

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Appendices

Bachelor Thesis

Economic Impact of Covid-19 on African Industries, focus on Egypt

Marwan Nimir

Supervisor: doc. Ing. Vladimír Krepl, CSc.

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Abstract

Coronavirus 2019 (Covid-19) has not only caused significant health issues among the populace, but it has also contributed to a larger number of deaths and caused havoc on the global economy on an unprecedented scale. This outbreak has the potential to undermine individual livelihoods, businesses, markets, and entire economies. In addition, the mining sector is not immune to these effects, and the crisis could have long-term, medium-term, and short-term implications for economic activities.

The importance of understanding the history of the pandemic before examining its effects and potential ramifications is illustrated by this thesis, which provides a general understanding of pandemics and their results for humanity and the economy. Furthermore, the thesis examines the significance of these impacts for the industry and provides an understanding of their nature.

The aim of the thesis to research the economic impacts of Covid-19 on the Egyptian industries. The paper examines how the outbreak has impacted the economic section such as unemployment, inflation, Import-Export, GDP. And Government Debt based on reliable collected data. The average annual unemployment rate in Egypt in 2020 indicated 10.45% which is 0.72% increase from 2019, however, Egypt exports didn't get impacted as like European countries and the African countries as Egypt was exporting good with the value of 26.63 billion Dollars while the import decreased to -17.89% in 2020. The inflation rate in Egypt was 7.4%. The government debt of Egypt during the pandemic of Covid-19 is 89.84%.

Objectives

On 14th of February 2020, Egypt documented first ever COVID-19 complaint. Cases were reported in 52 countries since then. Initially limited to metropolitan areas, occurrences are now being noted in a growing sample of countries and regions. On May 4, 2020, the number of confirmed COVID-19 cases had risen to 44 873, with 1 807 deaths. The African areas with the maximum number of infections were South Africa, Egypt, Morocco, and Algeria. Even so, the full extent of the pandemic is unknown because occurrences are unreported and data gathering precision differs greatly.

The objectives of the report are to evaluate the economic impact of COVID-19 on the industry all around the world and specifically for the North African Industry. The study will evaluate and analyse the economic effects of the evolving pandemic in Egypt's industry, specifically the Oil industries, Gas industries and agricultural industries.

Methodology

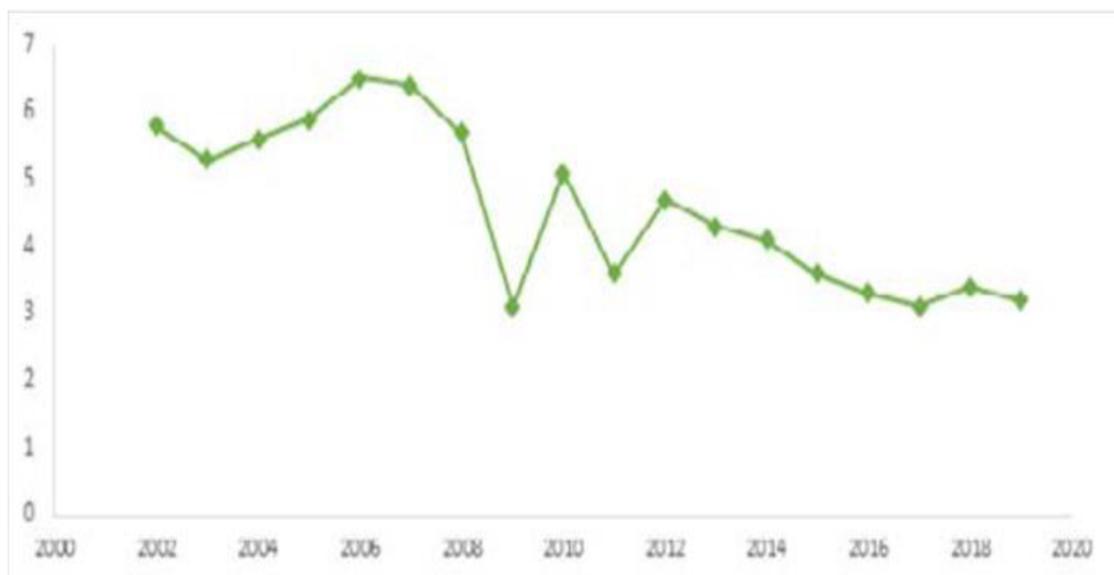
The information in this bachelor thesis is collected from relevant and published scientific articles, periodicals and papers in English and analysing what can be learned through the collection of data. The used internet databases are web of Science, Science Direct and Google Scholar etc. In addition, relevant and published books related to the topic will be studied. The bachelor thesis will be relying on previously collected data and information that came from the own experience of the author in the region.

This paper constructs a straightforward macro-econometric prototype of Africa to predict and replicate the impact of COVID-19 on developing states such as Egypt for appropriate policy implication. Its primary goal is to simulate the effect of a drop in petrol costs and a worldwide downturn on Egypt's key economies. Gross domestic product, income, export markets and inflation are examples of financial indicators.

Impact on African economic growth

African economic growth has increased significantly over the past decade, according to the table below. As a consequence of this decade of increased confidence, doubts have arisen about Africa's ability to sustainably increase its growth. This doubt in regard to Africa's economies is caused, among other things, by the persistence of dependence on global commodity prices. The gradual reversal of the price of raw materials, since 2014, has put a spell on the period of unprecedented high growth that the continent has experienced since the 1970s. As a result, Africa's economic growth rate decreased, from + 5% on average between 2000 and 2014 to + 3.3% between 2015 and 2019. A short time ago, Africa experienced a brief period of euphoria and enthusiasm, but the continent is now experiencing insufficient growth rates that are required to offset the economic lag. The African Union estimates a growth rate of 7% for the continent to achieve significant poverty reduction.

Figure 1 Africa's Economic Growth between 2000 and 2019



Source: (AUC 2020)

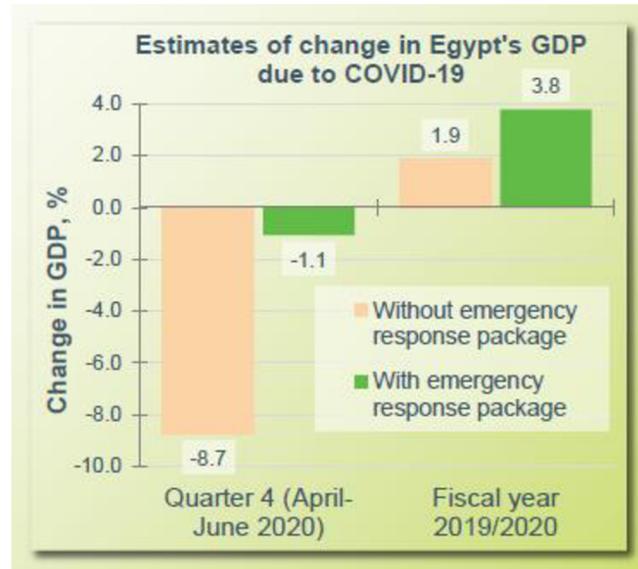
General overview of Covid-19 impacts on Egypt Economy

The Egyptian government took action relatively early to contain its spread due to the Covid-19 crisis that continues to unfold and the global economy experiencing the worst economic crisis since the Great Depression of the 1930's. As of mid-March, the government took a number of measures to contain the spread of the disease, including a travel ban on domestic and international passenger flights, a curfew between 8 pm and 6 am, a ban on public gatherings, and the closure of schools and religious institutions. Many factories are still operating, but the working hours and shifts are often reduced. These domestic anti-COVID-19 measures are modest by international standards because a partial lockdown of the Egyptian economy aims to strike a balance between public health and economic interests. Therefore, Egypt has been able to maintain a slower pace of economic activity without a complete lockdown. Egypt's economy is likely to be impacted in the coming year by both negative external factors and the occasional partial lockdown. Government policies have mitigated the negative effects. In addition, the government allocated 100 billion Egyptian pounds (EGP) to help reduce the economic fallout from the COVID-19 crisis. They lowered interest rates on loans and provided loans at a reduced interest rate for those sectors that were hardest hit. They also expanded social safety nets.

From April to June, the Egyptian Government leads to a decline in GDP of approximately 1.1%. The table below shows this, but with comparison to the same quarter in 2018/19 without the government's Covid-19 emergency response, the GDP may have declined by

8.7 %. Based on the emergency response package, they expected an annual growth rate of 3.8 % for the fiscal year 2019/20. Without the emergency response package, the annual growth rate for the fiscal year 2019/20 could have been as low as 1.9 %.

Figure 2 Estimation of change in Egypt's GDP due to Covid-19



Source: (Breisinger, Clemens; Raouf, Mariam; Wiebelt, Manfred; Kamaly, Ahmed; and Karara, Mouchera. 2020

In contrast, the services sector experiences a decline of 10.9 % and the industrial sector suffers a decline of -8.3 %. The agriculture sector is the most resilient. However, these losses are still somewhat lower than those experienced by comparable countries, especially those which resorted to lengthy periods of complete lockdowns. In fact, Egypt's agri-food sector did worse than elsewhere. As consumer demand for foodstuffs declines, the agri-food system will experience the greatest loss of income in nonfarm components. However, the highest-income households will experience the greatest loss, but so will lower-income households. The level of social protection needed to compensate poor households for income losses will likely be prohibitive, especially as the economy shrinks further.

Conclusion

The IMF provided Egypt with nearly \$8 billion in financial assistance according to a two-pronged strategy to assist Egypt in meeting its investment needs in response to the disease outbreak. As of May 2020, the Quick Funding Instrument provided \$2.8 billion in urgently needed additional funds in order to ensure the Government had just enough foreign currency to finance vital inflows and other requirements. Under the Stand-by Agreement

(SBA), which was approved in June 2020, the state will have access to approximately US\$5.4 billion over the next 12 months.

To provide Egypt with a powerful and comprehensive relief package, the SBA helped Egypt by maintaining financial prosperity, rebuilding foreign reserves to restore storage depleted in the destruction, and developing crucial systemic initiatives, such as metrics to reinforce public finances, financial openness, and democratic accountability, and advancing legislation to enhance the industry environment. The project's financial law struck a balance between protecting the market against the effects of COVID-19 and ensuring debt sustainability to preserve investor sentiment. The financial system has demonstrated adaptability following its prompt and sensible proposal in combination with international financial assistance, which has projected growth of 2.8% for fiscal 2020/21

Coronavirus illness has evolved into an extreme disease outbreak, posing numerous significant obstacles at the nationwide, geographic, and international scales. The repercussions, while tricky to determine, are anticipated to be huge in light of the Covid-19 quick dispersal and the severe actions taken by nations of all sizes around the world. Although if African states are currently less impacted than other areas, the ripple effects of international trends or cracked distribution networks may cause financial action to lose momentum. Matter of fact, Africa's high reliance on overseas markets anticipates a pessimistic monetary remake for the region, estimated at a 1.5-point loss in productivity expansion by 2020.

Furthermore, due to the region's incapability to convert its raw resources to fulfil the potential elevated requirement for products and facilities in household and worldwide industries, it is basically unfeasible for the region to profit economically from the wide occurrence distribution of Covid-19 in other regions of the globe. They may behave as a further impediment to Africa's effective transition by creating real worth commerce more complicated.

Irrespective of whether the situation is positive or negative, Covid-19 would have a negative socio - economic impact on Africa.

Reference

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