



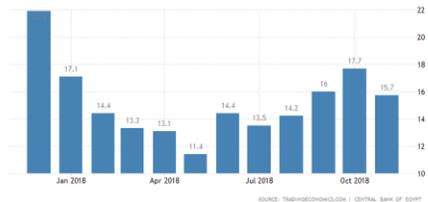
भारत का राजदूतावास, काहिरा

Embassy of India, Cairo

Economic and Commercial Report: November 2018

Overview

- Egypt's Inflation rate reduced to 15.7% in November from 17.7% in October
- Unemployment rate was 10% in the 3rd Quarter of 2018
- Egypt targets a growth rate of 6.5% in 2019-20
- Central Bank of Egypt ends Forex Expatriation Mechanism
- Egypt attracts \$111 Billion in Foreign Currency Inflows since floating of Egyptian Pound
- Egypt moves up 8 spots in Doing Business 2019 Report of World Bank



Macro-economy and Economic Policy

- **11% Increase in Egyptian Exports within 9 Months**

Non-oil foreign trade performance indicators for Egypt during January-September this year have increased by 11%, according to a government report received by the Minister of Trade and Industry, Amr Nassar. The General Organization for Import and Export Control (GOEIC) reported that the rates of trade increased by 13 percent compared to the same period of 2017, reaching \$67.63 billion compared to \$59.82 billion during the same period last year, with an increase of \$7.88 billion. The report pointed out that Egyptian exports during the first nine months of this year increased by 11 percent, reaching \$18.51 billion compared with \$16.6 billion during the same period last year. Imports increased 14 percent to \$49.1 billion from \$43.2 billion in the same period in 2017. The largest markets for Egyptian exports during the first nine months of this year were in the UAE, Turkey, the US, Saudi Arabia, the UK, Spain, Algeria and France.

- **Egypt's Budget Deficit drops in first two Months of 2018-19**

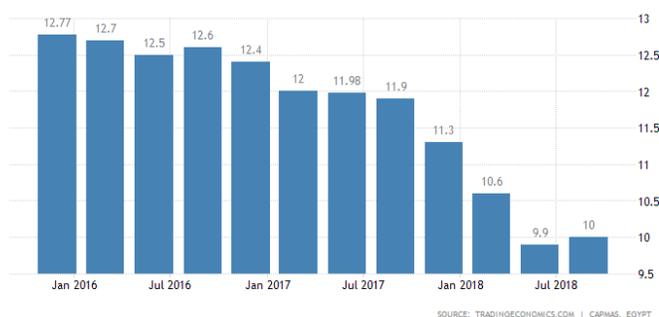
Egypt's state budget deficit has decreased to 1.6 percent of the GDP during the first two months – July and August – of the current fiscal year, compared to 1.7 percent in the same period last year, according to the Ministry of Finance's monthly report. Revenues from taxes on salaries, interest and capital gain rose by 67.8 percent to reach EGP 33.3 Billion. Taxes from salaries increased by 32.5 percent, reaching EGP 7.1 billion, while Suez Canal revenues tripled to EGP 6.7 billion. According to the report, the decrease in the deficit is due to a rise in revenues, which increased by 34.9 percent this fiscal year, registering EGP 100.6 billion compared to EGP 74.5 billion the previous year.

- **Finance Ministry Targets Reducing Budget Deficit to 7% in 2019-20**

The 2019-2020 draft state budget targets bringing down the total deficit to 7% out of the gross domestic product (GDP), compared with 8.4% in the current fiscal year. The draft budget targets that the GDP would reach about EGP 6.2 trillion with growth hitting 6.5% in 2019/2020. The government seeks reducing the debt of the public governmental bodies from 108% of the GDP in 2017 to about 98% in 2018, then to 79.4% in 2022. Bringing down the debt will contribute to boosting the competitiveness of the Egyptian economy through reducing the inflation and interest rates, a step that will support the private sector's investments and create real and sustainable job opportunities. Reducing the debt balance to 79.4% of the GDP in 2021/2022 requires achieving high growth rates that would contribute to improving the economic performance, in addition to the need of attaining a remarkable improvement to the initial budget balance so that it would achieve surplus amounting to 2% of the GDP.

- **Unemployment rate reaches 10% in 3rd Quarter of 2018**

Egypt's unemployment rate recorded 10 percent in the third quarter of 2018, 1.9% down against the same period in 2017. The rate inched up 0.1 percent, against the second quarter of 2018 which registered 9.9 percent, said the Central Agency for Public Mobilization and Statistics (CAPMAS). The number of jobless people stood at 2.920 million (including 1.602 million males and 1.318 million females), representing 10% of the total workforce, according to CAPMAS. The size of the workforce reached 29.215 million people (including 23.447 million males and 5.768 million females).

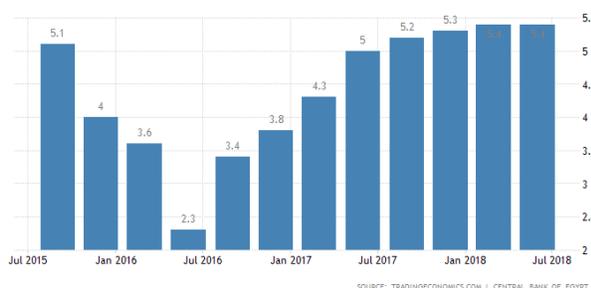


- **Balance of Trade Deficit for August Increases**

The Central Agency for Public Mobilization and Statistics (CAPMAS) said that the balance of trade deficit for August this year increased to 3.95 billion dollars compared to 3.66 billion in the same month last year at an increase rate of 0.8 percent. In a monthly bulletin, it added that the value of garments and foodstuffs exports decreased by 12.2 percent reaching \$1.98 billion in August this year compared to \$2.26 billion in the same month last year. Other exports such as crude oil increased by 22.5 percent in August this year compared to the same month last year, according to the bulletin.

- **Egypt targets growth rate of 6.5% in 2019-20**

The government targets to raise economic growth rate to 6.5 percent in the 2019-2020 budget, compared to 5.3 percent in fiscal year 2017-2018, Finance Minister Mohamed Ma'it said. He added that the ministry has prepared a publication of 2019-2020 budget that has been sent to all the bodies concerned. Ma'it determined five main objectives for financial and economic policies during the new fiscal year. The objectives included the provision of all necessary financial allocations to protect national security, preserve national sovereignty, raise awareness of the dangers surrounding the country, improve the standard of living, respect the rights of the poorest and marginalized groups, increase the insurance umbrella and social safety nets and improve the efficiency of the health care system.



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- **Egypt on track to achieve its Financial Targets**

Egypt's state revenues grew by 35.5 percent in the first quarter of this fiscal year, putting the government on track to achieve its targeted primary budget surplus of 2 percent, said the finance minister. Government investment rose 85 percent while tax collection increased by 39.8 percent, Finance Minister Mohamed Maait said in a statement. "These positive results for the first quarter of the current fiscal year affirm Egypt's ability to achieve its financial targets for the budget for the current fiscal year," the minister said.

- **Governor of Central Bank of Egypt hails ending Forex Expatriation Mechanism**

The Central Bank of Egypt (CBE) said that it will terminate the foreign exchange mechanism as of the closing business day of December 4th. The new decision will be applied on "any fresh foreign currency portfolio investments wishing to enter the local currency Egyptian T-Bills, T-Bonds market and the stocks listed on the Egyptian Stock Exchange," CBE said in a statement. Fresh foreign currency portfolio investments, from this point forward, should be channeled through the interbank market," it said. CBE attributed the move to the economic improvement the Egypt has witnessed in the last two years, after initiating a "homegrown economic reform program."

- **\$111 Billion in Foreign Currency Inflows since floating of Egyptian Pound**

Foreign currency resources have reached USD 111 billion since November 3, 2016, Egypt's current account deficit decreased from USD 19.8 Billion (5.9% of GDP) for the fiscal year 2015/2016 to USD 5.9 Billion (2.4% of GDP) for the fiscal year 2017/2018. "Furthermore, Egypt's Balance of Payments achieved an overall surplus of USD 12.8 Billion (5.1% of GDP) for fiscal year 2017/2018 compared to a deficit of USD 2.8 Billion (0.8% of GDP) for fiscal year 2015/2016. Going forward, Egypt's Current account deficit is projected to decrease to around 1%-2% of GDP for fiscal year 2018/2019"

Bilateral Relations

- During the month of November 2018, a total of **39** trade enquiries were received, out of which **37** enquiries were from India and **02** from Egypt.
- There were a total of **06** trade disputes, **02** of which were received from India and **04** of which were received from Egypt.
- There were a total of (17) candidates joined ITEC Programmes in addition to (0) Candidates joined courses IAFS-III, (0) candidates for C.V. Raman and (0) candidates for AARDO programmes. (total =17)

Events

- On 13th of November 2018, H.E. Ambassador Mr. Rahul Kulshreshth has chaired the IBF Meeting. During the meeting, IBF members met with Major General Dr. Ahmed Abdel Nazir Ahmed, Chairman & CEO of Science and Technology Centre of Excellence (STCE), National Organization for Military Production, Ministry of Military Production (MoMP). Major General Dr. Ahmed expressed willingness to explore cooperation between both sides in various fields and briefed members on existing investment opportunities in MoMP for the Indian companies based in Egypt.
- A delegation from 50 Hertz Limited company consisting of Managing Director, Mr. Navjeet Singh Kalsi and Asst. General Manager, Mr. Sandeep Das, visited Egypt from 17th - 21st November 2018. The Embassy facilitated meetings for the delegation with the followings:
 - i. Eng. Gamal Abdel Reheem, Chairman EETC, Egyptian Electricity Transmission Company and Mr. Mohamed El Sisi, Financial Advisor EETC.
 - ii. Dr. Mohamed El Khayat, Executive Chairman New & Renewable Energy Authority(NREA).
- On 29th of November, IBF members met with the Team of General Authority for Investment and Free Zones including Mr. Mohamed Youssef, Head of Investor Promotion Dept.; Mr. Ahmed Zohair, Director of Investment Promotion Dept. and Ms. Manar Waly, Investment Promotion Officer (India-Malaysia). The GAFI Team and the IBF members discussed investment opportunities, issues and problems including problems related to imports, facilitation of visas, streamlining the process of work permits issuance for expats and deduction of VAT rates.

Egypt and World

PM Arrives in China to Attend CIIE

Prime Minister Moustafa Madbouli attended the China International Import Expo (CIIE) in Shanghai. The prime minister was accompanied by a delegation including Minister of Trade and Industry Amr Nassar. Madbouli delivered a speech at the opening ceremony of the event, which was inaugurated by the Chinese president and prime minister.

- **Egyptian-Ukrainian Joint Committee Convenes for First Time Since 8 Years**

The seventh session of the Egyptian-Ukrainian Joint Committee on Economic, Scientific and Technical Cooperation was held in the Ukrainian capital Kiev. The Joint committee convened for the first time since 8 years ago. Investment and International Cooperation Minister Sahar Nasr and Ukraine's Deputy Prime Minister Pavlo Rozenko headed the Egyptian and Ukrainian sides, respectively.

- **Egypt keen to economically support African Countries**

Minister of Higher Education and Scientific Research Khaled Abdel Ghaffar said Cairo is keen to support African states and help them resolve any problems facing them. Abdel Ghaffar made the remarks as he delivered Egypt's speech on behalf of President Abdel Fattah El Sisi at the first Extra-Ordinary Summit of the Committee of Ten Heads of State and Government (C10) championing Education, Science and Technology in Africa, currently held in Malawi. The minister said the economic reforms being taken by the Egyptian government have started to yield good results, the Ministry of Higher Education and Scientific Research said in a statement Saturday.

- **Egypt, China Seek Increasing Joint Investments**

Egypt and China reached an agreement on encouraging mutual investments and attracting more Chinese companies to work in Egypt. The agreement was reached at a meeting between Deputy Chairman of the Egyptian General Authority for Investment and Free Zones Mohamed Abdel Wahab and a delegation of the Chinese investment authority, on the sidelines of the International China Imports Fair. The agreement calls for increasing Chinese investments in the Suez Canal zone, the New Administrative Capital and the new cities to benefit from the Chinese experience and create more jobs.

- **African Development Bank has 30 projects in Egypt worth \$2.8 billion, says President**

African Development Bank (AfDB) President Akinwumi Adesina has said he was glad to work with Cairo for a strong partnership with the Egyptian government. In a meeting with Minister of Investment and International Cooperation Sahar Nasr and Minister of Electricity Mohamed Shaker on the sidelines of an African investment forum in Johannesburg, South Africa, Adesina said his bank has now 30 projects in Egypt worth 2.8 billion dollars. He praised Egypt's economic reform program and the good investment climate which, he said, made Egypt no. 1 at the African level in luring foreign direct investments.

- **Egypt and US discuss boosting partnership in Oil and Gas Sector**

Minister of Petroleum and Mineral Resources Tareq el Molla, discussed in a meeting with US Deputy Assistant Secretary for Oil and Natural Gas Shawn Bennett means of boosting the Egyptian-American partnership in the fields of oil and natural gas, in addition to investment opportunities available in the Egyptian petroleum sector. During the meeting, which was held on the sidelines of the Abu Dhabi International Petroleum Exhibition & Conference (ADIPEC), the minister asserted that Egypt's business climate is suitable for luring more US companies to invest in the areas of oil, natural gas, petrochemicals and technology transfer, in light of the country's political and economic stability and the ministry's clear strategy for energy. The oil sector seeks to encourage new American companies to work in Egypt and encourage existing US companies to pump further investments.

- **Petroleum Minister and Saudi Counterpart probe Enhancing Cooperation**

Petroleum Minister conferred with Saudi Minister of Energy, Industry and Mineral Wealth Khaled al Faleh on enhancing cooperation between the two countries in the various fields of oil and gas industry. During a meeting held on the sidelines of Abu Dhabi international conference on petroleum, Molla said that Egypt is highly interested in cooperation with the kingdom in the field of mining and is currently promoting work strategies in this respect to attract more investments and expand using and manufacturing mineral wealth.

- **Egypt to host International SME Forum in June 2019**

Egypt has said that it will host an international forum for small and medium-sized enterprises (SMEs) in June 2019, with 52 countries participating. In an official statement, Egypt's Trade and Industry Minister Amr Nassar said that Egypt will host the meetings next summer in conjunction with a United Nations celebration on the same day in its headquarters in New York.

- **Japanese markets open to Egyptian Agriculture Products**

Agriculture and Land Reclamation Minister Ezz Eldin Abu Steit said that the Central Administration of Plant Quarantine succeeded in opening Japanese markets for the Egyptian agricultural products. Abu Steit said that the Japanese market has been opened to many Egyptian crops after holding negotiations with the Japanese side and carrying out technical and quarantine studies. Both sides probed export requirements for a number of Egyptian vegetables and fruits, the minister reiterated, adding that it was agreed to apply the phytosanitary requirements by Japan. The agricultural crops to be exported to the Japanese market include potatoes, green onions, cucumbers, garlic, courgettes, okra, artichoke, green peas, green beans, asparagus, sesame and melons, water melons and dates, Abu Steit underlined.

- **Tariff on Cars imported from EU to reach 0% starting from January 1, 2019**

Head of the European Union (EU) Delegation to Egypt Ambassador Ivan Surkos said that Egypt will cut the tariff on cars imported from the EU to reach zero percent starting from January 1, 2019 in accordance with an approved schedule of Egypt-EU partnership agreement. He added that this was officially announced during a meeting of the Egyptian-European partnership committee. The ambassador added that relations between Egypt and the EU are expanded in all important fields of sustainable economic and social development and stability in Egypt.

- **South Korea and Italy develop Railway and Metro**

Transport Minister Hesham Arafat held three expanded meetings with South Korean and Italian ambassadors, in addition to a delegation of a number of international banks and companies for considering joint cooperation in the transport sector. The minister met with South Korean Ambassador in Cairo Yoon Yeocheol and a delegation of a South Korean company during which they discussed means of cooperation in the infrastructure field and modernizing the electric signals for some railways from Nagaa Hamadai to Luxor. The two sides also mulled over the possibility of financing electrifying signals project in Luxor to Aswan by the South Korean side.

- **Russia seeks UAE Cooperation in Egyptian Market**

Minister of Economic Development Maksim Oreshkin urged UAE businessmen to cooperate with his country for setting up an industrial zone in Egypt. Oreshkin added at a joint investment forum that joint cooperation should also cover other economic projects in other Arab and African countries. He confirmed that cooperation between the two countries will be successful on the markets of Egypt, North Africa and the Arab world. Russia is planning to set up an industrial zone in the Egyptian Suez Canal Economic Zone at total investments of around seven billion dollars.

- **Egypt's Central bank launches 3.2 billion euros Initiative with EU to bolster Financial Inclusion**

The Central Bank of Egypt (CBE) launched in Cairo a 3.2 billion-euro programme with the European Union to bolster financial inclusion and banking supervision. The programme will be in the form of technical assistance for three years to support efforts to promote financial inclusion and strengthen banking monitoring frameworks. Representatives from 100 government bodies, business organisations and embassies attended the launching ceremony. The Ambassador of the EU in Egypt Ivan Surkos expressed appreciation for efforts exerted by the CBE to achieve economic reforms. The EU-funded programme will boost the CBE's efforts in setting up a comprehensive database covering all banking sectors in addition to micro, small and medium-sized enterprises.

- **Hariri and Egyptian Investment Minister mull Economic Cooperation**

Lebanese prime minister-designate Saad Hariri met with Egyptian Investment and International Cooperation Minister Sahar Nasr in Beirut. The meeting tackled the bilateral relations and, in particular, the economic cooperation, said Egypt's Ambassador Nazeem el-Naggari, who was present. They discussed also the Egyptian-Lebanese business forum, currently held in the Lebanese capital.

- **Ministers confer with Chinese Company Delegation on Cooperation**

Egypt's Minister of State for Military Production Mohamed el Assar and Minister of Public Enterprise Sector Hisham Tawfiq conferred with a delegation from China National Tires and Rubber Company (CNRC) on promoting cooperation. During the meeting, the two sides discussed establishing a new factory to manufacture tires in Egypt. Following the meeting, Assar said that the Military Production ministry, thanks to its technology and human capacities, may take part in a planned partnership between Egyptian institutions and the Chinese firm. The factory, if approved to be established, will be producing a type of tires that Egypt does not produce in order to meet the local need and export to the neighboring countries.

- **Egypt says US Oil Firms showing appetite for Offshore Projects**

Egypt sees increasing interest from U.S. energy companies in developing its offshore oil and natural gas resources and expects them to participate in two bidding rounds due before year-end, Petroleum Minister Tarek El Molla said. Egypt has emerged as an attractive destination for foreign energy firms following a string of major discoveries in recent years including the giant Zohr offshore field, which holds an estimated 30 trillion cubic feet of gas. Molla said Egypt wanted to become a regional

trading gas hub now it had achieved its goal of self-sufficiency, but would focus on meeting its existing commitments -- including a contract to supply Jordan -- once exports are resumed.

- **Egypt to export Sugar Beet Waste to China**

Egypt and China inked a Memorandum of Understanding (MoU) on rules to export sugar beet waste to the Asian country. The document was inked by Egypt's Deputy Agriculture Minister Mona Mehrez and China's Deputy Customs Commissioner-General. In statements on the occasion, Minister of Agriculture Ezz Eddine Abu Stait hailed Egypt's relations with China as one of the giant economies in the world. Recent talks between the two countries have helped opening the Chinese markets for Egyptian exports including potatoes, strawberries, mangoes and onions, he said. Mehrez, for her part, said that sugar beet waste exports to China will contribute to increasing this industry in Egypt. Egypt's total production of sugar beet hits 8 million tons, she noted.

- **British Officials welcome Egyptian Trade Mission to Britain led by Minister of Finance**

British Ambassador in Cairo Geoffrey Adams, UK Trade Envoy to Egypt Jeffrey Donaldson and Egyptian Ambassador to the UK Tareq Adel have welcomed an Egyptian trade mission to Britain, led by Minister of Finance Mohamed Maait. More than 40 firms have taken part in the delegation of the British Egyptian Business Association (BEBA) in order to probe bilateral investment opportunities and possible partnerships in sectors such as health care, education, oil, gas and finance. British Ambassador Geoffrey Adams said the UK and Egypt will remain committed to developing their joint partnership, which is estimated to be worth £3 billion this year.

Market Watch

- **Egypt moves up 8 spots in Doing Business 2019 Report - World Bank**

The World Bank Group (WBG) said that Egypt has implemented five reforms in the measures regulating doing business last year in order to contribute to creating job opportunities, luring investments and increasing the economy competitiveness. The reforms contributed to making Egypt move up eight spots compared to last year as it came in the 120 position concerning the Doing Business rankings. Investment and International Cooperation Minister Sahr Nasr stressed that Egypt achieved in this year's report the 60th position compared to the 90th in last year's report concerning the Getting Credit Index, said a statement released by the Investment Ministry on Wednesday. Egypt has also moved up 14 spots pertaining to the overcoming economic problems as it ranked 101 in this year's report after taking the 115th position in 2018 report, the minister asserted. Egypt also advanced in the index of protecting junior investors as it came in the 72nd position instead of 81st in last year's report, the statement quoted the minister as saying. Egypt ranked 159th in the paying taxes index, the statement said, adding that the country advanced in the Cross-Border Trade Index to be ranked 170.

- **Administrative Capital "Boldest" Project in World - Bloomberg**

US "Bloomberg" News Agency lauded the main active role played by President Abdel Fattah Al-Sisi in carrying out the "New Administrative Capital" giant project, noting that the president is the serious ideal patron who wanted to leave his fingerprint via the launching of this project in an attempt to revive the Egyptian economy. This came in a lengthy report compiled by US writer Monte Reel in which he

mentioned the biggest major cities that are planned to be carried out in the world, adding that Egypt's New Administrative Capital is among the boldest of these projects.

- **SCA's revenue hits \$4.8 billion in 10 months**

A recent 10.3-percent surge in the Suez Canal's revenues proves success of New Suez Canal (NSC) project, said Chairman of the Suez Canal Authority (SCA) and Suez Canal Economic Zone Mohab Mamish. The increase hit \$500 million during the period between January and October 2018 to reach \$4.8 billion compared to \$4.3 billion for the same period last year. 140 projects have been accomplished in the SC economic zone.

- **Egypt seeks pumping \$10 billion in Oil Investments in Current Financial Year**

Minister of Petroleum Tarek el Molla said that measures adopted by his ministry will help attract more investments into the gas sector in Egypt. In a statement, he added that plans by the ministry are aimed at attracting around 10 billion dollars of investments during the fiscal year 2018/2019 in oil exploration and development of discovered oilfields. Keenness by major international companies to operate in Egypt sends a clear message of confidence by foreign companies in the investment climate in the country, he pointed out. Preparations are under way to place the exploration area in the Red Sea on the investment map of the Egyptian oil industry, he noted.

- **IMF Report expects increase in Private Investment in Egypt**

The International Monetary Fund (IMF) expects an increase in private investment in Egypt because of improved confidence. In its Regional Economic Outlook: Middle East and Central Asia November 2018, the IMF said that this surge reflects base effects from receding macroeconomic imbalances during 2016–17 and an improved business environment. According to the report, the Egyptian economy is expected to grow during this year to reach 5.3 percent then 5.5 percent in 2019 up from 4.2 percent in 2017. The report expected the average annual inflation rates in Egypt to record 13.9 percent in 2018 down from 29.5 percent in 2017 before further declining to 12.6 percent in 2019.

- **Remittances from expatriate Egyptians rise 20.4% in September**

Remittances from expatriate Egyptians rose 20.4% year-on-year in September to \$1.8 billion, said the Central Bank of Egypt (CBE). The figure means remittances grew by 1.5% in the first quarter of the FY 2018/2019 to \$5.9 billion. Remittances in September of last year hit \$1.5 billion and stood at \$5.8 billion in the first quarter of the FY 2017/2018, according to the CBE.

- **Egypt intends no changes in Supply Subsidy System**

Supply Minister Ali El Mosilhy said that no changes will be seen in the country's in-kind or semi-cash subsidies system that is currently applied. The holders of subsidy cards will continue to receive the state-subsidized products, El Mosilhy said, pointing out that the ministry has almost registered three million newborns to be included in the state subsidy system. The government is currently considering new methods in order to make the subsidy distribution more effective and efficient.

- **Bank Deposits up by LE 38 billion in September**

The Central Bank of Egypt (CBE), announced an increase in deposits in banks by around LE38 billion by the end of September this year to reach LE3.644 trillion, compared to 3.606 in August. The CBE added, in a report, that the total governmental deposits with banks reached LE521.9 billion including 425.5 billion in local currency and around 96.4 billion in foreign currency. The total non-governmental deposits with banks until September hit LE3.122 trillion, against 3.083 trillion in August, added the CBE in its report.

- **\$2 billion from IMF's loan to be cashed to Egypt next month**

Minister of Finance Mohamed Maait said that a \$2 billion amount will be disbursed to Egypt from the International Monetary Fund (IMF)'s loan next month. The International Monetary Fund executive board will convene by the end of December to review the disbursement of another \$2 billion from the country's \$12 billion loan. For fiscal 2018/2019 and beyond, Egypt's goal remains to cut general government debt and achieve a primary surplus of 2 percent of GDP.

- **Finance Minister to establish new unit for Transparency**

Finance Minister Mohamed Maait decided to establish a new unit at the ministry to promote transparency and societal communication. Deputy Director of Macro-Fiscal policy Unit at the Ministry of Finance Sarah Eid was chosen as the head of the new unit which will follow directly the finance minister. The move falls within the framework of the ministry's plan of the institutional development which will cover the ministry's administrative structure.

Sundeep Kaushal
Third Secretary (Commerce)
November, 2018