



# भारत का राजदूतावास, काहिरा

## Embassy of India, Cairo

### ECONOMIC AND COMMERCIAL REPORT: APRIL, 2013

#### OVERVIEW

#### *Inside the issue*

- Draft of Egypt's New Budget unveiled.
- Foreign investments back on track in Egypt.
- Egypt's Budget Deficit and Foreign Debt widened further.
- Libya and Qatar offer financial aid of US\$ 2 billion and US\$ 3 billion respectively.
- Indo-Egypt bilateral trade remained upbeat during the current financial year.
- EgyptPharma Exhibition in Cairo.



*'India by the Nile' Festival*

In the month of April, the draft of the budget for the next financial year was unveiled in the Shura Council. The budget, inter-alia, aims to achieve 3.8 per cent growth rate in the upcoming year and

includes a number of reform proposals to curtail the widening budget deficit and to revitalize the dwindling foreign reserves. On the international front, Libya extended US\$ 2 billion of interest free loan to Egypt while Qatar offered an additional aid package of US\$ 3 billion. In the India-Egypt bilateral arena, the total bilateral trade maintained its steadiness during the first seven months of the current fiscal year and significantly the balance of trade has swung towards India. Further, with a view to boost the bilateral trade relation in the pharmaceuticals sector, the Mission together with several Indian pharmaceutical companies participated actively during the EgyptPharma Exhibition held in Cairo. Last, but not the least, the flagship event, "India by the Nile" Festival - a month long celebration of India's culture, cuisine, literature, dance, and music - was inaugurated during the month.

## MONETARY INDICATORS

### **Draft of the new budget unveiled in the Shura Council.**

The draft Egypt's budget was presented in the Shura Council during the month. The new budget targets the GDP growth of 3.8 percent in the next financial year as compared to 2.5 per cent expected to achieve during the current year. The draft budget totals EGP 820 billion. The revenues are expected to reach EGP 497.1 billion while the expenditures would continue to remain high at EGP 692.4 billion thereby leaving an expected overall deficit of 9.4 per cent of GDP. The size of domestic debt is expected to be 75 per cent of GDP, compared to 90 per cent in the current fiscal year. The draft budget also contains a number of proposed reform programmes which include, inter alia, rationalization of energy subsidies, prevention of tax evasion, levy of a real estate tax, resolution of financial entanglements between the various ministries, restructure of wages and health insurance and expansion of partnerships to finance investment projects. The Shura Council committees would discuss the budget independently, followed by the general committee, in order to begin voting. This process is expected to finish by the end of June 2013.

### **Budget Deficits widen further during current fiscal year.**

Egypt's budget deficit has climbed during the period from July 2012 to March 2013, reaching EGP 175.9bn, or 10.1 per cent of GDP, compared to EGP 113 billion during the same period of the previous year. The State revenues increased 5.4% over the last nine months, reaching EGP 208.2bn, with an increase in tax revenues by 17.9 percent and non tax revenues by 20 per cent. At the same time the expenditures were reported to have increased 32 per cent totaling EGP 382.5 billion during the aforesaid period. This has been attributed to an increase in spending on subsidies, grants and social benefits by 22.3 per cent, reaching EGP 116.7 billion compared to EGP 95.4 billion during the same period the previous year. The Budget Deficit is likely to reach EGP 197.493 billion by the end of this fiscal year. The revenues are expected to be EGP 497.145 billion, mainly generated by taxes and grants, whereas expenditures are likely to reach at EGP 692.421 billion.

### **Egypt's foreign debt risen to US\$ 38.8 billion in the second quarter.**

Egypt's foreign debt surged by US\$4.4 billion, to reach US\$ 38.8 billion in the second quarter of the 2012-2013 fiscal year as per the recent report of Central Bank of Egypt. The report attributed the

rise to the increase in exchange rates of most borrower currencies compared to the US dollar along with the increase of net use of loans, advances and deposits. In addition, the foreign debt has also been affected by the decrease in revenues from Egyptian bonds in global markets, which has dropped by US\$ 236.5 million since June 2012.

### **Foreign Investments inflow doubled during the second quarter of the fiscal year.**

The Foreign investments inflow has been increased by 100 percent during the second quarter of the current fiscal year to reach US\$ 2.45 billion compared to US\$1.26 billion recorded in the previous year, as per the recent report released by the Central Bank of Egypt. The net foreign investments (inflow minus outflow) registered a positive growth during the period to reach US \$194 million. The rise in foreign investments has been attributed to the significant increase of the US and European investments during the second quarter. The EU investments reached more than US\$ 1.3 billion while the US investments reached US\$ 555.7 million during the period.

### **US\$ 2 Billion Libyan loan to Egypt.**

Libya would provide US\$ 2 billion interest free loan to Egypt. The loan is to be repaid in five years, with a grace period of three

years, as per the agreement signed between the two countries.

### **Qatar offered additional financial aid and natural gas to Egypt.**

Qatar has offered natural gas and an additional US\$ 3 billion aid package, in the form of bank deposits and bonds with an interest of 4.5 per cent, to Egypt. It may be noted that Qatar has already provided US\$5 billion in economic assistance, including a \$1 billion grant.

### **President Morsy visits Sudan.**

President Morsy visited Sudan during the first week of the month to boost the bilateral relations between the two countries. Important deals concluded during the visit include a MoU for joint livestock production in the Sudanese state of Sennar, import of red meat from Sudan, allocation of two million feddans land for Egyptian businessmen in northern Sudan, establishment of an industrial zone in Khartoum and joint cooperation in the Nile tourism domain. It was also announced that a highway linking both countries would be inaugurated shortly along with another maritime line that is expected to be launched within a few months.

### **Egypt offered US\$ 7.2 million grant to establish three ventures in south Sudan.**

Egypt has signed a contract with South Sudan to implement three ventures in South Sudan with an Egyptian grant of US\$ 7.2 million in the field of water resources and irrigation.

### **Egypt and Germany sign Euro 165 million agreements.**

Egypt has signed a Euro 165 million financial and technical cooperation agreement with Germany. The agreement would fund several development projects, including an air pollution reduction project using thermal electric stations worth Euro 80 million, Euro 25 million for energy use and the construction of the Assiut Aqueduct, Euro 50 million for electric power stations and Euro 10 million for portable water and sanitation. It may be noted that the development projects planned between the two countries were put on hold in December 2012 by Germany, due to a wave of political unrest in Egypt sparked by a referendum on the first post-revolution constitution. Presently, Egypt is negotiating with Germany for a possible Euro 240 million debt swap programme. .

### **Egypt to build three new tunnels in Suez Canal area.**

The Egyptian government, as part of the framework of the Canal Region Development Plan, has signed an agreement via the National Authority for

Tunnels (NAT) with the Spanish company, Getinsa Paymacotas, to prepare technical and tender documents related to the building of three new tunnels underneath the Suez Canal area – two 3 km long road tunnels and one 5 km long railway tunnel . The first tunnel would be located 19km south of Port Said, the second would be near Al-Salam Bridge north of Ismailia, and the third would be in Suez. The project would be funded with total investments of US\$ 277 million and the Spanish government reportedly would fund the preparation of technical studies with a grant of Euro 0.9 million.

### **Egypt eliminates supply of subsidized energy for paper and glass industries.**

The paper and glass industries would no longer receive their share of subsidized energy during the coming six years as per the decision taken by the Ministry of Petroleum and Ministry of Trade and Industry. It has been reported that there is a plan to eliminate supply of subsidized energy to the intensive energy productions units in the coming four years.

### **World Bank approves US\$ 505 million for power generation plant.**

The World Bank has approved the loan of US\$ 505 million for financing the establishment of the giant Helwan power generation plant in Cairo.

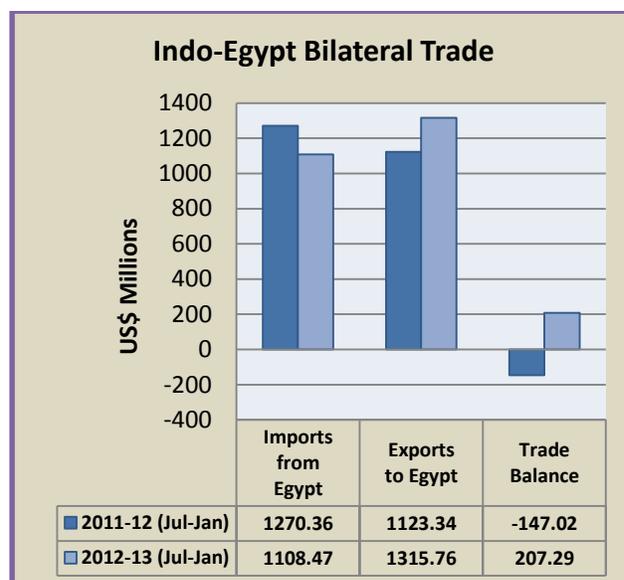
## Egypt's Foreign Reserves jumped by US \$ 1 billion in April.

Egypt's net international reserves climbed US\$ 1.018, thanks to the Libyan cash deposits, to reach US\$ 14.442 billion at the end of April, compared to US\$ 13.424 billion recorded at the end of March.

### BILATERAL RELATIONS

#### Indo-Egypt Bilateral trade.

The India-Egypt total bilateral trade for the first seven months (Jul-Jan) of the current financial year stands at **US\$ 2424.23 million** as per the latest data obtained from the CAPMAS. During the same period, in the previous financial year, the bilateral trade stood at US\$ 2393.7 million, clearly indicating that even during the current difficult transitional phase of the Egyptian history, the bilateral trade remains in upbeat mood. Interestingly, the balance of trade has swung towards India during the aforesaid period. The total imports from Egypt, during the period, has been recorded at US\$1108.47 million while the total exports to Egypt stood at US\$ 1315.76, thereby leaving an export surplus of US\$ 207.29 million for India. Our exports basket to Egypt is quite diverse in which Bovine meat, Solar, Mobile phone, Motorcycle parts and synthetic filament yarn occupies the top five positions. The imports, however, is skewed towards oil and oil products (constitutes about 86 per cent of our import basket).



Source: CAPMAS (as accessed on 20 May, 2013)

The following table portrays India's 10 major import items in terms of percentages.

Import Items	Percentages
Crude Petroleum	75.53
Liquefied natural gas	9.16
Natural calcium phosphates	3.93
Other cotton, not carded or combed, ginned	2.25
Lucerne (alfalfa) seed, of a kind prepared for sowing	1.87
Paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured.	0.70
Synthetic staple fibers, not carded, combed or otherwise processed for spinning, of acrylic or modacrylic	0.63
Natural aluminum calcium phosphates, ground	0.42

Natural calcium phosphates, ground	0.40
Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm, for industry of reinforcement weave and caoutchouc products reinforcement weave	0.38

Source: CAPMAS (as accessed on 20 May, 2013)

The following table shows India's 15 major export items in terms of percentages.

Export Items	Percentage
Cuts of bovine, boneless, frozen	12.99
Solar	10.96
Mobile phone equipped with GPS feature	5.16
Motorcycles specified of heading above, with reciprocating internal combustion piston engine of a cylinder capacity exceeding 50 cc but not exceeding 250 cc up to 2 cylinder, disassembled	3.45
Other synthetic filament yarn (other than sewing thread), partially oriented (p. o. y.), measuring per single yarn less than 67 decitex, single, untwisted or with a twist not exceeding 50 turns per meter, not put up for retail sale	3.12
Cotton yarn (other than sewing thread), not put up for retail sale, single yarn, of combed fibers, Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric	2.79

number)	
Other parts and accessories of bodies (including cabs), for vehicles of heading 87.02 to 87.05	2.17
Tobacco, not stemmed/stripped, crude or unmanufactured tobacco	1.47
Other tubes and pipes (for example, welded, riveted or similarly closed), of line pipe of a kind used for oil or gas pipelines, having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel	1.40
Telephones for cellular networks or for other wireless networks	1.28
Ferro-silico-manganese	1.09
Black tea (fermented) and partly fermented tea, in other packings	1.08
Shrimps and prawns, frozen, whether in shell or not, fit for human consumption	1.00
Carbon electrodes, with or without metal, of a kind used for furnaces	1.00
Other articles, of iron or steel	0.83

Source: CAPMAS (as accessed on 20 May, 2013)

### EgyptPharm Exhibition.

Pharmaceuticals Export Promotion Council of India (Pharmexcil) took an inaugural participation in EgyptPharm exhibition held during 13-15<sup>th</sup> April 2013 at Cairo International Convention center, Cairo, Egypt. About 24 Indian companies dealing

with several products such as APIs, Pellets, excipients, Herbal Extracts, Nutritional products, herbal formulations, nutraceuticals and so on participated and exhibited their products during the exhibition. Ambassador Navdeep Suri, inaugurated the India Pavilion and a number of dignitaries, businessmen and officials from Egypt participated in the inaugural function. In addition, Ambassador along with the guests, also visited several stalls and interacted with the delegates.



*Photo: EgyptPharma Exhibition*

Further, with an aim to enhance the area of cooperation and to assess the feedback from the participants, a meeting between the Indian pharmaceutical company representatives and the Egyptian pharmaceutical companies was organized at the Chancery on 15th April 2013. Mrs. Roja Rani, Asst. Regional Director, Pharmexcil along with five representatives of Indian pharma exhibitors participated in

the meeting. On the behalf of Egypt Pharma industry, Dr. Makram Mehany, Globa NAPI, Dr. Gamel El Lethy, CMD of Future Pharmacuetical Industries, Dr. Mohy M Hafez, CMD of Delta Pharma, Dr. Alaa El Samman, MD of Pharma Times attended the meeting.

### **Reverse Buyer Seller Meeting.**

The Mission nominated four Indian pharma businessmen for the IPHEX Exhibition (Indian Pharmaceuticals and Healthcare Expo) which was organized in Mumbai during 24-26th April 2013 by Pharmexcil.

### **CV Raman fellowship.**

For the Financial Year 2012-13, 10 Egyptian professors and senior scientists from various Egyptian universities, Ministries, Research Institutes have been selected for the CV Raman International Fellowship Programme offered by the Indian Department of Science and Technology and the Ministry of External Affairs of the Government of India. Out of the 10 candidates, six candidates have been selected for the post-doctoral research in agricultural, veterinary and space sciences and three candidates have been selected for Senior-Fellowship position in Chemical and Physical sciences. One candidate would avail Visiting Fellowship. The selected candidates would travel to India between April to September, 2013 to join the prestigious educational and research

institutions in India. It is significant to note that, over the last three years, more than 30 Egyptians have availed the opportunities offered by the CV Raman Fellowship programme.

### **Trade Enquiries.**

During the month of January, there were a total of 45 trade enquiries, out of which 38 enquiries were from India and 7 from Egypt.

### **Trade Disputes.**

There were a total of 6 trade disputes, 3 of which were received from Egypt, and 3 were received from India.

### **Training Programme.**

One Egyptian candidate went to India under CV Raman Fellowship programme to do research in variable Energy Cyclotron centre at Homi Bhabha National Institute, Kolkata.

## **MARKET WATCH**

### **Egypt signs two contracts with Qatar and Iraq in the petroleum sector.**

The Engineering for the Petroleum and Process Industries (Enppi) company won two contracts at the value of US\$ 22 million for implementing two ventures in Qatar and Iraq. The contracts stipulate that Enppi would extend technical and

consultative services for Qatar Petroleum for three years.

### **Egypt and Turkey stock exchanges would be linked together in September.**

The Egyptian and Turkish Exchanges would be linked together in September and the joint trading would start with 30 companies registered in each of the two stock markets, as per the announcement made by the Deputy Chairman of the Egyptian Stock Exchange.

### **Egypt signs EGP 200 million loan deal with the German bank.**

Egypt has signed EGP 200 million loan agreement with the German Development Bank for the upgradation of the power transformers of the High Dam.

### **Egypt signs Euro 57 million loan with the French Development Agency.**

The Minister of Planning and International Cooperation has signed a loan, worth Euro 57 million, with the French Development Agency for the implementation of the water and the sewage projects in Upper Egypt.

**(Mohd Shahid Alam)**  
**TS/LT**