

Egypt economy may grow over 5 pct: Citigroup

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Citigroup reported that Egypt may see its economy grow by more than 5 percent in 2010 if it is able to sustain its current growth momentum

"Although the Egyptian economy has weathered the global economic slowdown relatively well so far, the key question... is how quickly the economy can pick up again to growth levels where unemployment will start to trend down again," the brokerage said.

Growth in the Egyptian economy slowed rapidly in 2008 to 4.1 percent during the fourth quarter, but picked up to rise 4.3 percent in the first quarter this year and 4.5 percent in the second quarter, Citigroup said.

The brokerage, however, noted that growth rates of around 4 percent to 5 percent would be insufficient to curb the rising unemployment in the region.

The unemployment rate in Egypt has risen to 9.4 percent in the second quarter this year from a low of 8.4 percent during the fourth quarter of 2008, Citigroup said.

Although there are several potential engines of growth, the government will still struggle to boost the overall growth level back to 7 percent without significant growth in the external sector, Citigroup said.

For the external sector to drive growth, the Central Bank of Egypt may need to revise its current exchange rate policy, the brokerage added.

However, this is unlikely until after the 2011 elections or unless there is a change in the external environment, Citigroup said, adding that it expects the central bank to continue to seek currency stability in the coming 12-18 months.