



[Egypt Faces Financial Difficulties and the Possibility of Defaulting on Its Loans](#)

As the new fiscal year begins, Egypt is on the brink of a colossal economic crisis starting in July. The country is suffering from a myriad of problems including a massive \$30 billion deficit, one of the world's worst debt-to-GDP (gross domestic product) ratios, a rapidly rising inflation rate, and a looming food crisis and shortages exacerbated by the ongoing war in Ukraine. Egypt also has increasingly high interest rates and a weakening currency causing further investor weariness. With few clear plans or initiatives to combat this crisis from the Egyptian government, economic experts warn that the circumstances will worsen for Egyptian citizens. It is feared that this dwindling of economic conditions will have ripple effects on the state of human rights within Egypt, which is already of concern under the El-Sisi regime.

Egypt's economic conditions are a blend of various miscalculations, frivolous spending, and a global crisis affecting the international community. As the fiscal year in Egypt begins, the nation will already be starting with a \$30 billion deficit. Egypt has one of the largest public debts among Arab nations as well, at a whopping \$409 billion. The nation's debt-to-GDP ratio is within the bottom-tier global economies. Additionally, Egypt is highly sensitive to the potential tightening of global monetary policies as a result of its large deficits because of structural reliance on food and energy importing. As such, higher prices of products like wheat and oil, which have skyrocketed in light of the ongoing war in Ukraine, can have a devastating impact on the state of Egypt's economic affairs. Egypt's finance minister himself has warned about the increase in food prices triggered by the destructive Russian invasion of Ukraine, and the effect this could have on food insecurity and humanitarian conditions. Egypt has been hit particularly hard by wheat shortages, being that it is the world's largest importer of the grain. This is especially troubling because the Egyptian government runs a large-scale subsidized bread program that nearly 70 million citizens rely on.

Like many global nations, Egypt has also been deeply affected by the Covid-19 pandemic. The country's tourism market and its service industry are at the foundation of its economy, and thus strains on these sectors have had a damaging impact. Along with this and the wheat crisis is the ongoing phenomenon of rising global costs and inflation. The recent United States Federal Reserve interest rate hike has meant that many countries like Egypt have limited options to support their higher gross external financing needs. On top of that, Egypt has taken on expensive projects including multi-billion-dollar ones such as a high-speed rail system and a new nuclear power plant. The nation has also spent billions on a brand-new capital city as well.

The looming economic crisis has yet to see a comprehensive strategy to combat these issues. Economic experts predict that Egypt will be forced to increase interest rates considerably. The lack of action from the Egyptian government alerts human rights activists that the living conditions of Egyptians will likely worsen. While little large-scale action can be taken before the July fiscal year start date, observers hope that some forward-looking strategies can be implemented to try and combat the prospective economic devastation.