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Egypt: Chronic high prices – manifestations, causes and likely solutions

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Since mid-2013, the Egyptian citizen has been living in chronic suffering due to the high food prices and lack of sufficient quantities for local consumption, most prominently bread, rice, sugar, edible oil, meat, poultry, table eggs and butane gas. The Egyptians have also been suffering from the rise in prices of public services, including electricity, drinking water, and natural gas, as well as fuel used by cars and public transportation. In light of these recurring crises, Egyptians have been complaining on social networking sites about the high prices of food commodities, food shortage, and disappearance of some commodities from public markets and groceries.

Recently, the suffering from a chronic condition has turned into suffering from an acute condition, where having a dish of rice, potatoes and eggs on the table has become the dream of many families; as for meat and chicken, they are just a fantasy. However, the suffering of Egyptians further increased after they had been deprived of any exceptional social benefits provided by most of various world governments to their citizens, both in kind and in cash, including food baskets and additional salaries, while dropping housing rents and electricity, gas and water bills; and also in deductions on income taxes and government services allowance.

In fact, the living crisis that the Egyptian citizen suffers from lies in his government, which pursues backward economic policies, as it was evident in the [demolition of people's homes and mosques](#), under the pretext of being built without a license, or to expand roads.

Despite the painful reality experienced by the Egyptian people, where the price of a box of [table eggs](#) (30 eggs) reached EGP 80, [Sisi](#) unabashedly praises what he calls as 'reform'. Meanwhile, the World Bank stated on its official website that Egypt's [external debt](#) rose in the first three months of the year by 8.4 percent to reach \$157.8 billion. However, the comment of International Monetary Fund Director-General [Kristalina Georgieva](#) was more expressive of the poor in Egypt than their own government; as Georgieva stated that she was concerned about Egypt due to the rise in food and energy prices, and its impact on the Egyptian people.

The manifestations of high prices resulting from the low agricultural production are very clear, but only the ruling regime denies them. It suffices to indicate that Egypt has become the first largest importer of wheat globally, with 12 million tons; and the fourth largest importer of yellow maize, which is used in poultry feed, with 11 million tons, and soybeans for the same purpose (poultry feed) with 4 million tons. It also imports almost all its edible oils, and more than half its needs of beans and lentils. In total, Egypt imports about 65% of its food needs, worth [at least \\$20 billion per year](#).

Another manifestation of the high cost of living is the rise in prices of food commodities within the items of the subsidized ration card, where the price of a kilo of rice rose from [EGP 1.5 up to EGP 10.5](#), then it disappeared from the items of ration cards; and the price of sugar increased from EGP 1.25 to EGP 10.5 per kilo; oil from EGP 3 per kilo to EGP 27. Furthermore, due to the decline in local production and the regime's inability to provide hard currency for importing basic commodities, the government turned a blind eye to quality specifications of imported commodities, where it imports wheat infected with the [ergot fungus](#), poor edible oils, and frozen meat from prohibited origins, which is a crime against the Egyptian people because of exposing the public health to danger.

Also, the indiscriminate removal of families from subsidized ration cards is another manifestation of the social injustice, despite the increase in poverty rates, refusal to add newborns of families deserving support to the subsidized ration card system, and reducing support starting from the third child by 50%. According to statistics of Egyptian Central Agency for Public Mobilization and Official (CAPMAS), the poverty rate reached 32.5% in 2019, against 27.8% in 2015; while extreme poverty reached [6.2% against 5.3%](#) in the same time periods. In light of the Covid-19 crisis, the CAPMAS statistics confirmed that only 5.4% of Egyptian families received irregular labor grants during the pandemic crisis at EGP 500 on a monthly basis for a period of only 3 months, while most Egyptian families do not have enough income to secure the livelihood of their children, as a large proportion of families resorted to borrowing and accepting donations from benefactors and relatives; and some were prompted to sell part of their property to meet social burdens in light of the [state's abandonment of its role](#).

Causes of the crisis

First: Regime's defective economic policies since 2013

The regime ignores important and urgent projects while it is preoccupied with marginal and sometimes useless projects, with the aim to improve its miserable image, claiming to raise the morale of the deceived masses, without regard for credibility or responsibility, which has led to fall of more than 60 percent of Egyptians into poverty, according to statistics from the World Bank immediately before Coronavirus pandemic. It seems that the current regime is really powerless in the face of real challenges, amid escalating numbers of factories that have been closed due to suspension of importing spare parts and production requirements. The Sisi regime is also directly responsible for the collapse of the furniture industry in Damietta and the transformation of its owners into poor and unemployed people after they had been well-off [manufacturers](#); as well as the [spinning and weaving industry](#), the agricultural production, and the hunting and livestock.

A clear sign of deterioration of economic performance is the fact that the budget revenues are totally dependent on tax collection, estimated at 77 percent of revenues, as Finance Minister Mohamed Maait announced in a statement to parliament on the new draft budget last May, where he stated that the government expects a tax revenue of up to EGP one trillion and 168 billion, equivalent to [\\$63 billion dollars](#), up from \$53 billion dollars last year.

Second: Foreign loan chaos

The regime's failure to assess the priority of borrowing, with preoccupation with secondary and non-productive projects, and neglect of national and productive projects that can generate job opportunities, is one of the most serious scourges of the Egyptian economy. For example, the regime is building the New Administrative Capital at a cost of \$60 billion; the Ein Sukhna, El Alamein, and the Monorail line at a cost of \$26.5 billion, the Dabaa nuclear power plant at \$25 billion; and [power plants](#) at \$6.7 billion, despite the fact that there is an electric surplus amounting to 75 percent of the volume of consumption.

In light of the intensification of the Covid-19 crisis last year, and in coincidence with the death of 500 doctors due to the deterioration and impotence of the [health system](#), according to a statement of the Ministry of Health, the head of the regime signed a contract with France to purchase 30 Rafale aircraft,

worth \$4.57 billion, which military experts said were useless in combat and ineffective in the crisis of the Grand Ethiopian Renaissance Dam (GERD), nor in the face of "terrorism" in the Sinai Peninsula. In 2015, the regime held a similar Rafale deal worth \$5.7 billion.

Roads and bridges cost EGP 300 billion, from which the citizen only suffers in payment of [royalties and exaggerated road tariffs](#) in favor of the army. One of the signs of irresponsible extravagance is that Sisi has bought a new presidential plane for half a billion dollars at a time when the country is suffering from a stifling crisis, in addition to building [more presidential palaces](#)!

The regime's expansion in external borrowing up to 145.5 billion dollars in late December 2021, which later rose to [\\$157.8 billion](#) by the end of March 2022, leading to the squandering the budget resources on debt service, interests and assets, as debt installments and interests amount to \$90 billion, according to a statement by the Minister of Finance, that is 54 percent of total [public spending](#), compared to \$63 billion last fiscal year. Payment of the debt interest is likely to create a deficit between revenues and expenditures of about \$30 billion, which will be at the expense of education, health, social support and investment allocations.

Third: Devaluation of Egyptian Pound

Floating the local currency and reducing its purchasing power in compliance with the demands of the International Monetary Fund has a direct impact on doubling the prices of goods and services, and accordingly increasing the suffering of the citizen in feeding his children. The Egyptian pound has lost two thirds of its purchasing value of commodities, most of which are imported from abroad, especially foodstuffs that are indispensable to every family, such as edible oils, pasta and meat; or you need raw materials for their production, such as yellow corn, soybeans and medicines, which constitute more than 80% of the production cost of poultry meat and table eggs, which doubled the prices of commodities.

For example, edible oil prices increased from EGP 4.5 per liter in 2013 to EGP 30;;, sugar prices from EGP 1.25 per kilo to EGP 10.5; [rice](#) from EGP 1.5 to EGP 10. Then the prices increased again under the pretext of the repercussions of the war on Ukraine, which has escalated the [suffering](#) of the Egyptian citizen and decreased per capita rations for rice and pasta.

The prices of meat, poultry, fish and eggs have at least tripled.

Fourth: Covid-19 Pandemic

Citizens in various countries of the world have received direct support as cash transfers, indirectly by exempting them from taxes and bills of housing rent, electricity and water supply, and in the form of kind support by providing food commodities and infant formula to them since the outbreak of the Covid-19 Pandemic. However in Egypt, the government failed to provide social support to all citizens, and even to the poor and those who lost their source of livelihood and became unemployed.

The government did not even think of using the public transportation savings, given the fact that they completely stopped operation, to support households with food supplies. A study by the Central Agency for Public Mobilization and Government Statistics on the impact of the Coronavirus on the consumption of Egyptian households revealed that only 5.4 percent of Egyptian families received irregular labor grant, that is EG 500 (about 32 dollars) per month over a period of [only three months!](#)

Fifth: Regime wasted self-sufficiency plans

After the January Revolution, there were plans for achievement of self-sufficiency in wheat, expansion of rice cultivation, and investment in agriculture. The late President Mohamed Morsi later announced a plan for self-sufficiency in wheat within 4 years, which succeeded in the first year by 30%. The plan would almost bear fruit, had it not been for the military coup, which expanded the import of wheat, corn, edible oil, and even rice, which used to be exported, from the regime's sponsoring countries to buy international legitimacy at the expense of Egyptian national security and the income of Egyptian farmers.

The head of the regime fought rice cultivation and fined and imprisoned those who cultivated more than the prescribed areas. Egypt has become the largest importer of wheat across the world, by 13.1 million tons; the fourth largest importer of yellow maize, by 9.7 million tons; with reliance on edible oil imports by 97 percent. Egypt turned from an exporter of rice to an importer of it, by 800,000 tons.

The government imports wheat from Russia and France at [460 dollars per ton](#), equivalent to EGP 8,500, but it buys wheat from the Egyptian farmers, based on a compulsory supply system at only EGP 5900 per ton, a difference of EGP 2,600 per ton in favor of the imported wheat, despite the major [quality](#) difference in favor of the Egyptian wheat.

Sixth: The army controls joints of national economy

Also, the army's control over the joints of the national economy and its monopoly of cultivable land resources, irrigation water, the components of agricultural production, greenhouses, animal and fish production, and even food processing since 2014, according to accurate information documented by researcher Yazid Sayegh of [Carnegie](#) – was one of the prominent causes of the crisis. The military also monopolized the import of chilled and frozen meat and food commodities, raising their prices many times their real price, and profiting from the pockets of the poor.

Seventh: Cutting down all forms of social support

The government cut down social support directly, by raising prices of goods; and indirectly, by reducing the weight of bread, cutting down food commodity allocations within the ration card system, and arbitrarily deleting millions of households from the bread and food subsidy system, in addition to depriving newborns of all forms of food support, despite the increase in poverty and unemployment rates, and their impact on increasing divorce rates and exposing future children to [family disintegration](#).

The draft budget included reduction by more than 8 percent in the allocations for subsidized food commodities. The government allocated \$4.68 billion to support food commodities, compared to \$5.3 billion in the previous budget.

Eighth: Decline in foreign exchange resources

Also, the decline in foreign exchange resources from Egyptian expatriates, tourism, exports, the Suez Canal, and squandering Egypt's oil wealth in the eastern Mediterranean in favor of foreign countries, and the quarry and mining wealth in favor of the army, amid absence of principles of transparency, accountability and accountability, and removal of national competencies, such as the isolation and arrest of Councilor Hisham Genena, former head of the Central Auditing Organization, after uncovering corruption cases worth [600 billion Egyptian pounds](#). All this led to an increase in the prices of basic food commodities by 29.3 percent, according to a report issued by CAPMAS in April.

The BBC also said that the rise in prices was only a manifestation of the crisis that the Egyptian economy has recently been facing, including inflation and decline in currency exchange rates, high

interest rates, and the impact of the Russian-Ukrainian war. BBC even wondered how the Egyptian citizen deals with the continued rise in prices?

How to address the crisis

First: Supporting agricultural research and urging agricultural researchers to develop plant and animal wealth through improvement of national breeds, not through foreign breeds that die due to change of environment; supporting the Egyptian farmer to achieve self-sufficiency in wheat, rice and corn; the application of the agricultural cycle, which rationalizes irrigation water by 20 percent and increases agricultural production by 30 percent; purchasing crops from the farmer at stimulating prices no less than the prices of imported crops, and providing high-yield seeds and fertilizers to farmers at reasonable prices.

Second: Stopping foreign borrowing in all forms; offering national production projects using the usufruct system that ultimately leads to public ownership; avoiding the dictates of the IMF; stopping reduction of social support by all means; the return of millions of households that have arbitrarily been removed from the system of subsidized bread and ration cards; adding the newborns in families eligible for support to the bread and ration card subsidy system.

Third: Lifting the army's hand from monopolizing agricultural land, fish and livestock resources and greenhouses; and distributing them to young graduates and small farmers, with the required guidance, training, and non-profit financial financing.

Fourth: Reforming the government's fiscal and monetary policy to encourage Egyptian expatriates to increase remittances and foreign investment in the national economy; and promotion of the tourism sector through assignment to experts; zeroing problems with neighboring Arab and African countries and participating in their development plans as a strategic depth and a promising market for Egyptian products.

Fifth: Restoring Egypt's oil wealth in the eastern Mediterranean; efficiently and transparently managing and developing quarry and mining wealth; disclosure of the accounts of the Suez Canal resources and directing them to development of the Suez Canal Axis project; protecting Egypt's historical rights to the Nile waters; and revealing the truth about what has been going on in Sinai,

and focusing on development of the Peninsula and rehabilitation of its people and allowing them access to its resources.

Finally: Prior to all the above, the regime must undertake national reconciliation, release detainees, and compensate for the victims. Then, a new government of technocrats should be formed to control economic performance, give priority to productive projects, and adopt the principles of transparency and accountability in all ministries¹.



¹ The views expressed in this article are entirely those of the author's and do not necessarily reflect the views of the Egyptian Institute for Studies