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The Egyptian Government Faces Financial Difficulties and Plans to Sell Public Assets to China and Others

As the Egyptian economy continues to reel from the shockwaves of the war in Ukraine and other circumstances, the country is beginning to explore more desperate options. Cairo has been considering the sale and privatization of many of its public assets including ports, banks, hotels, telecommunications companies, infrastructure projects, energy and water desalination, business sector companies, and entities affiliated with the armed forces. The planned sale would be to China and other countries, in addition to private businesses. The main goal of these proposed sales would be to “rein in the participation of the government and the companies owned by the armed forces in economic activities,” according to Egyptian political scientists. To meet this aim, the government hopes to allow the private sector to control 65% of the economy, a notable jump from the current 30% level. The assets and projects, valued at $40 billion, will either be sold to the private sector or offered for partnership over the next several years.

In a continued effort to try and prop up its economy, the Egyptian government has also applied for a new loan from the International Monetary Fund. They may be a big influencer towards the privatization, as new documents from the global lender have indicated that they want to see the private sector more involved in the economy in Egypt. There was also growing criticism of the increasing control that the Egyptian military has over the economy, with a massive network of businesses from agriculture to gas stations. All of the profits from these businesses go to funding government projects and are not subject to any type of oversight.

The substantial economic crisis is due to two main issues. The first is that Egypt has accrued a large amount of debt in a short amount of time. In just four months, they increased their debt by 8%. This rise in debt was also accompanied by an increase in inflation, nearly a record of almost 15%. These factors have led to an extreme devaluation of the Egyptian currency, which itself comes with an increasing cost of interest and debt repayment, jumping from $63 billion in the 2021/2022 fiscal year to $90 billion in the 2022/2023 fiscal year. Servicing the debt now takes up half of public spending. This dangerous combination could lead to a collapse of social services, as the government must spend more and more money to continue to pay their debtors. As a result of all of this, the Moody credit rating agency has downgraded Egypt’s economic outlook from stable to negative.

With the Egyptian economy continuing to be hampered by this combination of issues, the people on the ground feel the increasing lack of public spending on social programs. This will likely lead to hikes in financial hardships among the general population. There is also the potential risk of growing foreign influence among the economic sector as well, as multiple businesses, including Chinese state-owned entities, begin vying for the acquisition of Egyptian public assets. Some of these, like the ports and water production facilities, could be leveraged to try and influence the Egyptian government. It remains to be seen how the economic crisis plays out, but Egypt is taking significant steps in an attempt to correct course.