

IMF chief says Egypt in currency 'crisis'

CAIRO, Egypt - IMF chief Christine Lagarde said on Thursday that Egypt is going through a currency "crisis," suggesting a quick devaluation to tackle a widening gap between the official and black market rates.

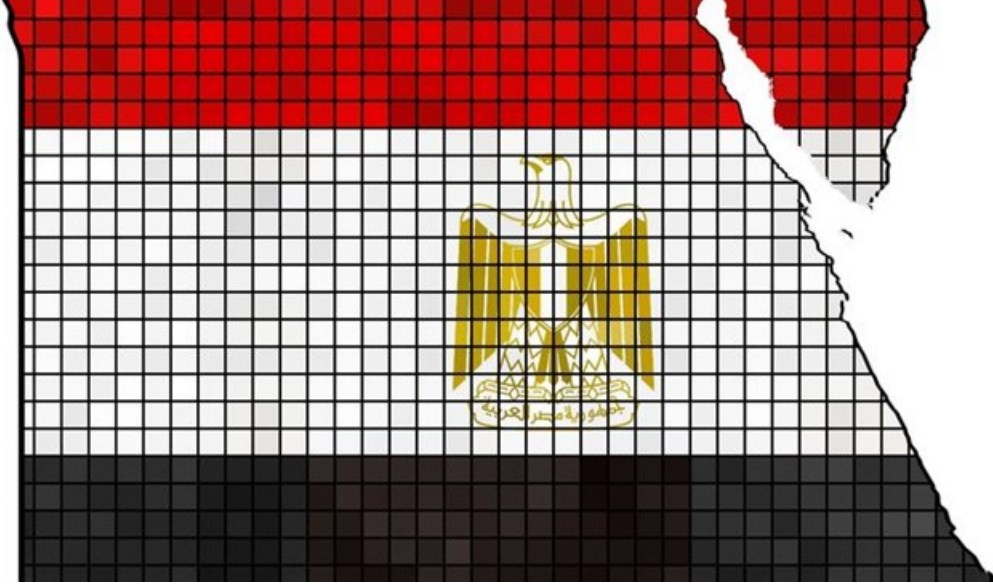


Image by 123RF

Egypt has been struggling to shore up its foreign currency reserves in the political and economic turmoil following the January 2011 uprising that toppled former ruler Hosni Mubarak.

The government of President Abdel Fattah al-Sisi is rolling out an austerity programme and is seeking billions in support from abroad in order to meet conditions for a \$12 billion loan from the International Monetary Fund and boost investor confidence.

The country's foreign currency reserves stood at \$19.6 billion in September, an increase from previous years but less than 50% of the level in early 2011.

"In terms of exchange rate, there is currently a crisis, because if you look at the official price if you look at the grey market price, there is a 100 percent difference so that needs to be addressed," Lagarde said in an interview with Bloomberg Television.

Lagarde applauded the planned reforms, including the austerity programme, saying the IMF was ready to support the

government if it takes the measures needed to meet the loan conditions. "If they decide to move forward we will certainly support that move, we will certainly accompany it, we'll put money on the table to help them along the way. But it's their call and it's their decision," she said.

Responding to a question on whether a total free float or gradual devaluation might be the best, Lagarde said the right conditions were "going to be dictated entirely by the circumstances".

"When you have very low reserves, when the difference between official and unofficial rate is very wide, historically we have seen rapid transitions being most efficient," said Lagarde, adding that "in other cases it has been gradual".

Loans from Saudi Arabia and China would help Egypt gather the \$5-\$6 billion in additional financing required to complement the IMF lending, IMF spokesman Gerry Rice told reporters in Washington on Thursday.

"I think they're very close and clearly the financing is one of the aspects that they need to lock in," Lagarde said, commenting on the loans. "Hopefully we'll be able to secure the IMF board approval in the next few weeks."

Source: [AFP](#).

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