

**Embassy of India**  
**Cairo**  
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**No. CAI/CW/201/02/2010**

**20 October, 2011**

**Economic and Commercial Report for the month of September, 2011**

**Overview**

Egypt's net foreign reserves slipped by US\$700 million to US\$25.01 billion in August 2011. Outflow of funds continued to slow from a peak in the wake of a popular uprising. Foreign reserves had fallen by US\$860 million in July to US\$25.71 billion.

Revenue from the Suez Canal, a vital source of foreign currency for Egypt, rose 11 percent year on year to US\$449.2 million in July and up 0.9 percent from a month earlier. The canal's activities have been relatively unscathed by the turmoil in the wake of the uprising.

Egypt fell 13 slots on Global Competitiveness Index-Egypt went down from number 81 last year to number 94 on the 2011 Global Competitiveness Index, which lists a total of 142 countries. The Global Competitiveness Report attributed the fall to an inefficient institutional structure, poor infrastructure and poor basic education in the country. The report, which the Egyptian Center for Economic Studies published, said that nepotism has spread in Egypt, officials do not take transparent decisions, and the crime rate has risen. Egypt's position was affected by the rising unemployment and inflation rates, the unequal distribution of income and the increased budget deficit. It was also affected by the evaluation of the labor and commodity markets, higher education, training, wages, working talent and labor unions.

Egypt had a balance of payments deficit of US\$9.2 billion in the financial year 2010-11, reversing a surplus of \$3.4 billion a year earlier, according to the country's Central Bank. The current account deficit narrowed 35.9 percent to \$2.8 billion during the year. The fall in the balance of payments has affected the bank's foreign reserves. Foreign direct investment (FDI) fell 67.6 percent to

\$2.2 billion from \$6.8 billion the previous year. Tourism revenue plunged by 47.5 percent during the second half of the year to \$3.6 billion from \$6.9 billion in the first half of the year. (Egypt's financial year begins on 1 July).

Tourist arrivals in Egypt dropped by 35.4 percent in the second quarter due to the unrest following January Revolution. Around 2.2 million people visited Egypt in the second quarter of this year compared to 3.5 million in the same period in 2010. Reports had earlier stated that Egypt had lost 13.5 billion pounds (US\$2.27 billion) in tourism revenues in the three months since the uprising. Egypt has struggled to revive tourism since the revolt. The country attracted about 15 million tourists last year.

### **Monetary Indicators**

Total deposits in banking system, excluding the Central Bank of Egypt, reached LE 965.4 bn. during June 2011, increasing by about 7.2% compared with its level during the same month of the previous year. Besides, total domestic liquidity reached LE 1009.4 bn. during June 2011, attaining a rise of around 10.0% compared with its level during the same month of the previous year.

### **Electricity**

Total generated electricity attained 14748.4 million kwh during August 2011, recording an increase by about 3.2% compared with its level during the same month of the previous year. Total consumption of electricity reached 11595.7 million kwh during August 2011, increasing by about 2.0% compared with its level during the same month of the previous year.

### **Railway Transportation**

Revenues of railway passengers reached LE 571.4 million during the period (Jan. – August) 2011 decreasing by about 1.9% compared with their level during the same period of the previous year. As for the revenues of railway cargo, they attained LE 143.7 million during the period (Jan. – August) 2011 achieving 27.5% decrease compared with their level during the same period of the previous year.

## **Inflation Rate**

<b>Inflation Rate</b>	<b>August 2010</b>	<b>July 2011</b>	<b>August 2011</b>	<b>Amount of Change</b>	
				<b>Monthly</b>	<b>Annual</b>
Monthly	2.9	1.2	1.1	-0.1	-1.3
Annual	10.9	10.4	8.5	-1.9	-2.4

## **Stock Market Indicators:**

<b>Item</b>	<b>August 2010</b>	<b>July 2011</b>	<b>August 2011</b>	<b>Change (points)</b>	
				<b>Monthly</b>	<b>Annual</b>
General Index of the Egyptian capital market	1368.13	791.93	655.80	-116.1	-712.3
EGX 30 Index	6407.93	5035.63	4639.64	-396.0	-1763.3
EGX 70 Index	589.94	641.60	589.07	-52.5	-0.9
EGX 100 Index	987.60	954.07	870.03	-84.0	-117.6

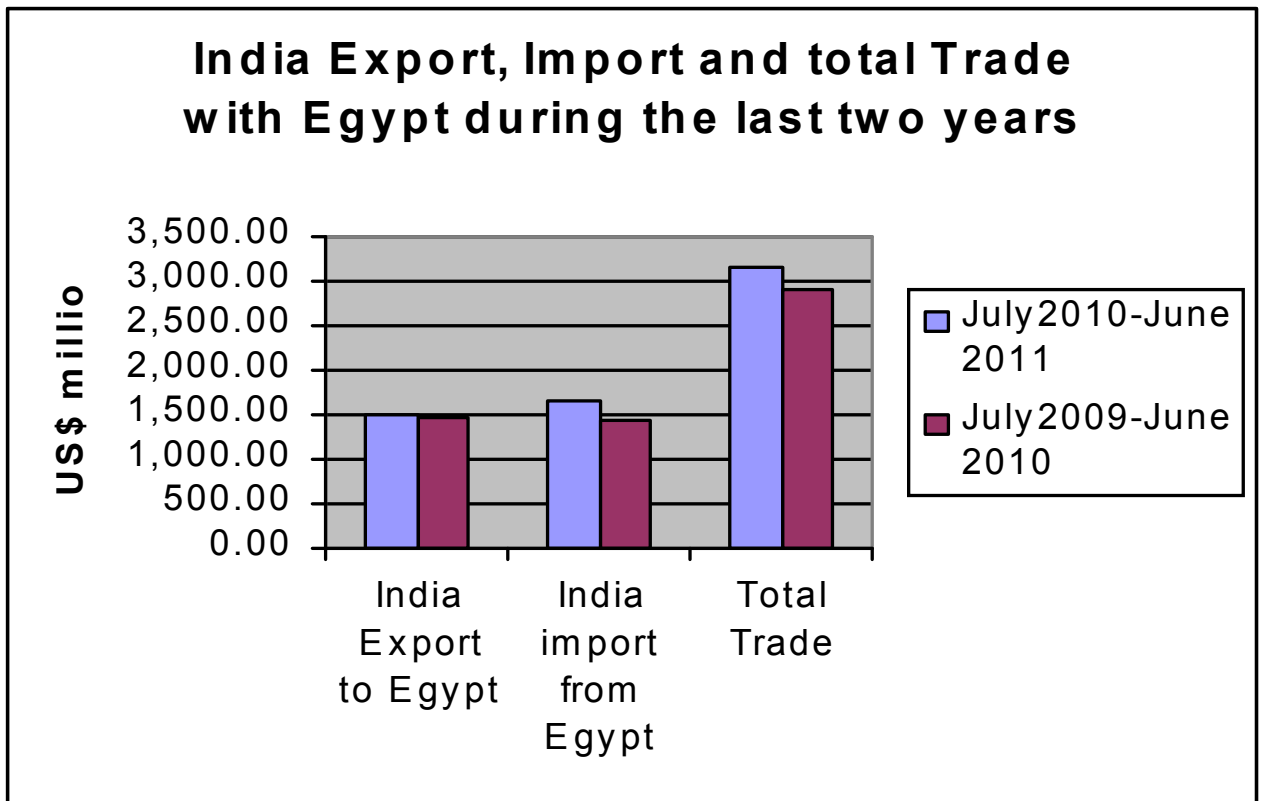
## **Bilateral Developments**

### **Bilateral Trade**

India-Egypt Trade Statistics during financial year 2010-11 (from **July 2010 to June 2011**):

	India Export to Egypt Value in US\$ million	India import from Egypt Value in US\$ million	Total Trade Value in US\$ million
July2010-June 2011	1,494.00	1,657.20	3,151.20
July2009-June 2010	1,459.11	1,433.67	2,892.78

## India Export, Import and total Trade with Egypt during the last two years



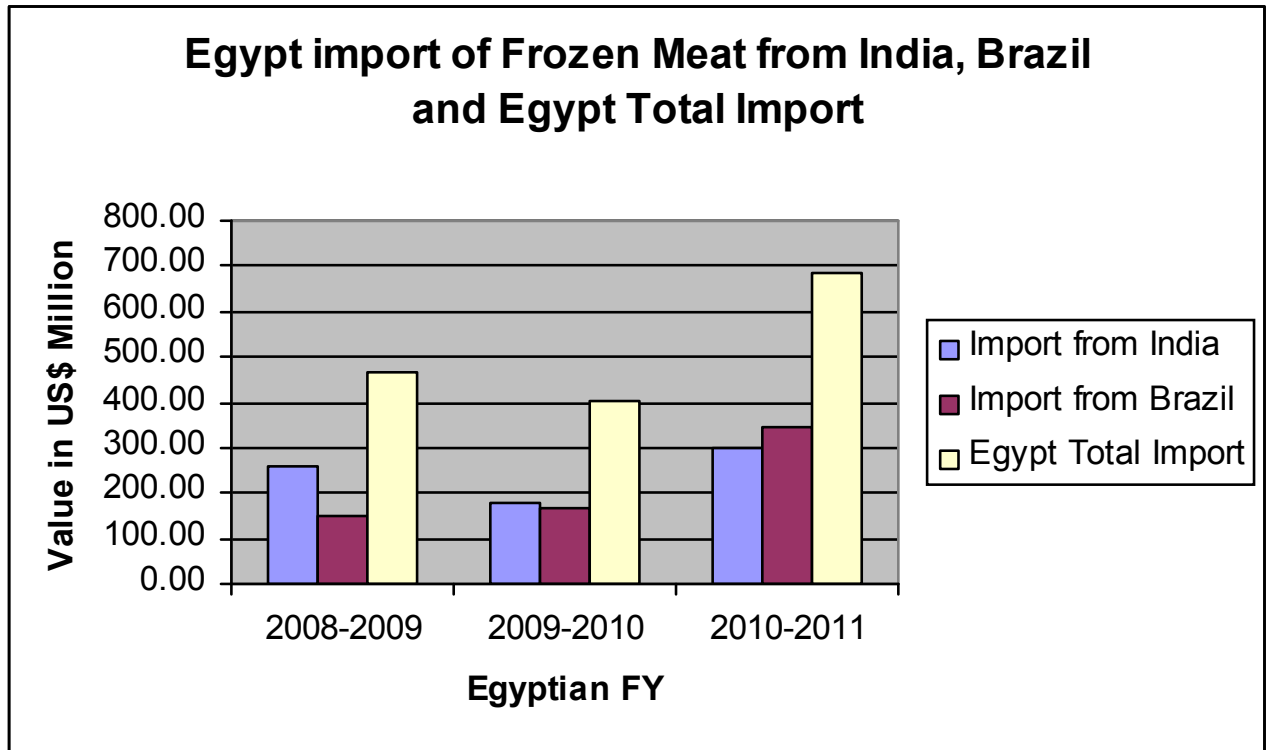
The Indo-Egyptian total trade during the Egyptian financial year (July 2010-June 2011) increased by 9% reaching US\$ 3,151.20 million (US\$ 3.2 billion) against US\$ 2,892.78 million (US\$ 2.9 billion) in the corresponding period of July 2009-June 2010.

India Export to Egypt during July 2010-June 2011 increased by 2.4% reaching US\$ 1,494.00 million (1.5 billion) against US\$ 1,459.11 in the corresponding period. The following table showing value of top twenty chapters exported to Egypt during July 2010-June 2011 compared with the corresponding period.

India Import from Egypt during July 2010-June 2011 increased by 15.6% reaching US\$ 1,657.20 million (US\$ 1.7 billion) against US\$ 1,433.67 million (US\$ 1.4 billion) in the corresponding period. The following table showing value of top twenty chapters imported from Egypt during July 2010-June 2011 compared with the corresponding period.

Meat - during July 2010–June 2011 India’s export of Frozen Meat to Egypt increased by 67.9% reaching US\$ 297.58 million against US\$ 177.18 million during the corresponding period.

\* The following chart showing Egypt Import of Frozen Meat from India, Brazil and Egypt Total Imports during the last three Egyptian Financial years.



**ITEC DAY:** The Egyptian Minister of Water Resources & Irrigation Dr Hesham Mohamed Qandil and Minister of Information Mr. Ossama Heikal, were the Chief Guests at the Reception to mark the ITEC Day on 5<sup>th</sup> September, 2011. Other guests included senior officials from Egyptian Ministries, university professors, alumni of previous ITEC courses, nominees expected to travel to India soon to join fresh courses as well as representatives of Egyptian media. The event has received very positive media coverage. Five TV channels and 12 print journalists covered the event.

**Meeting of Indian investors with Minister of Industry and Foreign Trade:** The Embassy organized a meeting of Indian investors with Minister of Trade and Industry on 29th September, 2011. A power point presentation was shown to the Minister about Indian investments in Egypt in various sectors and brought to the attention of the Minister the issues and concerns raised by the Indian investors. Representatives from 22 Indian companies attended the meeting which was addressed by the Ambassador and the Egyptian Minister. Head of the Egyptian Commercial Service (ECS) and Chairman of Egyptian of Industrial Development Authority (IDA) also attended the meeting along with some senior officials.

**CAPEXIL Multi-Product Buyer Seller Meet (BSM) in Cairo and Alexandria (10-11 September 2011):** A 17-member CAPEXCIL delegation led by Mr. R. Veeramani, Chairman of CAPEXCIL Granite Panel visited Egypt and held two BSMs, one at Alexandria Chamber of Commerce on 10th September, 2011 and one in Cairo on 11th September, 2011. Around 48 Egyptian companies attended the BSM in Cairo in addition to another 36 in Alexandria. The delegation comprised of 15 Indian companies covering various products including marble & granite, paper & carton, ceramics & sanitary-ware and rubber products.

**TCI SANMAR FACTORY VISIT:** As part of trade promotion activities, the Embassy organized a factory trip for a group of 16 Egyptian journalists to the leading Indian chemical factory TCI Sanmar in Port Said on 17th September, 2011. It may be mentioned that TCI sanmar has established a chemical factory for manufacture of caustic soda and PVC with an investment of US \$ 1.3 billion.

**Local Trade Enquiries:** 89

Indian enquiries : 58

Local Enquiries : 31

**Trade Disputes** : 6

Indian : 2  
Egyptian : 4

7 **ITEC** Candidates traveled to India in September, 2011.

### **Market Watch**

#### **The cabinet has approved amendments to the antitrust law:**

The cabinet has approved amendments to the antitrust law, granting the government the right to set prices of certain basic commodities for limited periods of time. The amendments seek to punish traders who hoard commodities in order to sell them for higher prices. Violators are to receive fines between LE20,000 and LE500,000 but are absolved of the penalty if they turn themselves in.

#### **Egypt's Orascom Telecom renews Bangladesh license:**

Egypt's telecom giant Orascom Telecom Holding reported that its Bangladeshi subsidiary Banglalink has been granted a 15-year license to continue operating in the country. In a statement from Orascom said Bangalink will pay US\$263 million for spectrum and license renewal fees over a three-year period.

#### **The number of mobile phone subscriptions in Egypt grew 30 percent:**

The number of mobile phone subscriptions in Egypt grew 30 percent from a year earlier to 76.43 million as of June, government figures showed. In May, the number of mobile phone subscriptions was 74.77 million. In June 2010, Egypt's three mobile operators-Etisalat Egypt, Mobinil and Vodafone's unit in Egypt -- had 58.972 million subscriptions. Egypt is the Arab world's most populous country, with about 80 million people.

#### **Dubai port operator DP World reopened its Ain Sokhna port in**

**Egypt:** Dubai port operator DP World has reopened its Ain Sokhna port in Egypt after a temporary shutdown caused by labor strikes, the head of the Red Sea Ports Authority said. DP World agreed to the demands of workers and said it would pay hardship allowances. Sokhna, near the southern end of the Suez Canal, is Cairo's main port for cargo from the Far East.

**Egypt's EGPC offers 15 blocks in latest bid round:** State-owned Egyptian General Petroleum Corporation (EGPC) said it was

offering 15 blocks in its 2011 oil and gas bid round. The blocks are located in the Gulf of Suez, the Western Desert, the Eastern Desert and the Sinai sedimentary basins, a statement on the company's website said. Of the total, three offshore blocks are being offered in the Gulf of Suez while the remaining 12 are all onshore, an official at the company told Reuters.

**SK E&C JV wins US\$3.5 billion project in Egypt:** South Korea's SK Engineering & Construction reported that a joint venture it operates with a U.S. company had signed a US\$3.5 billion deal to build a petrochemicals complex in Egypt at Ain Sukhna, an energy hub on the Gulf of Suez. The Korean company, along with the US engineering company Shaw Group plan to construct the complex from 2012 to 2016 under the agreement made with Egypt private company Carbon Holdings.

**Egypt requests price review for natural gas supplies to Spanish-Italian Company:** The Egyptian Ministry of Petroleum called for a fresh review of prices for the natural gas supplied by the Egyptian Natural Gas Holding Company (EGAS) to Spanish-Italian company Union Fenosa's liquefaction factory in Damietta. In February the ministry had signed a supply agreement with Union Fenosa, under which the price was increased.

**Egypt expects fiscal year growth up to 3.5% :** According to Egypt's planning minister, an economic growth rate of 3 to 3.5 percent in the current fiscal year was expected.

(Pritam Lal)  
Second Secretary (E&C)