

Embassy of India
Cairo

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Economic and Commercial Report for the month of October, 2011

Overview

The growth rate has slowed sharply and the budget deficit is forecast by the government to be 8.6 percent of gross domestic product in the financial year 2011/12. Economists say the actual deficit may turn out to be even larger. Local lenders had nearly reached the maximum they could lend to cover the budget deficit. In an optimistic scenario where projected GDP growth for the same period is between 2–3%, the total public debt to GDP ratio could rise to an alarming 85%.

Egypt has received US\$1 billion budget support from Saudi Arabia and Qatar and has been negotiating bigger aid packages that would cover the budget, projects and other aid. Egyptian Finance Minister Beblawy said there were no fresh developments in those talks. The United Arab Emirates said this month it planned to provide US\$3 billion in financial aid to Egypt, but was still discussing the mechanism to deliver it.

Most indicators have shown that Egypt has been suffering from capital flight and a general reluctance from investors, foreign or domestic, to invest in the country during this phase of political instability. The means of production and the markets in general remain unchanged, but the money to keep them moving is running out fast.

Suez Canal revenues

Receipts of Suez Canal attained US\$ 438.3 million during September 2011, recording an increase by about 6.9%

compared with their level during the same month of the previous year.

Monetary Indicators

Total deposits in banking system (excluding the Central Bank of Egypt), attained LE 972.8 bn. During July 2011, increasing by about 8.0% compared with its level during the same month of the previous year. Besides, total domestic liquidity reached LE 1018.9 bn. during July 2011, attaining a rise of around 10.4% compared with its level during the same month of the previous year.

International Reserves

Net international reserves came down to US\$ 24.0 bn. at the end of September 2011, achieving a decrease by nearly 32.4% Compared with its level during the same month of the previous year.

Electricity

Total generated electricity attained 13633.1 million kwh during September 2011, recording an increase by about 6.5% Compared with its level during the same month of the previous year. Total consumption of electricity reached 11686.7 million kwh during September 2011, increasing by about 3.6% compared with its level during the same month of the previous year.

Railway Transportation

Revenues of railway passengers reached LE 654.8 million during the period (Jan. – Sep.) 2011 decreasing by about 1.1% compared with their level during the same period of the previous year. As for the revenues of railway cargo, they attained LE 157.9 million during the period (Jan. – Sep.) 2011 achieving 30.2% decrease compared with their level during the same period of the previous year.

Inflation Rate

Inflation Rate	August 2010	July 2011	August 2011	Amount of Change	
				Monthly	Annual
Monthly	1.7	1.1	1.4	0.3	-0.3
Annual	11.0	8.5	8.2	-0.3	-2.8

Stock Market Indicators:

Item	September 2010	August 2011	September 2011	Change (points)	
				Monthly	Annual
General Index of the Egyptian capital market	1445.13	655.80	477.30	-181.5	-970.8
EGX 30 Index	6634.27	4639.64	4137.35	-502.3	-2496
EGX 70 Index	660.58	589.07	458.40	-130.7	-202.2
EGX 100 Index	1077.31	870.03	707.65	-162.4	-369.7

Bilateral Developments

Bilateral Trade: India-Egypt total trade during July-August 2011 amounted US\$ 423.85 million, a decrease of 5.82% against US\$ 450.02 million in the corresponding period last year. India's exports to Egypt were US\$ 219.66 million,

decreasing by 16.30% (US\$ 42.77 million) against US\$ 262.43. The decrease is mainly attributed to a slow-down in meat, the major item of India's export to Egypt (US\$ 20.65 million as against US\$ 55.98 million in the corresponding period last year). At the same time, India Import from Egypt increased by 8.85% reaching US\$ 204.19 million against US\$ 187.59 million with the main item being Petroleum crude (US\$ million 166.33 during July-Aug 2011 against US\$ 146 million imported from Egypt).

Textile delegation visit to Egypt (29 Sept to 3rd October, 2011): A 3-member official delegation from Ministry of Textiles led by Shri V. Srinivas visited Egypt from 29th October, 2011 to 3rd October, 2011 to study the Egyptian Textile Sector. During their visit, the delegation had meetings with Advisor to Minister of Trade and Industry, Chairman and Board members of the Chamber of Egyptian Textile Industry as well as with Board Members of Cotton Research Centre in the Egyptian Ministry of Agriculture.

TEXPROCIL Buyer Seller Meet (BSM) –CUM Exhibition in Cairo (13 October, 2011): A 15-member TEXPROCIL delegation visited Egypt from 12th October to 14th October, 2011 for trade and export promotion opportunities. In this connection, a Buyer-Seller-Meet cum Exhibition was organized by the Embassy on 13th October, 2011. Around 45 Egyptian companies attended the BSM in Cairo. The delegation comprised of 12 Indian companies dealing with various textile products including yarn, fabrics, ready made garments, jeans-wear, denim, home-textiles and upholstery. The event was widely covered by both print and electronic media.

Handicrafts RBSM: The Embassy nominated two Egyptian buyers to participate in the Indian Handicrafts & Gifts Fair (Autumn) 2011 which was held from 15 - 18 October, 2011 at India Expo Mart & Centre, Greater Noida organized by the Export Promotion Council for Handicrafts, New Delhi.

CHEMEXCIL RBSM: The Embassy nominated an Egyptian businessmen to the INDIACHEM RBSM organized by CHEMEXCIL, Mumbai at Gandhinagar, Gujarat from 13th - 15th October, 2011.

SCIB Paints plant visit: As part of trade promotion activities, the Embassy organized a factory visit for a group of Egyptian journalists to SCIB paints which produces decorative paints and is the No.2 player in the decorative coatings market in Egypt. SCIB paints operate two factories and produce 160,000 tons of paints per year. Apart from a tour of the factory, the journalists were given detailed presentation about working of the two plants. India's largest paint company, Asian Paints acquired 60% stake in SCIB paints in 2002 and invested over EGP 100 million so far and provides direct employment to 700 Egyptians and indirect employment to another 200 Egyptians.

Local Trade Enquiries: 97

Indian enquiries : 43

Local Enquiries: 54

Trade Disputes: 10

Indian 3

Egyptian 7

8 ITEC Candidates traveled to India in October, 2011.

Market Watch

Egypt is open to IMF funding

The finance minister said Egypt is open to IMF funding, but the country has not made any formal request for aid since turning down a financing package in June. Deputy Prime Minister and Finance Minister Hazem al-Beblawy said local lenders had nearly reached the maximum they could lend to cover the budget deficit, and said Egypt would have to seek funds from abroad. Cairo has also been in talks with Gulf States about support. According to the Minister of Finance Hazem al-Beblawy, Egypt is facing a financial crisis that only foreign funding could help alleviate in the short term.

Egypt sells LE5 billion in T-bills, yields raise

Egypt's Central Bank sold LE5 billion (US\$837.55 million) in domestic treasury bills. The Central Bank sold LE1.5 billion of 91-day T-bills on behalf of the ministry. The average yield rose to 12.298 percent from 12.242 percent at last week's auction. It also sold LE3.5 billion of 273-day T-bills, and the average yield rose to 13.84 percent from 13.625 percent at the last issue on 18 October.

Low-cost Turkish iron prompts Egyptian producers to cut prices

Several Egyptian iron companies have slashed product prices for November in a move attributed to falling international prices and the large quantity of low-cost Turkish iron that has invaded the local market. Ezz Steel cut its factory-delivered prices (FDP) by LE300 per ton to LE4500. Beshay Steel, meanwhile, lowered its FDP from LE4780 to LE4700. Garhy Iron also cut its prices from LE4780 to LE4470. Mohamed Hefny, the head of the metallurgical industries division at the Federation of Egyptian Industries (FEI), told that the recent drop in prices can be linked to falling world rates, which he said have dropped from US\$700 to \$650 per ton. Turkish iron

sells for LE4000 per ton, LE500 lower than the Egyptian version, which, he said, has prompted the companies to lower their prices.

Return of privatized companies to state

Finance Minister Hazem al-Beblawy said the Egyptian government is considering an appeal against a decision that ordered the return of three privatized companies to the state, In September; the Administrative Judicial Court ordered the return of some companies, nullifying the privatization deals. The companies had been reportedly sold to Egyptian and foreign investors at prices that were less than their value, as part of a privatization program. The three companies are El-Nasr Boilers and Pressure Vessels Manufacturing, sold in 1994; Tanta Flax & Oil, sold in 2005; and Misr Shebin El Kom Spinning and Weaving, sold in 2006. The government was considering the appeal for a number of reasons, including the fact that some investors have become apprehensive of the investment climate in Egypt.

Egypt faces shortage in wheat seeds

Egypt is facing a shortage in wheat seeds for the coming planting season because of late production. The Ministry of Agriculture has pledged to provide 40 percent of the total seeds needed by November, and the rest later. Wheat is cultivated in October and cropped in May. During October, private companies increased wheat seed prices by over 100 percent, from LE125 to LE330, due to the delay. The government aims to cultivate 3.5 million acres during the next season to produce 70 million ardebs, 10 million ardebs higher than the last season, thus reducing imported wheat by 2 million tons, down to 5 million tons.

Egypt says will include Ukraine wheat in tenders

Egypt's main state wheat buyer, the General Authority for Supply Commodities (GASC), said it will include wheat of Ukrainian origin in its next wheat tender. Ukraine, a traditional supplier of wheat to the Middle East and North Africa, had been excluded from tenders last season due to quality problems. GASC depends heavily on Russia for the majority of its wheat imports. Since the start of the 2011/12 fiscal year on July 1, GASC has purchased 2.34 million tonnes of Russian wheat, 180,000 tonnes of Romanian wheat and 120,000 tonnes of Kazakh wheat.

Egypt, Turkey to launch new shipping line by December

A new shipping line will conduct operations between Alexandria and the Turkish port of Mersin by December, Egypt's Minister of Industry and Foreign Trade Mahmoud Eissa announced. The new trade route will facilitate the transport of Egyptian exports to Turkey and neighboring countries.

Government mulls establishment of steel factory with Gulf partners

Egypt's Holding Company for Metallurgical Industries is in negotiations with group of Gulf investors to establish a steel factory, with preliminary costs of LE2 billion, in a partnership between public and private sectors. Some observers think that the steel industry in Egypt will witness a recession, particularly after a court ruling against former steel magnate and MP Ahmed Ezz, who was sentenced to 10 years in prison for corruption, and because of the fact that the government has confiscated his factories' licenses.

(Pritam Lal)
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