

# THE NATIONAL INCOME OF EGYPT

1950

*by*

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This is a new issue of the series of the National Income of Egypt. The first and second issues appeared in 1950 (1) and 1951 (2). This new work attempts to present in brief the elements of the national income of Egypt of 1950. It is written with the assumption that the readers are familiar in a general way with the techniques of the national income. For the benefit of those who do not have this familiarity or wish to be more acquainted with the question, my 1951 publication will serve their purpose.

The present as well the last two works are offered humbly with the full recognition of the difficulty of knowing with some degree of certainty the figure of the national income. It is presented also with the awareness of the complexity of the question. If I nevertheless have the hardi hood to take up this question again it is in the hope that this series may contribute to the development of the statistical machinery to improve the estimates.

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- (1) The National Income output and Expenditure of Egypt for the years 1937-1945.
  - (2) A study of the National Income of Egypt, *L'Egypte Contemporaine*, Novembre-Décembre 1950, n° 261-262.

It is an unfortunate fact that no adequate statistics for the national income exists in Egypt. The lack of trustworthy statistics is indicated by such conditions as : very tardy publication of yearbooks and census reports, vague definitions, lack of important data...

The main gaps in the Egyptian statistics of the national income are caused by the non-existence of reliable statistical material regarding of the following items:

- 1) Rents of lands and buildings
- 2) Wages paid in agriculture and agricultural profits
- 3) Commercial and Industrial profits
- 4) Salaries and wages in general
- 5) Employment.

The available statistical material could be allocated to :

- 1) The population Census in 1937 and 1947.
- 2) Census of Commercial and Industrial Establishments in 1937.
- 3) Census of Agricultural Production in 1937 and 1947.
- 4) Census of all Industrial Establishments in 1942, 1945 and 1950.
- 5) Census of wages and working Hours in 1942, 1945 and 1950.
- 6) Census of Industrial Output in 1944 and 1947.

The calculation of Egypt's national income for 1950 is attempted here. The three fold approach through income-output-expenditure is applied to make the figures comparable with the previous estimates.

The method of approach :

- 1) Output approach : The measurement of total yearly value of all goods and services produced by the community.
- 2) Income approach : The estimate of aggregate current value of income in money and kind of persons normally resident in the state for services which command monetary reward:

- 3) Expenditure approach : The mode of disposal of income by its recipients.

#### THE CALCULATION OF THE NATIONAL INCOME.

Payments which represent transfer of income through the medium of the State. The so-called transfer payments are excluded from the national income. They mainly consist of interest paid on the national debt and such payments as old age pensions. The treatment is based on the ground that the payment does not accrue from the production of goods and services.

Income from land and buildings is included whether property is owner-occupied or rented. This is because houses and lands are a type of real capital which have customarily a rent.

The value of domestic services performed by housewives is excluded on practical grounds, where as payment in cash of domestic services is included.

Farm produce consumed in farm households without the process of sale is valued at prices which the farmers receive for similar goods sold. No attempt is made to estimate this item separately for lack of statistical material.

Private income comprises the aggregate of incomes of individuals and companies from all sources, whether or not for services rendered. It includes «transfer payments» and indistributed profits of companies, but excludes profits accruing to the State as entrepreneur remuneration.

Personal disposable is the private income after deduction of taxes (excluding indistributed profits of companies).

#### THE NATIONAL INCOME AND EXPENDITURE.

The estimates for 1950 are shown in four main categories in table I. The figures of 1939-45 inclusive are also given. There were three main sources of information :

1. — Rates of non-agricultural wages supplied by the Statistical Department as a result of half yearly inquiries.

TABLE 1.  
THE NATIONAL INCOME (L.E. M.).

Income Category	1939	1940	1941	1942	1943	1944	1945	1950
Rents (1) Land .....	35	39	38	47	63	73	90	130
Building .....	13	13	14	15	15	16	16	40
<b>Profits and Interest</b>								
Agricultural (2).....	23	23	33	60	58	76	79	100
Non-agricultural (3).....	40	50	59	81	96	112	123	230
Salaries and Wages (4).....	53	63	85	118	147	172	185	325
Government Income (5).....	6	7	10	11	11	13	11	20
<b>Total</b> .....	170	195	239	332	390	462	504	845
<b>Add.</b>								(6)
Undistributed profits .....	—	—	—	7	7	13	13	10
	170	195	239	339	397	475	517	855
<b>Errors</b> .....	- 2	- 4	- 6	-13	- 7	-11	-15	+ 5
<b>Net National Income at Factor Cost</b>	168	191	233	326	390	464	502	860

Profits by definition are taken before deduction of income tax. They include income below tax exemption limit. Aggregate profits here are net—after current business expenditure have been deducted.

TABLE 2.  
THE NATIONAL INCOME (Percentages).

Income Category	1937-39	1940	1941	1942	1943	1944	1945	1950
Rent of Land and Buildings .....	28.7	26.7	21.8	18.7	20.0	19.3	21.0	21
Profits and Interest .....	36.5	37.4	38.8	42.4	39.6	40.7	40.0	38
Salaries and Wages .....	31.2	32.3	35.4	35.6	37.8	37.2	36.8	38
Government Income .....	3.6	3.6	4.0	3.3	2.6	2.8	2.2	3

2. — The State budget which provides the aggregate figures of salaries and wages of all Government officials.

3. — Special agricultural wages inquiries conducted by the Ministry of Social Affairs.

4. — Private inquiries.

- (1) Allowance has been made for maintenance and repair. Rent of Public Buildings is included. Rent of dwellings exempted from house tax has been included in 1950-1951.
- (2) Including Live-Stock Production.
- (3) Including professional earnings.
- (4) Wages include an allowance for income in kind.
- (5) Miscellaneous' Government income such as trading profits, receipt of public enterprises and financial operations.
- (6) Estimate.

**RENTS.**

*Buildings.* — The method of estimate is based on the amount of house tax collected annually.

*Land.* — Rent of arable land is based on inquiries on a limited scale conducted by the Ministry of Social Affairs to arrive at the average rent per feddan in the various years.

**PROFITS.**

The non-existence of the global Income Tax in Egypt before 1950 rendered any attempt to estimate the income of persons or companies extremely difficult. The method of estimate consisted of adding up incomes from different sources in the Cairo Area as representing about 50 % of the taxable capacity of the whole country. For 1950, some figures on the income tax returns were available for the whole country.

The item interest refers only to interest paid to individuals on money deposited in banks other than government institutions. National Debt interest, considered as transfer payment is excluded from the national income tables. However, it is included in the private income. All other interest appears as profit of the recipient business firm.

TABLE 3.  
THE NATIONAL EXPENDITURE (L. E. M.).

Category	1939	1940	1941	1942	1943	1944	1945	1950
Personal expenditure on consumers' goods and services .....	148	146	167	228	271	292	326	650
Government and Local Authorities...	27	27	32	41	57	64	80	178
Capital formation .....	8	33	51	76	78	132	122	113
National Exp. at market value .....	183	206	250	345	406	488	528	941
Subsidies .....	3	3	3	3	6	5	10	12
Less Indirect Taxes .....	18	18	20	22	22	29	36	93
Net National Exp. at Factor Cost...	168	191	233	326	390	464	502	860

Table 3 is designed principally to show the proportion of national income expended on the main items of expenditure. Each individual disposes of his income in three main ways: by expending part of it on goods and services for consumption, by paying part of it to the State in taxation and by saving the

remainder of it. The income earned in salaries, wages, profits and rent for the production of goods and services is generated by the expenditure on the purchase of those goods and services.

Personal expenditure on goods and services covers all expenditure by families and individuals, valued at the price paid for them by the consumer. Personal expenditure shows the money value of all consumers' goods and services either bought or received by them as income in kind. The figures here are therefore at prices which include indirect taxes and dues which appear in the market value of those goods and services. They include the amount of Government subsidies which do not enter into market values.

Expenditure by Public authorities is treated separately under item 2. This item comprises expenditure by Government and Public Authorities which arise from a direct demand for goods and services. Government expenditure given here is not a consistent measure of the total amount of goods and services at the disposal of the government since they include sources obtained by borrowing or by the sale of capital goods. Subsidies are not included in this item.

Rent of land and dwellings, whether paid by the tenant or imputed (i.e. when the property is owned by the person using it) is included. Net overseas investment and capital formation at home emerges as the difference between subsequent items in table 1 and 3.

Subsidies are restricted to the classes of payment made by the Central Government toward the cost of goods and services bought by the public : such as agricultural subsidied, bread subsidies, grants in respect of fertilizers, grant to cereal cultivators, subsidies for civil aviation companies.

Indirect taxes consist of taxes on outlay. These taxes require to be reduced from the national income at market price since they enter into the market value of goods and services but do not remunerate any factor of production, i. e. do not make part of the national income. Among the main items of indirect taxes are customs and excise duties, tobacco and cigarette dues, entertainment tax, stamp duties, motor

vehicles duties, broadcasting receiving licences. The estimated amount of taxes which enter into the value of exports has been deducted since their value is not included in the total value of goods and services consumed within the country.

It will be noted that the total income (table 1) and total expenditure (table 3) are formerly identical. It can readily be seen where rents, profits, salaries and wages appear in table 3. Wages and salaries of public servants (table 3) item 2 are identifiable with the constituents of item 3 table 1.

Items 1-6 of table 3 contain non-public services, profits, salaries and wages . . . . . Rents are obviously part of item 1 table 3 and so on . . . . .

It can also be noticed how other elements disappear through positive entries cancelling negative entries. Indirect taxes, negative under item 6 table 3, cancel out the corresponding positive constituents of item 1. Subsidies on consumers goods and services are positive in table 3 (under a separate item) and cancel with negatives in items 1-6 because costs of production, salaries, wages and profits exceed the cost at market price by the amount of subsidies.

#### PRIVATE INCOME AND EXPENDITURE.

Private income is the total income, cash and kind from all sources of persons normally resident in the State. Accordingly it is derived from the national income by deducting income of public authorities and adding transfer payments as shown in table 4.

In calculating the gross consumption of crops, deductions have been made from total productions to account for seed requirements for the following season's crop and export. On the other hand additions have been made for imports.

Deductions have been made also for loss due to faulty threshing, the depredation of pests or to other causes. Moreover it is recognised that the consumption of any given year is not truly obtained by the above method, there is also a carry over to be reckoned with which may vary from year to year according to the size of the crop.

Retail value were estimated by multiplying quantities consumed by the average prices at Cairo official markets. Where prices were quoted for many varieties of a particular commodity, the main variety was chosen. As regards consumption of non-food items estimates were made according to the results of some cost of living inquiries. The values shown for all items are likely to be overstated to the extent that they include expenditure by temporary residents in Egypt.

TABLE 4.  
PERSONAL INCOME

Category	1939	1940	1941	1942	1943	1944	1945	1950
	L.E. 1,000,000							
National Income .....	168	191	233	326	390	464	502	860
Government Income .....	— 6	— 7	— 8	—11	—11	—14	—11	—21
Difference .....	162	184	225	315	379	450	491	839
Transfer Payments .....	6	6	6	7	9	9	8	10
Total Private Income before Tax.....	168	190	231	322	388	459	499	849
Less Liabilities for direct taxes .....	— 7	— 9	—10	—13	—19	—19	—20	—31
Private Income after Tax .....	161	181	221	309	369	440	479	818
Less undistributed profits .....	—	—	—	7	7	13	13	—
Personal Disposable Income .....	161	180	221	302	362	427	466	818

PROPORTION OF PERSONAL INCOME REQUIRED  
TO MEET TAXATION.

Category	1939	1940	1941	1942	1943	1944	1945	1950
Personal Income .....	161	180	221	302	362	427	466	818
Direct Taxes .....	7	9	10	13	19	19	20	31
Indirect Taxes .....	18	18	20	22	22	29	36	93
Less subsidies .....	3	3	3	3	6	5	10	12
Total Tax liabilities .....	22	24	27	32	35	43	46	112
Tax liabilities as a percentage of personal income .....	14	13	12	11	10	10	10	14

Category	1939	1940	1941	1942	1943	1944	1945	1950
Personal Expenditure on consumer's goods and services .....	31	71	67	66	67	60	62	70
Ditto—Gov. and local authorities.....	15	13	13	12	14	13	15	18
Capital formation .....	4	16	20	22	19	27	23	12

TABLE 5. (L.E. 1,000,000.)

 EXPENDITURE OF PRIVATE INCOME IN MAIN CATEGORIES  
 AT CURRENT PRICES.

Category	1939	1940	1941	1942	1943	1944	1945	1950
Food .....	94	90	106	152	175	185	208	348
Cigarettes and Tobacco .....	12	13	14	20	27	29	33	37
Beverages .....	0.5	1	1	1	1	2	2	8
Clothing .....	11	13	13	12	21	22	25	100
Communication .....	4	4	5	6	8	8	9	... (1)
Amusements .....	2	2	2	3	4	4	4	... (1)
Rent of dwellings .....	12	12	12	12	13	13	13	35
Other items .....	12.5	13	15	19	22	24	32	115
Private saving .....	13	33	53	77	91	140	140	175
Income .....	151	181	221	302	362	427	466	818

TABLE 6.

## MAIN CATEGORIES OF PRIVATE EXPENDITURE (percentages)

Category	1939	1940	1941	1942	1943	1944	1945	1950
<b>Food Consumption</b>								
Dairy Products .....	6.6	7.0	6.8	7.1	9.5	10.5	9.8	6.0
Meat .....	6.8	7.2	9.0	9.3	10.2	10.6	12.0	13.0
Bread .....	34.4	33.6	31.7	32.6	29.2	24.5	26.6	13.0
Other items of food consumption	14.8	14.2	15.9	17.4	15.2	16.7	15.6	24.0
Total food consumption .....	62.6	62.0	63.4	66.4	64.1	63.2	64.0	56.0
Cigarettes .....	8.4	8.8	8.2	8.7	9.7	9.9	10.2	5.7
Rent .....	8.1	8.2	7.2	5.2	4.7	4.4	4.0	5.4
Tea, Coffee and Drinks.....	3.5	4.0	3.9	3.8	3.7	3.8	4.3	32.9
Other items .....	17.4	15.3	18.2	17.1	17.8	20.4	18.5	
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The increase in the value of expenditure is mostly a reflection of the increase in prices. To correct the results for price changes, table 7 has been computed. This table shows that at 1939, expenditure on food did not increase substantially over that period. Compared with 1939 we notice an increase of 3.4 % and 4.2 % in 1942 and 1945 respectively. In 1950 increase was 10 % while for 1940, 1941, and 1944 the figures have declined by 6.4 %, 9.9 % and 5 % respectively.

(1) Included in other items.

TABLE 7.

## PERSONAL EXPENDITURE ON FOOD AT 1939 PRICES.

Category	1939	1940	1941	1942	1943	1944	1945	1950
Millions of pounds .....	94	87	84	96	92	88	97	104
Percentages .....	100	94	90	103	99	95	104	110

## THE NATIONAL PRODUCT.

The National income for any period may be defined as the value of goods and services which plan into being during that period, avoiding double counting of those goods and services produced at one stage of the productive process and consumed in another. In other words the national income is the net total of the value of goods and services available for consumption and investment.

## SOURCES OF INFORMATION.

- (1) Ministry of Agriculture and Statistical Department returns covering acreage and production per feddan per each crop and output of dairy products.
- (2) Census of Agricultural Production in 1939 and 1949.
- (3) Official wholesale Prices.
- (4) Census of Industrial Output in 1944 and 1947.

## NET OUTPUT.

The net output of agriculture is defined here as the net receipts for agricultural produce whether sold by the farming community as a whole, consumed by the farmers without process of sale, or subject to inter farm transactions. The figures quoted cover agricultural production, poultry, meat, dairy products and fish in each year, deduction being made for materials and services bought from other producers; obtained from abroad or carried over from past years. For industry the figures of industrial output were adjusted so as to exclude such expenses as (a) cost of raw materials; (b) cost of fuel and electricity (c) depreciation of buildings and machines.

The figures of the national income according to this definition differ from the private income before tax. The main difference lies in the fact that they do not include transfer payments. Such estimate may be termed «Net national Income at Factor Cost» meaning the total value of goods and services that producers receive for the sale of their products.

TABLE 8.  
THE NET NATIONAL OUTPUT (L.E. M.).

Category	1939	1940	1941	1942	1943	1944	1945	1950
Agriculture (1) .....	81	82	92	130	157	187	217	374
Manufacturing .....	13	17	26	37	46	57	54	105
Commerce .....	11	16	23	33	42	52	50	150
Transport .....	6	9	10	14	16	17	15	
Professions .....	17	21	26	35	41	47	50	*115
Service of persons .....	8	9	10	13	15	16	16	35
Public services (2) .....	12	12	12	13	13	13	13	40
Rent of dwellings .....	12	12	12	13	13	13	13	
Other services .....	9	12	17	25	32	38	42	**46
Total .....	166	188	227	314	383	453	488	865
Errors .....	2	3	6	19	7	11	14	— 5
Net National output at Factor Cost	168	191	233	326	390	464	502	860
	(Percentages)							
Agriculture .....	49	44	41	41	41	41	44	43
Manufacturing .....	8	9	11	12	12	12	11	11
Commerce .....	7	9	10	11	11	12	10	17
Transport .....	4	5	4	5	4	4	3	
Professions .....	10	11	11	11	11	10	10	*13
Service of persons .....	5	5	4	4	4	4	3	4
Government services .....	5	5	5	5	5	6	6	12
Other services .....	12	12	13	12	12	11	11	

Table 9 shows the value of the gross and net agricultural crops and industrial output together with the corresponding volume figures. Figures of the gross output of industry are

- (1) Including Live-Stock products.
- (2) The figures represent payments to government Officials engaged in non-industrial public services only; religion, education, defence... There are some 280.000 employees attached to the Government service. A great number of them is engaged in other branches of economic activity, agriculture, manufacturing, transport, etc..

\*Public services are included under this item for 1950 only.

\*\*Services performed abroad were deducted.

not given since they include a great amount of duplication. The output of so many concerns, being merely the raw materials of other concerns. Gross agricultural output is free from this statistical defect.

TABLE 9.  
AGRICULTURAL AND INDUSTRIAL OUTPUT (L.E. M.).

Year	Value at Current Prices			Volume (Value at 1939 prices)			Net Agricultural and Industrial Output	
	Agricultural Output		Industrial Output	Agriculture Output		Industry Output	Value	Volume
	Gross	net	net	Gross	net	net		
1939	85	54	13	85	54	13	67	67
1940	80	47	17	80	49	15	64	64
1941	97	61	26	76	47	18	86	65
1942	146	88	37	67	40	19	124	60
1943	158	96	46	64	39	20	142	59
1944	194	172	57	67	43	20	175	63
1945	227	138	54	69	44	18	192	62
1950	380	280	105	110	83	31	385	114