

IMPACT OF THE ICT SECTOR ON THE EGYPTIAN ECONOMY

The Ministry of Communication and Information Technology (MCIT) – Information Center has recently finalized an analytical study to estimate the economic impact of Egypt's Information and Communications Technology (ICT) Sector. The study was conducted in cooperation with experts from Monash University of Australia, as well as experts from the Egyptian Institute of National Planning. The study involved building up economic models to estimate the macroeconomic impact of the ICT sector, in addition to the economic linkages between the sector in concern and other economic sectors. The study adopted the methodology applied by the Organization of Economic Co-operation and Development (OECD) to measure the economic impact of the ICT Sector on the economy.

The study has involved amendments and updates on the Input - Output table of the Egyptian Economy for the year 2003/2004 and applying these updates on the year 2007/2008. As a result, the ICT sector was included in this Input – Output table, for the first time, as a separate sector in the economy. This process has aimed to easily study and estimate the *Forward and Backward Linkages*, in addition to, the *Demand and Supply Multipliers* between the ICT sector and some other important economic sectors in the national economy like trade, tourism, health, education and the financial Sector.

The study showed that Egypt's ICT Sector enjoys a comparatively high Demand Multiplier when compared to that of the OECD countries, since the sector's Demand Multiplier has approached 1.23. *This means that one unit increase in the output of the ICT Sector results in 1.23 units increase in Egypt's Gross Domestic Product (GDP)*. This value of the Egyptian ICT Sector exceeds Demand Multipliers' values in many OECD countries, as it compares to 1.21 in Denmark and the United States of America, while it is slightly lower than 1.24, which is the maximum value of the OECD countries demand multipliers, achieved by Finland and Sweden.

On the other hand, results indicate that Egypt's ICT sector enjoys a Supply Multiplier of about 1.14, which means that *increasing the supply of the ICT sector's inputs to other sectors in the economy by one unit results in an increase in Egypt's GDP by 1.14 units*. Comparison of the ICT sector's demand and supply multipliers shows that the Demand Multiplier's value is relatively higher. This is attributed to the large consumption of the ICT sector's services by the household sector in the form of final demand, rather than being used as intermediary units in the production process of other sectors.

Concerning the most linked sectors to the ICT sector, the study has shown that the ICT sector's output depends mostly on inputs from the industry, electricity, petroleum, trade and financial sectors. On the other hand, the sectors mostly dependent on the ICT sector to use as inputs in their production are the trade, communications, transportation, health, tourism education and financial sectors.