



**The Chamber of EuroChambers in Egypt**  
**One Chamber, Twenty Seven Countries**

## **ECONOMIC UPDATE**

**10/7/2011**

### **Funding**

The UAE has pledged US\$ 3 billion in financial assistance to Egypt apart from establishing a US\$ 1.5 billion fund in Egypt for SMEs and providing business and job opportunities to the Egyptian youth. A grant of US\$ 750 million was allocated for the development of housing and infrastructure.

The World Bank will provide a US\$ 1 billion loan to help bring back FDI's to Egypt and another US\$ 200 million to support the country's second Integrated Sanitation and Sewerage Infrastructure initiative. The US\$ 1 billion, which is mobilized by the Multilateral Investment Guarantee Agency, a member of the World Bank, will be supporting insurance capacity for the Middle East and North Africa in order to "retain and encourage" FDI's in the region.

The Overseas Private Investment Corporation (OPIC), the US government's development finance institution, has allocated US\$ 500 million to support lending to small businesses in Egypt and Jordan. The project will provide grant funding and technical assistance to the initiative.

The German development finance institution (DEG) and the European Investment Bank (EIB) will jointly invest US\$ 21 million in the fund controlling private equity firm Citadel Capital's river transport investments. DEG contributed US\$ 14 million while EIB invested US\$ 7 million, for a combined 19% ownership of the fund, with the balance held by Nile Logistics (69%) and Banque Misr (12%).

The Islamic Development Bank will grant Egypt a US\$ 2.5 billion loan to finance infrastructure projects and as insurance for imports and exports. The three year package will contribute to projects in electricity, roads, railways and education. The money will also be used for a 650 MW power station.

Denmark has allocated US\$ 15.4 million as aid to Egypt to assist in its transition towards democratic and economic development. In related news, the Danish shipping company Maersk plans to expand and invest US\$ 25 million.

The International Finance Corporation, a member of the World Bank Group will provide up to US\$ 35 mn in loans for a joint venture between India's Dhunseri Petrochem and Tea Limited, and two Egyptian government agencies. The factory will produce 420,000 tons of polyethylene terephthalate (PET) per year, a chemical used in the manufacture of lightweight plastic bottles for water and soft drinks.

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## Egypt

Revenue from the Suez Canal rose 10.5% y-o-y to US\$ 436.6 million in May up from US\$ 395 million, which is 0.5% up from the previous month.

Urban consumer inflation in Egypt eased to 11.87% in the 12 months to May as food prices fell from April, whereas inflation hit its highest rate in a year in April, reaching 12.1%. Likewise Egypt's producer price index rose 20.61% in the year to April, compared to a rise of 20.44% in the year to March.

Orascom Construction Industries reported that its Saudi Arabian subsidiary was awarded infrastructure work in the Kingdom worth US\$ 450 mn. The work will include civil, mechanical and electrical works including 2.1 million square meters of roads, walkways, and the supply and installation of 146 km of piping for the storm water, waste and potable water systems.

Kuwait Energy Company struck two new oil discoveries in Egypt's Western Desert, bringing the total to 11. The oil discoveries were made in Shebl-1 and Shebl East-1 wells, with initial tests showing a combined production capacity of 2,100 bpd. Kuwait Energy has a 49.5% working interest in East Ras Qattara, which it acquired in March 2008, while Chile-based Enap Siptrol owns 50.5%.

Italian energy major ENI is mulling plans to invest US\$ 3 bn in Egypt in the next two years to support the renewed commitment of ENI towards exploration and development activities. ENI would step up its activities in the Western Desert, the Mediterranean and the Sinai including the drilling of additional wells and the acceleration of production from new discoveries.

Arabtec Egypt for Construction won an EGP 220 million contract to develop units in an Emaar Properties project on Egypt's northern coast. The project consists of 170 villas for Emaar's Marassi project.

The number of tourists visiting Egypt in April fell 35.7% from a year earlier while the total number of nights they spent dropped 44.7%. The biggest decline was in tourists arriving from Eastern Europe whose numbers dropped 58.2% in the same period.

Egyptian pound declines slightly against all currencies by end of last week:

### Exchange Rates

Currency Pair	30 Jun	07 Jul	Change (%)
▪ US\$/EGP	5.96	5.95	(0.17)
▪ Pound Sterling/EGP	9.56	9.51	(0.52)
▪ Euro/EGP	8.64	8.55	(1.04)
▪ Euro/US\$	1.45	1.44	(0.69)

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## The European Union

The Euro continued to fall against the Dollar on Tuesday after Moody's cut its rating on Portugal to below investment grade, which brought back Euro zone sovereign debt worries after the recent events in Greece. Meanwhile the Euro also lost ground against the Swiss Franc as traders sought a decline in their risk profile. That was augmented by news that the Euro zone PMI grew at the slowest pace in nearly 20 months and that retail sales declined more than expected, which diluted interest rate hike expectations by the central bank. The Dollar continued the uptrend on Wednesday but on Thursday the situation was reversed as the European Central Bank (ECB) President said that the bank would continue to accept junk rated Portuguese debt as collateral for banks borrowing from the ECB.

As expected, the ECB hiked its key lending rate by a quarter of a percentage point from 1.25% to 1.5%.

Private sector activity in the 17 nation Euro zone for June grew at its slowest pace since October 2009, according to the final reading of the Market composite PMI. The index fell to 53.3 from 55.8 in May.

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