

EGYPT COUNTRY REPORT:

ON THE ROAD

TO RECOVERY ...



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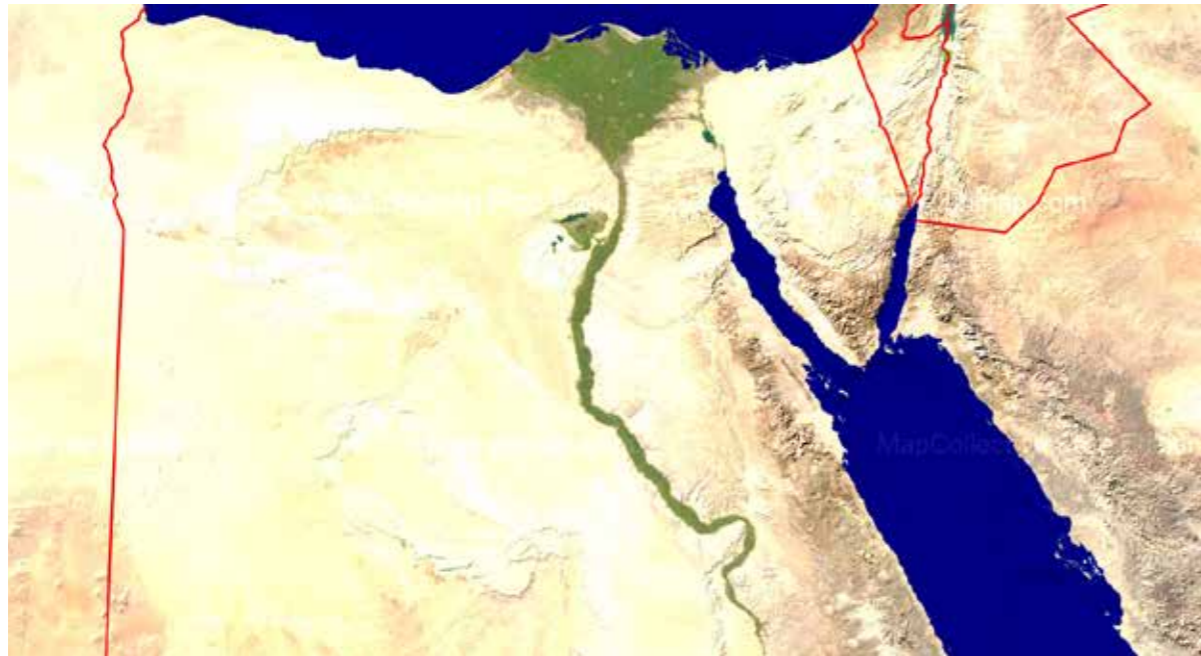
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## ► OUTLINE

► NATIONAL FACTS	4
► 2014: THE ROAD TO RECOVERY	5
► ECONOMIC REVIVAL	6
► BANKING SECTOR SHOWS RESILIENCE	18
► INFLATION TARGETING MONETARY POLICIES	23
► OUTSTANDING PERFORMANCE OF STOCK MARKET	25
► INVESTING IN EGYPT	28
► A POSITIVE OUTLOOK	32
► SPOTLIGHT 1: MAIN FISCAL REFORMS APPLIED IN 2014	13
► SPOTLIGHT 2: EGYPT'S CREDIT RATING IMPROVEMENT	24
► SPOTLIGHT 3: KEY LEGISLATIVE REFORMS	30
► APPENDIX 1: PROMINENT MEGA PROJECTS	33
► APPENDIX 2: KEY DEMOGRAPHICAL STATISTICS	40
► TESTIMONIALS	44

## ► NATIONAL FACTS



<b>REGION:</b>	<b>MIDDLE EAST &amp; NORTH AFRICA</b>	<b>TYPE OF GOVERNMENT:</b>	<b>REPUBLIC</b>
<b>CAPITAL:</b>	<b>CAIRO</b>	<b>HEAD OF STATE (PRESIDENT):</b>	<b>ABDEL FATTAH AL-SISI</b>
<b>HEAD OF GOVERNMENT (PM):</b>	<b>ENG. IBRAHIM MEHLEB</b>	<b>TOTAL POPULATION:</b>	<b>88.2 MILLION (MARCH 2015)</b>
<b>AREA:</b>	<b>1, 001, 450 SQ.KM</b>	<b>NO. OF GOVERNORATES:</b>	<b>27</b>
<b>OFFICIAL LANGUAGE:</b>	<b>ARABIC</b>	<b>MAJOR RELIGIONS:</b>	<b>ISLAM, CHRISTIANITY</b>
<b>MONETARY UNIT:</b>	<b>EGYPTIAN POUND</b>	<b>GDP PER CAPITA:</b>	<b>\$3341 (2013/14)</b>

## ► 2014: THE ROAD TO RECOVERY



After 3 years of political and economic instability, Egypt's transitional period has passed into a new phase starting on the 3<sup>rd</sup> of July 2013 in the aftermath of ousting the former President Mohammed Morsi and his government, when the army intervened in response to people's demands in different squares across Egypt and the Head of the Supreme Constitutional Court, Adly Mansour, was instated as an interim President. A road map was developed, outlining three significant landmarks:

- Approving a new constitution (approved in January 2014 with around 98.1% of total votes in favor of the new constitution).
- Holding Presidential elections (held in May 2014, marking the success in achieving the second stage in the road map, when former General Commander of the Armed Forces, Abdel Fattah Al-Sisi was declared on the third of June 2014 the President of Egypt after winning the presidential elections by 96.9% of votes).
- Holding Parliamentary elections (legislative preparation is currently conducted to hold the parliamentary elections, the final step of the Road Map, which is expected to be held at the end of 2015).

These steps were accompanied by sustaining a relative political stability with a declining ability to mo-

bilize large numbers of demonstrators by opposition groups and a better recognition to the new regime by the international community.

Moreover, the Egyptian economy has begun to recover during 2014, with different macro-economic indicators performance showing notable progress and the economy proving resilience in overcoming different challenges.

This development was supported by governmental efforts to boost the economy through increasing public expenditure, launching mega projects, reforming framework that organizes investment activities in Egypt and bravely tackling Egypt's long-lasting fiscal imbalances. The generous Gulf support Egypt has received, in forms of cash grants and petroleum products amounted to about \$ 12 billion in 2013/14, helped implement government's plans and regain international confidence in the prospects of the Egyptian economy. This has also prompted international rating agencies to revise Egypt's Credit Rating and upgrade its outlook due to political and economic stability witnessed during the last year. Another success added to governmental achievements was holding Egypt Economic Development Conference (EEDC) in Sharm El-Sheikh city in March 2015, with around \$ 60 billion investment deals were signed during it, proving investors' willingness to help Egypt restore its political and economic stability and enter the promising Egyptian market to benefit from its untapped potentials.

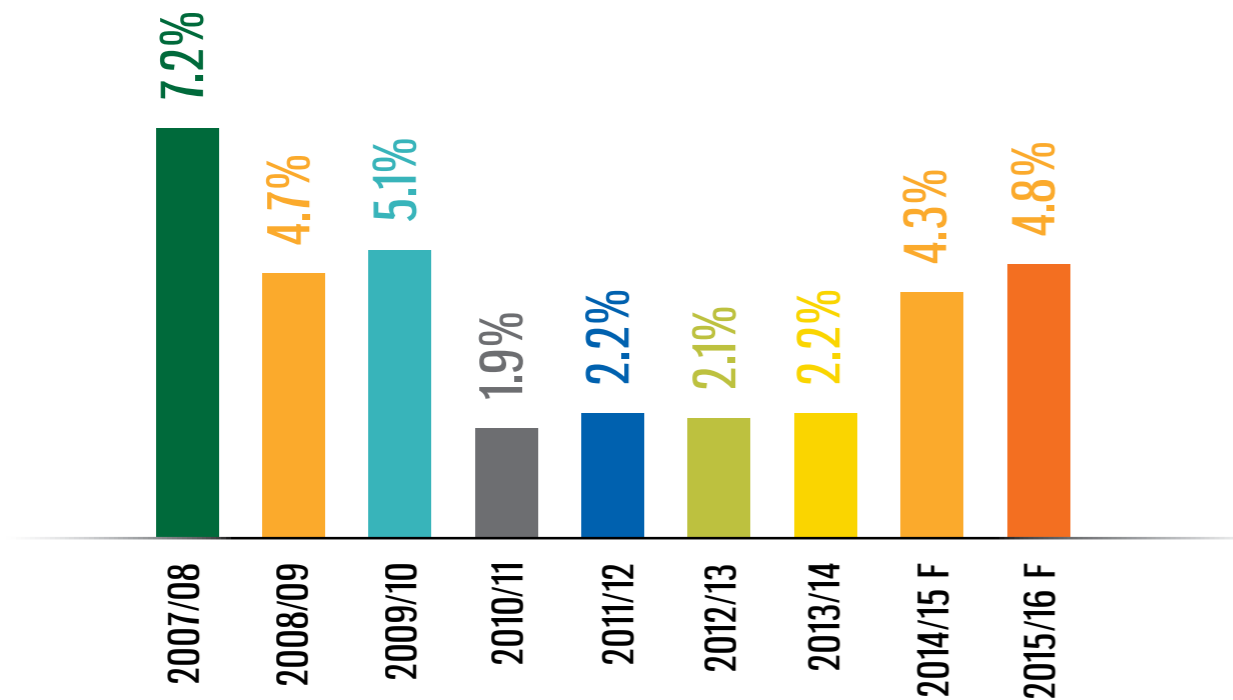
## ECONOMIC REVIVAL

The GDP growth rate has remained weak through the last three years, hovering around 2%; however, it has picked up in Q4 2013/14, recording 3.7% compared to 1.5% registered in the corresponding period one year earlier, as the political situation began to stabilize. This improvement has continued in 2014/15, as the GDP growth rate recorded 6.8% in Q1 2014/15 compared to only 1% recorded in Q1 2013/14 and 5.6% in H1 2014/15, five times the recorded rate in the corresponding period last year. The improvement in FY 2013/14 was attributed to the significant growth rate of the manufacturing industries sector and the steadiness of other sectors'

growth, except for extractions and tourism, which have benefited from a stimulus package worth EGP 33.9 billion injected by the government in the economy to support it. The upward trend is expected to continue in 2014/15 with an expected growth rate of 4.3% after electing a new parliament, attracting more local and foreign investments through the Economic Summit held in March 2015 and establishing mega projects expected to further boost the economy. Moreover, achieving further political stability and the repayment of foreign oil companies' dues at the end of 2014 will positively reflect on the tourism and extraction sectors in the coming period.

### GROWTH WEAKENED POST 2011

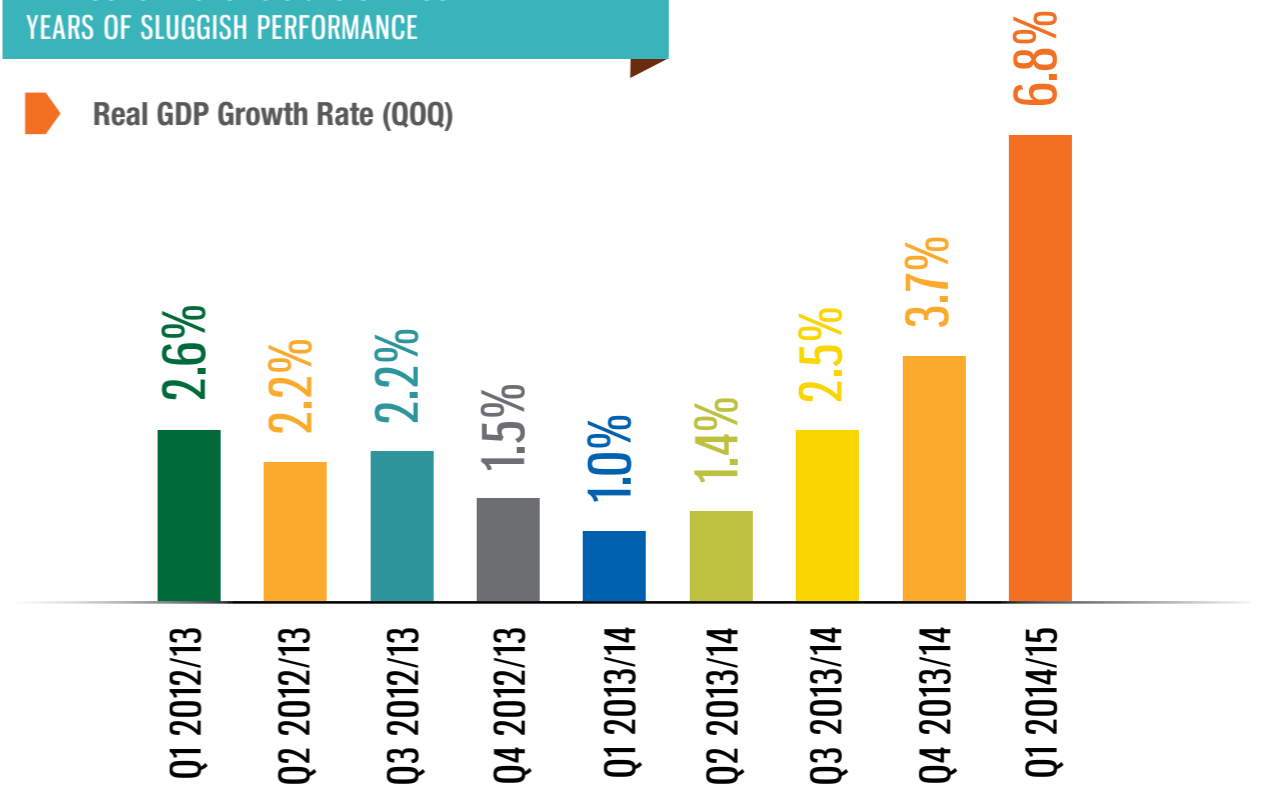
Real GDP Growth Rate (YOY)



Source: Central Bank of Egypt

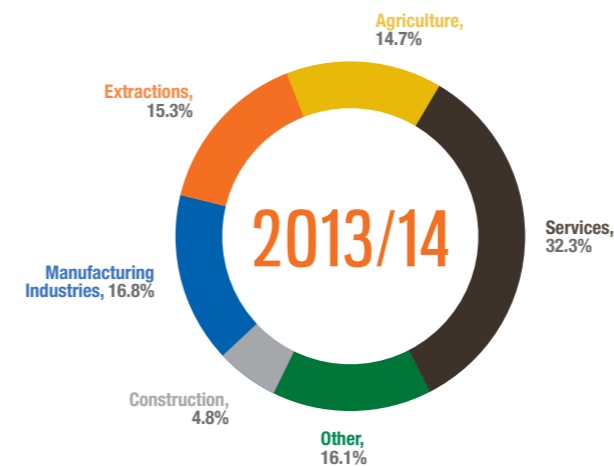
### THE ECONOMY SHOWS SIGNS OF RECOVERY AFTER 4 YEARS OF SLUGGISH PERFORMANCE

Real GDP Growth Rate (QOQ)

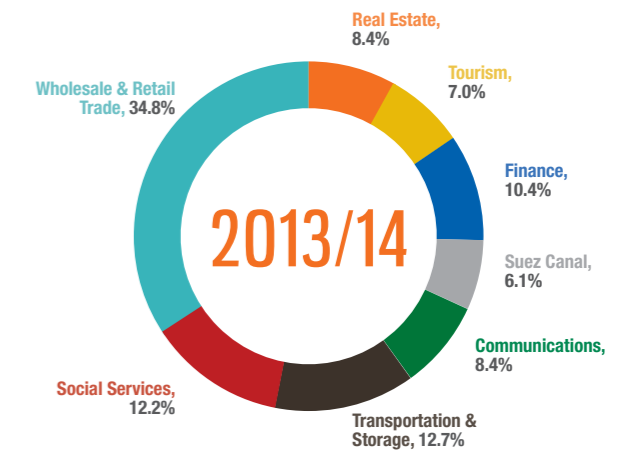


### THE EGYPTIAN ECONOMY IS DIVERSIFIED, WITH THE SERVICES SECTOR RETAINING THE HIGHEST SHARE OF THE GDP'S VALUE

Real GDP Breakdown By Economic Activity (2013/14)



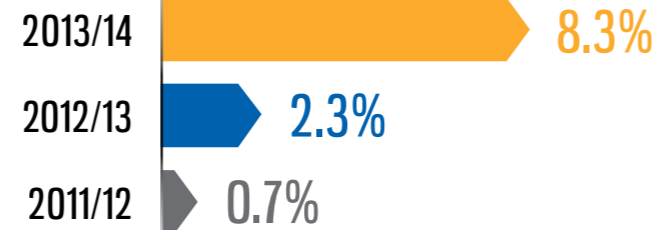
Services Sector Breakdown (2013/14)



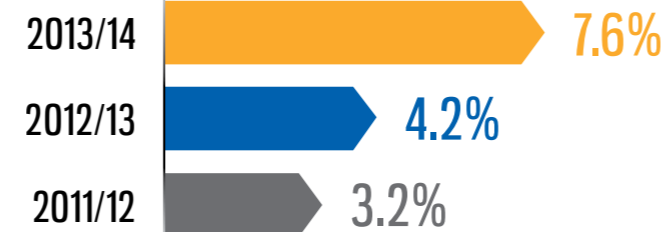
Source: Central Bank of Egypt

MANUFACTURING INDUSTRIES, REAL ESTATE AND COMMUNICATIONS WERE THE FASTEST GROWING SECTORS IN 2013/14 IN TERMS OF THE VALUE OF THEIR ACTIVITIES, WHILE TOURISM AND EXTRACTIONS RETREATED

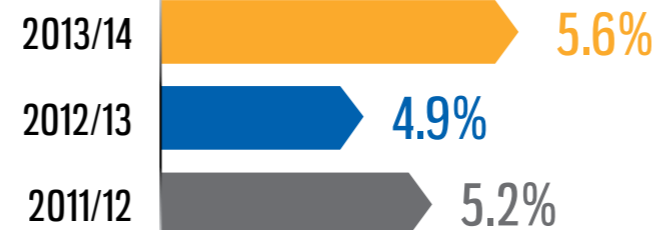
**Manufacturing Industries**



**Real Estate**



**Communications**



**Transportation & Storage**



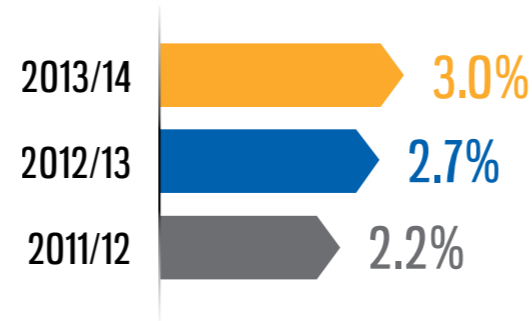
**Wholesale & Retail Trade**



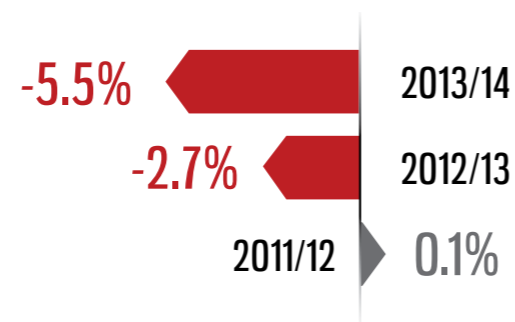
**Agriculture**



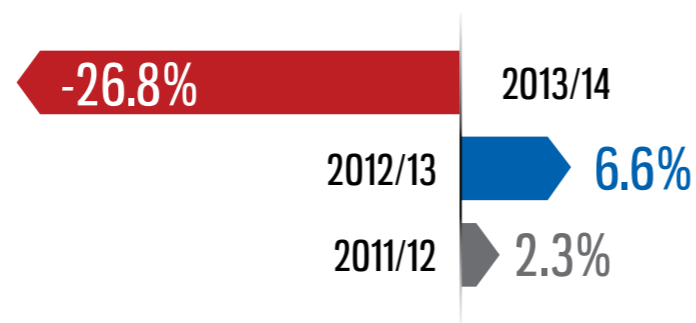
Finance



Extractions



Tourism

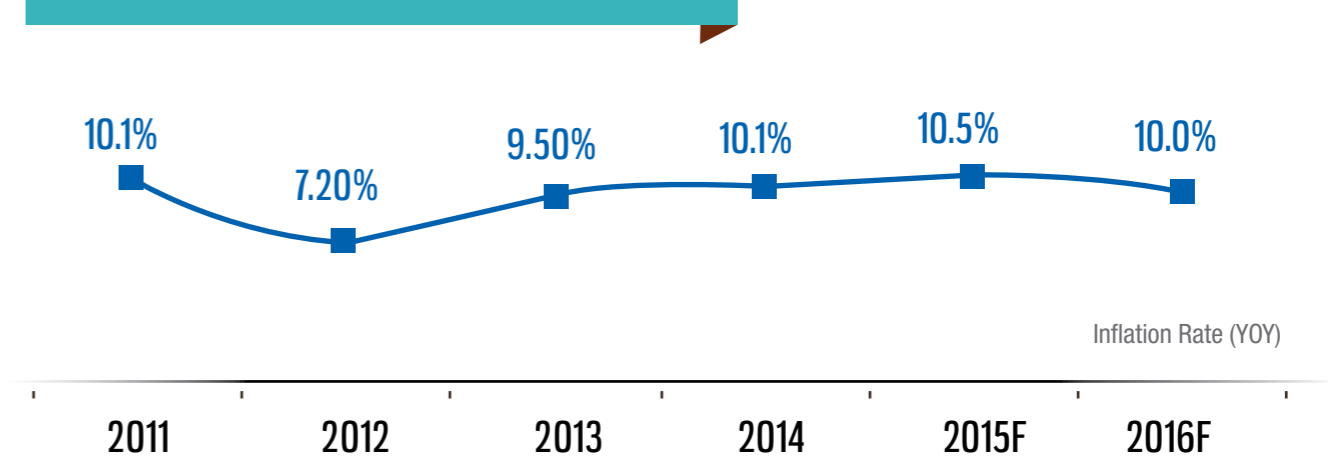


Source: Central Bank of Egypt

**Average Inflation** rate has increased in 2014 compared to the previous year, recording 10.1% due to cutting energy subsidies, starting July 2014 and impos-

ing new taxes. Inflation rate is expected to further increase in 2015 and 2016 due to the expected application of the second phase of decreases in energy subsidies and the devaluation of the Egyptian Pound.

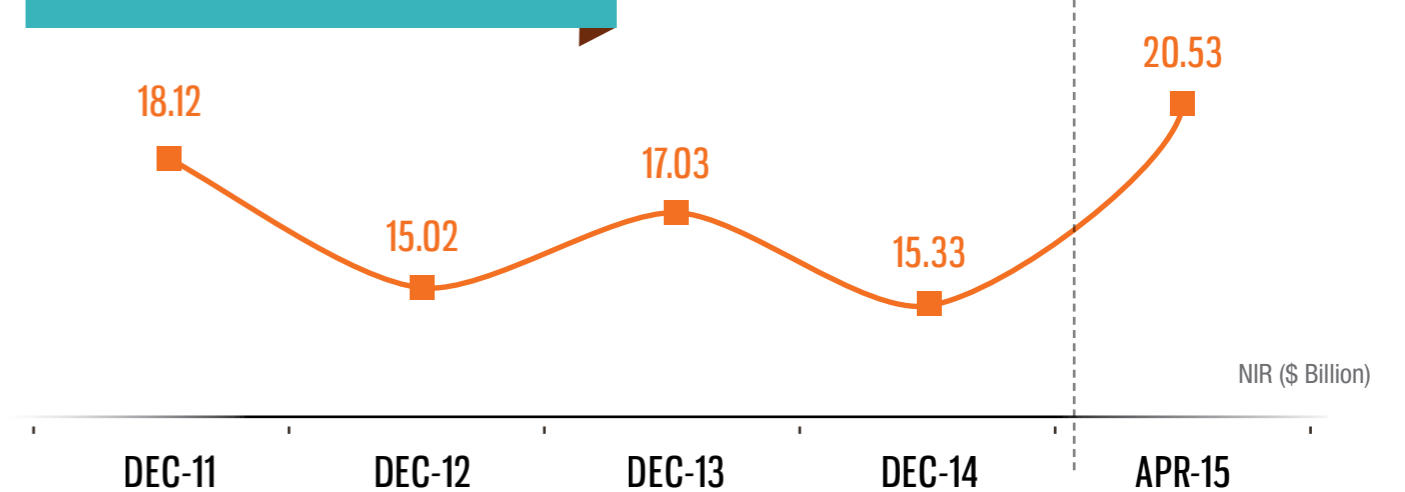
AVERAGE HEADLINE INFLATION IS IN AN UPWARD TREND



**Net International Reserves (NIR)** were negatively affected by the repayment of debt dues owed to different creditors, especially Qatar that has received \$ 6 billion from Egypt in 2014, and foreign oil companies that

have received \$ 5 billion of their dues. In addition, Egypt has repaid \$ 0.7 billion servicing of Paris Club debt in Q1 2014. However, strong Gulf support has backed NIR levels throughout the year, protecting it from sharp declines.

NIR WERE STRONGLY SUPPORTED BY GULF AID

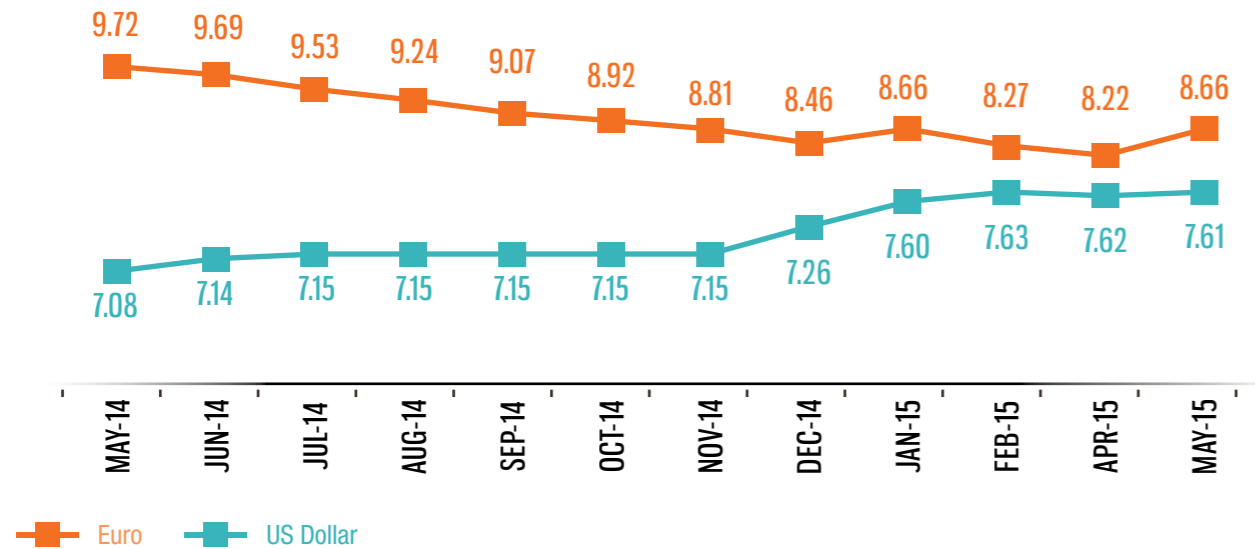


Source: Central Bank of Egypt

**The Egyptian Pound** depreciated against the US Dollar by only 3% during 2014, supported by Gulf aid, while it appreciated by about 7% against the Euro that has dropped versus the US Dollar in international markets. Starting 2015, the Central Bank of Egypt (CBE) has allowed the Egyptian Pound to weaken against the US Dollar through a gradual devaluation until it settled at EGP 7.63 per US Dollar.

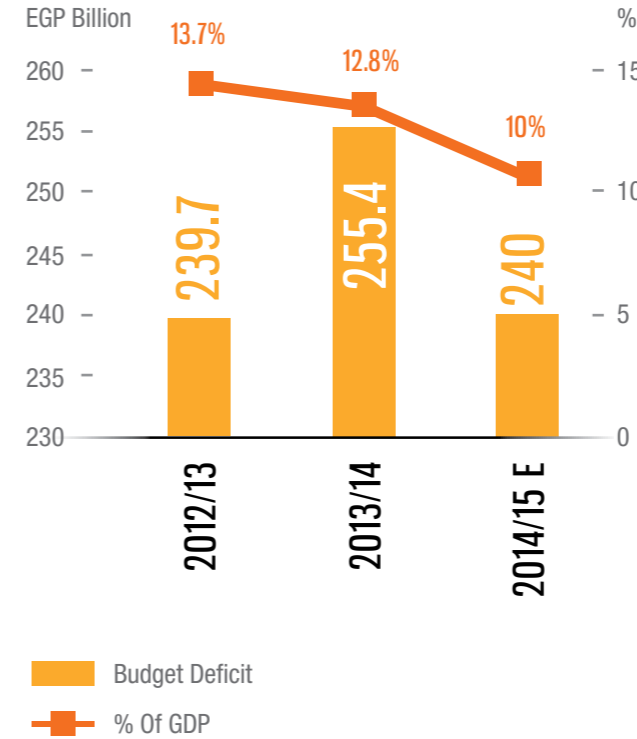
The Egyptian Pound is expected to further depreciate during 2015 as a part of the government's plan to implement more free-market oriented policies. Moreover, the FX black market and foreign currencies shortage could be eliminated because of the decreasing gap between official and black markets' rates and the revival of key foreign currency sources like Foreign Direct Investments (FDIs) and tourism.

### Egyptian Pound Vs. US Dollar & Euro

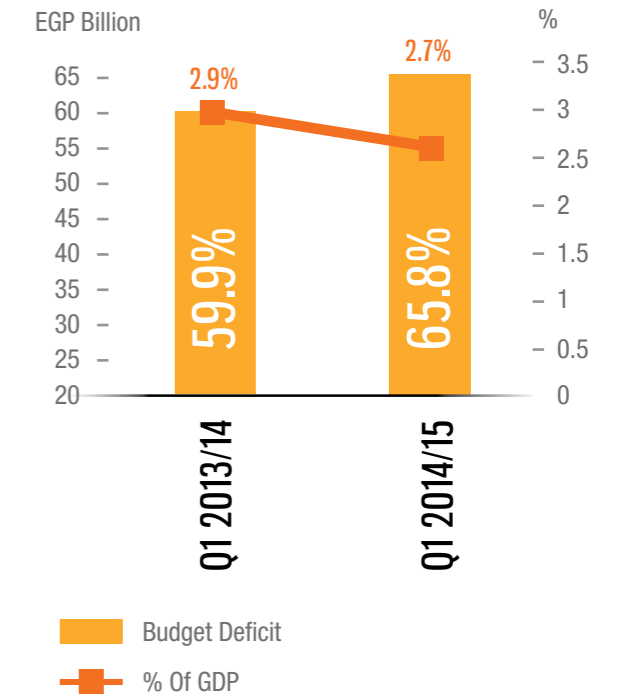


Source: Ministry of Finance

### Budget Deficit (YOY)



### Budget Deficit (QOQ)



Source: Ministry of Finance

**Budget Deficit** has increased during 2013/14 by 6.6%, compared to the previous year to record EGP 255.4 billion (12.8% of GDP), despite the exceptional grants Egypt has received, due to the increase in governmental investments, wages, interest payments and subsidies, grants and social benefits. However, the government's serious steps to contain the widening deficit through partially cutting energy subsidies

in 2014/15 and applying a tax reform program are expected to lessen the budget deficit. Another factor that would contribute in decreasing it is the drop in international oil prices which is estimated to decrease the subsidy bill by about 25%. Overall budget deficit has increased in Q1 2014/15 to reach EGP 65.8 billion (2.7% of GDP) compared to EGP 59.9 billion (2.9% of GDP) in the corresponding period a year earlier.



## SPOTLIGHT 1: MAIN FISCAL REFORMS APPLIED IN 2014

### Taxes

The Egyptian government has imposed a set of new taxes during 2014 to boost state revenues and decrease the widening budget deficit, including:

- Increasing the tax by 50% on cigarettes, 200% on beer and 150% on other alcoholic beverages.
- Imposing a temporary 5% income tax on high earners (whose annual income exceeds EGP 1 million) for a period of three years (removed in 2015).
- Issuing a new property tax law that aims at accurately evaluating different types of real estate and only taxing high-end properties. The law exempts those owning EGP 2 million single residential unit.

## Energy Subsidies

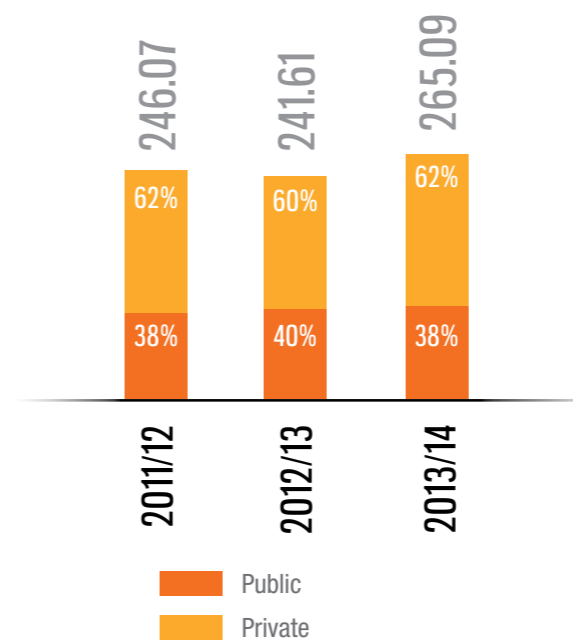
At the end of June 2014, the government has taken an unprecedented decision, when it reduced energy subsidies allocations in 2014/15 state budget by EGP 41 billion to decrease the budget deficit to 10% of GDP compared to 12% for 2013/14, leading to a general increase in the prices of petroleum products and electricity. This measure came as a part of the governmental plan to be applied through the coming 3-5 years until full subsidy removal is reached. It has led to a substantial hike in the prices of these products as the following:

Fuel	From (EGP/Liter)	To (EGP/Liter)	Percentage Increase
Octane-80	0.90	1.60	77.8%
Octane-92	1.85	2.60	40.5%
Octane-95	5.85	6.25	6.8%
Diesel (used for heavy road transport)	1.10	1.80	63.6%
Compressed natural gas	0.40	1.10	144%

Petroleum Products to the Industrial Sector	Industry	From	To	Percentage Increase
Natural Gas (\$/mmbtu)	Cement	6	8	33.3%
	Steel / Aluminum / Ceramic Tiles / Glass	4	7	75%
	Food / Engineering / Textile / Pharmaceuticals / Bricks	2	5	150%
	Fertilizers / Petrochemicals	4	4.5	12.5%
Mazut (EGP/Ton)	Cement	1,500	2,250	50%
	Bricks and other	1,500	1,950	30%

**Total Investments** have increased by about 10% in 2013/14 compared to the previous year which reflects the improving political and economic conditions. It's worth noting that private investments have always represented the highest share of total implemented investments against public ones.

## Public & Private Investments (EGP Billion)

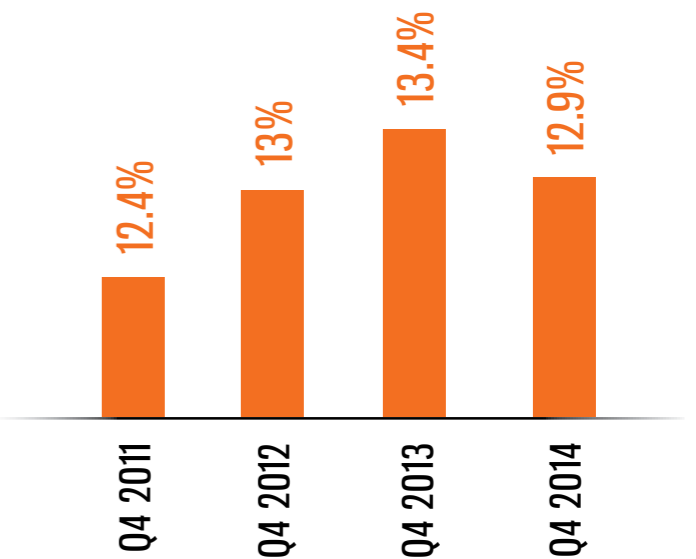


Source: Ministry of Finance

**Unemployment** rate has kept increasing since the break out of the 2011 Revolution with the declining economic activities, hitting its highest percentage in Q3 2013, reaching 13.4%. This rate has declined during 2014 as it has reached 12.9% in the fourth quarter of 2014 due to the relative improvement in economic and political conditions.

## UNEMPLOYMENT RATE IS STILL HIGH

### Unemployment Rate %



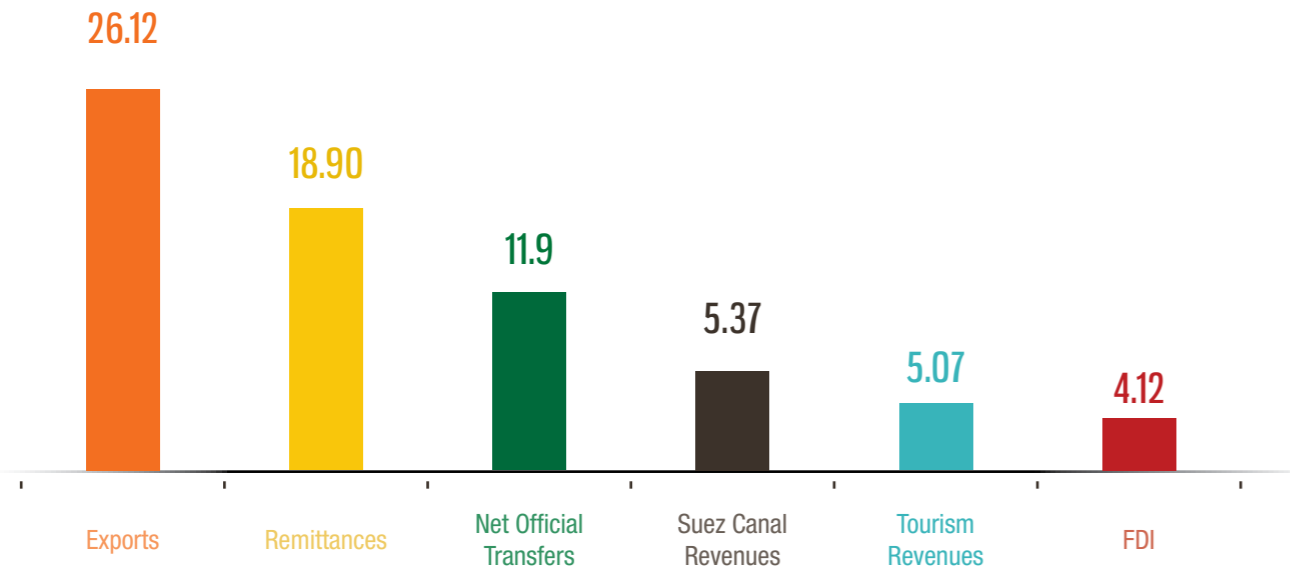
Source: CAPMAS

**Balance Of Payments (BOP)** Showed a significant improvement during 2013/14, recording an overall surplus of \$ 1.5 billion against only \$ 237 million in the previous fiscal year, with an increase of about 524%. The recorded surplus can be explained in light of:

- ▶ The notable significant rise in net official transfers (grants and petroleum products received from Gulf countries) from \$ 835.6 million to some \$ 12 billion in 2013/14.
- ▶ The increase in the net FDI inflow to about \$ 4.1 billion from about \$ 3.8 billion, driven by the rise in the net inflow for oil sector investments from some \$ 1 billion to some \$ 1.6 billion.
- ▶ The reversal of foreigners' net investments in the Egyptian Stock Exchange (EGX) from net sales of \$ 758.7 million to net purchases of \$ 444.5 million.



Key Sources of Foreign Currency in 2013/14 (\$ Billion)



Source: Central Bank of Egypt

MAIN TRADE PARTNERS

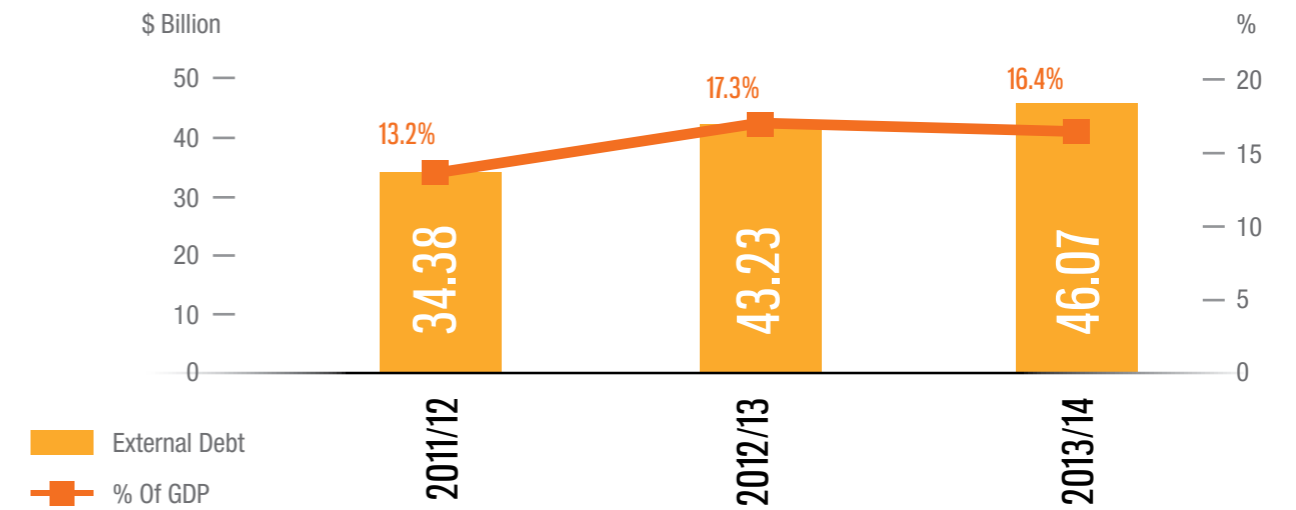
Country	Volume of Trade 2013/14 (\$Billion)	% of Total Volume of Trade
UAE	8.19	9.5%
Saudi Arabia	6.68	7.8%
USA	6.68	7.8%
Italy	6.06	7.1%
China	5.47	6.4%
Other Countries	52.86	61.4%
<b>Total Volume of Trade-2013/14</b>	<b>85.94</b>	<b>100%</b>

Source: Central Bank of Egypt

External Debt has aggravated through the last three years. However, the annual external debt service is still at safe levels as Egypt is required to pay only about \$ 3 billion annually.

EXTERNAL DEBT HAS KEPT INCREASING, BUT STILL AT SAFE LEVELS

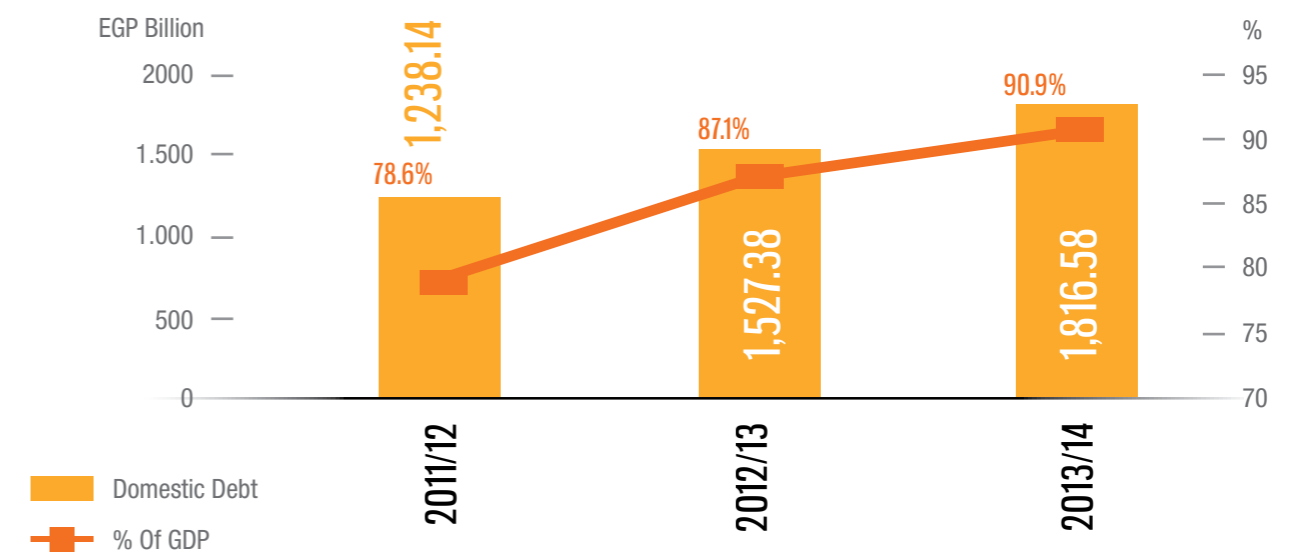
External Debt



Domestic Debt has also witnessed continuous increases, reaching EGP1816.58 billion in 2013/14, representing about 90% of GDP.

DOMESTIC DEBT HAS TRENDED UPWARD OVER THE PAST 3 YEARS, HITTING RECORD HIGHS

Domestic Debt



Source: Central Bank of Egypt

## ► BANKING SECTOR SHOWS RESILIENCE ...

The banking sector remains the anchor of economic growth in Egypt and it has shown resilience in the face of economic difficulties and prolonged political instability that Egypt has been going through since the eruption of the 2011 Revolution. This is attributed to reforms implemented in the last decade to address issues including strengthening supervision on the banking sector and regulating its activities in addition to the privatization of public-sector banks. The sector still holds massive untapped potentials, ranging from retail and corporate banking to insurance, mortgage finance and advisory services.



### Facts About The Banking Sector – December 2014

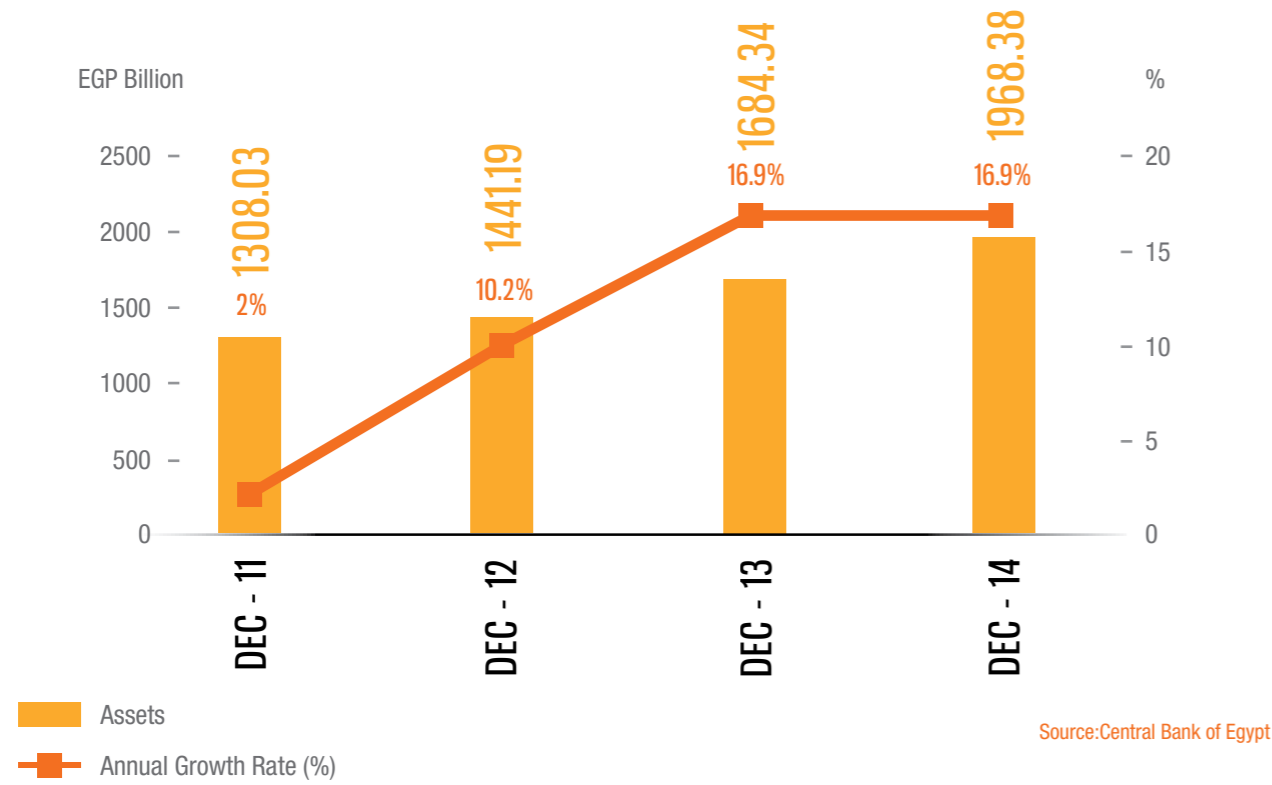
<b>Total Number of Banks</b>	<b>40</b>
<b>Total Number of Branches</b>	<b>3,743</b>
<b>Total Number of Employees</b>	<b>105,246</b>
<b>Banking Density*</b>	<b>23.1*</b>
<b>Number of Debit Cards</b>	<b>14,525,218</b>
<b>Number of Credit Cards</b>	<b>2,458,283</b>
<b>Number of ATMs</b>	<b>7,290</b>
<b>Number of Points of Sale</b>	<b>50,808</b>

\*Population in thousands per banking unit.

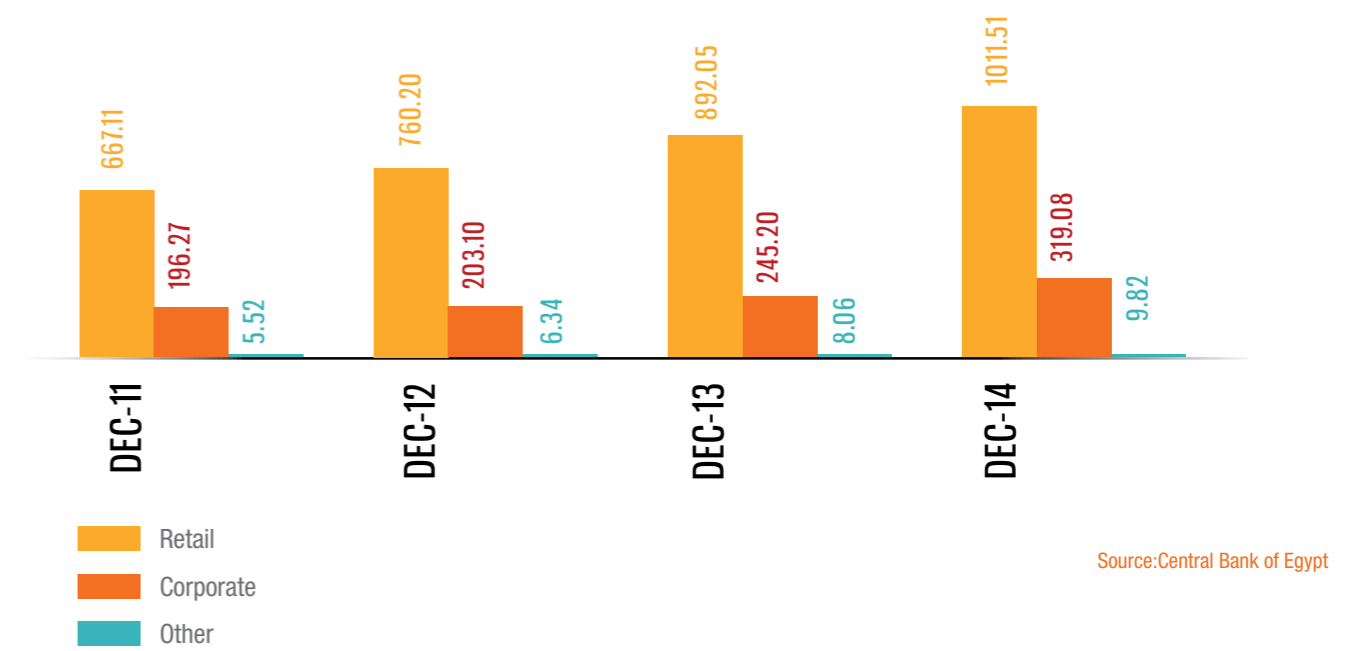
### KEY PERFORMANCE INDICATORS

- In 2014, the banking sector witnessed healthy activity growth, with total bank assets rising by 16.9% at the end of December 2014.
- Total bank deposits have sustained growth rates during the last few years with the absence of alternative channels of investments. Retail deposits have always represented the highest share of total deposits in the banking sector.
- Total bank credit facilities have started to regain their momentum in 2014 in light of the improvement of recently achieved political and economic stability, with corporate facilities representing the highest portion.
- Banks continued to be the main financier of the state budget deficit (banks held about 78% of issued TBs in December 2014).

### Total Banks Assets

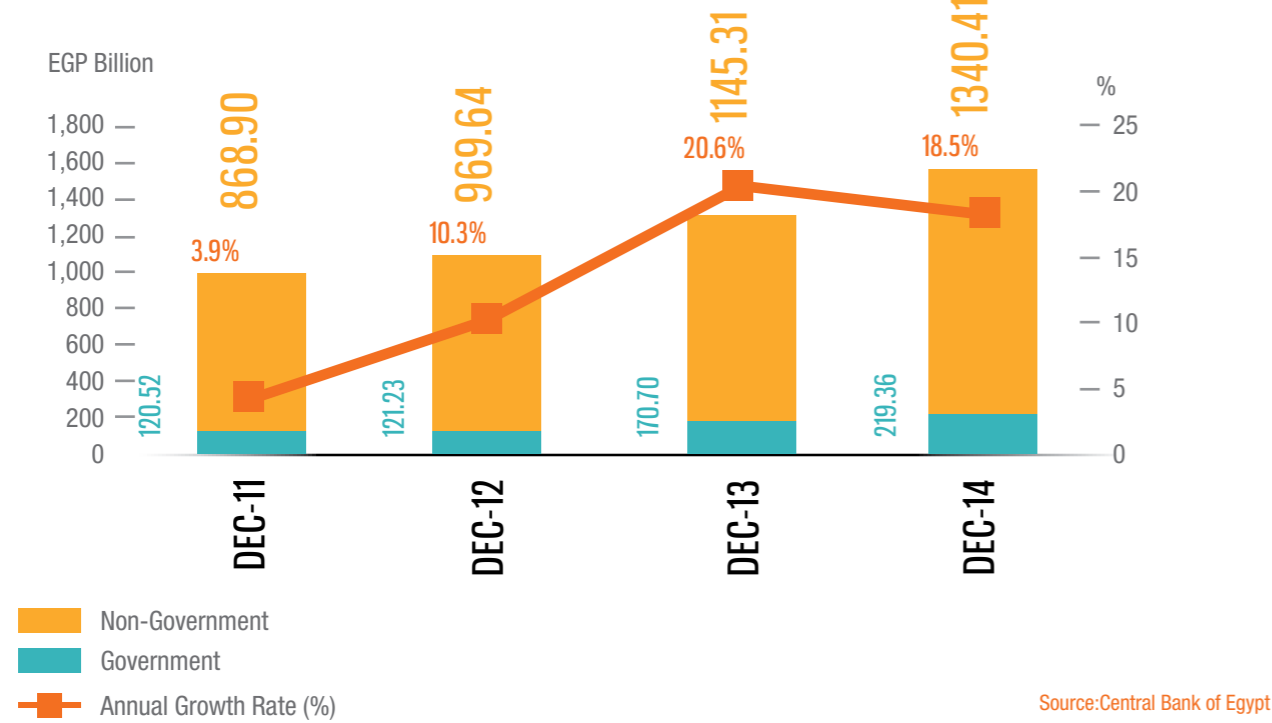


### Breakdown of Non-Gov. Deposits (EGP Billion)



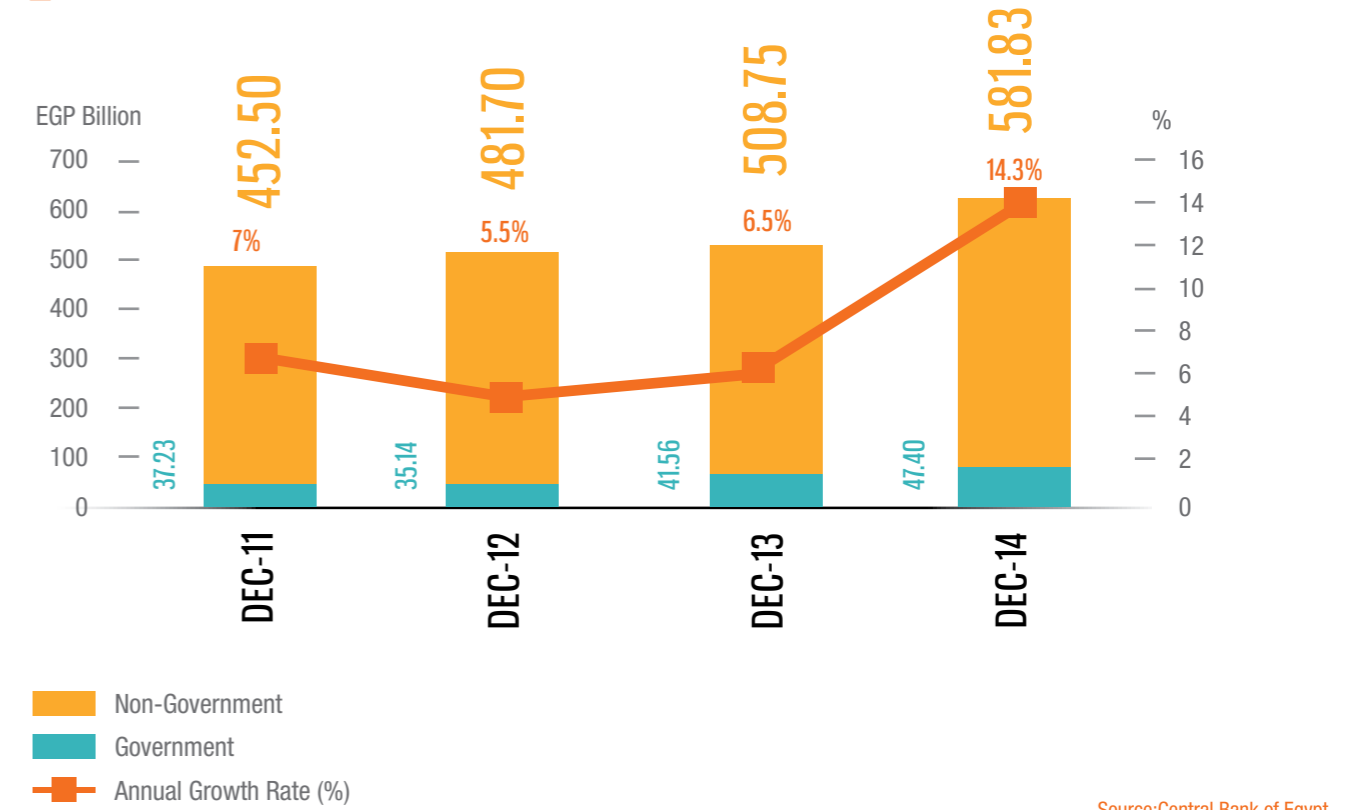
### DEPOSITS HAVE SUSTAINED ITS ANNUAL GROWTH

### Breakdown of Deposits

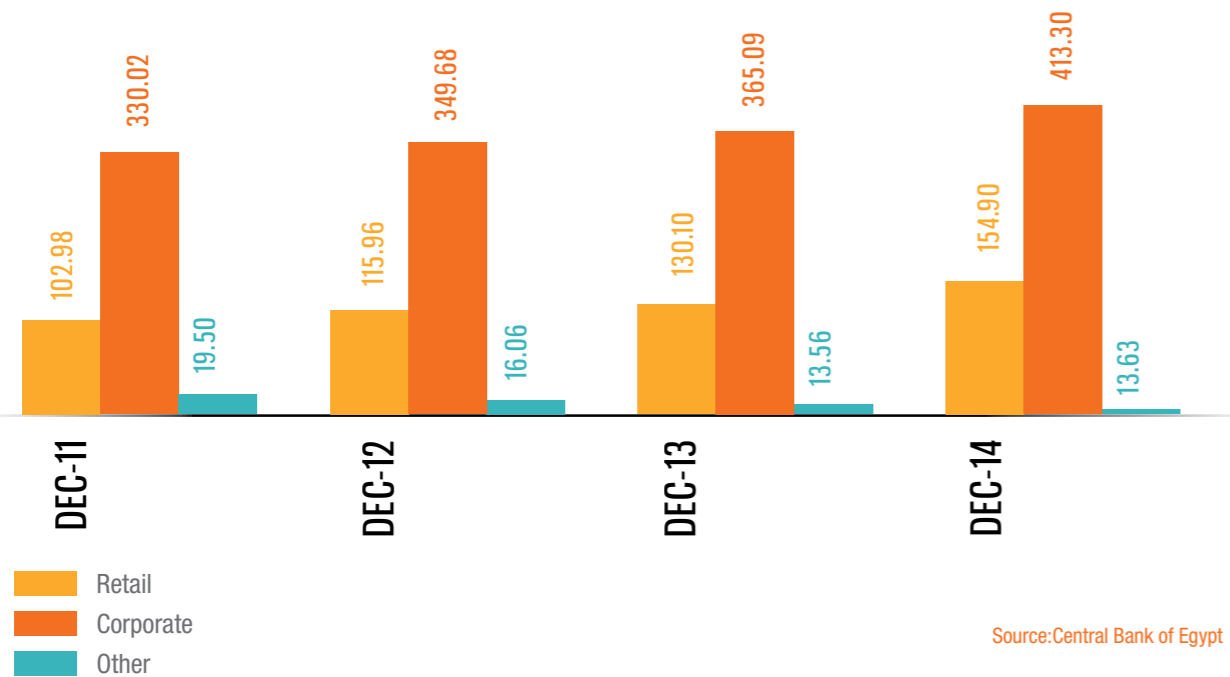


### CREDIT FACILITIES ARE REGAINING MOMENTUM

### Breakdown of Credit Facilities



**Breakdown of Non-Gov. Credit Facilities  
(EGP Billion)**



► The banking sector enjoys a strong position, with high levels of profitability, liquidity and provisioning coverage ratio, besides low levels of non-performing loans.

**Key Financial Ratios – December 2014**

Capital Base / Risk weighted Assets	13.1%
Non-performing Loans / Total Loans	8.6%
Loan Provisions / Non-performing Loans	97%
Return on Average Equity	14.5%
Net Interest Margin	3.8%
Loans / Deposits	40.4%
Securities ( including TBs) /Assets	45.9%
Securities ( including TBs) / Deposits	58.1%

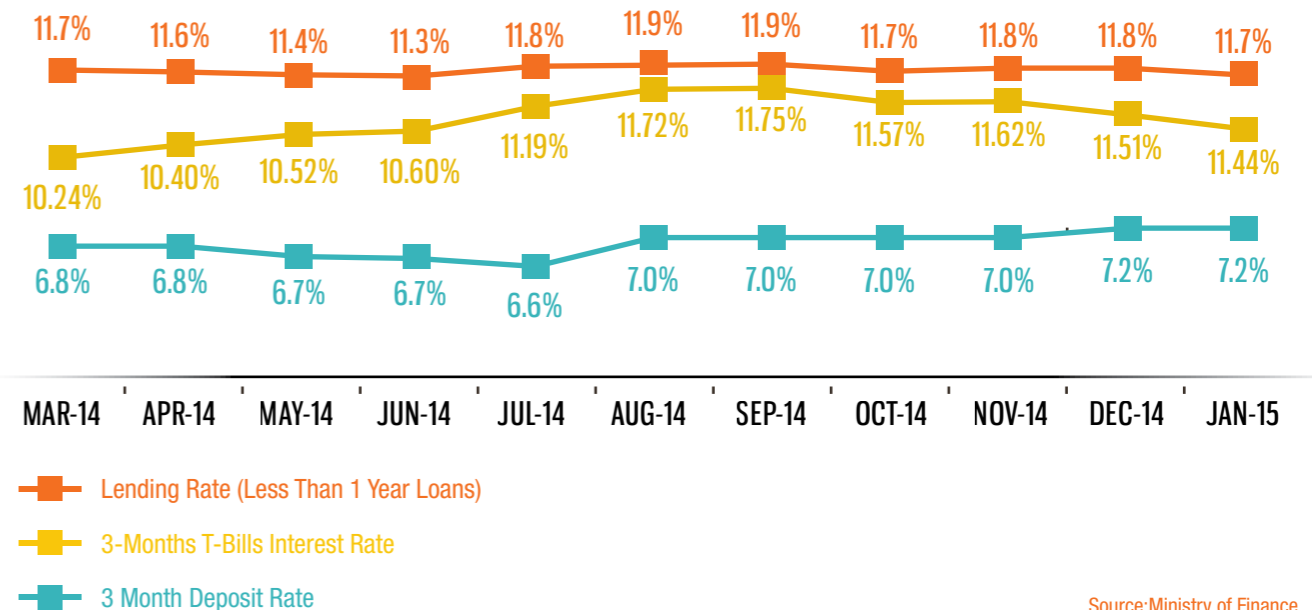
**INFLATION TARGETING MONETARY POLICIES ...**

The Central Bank of Egypt (CBE) has adopted a conservative Monetary Policy through the first half of 2014, keeping the overnight deposit rate, overnight lending rate, and the rate of the CBE's main operation unchanged at 8.25%, 9.25%, and 8.75%, respectively. The discount rate was also kept unchanged at 8.75%. However, CBE raised these rates by 100 basis points in July 2014 to contain the inflationary pressures resulted from partially removing energy subsidies while kept the rates unchanged for the rest of 2014.

Interest rates are expected to go down further in 2015 especially after the CBE's decision on 15 January 2015 to cut the overnight deposit rate, overnight lending rate, discount rate and the rate of the CBE's main operation by 50 basis points to 8.75%, 9.75%, 9.25% and 9.25%, respectively in order to stimulate the economy, in light of the witnessed improvement in political and economic conditions and the contained upside risks from imported inflation on the back of lower oil prices and the consequent revision in international food price forecasts.



**Interest Rates (%)**



## SPOTLIGHT 2: EGYPT'S CREDIT RATING IMPROVEMENT

Major rating agencies have upgraded Egypt's economic outlook from negative to stable due to political and economic stability witnessed during 2014, along with the government's fiscal reforms and strong Gulf support.

### ► FITCH

- Fitch Rating Agency upgraded Egypt's economic outlook in January 2014 from negative to stable for the first time since 2011, then confirmed the long term foreign currency issuer default ratings of National Bank of Egypt, and its wholly owned subsidiary, National Bank of Egypt (UK) Ltd's (NBEUK) and Commercial International Bank at 'B-' while it revised the outlook from negative to stable.
- By the end of the year, Fitch upgraded Egypt's Long-term foreign and local currency Issuer Default Ratings (IDR) to 'B' from 'B-', maintaining a stable outlook and raised the Long-term Issuer Default Ratings (IDR) of National Bank of Egypt SAE (NBE), National Bank of Egypt (UK) Ltd, and Egypt-based Commercial International Bank (CIB) from 'B-' to 'B' with stable outlook.



### ► STANDARD & POOR'S (S&P)

- In May 2014, S&P Credit Rating Agency affirmed Egypt's long term and short-term foreign and local currency sovereign credit ratings at 'B-/B' with a stable outlook (This rating was affirmed in November 2014).
- In October 2014, (S&P) has removed Egypt from list of top ten countries with default risk.
- In May 2015, S&P raised Egypt's economic outlook from stable to positive. It also upgraded long-term credit ratings of National Bank of Egypt, Banque Misr, and Commercial International Bank to 'B-' from 'CCC+'.

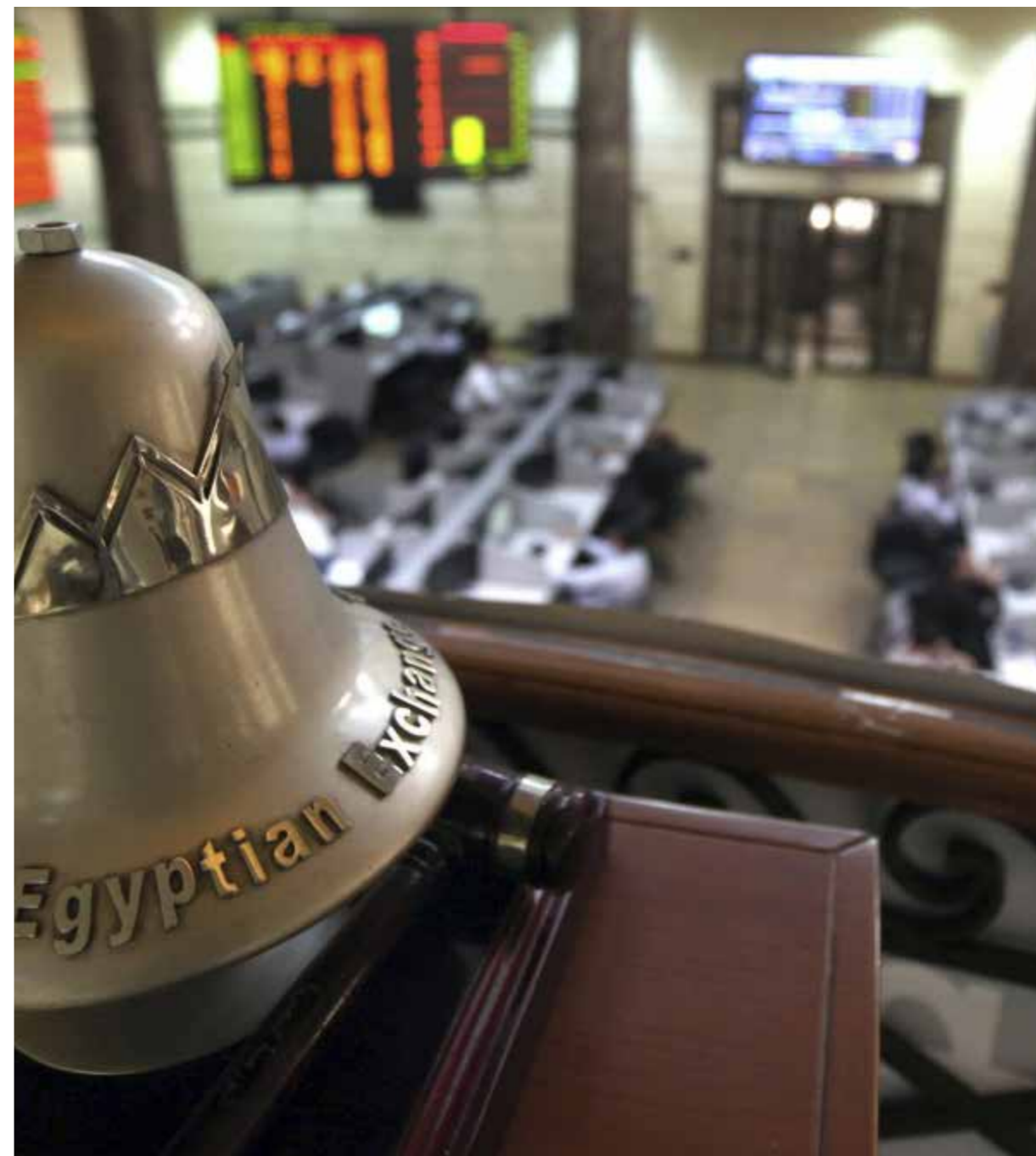


### ► MOODY'S

- In October 2014, Moody's Credit Rating Agency raised Egypt's credit ratings outlook to stable from negative due to a more stable political and security situation and signs of economic recovery.
- In April 2015, Moody's rating agency upgraded Egypt's sovereign credit rating to 'B3' from 'Caa1' with a stable outlook. It also raised the local-currency deposit ratings of National Bank of Egypt, Banque Misr, Banque Du Caire and Commercial International Bank to 'B3' from 'Caa1'. The agency also upgraded the local currency deposit ratings of ALEXBANK to 'B2' from 'B3'. Additionally, the banks' foreign-currency deposit ratings were upgraded to 'Caa1' from 'Caa2', reflecting the increase in the foreign currency deposit ceiling for Egypt to 'Caa1'.
- In May 2015, Moody's assigned counterparty risk (CR) assessments to 5 Egyptian banks. It has assigned counterparty risk assessments of 'B3(cr)' to the National Bank of Egypt, Banque Du Caire, and Banque Misr; 'B2(cr)' to Commercial International Bank; and 'B1(cr)' to ALEXBANK.



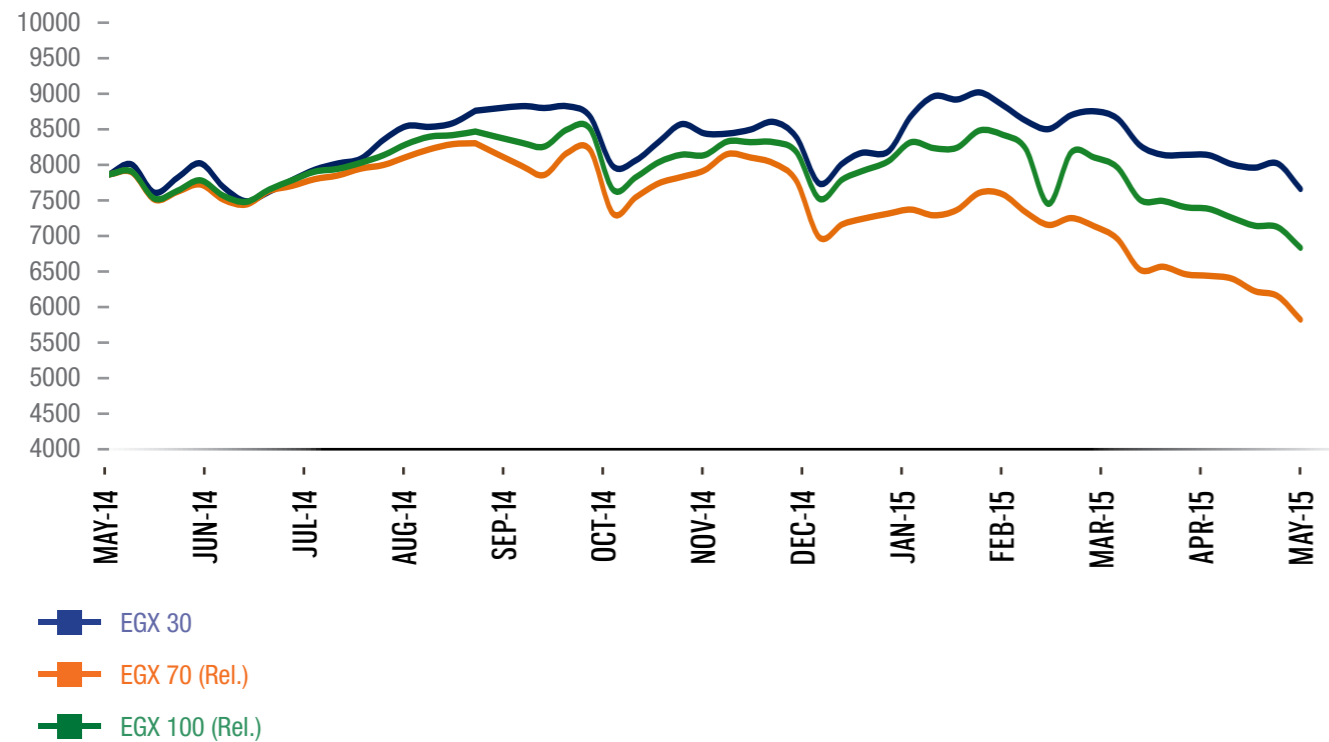
## ► OUTSTANDING PERFORMANCE OF STOCK MARKET ...



Economic recovery witnessed in 2014 has been demonstrated by the Egypt's Stock Exchange, which was named Africa's most innovative stock exchange in 2014 by Africa Investor. Its main index "EGX 30" registered consecutive gains of 51%, 24% and 32% in 2012, 2013 and 2014 respectively despite the different challenges Egypt has been suffering from on different aspects.

- ▶ **Volume of traded securities** reached its highest level in the history of the Egyptian Stock Market, when it recorded 57 billion securities, two times the recorded volume in 2013.
- ▶ **Value of traded shares** exceeded EGP 189 billion, the highest since 2010, while number of transactions recorded 7.3 million, the highest since 2010 as well.
- ▶ **Market capitalization** exceeded EGP 500 billion by end of 2014, up by 17% compared to 2013, with a net increase of EGP 73 billion in 2014.
- ▶ **Foreign investors' net transactions** exceeded EGP 3.4 billion to be net buyers for the first time since the 25<sup>th</sup> of January 2011 uprising.
- ▶ **The Bond market performance** was also very active during 2014 with the value of transactions exceeded EGP 67 billion, the highest in Egypt's Stock Exchange history.
- ▶ **Capital expansion** registered EGP 9.3 billion during 2014, that is 86% higher than 2013. As the Stock Market was able to participate in economic recovery through funding its listed corporates.

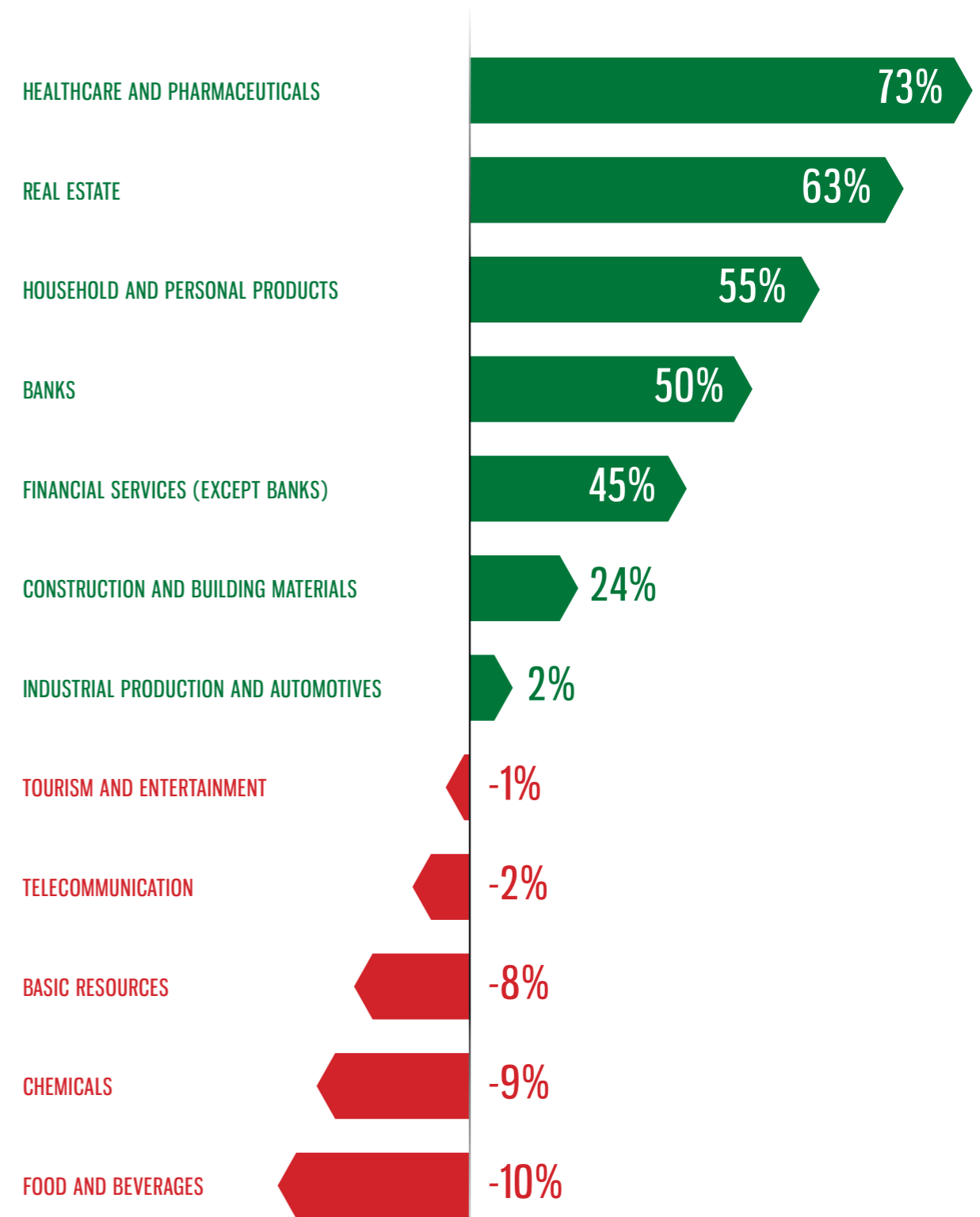
### ▶ Egypt's Stock Exchange Indices



Source: Egypt's Stock Exchange

- ▶ **EGX sectors** have witnessed dissimilar performance during 2014, where the Health Care and Pharmaceutical sectors came on top growing by 73%, followed by the Real Estate and Household & Personal Products sectors by 63% and 55% respectively. Banking Sector came in the fourth place, with 50% growth.

### ▶ Egypt's Stock Exchange Sectors' Performance (2014)



Source: Egypt's Stock Exchange

## ▶ INVESTING IN EGYPT ...

### ▶ Why Egypt?

The Egyptian economy is one of the Middle East's most diversified economies, with the fundamentals to support sustainable high growth rates. In addition, Egypt is increasingly considered as a gateway to large untapped markets in the African continent. It is also strategically located next to the wealthy Gulf countries and Europe, with a unique basket of preferential trade agreements that includes Egypt-EU partnership, Qualifying Industrial Zones (QIZ), Common Market for Eastern and Southern Africa (COMESA).



### ▶ Egypt's Investment Pyramid



### SPOTLIGHT 3: KEY LEGISLATIVE REFORMS

Enhancing the business environment and market's effectiveness constitute the corner stone of the government's policies as a pre-requisite for economic growth. Thus, the Egyptian government was keen on reforming the legislative framework that regulates business climate in Egypt through introducing the following laws:

#### ► NEW INVESTMENT LAW

The President approved a new investment law in 2015. The new law includes:

- Unifying the process of obtaining licenses and working through a one-stop-shop investment window.
- Setting-out a mechanism for settling disputes quickly and successfully.
- Initiating "The National Centre For Developing and Promoting Investment" responsible for designing investment policies & plans for the whole country, monitoring their implementation, and promoting the investment opportunities locally and globally.
- Empowering the state to give non-tax incentives to investors in projects that meet certain criteria, such as being labor-intensive, or in certain sectors such as energy, or in underdeveloped regions.

#### ► MICRO-FINANCE LAW

- This is the first law that regulates Micro-Finance funding by non-bank institutions, including companies and NGOs, to be supervised by the Egyptian Financial Supervisory Authority (EFSA). The law will attract investors and financiers interested in microfinance by establishing a credible supervisory system and outlining clear rules to manage risk and protect participants, and by laying out the requirements for financial solvency and disclosure requirements for licensing.

#### ► RENEWABLE ENERGY LAW

- The law aims at encouraging private sector's investments in the renewable energy sector through obligating the government to purchase energy produced by this sector at competitive prices.
- Issuing the law was accompanied with different governmental measures to promote that promising sector through:
  - Providing facilitated bank loans for households and private-sector investors producing less than 200 KW and 200-500 KW at 4% and 8% interest rates.
  - Charging investors only 2% customs on material imported for the projects.
  - Providing state-owned lands for renewable energy projects in exchange for 2% of the energy produced.

#### ► Egypt's Economic Development Conference: A New Success



Egypt's Economic Development Conference (EEDC) was held in Sharm El-Sheikh city on the 13<sup>th</sup> – 15<sup>th</sup> of March 2015 to offer new investment opportunities for investors. Around 80 countries, 30 Presidents, more than 500 senior government officials, 30 international organizations and 2500 investors have contributed to the conference, showing their willingness to help Egypt restore its political and economic stability and enter the promising Egyptian market to benefit from its untapped potentials. The Egyptian government successfully marketed different investment opportunities that cover a wide spectrum of sectors, focusing on the energy sector that has acquired the lion's share of presented projects.

Prime Minister Ibrahim Mehleb declared that Egypt

has signed \$ 60 billion deals during the conference (\$36.2 billion investment deals - \$ 18.6 billion engineering, procurement and construction (EPC) contracts – \$ 5.2 billion loans), besides different Memorandums Of Understanding (MOUs) worth about \$ 92 billion. Egypt's allies from the Gulf area have annulled doubt about continuing support to Egypt when Saudi Arabia, the United Arab Emirates (UAE), Kuwait and Oman have pledged \$ 12.5 billion in aid and investments to support the country's foreign currency reserves and ease pressure on the Egyptian Pound. It's worth mentioning that a new committee that follows the Investment Minister was initiated to monitor the execution of agreements, protocols and MOUs signed during the conference.





## APPENDIX 1: PROMINENT MEGA PROJECTS

The Egyptian government is keen on promoting investments that would enhance local demand and raise potential growth. Thus, it has introduced a list of mega projects as a cornerstone for its growth strategy. These projects include The Suez Canal Development Project, The Capital Cairo, Damietta Logistical Center, Golden Triangle Project, Major Power Generation Projects, National Project for Roads and Reclaiming One Million Feddans Project.

### SUEZ CANAL DEVELOPMENT PROJECT



#### Goal:

Digging a new Canal alongside the existing one by mid-2015 to expand the canal's capacity and allow ships to sail in both directions at the same time, which will decrease waiting hours from 18 to 11 hours for most ships and double the capacity of the Suez Canal from 49 to 97 ships a day. Another goal would be enlarging the transit capacity and to increase industrial activity in the area to raise Egypt's international profile as an international logistical and industrial hub, benefiting from the unique geographical position of the Suez Canal which is one of the most important waterways in the world.

## ► A POSITIVE OUTLOOK ...

► On the political level, relative stability is expected to continue, especially after the completion of the Road Map by holding the Parliamentary elections in 2015.

A gradual pick up in the economic activities is also expected to be sustained through the government's commitment to boost investments and create jobs. Rising confidence in economic policies associated with the launch of new mega projects, either signed during Egypt's Economic Development Conference or declared by the government independently, and lasting Gulf support will enhance the economic development during the coming years. The Egyptian government ex-

pects the GDP growth rate to accelerate through 2014/2015 to 4.3% and keep on recovering through the coming years until reaching 5-7%. Restoring fiscal sustainability is likely to be achieved over the medium term through the implementation of fiscal reforms aiming at maximizing revenues and rationalizing government expenditures. These reforms target reducing the budget deficit to 8-8.5% of GDP and the government debt to 80-85% of GDP by 2018/2019.

► **Stakeholders:**

- Dar El-Handasa Consultants (Shair and Partners): Preparing the master plan for developing areas surrounding the canal.
- Armed Forces: Supervises executing the project's infrastructure.
- Local Subcontractors: Hired by the Armed Forces to perform specific tasks or services.

► **Starting date:** August 2014.

► **Total cost:** \$8.2 billion.

► **Fund:** Issuing investment certificates to Egyptian individuals and companies.

► **Potentials:**

- Providing one million job opportunities.
- Helping local contractors enhance their revenues.
- Boosting the canal's revenues to \$13.5 billion by 2023 instead of the current \$5.3 billion.
- Raising foreign investments to Egypt.
- Developing Suez Canal cities (Suez-Port Said-Ismailia).
- Restoring the economic growth and international confidence in the Egyptian economy.
- Promoting international trade.

THE CAPITAL CAIRO

► **Goal:** Building a new administrative city.

► **Contractor:** Capital City Partners-UAE.

► **Total cost:** \$ 45 billion.

► **Potentials:**

- Building the largest administrative city of its kind in the world on a total area of 700 Km<sup>2</sup> located along the corridor between the East of Cairo and the Red Sea.
- The government plans for moving the Egyptian Parliament building, all ministries and government authorities to the new city, along with all foreign embassies.
- The project will be established through 5 to 7 years.
- The new Capital will include 25 residential districts for the housing of more than five million people and will include an international airport, an electric train and solar farms on an area of 90 million m<sup>2</sup>.



DAMIETTA LOGISTICAL CENTER

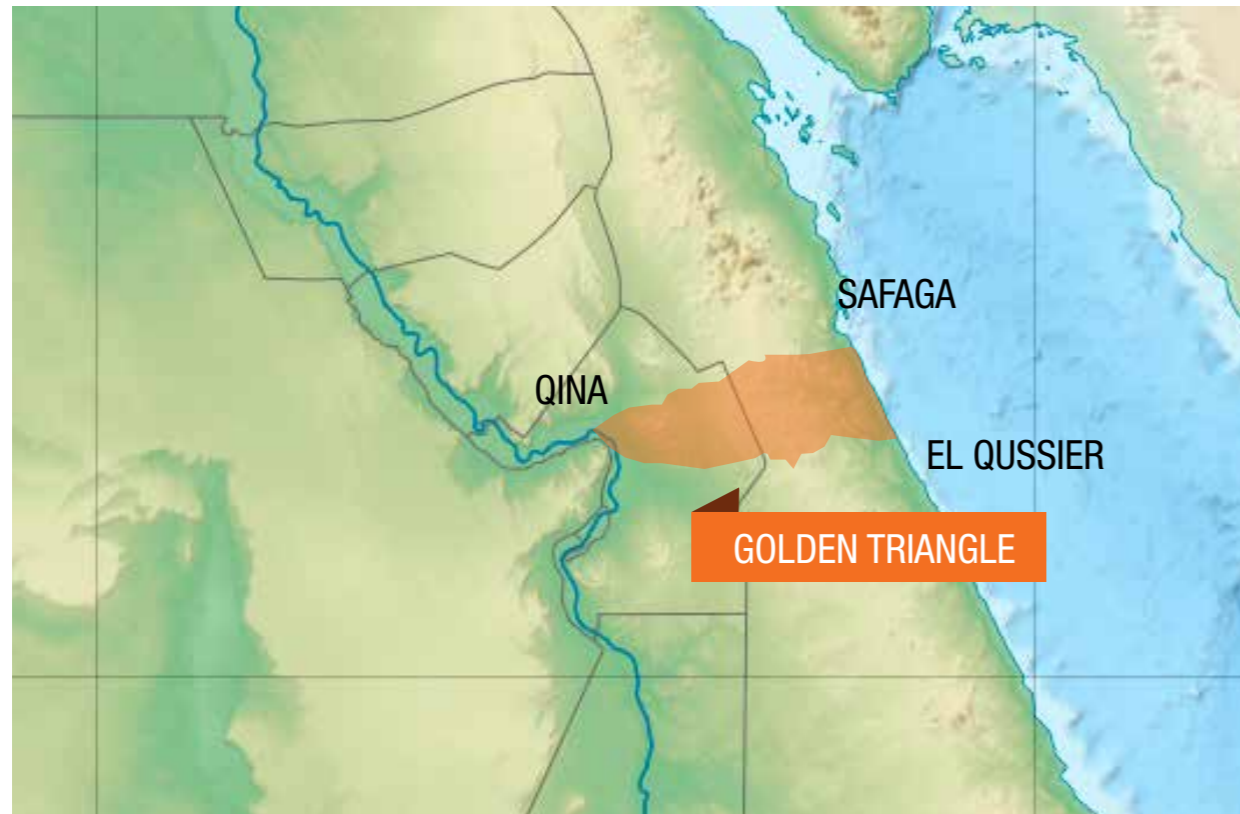


► **Goal:** Converting Damietta governorate into a global logistics center for handling and storing grain and food commodities.

► **Potentials:**

- Constructing modern silos and domes for storage in three storage areas with a capacity of 7.5 million tons.
- Establishing two sea piers (650-700 metres in length and 17 metres deep) to receive large ships carrying up to 150,000 tons of grain.
- Constructing five investment and industrial zones for grains and food commodities with a total land use of 1.7 million m<sup>2</sup>.
- Increasing the capacity of annual marine trading of grains and food commodities in Damietta port from 7-8 million tons to 40 million tons, 12 million tons.

## GOLDEN TRIANGLE PROJECT



► **Goal:** Developing the area extends from the Eastern Desert between Qena, Al-Qusayr, and Safaga to the Red Sea Coast. The total land area of the Golden Triangle is 38,000 m<sup>2</sup>. Development plan would include initiating extraction activities in addition to manufacturing, trade, mining, infrastructure, ports, tourism and urban developments.

► **Potentials:**

- Attracting EGP230 billion investments.
- Creating 400,000 job opportunities.

*The Italian consultancy firm D'Appolonia has recently won a bid to prepare a study about the project*

## MAJOR POWER GENERATION PROJECTS



► **Goal:** Building conventional and renewable power plants in order to increase Egypt's power generation capacity.

► **Project 1**

► **Contractor:** Siemens-Germany.

► **Total cost:** \$ 10.5 billion.

► **Potentials:**

- Building combined cycle power plants with a total capacity of 11GW.
- Installing a wind-power with a capacity of 2 GW.

► **Project 2**

► **Contractor:** Saudi ACWA Power Corporation and UAE Masdar Corporate.

► **Total cost:** \$ 9.4 billion.

► **Potentials:**

- Building a 2.2 GW combined cycle power plant in western Damietta.
- Initiating a number of solar power stations, besides a wind power plant expected to generate about 1.5 GW and 0.5 GW respectively.
- Constructing a coal-operated power plant with a 2 GW capacity.

## NATIONAL PROJECT FOR ROADS



- ▶ **Goal:** Adding new 601 Km roads.
- ▶ **Investment Cost:** EGP 3.5 billion.
- ▶ **Stakeholders:** Transportation, Housing and Defense Ministries.
- ▶ **Ending Date:** December 2015.

Road	Length (Km)	Details	Investment Cost (EGP Billion)
El-Farafra Oasis-Dairout	310	Connecting El-Farafra Oasis (Western Desert) with Assuit governorate (Upper Egypt)	1
Bahareya Oasis-Bni-Mazar	196	Connecting El- Bahareya Oasis (Western Desert) with El-Minya governorate (Upper Egypt)	0.725
30-June Axis	95	Parallel to the Suez Canal aiming at connecting Egypt's Mediterranean ports with the Ring Road (Cairo's most important freeway)	1.8

## RECLAIMING ONE MILLION FEDDANS PROJECT

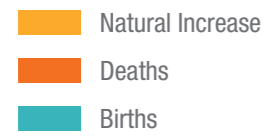
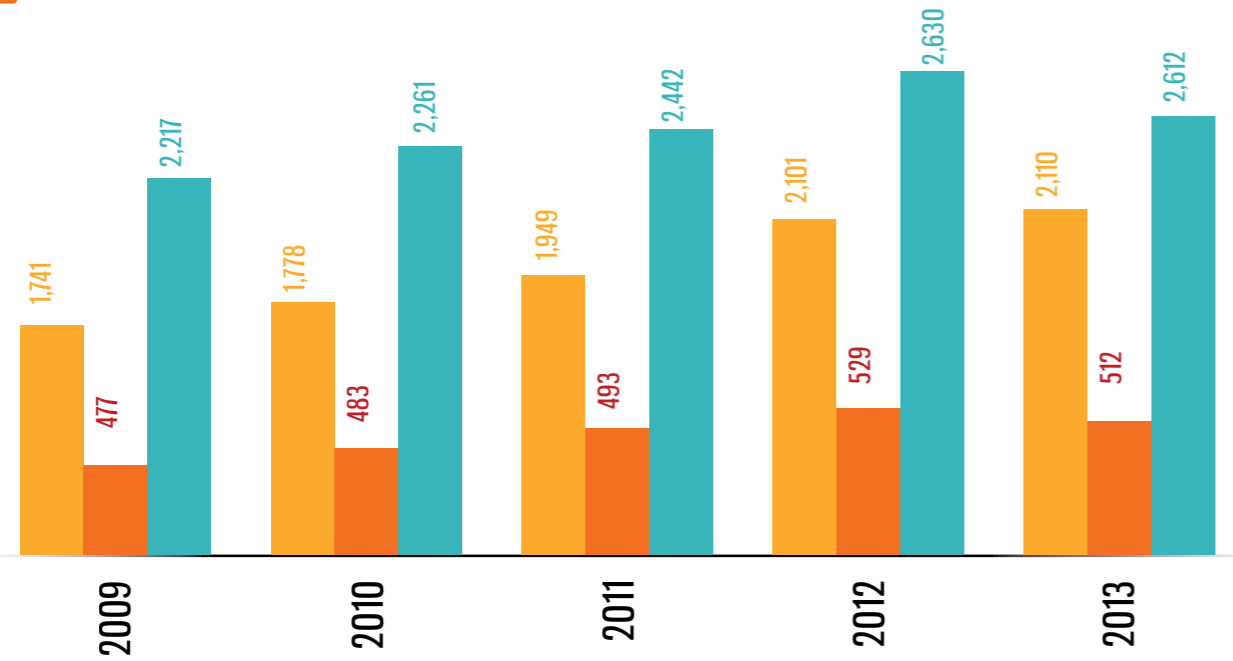


- ▶ **Goal:** Reclaiming one million feddans of undeveloped land to be used for agriculture in 11 areas in the Western Desert and Sinai. The project is part of a larger scheme to reclaim a total of four million feddans.
- ▶ **Ending Date:** 2017.
- ▶ **Potentials:**
  - ▶ Increasing the amount of agricultural land and help achieve the self-sufficiency rate in food.
  - ▶ Promoting agri-business and raising the agricultural sector's contribution to GDP growth.
  - ▶ Creating new job opportunities.

*Egypt's Agriculture Minister has declared that Arab and foreign countries offered to cover 60% of the project's execution. He also confirmed that a part of the project will be allocated to various youth groups.*

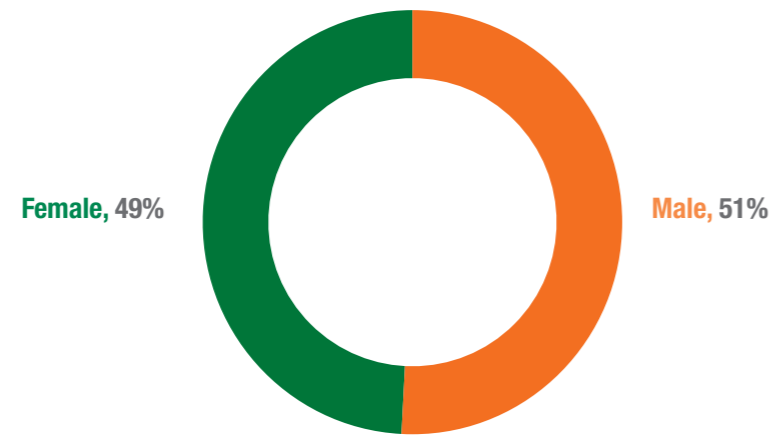
## APPENDIX 2: KEY DEMOGRAPHIC STATISTICS

### Vital Statistics (Thousands)



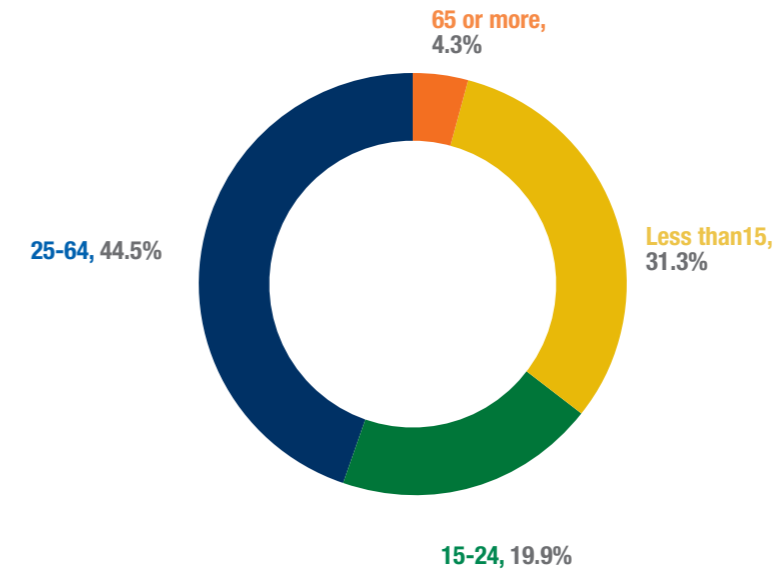
Source: CAPMAS

### Population Breakdown (1/7/2014)



Source: CAPMAS

### Population Breakdown by Age Group (1/7/2014)



Source: CAPMAS

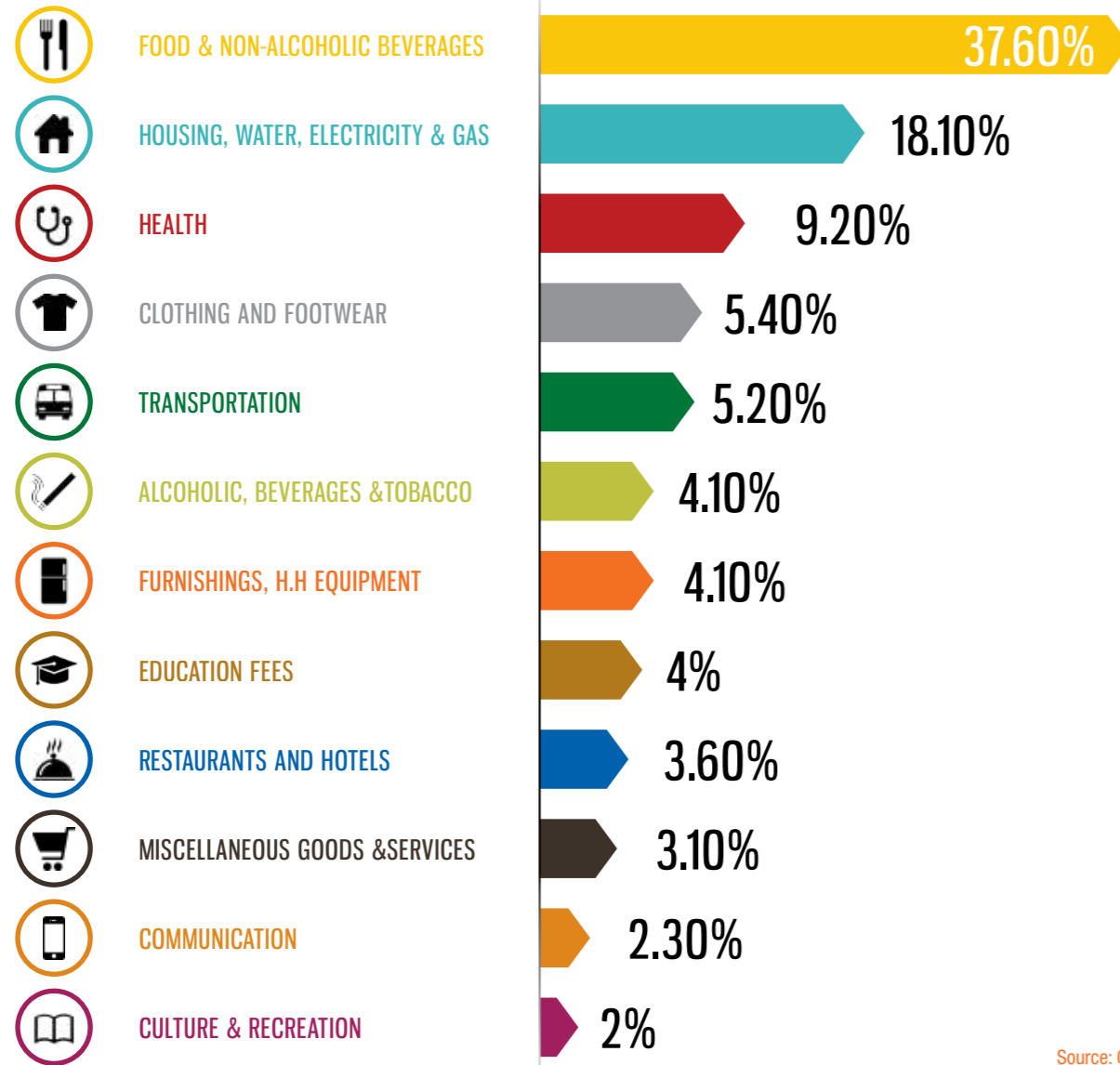
### GDP Per Capita (\$)



Source: Ministry of Finance

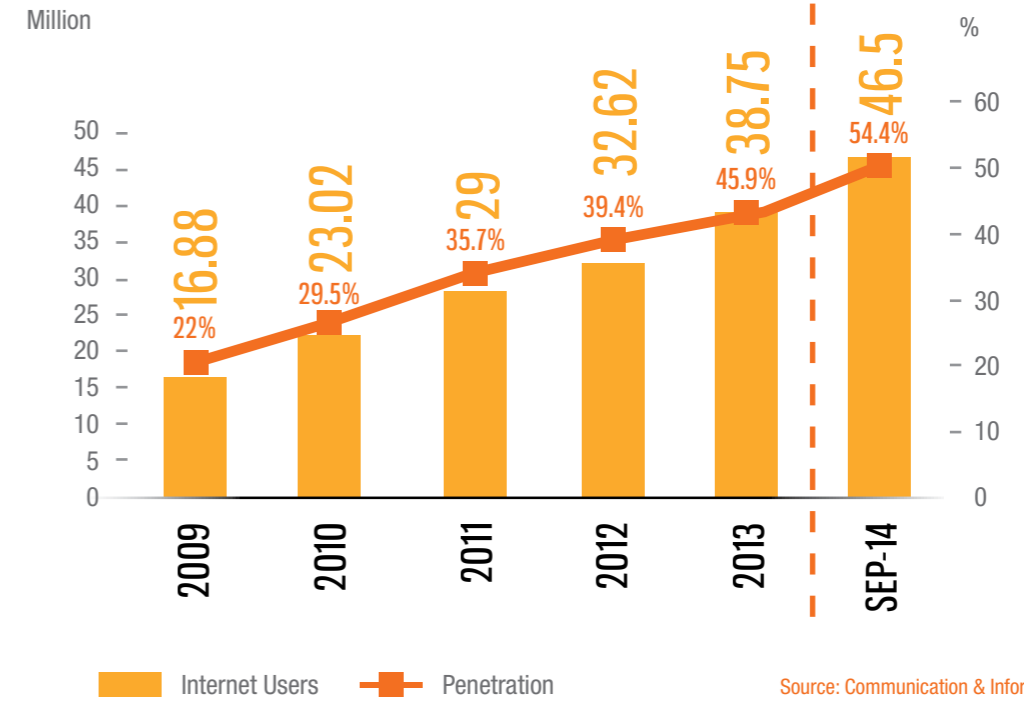
## EGYPTIANS' CONSUMPTION PATTERNS

(2012/13)



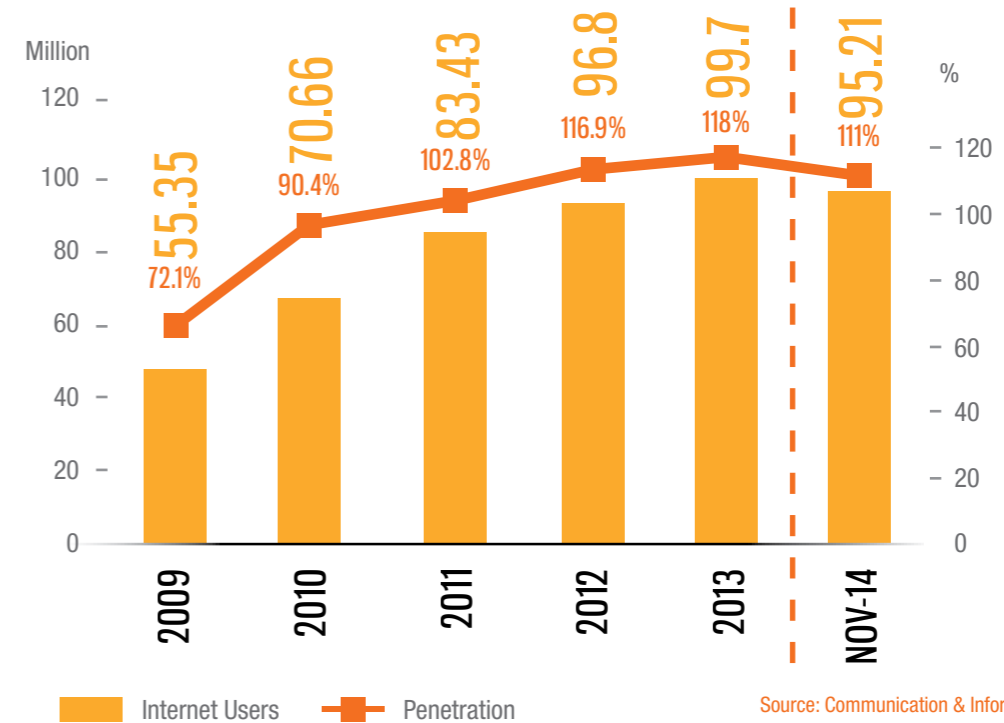
Source: CAPMAS

## Internet Users



Source: Communication & Information Technology Ministry

## Mobile Subscription



Source: Communication & Information Technology Ministry

## TESTIMONIALS



▶ *“Egypt has laid out a long-term sustainable development strategy through 2030 that includes the application of a just taxation system and a narrowing of the country’s budget deficit”*

**Abdel Fattah Al-Sisi**  
Egyptian President



▶ *“Egypt has a political will and courage to achieve its goals, to meet Egyptian people aspirations and provide them with a decent life and development”*

**Eng. Ibrahim Mehleb**  
Egypt's Prime Minister



▶ *“We see this happening before our eyes through the adoption of a serious, economic plan with realistic and objective goals; the significant attention paid to sector issues to achieve inclusive growth that ensures empowering segments of the population that have not benefited from previous growth – which is a goal of the revolution – and taking care of issues like health, education, sanitation etc”*

**Mohamed El-Erian**  
Chief Economic Adviser at Allianz



▶ *“This part of the world is blessed with a stunning amount of commercial potential, the U.S., whose companies invested \$2 billion in Egypt last year, stood ready to help”*

**John Kerry**  
US Secretary of State



▶ *“We have confidence in Egypt and its leadership, in its ambitious macro-economic reforms: we support its mission in favor of prosperity and stability”*

**Matteo Renzi**  
Italian Prime Minister



▶ *“The state of the whole region depends on the stability or instability of Egypt.”*

**Sigmar Gabriel**  
Germany's Economy Minister



▶ *“Egypt has chosen a path of adjustment and reform which, if followed resolutely, will lead to economic stability and growth”*

**2014 IMF Article IV Consultation Report**



▶ *“The Egyptian government has embarked on a policy course designed to tackle some of the serious structural weaknesses that have emerged or intensified in recent years. Fuel subsidy cuts and tax hikes have been implemented as part of a clear five-year fiscal consolidation strategy. Power shortages are being tackled, overdue payments to oil companies reduced, investment laws revised and disputes with foreign investors settled”*

**Fitch Ratings Report – 2014**



▶ *“We see that Egypt is the engine of growth in the Middle East region. A nation with over 80 million people in population has an enormous economic power”*

**Hartwig Schafer**  
World Bank Director for Egypt, Yemen and Djibouti



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