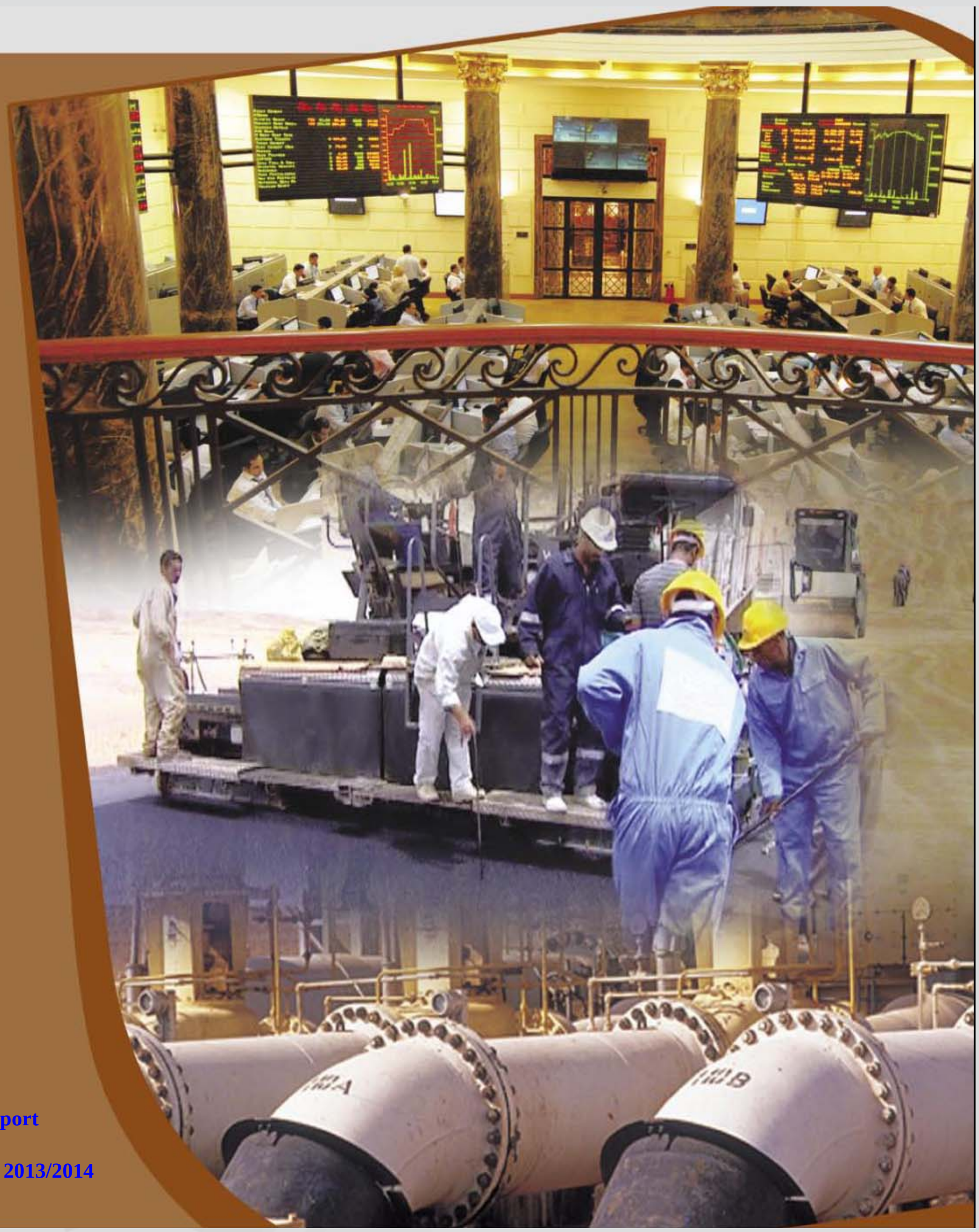
General Authority for Investment
and Free Zones (GAFI)

Quarterly Report: First Quarter

First Quarter
July – September
of FY 2013/2014



Quarterly Report

First Quarter of FY 2013/2014

Focusing on Investment News and Investment Indicators in Egypt

Table of Contents

1 Introduction

The first quarter of FY 2013/14 witnessed several political developments, which affected the Egyptian economy positively, especially after Gulf countries, including Saudi Arabia, Kuwait and the UAE, provided cash aids, loans without interests, and oil and petroleum products to Egypt. Totaling USD 12 billion, these aids are equal to 4.4 percent of Egypt's GDP for the purpose of avoiding a balance of payments crisis.[1] The balance of payments has already made a surplus due to the decline in the current and trade accounts, driven by the increase in merchandize exports and the decrease in merchandize imports,[2] combined with these Arab contributions. As such, the government was able to fulfill its commitment to the third pillar of the Roadmap that is to enhance and prepare the Egyptian economy for breakthrough. This would be realized by injecting an incentive package of EGP 29.6 billion to flourish the economy and complete a number of such projects as water and sanitation, roads and bridges, social housing programs and enhancement of the electricity networks. Investment in infrastructure creates further jobs and injects liquidity into the domestic market in order to take the economic growth rate up to 3.5 percent by the end of FY 2013/14. Moreover, the government announced a second incentive package of EGP 33.9 billion, including EGP 21.7 billion to be allocated for investments and EGP 12 billion for the social dimension.[3]

Priorities of the present and near future are to stabilize the Egyptian investment climate and identify and resolve investors' issues but also to pursue further cooperation with the private sector to regain the confidence in the investment climate. [4] As such, during Q1 of FY 2013/14, the Ministry of Investment sought to carry out a plan to restore Egyptian, Arab and foreign investors' confidence in the investment climate and improve the investment climate by updating current legislation and provide more facilities to attract further investments to the Egyptian market, **through the following procedures:**

- Reviewing the legislative amendments approved by the former government in June 2013 and adopting only those in the best interest of Egypt and Egyptians (such as Article (7) of the Investment Law No. 8 and Law No. 89 on Tenders and Biddings).
- Adopting an integrated vision for the implementation of a number of national development projects in the period to come.
- Implementing a project to grant licenses of businesses and lands through a single window to enable investors obtain these licenses from the Investment One-stop Shop.
- Coordinating with banks and business associations to re-open distressed and shutdown factories in new and industrial cities by scheduling their debts, allowing them a grace period for repayment and encouraging banks to inject investments thereto.
- Taking action to enhance and support investments in the North-West Suez Gulf.

Nevertheless, the Egyptian economy is still suffering from low growth and investment rates combined with higher inflation and unemployment. **Main positive economic indicators during Q1 of FY 2013/14 can be summarized as follows:**

- Egypt's transactions with the external world recorded a surplus in the balance of payments by USD 3.7 billion during Q1 of FY 2013/14 (compared to a deficit of USD 518.7 million during Q1 of FY 2012/13).[5]
- The current account scored a surplus of USD 0.7 billion during Q1 of FY 2013/14(compared to a deficit of USD 1.3 billion by the end of Q1 of FY 2012/13), **thanks to the following developments:**[6]

  - Decline of the trade deficit by 1.6 percent recording USD 7.7 billion by the end of Q1 of FY 2013/14 (compared to USD 7.8 billion by the end of Q1 of FY 2011/12), resulted by the decrease of merchandise imports by 1.5 percent to USD 13.6 billion by the end of Q1 of FY 2013/14 (compared to USD 40.4milliondurin the same period of FY 2012/13).[7]

[1] Ministry of Investment, Snapshot of the Egyptian Economy, November 2013.
[2] Central Bank of Egypt.
[3] Egypt News Website.
[4] The Report-Egypt 2013, Oxford, an interview with the Former Minister of Investment, Osama Saleh.
[5] Central Bank of Egypt.
[6] Central Bank of Egypt.
[7] Central Bank of Egypt.

- The service surplus went down sharply by 91.8 percent to USD 1.3 billion by the end of Q1 of FY 2013/14 .[1]
- Unrequited transfers increased remarkably to USD 8.3 billion by the end of Q1 of FY 2013/14 (from USD 4.9 billion by the end of Q1 of FY 2012/13), as a main result of the increase of official transfers (cash and mechanize) during Q1 of FY 2013/14 up to USD 4.3 billion (compared to USD 40.4 billion during the same period of FY 2012/13).[2]

- The capital and fiscal accounts recorded a remarkable increase in terms of new inflows hitting USD 4 billion by the end of Q1 of FY 2013/1 (compared to USD 1.5 billion by the end of Q1 of FY 2012/13), **due to the following:** [3]

  - Egypt's portfolio investments increased to USD 1.3 billion in inflows by the end of Q1 of FY 2013/14 (compared to net inflows of USD 0.3 billion by the end of Q1 of FY 2012/13).
  - The CBE's commitments towards the external world increased to USD 3 billion by the end of Q1 of FY 2013/14 (compared to USD 0.5 billion by the end of Q1 of FY 2012/13), which is mainly attributed to the development of deposits transferred by some Arab countries.
  - Net FDI inflows increased by 7.1 percent hitting USD 1.25 billion by the end of Q1 of FY 2013/14 (compared to USD 1.2 billion by the end of June 2012), which is mainly attributed to the increase of net investments of the petroleum This was achieved although net inflows of new investments decreased to USD 0.3 billion by the end of Q1 of FY 2013/14.

- The overall balance recorded a surplus of USD 3.7 billion during Q1 of FY 2013/14 versus a deficit of USD 0.5 billion during Q1 of FY 2012/13. The state's overall revenues amounted to 8.6 percent of GDP during Q4 of FY 2013/14, while the state's overall expenditures amounted to 12.8 percent during Q1 of FY 2013/14.[4]

- The USD depreciated as compared to the local currency thanks to the financial aids provided by the Gulf countries, causing the USD to reach its lowest levels in September 2013 when its exchange rated paused at EGP 6.91.[5]

- Domestic liquidity grew to more than EGP 1 trillion by the end of June 2013, recording an increase 16.7 percent compared to the same period of FY 2012/13. As such, domestic liquidity went up to 68.2 percent of GDP by the end of Central Bank of Egypt.[6]

- During its September 2013 meeting, the Central Bank of Egypt decided to reduce the interest rate by 50 points (8.75 percent for the overnight deposit rate and 9.75 percent for the overnight lending rate).[7]

- Non-petroleum proceeds increased to USD 14 billion by the end of June 2013 compared to USD 13.85 billion by the end of June 2012.

Other economic indicators were as follows:

- The economic growth rate hit 1 percent during Q1 of FY 2013/14 compared to 2.6 percent during the same period of FY 2012/13, due to the decline of the economic growth rates of the tourism and extraction activities during Q1 of FY 2013/14. The construction and building and CIT sectors recorded the highest growth by 4.5 percent and 4.1 percent respectively during Q1 of FY 2013/14. The tourism and extraction activities sector recorded the lowest growth rates by -28.3 percent and -3.5 percent during Q1 of FY 2013/14. [8]

---

[1] Central Bank of Egypt.

[2] Central Bank of Egypt.

[3] Ministry of Planning.

[4] Ministry of Planning.

[5] Central Bank of Egypt.

[6] Ministry of Planning.

[7] Central Bank of Egypt.

[8] Ministry of Planning.

- Total implemented investments hit USD 5.9 billion during Q1 of FY 2013/14 compared to USD 1 billion during the same period of FY 2013/13. The private sector accounted for USD 35.8 billion into total implemented investments during Q1 of FY 2013/14, recording 70.3 percent of total investments. The public sector accounted for USD 15.1 billion, recording 29.7 percent of total investments.[1]

- The unemployment rate increased to 13.4 percent during Q1 of FY 2013/14 compared to 12.5 percent during the same period of FY 2012.[2]

- The CPI inflation rate (on an annual basis) recorded 14 percent during September 2013 compared to September 2012. The change rate in the CPI inflation rate (on a monthly basis) amounted to 2.1 percent during September 2013 compared to August 2013.[3] The basic inflation amounted to 1.7 percent on a monthly basis in September 2013 compared to 0.14 percent in August 2013, while the annual basic inflation recorded 11.15 percent during September 2013.[4]

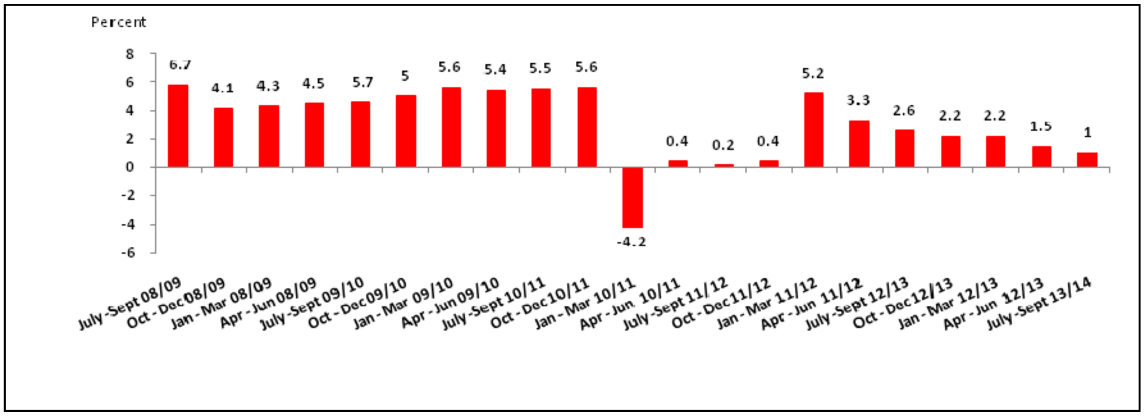
[1] Ministry of Planning.
[2] CAPMAS
[3] CAPMAS
[4] Central Bank of Egypt.

Macro Economics

GDP Growth

The economic growth hit 1 percent during Q1 of FY 2013/14 and the value of GDP in current prices amounted to EGP 497.3 billion during Q1 of FY 2013/14, compared to EGP 428 billion during FY 2012/13.

Figure (1): GDP Growth Rate

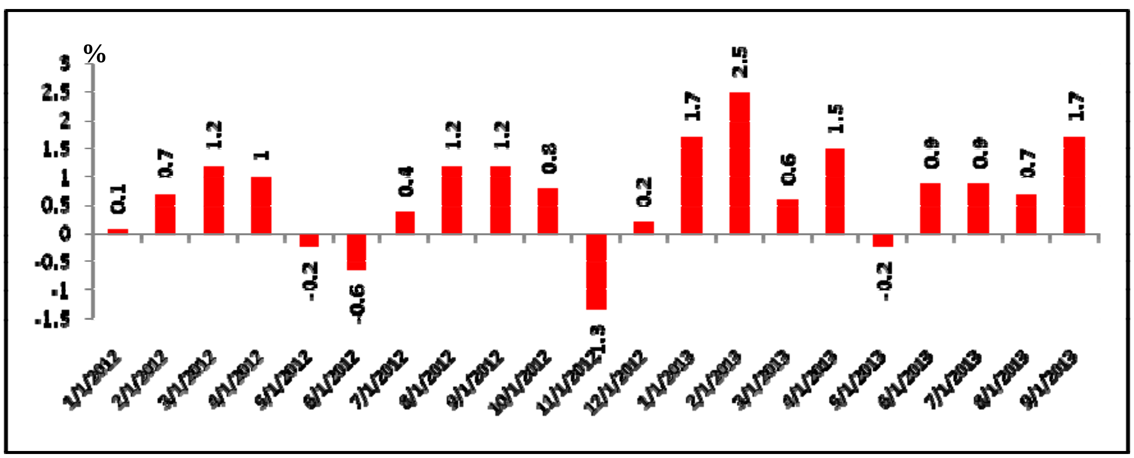


Source: Ministry of Planning

Inflation

During September 2013, the change in inflation rate, on a monthly basis, increased to 1.7 percent compared to August 2013, while the core inflation (on monthly basis), increased to 11.15% compared to 8.97% in August 2013.

Figure (2): Change in the Inflation Rate

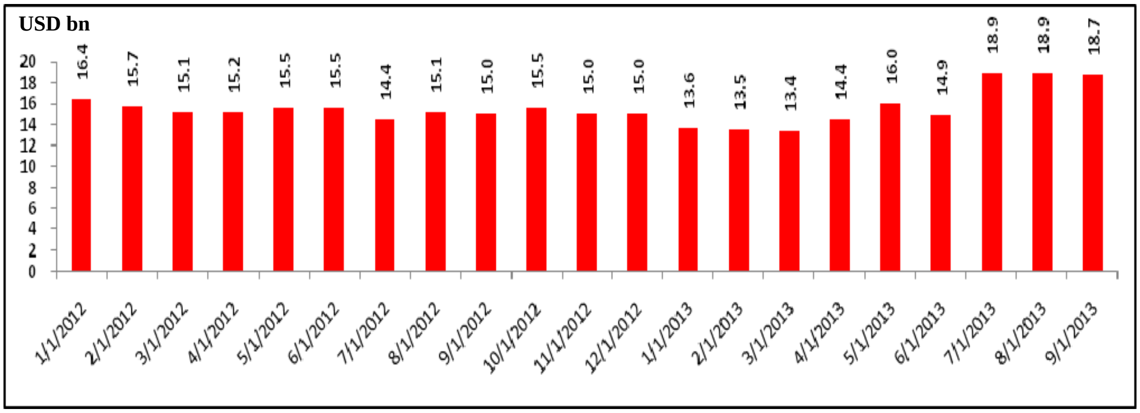


Source: CAPMAS

Net International Reserves

Net international reserves went up by 24.7 percent up to USD 18.7 billion by the end of September 2013, as compared to its level in September 2012.

Figure (3): Net International Reserves

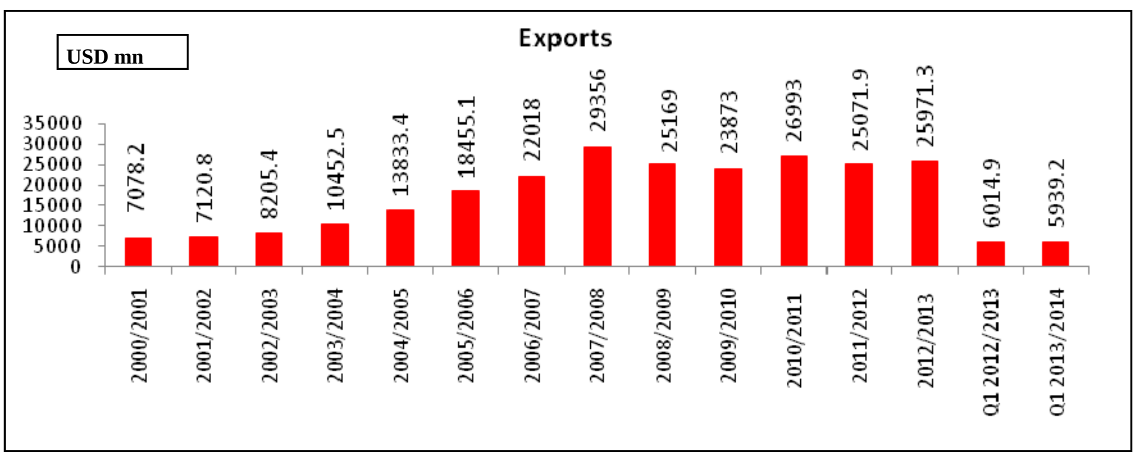


Source: CBE

Balance of Payments

The balance of payment deficit moved down by 1.6 percent to USD 7.7 billion during Q1 of FY 2013/14,compared to USD 7.8 billion during Q1 of FY 2012/2013. caused by the decline of payments for merchandize imports by 1.5 percent, hitting USD 13.6 billion compared to USD 13.8 billion and by the decline of proceeds of merchandize exports by 1.3 percent, hitting USD 5.9 billion compared to USD 6 billion during the same period of FY 2012/13. **The following graph presents the development of exports from FY 2000/01 until Q1 of FY 2013/14:**

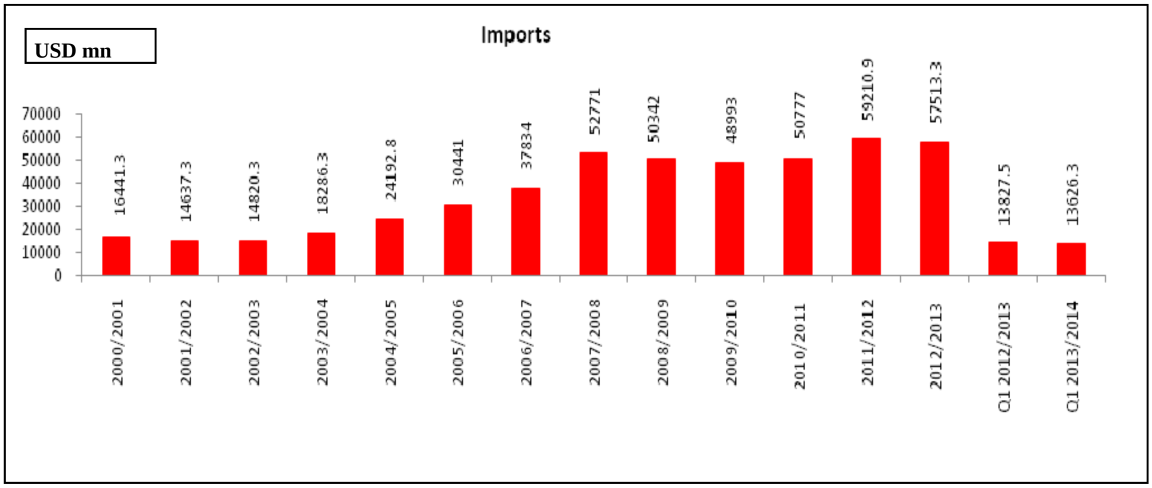
Figure (4): Total Exports



Source: CBE

The graph below presents the development of imports from FY 2000/01 until Q1 of FY 2013/14:

Figure (5): Total Imports

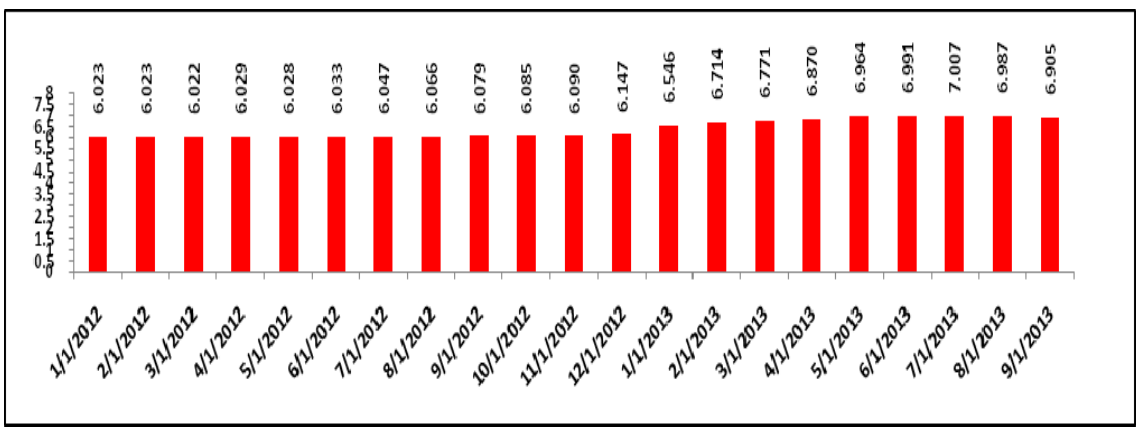


Source: CBE

USD Exchange Rate - EGP

The exchange rate of the USD-EGP decreased by 0.8 percent during September 2013, recording EGP 6.905 compared to EGP 6.987in August2013.

Figure (6): EGP-USD Exchange Rate

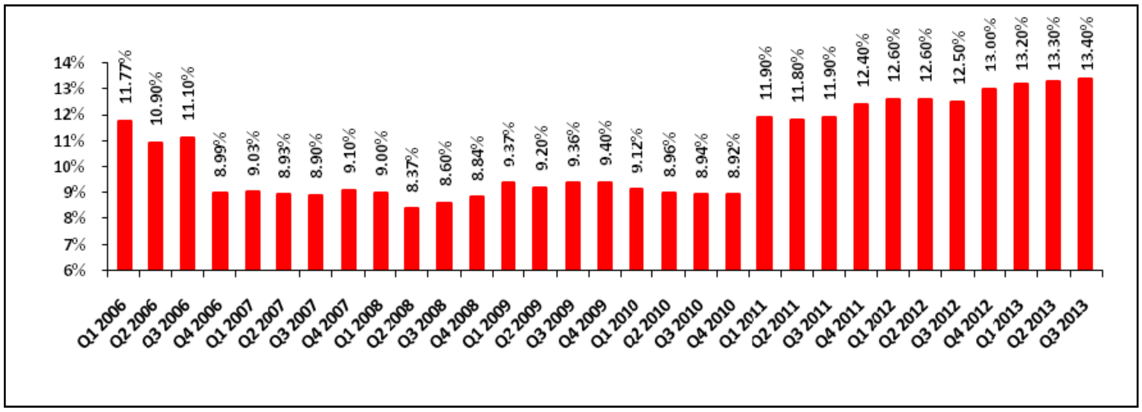


Source: CBE

Unemployment

According to the ILO's standards, the unemployment rate recorded 13.4 percent of labor force during Q3 of 2013, compared to 12.5 percent during Q3 of FY 2012 and 13.3 percent during Q2 of FY 2013.

Figure (7): Unemployment



Source: CBE

3 Economic Sectors

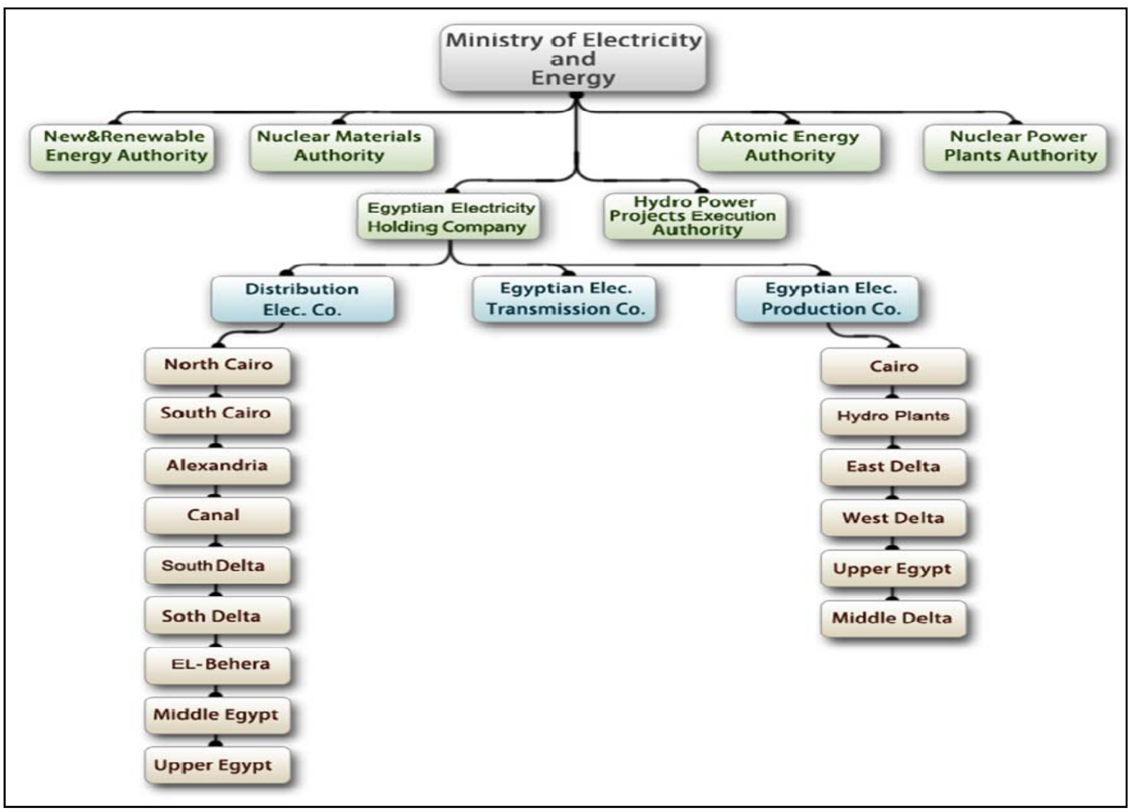
(I) Electricity

The electrical power is the main pillar of all the economic and social development plans of any society. It is used by all industrial, agricultural and tourism projects and it is the basis of the development of new urban communities, agricultural reclamation areas and household usages. The Ministry of Electricity seeks to provide and roll out electricity nationwide. It also develops policy and plans in line with the scientific and technological progress. The Ministry supervises the implementation of this policy, sets the tariffs of distributing and selling electricity to different uses and supervises the study and implementation of electrical projects of a special importance.[1]

As far as the electricity market structure is concerned, the government is the owner of all electricity production and generation companies (Cairo, East Delta, West Delta, Middle Delta, Hydro Plants Generation Company and Upper Egypt). Electricity is transmitted through the Egyptian Electricity Transmission Company, which works under the umbrella of the Egyptian government, while it is distributed through nine companies (North Cairo, South Cairo, Alexandria, Canal, North Delta, South Delta, El-Beheira, Middle Egypt, Upper Egypt)., all managed by the the Egyptian Electricity Holding Company.[2]

Egyptian Electricity Transmission Company (EETC) is the only company permitted to transmit Electricity, as it owns electricity transmission networks. All the electricity companies are managed by the Egyptian Electricity Holding Company which owns 90% of the generated electricity capacity in Egypt, while the other 9% of the generated electricity capacity is generated by 3 companies working under the BOOT system .[3]

Figure (8): Electricity production and distribution companies



[1]Ministry of Electricity and Power

[2]Yousri, Dina (2011), "The Egyptian Electricity Market: Designing a Prudent Peak Load Pricing System"

3 Riad, Maggie (2009) "The Energy Market in Egypt", Tri-Ocean Carbon& Renewables

Total electricity generated during Q1 of FY 2013/14 amounted to 41549 million kilowatt/hour, whereas the total purchased power amounted to 4322 million kilowatt/hour during the same period. **The table below presents the production and consumption of electricity in Egypt as of July until September 2013:**

Table (1): Performance Indicators of Insurance Companies in the Egyptian (FY 2012/13 compared to FY 2011/12)

During	Quantity (million kilowatt/hour)`		
	2013		
	July	August	September
Total generated and purchased power	15621	15576	14674
Generated power	14131	14135	13283
Purchased power	1490	1441	1391
Industrial companies	3	6	8
New and renewable (wind+ sun)	229	201	167
BOOT	1258	1234	1216
Total uses	12211	12347	12549
Industrial	3653	3464	3482
Commercial	337	344	376
Household	5113	5376	5556
Other	3073	3123	3100
Power purchased to:	35	40	35
International interconnection countries	35	40	34
Private sector (BOOT)	0	0	1

Source: Egyptian Electricity Holding Company

The electrical power is distributed to different sectors in varying degrees, whereby the industry sector gets 35.5 percent, the public utilities and government gets 17.5 percent, commercial sector gets 6.3 percent, while the rest is accounted for by such other sectors as agriculture, land reclamation and household use. The number of employees in the electricity sector amounted to 250 thousand. **The following table presents the indicators of the electricity and power sector during FY 2013/14:**

Table (2): Indicators of the electricity and power sector during FY 2013/14

Electricity Sector	Public	Private	Total
Total implemented investments in the sector (EGP million)	2305.8	----	2305.8
Percentage of total implemented investments (EGP million) in total	4.5		
GDP (in current prices) of the sector (EGP million	5177	799	5976
Percentage of the sector's GDP (in current prices) in the country's GDP (EGP million)	%2.7	%0.3	%1.2

Source: Ministry of Electricity and Power

Current sources of the electrical power production in Egypt are:

- Thermal stations, which use petroleum and natural gas.
- Hydro stations including Aswan Low Dam, High Dam, Esna Bridges, NagaaHamadi Bridges and Assiut Bridges.

Within efforts to overcome the electricity and power crisis, action is being taken to diversify the sources of energy in Egypt in order generate electricity. The government has paid great attention to the use of new and renewable sources of energy, including solar energy, wind energy, biomass and nuclear energy as follows:

1. **Solar energy:** the number of sun shining in the optimal places for the use of solar energy in Egypt ranges from 2300 to 4000 hours per year. As such, a station was set up in Al Koraymat, South Cairo to generate electricity from solar energy for a cost of USD 125 million and 150 megawatt in capacity. The solar energy is currently used in solar heating of water for household or industrial purposes as well as the generation of electricity from photocells.

2. **Wind energy:** Egypt has a relatively steady wind activity of 10 meters per second in Suez Gulf, the Red Sea Coast between Raas Ghareb and Safaga and East Owaynat. Stations were established in Hurghada and Zaafarana to generate electricity for total capacity of 145 megawatt, saving 125 thousand tons of equivalent petroleum per year, which would be positively reflected in the economies of renewable energy projects.

3. **Biomass energy:** animal and plant waste is abundant in Egypt, representing a good source of natural biogas.

4. **Nuclear energy:** Egypt is among earlier users of nuclear energy for peaceful purposes. Several attempts were made by establishing the nuclear commission in 1955 and then establishing the nuclear energy authority in 1957. The first nuclear reactor in Egypt was operated in 1960 in Anshas to conduct nuclear research and produce radioactive isotopes to serve industrial and medical development and detect petroleum in bottom of wells. Of two megawatt in capacity, the Reactor was developed to cope with the advanced nuclear technology in operation and control.[1]

Challenges to the electricity sector include the increasing demand for electricity caused by the continuous population growth and the intensity of use, especially for household purposes, given the shortage of fuel supplied to stations. Electricity stations depend intensively on natural gas for operation, accounting for 84.3 percent of total fuel used during FY 2011/12. The sector has structural challenges related to the finance of investment expansions of the electricity projects to meet the growing demand for electricity and the pricing policies.[2] Moreover, the subsidy of energy amounted to USD 16 billion, including USD 5 billion for the electricity coincided with the lower production of gas and petroleum over the past three years.[3] A study by the Electricity Utility Regulation and Consumer Protection Agency expected that Egypt needs to reach its maximum electricity capacity to 54.2 thousand megawatt by FY 2026/27. To strike balance between supply and demand for electricity in the future, it is essential to provide fuel necessary to operate current or potential stations and provide finance necessary to support the generation and transportation of electrical capacity.[4]

[1] Ministry of Electricity and Power
[2] http://www.almasyalyoum.com/news/details/319445
[3] http://www.egynews.net/wps/portal/news?params=298182
[4] http://www.almasyalyoum.com/news/details/319445

(II) Water (water resources and drinking water) and sanitation

The main source of fresh water in Egypt is the Nile, which provides 55.5 billion cubic meters of fresh water annually. It accounts for 79.3 percent of water resources and covers 95 percent of Egypt's current water needs. Rainfall in Egypt is estimated at 1.8 billion cubic meters per year on average. Egypt has also four tanks for underground water.[1]

Water resources available in Egypt during FY 2011/12 amounted to 64.39 billion cubic meters against a volume of use of 75.50 billion cubic meters. Shortage is covered through the recycled water. The agriculture sector accounts for the bulk of consumption of water, using 82.2 percent, which is equivalent to 62.10 billion cubic meters during FY 2011/12. According to different studies, Egypt's needs of water are expected to reach 86.2 billion cubic meters in 2017. Imbalances between water resources and uses were reflected in water share per capita. Given the steadiness of Egypt's stake of the Nile water and the increased water needs resulted by the growth of population and increased needs of the agriculture sector, the water share per capital went down from 2604 cubic meters in 1947 to 860 cubic meters in 2003. It is expected to decline further to 582 cubic meters in 2025 when the population will hit 95 million. This means that Egypt will be classified as a water scarce country and according to related expectations it will fall under the water poverty line estimated by the United Nations at 1000 cubic meters per capita annually.[2]

The drinking water and sanitation sector.[3] is a major sector, which is highly considered by the state. Promotion of this sector will positively affect such other sectors as housing, public health, economy, environment, education as well as development dimensions. This reflects the desire to increase its efficiency in order to secure demand for water and sanitation services and ensure fulfillment of consumers' needs.[4]
Egypt always seeks to encourage and attract domestic, regional and international private sector for investment in the water and sanitation sector, attract donors and find new opportunities for cooperation among countries of the region.[5] Over the past three decades, the USAID worked with the Egyptian government to improve the water resources management to realize the best returns for the Egyptian economy, through such projects as the LIFE Project (2009-2012).[6] Another project has been finalized to redesign policies and regulations of the drinking water and sanitation sector following five years of ongoing work for a cost of USD 20 million.[7] The European Union organized its first workshop in Egypt in preparation for a conference to be held by the end of April 2014 on "expanding the horizon of innovative strategies in the water and sanitation sector".[8] Regionally, Egypt joined the "regional project for the governance and finance of the water sector in the Mediterranean countries" in May 2013 to assess and skip obstacles to the finance of water services, attract investors to the water sector in the Mediterranean countries and enhance public-private partnerships in the water sector in the Mediterranean countries. The project supports action plans based on global standards of efficiency and acts internationally and regionally over three years (2013-2015) in six Mediterranean countries. Egypt seeks to officially join the general secretariat of the Union for Mediterranean by asking to host the third meeting of the project during Q1 of 2015.[9]

The drinking water and sanitation sector witnessed several achievements including the increase of supply of water transported through pipes between 1990 and 2010 from 89 percent to 100 percent in urban areas and from 39 percent to 93 percent in rural areas albeit the rapid population growth.[10]

Some 96.8 percent of population has access to clean water.[11] At the institutional level, regulation has been separated from the provision of services by the establishment of the Holding Company for Drinking and Wastewater in 2004 and the establishment of the EWRA as an economic regulator of the sector in 2006.

---

[1] State Information Authority- current and targeted water resources
[2] National Water Research Center, Ministry of Water Resources and Irrigation (2007): Actualizing the Right to Water: An Egyptian Perspective for an Action Plan, Shaden Abdel-Gawad, retrieved on 2012-04-30
[3] It is worth mentioning that the Ministry of Housing, Utilities and Urban Communities and the Ministry of Water Resources are both concerned with the drinking water sector. The former is concerned with the delivery of services to people countrywide while the latter is concerned with the provision of water.
[4] http://www.newcities.gov.eg/disNews.aspx?ID=328
[5] Ministry of Housing, Utilities and Urban Communities
[6] Ministry of Water Resources and Irrigation
[7] Portal of the New Urban Communities Authority
[8] http://www.alborsanew.com/
[9] http://www.masrawy.com/news/egypt/politics/2013/may/30/5630812.aspx
[10] European Investment Bank (2008). Horizon 2020 - Elaboration of a Mediterranean Hot Spot Investment Programme (MeHSIP)(pdf). Retrieved 2009-02-05
[11] CAPMAS

Challenges to the drinking water sector include low operation rates and deterioration of processing and capacity of storage and weak capacity of transportation and distribution. Some water transport networks get rust while others have defects and breaks, eventually affecting the quality of water. Moreover, there are areas with water scarcity nationwide. As such, the government is preparing an applicable plan for the use of non-traditional techniques to provide drinking water in coastal areas (North Coast, Marsa Matroh and the Red Sea), using solar energy to desalinate sea water. Egypt is considering the implementation of a filtration system of the river banks as a low cost technology to supply high quality drinking water.

Although Egypt has the River Nile as the main source of water and Egyptians managed to establish the High Dam to store extra water to secure water needs, it has several internal challenges related to its water resources (available water) due to the steady population growth, increased standard of living, which leads to further water needs, the water quality issue, which has emerged recently in a number of Delta governorates resulted by the winter block. Other issues and challenges include high population, which caused perish of large quantities of fish especially in Kafr El Sheikh. As such, chemical and physical features of water have changed and have no longer been process able in water stations.[1]

Externally, the main challenge to the sector is the possible reduction of Egypt's stake in the Nile water due to Al Nahda Dam, which is underway in Ethiopia. Some studies expected that Egypt's stake of water will become 20 to 34 billion cubic meters from its current stake of 55.5 billion cubic meters. This will cause a serious issue for Egypt, which depends almost fully on the Nile water on the one hand and given the increase of future needs on the other. This will cause Egypt a catastrophe due to the damage to farming and livestock, leading to the suspension of development projects, combined with the deteriorating environmental impacts and drought, potentially involving the region in military conflicts over water or the so called "water wars".[2]

Main challenges of the sanitation sector include the fact that only 53.3 percent [3] of Egypt is covered by the sanitation services, which means that only half of Egypt's population have no access to this service, mostly in villages and unplanned areas. A non-traditional low-cost technology has been identified to process the wastewater in Delta and Upper Egypt. The Ministry of Housing, Utilities and Urban Communities is preparing an executive plan of non-traditional solutions for villages. The Ministry will take positive steps to develop a mechanism for implementation depending on the available finance. Affected villages will be addressed by adopting a non-traditional system of solutions, involving civil society organizations and companies affiliated to the Holding Company in respective governorates to transfer wastewater from affected villages to the nearest wastewater processing station in the neighborhood.[4]

[1] http://www.almasryalyoum.com/news/details/380317
[2] http://www.almasryalyoum.com/news/details/380317
[3] CAPMAS, according to FY 2011/12 Data
[4] New Urban Communities Authority

4 Investments and Establishments

During Q1 of FY 2013/14, action continued to support and enhance the investment climate in Egypt by adopting a number of policies and procedures to boast investor's confidence into the investment climate in Egypt and attract more Egyptian, Arab and foreign investments as follows:

- Adopting an integrated vision to carry out a number of national development projects, most notably the Suez Canal development project.
- Action to implement a project to grant licenses to projects and lands through one window to enable investors obtain such licenses from the One Stop Shop.
- Establishing branches of GAFI and the One Stop Shop in different governorates.
- Coordinating with banks and business associations to re-open distressed and shutdown factories in new and industrial cities by scheduling their debts, allowing them a grace period for repayment and encouraging banks to inject investments thereto.

This is in addition to some proposals to improve the investment climate and environment in cooperation with relevant ministries and bodies as follows:

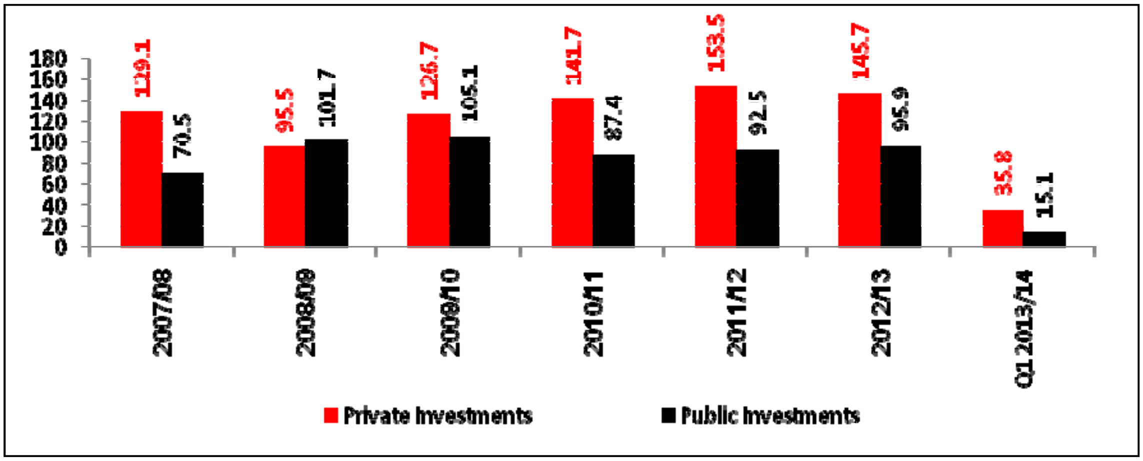
- Action to expand the implementation of the electronic establishment program to increase electronically established companied to more than 50 percent of total companies.
- Activating the single window system for the building licenses.
- Completing the computerization of the property registration and electronic registration of real estate and reducing time necessary to register property.
- Facilitating access to finance by issuing the law on movable assets including the creation of an asset registry.
- Action to amend the dates of submitting tax returns to be quarterly but not monthly based and rolling out the electronic submission of tax returns.
- Action to create a trade network to exchange information within ports and activating the single window system to link government bodies.
- Computerizing litigation and court procedures, linking them into a single network.
- Issuing a new bankruptcy law, allowing the restructuring of distressed companies prior to their insolvency.

Investments and Establishments

1. Total implemented investments

During Q1 of FY 2013/14, total implemented investments amounted to EGP 35.8 billion.. The following graph presents public and private investments implemented since FY 2007/08until Q1 of FY 2013/14.

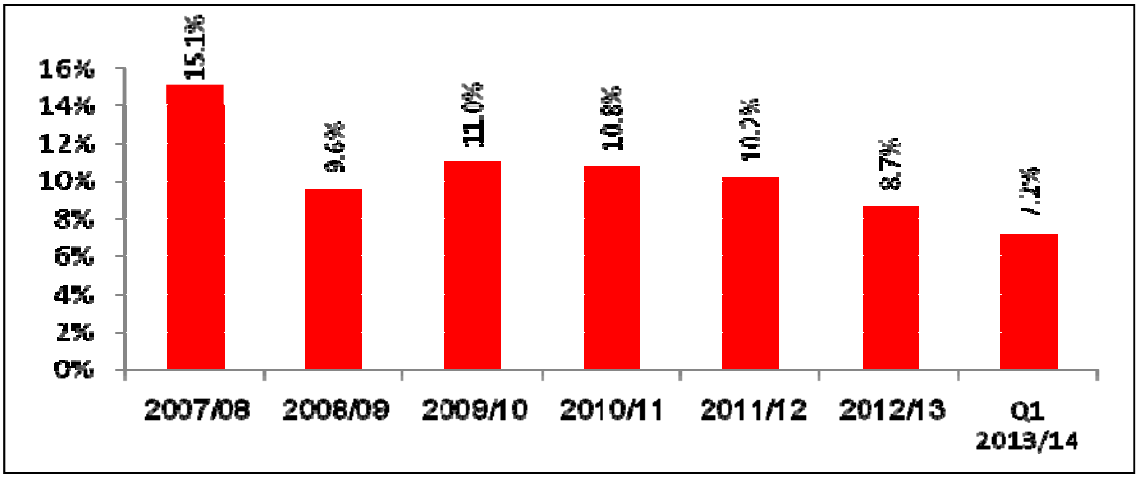
Figure (9): Public and private sectors' share in total implemented investments (EGP billion)
FY 2007/08 – Q1 FY 2013/14



Source: Ministry of Planning

Private investments accounted for 7.2 percent of GDP in Q1 of FY 2013/14. The following graph presents the percentage of private investments to GDP from FY 2007/08 to Q1 of FY 2013/14.

Figure (10): Percentage of private investments to GDP
FY 2007/08 – Q1 FY 2013/14

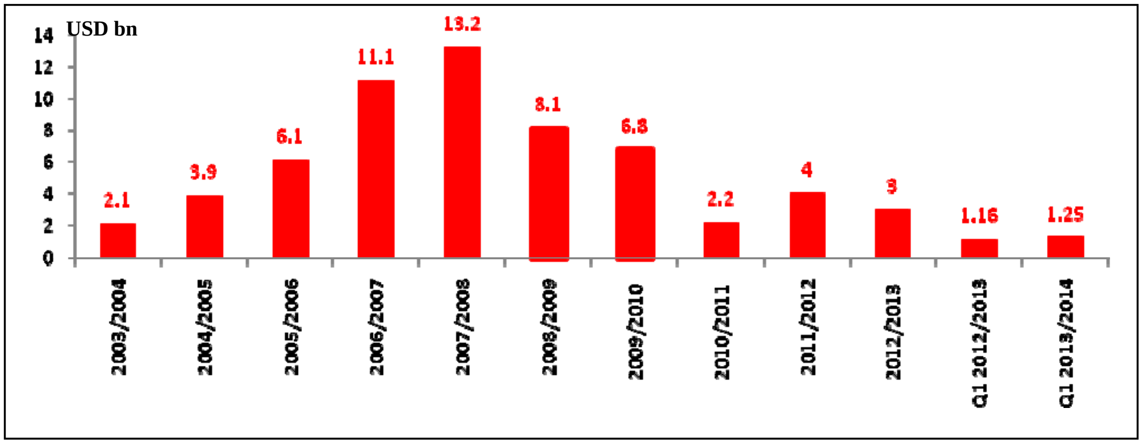


Source: Ministry of Planning

2. Foreign Direct Investment

The Ministry of Investment has adopted policies and regulations in order to attract more FDI, as these flows are considered among the most important resources of finance to developing countries to fill the investment-domestic savings gap. Also, FDI has positive effects on the national economy through transmitting advanced technology and marketing experiences, that help in boosting production levels and job opportunities provision; hence, all developing and developed countries adopt pro-FDI attraction policies. During Q1 of FY 2013/14, FDI inflows amounted to USD 1.25 billion compared to USD 1.16 billion during the same period of FY 2012/13. The following graph presents FDI inflows from FY2007/08 to Q1 of FY 2013/14.

Figure (11): Net FDI Inflows
FY 2003/04 – Q1 FY 2013/14

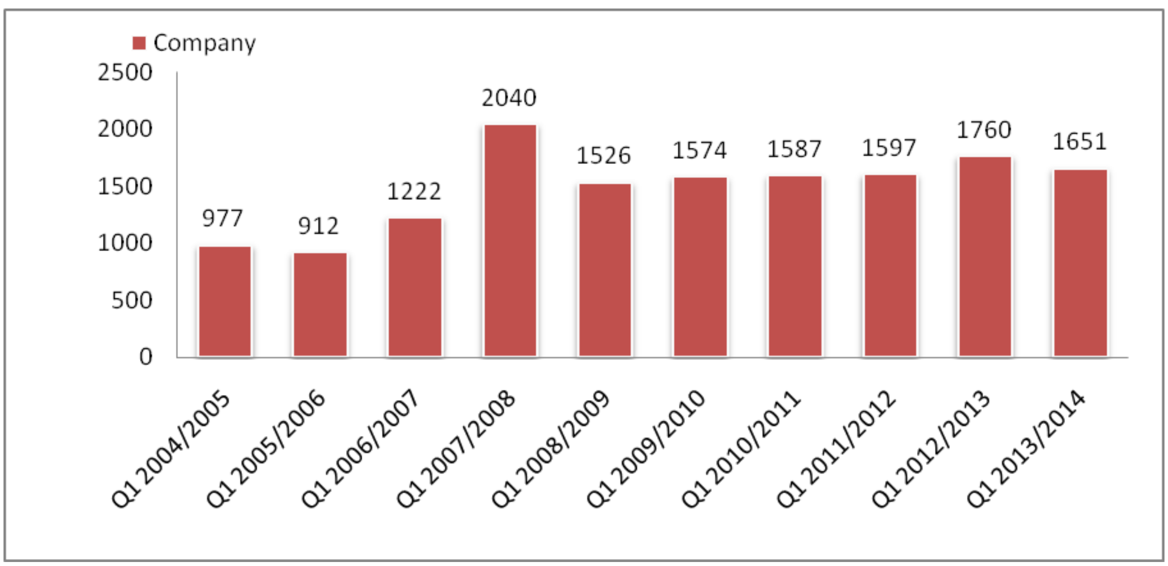


Source: Central Bank of Egypt

3. New Establishments

During Q1 of FY 2013/14 a total of 1651 new companies were established, with an issued capital of EGP 2078.31 million compared to 1760 new companies with an issued capital of EGP 2989.7 million during Q1of FY 2012/13. **The Following graph presents the number of establishments from Q4 of FY 2004/05 to Q1 of FY2013/14:**

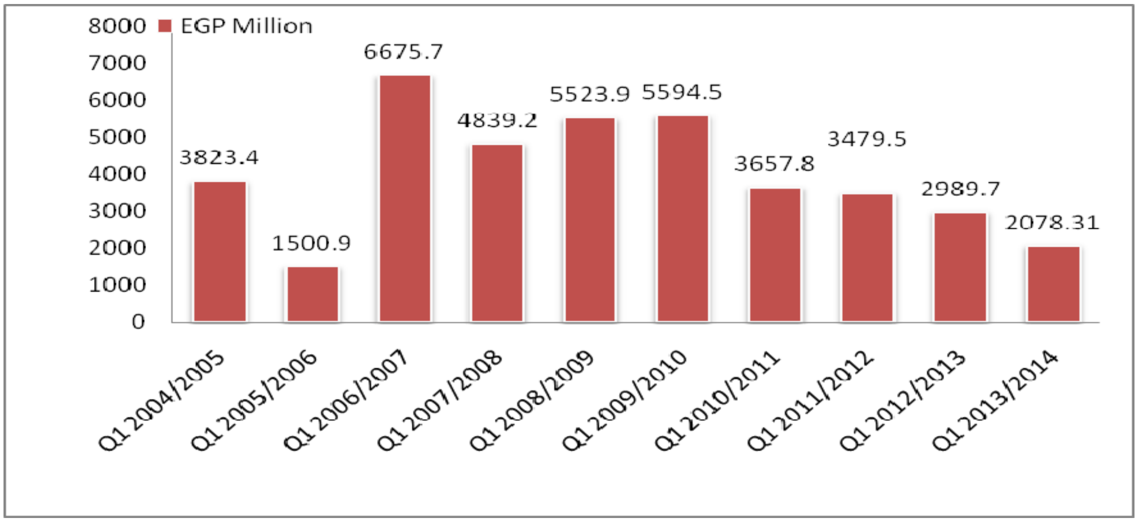
Figure (12): New Establishments (Q1 FY 2004/05– 2013/14)



source: GAFI

The above graph indicates a slight decrease in new establishments during Q1 of FY 2013/14 by 6.2 percent compared to new establishments during Q1 of FY 2012/13. **The following graph presents the development of issued capital of companies established since Q1 of FY 2004/05 until FY 2013/14:**

Figure (13): Issued Capital of New Establishments
(Q1 FY 2004/05 – 2013/14)



Source: GAFI

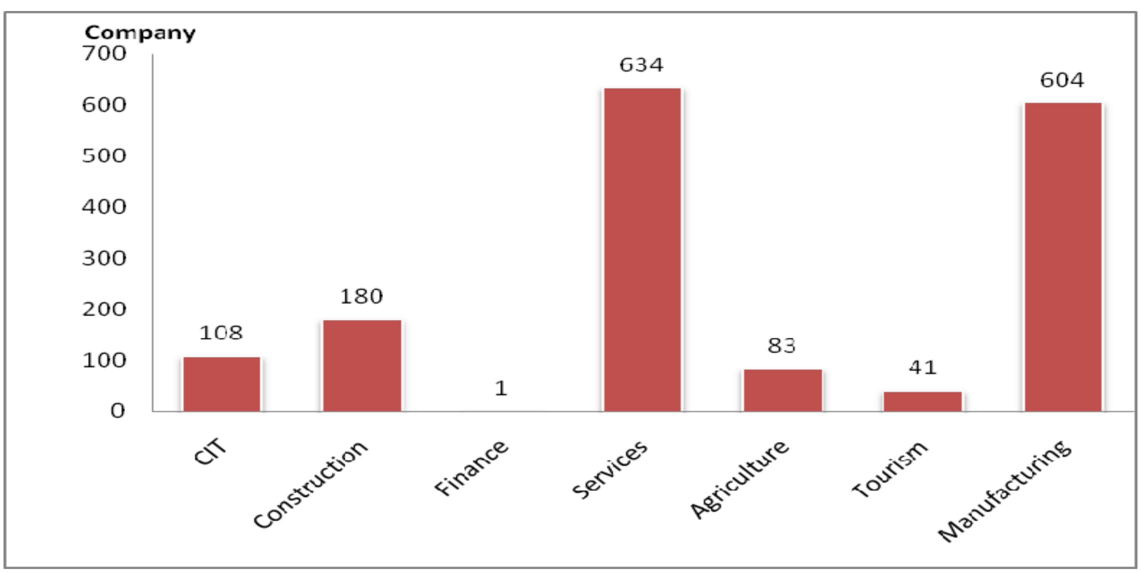
The above graph indicates that Q1 of FY 2013/14 recorded a decrease in the volume of issued capital of new companies compared to Q1 of FY 2012/13. The issued capital of new establishments amounted to EGP 2078.31 million during Q1 of FY 2013/14, compared to EGP 2989.7 million during Q1 of FY 2012/13.

a. Sectoral distribution of new establishments

The service sector accounted for the bulk of investments during Q1 of FY 2013/14, having attracted 634 new companies, followed by the manufacturing sector with 604 new companies, the construction and building sector(180 companies), CIT (108 companies), agriculture sector (83 companies), tourism (41 companies) and finally finance services (one company). **The graph below presents the sectoral distribution of new companies established Q1 of FY 2013/14:**

Figure (14):Sectoral distribution of new establishments

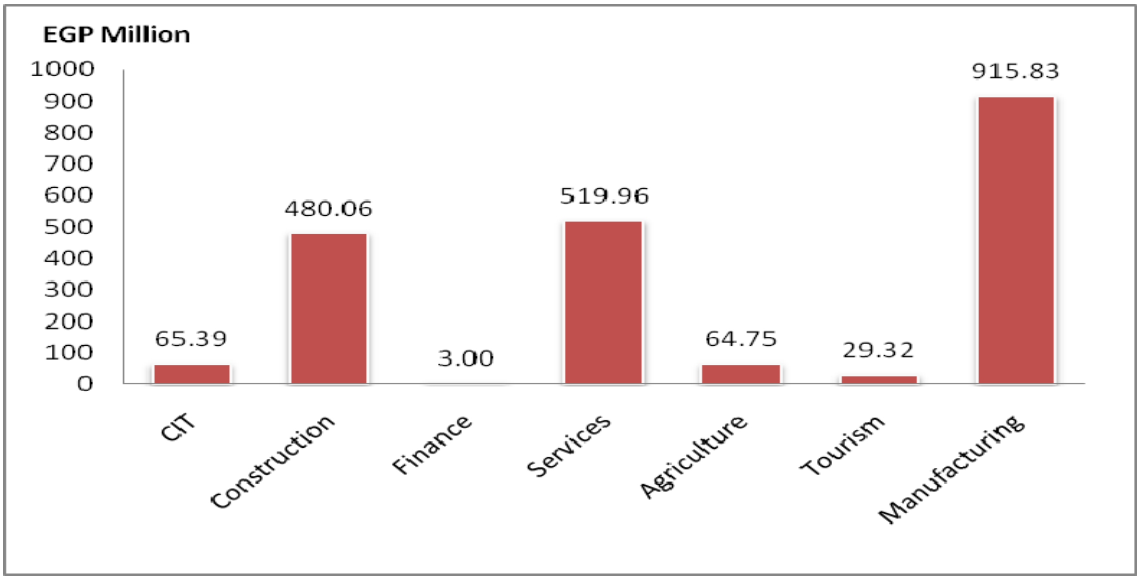
Q1 FY 2013/14



Source: GAFI

The following graph presents issued capital of companies established during Q1 of FY 2013/14:

Figure (15): Issued Capital of New Establishments by Sector
Q1 FY 2013/14



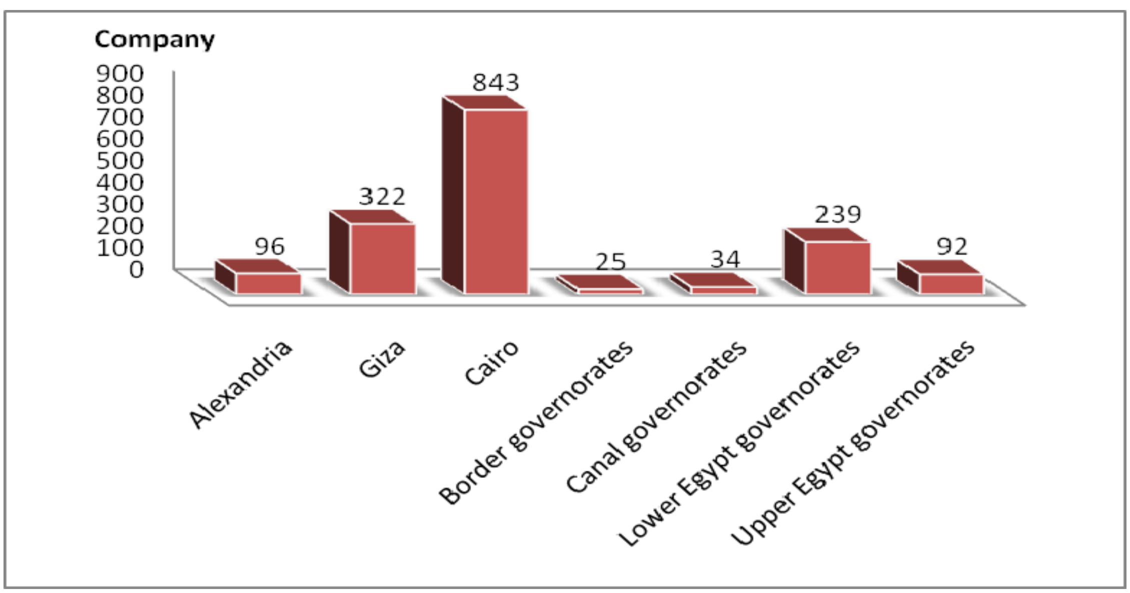
Source: GAFI

The above graph indicates that the manufacturing sector accounted for the bulk of issued capital during Q1 of FY 2013/14, having attracted EGP 915.83 million in issued capital, followed by the service sector (EGP 519.96 million) and the construction and building sector (EGP 480.06 million).

b. Geographical distribution of new establishments

Cairo attracted the largest number of new establishments during Q1 of FY 2013/14, with 843 new companies followed by Giza 322 new companies, Lower Egypt governorates with 239 companies and Alexandria with 96 companies. **The following graph presents the geographical distribution of new companies during Q1 of FY 2013/14:**

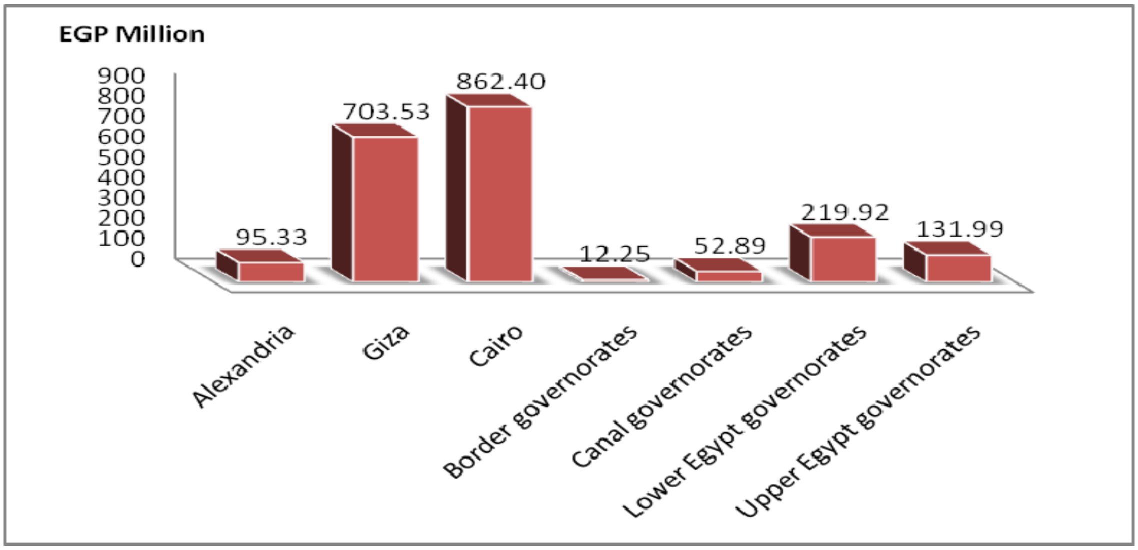
Figure (16):Geographical distribution of new establishments
Q1 FY 2013/14



Source: GAFI

The following graph presents the development of issued capital of new companies during Q1 of FY 2013/14:

Figure (17): Geographical distribution of issued capital
Q1 FY 2013/14



Source: GAFI

The above graph indicates that Cairo accounted for the bulk of capital issued during Q1 of FY 2013/14, having attracted EGP 862.40 million, followed by Giza with EGP 703.53 million, Lower Egypt governorates with EGP 219.92 million and then Upper Egypt governorates with EGP 131.99 million.

c. Distribution of Issued Capital by Nationality

During Q1 of FY 2013/14, Egyptians accounted for EGP 1440.80 million in issued capital of new establishments, while Arabs accounted for EGP 558.02 million and foreigners accounted for EGP 79.48 million. The following table presents the distribution of issued capital of new establishments by nationality in Q1 of FY 2013/14compared to Q1 of FY 2012/13.

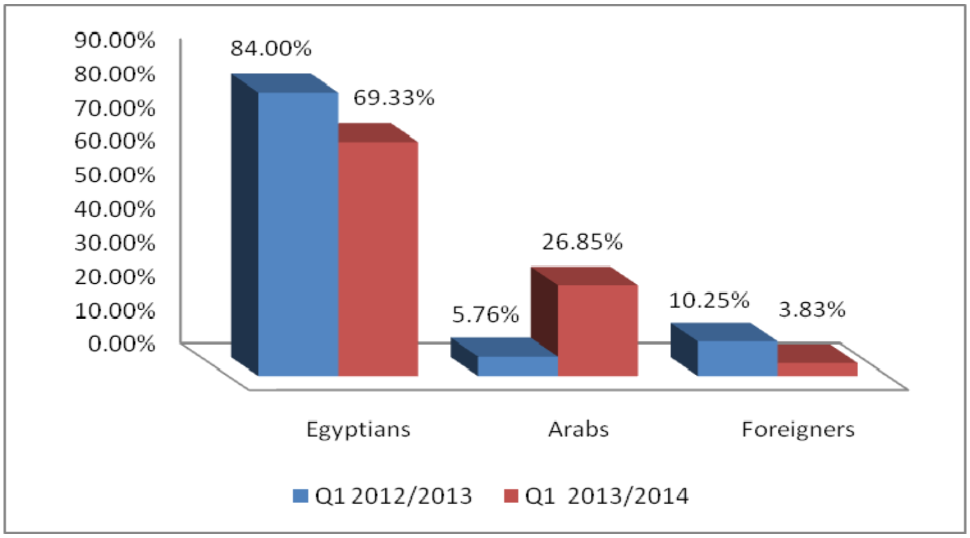
Table(5):Distribution of issued capital of new establishments by nationality (EGP million)
Q1 FY 2012/13 – FY 2013/14

Contributions	Q1 FY 2012/13	Q1 FY 2013/14
Egyptians	2511.2	1440.8
Arabs	172.1	558
Foreigners	306.5	79.5
Total	2989.8	2078.3

Source: GAFI

The following graph presents the share of Egyptians, Arabs and foreigners in issued capital of new companies established during Q1 of FY 2013/14.

Figure (18): Shares of Egyptians, Arabs and Foreigners in issued capital
Q1 FY 2012/13 – FY 2013/14



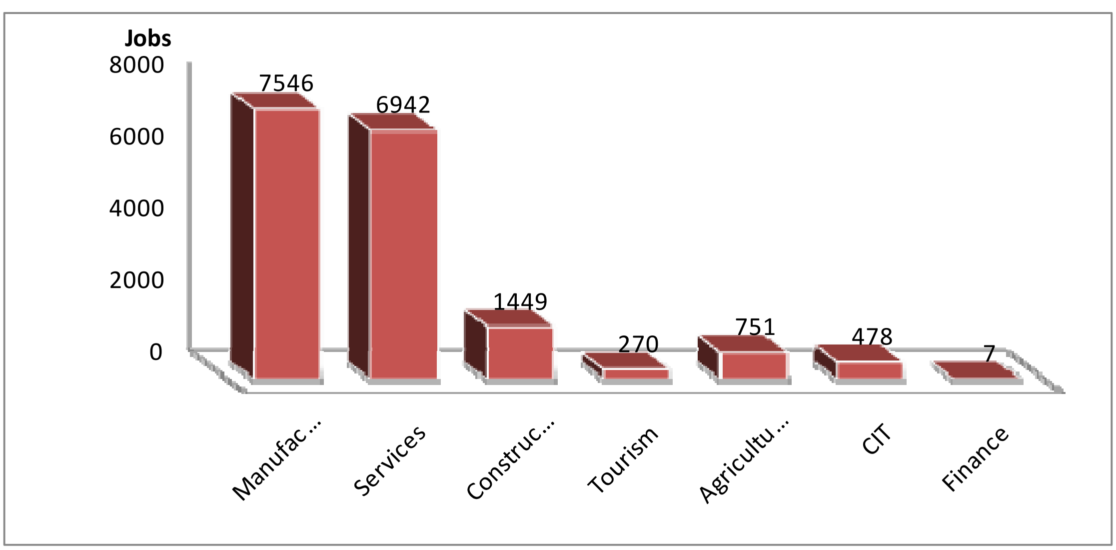
Source: GAFI

The above graph indicates a decrease in the share of Egyptians in issued capital, having accounted for 69.33 percent of total investments during Q1 of FY 2013/14, compared to 84 percent during the corresponding period of FY 2012/12. Share of Arabs in total investments increased to 26.85 percent of total investments during Q1 of FY 2013/14, compared to 5.76 percent during Q1 of FY 2012/13. The share of foreigners went down to 3.83 percent during Q1 of FY 2013/14 compared to 10.25 percent during the corresponding period of FY 2012/13.

d. Estimation of jobs for Egyptians in new establishments

New companies established during Q1 of FY 2013/14 are estimated to provide 17443 new jobs for Egyptians compared to 19516 jobs during the corresponding period of FY 2012/13
The manufacturing sector has attracted the bulk of new jobs estimated during Q1 of FY 2013/14, having accounted for 7546 jobs, followed by the service sector (6942 jobs). **The following graph presents the sectoral distribution of job estimations for Egyptians in new companies established during Q1 of FY 2013/14.**

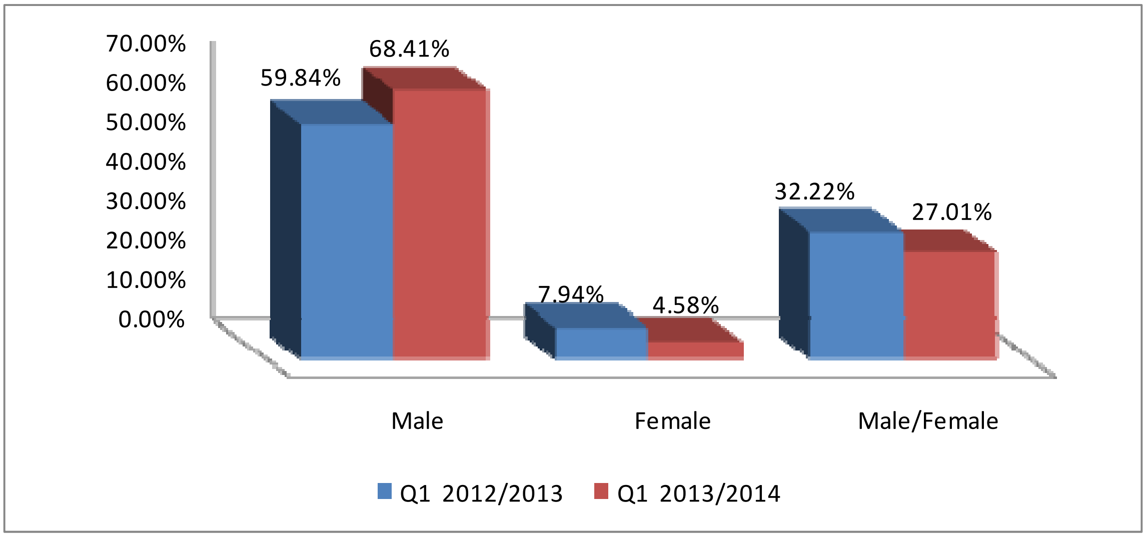
Figure(19):Distribution of New Job Estimations by Sector
Q1 FY 2012/13 – FY 2013/14



Source: GAFI

The following graph presents the distribution of job estimations for Egyptians in new companies by gender during Q1 of FY 2012/13 and FY 2013/14.

Figure (20): Distribution of New Job Estimations by Gender
Q1 FY 2012/13 – FY 2013/14



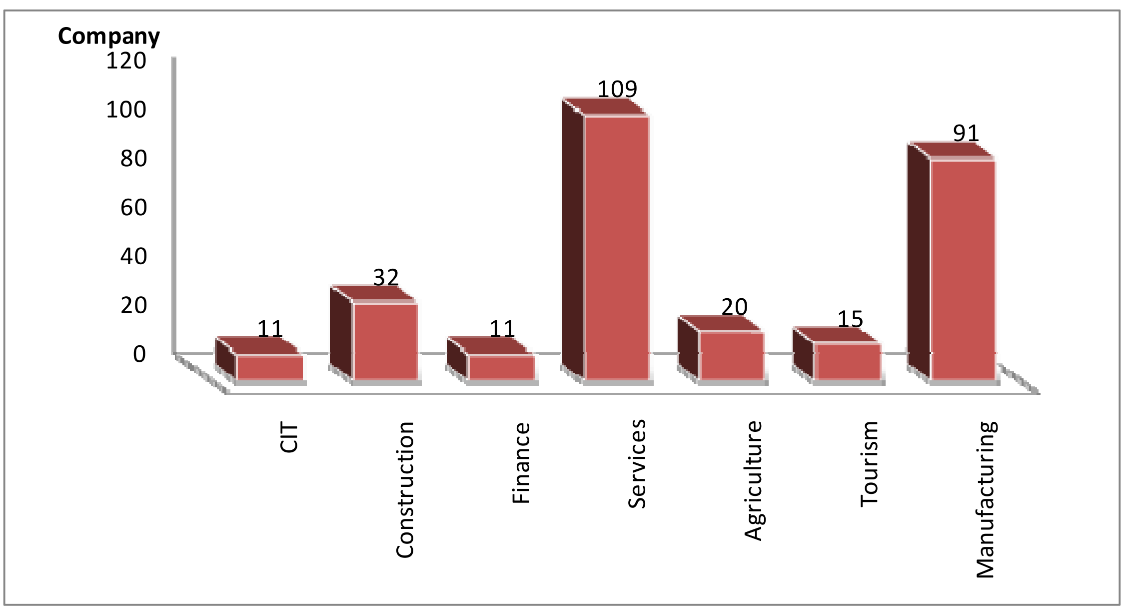
Source: GAFI

The above graph indicates that the share of males in new job estimations went up to 68.41 percent during Q1 of FY 2013/114, compared to 59.84 percent during Q1 of FY 2012/13. On the other hand, the share of females in new job estimations went down to 4.58 percent during Q1 of FY 2013/14, compared to 7.94 percent during Q1 of FY 2012/13. The percentage of either males/ females in total job estimations declined to 27.01 percent during Q1 of FY 2013/14 compared to 32.22 percent during the corresponding period of FY 2012/13.

4. Expansions

During Q1 of FY 2013/14, some 289 companies were expanded, with issued capital of EGP 4265.51 million. **The following table presents the sectoral distribution of expansions in existing companies during Q1 of FY 2013/14:**

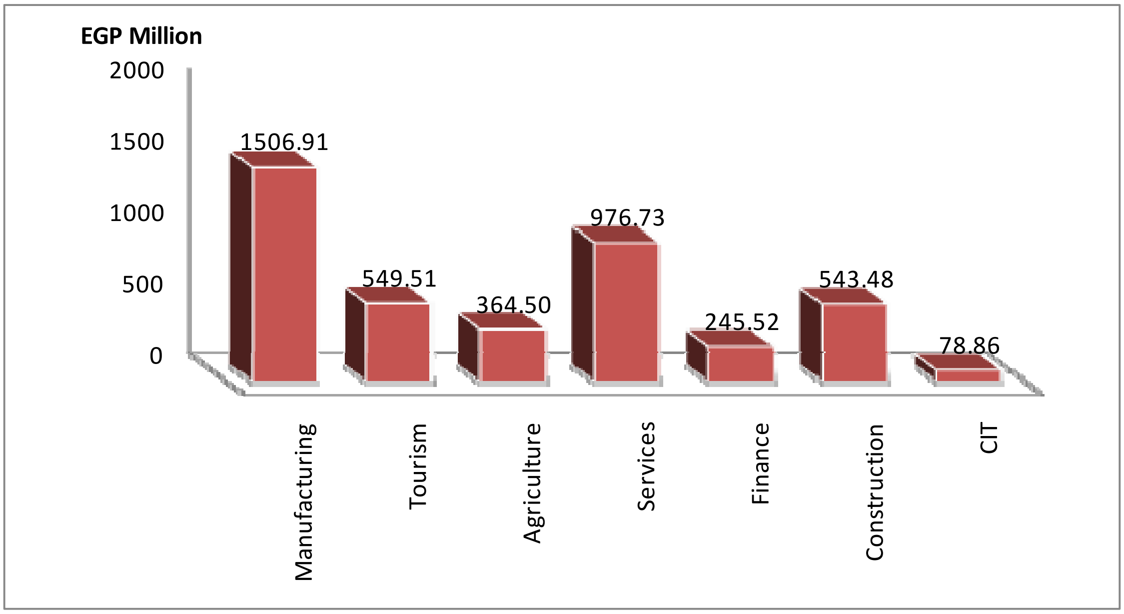
Figure(21):Expansions in Existing Companies by Sector
Q1 FY 2013/14



Source: GAFI

The above graph indicates that the service sector accounted for the bulk of expansions during Q1 of FY 2013/14, having absorbed expansions in 109 companies, followed by the manufacturing sector with expansions in 91 companies, the construction and building sector with 32 companies and the tourism sector with 20 companies. **The following graph presents the sectoral distribution of capital issued in expansions during Q1 of FY 2013/14:**

Figure(22): Sectoral distribution of expansions
Q1 FY 2013/14



Source: GAFI

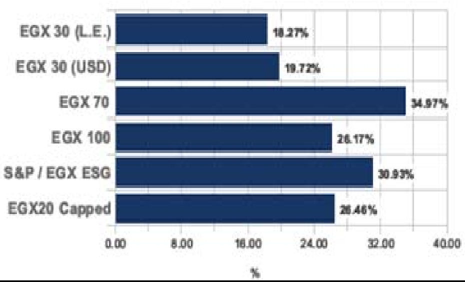
The above graph indicates that the manufacturing sector attracted the bulk of issued capital during Q1 of FY 2013/14, having attracted EGP 1506.91 million, followed by the services sector with EGP 976.73 million in issued capital in expansions and then the tourism sector with EGP 549.51 million in issued capital.

5 Capital Market

Market Indices Performance

EGX 30 index closed at 5,621 points, recording an increase of 18.27 percent. EGX70 index posted 34.97 percent gains, while EGX100 index increased by 26.17 percent and concluded at 811 points.

Table (4): Market Indices Performance during Q1 of FY 2013/14



	Open	High	Low	Close	% Change
EGX30 (L.E.)	4,752.22	5,704.00	4,752.22	5,620.53	18.27%
EGX30 (USD)	2,315.39	2,813.13	2,315.39	2,772.04	19.72%
EGX70	360.19	488.78	360.19	486.14	34.97%
EGX100	642.98	816.40	642.98	811.26	26.17%
S&P / EGX ESG	723.17	946.88	723.17	946.88	30.93%
EGX20 Capped	5,210.74	6,691.29	5,210.74	6,589.69	26.46%

Source: The Egyptian Exchange

Total Market

- The total value traded recorded EGP 41.4 billion, while the total volume traded reached 7.116 million securities executed over 1,206 thousand transactions during the first half of 2013, compared to a value of trading of EGP 29.7 billion and a volume of trading of 4.736 million securities executed over 857 thousand transactions during Q4 of FY 2012/13. The Nile recorded a traded value of EGP 98.6 million and a traded volume of 48.2 million securities executed over 14,330 transactions during Q1 of FY 2013/14.
- Stocks accounted for 85.95 percent of the total value traded of the main market, while the remaining 14.05 percent was captured by bonds.

Table (5): Total market value, volume and no. of trades

Markets	Trading Value (LE million)	Trading Volume (million)	# of Trades (thousand)
Main Market	39,416.115	6,700.482	1,185.287
Nilex	98.595	48.189	14.330
OTC	1,898.747	367.110	5.944
Total	41,413.457	7,115.781	1,205.561

Source: The Egyptian Exchange

Table (6): 10 Most Active Companies in Terms of Volume Traded (Main Market)

Shares	Trading Volume (Million shares)	Trading Value (LE million)	Open Price (LE)*	Close Price (LE)**
Orascom Telecom Media And Technology Holding	1,526.4	840.5	0.4	0.59
Palm Hills Development Company	901.0	2,100.1	1.6	2.35
Amer Group Holding	333.9	173.7	0.4	0.54
Arabia Investments,Development,Fin. Inv. Holding Comp.-Cash	303.3	126.1	0.3	0.43
Upper Egypt Contracting	286.7	312.4	0.8	1.25
Arab Cotton Ginning	245.2	1,033.5	2.5	5.22
Global Telecom Holding	241.8	1,069.9	3.9	4.39
Citadel Capital - Common Shares	239.6	769.4	2.5	3.22
T M G Holding	181.3	881.3	4.0	5.00
Egyptian for Tourism Resorts	149.6	137.0	0.7	0.98

* Close price at the end of the previous quarter (LE)
** Close price at the end of the quarter (LE)

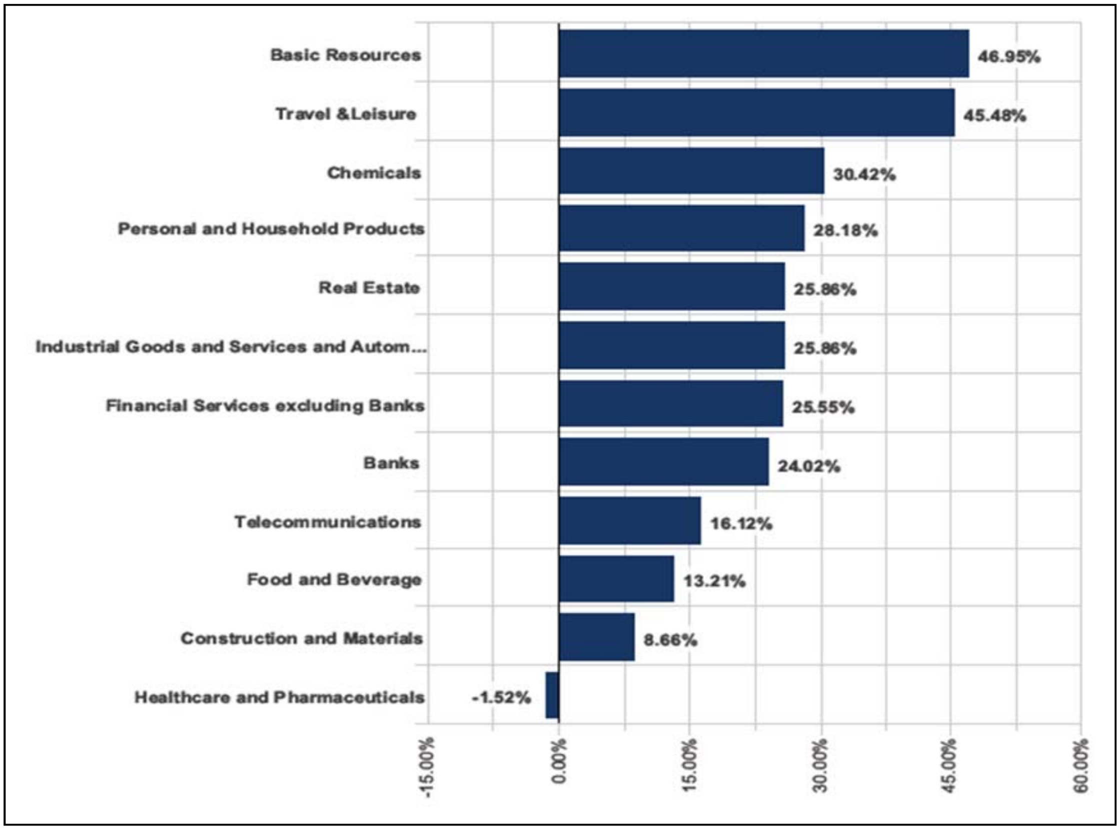
Source: The Egyptian Exchange

Sector Indices Performance

The main resources sector recorded the highest positive return of 46.95 percent during the Q1 of FY 2013/14.

The following graph presents the performance of different sectors during the Q1 of FY 2013/14:

Figure (23): Sector Indices Performance



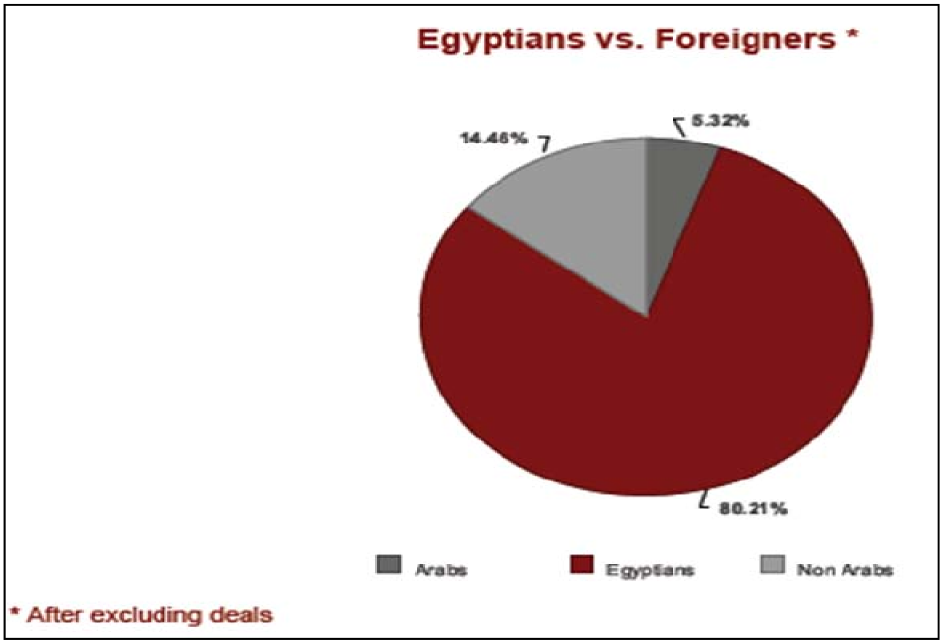
Source: The Egyptian Exchange

Investors' Activity

The Egyptians controlled 80.21 percent of the value traded during Q1 of FY 2013/14. Non-Arab foreign investors accounted for 14.46 percent, percent while Arab investors captured 5.32 percent, after excluding deals. Non -Arab foreign investors were net sellers, with a net equity of EGP 1,510.94 million, and Arab investors were net buyers, with a net equity of EGP 20.75 million, after excluding deals.

During the first nine months of 2013, non-Arab foreigners were net sellers, with a net equity of EGP 1,603.15 million, while Arab investors were net sellers, with a net equity of EGP 271.58 million, after excluding deals.

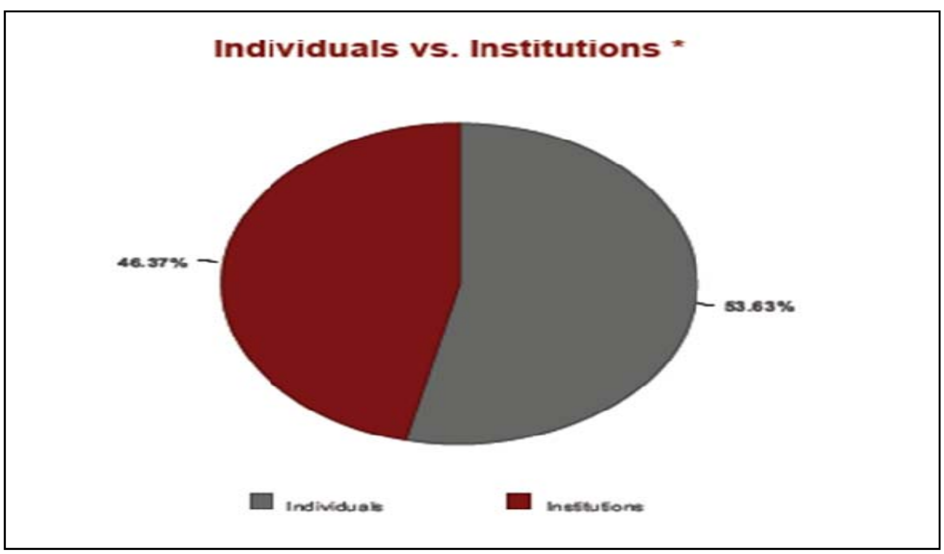
Figure (24): Value traded of Egyptians vs. Foreigners



Source: The Egyptian Exchange

During Q1 of FY 2013/14, the institutions accounted for 46.37 percent of the value traded, while the remaining 53.63 percent was for the individuals. The institutions were net sellers during this Q1 of FY 2013/14, with a net equity of EGP 421.82 million, after excluding deals.

Figure (25): Value traded of Individuals vs. Institutions



Source: The Egyptian Exchange

Market Capitalization

The total market capitalization of the listed stocks culminated at EGP 378 billion at the end of Q1 of FY 2013/14, representing an increase of 17 percent Q4 of FY 2012/13, as depicted in the table below.

Table (7): Total market capitalization

In LE Billion	Close	Open	% Change
Total Listed Stocks Market Cap.	377.733	321.679	17.4%
- EGX 30 Market Cap.	147.523	158.601	-7.0%
- EGX 70 Market Cap.	117.129	59.158	98.0%
- EGX 100 Market Cap.	264.652	217.759	21.5%
NILEX Market Cap.	1.130	0.963	17.3%

Source: The Egyptian Exchange

Bonds

During Q1 of FY 2013/14, the total bonds' traded value amounted to EGP 5,539 million, with a total trading volume of 5,167 thousand bonds, as depicted in the following table.

Table (8): Total bonds traded value and volume

		Trading Value (LE million)	Trading Volume (thousand)
Corporate Bonds	Corporate Bonds	0.685	6.77
	Securitization Bonds	0.300	3.00
Corporate Bonds Total		0.985	9.77
Government Bonds	Treasury Bonds	5,538.506	5,147.01
		Trading Value (LE million)	Trading Volume (thousand)
Government Bonds Total		5,538.506	5,147.01
Totals		5,539.491	5,156.78

Source: The Egyptian Exchange

Previous Publications and Reports

Periodic Publications:

- English and Arabic Monthly Reports (January– May 2014)
- English and Arabic Quarterly Reports (Q1,Q2, Q3, Q4 2012-2013)
- Macroeconomic Presentation until March 2014

Non- Periodic Publications:

- Snapshot on the Egyptian Economy (November 2013)
- Snapshot on the Egyptian Economy 2013
- Snapshot on the Egyptian Economy 2012
- Invest in Egypt 2010
- Egypt Macroeconomic Indicators in 2009

For more Reports and Studies, Visit the website of Ministry of Investment and General Authority of Investments and Free Zones

http://www.investment.gov.eg
http://www.gafinet.org

Published by
General Authority for Investment and Free Zones (GAFI)

Prepared by:

Dr. Mona Farid Badran

Amr Abu El-Ela

Ahmed Ismail

Asmaa Anis

Mona Emad

Ola Mamdouh

Translated by
Tarek Fawzy

www.gafinet.org

Distributed in the Arab Republic of Egypt and abroad to individuals and institutions concerned with monitoring the performance of investment in Egypt.