# The Impact of the Israel-Hamas War on Egypt's Tourist Industry

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Impact on Egypt's Economy since 07 October 2023

With the Israel-Hamas war raging since October 2023, the Middle East is in the grip of a crisis. Due to its geographical proximity and political influence, Egypt is particularly vulnerable to the war's fallout. In this report, we delve into the profound impact of the conflict on Egypt's already fragile economy, using a multi-faceted approach to underscore the challenges of predicting the exact outcomes.

Egypt's gross domestic product, generally an accurate tool for measuring economic growth, was predicted to decline by 1.6% in a scenario where the

war lasted six months, resulting in 10.3 billion in losses. Its GDP growth has, in fact, fallen from 3.8% in 2023 to 3% in 2024. The current conflict has also been the source of disruption to the core pillars of Egypt's economic ecosystem. The United Nations Development Program forecasted a 14% decline in tourist income in 2024 due to the Gaza conflict. The decrease in tourism due to significant cancellations by Western tourists poses a danger to the crucial revenue and job opportunities in Egypt, Jordan, and Lebanon. It will substantially impact a sector that produced $13.63 billion in revenues in 2022-23.

One of the more apparent concerns is the interruption of trade in the region. Namely, this has included the targeting of shipping vessels in the Red Sea by Houthi rebels, acting as a show of support for Hamas's aggression. As such, global shipping around the Suez Canal has slowed, at times to a complete halt, and transit revenue for Egypt has taken a sharp hit. Another case is natural gas from Israel to Egypt; following the outbreak of the war in October of 2023, imports were temporarily halted. However, in the months since, they have climbed significantly and are expected to continue to rise. This instance represents that the projected impacts of the conflict are often challenging to predict and do not always align with the precise outcome.

Furthermore, in assessing the challenges to Egypt's exposed economy, it is crucial to consider pre-existing and compounding regional challenges, notably high inflation rates and the devaluation of the Egyptian currency. Here, too, the correlation to the impacts of the war is challenging to predict; for example, inflation rates have fluctuated dramatically, not following a consistent pattern. Additionally, much attention should be paid to the diplomatic strains of the current conflict that have created obstacles in the normalization of ties between Israel and neighboring Arab countries, particularly creating roadblocks in economic cooperation.

The regional conflict has undoubtedly affected Egypt's exposed economy across several domains: economic growth, trade, tourism revenue, poverty, and income distribution. The conflict's aftermath has been a source of further strain on the country's pre-existing economic difficulties. However, quantifying the precise outcome remains difficult given the intricate and multifaceted character of the conflict's influence on Egypt and the broader region. While some metrics show a clear negative impact, such as GDP, other analyzed data indicate a far more complete result and significantly differ from initial projections.