



भारत का राजदूतावास Embassy of India, Cairo

ECONOMIC AND COMMERCIAL REPORT: DECEMBER 2018

OVERVIEW

Inside the issue

- IMF expects record growth rate of 5.3% by end of 2018 for Egypt
- Remittances of Egyptian abroad hit \$21.4 billion in October 2018 – CBE
- Egypt ranks 120th on Ease of Doing Business and 94th in the 2018 Global Competitiveness Index
- Egypt directed the largest proportion of government investments during FY2018-2019 to Upper Egypt region.
- Egypt has achieved self-sufficiency in natural gas production.

MACROECONOMIC INDICATORS

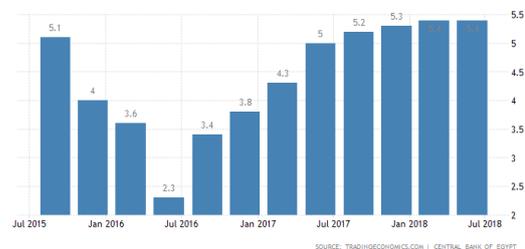
• Uptick in GDP growth

The International Monetary Fund (IMF) reported in October last week that Egypt's economy is expected to record a growth rate of 5.3% by the end of 2018 and 5.5% in 2019, compared to 4.2% in 2017, to be surged to 6% in 2023.

IMF pointed out that the level of foreign reserves and the flexible exchange rate contribute Egypt to attracting more foreign inflows. Egypt floated its currency in November 2016 before the IMF's \$12 billion loan from. As for the inflation, the report expected the rate would decline to 20.9% in 2018, compared to 23.5% in 2017, to reach 14% in 2019.

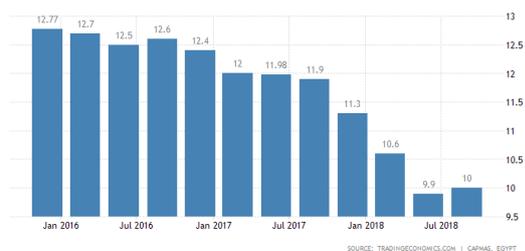
According to the report, the current account deficit would reach about 2.6% of the GDP, compared to a deficit of 6.3% in 2017, and it

would continue to decline to 2.4% in 2019 and 1.2% in 2023, according to the report.



• Labour Market continues to improve

The unemployment rate in Egypt rose to 10 percent in the third quarter of 2018 from 9.9 percent in the previous period. Unemployment Rate in Egypt averaged 10.90 percent from 1993 until 2018, reaching an all time high of 13.40 percent in the third quarter of 2013 and a record low of 8.10 percent in the second quarter of 1999.



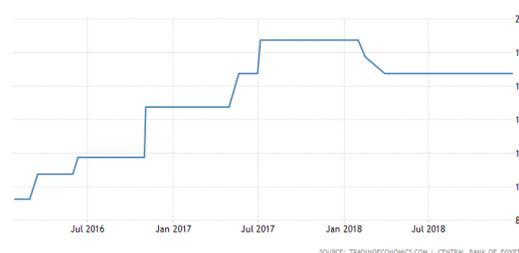
- **Inflation continues its downward spiral**

The annual inflation rate in Egypt eased to 12 percent in December 2018 from 15.7 percent in the previous month. It is the lowest inflation rate since May, as prices rose less for fruits & vegetables (18.77 percent vs 48 percent in November). Meanwhile, the annual core inflation which excludes volatile items, increased to 8.3 percent from 7.9 percent in the prior month. On a monthly basis, consumer prices fell 3.4 percent, following a 0.8 percent drop in the previous month. It is the second straight monthly decline and the steepest since May 1989. Inflation Rate in Egypt averaged 9.47 percent from 1958 until 2018, reaching an all time high of 35.10 percent in June of 1986 and a record low of -4.20 percent in August of 1962.

- **Monetary policy actions**

The central bank of Egypt left its key overnight deposit rate steady at 16.75 percent on December 27th 2018 as expected. Policymakers said inflation declined to 15.7 percent in November from 17.7 percent in October, due to a partial reversal of the supply shock of vegetables and a favorable base effect. The central bank set the inflation target at 9 percent (± 3 percent) on average during Q4 2020, down from 13 percent (± 3 percent) on average during Q4 2018 but added that exogenous factors that are outside the scope of monetary policy may lead to transitory deviations from the target. The overnight lending rate and the discount rate were also kept at 17.75 percent and 17.25 percent respectively. Interest Rate in Egypt averaged 11.83 percent from 1991 until 2018, reaching

an all time high of 21.40 percent in October of 1991 and a record low of 8.25 percent in September of 2009.



- **Improving FX reserves**

With the increase in interest rates after the flotation in November 2016, the yield on 91-day T-bills rose sharply to around 18% and peaked at 22% in mid-2018. As a result, foreign banks bought heavily, attracted by the high yields and reassured by the adjustment of the exchange rate. These inflows contributed—along with loans from international institutions, led by the IMF, and by healthy levels of foreign direct investment—to a surge in Egypt's net international reserves, which reached US\$44.4bn (equivalent to over six months of import cover) in August 2018.



- **Stock market experienced correction**

Egyptian stock market experienced a mild correction during the month of July ending slightly lower than the figure in June. An all-time high of 18363.29 was touched in April 2018. However, the current levels of the Egyptian economy are at multi year highs.



- **Energy subsidy cuts to reduce public expenditure**

Minister of Petroleum and Mineral Wealth Tarek El Molla said that Egypt would continue to cut energy subsidies to reduce government expenditures while boosting energy efficiency. Energy subsidies represented a burden to the government’s budget and drained finances that could otherwise be spent on improving social services, the Minister said.

El-Molla added that oil subsidization encourages smuggling, noting that Egypt has spent \$30 billion on oil subsidies in the past five years. Egypt has been implementing substantial cuts to energy subsidies along with other fiscal measures implemented as part of a program to obtain a \$12 billion loan from the International Monetary Fund (IMF) in 2016.

The fuel subsidy cuts are part of the economic reform package adopted in July 2014 that aimed to ease Egypt’s growing budget deficit, with a five-year plan created to gradually scrap all fuel subsidies by 2019.

The IMF-supported reform programme included pound floatation in November 2016, as well as the implementation of a value-added tax (VAT). Fuel prices have increased nearly 500% since July 2014.

- **Business confidence rebounds**

Egypt's Non-Oil Private Sector PMI rose to an eight-month high of 50.3 in July of 2018 from 49.4 in the previous month. New orders entered expansion territory after three months

of contraction amid stronger demand from both domestic and foreign sources. Meantime, output shrank for the third straight month on shortages of raw materials and higher costs, and staffing levels also continued to fall. On the price front, input costs rose sharply due to higher fuel costs and energy prices. As a result, output price inflation increased to an 11-month high.

- **11.8% increase in foreign trade, 10% hike in exports**

According to the report issued by the General Organization for Export and Import Control (GOEIC), the Egyptian exports surged by 10% during the first eight months of this year, reaching \$16.540 billion, compared to \$14.992 billion during the same period last year. Egypt's Imports also rose by 12%, registering \$43.143 billion, compared to \$38.354 billion during the same period of 2017, achieving an increase of \$4.789 billion. The top markets receiving Egyptian exports in the period from January to August 2018 period were United Arab Emirates (UAE), Turkey, Italy, Saudi Arabia, US, United Kingdom (UK), Spain, Algeria, Germany, France, Jordan and Russia. GOEIC reported that the most prominent sectors that recorded an increase in the volume of imports during the first eight months of this year, included the furniture sector by 61.6% to amount to \$90 million, compared to \$56 million during the same period last year.

BILATERAL RELATIONS

- **Trade enquiries:** During the month of December 2018, a total of **42** trade enquiries were received, out of which **42** enquiries were from India and **00** from Egypt.
- **Trade disputes:** There were a total of **06** trade disputes, **01** of which were received from India and **05** of which were received from Egypt.

- **Training Programmes:** There were a total of (2) candidates joined ITEC Programmes in addition to (0) Candidates joined courses IAFS-III, (0) candidates for C.V. Raman and (00) candidates for AARDO programmes. (total =2)

Events

- From 8 – 10 December 2018, a delegation from the Federation of Indian Export Organisations (FIEO), comprised of 26 Indian companies has participated in the 4th Food Africa which was held at the Cairo International Convention & Exhibition Centre. The Indian pavilion in the 4th Food Africa Exhibition was inaugurated by H.E. Ambassador Mr. Rahul Kulshreshth and H.E. Minister of Supply and Internal Trade, Dr. Ali Moselhi, Mrs. Juin Choudhury, Coordinator at Federation of Indian Export Organisations (FIEO) and senior officials from the Egyptian Ministry of Agriculture and the Federation of Egyptian Industries (FEI). The Indian food companies aimed to explore the Egyptian food market and industry while identify areas of mutual cooperation.
- From 14 – 16 December 2018, Engineering Export Promotion Council of India (EEPC) has organized an Indian Pavilion at Cairo International Convention Centre (CICC) as part of AUTOTECH Exhibition. The Indian pavilion was inaugurated by Dr. Vinod Bahade, Charge d’Affaires and Eng. Abdul Moneim Al-Qadi, Vice-President of the Engineering Industries Chamber of the Federation of Industries. Seven Indian Companies in the Engineering field have participated in the Exhibition with the aim to explore Trade/ Joint Venture / Investment opportunities in the field automotive and engineering.
- Mr. Mukund Kute, Vice President – Projects, Biochem, LLC. Company visited Egypt from 16-22 December 2018. He met

Dr. Vinod Bahade, First Secretary Commerce Embassy of India. The Embassy facilitated meetings for him with the following:

- Mr. Ahmed Zohair, Director of Investment Promotion Sector, General Authority for Investment and Free Zones (GAFI).
- Eng. Ihab Ismail, Vice Chairman for Technical Affairs at New and Renewable Energy Authority
- Mr. Khaled Ali, Head of Petroleum products Importation Sector, Mr. Essam Abo Zahra, Head of Petroleum products Exportation Sector, Ms. Soheir Naggar, Head of Crude Oil sector Egyptian General Petroleum Corporation, EGPC
- Dr. Tamer Abdel Fatah, Deputy Chairman, Field Crops Research Institute (FCRI)

MARKET WATCH

- Fifth session of Belarus-Egypt Intergovernmental Commission held in Cairo that culminated in the signing of the roadmap for 2018-2019. Apart from other things, discussions were held on means of removing obstacles to trade exchange and the establishment of a free trade zone between Egypt and the Eurasian Economic Union (EAEU). Belarus's participation in industrial projects in the Suez Canal and means of boosting bilateral cooperation in the pharmaceuticals field were also discussed. Egypt and the EAEU have also signed a framework agreement on negotiations related to the Free Trade Agreement between the two sides. The two sides agreed on holding a business forum between Egypt and the EAEU in the first half of 2019 to promote economic and trade partnership between the two sides' business community. The agreement will

help boost cooperation between Egypt and the five EAEU countries; namely Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan.

- The second round of the joint Egyptian-Turkmen committee for economic, scientific and technical cooperation was held in Cairo to boost bilateral economic relations and pump more investments into the two countries' infrastructure. The two sides agreed on 11 memorandums of understanding (MoUs) to be signed. The volume of trade exchange between Egypt and Turkmenistan hit USD 5.7 million in 2017.
- Banque Misr signed a cooperation agreement with the International Finance Corporation (IFC), aiming to provide financial services to women entrepreneurs. Such an agreement is the first of its kind, which intends to get a wider spread of financial services and improve women's conditions in Egypt. In addition, the new agreement targets to increase the number of women led companies, as it falls under the financial services, which are being offered to small and medium enterprises (SMEs). Women entrepreneurs represent a large percentage of small enterprises in Egypt, however they are facing challenges, including the difficulty to receive finance to manage their enterprises and develop them. The cooperation with the IFC seeks to promote the companies' growth, provide job opportunities, and foster the economic growth.
- New Administrative Capital Company for Urban Development signed an agreement with the Petroleum Ministry to establish a central cooling plant in the New Capital. This comes as part of the government efforts to achieve sustainable development goals in new cities and to rationalize the use of energy. The plant should be the biggest project in the Middle East and would help achieve a quantum leap where the economy is concerned. The cost of the

project hits about LE2.3 billion as first stage.

- Egyptian Finance Minister said that the government is working on developing the Public-Private Partnership (PPP) program to expand in infrastructure projects, easing the burden on the state's budget, providing high-quality services for citizens and luring more direct foreign investments. The Finance Ministry is in the pipeline to prepare a draft law, with a view to amending some articles of the PPP law no. 67 of 2010, to shorten the offering and contracting processes and introduce new contracting mechanisms, such as private sector initiatives (Unsolicited Bids) and direct contracting. The CBE supports the state's tendency to expand in the PPP program, through boosting the role of Egyptian banks in the long-term financing mechanisms for projects.
- Petroleum Minister Tareq Mulla said that pilot operation of Giza and Fayoum gas fields will begin before the end of December 2018. The daily output of the two fields is expected to increase gradually to reach 700 million cubic feet before the end of the first quarter of 2019. Fayoum and Giza gas fields are located within the North Alexandria and West Mediterranean Deepwater concessions in the Mediterranean Sea, approximately 65km to 85km off the coast of Alexandria.
- President Abdel Fattah El Sisi has directed the government to exert extensive efforts for providing essential commodities , and meeting citizens needs at affordable prices through a full dressed strategy aiming at putting markets and prices under control and eliminating monopolistic practices mainly in the unprivileged areas.
- Africa Forum 2018 organised in Sharm El Sheikh under the rubric" daring leadership, collective commitment , Enhancing Africa investments ". The forum will be organized by the Ministry of Investment in cooperation with the Regional Investment

agency which is affiliated to COMESA under the auspices of President Sisi. The Regional Investment Agency (RIA) of the Common Market for Eastern and Southern Africa (COMESA) organized a workshop for the investment promotion agencies in Africa in the run-up to the Africa 2018 Forum. It stressed the importance of the private sector's role in achieving economic integration in the African continent.

- The Ministry of Antiquities has announced the shortlist of companies and consortiums that have been selected to enter the open tender to manage the facilities of the Grand Egyptian Museum (GEM) complex, scheduled to be opened in 2020. He said that the committees selected four joint Egyptian-international consortia and one single company to enter the open tender, to select the entity to manage the GEM facilities. The four consortia includes an Egyptian Italian consortium of Al-Kharafi National, Fabbro and Munus; an Egyptian-American consortium of Hassan Allam Construction with Jones Lang and Lassalle; an Egyptian-French consortium of Orascom Investment, the Louvre, GFM, GI event, RMN and Engie; and an Egyptian-British consortium of G4S, the Egyptian Investment and Project and Development and Samcrete. The fifth selected entrant is MAB company from the UAE. Mofteh said that contractual procedures for the GEM facilities management are scheduled to be completed in the fourth quarter of 2019. The facilities include a 1,000-seat conference centre, a 500-seat cinema, 10 restaurants, with two overlooking the Giza Pyramids, food courts, bookshops and other retail outlets, a traditional arts and crafts centre, and a multifunctional building that could be for administrative purposes or as a boutique hotel. The GEM complex is a cultural institution located on an area of approximately 500,000 square metres adjacent to the Giza Pyramids. The museum will contain over 100,000

artifacts, reflecting Egypt's past from prehistory through to the Greek and Roman periods, in an area of 92,000 square metres.

- Petroleum Minister Tareq Al-Molla said that the year 2019 will witness announcing an international bidding to prospect for oil and gas in the West of Mediterranean Sea offshore. In statements to "Al-Ahram", the minister added that this month will also witness announcing an international bidding to prospect for oil and gas in the Red Sea offshore after the US Schlumberger Company has finished all studies on it.
- Al-Molla went on to say that the announcing of these bidding puts Egypt on the international investment map. Al-Molla said that the strong cooperation ensured among Egypt, Greece and Cyprus in the field of petroleum and gas industry and the inked cooperation agreements between them enhanced the political cooperation framework and led also to inking more commercial agreements.
- Transport Minister Hisham Arafat announced, on Monday, the start of the first stage of the 15.6-kilometer-long Dairout axis in Assiut governorate at a total cost of LE1.7 billion. The axis will help create new urban communities, link the eastern and western desert roads and develop religious tourism in the area which is famous for many churches, mosques and archaeological sites. It will help reduce the number of ferry accidents. The project will be carried out by Nile Company for Roads and Bridges, which is affiliated with the Transport Ministry. The project comes as part of the government's plan to carry out development projects across the nation, especially in Upper Egypt.
- Ministry for Investment and International Cooperation and the Asian Infrastructure Investment Bank (AIIB) signed a 300-million-dollar deal on the sidelines of the

Africa 2018 Forum in Sharm el Sheikh city. The project aims at improving the operation systems of drinking water and sanitation companies in these governorates, she noted. Another agreement was signed between the Arab Bank for Economic Development in Africa and Banque Misr encouraging the exportation of Egyptian and Arab products to the African markets. An MoU was also signed between the General Authority for Investment and Free Zones (GAFI) and the Ethiopian Investment Commission (EIC) in order to enhance investment ties. The memorandum calls for enhancing bilateral relations and promoting joint cooperation in the investment field in order to exchange expertise and implement bilateral investment ventures.

- Egypt's Carbon Holdings Co. and the Africa Finance Corporation signed 1.25-billion-dollar agreement to fund the Tahrir Petrochemical Complex project in Suez's Ain Sokhna. The Tahrir Petrochemical Complex is the biggest petrochemicals project in the Middle East region with total investments of 11 billion dollars.
- Multiple incentives have been offered at local and international forums to lure businessmen to pump investments into the SCZone.
- Egypt's Suez Canal Economic Zone (SCZone) and the Saudi Industrial Services Co. (SISCO) signed a contract on establishing a multi-purpose international terminal for East Port Said Port. The contract covers the terminal's design, establishment, management and operation with an expected investment cost of LE1.5 billion. The project provides 3,300 direct and indirect jobs in all fields within the logistics field and its revenues range from LE13 to 20 billion and partial operation is expected in mid-2019.
- Petroleum Ministry inked an agreement with British oil giant BP and UAE-based Mubadala Investment Co. giving them

stakes in the Nour gas field off the northern coast of Sinai. Under the agreement, BP will buy 25 percent, while Mubadala will get 20 percent of Italian energy company Eni's 85 percent stake in the Nour gas field. The remaining 15 percent stake is held by Egypt-based Tharwa Petroleum Co. Petroleum Ministry said that the diversity of international companies operating in the region confirms confidence in the investment climate in the oil and gas industry in Egypt and contributes to diversifying sources of funding.

- An Indian delegation grouping about 10 auto parts companies are participating in Autotech 2018, the International Auto Aftermarket Trade Show for Automobile Spare Parts, Accessories, Motorcar Workshops, Service Station Equipment and Feeding Industry, which will be held at Cairo International Convention and Exhibition Center during the period from December 14 to 16. The Indian government is backing the country's pavilion at the exhibition which is set up under the patronage of the Engineering Export Promotion Council (EEPC) of India. The Indian companies will offer the capabilities of the country's Original Equipment Manufacturers (OEM) and will explore the Egyptian and North African markets to specify the spheres of mutual cooperation. The Indian auto parts manufacturing industry is expected to be the third largest industry in the world by 2025. The sector's exports have achieved 23% growth rate in fiscal year 2017-2018. Egypt is considered one of India's major trading partners in the African continent, with volume of trade exchange amounting to \$3.68 billion, according to the figures registered during 2017-2018. India is ranked Egypt's tenth trading partner, and the seventh largest importer of the Egyptian commodities. It also ranks the 11th among Egypt's largest exporters.

- The African Export–Import Bank (Afreximbank) signed trade deals worth \$27 billion on the sidelines of Intra-African Trade Fair. The inked agreements cover a number of development projects in Tanzania, Zimbabwe, Borkina Faso, Nigeria and Côte d’Ivoire. The Intra-Africa Trade Fair 2018 (IATF2018) is the first of its kind seven-day trade show that takes place at Egypt International Exhibition Centre, Cairo, Egypt from the 11th to the 17th of December 2018. The Fair is promoted by the African Export-Import Bank and organized in collaboration with the African Union. It provides a platform for sharing trade, investment and market information and enabling buyers and sellers, investors and countries to meet and discuss and conclude business deals.
- Chairman of the Arab Organization for Industrialization (AOI) Abdel Moneim al Taras discussed with Chairman of China Railway 20 Bureau Group Corporation (CR20G) Deng Yong means of boosting cooperation in the manufacturing of monorails and express trains, as well as benefiting from the Chinese expertise and technology in this sector. This comes within the framework of the government's keenness to modernize the fleet of railway and metro carriages and introduce the service of high-speed trains. During the meeting, AOI seeks to provide all potentials and ways to speed up the development process, given unprecedented achievements that the country witnesses nowadays, in addition to boosting domestic manufacturing, which positively could be reflected on the national economy.
- Finance Minister Mohamed Maait said that the ministry will not change its tax policy, but it will work on developing its tax administration, warning that taking such a move could badly affect the country's economy with regard to attracting investments. He said that the ministry targets drafting a tax treatment law on e-commerce, advertisements on social media platforms and other news websites. The proposed law is expected to be finalized by end of June 2019. The minister asserted that the Egyptian Tax Authority (ETA) never aims to hinder foreign investments in the Egyptian market, but endeavors to change the philosophy of dealing with investors, in addition to involving in flexible discussions, with a view to reaching prior agreements with investors. The Ministry is aimed at raising economic growth rates, as well as automating measures to prevent direct communication between investors the ETA personnel, for the sake of reducing disputes and ongoing complaints from unfair estimates. He went on to say that the ministry is working on restructuring the ETA and drawing up new laws, with the purpose of making radical changes to the tax policy by 2020, which in turn could contribute to luring further investments into the Egyptian market.
- The Central Bank of Egypt (CBE)'s board is mulling re-opening the door for licensing international banks' branches to join the Egyptian market in the coming period. A CBE reliable source said that the step will promote confidence in the Egyptian economy and the banking sector and contribute to boosting the sector's competitiveness.
- The source noted that a number of international banks filed requests to join the Egyptian market. He added that this will create a larger database of clients in the banking sector, especially in view of huge network of relations which international banks have with heavyweight international investors, companies and institutions.
- Egypt and the European Investment Bank (EIB), inked €350-million loan agreement to develop Cairo's first Metro line. The

project is aimed at renewing Cairo's first Metro line, with a view to ensuring long-term sustainability of subway services, increasing transport capacity, reducing traffic congestion, in addition to easing public transport in the Greater Cairo. The renovations include signaling, communication and electro-mechanical systems, as well as central control systems and power supplies.

- The Commercial International Bank (CIB), Egypt's financial institution, announced the establishment of CVentures, the first corporate venture capital firm in Egypt primarily focused on investing in transformational Fintech startups, and next generation financial services platforms. CVentures will predominantly participate in Series A and Series B investment rounds in Egypt, the Middle East, and Africa as well as other highly recognised cross-border market economies, in addition to considering seed investment rounds across similar markets. To achieve this, CVentures will combine the speed and agility of an independent investor with the breadth of the CIB's businesses, whilst continuously developing meaningful relationships with dynamic and insightful stakeholders involved in high-growth, disruptive technologies, and differentiated business models that compliment and intersect with the CIB's core businesses.
- The money transfer of Egyptians working abroad hit \$21.4 billion in ten months, up 8 percent from the same period of last year, said the Central Bank of Egypt (CBE). In a statement, the CBE said the total money transfer of Egyptians abroad reached in October \$2.1 billion in October compared to September \$1.8 billion in September. Remittances are one of Egypt's main foreign currency earners and contribute significantly to Egypt's gross domestic product (GDP). Egypt's GDP grew by 5.4 percent in the 2017-2018

fiscal year that ended on 30 June. Egyptian expatriates have been increasingly sending back remittances to Egypt following the floatation of the Egyptian pound in late 2016.

- The Cabinet approved under Prime Minister Moustafa Madbouli approved amendments of the law regulating the private sector's partnership in projects of infrastructure, services and public utilities. The amendments will be referred to the State Council to be revised. The amendments took into consideration the proposals offered by various ministries. The amendments include updating mechanisms of partnership contracts with the private sector in addition to removing obstacles that would hamper such projects. The amendments set rules for selecting projects that could be implemented in partnership with the private sector.
- Egypt was ranked 94th out of 140 countries in the 2018 Global Competitiveness Index (GCI) with a slight increase of 0.4 points up in comparison with the previous years. Covering 140 economies, the GCI measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity issued by the World Economic Forum. Regarding human capital and markets, Egypt ranked 99th in health, 130th in the labor market, and 121st in the product market. Also, it ranked 24th in market size, 99th in the financial system, 97th in business dynamics, and 64th in innovation ecosystem. In terms of an enabling environment, the country was 102nd in institutions component, 56th in infrastructure, and 100th in the information and communication technology adoption. The report said that economic reforms have accelerated in recent years, after a combination of economic, social, and political factors increased the urgency to diversify the

economy, and broaden the benefits of growth.

- Egypt's Ministry of Planning, Follow-up and Administrative Reform has launched a national system for follow-up and evaluation, as part of Egypt vision 2030. The new system is meant to follow up the progress made in the implementation of the government's action program 2018/2019 – 2020/2021 and the associated sustainable development plans, Planning, Follow-up and Administrative Reform Minister Hala el Saeed said. The new system will be the first of its kind to effectively follow-up and evaluate the governmental performance. It will include detailed executive action plans for all the governmental bodies, using indicators to evaluate the development impact, competitiveness and sustainable development of all the institutions and bodies across the country.
- Egypt has jumped seven spots to rank 120 out of 190 countries in the World Bank's "Ease of Doing Business" Report for 2019 which put it among the most improving economies in 2017/2018. The Doing Business Index ranks countries against each other based on how the regulatory environment encourages business operations and stronger protections of property rights. Egypt implemented several reforms in the ease of starting a new business. Reforms in Egypt have included facilitating the settlement of insolvencies by applying a reorganization mechanism for insolvent companies, allowing debtors to initiate reorganization proceedings, and granting creditors greater participation in the proceedings, the report mentioned. Egypt has also performed well in the area of building permits. The cost of completing all the procedures required to obtain a licence to construct a warehouse is only 1.6 per cent of the warehouse value, compared to an average of 4.7 per cent in other MENA countries, the report

said. As for taxes, the report added that Egypt had made paying taxes easier by extending value added tax (VAT) cash refunds to manufacturers in cases of capital investment. The highest ranked Arab country was UAE (11th place) Morocco also ranked high (60th) while Saudi came at 92nd place. Overall New Zealand, Singapore and Denmark led the world in the ease of doing business while Somalia remained at the very bottom despite improved scores compared to last year.

- The Ministry of Housing, Utilities and Urban Communities launched a project for drawing up detailed plans and implementing infrastructure works necessary for an integrated urban development project known as "Hayyena". The project is implanted in cooperation with the United Nations Human Settlements Programme (UN-Habitat). Mainly financed by the State Secretariat for Economic Affairs in Switzerland, the \$11.8 million project aims to promote urban development, support local economic development, enhance the citizen's quality of life and increase the size of local resources. The Swiss side will provide \$8.1 million of the project's funding, whereas the Egyptian government will provide the remaining \$3.5 million.
- Ministry of Military Production signed a Memorandum of Understanding (MoU) between the National Organization for Military Production and the China Energy Engineering Group Corporation (CEECC) for energy and infrastructure projects. According to the MoU, the National Organization for Military Production will cooperate with the Chinese company for the various stages of planned national projects, beginning with identifying these projects and collecting information on them, as well as contributing to obtaining the necessary licenses and permits for implementation. A number of technicians

from the National Organization For Military Production will visit China for training at the company's headquarters. The CEEGC will be responsible for providing the engineering designs, supplies, construction services and all technical support required. The CEEGC is one of the largest companies with extensive technical expertise in project development and comprehensive solutions for the energy sector not only in China but also globally, according to the company's Assistant Director Shen Chen.

- Egypt and Germany signed on Sunday two agreements worth €150.5 million for technical and financial cooperation. In an official statement, the ministry said the agreements were signed by Minister Sahar Nasr and German Ambassador to Cairo Julius Georg Luy. The first agreement is on technical cooperation through a grant worth €48 million in the education sector under President Abdel-Fattah El-Sisi's initiative to invest in human capital, as well as support infrastructure, the environment, agriculture, water and sanitation, and small and medium-sized enterprises (SMEs). The second agreement is on financial cooperation and is worth €102.5 million to fund a number of projects in the fields of electricity, renewable energy, agriculture, and SMEs. Nasr said the grants for SMEs would be directed to the most deprived areas to benefit youth and women. The minister praised the cooperation between the two countries, highlighting German investments in Egypt, which are totaled at \$641.4 million. Lowe praised the cooperation with Egypt, saying that the agreements come in the framework of boosting ties between the two countries.
- Egypt has achieved self-sufficiency in natural gas production. In 2018, Egypt's production of natural gas reached unprecedented levels, with newly discovered fields placed on the map and

gradually contributing to an increased production throughout the year. It put the total production of natural gas at some 6.6 billion cubic feet daily, expecting it to further rise to about 6.750 billion per day as 2018 ends. Forty-three crude oil wells have also been detected in 2018, plus 18 new gas discoveries; all of which greatly contributed to an increase in Egypt's petroleum production and reserves. Egypt's average production of crude oil and condensates reached 660,000 barrels per day after 36 newly discovered wells had been placed on the production map. Oil refining projects also came into force in 2018, the statement said, citing a project by Alexandria National Refining and Petrochemicals Company (ANRPC) to produce premium octane gasoline 92 and 95. Worth some 219 million dollars, the project is meant to increase production of premium octane gasoline by 700,000 tons annually to reach a total of 1.5 million tons, all of which should go to the local market. Also four new petrochemical projects were implemented in 2018 at a total cost of 1.5 billion dollars. According to the Petroleum Ministry statement, natural gas has been extended to more than one million residential units in 72 highly-populated cities and villages across Egypt in 2018. As many as 18,784 cars have been adjusted to operate with natural gas during the period between January and November 2018. Also 100 new gas stations became effective in 2018 in an effort to provide better services to citizens. Steps have also been taken to implement a phosphoric acid production complex in the New Valley. Worth some 750 million dollars, the complex is estimated to produce one million tons of phosphoric acid per year.

- The Board of the General Authority for Investment and free zones (GAFI) held a meeting to discuss the establishment of 19 new investment free zones in some governorates which will contribute

towards boosting investor services. The GAFI's board exposed a number of procedures that integrated with the structural and organizational procedures which aim at improving the Egyptian investment climate. GAFI is working on establishing seven free zones in Minya, South Sinai, New Ismailia, Giza, Dakahlia, Aswan, and Kafr El Sheikh, noting that the seven regions are expected to include over 1,000 projects and contribute to the provision of about 120,000 jobs. MIIC and GAFI began to activate the project of automating work procedures in the free zones through providing all the procedures on the MIIC website which saves a lot of time, effort, and speed of ending the procedures in an unprecedented way with the aim of simplifying procedures. Automation of the work procedures in the free zones began in Nasr City' public free zone as a prototype, adding that the project will be generalized in all the free zones. The new system aims to link the databases of the single project with the different regional administrations, as well as perfectly supervise the projects to prevent any attempted smuggling due to the frequency of incoming and outgoing messages. GAFI is working on developing free zones' systems in order to achieve competitiveness with free zones in the Middle East and North Africa. GAFI's board discussed future legislative reforms to facilitate procedures for investors after the minister recently issued a decision to amend some provisions of the executive regulations of the Corporations' Law to include joint stock companies, shareholding companies, limited liability companies, and one-person companies. Legislative reforms aim to remove any obstacles that companies may face and match global developments in order to provide an appropriate climate for investment in Egypt. The board continued discussing issuing investment zones' internal regulations' draft in the

framework of achieving a shift in the GAFI's developmental plans for the free zones as the last update of the draft was conducted 10 years ago.

- EFG Hermes, a leading financial group and one of the biggest investment banks in Egypt, expects that the Central Bank of Egypt (CBE) will lower interest rates by one to two percent in 2019. The financial group also expected the average rate of inflation to stabilize at 14 percent, which will boost the national economy and push forward investment rates. Head of Hermes research sector Ahmed Shams told MENA that the CBE is not likely to make any interest deductions during the first half of 2019 because of the developments in world markets. The bank might mull a one or two percent cut of interest rate in the second half of 2019. Foreigners' exit from treasury bills will not place any pressure on the CBE because their money was not used in financing the trade balance deficit. Emerging markets worldwide were affected by an exit wave of foreign investments in government debt instruments during the second quarter of 2018 as the US dollar rose, raising fears from the economies of these markets, especially after the crises of Turkey and Argentina. In the first quarter of 2018, Shams said that foreigners' investments in treasury bills surmounted 23 billion dollars, but they had no big effect on the Egyptian economy. This means that when \$11 billion of foreigners' investments in treasury bills exited at the end of the year, they also had no effect. Egypt's foreign cash reserves hit 45 billion dollars in 2018, expecting the CBE to abandon its policy of increasing reserves in order to push forward investments.
- The Egyptian cabinet approved a proposal to start getting electronic bill payments owed to the government as well as the taxes and customs authorities as of May 1, 2019. Under the decision, payments of

more than EGP 500 shall be made via any electronic method as part of the government's e-payment system and payments of less than EGP 500 can be made through any payment method, whether electronic or not. The cabinet urged all the administrative bodies addressed by the decision to provide, collect and sort the necessary data as well as to continue coordination with the banking sector and the Central Bank of Egypt to distribute ATMs at government institutions.

Commerce Wing
December, 2018