Folder Title:	Economic Committee Papers - United Arab Republic - Country Economic Brief
Folder ID:	30348882
Series:	Circulation of reports for review or information
Dates:	03/26/1968 - 03/26/1968
Fonds:	Records of the (Staff) Economic Committee
ISAD Reference Code:	WB IBRD/IDA WB_IBRD/IDA_118-02
Digitized:	06/11/2025

UNITED ARAB REPUBLIC

COUNTRY ECONOMIC BRIEF

I. QUALITATIVE EVALUATION

A) Summary	1)	Performance	: Under review
	2)	Poverty	: Eligible (GNP per capita 1966, $153)
	3)	Creditworthiness	: Eligible (very limited creditworthiness)
	4)	IDA eligibility	: Under review

B) General Evaluation

The Economic Committee in July 1966 concluded that the UAR's past and current economic performance was not an encouraging basis for success, and that sustained changes in attitudes and policies would be necessary for improved economic growth and for the support of the Bank group.

The UAR is facing an acute balance of payments problem which is made difficult to handle because of a considerable amount of short-term debt. The recent hostilities in the Middle East added to UAR's troubles, particularly in the form of a loss of potential foreign exchange earnings from the Suez Canal as a result of its closure, and from tourism. In addition, re-equipping the armed forces would possibly add more strains to the economy.

The Government introduced in its 1967-68 budget some realistic measures in an effort to stabilize the economy, including a reduction in public spending, an increase in the rate of income tax and some indirect taxes, and an increase in prices of many commodities and public services. Furthermore, the Government had revised its development plan and cut down its magnitude.

With the existing political and economic uncertainties, assessment of UAR's eligibility awaits the findings of the economic mission which is at present in the country.

Middle East and North Africa Department
March 26, 1968

U.A.R.

Economic Committee

March 1968

U.A.R.

Conclusions of Economic Committee:

July 8, 1966 meeting: The Committee listed the following ways in which the Government would have to improve the country's economic performance before the Bank Group could regard it as adequate to justify the resumption of lending:

1. Effective action to improve the balance of payments situation. The conclusion of a stand-by agreement with the IMF would considerably influence the Bank's judgment of the adequacy of the U.A.R.'s economic performance.

2. Retrenchment in non-development government expenditures;

3. External debt limitation;

4. Tangible evidence that steps were being taken to shift resources, especially agricultural resources, into exports;

5. Effective decentralization of industrial management;

6. Introduction of adequate price and other market incentives.

The Chairman said that, in addition to these economic policy actions by the U.A.R. Government, there was the compensation issue. This important issue, he understood, was being considered by the responsible Bank officers.

The necessary and suitable conditions for a successful development effort, and for the support of the Bank Group, had to be conveyed to the U.A.R. Government at the appropriate time; yet, great care would have to be taken that the Bank's position was not misunderstood. The Bank staff should convey to the Government officials the impression that the Bank wished to see the U.A.R. establish the pre-conditions for satisfactory economic growth and beneficial relations with the Bank Group. However, the Bank staff were also aware that the U.A.R.'s past and current economic performance was not an encouraging basis for success, and that sustained changes in attitudes and policies would be necessary for improved economic growth.

On the question whether project appraisal missions should be sent to the U.A.R., the Chairman thought that before the Bank made a decision, it would be preferable first to obtain the reaction of the Government to the Bank's analysis of the country's economic position and prospects.

Prepared by Economics Department,
not yet cleared by Area Department

United Arab Republic
March 1968

II. BASIC DATA

	1950	1955	1960	1965	1966
AREA (1000 sq. km.)					1,000
EXCHANGE RATE (Pound per US$)	0.35	0.35	0.35	0.43	0.43
POPULATION					
Total (millions)	20.5	23.0	25.8	29.6	30.1
Density (inhabitants per sq. km.)	20	23	26	30	30
Urban population (% of total pop.)	30/a	..	38	..	..
Literacy rate (% of adult pop.)	20/a	..	20	..	..
GROSS NATIONAL PRODUCT (at current f.c.)					
Total (mil. US$)	1,391	1,952	3,046	4,457	..
Per capita (US$)	68	85	118	151	..
TOTAL RESOURCES (mil. current pounds)	..	..	1,341	2,126	..
By source:					
gross domestic product (%) /b	..	..	97.8	96.2	..
net imports of goods & services (%)	..	..	2.2	3.8	..
By use:					
consumption (total) (%)	..	..	87.5	82.9	..
gross domestic investment (%)	..	..	12.5	17.1	..
GROSS NATIONAL SAVING (as % of GNP at market prices)	..	..	10.4	13.6	..
TAX REVENUE (as % of National Income) /c	..	..	13.9	17.1	..
GROSS DOMESTIC PRODUCT at current f.c. (%)					
Agriculture	41.1	..	30.6	..	..
Mining	0.3	..	3.6	..	..
Manufacturing	7.4	..	13.8	..	..
Construction	2.8	..	4.6	..	..
Transport & communication	5.7	..	8.7	..	..
Public administration & defense	10.6	..	5.3	..	..
Other branches	32.1	..	33.4	..	..
EXTERNAL PUBLIC DEBT					
Total debt outstanding (US$ mil.) /d	..	700.0	873.3	1386.1	..
of which: undisbursed	..	..	..	..	..
Total annual debt service (US$ mil.)	..	..	..	..	..
Debt service ratio (%)	..	..	..	..	..

/a 1947.
/b Excludes statistical discrepancy.
/c Central Government tax revenue as a percentage of GNP.
/d Estimates.

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United Arab Republic
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II. BASIC DATA (cont.)

	1950	1955	1960	1965	1966
BALANCE OF PAYMENTS (US$ mil.)					
Merchandise exports (f.o.b.)	546.2	399.4	584.9	567.6	596.8
Merchandise imports (f.o.b.) /a	599.9	578.9	765.1/b	959.2	945.1
Net merchandise (f.o.b.) /a	-53.7	-179.5	-180.2/b	-391.6	-348.3
Service receipts (excl. invest. income)	211.6	233.5	266.2	335.2	369.4
Service payments (excl. invest. income)	155.6	152.2	184.0	188.8	184.9
Net services	56.0	81.3	82.2	146.4	184.5
Net investment income receipts	-32.2	-28.1	6.0	-16.4	-10.1
Surplus on Current A/C (excl. transfers)	-29.9	-126.3	--92.0	-261.6	-173.9
CONCENTRATION OF MERCHANDISE EXPORTS (%)					
FOREIGN TRAVEL RECEIPTS (as % of total exports of goods and services)	*	1	..	..	..
EXTERNAL TRADE INDEXES (1959 = 100)					
Export price index	109	107	..	..	..
Import price index	87	111	..	..	..
Terms of trade	126	96	..	..	..
INTERNATIONAL RESERVES					
Total gross reserves (US$ mil.)	1,019.0	662.0	340.0	326.0	267.0
of which: commercial bank holdings	24.0	30.0	76.0	133.0	111.0
Months' imports of goods and services	16.2	10.9	4.3	3.4	2.8
IMF POSITION (US$ mil.)					
Quota	60	60	90	120	150
Drawings outstanding	--	--	52	125	105

/a Imports c.i.f.
/b Imports include some loan repayments.

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III. ANNUAL AVERAGE RATES OF CHANGE (%)

	1951-59	1960-65	1964	1965	1966
POPULATION (total)	2.4	2.7	3.4	2.4	1.7
GROSS DOMESTIC PRODUCT (real) /a					
Total	6.2	6.3	5.5	5.5	..
Per Capita	3.7	3.5	2.0	3.0	..
TOTAL MEANS OF PAYMENT	2.6/b	10.3	15.4	6.9	1.6
Money	1.1/b	8.9	19.4	5.8	4.5
Quasi-money	9.2/b	14.0	6.5	9.6	-5.4
BANK CREDIT OUTSTANDING					
To central government (net)	15.0/b	19.6	16.5	12.5	16.7
To private sector	11.4/b	5.0	3.8	2.6	-1.5
PRICES					
Cost of living index	0.3	2.8	4.0	14.6	8.5
Wholesale price index	2.2	2.1	5.0	7.6	8.0
GDP implicit deflator	..	..	..	..	..
EXPORTS AND IMPORTS (based on current US$)					
Exports of goods and services	-0.5	3.7	2.7	7.1	7.0
Imports of goods and services	1.6	4.8	1.6	2.6	-1.6

/a GDP at factor cost.
/b 1953-1959.

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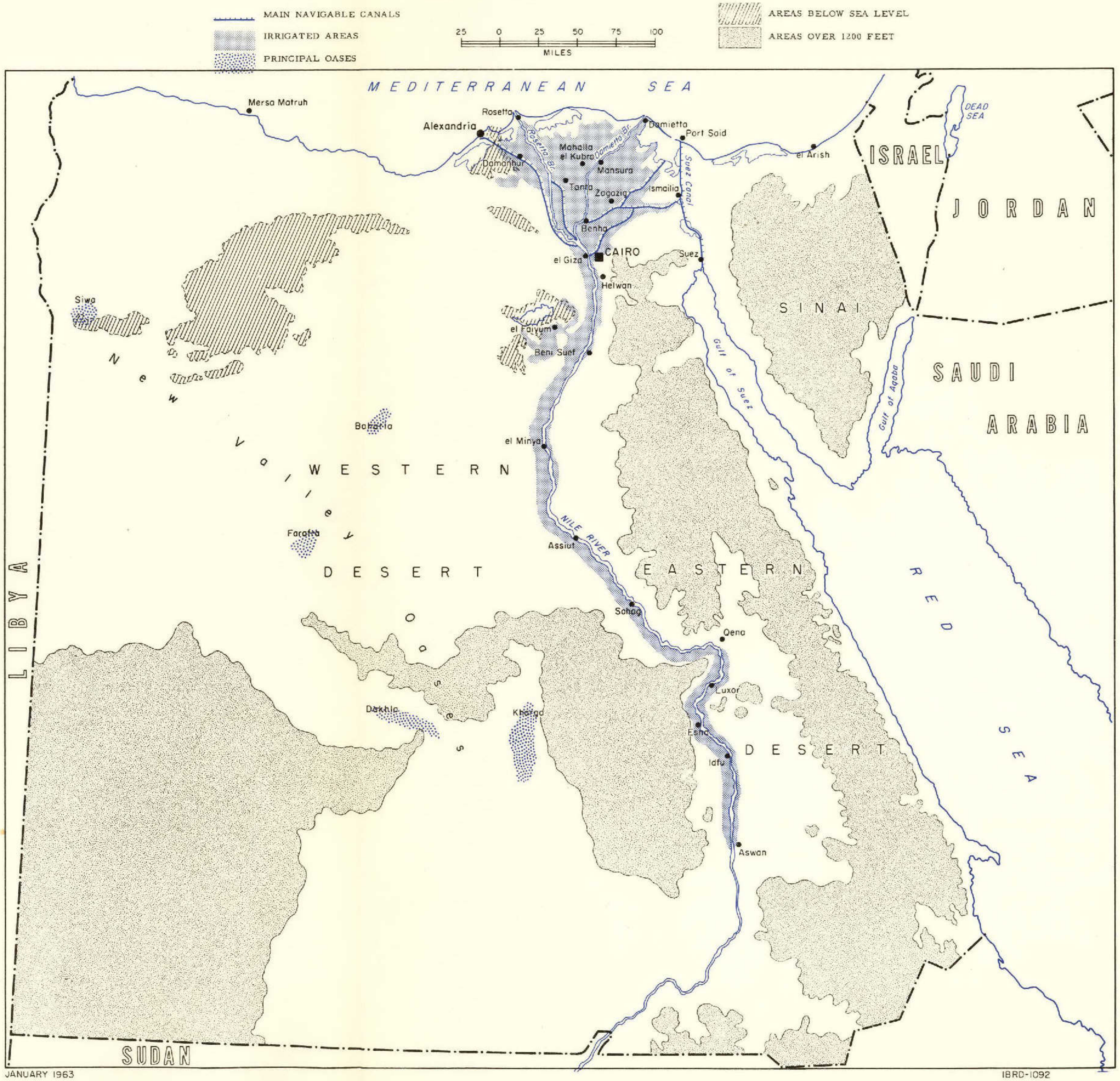
IV. SELECTED RELATIONSHIPS - PERCENT OF GROSS DOMESTIC PRODUCT
(based on values at current market prices)

	1950-59	1960-65	1955	1960	1966
EXPORTS AND IMPORTS					
Exports of goods and services	..	19.0	..	21.1	19.1/a
Imports of goods and services	..	23.5	..	23.3	23.0/a
INVESTMENT AND SAVING					
Gross domestic investment	..	16.6	..	12.4	17.7/a
private fixed investment	..	..	..	..	..
public fixed investment	..	..	..	..	..
increase in stocks	..	..	..	..	..
Deficit on current account	..	4.7	..	2.0	4.2/a
net imports of goods and services	..	4.5	..	2.2	3.9/a
net factor payments to abroad	..	0.2	..	-0.2	0.3/a
Gross national saving	..	11.9	..	10.4	13.5/a
CENTRAL GOVERNMENT OPERATIONS					
Current receipts					
Current expenditure					
Saving					
Capital receipts					
Capital expenditure					
of which: central government capital formation					
Overall Budget Surplus					
External loans and net grants and transfers received					
of which: on current account					
Domestic borrowing (net)					
Cash balance: increase(-) decrease(+)					

/a 1965.

UNITED ARAB REPUBLIC



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IBRD-1092