

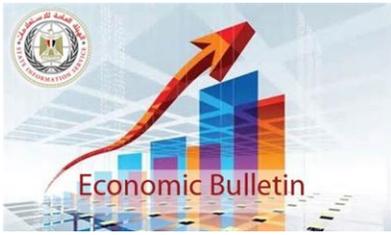


STATE INFORMATION SERVICE

Weekly Economic Bulletin

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Mohammad Saleh



Moody's says fuel subsidy cuts is credit positive for Egypt

Moody's welcomed the cuts to fuel subsidies, but warns of potential for "reform fatigue".

The ratings agency said in a statement that recent subsidy cuts are credit-positive for Egypt and should reduce the state fuel subsidy bill to 1.7% of GDP in FY2018-19 from 2.5% of GDP in the current fiscal year.

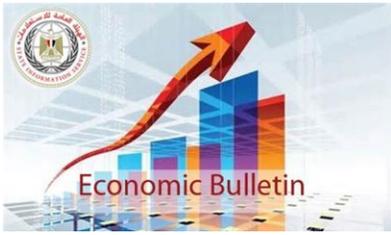
The hikes will help reduce the overall subsidy bill to 6.5% of GDP in the fiscal year starting 1 July, from 7.5% this year. Without the decision, the government's fiscal consolidation targets for next year would have been in jeopardy.

"The authorities plan to eliminate all fuel subsidies (excluding liquefied natural gas) by the end of 2019 as per the government's reform program agreed to with the IMF," says the report.

The fuel price hikes would help Egypt meet its target to reduce the budget deficit to 8.4% of GDP in FY 2018-19, from around 9.8% in FY 2017-18. The report warned that "reform fatigue" could set in and so signals political risk as one of the biggest risk factors in Egypt.

CBE: Balance of payment achieves USD 11 billion surplus in 9 months

The Central Bank of Egypt said that the Balance of Payment (BOP) achieved a 11-billion-dollar surplus in the first nine months of 2017/2018.



In a statement, account deficit went down in the first nine months by 57.5 percent from 12.5 to 5.3 billion dollars while net money transfers increased by 23.2 percent.

Deficit in trade balance also declined by 1.3 percent from 28.4 to 28 billion dollars.

The central bank attributed the positive results to the decision to devalue the Egyptian pound.

A \$19 billion net inflow in capital and financial account in that period was reported.

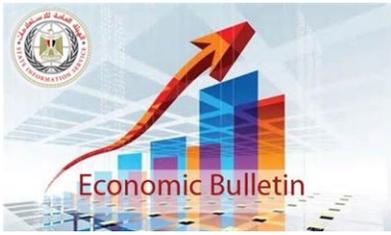
Exports of goods surged 17.6 percent in that period, recording \$18.8 billion against 16 billion dollars last year due to the rise of non-oil exports by 12.8 billion dollars and oil exports by six billion dollars.

In the same report, the CBE said Suez Canal revenues increased 11.9 percent, recording 4 billion dollars compared to 3.7 billion dollars last year.

The foreign direct investment (FDI) total inflows stood at \$10.2 billion in July-March period while FDI total outflows recorded 4.2 billion dollars.

Suez Canal revenues to double by 2023

Suez Canal has registered the highest revenues in its history with an increase by more than 13 percent, recording \$600 million in 2018, Chairman of the Suez Canal Authority Mohab Mamish said during a seminar at Bibliotheca Alexandrina.



The event was celebrating 150 years since the first inauguration of the Suez Canal and was attended by Director of the Bibliotheca Alexandrina Mostafa el Feki the and Director of the Center for Documentation of Cultural and Natural Heritage Fathi Saleh.

The Suez Canal revenues will double by 2023, offering potent support to Egypt's budget, Mamish added.

President Abdel Fattah El Sisi will inaugurate four tunnels in the Suez Canal Economic Zone to link Sinai with the Nile Valley in 6th October celebrations, he noted.

Mamish underlined that the opening of the new Suez Canal contributed to increasing the revenues by 30 percent, showing its great economic feasibility.

He added that the new canal reduced the sailing time by 50 percent as a ship can cross the naval corridor within 11 instead of 22 hours.

CBE: Deposits at banks surged by EGP 52 billion in February

The Central Bank of Egypt (CBE) announced that total deposits at the banking sector rose by EGP 52 billion in February, recording EGP 3.446 trillion, up from EGP 3.394 trillion in January.

In a report, the CBE added that the total government deposits hit EGP 543.5 billion, including EGP 429.2 billion in local currency, and EGP 114.2 billion in foreign currency.

It added that the non-governmental deposits rose in February to reach EGP 2.902 trillion, against EGP 2.865 trillion in the previous month.



It also pointed out that the total deposits in foreign currencies hit EGP 696.9 billion, of which the public business sector got EGP 37.4 billion, the private sector got about EGP 187.7 billion and the family sector got around EGP 464.7 billion.

Minister: Government committed to program for floating shares of state-owned firms at EGX

Finance Minister Mohamed Maait stressed the government's commitment to implementing a program for floating shares of state-owned companies at Egypt Exchange (EGX) soon.

The ministry has taken all needed measures to start implementing the program which was scheduled to begin this month, he said in statements.

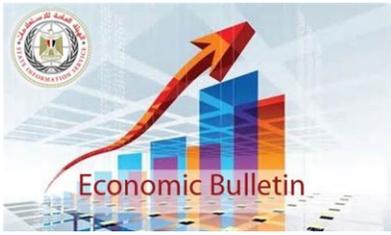
He expounded that the ministry is coordinating with all the ministries concerned to select the optimal timing for launching the program.

He said the program is expected to give momentum to the Egyptian economy and investment.

The ministry has obtained approvals of the general assemblies of state-owned companies on selling shares at the bourse.

The government has announced plans on floating shares of four to six governmental companies in the sectors of petroleum, industry and petrochemicals on the Egyptian stock market.

The value of the floated shares is estimated at EGP 15 to 18 billion.



Egypt in March announced the names of 23 state companies that will sell stakes from this year under its plan to raise 80 billion pounds through minority share offerings on the Cairo bourse.

CBE keeps interest rates on deposits, loans unchanged

The Central Bank of Egypt decided to stabilize the interest rate for one night on deposits and loans at 16.75 and 17.75 percent respectively.

The decision was made by the CBE Monetary Policy Committee during a meeting.

Also, the committee decided to fix the rate of the CBE's main operation at 17.25 percent. The discount rate was also kept unchanged at 17.25 percent.

CBE launches initiative to support defaulters

The Central Bank of Egypt (CBE) launched an initiative to settle debts of the defaulters, less than EGP 10 billion.

The initiative also includes the debts of retail customers, but excludes credit card balances. It lasts to December 31, 2018.

It aims at supporting the economic development and resolving the problems of default loans, alleviating the burdens on customers who are serious in repaying their debts to back them again to the economic activities and cycles.

The initiative's beneficiaries include 3500 companies and 337 thousand retail customers in the National Bank of Egypt, Banque Misr, Banque du Caire, the Export Development Bank of Egypt, the Egyptian Arab Land Bank, the Agricultural Bank of Egypt, the



United Bank of Egypt, and the Industrial Development & Workers Bank of Egypt.

According to the initiative, the banks are expected to write off the accrued interests, worth EGP 16.8 billion, if the defaulters are committed to repay their full debts by December 31, 2018.

Egypt, Cyprus discuss boosting mutual cooperation in electricity

President Abdel Fattah El Sisi held a meeting with former Cypriot foreign minister and Chairman for the Strategic Council of the EuroAfrica Interconnector Ioannis Kasoulides.

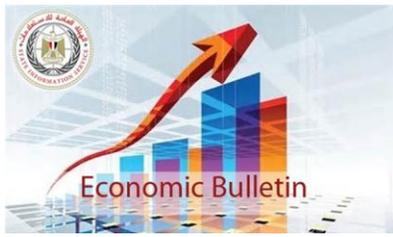
They discussed means of boosting bilateral cooperation in the field of electricity interconnection, presidential spokesman Bassam Rady said.

During the meeting, the president hailed strategic relations between Egypt and Cypriot in all fields and praised the implementation of several electricity projects in Egypt, topped by the power stations recently established by the German Siemens company to add 14,000 megawatts to Egypt's national grid.

The recently-established power projects make Egypt qualified to serve as a power connection center between Africa and Europe through Cyprus and Greece, the president noted.

Kasoulides, meanwhile, reviewed his company's plans to implement a project of electric interconnection between Egypt, Cyprus and Greece.

This project will enhance Egypt's role as a regional energy hub in the Eastern Mediterranean, Kasoulides said.



Egypt, France sign MoU to promote institutional cooperation

Egypt and France signed a memorandum of understanding to promote institutional cooperation between the Investment and International Cooperation Ministry and France's Institut de Prospective Economique du Monde Méditerranéen (IPEMED).

The deal was signed by Investment and International Cooperation Minister Sahar Nasr and President of IPEMED Jean-Louis Guigou.

It aims at shoring up cooperation and investment in the Euro-Mediterranean region, which encompasses all the European countries and the countries on the Mediterranean Rim.

The MoU falls within the Investment Ministry's plan to lure more investments, boost expertise transfer, offer all facilities for investors and establish new companies, Nasr said.

She asserted the Investment Ministry's keenness to work on promoting integration between Europe and the Mediterranean region and Africa.

For his part, the IPEMED president said that his institute seeks to promote North-South and South-South regional integration.

Following the signing ceremony, the investment minister had a meeting with Deputy Chief Executive Officer the French Development Agency (AFD) Jérémie Pellet.

During the meeting, Pellet expressed his agency's keenness on supporting Egypt's economic reform program in the coming stage and financing new development projects in the country.



He further cited the agency's financing of major projects in Egypt, topped by the Cairo Metro Line 3 (1st, 2nd and 3rd phases), small- and micro-scale enterprises and the Household Natural Gas Connection Project.

The agency also contributes to a project to build a 26-MW photovoltaic grid-connected power plant at the town of Kom Ombo in the Upper Egyptian governorate of Aswan, as well as Egypt's Water Sector Reform Program (Phase I and Phase II).

The agency approved an agreement worth 60 million euros to back Egypt in the field of social protection, as well as a grant agreement worth 2 million euros for technical support.

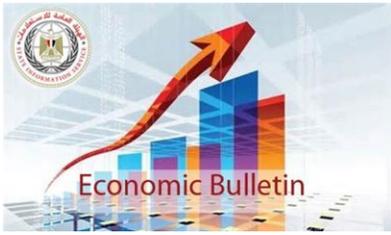
IMF board approves 4th tranche of \$12 bln loan to Egypt

The executive board of the International Monetary Fund (IMF) approved the disbursement of the fourth tranche of Egypt's \$12 billion loan.

The \$2 billion tranche was approved following the third review of Egypt's economic reform program supported by the IMF's \$12 billion arrangement.

The approval made available SDR 1,432.76 million (about \$2 billion), bringing the total disbursements under the program to about \$8.02 billion, a statement issued by the IMF read.

The government has signed an agreement with the IMF to receive a \$12 billion loan over three years.



Sisi ratifies law regulating land transportation services using technology

President Abdel Fattah El Sisi approved a law regulating land transportation services using information technology.

Under the law no. 87 of 2018, transport companies using privately-owned vehicles for commercial purposes should legalize their status within a period of not more than six months.

The law was published in the official gazette.

Sisi ratifies issuing Industrial Development Authority law

President Abdel Fattah El Sisi okayed the issuance of law no. 95 of 2018 on the Industrial Development Authority (IDA), after the approval of the House of Representatives.

The provisions of the law don't contradict the provisions of law no.72 of 2017 and law no. 14 of 2012 on the all-out development of Sinai peninsula.

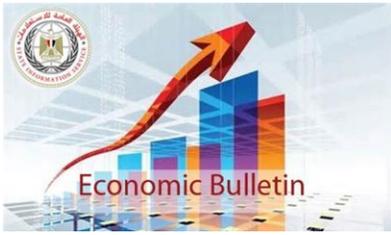
It also stipulates eliminating prejudice to the law of economic zones no. 83 of 2002.

Minister concerned with the industrial affairs is tasked with issuing the executive statute of the law within six months after its appliance.

The law was published in the official gazette.

Sisi approves new social housing, mortgage funding law

President Abdel Fattah El Sisi approved Law no. 93 of 2018 concerning social housing and mortgage funding law.



The law aims at establishing a fund to run social housing and mortgage funding affairs that will be under the supervision of the housing minister.

The law was published in the state's Official Gazette.

Sisi approves law regulating business of street food carts

President Abdel Fattah El Sisi approved a law to regulate the work of food carts in Egypt.

The law no. 92 of 2018 allows the sale, preparation and cooking of food by mobile food units under a license issued by the local administration authorities and the bodies concerned at the New Urban Communities Authority (NUCA).

The law defines mobile food units as any cart, vehicle or mobile platform whatever its form might be that is prepared for the cooking, preparation or sale of any sort of food or beverages to the public.

The law obliges mobile food units to follow the provisions of the laws, especially with regard to maintaining the safety of their products, preventing pollution, ensuring the safe disposal of their waste and abiding by traffic regulations.

The law specifies the age of an applicant for a license to operate a mobile food unit at 18 years with the condition that he/she has not been sentenced to a criminal penalty or found guilty of a crime against honor or trust.

The law was published in the official gazette.