

# EGYPTIAN ECONOMIC MONITOR

March 2006 • Volume II, No. 3



ARAB REPUBLIC OF EGYPT  
Ministry of Finance



# **Egyptian Economic Monitor**

**March 2006 • Volume II, No. 3**



**ARAB REPUBLIC OF EGYPT**  
**Ministry of Finance**



**USAID**  
FROM THE AMERICAN PEOPLE

This report was printed through support provided by the Technical Assistance for Policy Reform II, a project of the U.S. Agency for International Development, under the terms of Contract No. 263-C-00-05-00063-00 and do not necessarily reflect the views of the U.S. Agency for International Development.

Historical data is available at the Ministry of Finance website: [www.mof.gov.eg](http://www.mof.gov.eg).

Please direct any questions or comments to: [econreview@mof.gov.eg](mailto:econreview@mof.gov.eg).



# TABLE OF CONTENTS

Acronyms	7
<b>PREFACE</b>	<b>9</b>
<b>EXECUTIVE SUMMARY</b>	<b>11</b>
<b>I. OVERVIEW OF THE ECONOMY</b>	<b>13-28</b>
I.1 Recent Trends	15
I.2 Government Finances: Budget Execution	21
I.3 The Domestic Economy: Challenges and Opportunities Ahead	22
I.4 Global Challenges	23
<b>II. EGYPTIAN ECONOMY WATCH</b>	<b>29-44</b>
<b>III. APPENDICES</b>	<b>45-103</b>
<b>APPENDIX A: FISCAL DATA</b>	<b>47-50</b>
<b>APPENDIX B: STATISTICS</b>	<b>51-88</b>
1. Macroeconomic Data	51-71
2. Monetary Data	71-77
3. Balance of Payments Data	78-81
4. Debt Data	82-84
5. Banking Sector Data	85
6. Insurance Sector Data	86
7. Privatization Data	87
<b>APPENDIX C: ECONOMIC NEWS</b>	<b>89-98</b>
1. A New Government for 2006	89
2. Stock Market	89
2.1 Recent Stock Market Performance	89
2.2 Telecom Egypt Initial Public Offering (IPO) Oversubscribed	89
2.3 Egypt Aluminum	90
3. The Budget	90
3.1 Improving Budget Classification	90
3.2 Government Finances and Projections	90
3.3 Budget Automation	90
4. Banking Sector Reform	90
4.1 Privatization and Consolidation of the Banking Sector	90
4.2 Non-performing Loans (NPL) In Banks	91
4.3 Restructuring of Public Sector Banks	91
4.4 Audit of the Four Largest State-owned Banks	92
4.5 Upgrading of Banking Supervision	92



# TABLE OF CONTENTS cont.

5. Domestic Foreign Exchange Market	92
6. Monetary Policy	92
7. Public Debt Management	93
7.1 Domestic Debt	93
7.2 International Eurobond	94
7.2.1 Eurobond Performance	94
7.2.2 EGPC's Securitized Transaction	94
7.2.3 Egypt's Sovereign Eurobond Backed by USAID (Guaranteed Notes)	94
8. Asset Management Program (AMP)	95
8.1 State-owned Business Enterprises	95
8.2 Use of Proceeds	95
9. Insurance Sector	95
10. Tax Reforms	96
10.1 Executive Regulations of New Tax Law Issued in December 2005	96
10.2 Large Taxpayer Center Inaugurated on September 19, 2005	96
11. Customs Reform	96
11.1 Bank: Egypt First Among World Countries in Customs Procedures Reform	96
11.2 Center for Large Importers to Serve 200 Importers	97
11.3 Risk Management	97
11.4 Provisional Release	97
11.5 Post Audit System	97
11.6 New Executive Regulations for Customs Law	97
11.7 Coordination with Ministry of Health	97
11.8 Coordination with Lebanese Customs	98
12. New Private Sector Scheme to Boost Manufacturing	98
13. World Bank Discusses a US\$2-2.8 Billion New Country Assistance Strategy (CAS) for Egypt 2006-2009	98
14. Avian Flu Hit	98

## **APPENDIX D: ECONOMIC LEGISLATION 99-100**

1. Status of Recent Economic Legislation	99
2. Overview of Selected Recent Economic Legislation	100

## **APPENDIX E: IMPORTANT DEFINITIONS 101**

### **TABLES**

I.2.1 Budget Execution: Selected Items (2001/2002 – 2005/2006)	22
II.1: Selected Economic and Financial Indicators	31
II.2: Egypt vs.. Emerging Markets: S&P/IFCG Price Index Performance Summary	44



# TABLE OF CONTENTS cont.

## FIGURES

### II.A. National Accounts

II.1:	Annual Percent Contribution of Total Domestic and Total External Demand to GDP Growth	32
II.2:	Annual Percent Contribution of Investment and Final Consumption to GDP Growth	32
II.3:	Annual Percent Contribution of Public and Private Consumption Demand to Total Consumption Demand	32

### II.B. Inflation

II.4:	Annual Percent Of Month on Month Changes in CPI & WPI	32
-------	---	----

### II.C. Exchange Rate and Monetary Policy

II.5:	Annual Effective Exchange Rate Indices	33
II.6:	Annual Interest Rates on T-Bills and Board Money (M2) Growth Rates	33

### II.D. Fiscal Policy and Public Debt

II.7:	Annual Budget Sector Deficit	33
II.8:	Annual Total Expenditures & Total Revenues	33
II.9:	Quarterly Income Tax, Goods & Services, Customs	34
II.10:	Annual Domestic & Foreign Interest Payments	34
II.11:	Annual Domestic Debt	34

### II.E. External Sector

II.12:	Net International Reserves	34
II.13:	Annual Export Proceeds, Import Payments	35
II.14:	Annual Main Exported Commodities Balances	35
II.15:	Annual Main Imported Commodities Balances	35
II.16:	Annual Exports Proceeds by Region Growth	35
II.17:	Quarterly Exports Proceeds by Region Growth	36
II.18:	Annual Imports Payments by Region Growth	36
II.19:	Annual Current Account Balance, Trade Deficit and Net Services	36
II.20:	Annual Foreign Exchange Receipts – Current Account Receipts	36
II.21:	Quarterly Foreign Exchange Receipts – Current Account Receipts	37
II.22:	Annual Tourism Statistics	37
II.23:	Annual External Debt	37
II.24:	Annual Debt Service	37
II.25:	Total Medium and Long Term Public and Publicly Guaranteed External Debt Service	38
II.26:	Total Medium and Long Term Public and Publicly Guaranteed External Debt Paris Club Bilateral Debt Outstanding Stock	38
II.27:	Total Medium & Long Term and Short Term Debt	38
II.28:	Paris Club Debt Restructuring-Present Discount Value 6% Discount Rate	38
II.29:	Annual FDI	39



# TABLE OF CONTENTS cont.

---

<b>II.F. Privatization</b>	
II.30: Sales of Companies/Assets in Law 203 and Stakes in Joint Venture	39
<b>II.G. Domestic Savings</b>	
II.31: Direct Insurance Premia	39
<b>II.H. Eurobond Performance</b>	
II.32: Petroleum Export Ltd. Class A-1 Notes Due 2010 Closing Prices and YTM	40
II.33: Petroleum Export Ltd. Class A-2 Notes Due 2010 Closing Prices and YTM	40
II.34: Government of Egypt Notes Guaranteed by USAID Due 2015	40
II.35: Yield to Maturity on the 2006 Egyptian Eurobond	40
II.36: Difference between Yield to Maturity of the 2006 Eurobonds and Comparable Treasury bonds	41
II.37: Yield to Maturity of the 2011 Egyptian Eurobond	41
II.38: Difference between Yield to Maturity of the 2011 Eurobonds and Comparable Treasury Bonds	41
II.39: Treasury Bonds "2011, 2014" Yield Performance in the Secondary	41
<b>II.I. Stock Market</b>	
II.40: Yield Curve	42
II.41: Annual CASE 30 Performance	42
II.42: Quarterly CASE 30 Performance	42
II.43: Morgan Stanley Indices for the Egyptian Stock Market	43
II.44: The MSCI-Egypt Index in Comparison with the MSCI-Emerging Markets Index	43
II.45: The MSCI-Egypt Index in Comparison with the MSCI-All Country World Index	43
II.46: Comparing Valuations of the S&P/IFCG Indices P/E Ratio vs. Dividend Yield	44



# ACRONYMS

---

AGES	Automated Government Expenditure System
BOA	Bank of Alexandria
BRU	Banking Reform Unit
CAS	Country Assistance Strategy
CASE	Cairo and Alexandria Stock Exchanges
CBE	Central Bank of Egypt
CIB	Commercial International Bank
CIDA	Canadian International Development Agency
CMA	Capital Market Authority
CPI	Consumer Price Index
DY	Dividend Yield
EAB	Egyptian International Bank
ECA	Egyptian Customs Authority
EISA	Egyptian Insurance Supervisory Authority
EGPC	Egyptian General Petroleum Corporation
FDI	Foreign Direct Investment
FY	Fiscal Year (Egypt's fiscal year starts July and ends June)
GASC	General Authority for Supply Commodity
GDDS	General Data Dissemination Standard
GFS	Government Finance Statistics
IFC	International Financial Corporation
IFCG	International Financial Corporation Global
IMF	International Monetary Fund
IPO	Initial Public Offering
LE	Livre Egyptien (Egyptian Pound)
LIC	Large Importers' Center
LTC	Large Taxpayers' Center
MI Bank	Misr International Bank
MCSD	Misr for Clearance, Settlement and Central Depository
MFA	Multifiber Arrangement
MOF	Ministry of Finance
MOI	Ministry of Investment
MOP	Ministry of Planning
MPC	Monetary Policy Committee
MPU	Monetary Policy Unit
NA	Not Available
NIRs	Net International Reserves
NPLs	Non Performing Loans
NSGB	National Soci�t� Generale Bank
OPIC	Overseas Private Investment Corporation
PER	Public Expenditure Review
PIN	Public Information Notice
QIZs	Qualified Industrial Zones
RF	Restructuring Fund
SDDS	Special Data Dissemination Standard
SDR	Special Drawing Rights - See Appendix E
SIF	Social Insurance Fund
SOB	State-owned bank
S&P	Standard and Poor's
US\$	US Dollar
UST	US Treasury
WFP	World Food Program
WPI	Wholesale Price Index
YTM	Yield to Maturity



# PREFACE

---

The Egyptian Economic Monitor, a quarterly publication of the Ministry of Finance, provides a comprehensive overview of Egypt's economic health and performance. The objective is to spread knowledge of the Egyptian economy and make the business environment more transparent and predictable.

The Monitor comprises three sections: Sections I and II feature up-to-date developments in the economy and Section III provides supplemental data in the form of appendices. Section I, Overview of the Egyptian Economy, combines domestic and global perspectives on the performance of the domestic economy. Sections I.1 and I.2 discuss Recent Trends and Government Finances. Section I.3, Challenges and Opportunities Ahead, attempts to provide a broad diagnosis of domestic opportunities and challenges. Section I.4, Global Challenges to the Domestic Economy, seeks to place recent economic developments in the context of global challenges. In Section II, Egyptian Economy Watch, key economic indicators are documented with graphs and short captions to give readers a quick reference point.

There are five appendices in Section III: Appendix A and Appendix B contain fiscal data and other statistics (historical data can be found at the Ministry of Finance website [www.mof.gov.eg](http://www.mof.gov.eg)); Appendix C presents economic news; Appendix D gives an account of new economic legislation; and Appendix E provides definitions of key terms used in the Monitor.





## EXECUTIVE SUMMARY

The Egyptian economy is performing at its strongest level since the beginning of the millennium, expanding at 5.1 percent in 2004/2005, compared to 4.2 percent over the previous fiscal year and 3.4 percent during 2000/2001. The solid recovery is pursuing its course into 2005/2006. Data for the first half of the fiscal year (July-December 2005) reveal that growth has picked up to 5.8 percent compared to 4.5 percent during the corresponding period in 2004/2005.<sup>1</sup> Equal contributions from a sustained external impulse and a buoyant domestic demand underlined the recent growth.<sup>2</sup> Inflation rates continue their downward trend<sup>3</sup> in spite of the robust economic performance and escalating oil prices. As a net exporter of oil, Egypt stands to benefit greatly from rising energy costs. Gains from underlying structural improvements, discussed in Section I.3 and presented briefly below, have also helped offset the negative impacts of higher petroleum prices.

Egypt's public finances remain under control,<sup>4</sup> and its external position remains strong despite a small narrowing of the current account surplus and a slight widening in the trade deficit.<sup>5</sup> The brisk growth experienced in major industrial countries and China, new trade agreements between Egypt and other countries (e.g., Qualified Industrial Zones (QIZs) with the US, free trade agreement with Turkey) and the deepening of already existing arrangements are all serving to uphold the external sector's healthy performance.

Looking ahead, the outlook for Egypt, as for many developing countries, will depend on developments in the world economy as a whole. Whether the outcome is positive or negative hinges on the challenges to the domestic economy by a number of external factors, including: (i) the rate of Chinese economic expansion; (ii) oil prices; (iii) world inflation and interest rates; (iv) the course of current account imbalances; and (v) the value of the US dollar. These challenges are the main focus of Section I.4.

However, the risks to the Egyptian economy appear balanced. With the economy in recovery mode and the fundamentals on solid ground, the risk of a significant slowdown is not a major concern. Market conditions in Egypt, notably domestic demand, macroeconomic policies, and the confidence of businesses and investors in the economy have become stronger over the past two

years — cushioning against the potential deterioration in the external environment — and should continue to produce growth in the medium term.

Concerning domestic demand, a number of important structural and institutional changes in the trade and fiscal areas<sup>6</sup> are helping reinforce the domestic stimulus. Starting in September 2004, the Government initiated significant tariff reductions, adopted a number of trade facilitation measures and implemented large-scale improvements in customs administration. In addition, a new tax code that reduces personal and corporate taxes by 50 percent was passed in June 2005. The implementation of the new tax law is being supported by aggressive efforts to modernize Egypt's tax administration. All these reforms are expected to translate into faster growth and adequate employment. Thus, while external demand has played a crucial role in bolstering the economy during the past two years, the recent increase of domestic demand should help counter any negative external factors, and should make the economy more resilient to adverse global developments in the medium term.

Strong growth rates in 2005/2006 are also likely to depend on the effectiveness of macroeconomic policies and their capacity to (i) adapt to a more globalized environment and (ii) make the environment more favorable for the private sector to drive economic growth. The most recent data indicate that the private sector accounts for most of the growth in consumption demand.<sup>7</sup>

With respect to the confidence of entrepreneurs and investors, a major feature of economic developments in Fiscal Year 2004/2005 has been a pronounced revival of business confidence as the economy entered a period of rapid, healthy growth. Improved confidence quickly led to burgeoning foreign investment and a booming stock market. This helped boost business investment and suggests that economic growth may approach 6 percent in 2005/2006.

As we continue to improve the *Egyptian Economic Monitor*, we will gradually provide our readers with deeper economic analysis and a wider coverage of policy issues. We also hope that our readers will help us, through their continued feedback and in the spirit of a public-private partnership, to make this publication more useful and interesting.

<sup>1</sup> See Section II: Egyptian Economy Watch

<sup>2</sup> Ibid.

<sup>3</sup> See Section II: Egyptian Economy Watch

<sup>4</sup> See Section II: Egyptian Economy Watch

<sup>5</sup> See Section II: Egyptian Economy Watch

<sup>6</sup> See Section I.3: Challenges and Opportunities Ahead, and previous issues of the *Egyptian Economic Monitor* available at [www.mof.gov.eg](http://www.mof.gov.eg).

<sup>7</sup> See Section II: Egyptian Economy Watch



# I

## Overview of the Economy



## I.1 .. RECENT DOMESTIC TRENDS

**The solid economic recovery in 2003/2004 has pursued its course into 2004/2005 and the first half of 2005/2006.**

Between fiscal years<sup>1</sup> 2000/2001 and 2002/2003, the Egyptian economy grew sluggishly at an average rate of some 3.2 percent, the lowest growth rate in more than a decade. The slowdown was due to a series of external economic shocks at the beginning of the millennium: the fallout of September 11, oil price shocks, the bursting of the equity price bubble, the abrupt slowdown of world trade in 2001, and regional conflict.

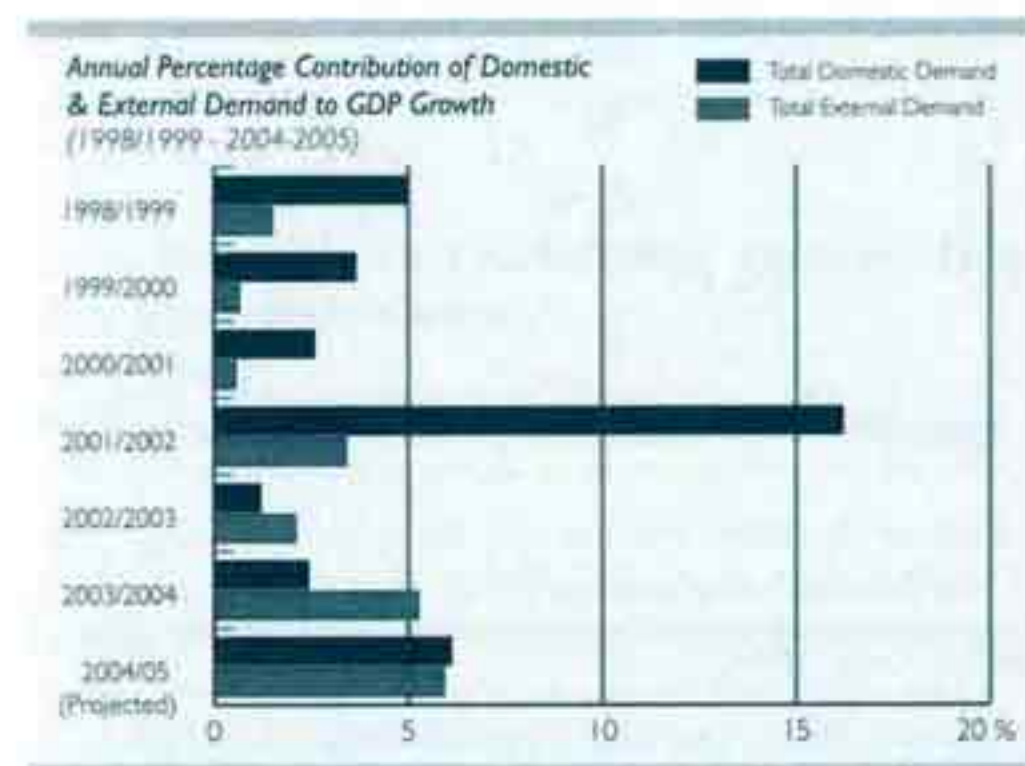


FIG. II.1 Source: MOP

Economic activity recently witnessed a turnaround however. GDP growth rates accelerated to 4.2 percent in real terms in 2003/2004 and to 5.1 percent in 2004/2005 (Figure II.1). As projected in previous issues of the Monitor, economic growth is maintaining a faster pace during the course of 2005/2006, as a result of the recently implemented bold trade and tax reforms.<sup>2</sup> Data available for the first half of the new fiscal year 2005/2006 confirm that the GDP growth rate increased to 5.8 percent compared to 4.5 percent during the corresponding period of 2004/2005. The continued stimulus from revived business confidence and the booming stock market augur well for a firm 6 percent expansion rate during the full year, especially as the second quarter of the fiscal year (October - December 2005), showed accelerated growth of 6.4 percent compared to 5.3 percent during the preceding quarter.

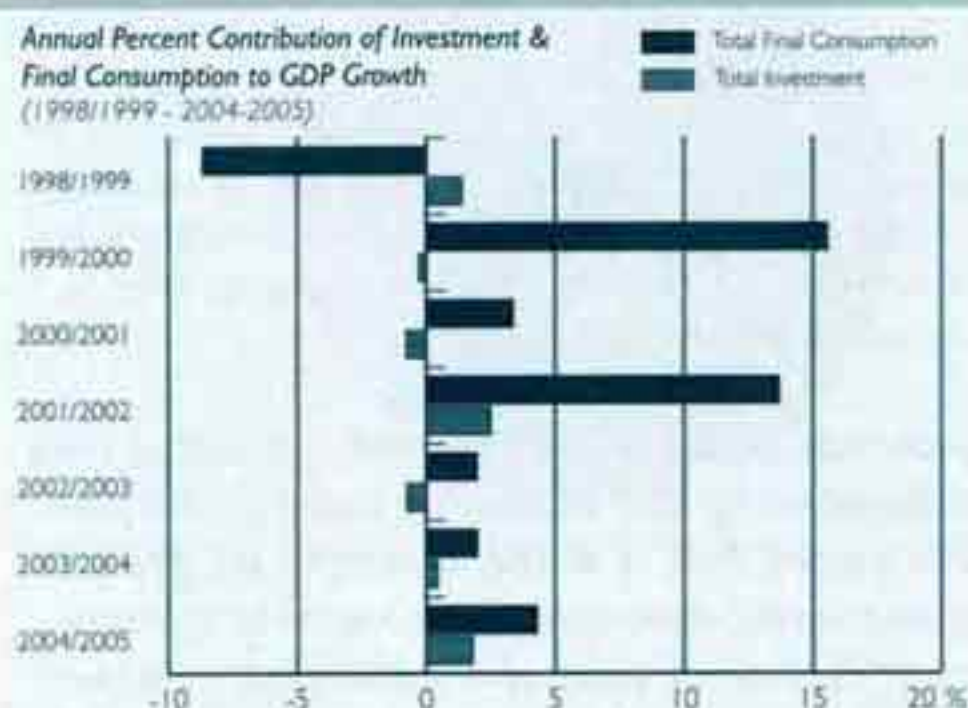


FIG. II.2 Source: MOP

**The recovery during 2003/2004 was led by external demand...**

Most of the growth momentum in 2002/2003 and 2003/2004 had been derived from the external sector (Figure II.1; Tables 1.2 & 1.3). During these two years, the contribution of external demand to GDP growth (2.1 percent and 4.2 percent respectively) had been consistently driven by export revenues, increased receipts from the Suez Canal, resurgent tourism, and improved confidence. During the same period, the contribution of domestic demand to economic growth was more timid (Figure II.1) as a result of sluggish consumption and slow capital formation (Figure II.2).

**...while growth in 2004/2005 was underpinned by equal contributions of external and domestic demands.**

The share of domestic demand in GDP growth more than doubled from 2.3 percent in 2003/2004 to nearly 5 percent in 2004/2005, while the contribution of external demand to GDP growth during the same period saw a smaller growth, from 4.2 percent to 5.1 percent (Figure II.1).

Domestic demand gathered speed sharply as a spill-over effect of the external impulse sustained since 2001/2002, and in response to tariff reductions which became effective in September 2004. The domestic impulse was largely driven by consumption demand which contributed 4.6 percent to GDP growth in 2004/2005 compared to 1.75 percent in the previous year. The contribution of consumption to GDP growth is still however below its level in 2001/2002 (Figure II.2).

<sup>1</sup> A fiscal year starts July and ends June.

<sup>2</sup> See previous issues of the *Egyptian Economic Monitor* at [www.mof.gov.eg](http://www.mof.gov.eg) for trade reforms.



Meanwhile, investment demand is also showing signs of recovery, albeit at a slower pace than consumption demand. In 2004/2005 its contribution to GDP growth was 1.5 percent compared to 1 percent in the previous year (Figure II.2; Tables 1.2&1.3). The strong growth in consumption demand is likely to trigger strong secondary effects on investment. Thus as capital formation increases in response to economic policies that target domestic demand and economic growth, we should see a more robust growth in investment demand in 2005/2006.

**External demand has played a crucial role in bolstering the economy during the past two years, but it is the strength of growth in domestic demand, particularly investment demand, that will essentially determine the resilience of economic growth in the medium term.**

The Government implemented a number of important fiscal measures that helped strengthen domestic demand. September 2004 saw significant tariff reductions that were followed by a second round of cuts in December. Other measures include ongoing customs reforms and a new tax code<sup>3</sup> that was passed in June 2005. The new law reduced personal and corporate taxes by 50 percent. These cuts that took effect in July 2005 should serve to raise disposable income during 2005/2006, and further boost domestic demand.

Furthermore, while a possible deceleration in global growth coupled with the appreciation of the pound could dampen growth in the external sector during the new fiscal year, there should be no significant impact on either tourism or the Suez Canal receipts.

**The macro-economy was more favorable to private sector led growth in 2004/2005. As a result, private sector growth will dominate the uptake in consumption demand.**

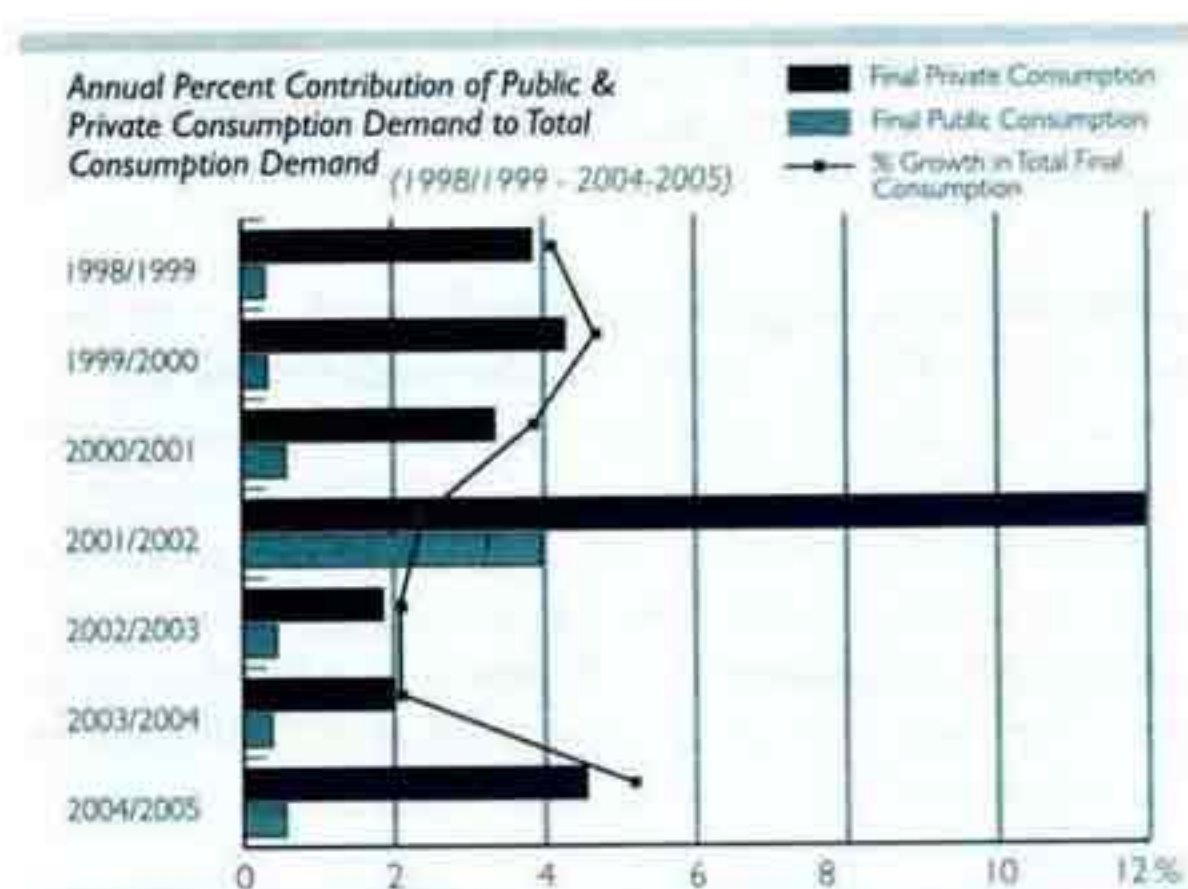


FIG. II.3 Source: MOP

Although private sector growth was negatively affected by the economic slowdown during the early years of the millennium, the acceleration of consumption demand since 2002/2003 (which has carried into 2004/2005) is owed mainly to a stronger private sector. As public sector consumption weakened, its contribution to total consumption growth grew slowly from 0.4 percent in 2001/2002 to a mere 0.6 percent in 2004/2005. Thus in real terms, total consumption is almost exclusively driven by private consumption demand (Figure II.3; Table 1.3).

**In the meantime, inflation rates are still falling ...**



FIG. II.4 Source: CAPMAS

Inflation rates have maintained a single digit rate since January 2005. CPI inflation continued to slide, reaching 4 percent in February 2006, compared to 6.3 percent in February of last year. The drop in WPI inflation is even more pronounced. WPI rates fell from 21.7 percent in February 2004, to 6.3 percent in February 2005 to 1.29 percent in February 2006 (Figure II.4). The continued drop in the inflation rate suggests that the exchange rate has stabilized.

In addition, ongoing monetary policy reforms<sup>4</sup>—including steps towards anchoring inflation expectations—will enable the Central Bank to deal with inflationary pressures more efficiently.

**... as the pound stabilizes ...**

<sup>3</sup> See Appendix D for main highlights of the new tax law.

<sup>4</sup> See Appendix C: Economic News and previous issues of the Egyptian Economic Monitor available at [www.mof.gov.eg](http://www.mof.gov.eg).



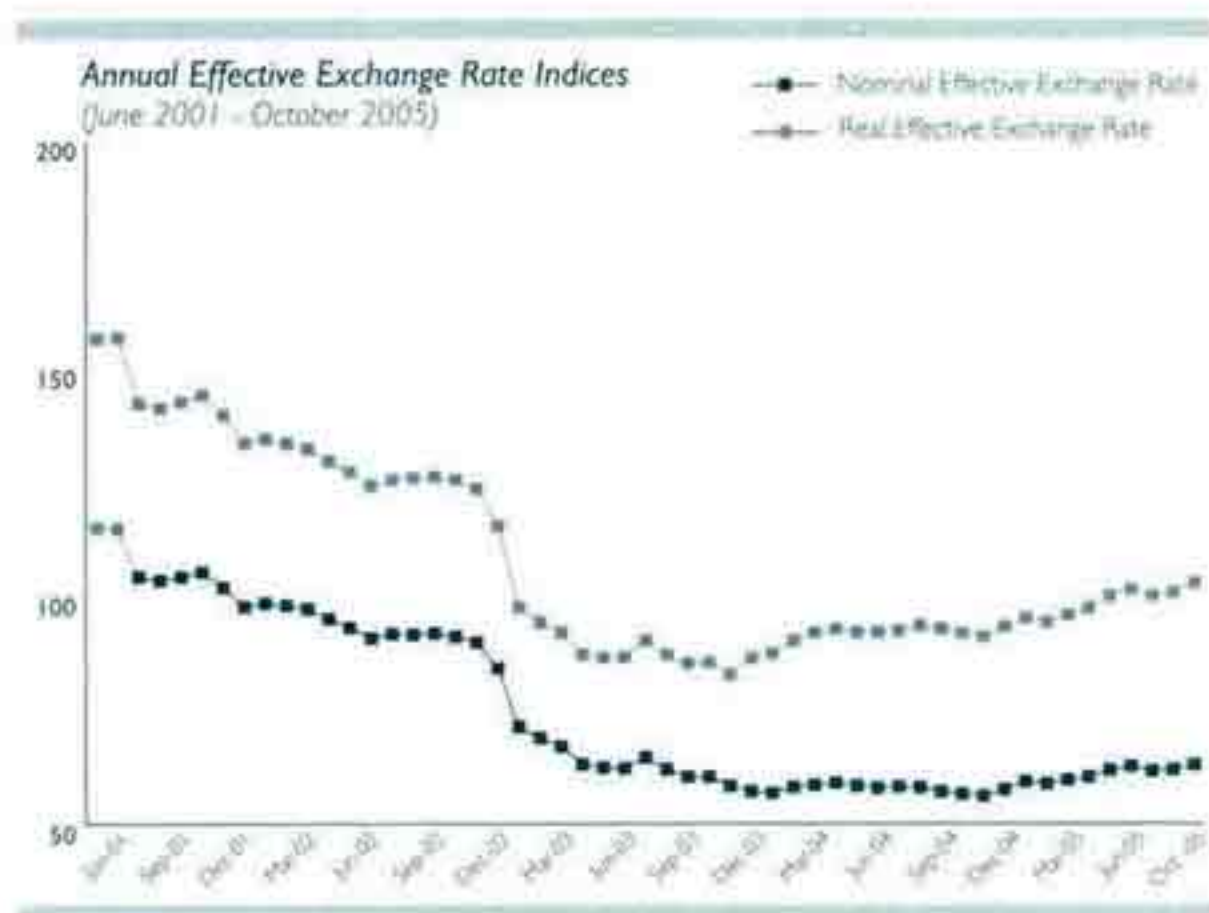


FIG. II.5 Source: IMF

After the announcement of a free float in January 2003, both the nominal and real effective exchange rates fell significantly, reflecting a real depreciation of the pound, and increased competitiveness (Table II.1; Figure II.5).

**... in response to a number of factors. Two key ingredients were:**

**the establishment of an interbank market...**

The launch of a formal and active interbank market for foreign exchange in December 2004 served to create a liquid foreign exchange market and to converge the official and parallel market rates. In addition, confidence in the economy has spurred substantial inflows of private foreign capital that supported the accumulation of reserves and the repayment of external debt. The real effective exchange rate has thus shown signs of appreciation since December 2004 (Figure II.5)

**...and the elimination of surrender requirements.**

The Prime Minister issued Decree No. 2059/2004 rescinding Decree No. 506/2003 that required exporters to surrender 75 percent of their foreign exchange proceeds. This step helped enhance the liquidity of the market because it gave confidence to the international community that Egypt will pursue sound economic policies that preclude the need to use such a restriction.

**Egypt's external debt position continues to be strong ...**

Total Medium, Long Term and Short Term Debt as of September 30, 2005

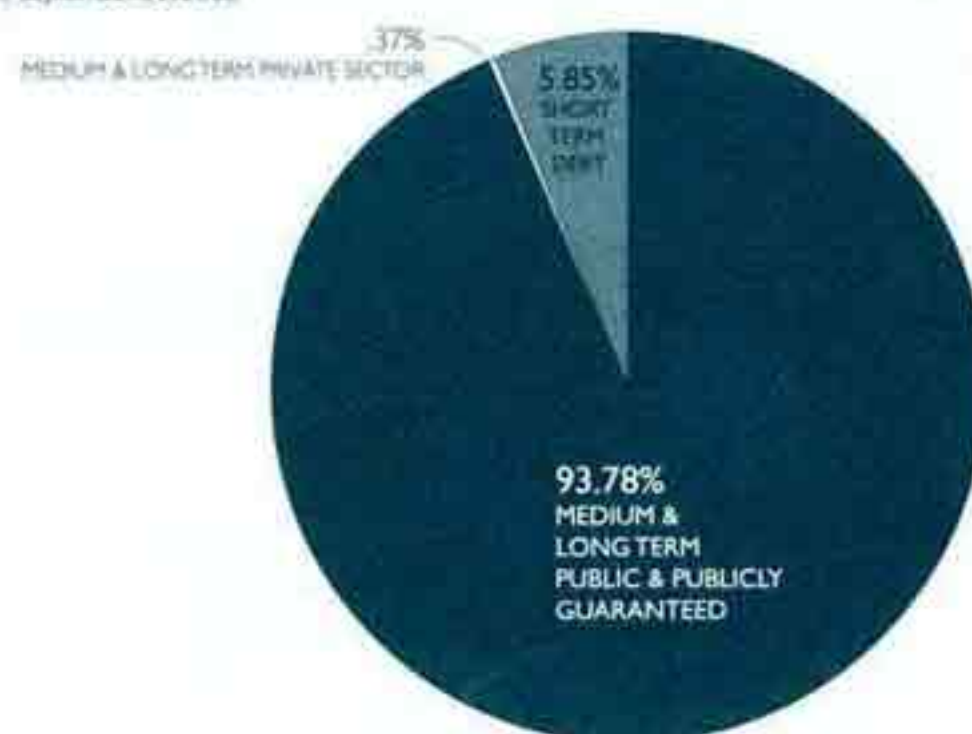


FIG. II.27 Source: CBE

Egypt's total external debt in terms of net present value has declined from US\$29.9 billion in 1991 to US\$24.3 billion in September 2005. Its maturity structure is favorable, with short term debt constituting less than 5.9 percent of total external debt (Figure II.27; Section B: Table 4.2). As a percentage of GDP, foreign debt stood at 30 percent in June 2005 compared to 38 percent in June 2004. Debt service, as a percent of current account receipts and of exports of goods and services, was 7.9 percent and 9.4 percent respectively in June 2005, down from 9.2 percent and 10.8 percent a year earlier (Table II.1).

**... and the fiscal deficit continues to be under control.**

Annual Budget Sector Deficit (2001 GFS) (2001/2002 - 2005/2006)

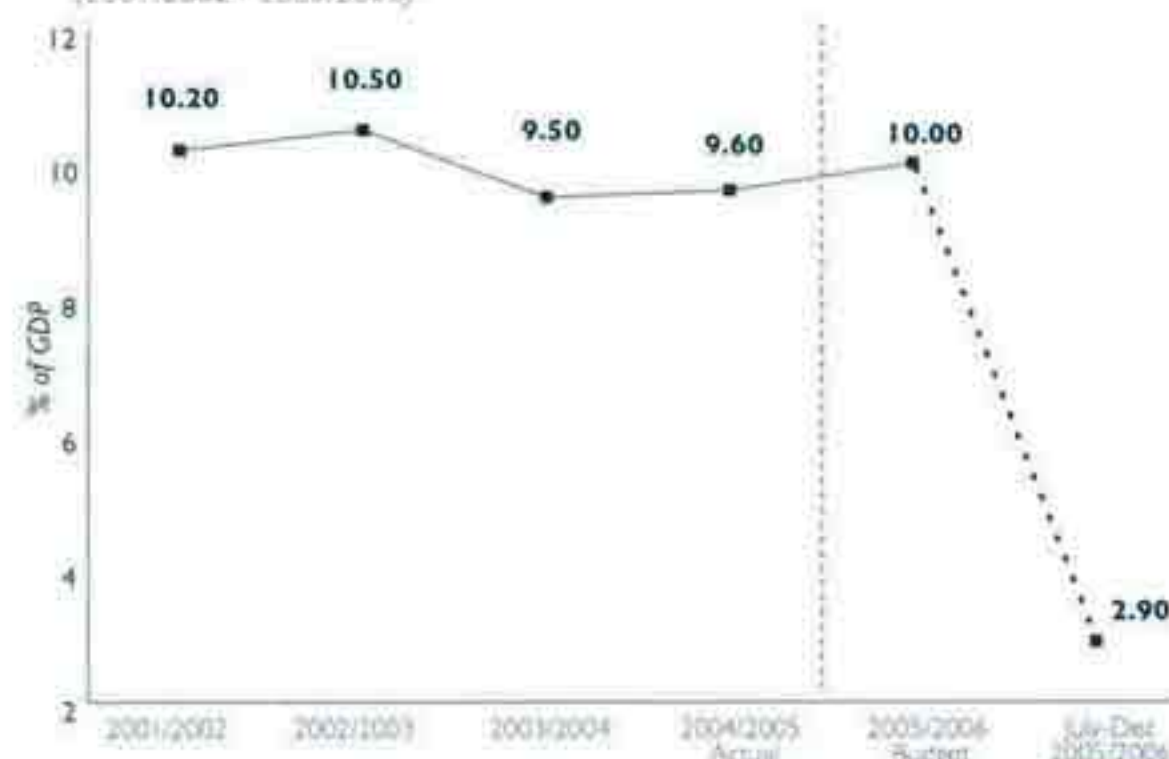


FIG. II.7 Source: MOF

The budget deficit according to the new IMF 2001 GFS classification standard (modified to cash principles)<sup>5</sup>, is expected to increase from 9.5 percent in June 2005 to only 9.7 percent in June 2006, despite tariff reductions implemented in September 2004, and tax rate cuts of 50 percent implemented as of last July 2005.

<sup>5</sup> See Appendix C: Economic News



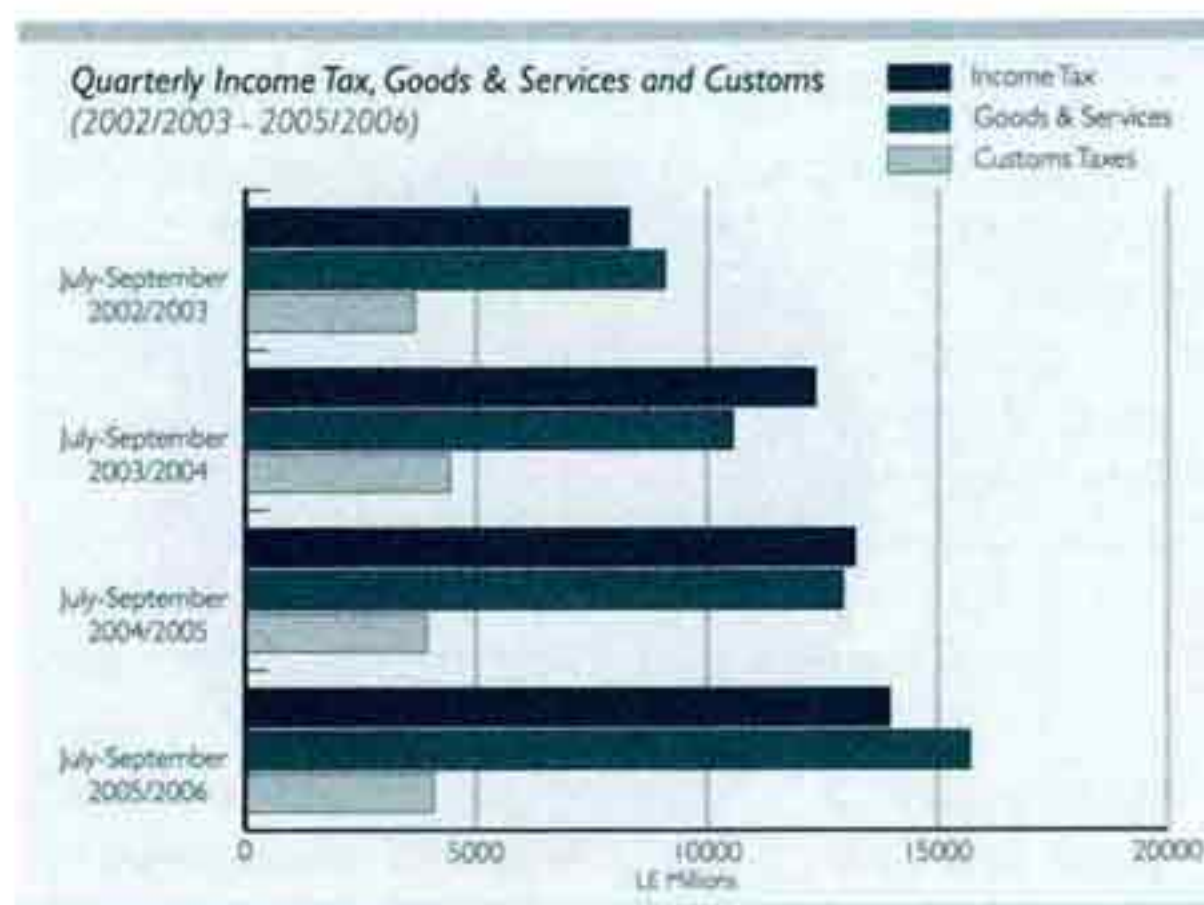


FIG. II.9 Source: MOF

The budget deficit is projected to rise by only less than half a percentage point during fiscal year 2005/2006 (Appendix A: Table 1.1). The projected increase in the deficit is explained by a number of factors: (i) the continued drop in customs receipts in response to the September 2004 tariff reductions; (ii) the expected decline in income tax proceeds following tax cuts that became effective in July 2005 (Figure II.10); and (iii) the treatment of petroleum subsidies as explicit expenditure items.

Data for the first half of the fiscal year (July-December 2005) confirm that income and customs tax receipts have picked up beyond their levels in the corresponding quarters of the previous years, despite the rate cuts (Table I.2.1; Figure II.9).

**After a period of sluggish growth, total revenue growth is outperforming expenditure growth in 2005/2006 as confirmed by data for the period July-December 2005 compared to July-December 2006.**



FIG. II.8 Source: MOF

As the economy expands and the taxable base widens, the contribution of both income and sales tax proceeds to total revenues and GDP growth should witness significant increases. Tax reductions, coupled with ongoing improvements in tax transformation, should increase FDI flows even more, as well as manufacturing exports and manufacturing value added.<sup>6</sup>

**Meanwhile, public and government debts remain manageable.**

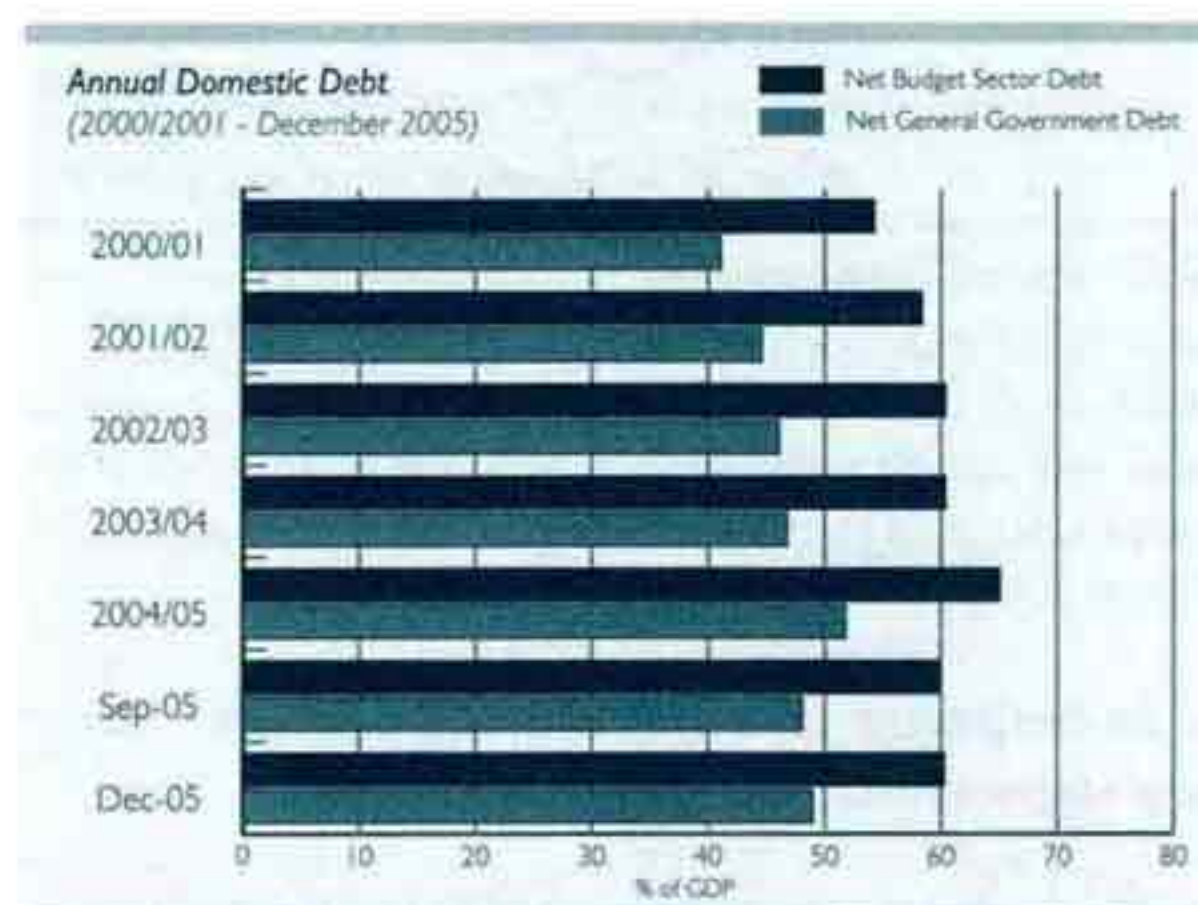


FIG. II.11 Source: MOF

With more reliance on non-inflationary financing since 1999/2000, net budget sector and general government debts have slightly increased. Relative to GDP, net budget sector debt was some 65.1 percent in June 2005 compared to 60.4 percent in June 2004. During the same period, net general government debt was 51.8 percent of GDP compared to 46.8 percent (Figure II.11).

As the expected economic recovery takes hold and growth rates strengthen, domestic debt ratios will go down. Egypt's debt dynamics will benefit from expected strong nominal GDP growth; the resumption of privatization; and the stabilization of the exchange rate. Furthermore, better tax compliance under the new simplified tax system could help improve the fiscal position and public indebtedness.<sup>7</sup>

**The improvement in the competitiveness of the Egyptian economy will be further spurred by recent trade reforms.**

<sup>6</sup> UNCTAD (United Nations Conference on Trade and Development). April 2005. Note on Country Experiences with Tax Harmonization.

<sup>7</sup> Fitch Ratings. January 2005. Arab Republic of Egypt: International Credit Update.



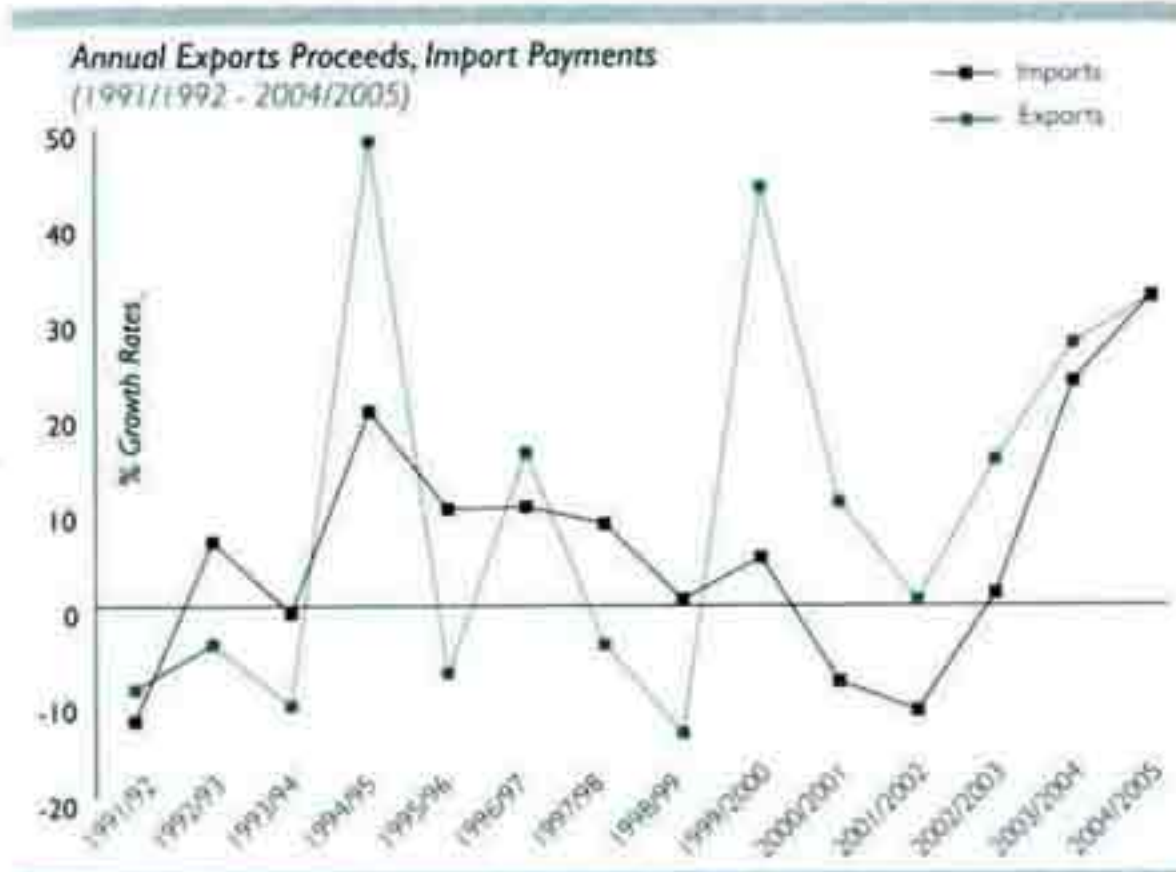


FIG. II.13 Source: CBE

Exports growth rates have been on an upward trend since 2001/2002 (Figure II.13). The competitiveness of Egypt's exports was prompted by the devaluation of the pound in 2003. In nominal terms, exports increased by 32 percent during 2004/2005 compared to 27.4 and 15.2 percent in 2003/2004 and 2002/2003 respectively. While the deceleration in global growth, the continued rise in oil prices, and the recent appreciation of the pound<sup>8</sup> could slightly dampen the demand for merchandise exports, ongoing trade and fiscal reforms are expected to stimulate export-oriented growth.

**Egypt's external position continues to be strong despite a small narrowing of the current account surplus and a slight widening in the trade deficit.**

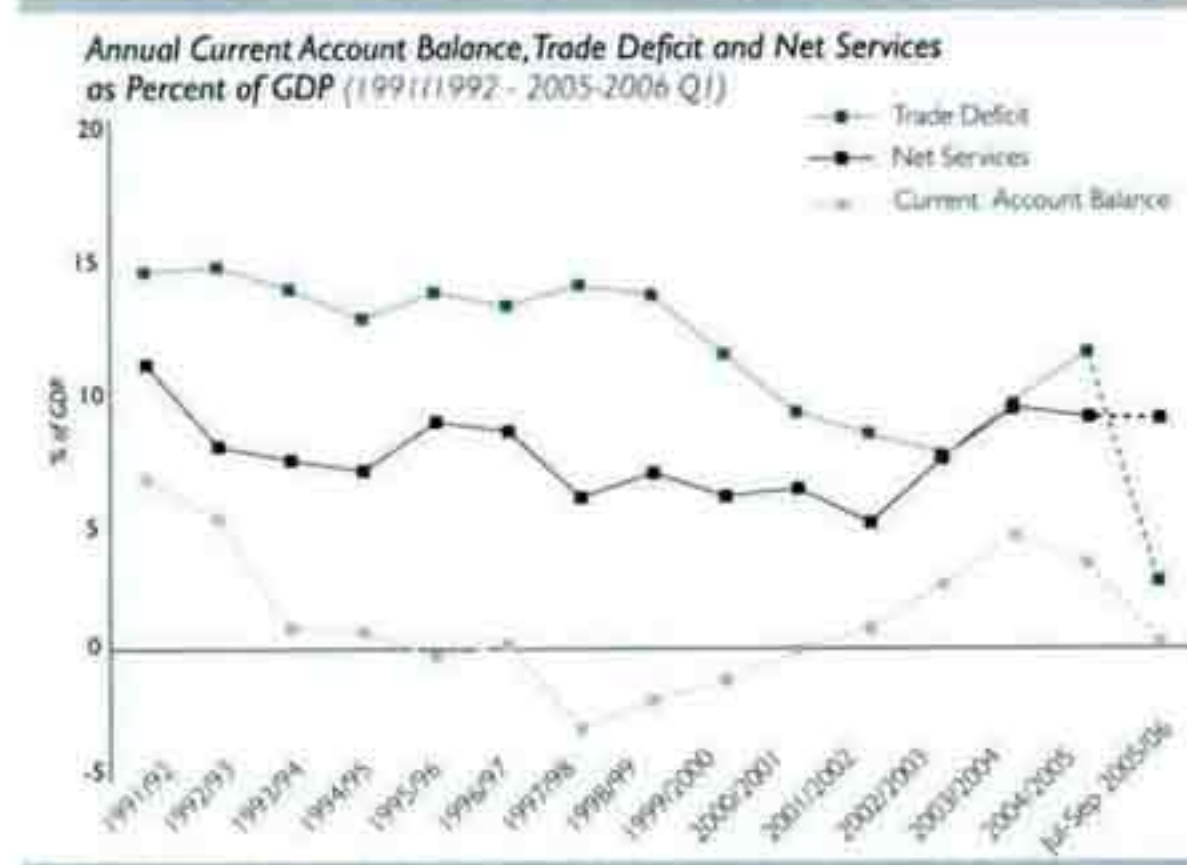


FIG. II.19 Source: CBE

Higher investment demand associated with the September 2004 reduction in tariffs and the recent recovery in economic growth rates was reflected in a rise in imports (32 percent in 2004/2005 compared to 23.4 and 1.3 percent respectively in 2003/2004 and 2002/2003). The rise in the current account surplus during the past four years has been driven by a significant improvement in the services balance. The fall in the value of the Egyptian pound has made Egypt an attractive tourist destination (Figures II.13, II.21 & II.22).

<sup>8</sup> The Egyptian pound has appreciated by some 8 percent since December 2004.

The robust growth in imports could increase pressures on the trade deficit. However the services surplus should remain unaffected (the appreciation of the pound should not have a significant impact on either tourism or the Suez Canal receipts), and should more than make up for any pressures on the trade balance. The current account therefore remains in surplus, standing at 3.3 percent of GDP during 2004/2005 compared to 4.4 percent in 2003/2004 (Figure II.23)

Thus as 2005/2006 began, the foundations for a sustained economic expansion were already in place. In response, a positive market sentiment has prevailed, pushing the stock market up. By end-March, the CASE-30 index was 6,767.6 versus 3,918 by end-March 2005, despite the drop that followed the Gulf stock market crisis in mid-March (Figure II.42).

**Turning to the stock market, the trend throughout the year has been bullish.**

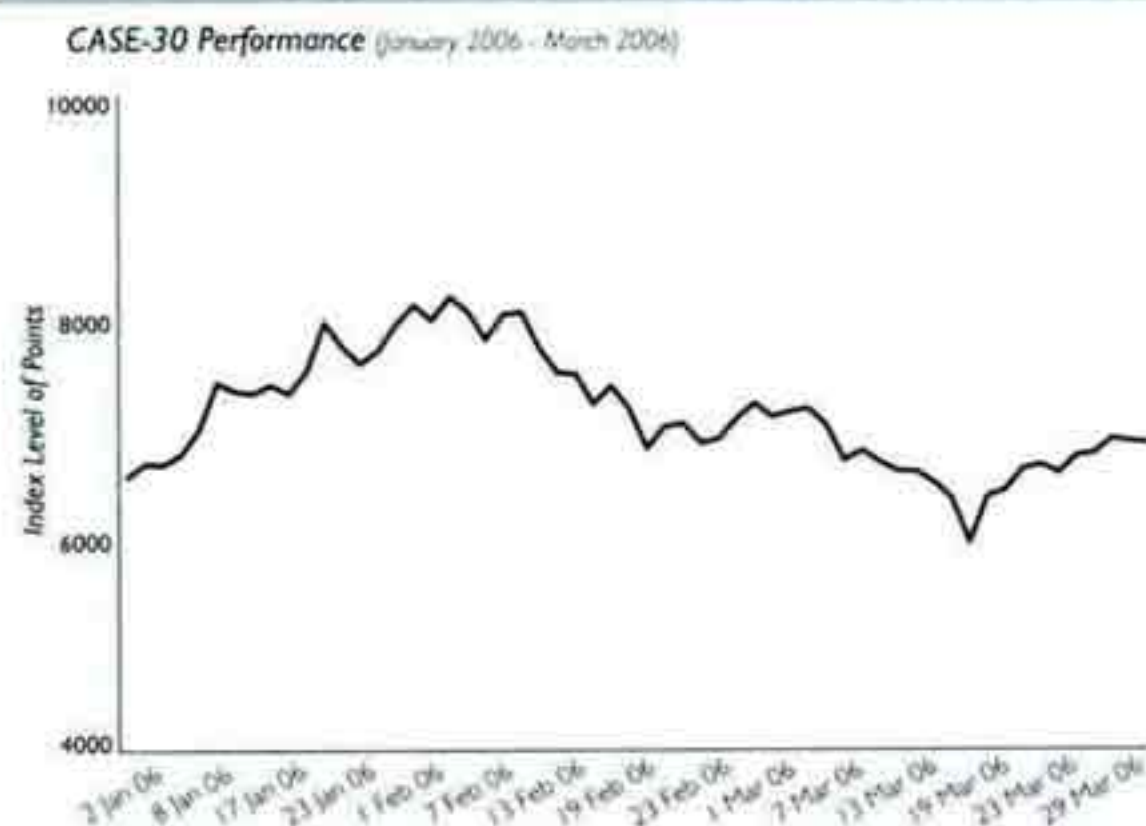


FIG. II.42 Source: MOF

The bullish performance was driven by the continued improvement in the external accounts, expansionary fiscal policy (through tariff and tax cuts), and rapid and successful privatization.<sup>9</sup> More recently the stock market received an extra boost following the renewal of the tenure of the reform-oriented Economic Team for another term.<sup>10</sup> The upturn in equity prices forestalls a business recovery in anticipation of the imminent upturn in activity and profits. It should also help to hold down the cost of capital and support increased investment and growth.

<sup>9</sup> See **Appendix C: Economic News** for more details on privatization and the recent Telecom IPO.

<sup>10</sup> For more details, refer to **Appendix C: Economic News**.



**Optimism and restored confidence in the economy has helped the CBE build up its NIRs...**

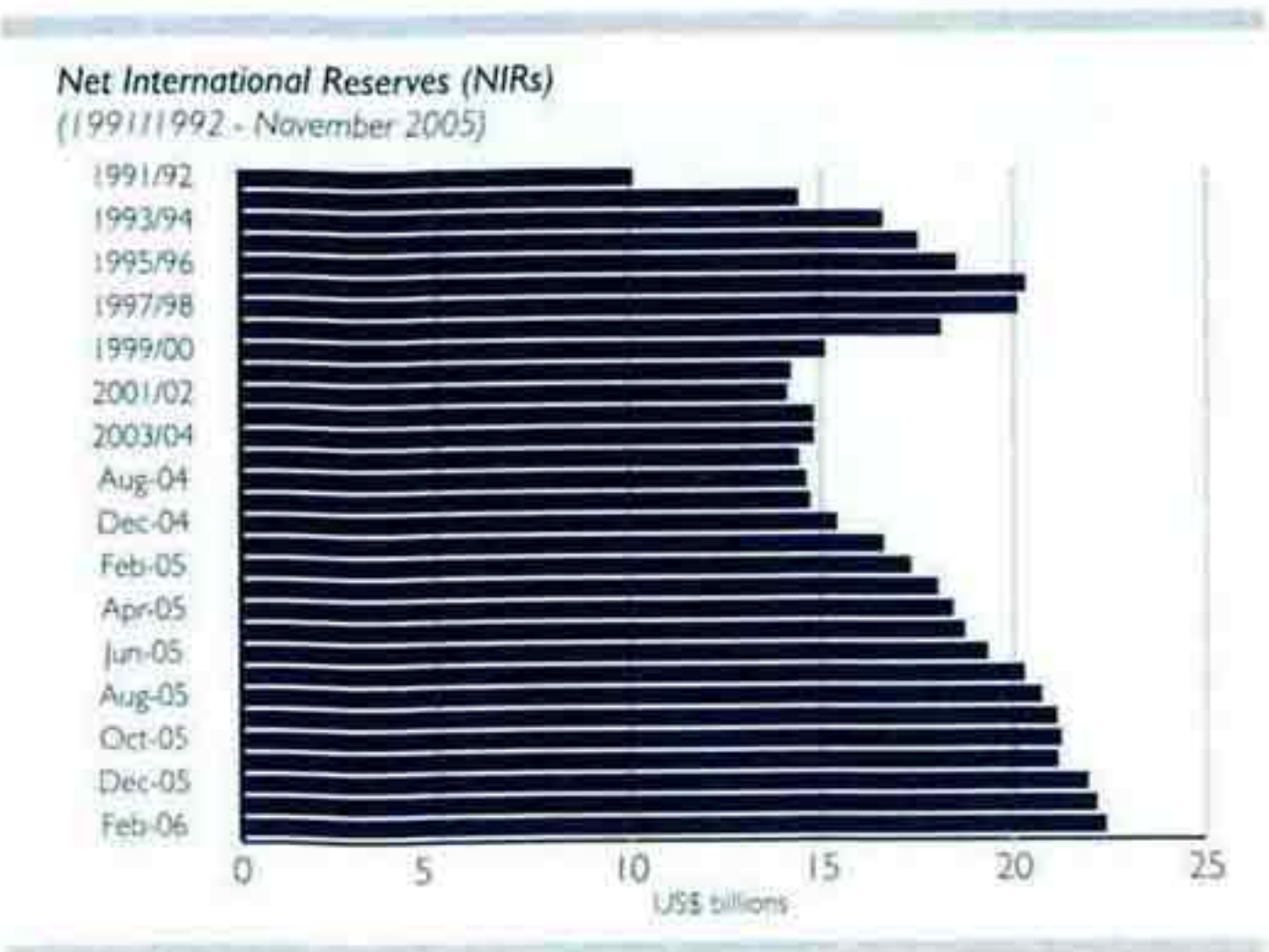


FIG. II.12 Source: CBE

The CBE continues to build its net international reserves (NIR), which at US\$22.4 billion in February 2006 have surpassed the 1997 record level of US\$20.3 billion. The robust NIR position owes to a strong current account and to the real depreciation of the pound (despite a recent appreciation of 8 per-cent), which served to increase the competitiveness of Egypt’s exports of goods and services (Figure II.12).

**... and suggest that there is significant scope in attracting FDI to Egypt.**

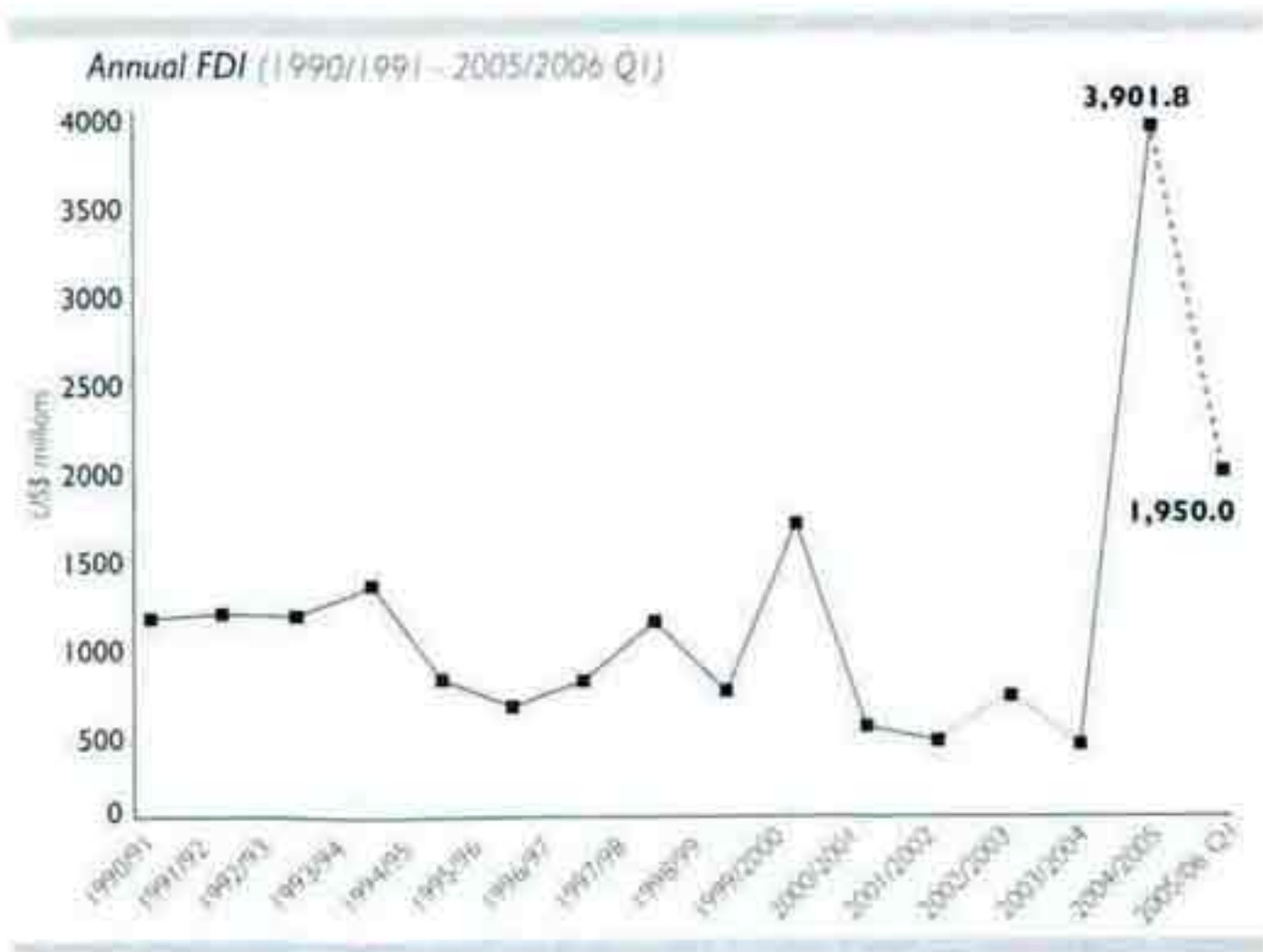


FIG. II.29 Source: CBE

The recent policy initiatives in the areas of trade reform, taxation and revived privatization have been directed towards realizing Egypt’s potential in attracting FDI. Privatization will extend to the banking sector as part of a broader financial sector restructuring plan. Recent leadership changes in the General Authority for Investment (GAFI) also bode well for foreign direct investment (FDI). GAFI is intent on improving conditions for existing investors in order to attract new inflows. In addition, new optimism has, as predicted in previous issues of the Monitor, reversed the downward trend of the past years. Over 2004/2005, non-oil FDI inflows tripled to US\$1.3 billion, bringing total FDI flows to US\$3.9 billion in June 2005. During the first quarter of the fiscal year, FDI flows were almost US\$2 billion compared to \$774.5 million during the corresponding quarter of last year (Figure II.29).



## 1.2 .. GOVERNMENT FINANCES

### BUDGET EXECUTION: 2001/2002 - 2004/2006<sup>11</sup>

#### Revenues

Revenue implementation (actual revenues as a percent of budgeted or projected revenues) has overall strengthened between 2001/2002 and 2004/2005. The medium forecasting of revenues from the different revenue components is currently being enhanced in the newly established macro-fiscal unit with a view to making budget projections more accurate.

Concerning overall budget revenues, there are across the board overestimates of both tax and non-tax proceeds. However revenue execution has improved between 2001/2002 and 2004/2005, with implementation rates rising from 81 percent in 2001/2002 to 93.7 percent in 2004/2005. The execution of tax revenues has similarly improved to 95.1 percent, although customs proceeds weakened in 2004/2005 to 61.4 percent compared to previous years because of tariff reductions that became effective in September 2004.

During the first half of 2005/2006 the performance of customs revenue was stronger than the corresponding period of last year as the tariff reductions were worked into the budget projections. Income tax performance is also weaker, with implemented income tax proceeds recording 40 percent of projected revenues compared to 44 percent during July-December 2005. The performance of individual tax revenues was particularly strong, yielding 45.6 percent of budgeted individual tax revenues, compared to 37.3 percent in the first half of 2004/2005. In contrast, implemented corporate tax proceeds were lower, standing at 38.3 percent of projected receipts compared to 47.3 percent last year.

Concerning non-tax revenues, after strengthened implementation in 2002/2003 and 2003/2004, revenue execution from the Suez Canal and the Central Bank saw some weakening in 2004/2005. However July-December 2005/2006 saw an improved performance over the same period last year.

#### Expenditures

Looking at the expenditure levels provided for the past four years, we find that total expenditures executed are largely on track. Some expenditure items are overestimated but only by a small margin. Notable weaknesses are in defense, investment expenditures and other expenditures, which are consistently underestimated. While defense and other expenditures are almost always off track, investment expenditure projections are uneven.

Concerning interest payments, both domestic and foreign payments tend to be consistently overestimated. During the first half of 2005/2006 expenditure implementation overall strengthened compared to the first half of 2004/2005.

#### The Budget Deficit

While fiscal consolidation is key to achieving a sustainable budget deficit, an equally important challenge on how to generate more revenues and improve revenue projections in order to make more informed expenditure estimates is currently being addressed. Current tax reformation is one step towards that objective. The new macro-fiscal unit at the Ministry is being developed and enhanced to be able to provide a more useful and accurate outlook of the budget, thus improving performance against budget estimates.

<sup>11</sup> Data available for the first quarter of fiscal year 2005/2006 (July-September).



**Table I.2.1: Budget Execution - Selected Items**

LE Millions	2001/2002			2002/2003			2003/2004			2004/2005			2005/2006				
	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Budget	Actual	%	Jul-Dec	%	Budget	Jul-Dec	%
Total Revenues	96,632	78,318	81.1	101,617	89,146	87.7	108,020	101,879	94.3	117,407	109,987	93.7	44,409	37.8	130,152	54,985	42.2
Tax Revenues	65,641	50,801	77.4	68,876	55,736	80.9	74,363	67,158	90.3	79,843	75,960	95.1	30,615	38.3	81,607	34,713	42.5
Income Tax	25,361	19,624	77.4	26,422	20,788	78.7	27,418	27,206	99.2	30,155	31,569	104.7	13,207	43.8	34,844	13,962	40.1
Individual Taxes	8,634	6,539	75.7	9,411	6,680	71.0	9,617	8,089	84.1	10,527	9,267	88.0	3,930	37.3	8,419	3,836	45.6
Corporate Taxes	16,727	13,085	78.2	17,011	14,108	82.9	17,801	19,117	107.4	19,628	22,301	113.6	9,277	47.3	26,425	10,126	38.3
Goods & Services	25,698	20,975	81.6	27,575	23,138	83.9	30,168	26,568	88.1	32,325	31,554	97.6	12,948	40.1	32,367	15,707	48.5
International Trade	11,105	7,296	65.7	11,018	8,238	74.8	12,210	9,241	75.7	12,636	7,763	61.4	3,899	30.9	9,115	4,044	44.4
Other	3,477	2,906	83.6	3,861	3,572	92.5	4,567	4,143	90.7	4,727	5,075	107.4	561	11.9	5,281	1,000	18.9
Non Tax Revenues	30,991	27,517	88.8	32,741	33,410	102.0	33,657	34,721	103.2	37,564	34,027	90.6	13,794	36.7	48,544	20,272	41.8
Grants	2,297	4,265	185.7	2,280	3,290	144.3	3,101	5,050	162.9	3,352	3,497	104.3	(307)	(9.2)	2,861	397	13.9
Other Non Tax Revenues	28,694	23,252	81.0	30,461	30,120	98.9	30,556	29,671	97.1	34,212	30,530	89.2	14,101	41.2	45,683	19,875	43.5
Total Expenditure	113,303	115,542	102.0	128,341	127,320	99.2	142,715	145,988	102.3	160,104	158,434	99.0	61,669	38.5	187,817	71,842	38.3
Wages and Salaries	31,870	30,516	95.8	34,854	33,816	97.0	38,622	37,266	96.5	42,560	41,190	96.8	19,060	44.8	45,843	21,026	45.9
Defense	11,595	12,235	105.5	12,615	13,215	104.8	13,945	14,400	103.3	13,990	14,592	104.3	7,029	50.2	15,486	7,632	49.3
Interest	25,370	21,752	85.7	28,562	25,852	90.5	33,364	30,704	92.0	37,889	32,784	86.5	8,810	23.3	42,605	9,592	22.5
Domestic	22,940	19,572	85.3	26,034	23,498	90.3	30,094	27,742	92.2	34,016	29,782	87.6	7,263	21.4	38,590	8,276	21.4
Foreign	2,430	2,180	89.7	2,528	2,354	93.1	3,270	2,962	90.6	3,873	3,001	77.5	1,547	39.9	4,015	1,316	32.8
Investment	15,267	19,776	129.5	20,424	20,251	99.2	20,402	22,851	112.0	20,451	21,239	103.9	5,735	28.0	17,395	5,715	32.9
Other	29,201	31,263	107.1	31,886	34,186	107.2	36,382	40,767	112.1	45,214	48,630	107.6	21,035	46.5	66,488	27,877	41.9
Cash Deficit/Surplus	(16,671)	(37,224)	223.3	(26,724)	(38,174)	142.8	(34,695)	(44,109)	127.1	(42,697)	(48,448)	113.5	(17,260)	40.4	(57,665)	(16,857)	29.2

Source: Ministry of Finance



## 1.3 .. THE DOMESTIC ECONOMY: CHALLENGES AND OPPORTUNITIES AHEAD

As discussed in previous issues, there is no evidence that macroeconomic imbalances will emerge in 2005 or 2006. The decisive and challenging initiatives taken by the Economic Cabinet of July 2004<sup>12</sup> are generating a mutually reinforcing growth momentum that promises higher growth for the Egyptian economy. Prospects for the economy appear more favorable than at the beginning of the millennium.

The data analyzed in this report provide evidence that the economy is indeed benefiting from the reforms undertaken. Trade and tax developments, monetary policy reforms, exchange rate liberalization, aggressive privatization and the commitment to restructure the banking system have all raised optimism and restored confidence in the economy. Foreign direct investment flows have surged, and the stock market has continued to be bullish. The CBE has built up its net international reserves to record levels. In response to the reforms, investment demand has picked up, while consumption demand, particularly private consumption, has led the strong economic growth.

Nevertheless there could be downside risks to this outlook. There exist a number of tests that the economy could face, and which would require proactive and efficient policy responsiveness. As stated in the March 2005 edition of the Monitor "The principal task in the near-term will be to ensure that economic policy facilitates the necessary adjustments to consumption and investment that arise from the change in relative world prices of essential commodities." This task remains a fundamental objective of the Government in the near-term, particularly in light of the continued rapid rise and volatility in the world price of oil that could cause global current account imbalances and thus financial difficulties for both vulnerable emerging economies and poor oil-importing countries. Higher oil prices could also mean slower global growth.

The Government has thus started a process to adjust monetary policies to ensure exchange rate flexibility and to mitigate the effects of (i) imported inflation (should such inflation arise), and (ii) slower global growth (should slower growth materialize, reducing external demand for Egyptian goods). In addition, bold fiscal adjustment (further tax and pensions reform) as well as vigorous structural reforms (including privatization, financial sector reforms and improvements in the investment climate) are underway.

As also noted in **Section 1.1: Overview of the Economy: Recent Trends**, the strong increase in

external demand in 2004 has stimulated economic growth in 2005, particularly domestic demand. Pro-active measures are directed towards the steady stimulation of all components of domestic demand in order to trigger the necessary multiplier effects on the other demand factors. These measures include the recent increase in civil service salaries and the approval of the new Income Tax Law in June 2005. The increase in civil service salaries has an immediate effect to increase the purchasing power of this large group of wage earners. In doing so, it provides immediate social welfare benefits directly to the recipients and, later, downstream through its multiplier effect. It directly addresses the key Government goal of improved social equity and supports widespread participation in the benefits of the economic reform program.

The new Income Tax Law which became effective in July 2005 also stimulates domestic demand. The reduced tax rates leave more resources at the disposal of the individual taxpayers for both consumption and investment. Taxpayers, particularly at the corporate level, also realize additional benefits from the reduction of compliance costs arising from the streamlining of procedures. In addition, the overall improvement in net profits opens new private sector investment opportunities which previously appeared unattractive. Over the longer term, the Government will continue to modernize its tax institutions so that a strong bond of mutual respect and professionalism develops between the citizens and these institutions.

A third challenge relates to the implemented reductions in customs duties and tax rates, both of which carry short-term costs in terms of lower revenues. First, customs duties have already seen more than a 16 percent drop in 2004/2005, and proceeds for the first quarter of 2005/2006 continue to be lower than the corresponding periods for the past three years. In the medium term reduced customs proceeds will be offset by increased tax revenues arising from faster economic growth. Export led growth will be stimulated because the tariff reductions will reduce the costs of importing essential raw materials and intermediate and capital goods used in the exportables industry. The growth in the domestic industry in response to an increase in exports and economic expansion would in turn create many job opportunities.

In addition to revenue implications, there are two risks that relate to the trade deficit and the domestic industry. One risk is that a robust growth in imports in response to lower tariffs and a stronger Egyptian pound could increase pressures on the trade deficit. However the services surplus should remain unaffected and should more than make up for any pressures on the trade balance, keeping the current account in surplus. The appreciation of the pound

<sup>12</sup> The same economic team was sworn in on December 31, 2005 for a new term.



by 8 percent should not have a significant impact on either tourism or the Suez Canal receipts, both of which tend to be more influenced by geopolitical developments.<sup>13</sup> European tourists represent the majority of tourists arriving in Egypt, and continue to benefit from a strong Euro. Suez Canal earnings will actually benefit from higher oil prices. Hence, the diversity of foreign exchange income in the current account provides resilience to external shocks.<sup>14</sup> (See **Section II: Egyptian Economy Watch**, Figure II.20.)

As for the risk to the domestic industry, it would be temporary. Tariffs on raw materials, production inputs and semi-processed goods were reduced by more than 50 percent in many cases, and slashed by as much as 80 percent in other cases. Tariffs on other inputs were completely eliminated.<sup>15</sup> These reductions will serve to increase the competitiveness of Egyptian products in the global markets over the medium term, thus serving to lower the trade deficit. Thus, all policy reforms that improve the investment environment and reduce the cost of trade through across the board tariff reductions or through preferential trade agreements remain a top priority of the Government.

Concerning the second challenge which is the cost of tax reforms to the budget, as economic growth expands fiscal capacity, it is expected that the budget deficit will be lower.<sup>16</sup> However it must be noted that very few countries (only three Eastern European countries, Ireland and Mauritius) have undergone such a comprehensive and deep tax transformation. In these countries tax reforms had no negative impact on FDI flows, manufacturing exports and manufacturing value added, even in the short term.<sup>17</sup>

Also, the widening of the tax base (the lower tax rates mean more inclusion of taxpayers and less evasion) has positive implications for tax revenues in the immediate to medium term. The drop in tax receipts could thus be recouped by a widening of "taxable capacity." In addition, lower customs duties will reduce the cost of investment and consumption as imports rise strongly stimulated by the reduction in tariffs. This is expected to support domestic investment, production and stronger growth.

In the medium term, fiscal reform measures should also start a virtuous circle of stimuli to the economy. The planned transformation of the tax authority, which will include greater automation leading to

a less discretionary application of the rules, would raise additional income while the tax rate is reduced at the same time. Economic activity will be further reinforced in response to the rapid pace of current reforms and increased confidence in government policy. The budget will also be bolstered by complementary efforts by the Ministry of Finance to manage public expenditure more efficiently.

In the short run, some of these short term costs can be absorbed without jeopardizing the budget. According to Fitch Ratings, "Egypt's debt dynamics benefit from strong nominal GDP growth ..., so the Government can incur a slightly higher deficit without jeopardizing the debt/GDP ratio."<sup>18</sup> The acceleration of privatization could also provide supplementary budget support in the immediate term.

The Egyptian Government has introduced significant changes in the past 18 months. These reforms are now proving instrumental in increasing the ability of the Egyptian economy to withstand exogenous shocks, and to weather the developments in the global economy. Equally important, the continued political will to introduce new reforms will help to maintain the momentum for continued economic liberalization and strengthening of the macroeconomy, including improving the fiscal and public debt profiles. Egypt thus stands to benefit from improved economic fundamentals that will boost domestic demand, ensure that the momentum of growth remains solid, and thus increase the resilience of the economy to negative global developments. In March these fundamentals were tested when the Gulf stock markets declined causing a fall in the Egyptian market. The Egyptian stock market has largely recovered since then as we saw in **Section II: Egyptian Economy Watch**, indicating that the economy is well equipped with fundamentals that put it on the path to sustainable development. These fundamentals include an improved business environment with reduced bureaucracy, an improvement in companies' access to infrastructure and financing,<sup>19</sup> and a rapid and successful privatization program since July 2004 as is discussed in **Appendix C: Recent Economic News**.

Rapid and comprehensive economic transformation has become an integral part of the vocabulary of the Economic Team of the July 2004 Cabinet which was sworn in for a second term on December 31, 2005.<sup>20</sup> There is growing support for the announced policy changes, and the renewed credibility of the Economic Team bodes well for positive economic effects. The Economic Team will continue to show the way ahead by clarifying the future policy agenda and continuing to pursue and set in motion complementary, dynamic and constantly adapting reforms.

<sup>13</sup> Even then, the Egyptian tourism industry has shown significant buoyancy in the face of incidents that occurred in Taba and Sharm el-Sheikh in 2004/2005. Although these two incidents happened at season peaks, occupancy in the two resorts rapidly recovered.

<sup>14</sup> Fitch Ratings, December 15, 2004. *Fitch Revises Egypt's Outlook to Stable*. Press Release.

<sup>15</sup> For details of tariff reductions see **Recent Developments** in the March 2005 issue of the *Egyptian Economic Monitor*, available at [www.mof.gov.eg](http://www.mof.gov.eg).

<sup>16</sup> For a discussion of why the 2005/2006 deficit appears slightly larger please refer to **Section I.1: Overview of the Economy: Recent Trends** and **Appendix C: Economic News**.

<sup>17</sup> UNCTAD (United Nations Conference on Trade and Development), April 2005. *Note on Country Experiences with Tax Harmonization*.

<sup>18</sup> Fitch Ratings, December 15, 2004. *Fitch Revises Egypt's Outlook to Stable*. Press Release.

<sup>19</sup> Business Monitor International, *Daily Brief on Middle East and Africa: Egypt Reform Outlook Still Promising*, March 22, 2006.

<sup>20</sup> See **Appendix C: Economic News**.



## 1.4 .. GLOBAL CHALLENGES

### Economic Growth and Oil

The IMF's World Economic Outlook (WEO)<sup>21</sup> announced that the global economy has continued its strong expansion, and the outlook for continued and solid growth remains favorable, despite higher oil prices and more frequent natural disasters. Global growth is estimated at 4.8 percent, 0.5 percentage points higher than projected last September 2005.<sup>22</sup> Buoyancy of activity in China, India and Russia accounts for two thirds of the upward revision to global growth in 2005. In addition, global industrial production has picked up significantly since mid-2005, the service sector continues to be strong, and global trade growth is close to double-digit levels. At the same time, consumer confidence is strengthening as reflected in forward-looking indicators such as the Business Confidence Index and the Consumer Confidence Index.<sup>23</sup>

Global growth is aided by global financial stability and downward pressures on prices, which has allowed accommodative macroeconomic policies. In major industrialized economies, inflation appears to be contained, while global interest rates continue to be low, corporate earnings are strong and merger and acquisition activity will support global stock markets in 2006. Risks on the downside would be continued inaction in addressing increasing global imbalances. Another risk concerns a slowdown in emerging economies that are being hit by the continued high rise in oil prices which has already caused some inflationary pressures in these markets.<sup>24</sup>

The principal challenge for global policy makers is to make sure there is an orderly and timely resolution of global imbalances. The U.S. current account deficit continues to rise, matched by large surpluses in oil exporting countries, China, Japan, and a number of other Asian countries.<sup>25</sup> This requires strengthened policies to rebalance demand across countries, and a realignment of exchange rates over the medium term, in particular a depreciation of the US dollar and appreciation of currencies in countries with current account surpluses.<sup>26</sup>

In vulnerable emerging economies, a number of risks require attention. First despite lower consumption demand, comfortable inventory levels in the United States, and the easing from Hurricane Katrina-related high prices, uncertainties about future supply (given geopolitical uncertainties in Iran and Iraq, and supply

threats in Nigeria) continue to drive price increases. In addition, the impact of higher prices on the global economy has been more moderate than expected, in part because inflationary expectations have remained well anchored. However, the pass-through may prove to be incomplete, especially if the market is treating the energy problem as transient.

Thus high and prolonged volatile oil prices, as well as expectations of further rises, pose challenges that could be aggravated by: (i) increased global activity leading to a rapid growth in oil consumption (2.9 mbd in 2004 over 2003, or 3.7 percent) the largest in the past 20 years; (ii) limited investment in exploration and digging of wells since the mid-eighties and limited refinery capacity; (iii) structural changes in demand in China due to electricity shortages and increases in transport demand; (iv) fears of oil supply disruptions; and (v) speculation about price movements emanating from uncertain expectations regarding future structure and fundamentals of the global oil market.<sup>27</sup>

Second, though the impact of Hurricane Katrina on crude prices has passed through, it has clearly increased short-term risks relating to US refinery capacity.<sup>28</sup> Third, the persistence and pervasiveness of global current account imbalances jeopardizes global growth. In the US in particular, the high current account deficit increases the vulnerability of the economy, with repercussions on global growth.<sup>29</sup>

Fourth, the engines of world growth continue to be the United States, and "other emerging market and developing countries" including China and Japan. However different trends of growth in these countries present competing forces to the outcome of global growth. Growth in the US, as discussed, is still strong. Growth in Japan is well established but flat, while China is pursuing less expansionary policies to facilitate a soft landing. Nevertheless its economy is still booming and shows no signs of cooling.<sup>30</sup> As European growth is still dependent on export demand, it remains vulnerable to domestic and external shocks,<sup>31</sup> and a slowdown in Japan (or China) would adversely impact the Euro region.<sup>32</sup>

In the meantime, China as an "emerging giant" matches the US as a driver of global growth, and has

<sup>21</sup> IMF, September 2005, *The Structure of the Oil Market and Causes of High Prices*, SM/05/359.

<sup>22</sup> IMF, September 2005, *World Economic Outlook: Building Institutions*, GRAY/04/2076.

<sup>23</sup> IMF Managing Director Statement to the Development Committee, September 22, 2005.

<sup>24</sup> *Soaring Chinese economy defies slowdown fears*, *Financial Times*, October 21, 2005, p. 4.

<sup>25</sup> IMF, April 2006, *World Economic Outlook: Globalization and Inflation*.

<sup>26</sup> Statement by Mr. Shaalan on World Economic Outlook, August 30, 2004, GRAY/04/2076.

<sup>21</sup> IMF, April 2006, *World Economic Outlook: Globalization and Inflation*.

<sup>22</sup> IMF, September 2005, *World Economic Outlook: Building Institutions*.

<sup>23</sup> IMF, April 2006, *World Economic Outlook: Globalization and Inflation*.

<sup>24</sup> IMF Managing Director Statement to the Development Committee, September 22, 2005.

<sup>25</sup> IMF, April 2006, *World Economic Outlook: Globalization and Inflation*.

<sup>26</sup> IMF, April 2006, *World Economic Outlook: Globalization and Inflation*.



growing influence on relative prices and incomes in the world economy. The prices of China's exports continue to fall, and as the biggest consumer of many imports, Chinese demand is having a significant impact on the world prices of oil, aluminum, coal, steel and copper. With respect to oil, assuming that the rise in oil prices has been mostly driven by strong Chinese demand (and not an interruption of supply), the impact of higher oil prices on inflation has been more than offset by cheaper Chinese exports of other goods,<sup>33</sup> coming from the world's third largest exporter. Thus the overall impact has been that the downward pressure by China's exports has more than offset the upward pressure from its imports of raw materials,<sup>34</sup> including oil, for the time being.

Not only have China's exports diluted the inflationary impact of high oil prices, but its policy of buying US Treasury bonds to hold down the Yuan has pushed down American bond yields, making it easier for the US government to continue to borrow at cheap rates and maintain robust economic growth.<sup>35</sup> Nevertheless, the rate of profits growth in the US could slow and high commodity prices could cause a spike in inflation. Stresses in the bond market could take place if interest rates rise more than expected or a slowdown in US consumer spending knocks equities.<sup>36</sup> A trigger for a correction in surging commodity prices including oil – a sharp economic downturn – does not appear to be on the horizon.<sup>37</sup>

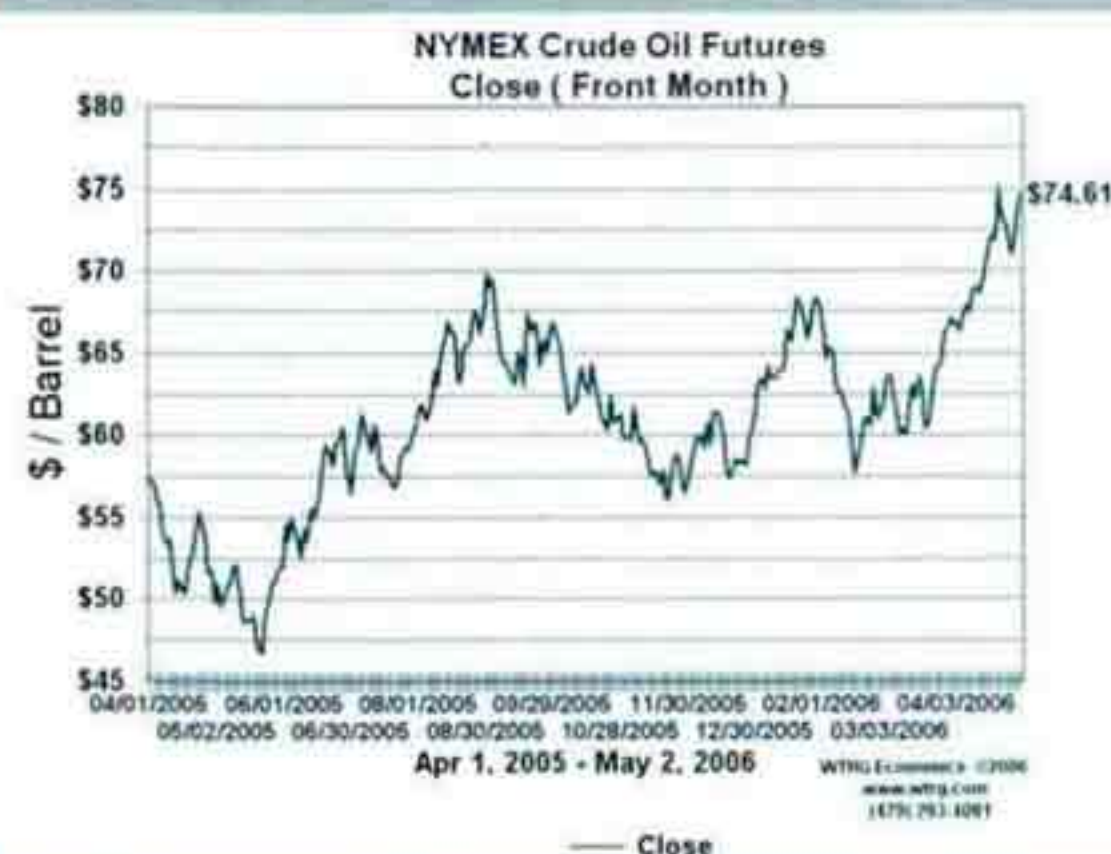
However, even if the rest of the world went into a slowdown, Chinese demand for metals and commodities would still support high prices in the medium term. China has gone from accounting for some 7-10 percent of world demand of the main base metals in 1993 to 20-25 percent in 2003. By 2010, China will very likely account for more than 30 percent. Thus even if demand is falling in the rest of the world, if China continues to grow at current rates, it would make up for declines elsewhere. In addition, the size of global inventories of metals are at their lowest levels in decades, especially in the face of the lack of new projects to increase supply in both the oil and mining industries. Finally, tighter environmental standards in developing countries will also make it difficult to add new capacity.<sup>38</sup>

The question for the next issue of the Monitor is: will risks of oil supply shortages continue in tandem with increased demand for oil? How will the persistence of demand/supply imbalances affect global inflation and growth? Will economic growth in the US remain solid after Hurricane Katrina? Will inflation rates remain at their current levels or will the US see

rising price pressures? America's inflation rate almost doubled over the past year to 4.7 percent in September, its highest since 1991, and higher than when the Chairman of the Federal Reserve Board, Alan Greenspan, took office in 1987.<sup>39</sup> Will fears about inflation continue to be inspired by expectations of permanent high energy prices, and feed into other prices and wage demands? Will US monetary policy continue to tighten to dampen inflation and excess liquidity in the housing market? These are all questions that have no easy answers given the "broad range of views in the outlook."<sup>40</sup>

## Recent Trends in Selected World Commodities

**Oil prices rose in the first quarter of 2005 but declined as OPEC's expanded production came into the market. However, prices have risen again since the beginning of December and are at a new US dollar high. Analysts feel that the current spike reflects the near-capacity status of the refining industry.**



**Without a more significant reduction in demand for oil, the current price trend could stimulate world inflation.**

**The current price is now higher than the historic high in real terms which occurred in late 1979 to early 1980. The price at that time reached almost \$65/barrel in terms of 2004 dollars.**

<sup>33</sup> *How China Runs The World Economy*. *The Economist*, July 30th 2005.

<sup>34</sup> *China And The World Economy*. *The Economist*, July 30th 2005.

<sup>35</sup> *How China Runs The World Economy*. *The Economist*, July 30th 2005.

<sup>36</sup> *What Does 2006 Have In Store?* *Financial Times*, December 30, 2005, P. 11.

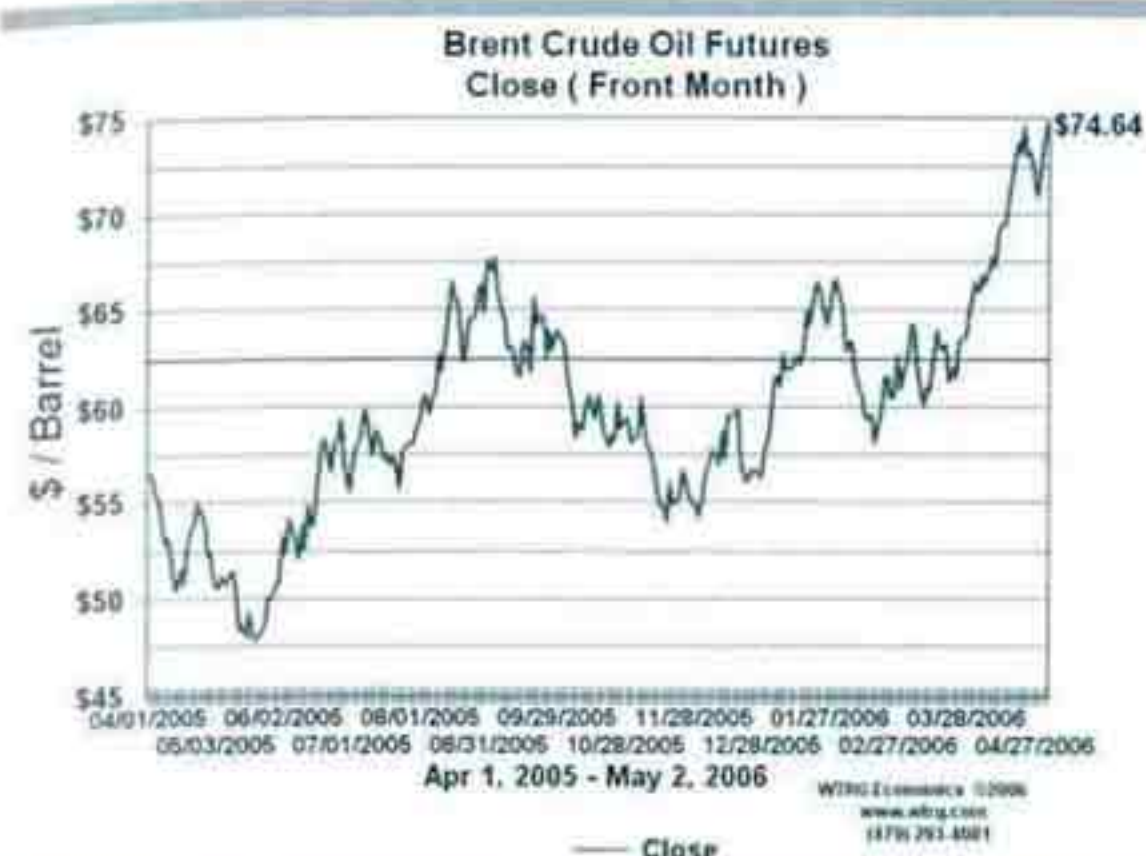
<sup>37</sup> *Commodity Process: Supply Shortages And China's Appetite Keep Correction At Bay*. *Financial Times*, December 30, 2005, P. 24.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Global Inflation - The Scourge Returns: Central Banks Cannot Ignore The Latest Spurt In Inflation*. *The Economist*, October 22-28, 2005, P. 18.

<sup>40</sup> *Barclays Bank As Quoted In Crude Back At Levels Last Seen Before Pre-hurricane*. *Financial Times*, October 22, 2005, P. 12.

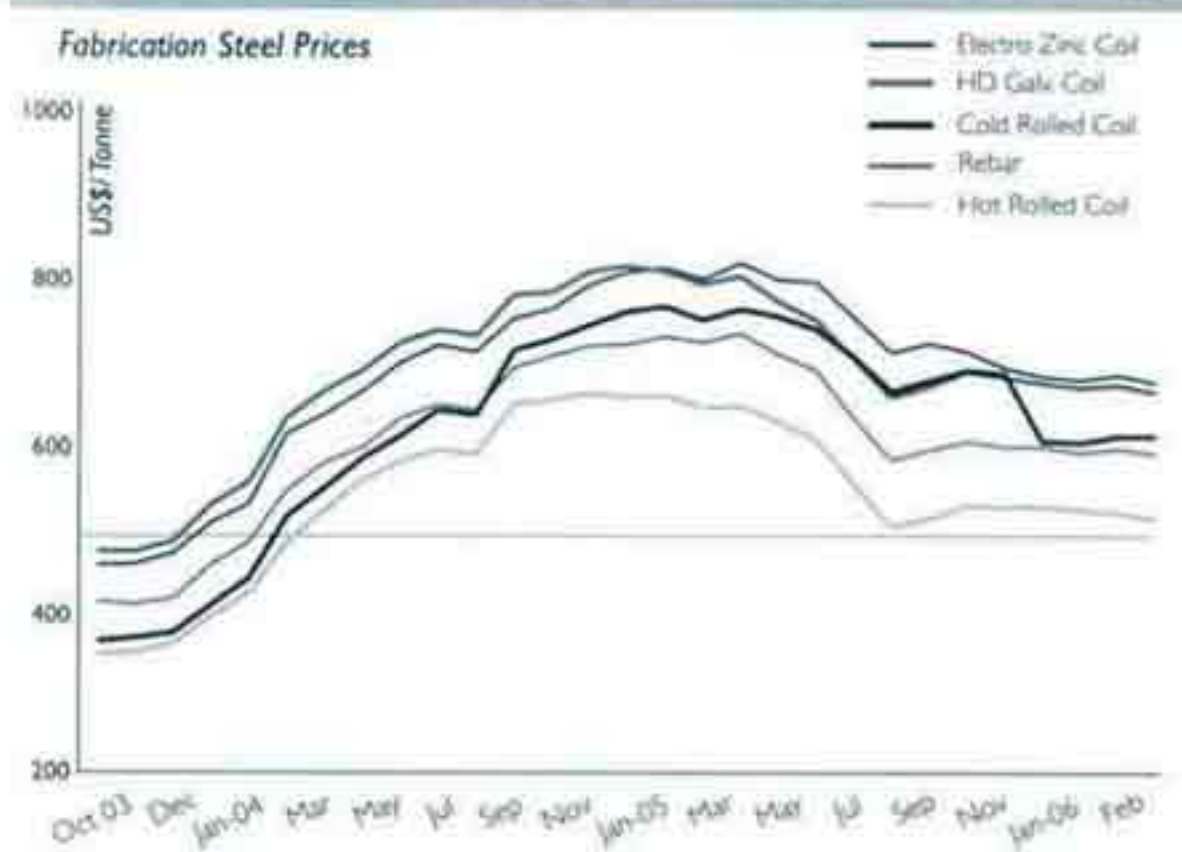




**Steel prices overall declined between December 2004 – July 2005. They have been on an upward trajectory since August 2005. Analysts believe that strong demand will keep prices from waning.**



**In late 2003 to early 2004, the rising price of steel was frequently mentioned as evidence of impending world inflation. However, prices started declining since August 2004.**



## Textile Production and Trade

On January 1, 2005 all quotas were removed from trade in textiles in accordance with WTO agreements. Since then, there has been a rapid rise in selected textile imports from China into the EU and the US, the world's two largest textile markets. On May 13, 2005 and again on May 18 the United States announced that it had reintroduced textile quotas for various categories of textiles including cotton trousers, shirts and cotton blend underwear. Shortly thereafter, the EU advised China that it would do the same for t-shirts, flax and other categories of textiles unless exports were restrained. On June 9, China agreed to restrain the growth of selected categories of textiles to the EU, thus avoiding the re-imposition of quotas. Thus far, no similar agreement has been reached between China and the US.

Preliminary data for the first ten months of 2005 indicate that the predicted migration of the production of textiles to China and India is taking place. US trade data for January - October 2005 shows an overall 47.6 percent increase in total textile imports during this period compared to its correspondence in 2004.<sup>41</sup> However, China and India expanded their exports to the US by 67.9 percent and 25.3 percent respectively while there was an actual decline in the value of textile exports to the US from Mexico, Hong Kong, Canada, South Korea, Taiwan, the Philippines, Mauritius and South Africa. Similarly, EU data for the first quarter of 2005 show as much as a 32 point upward shift in China's market share in selected textile categories compared to the first quarter of 2004.<sup>42</sup> In almost all cases where China has gained market share, the prices of the textiles has declined from 15 to 47 percent.

The consequence of this shift is that a number of countries are reporting a decline in exports and employment in textile production as the more labor intensive components of the industry are being taken over by Chinese suppliers. Countries that previously had relied heavily on textile exports now face a potentially formidable challenge to rapidly diversify exports in order to sustain overall growth and employment.

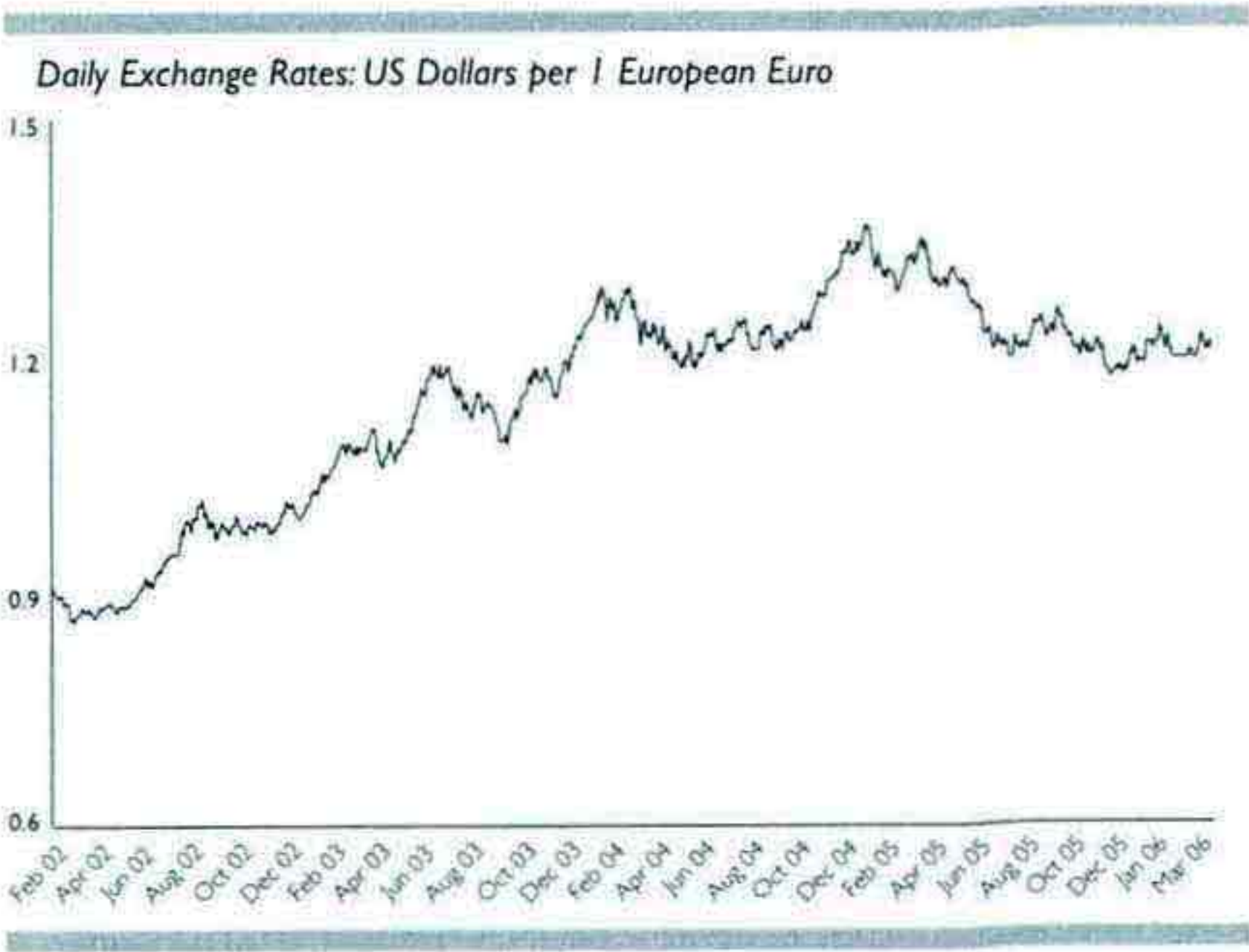
<sup>40</sup> <http://www.census.gov/foreign-trade/statistics/country/sreport/china.xls>.

<sup>41</sup> "Trade Developments", Nathan Associates Inc, [www.nathaninc.com](http://www.nathaninc.com), April 2005.

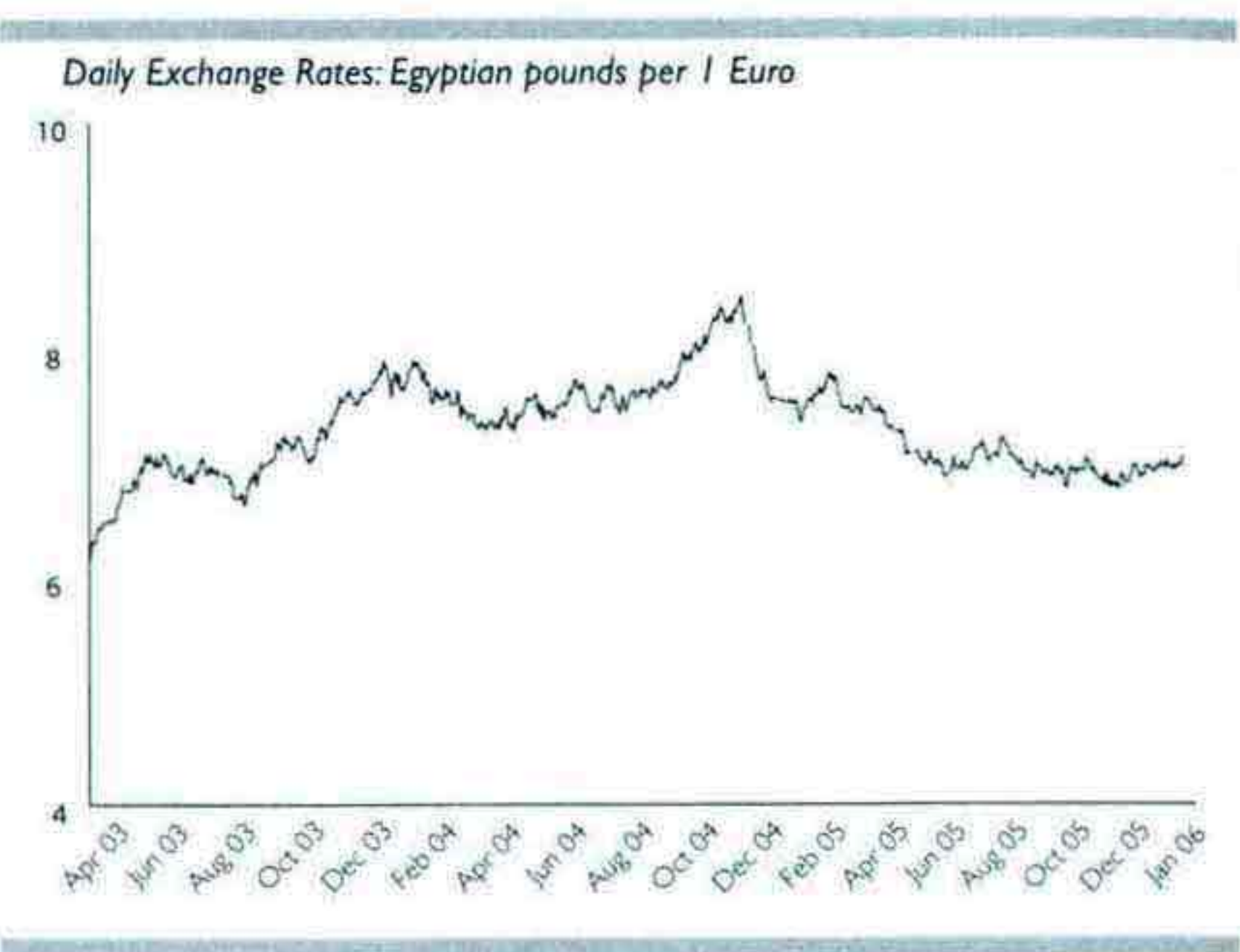


# Foreign Exchange Rates

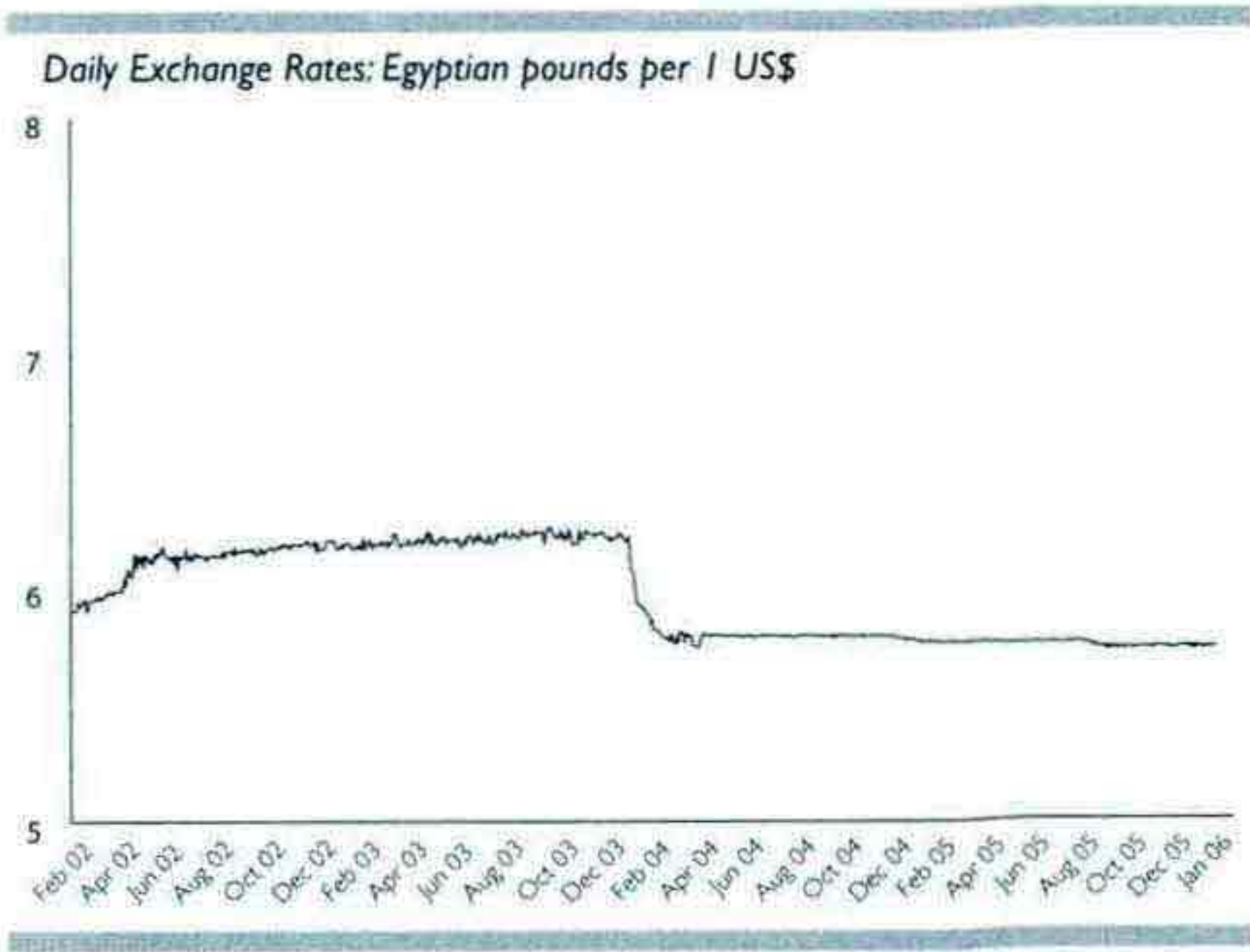
**Since early 2002, the U.S. dollar has depreciated by some 37 percent, matched primarily by appreciation of the euro.**



**Its performance against the Euro has been more volatile, but has overall appreciated.**



**The Egyptian pound has steadily and slowly appreciated against the dollar since January 2005.**





# II

## Egyptian Economy Watch



## II. EGYPTIAN ECONOMY WATCH

Table II.1: Selected\* Economic and Financial Indicators (2000 - 2005)

	Jun-00 <sup>1</sup>	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Dec-04	Dec-05
GDP at Market Prices (LE Billions)	340.1	358.7	378.9	417.5	485.3	536.6 <sup>2</sup>	217.4 <sup>3</sup>	229.7 <sup>3</sup>
GNP (LE Billions)	356.1	373.6	393.1	430.7	502.7	554.8	NA	NA
Real GDP (% Growth Rate)	5.9	3.4	3.2	3.2	4.1	4.9	4.5 <sup>3</sup>	5.8 <sup>3</sup>
Real Per Capita GDP Growth Rate (%)	3.8	1.4	1.1	1.2	2.1	2.9	NA	NA
Average Per Capita Income (LE)	5,316	5,650	5,789	6,395	7,276	7,972	NA	8,200
Share of Private Sector in GDP	73.4	76.4	70.1	71.6	63.4	63.5	64.7	62.6
Fiscal Balance (% GDP)	(3.9)	(5.6) <sup>4</sup>	(10.2)	(10.5)	(9.7)	(9.6)	(3.2)	(2.9)
Inflation Rates								
CPI (% Growth Rate yoy)	2.5	2.2	2.4	3.2	4.9	11.4	17.8	3.1 <sup>5</sup>
WPI (% Growth Rate yoy)	1.8	1.3	2.1	11.7	17.4	10.1	14.9	4.3 <sup>6</sup>
Exchange Rates								
Official Exchange Rate (LE / US\$)	3.4	3.9	4.4	5.2	6.2	6.0	6.2	5.7
Parallel Exchange Rate (LE / US\$)	NA	4.1	5.1	6.2	6.3	5.77 <sup>7</sup>	--	--
Interest Rate on T-Bills (91 days)	9.04	9.06	7.80	8.30	8.40	10.4	9.90	8.82
Broad Money (% Growth Rate yoy)	8.8	11.6	15.4	16.9	13.2	13.6	14.0	12.9 <sup>8</sup>
Current Account Balance (% GDP), including Official Transfers	(1.18)	(0.03)	0.70	2.40	4.30	3.3	0.40	NA
Foreign Debt (% GDP)	28.2	28.5	33.7	42.5	38.1	30.0	32.9	NA
Total Debt (% Exports of G&S)	156.0	141.5	171.2	157.6	127.5	100.4	NA	NA
Debt Service (% Current Receipts)	7.6	7.3	9.7	10.1	9.2	7.9	NA	NA
Debt Service (% Exports of G&S)	9.6	8.7	12.2	12.1	10.8	9.4	NA	NA
Reserves / Months of Imports	10.2	10.4	11.6	12.0	9.7	9.6	NA	NA
Unemployment Rate (%)	9.0	8.8	9.0	10.5	11.1	10.5	10.5	NA
Population (% Growth Rate)	2.12	2.13	2.00	2.00	2.00	2.00	NA	NA
New Employment Opportunities (Thousands)	NA	NA	537	550	600	NA	NA	NA
Domestic Savings (LE Billions)	44.0	48.0	51.7	61.4	80.4	86.1	NA	NA
National Savings (LE Billions)	60.0	64.0	65.9	74.6	97.8	104.3	NA	NA

Source: Ministry of Planning, Ministry of Finance, CAPMAS and Central Bank of Egypt.

\* Recent detailed data can be found in the Appendices. Historical data are available at [www.mof.gov.eg](http://www.mof.gov.eg)

<sup>1</sup> June 2000 refers to the Fiscal Year July 1999 through June 2000.

<sup>2</sup> By 2005/2006, nominal GDP is estimated to reach LE 593 billion.

<sup>3</sup> Covering period June - December.

<sup>4</sup> Break in series. Starting 2001/2002 the budget is presented according to the IMF 2001 GFS Standards, modified to cash principles. The new classification was adopted by the Egyptian Ministry of Finance by Law 97/2005. (See Appendix C: Economic News). The fiscal deficit is estimated to reach 10 percent of GDP in 2005/2006.

<sup>5</sup> In March 2006 the CPI growth rate was 3.7 percent. Note: Starting July 2003, data are based on the weights derived from the 1999/2000 household survey, using 1999/2000 as a base year. Prior to this date, the basket was based on the weight derived from the 1995/1996 survey of expenditures and consumption, using 1995/1996 as a base year.

<sup>6</sup> In February 2006 the WPI growth rate was 1.2 percent. Note: Starting September 2004, data are based on the weights derived from 1999/2000 as a base year. Prior to this date, the basket was based on the weight derived from 1986/1987 as base year.

<sup>7</sup> The parallel market disappeared in 2005.

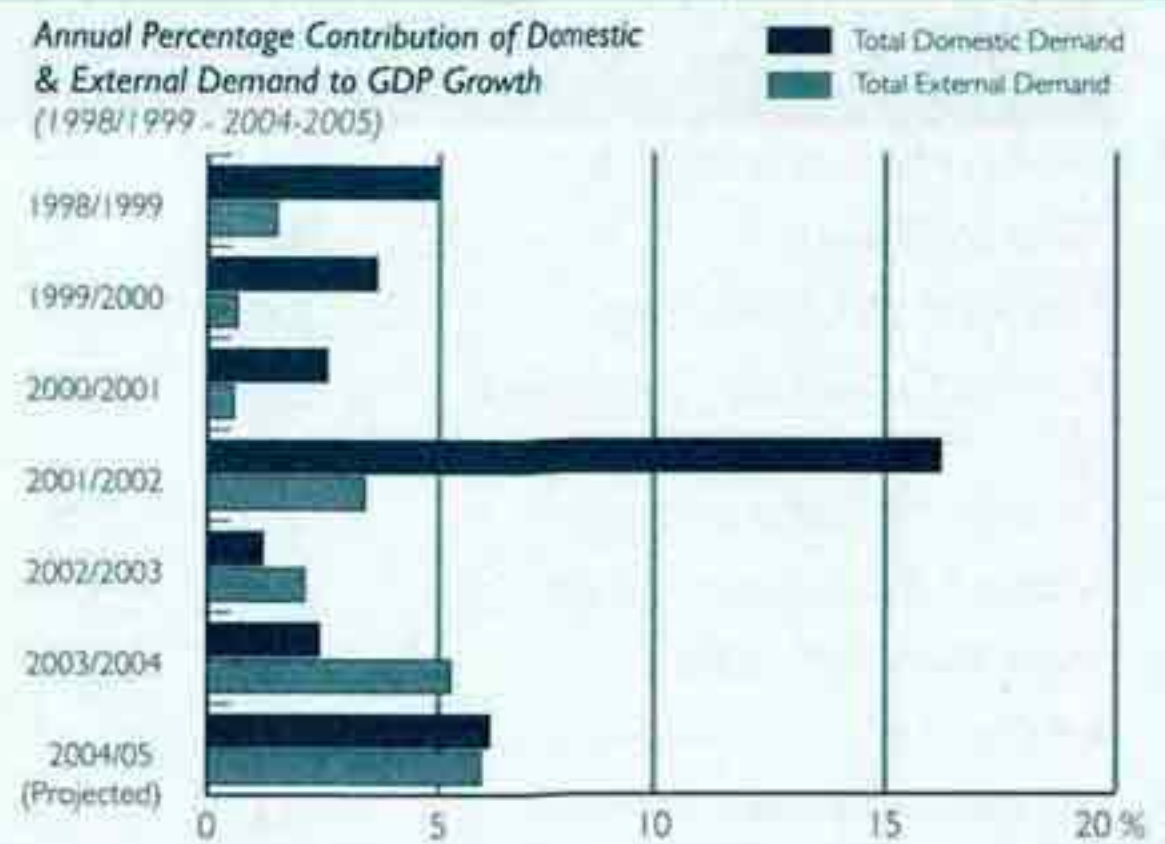
<sup>8</sup> In January 2006 broad money grew at 12.62 percent.



## II. A. National Accounts

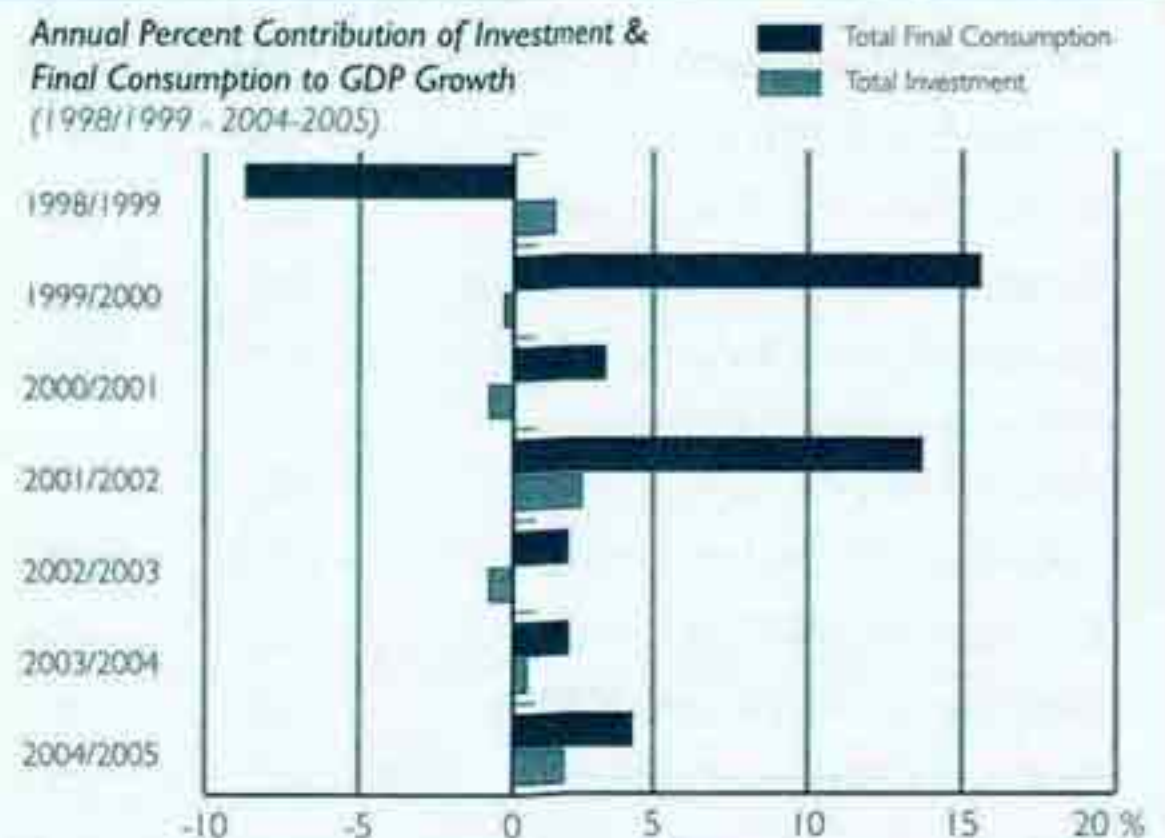
**Figure II.1 The solid economic recovery in FY 2003/2004 and FY 2004/2005 is pursuing its course into 2005/2006. During the second quarter of the fiscal year (October - December 2005), growth accelerated to 6.4 percent compared to 5.3 percent during the preceding quarter. Growth remains strong at 5.8 percent for the first half of 2005/2006 compared to 4.5 percent during the corresponding period last year. The recovery in 2003/2004 was led by external demand, while growth in 2004/2005 was underpinned by equal contributions of domestic and external demands.**

Source: MOP



**Figure II.2 Domestic demand was largely driven by consumption demand.**

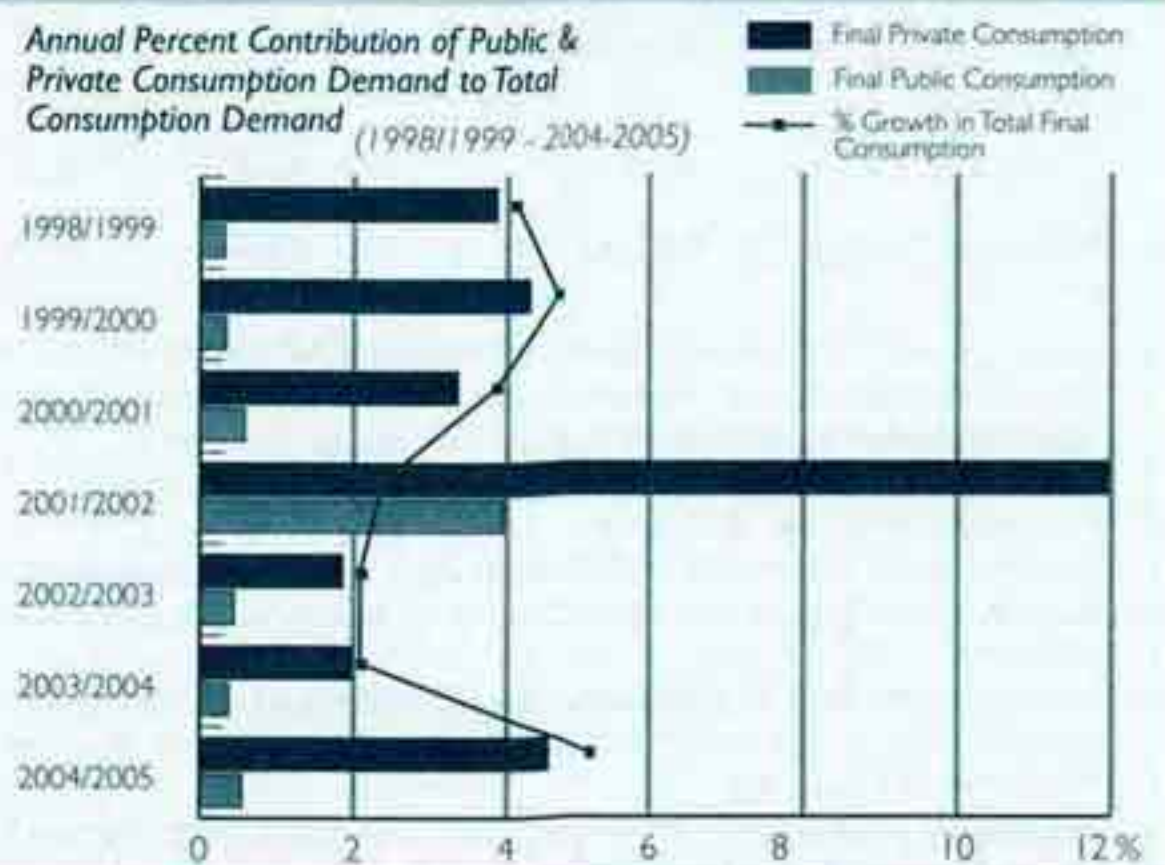
Source: MOP



**Figure II.3 The macro-economy was more favorable to private sector led growth in 2004/2005. As a result, private sector growth has dominated the uptake in consumption demand.**

Please refer to Section I: Overview of the Economy for a more detailed discussion of recent economic trends.

Source: MOP



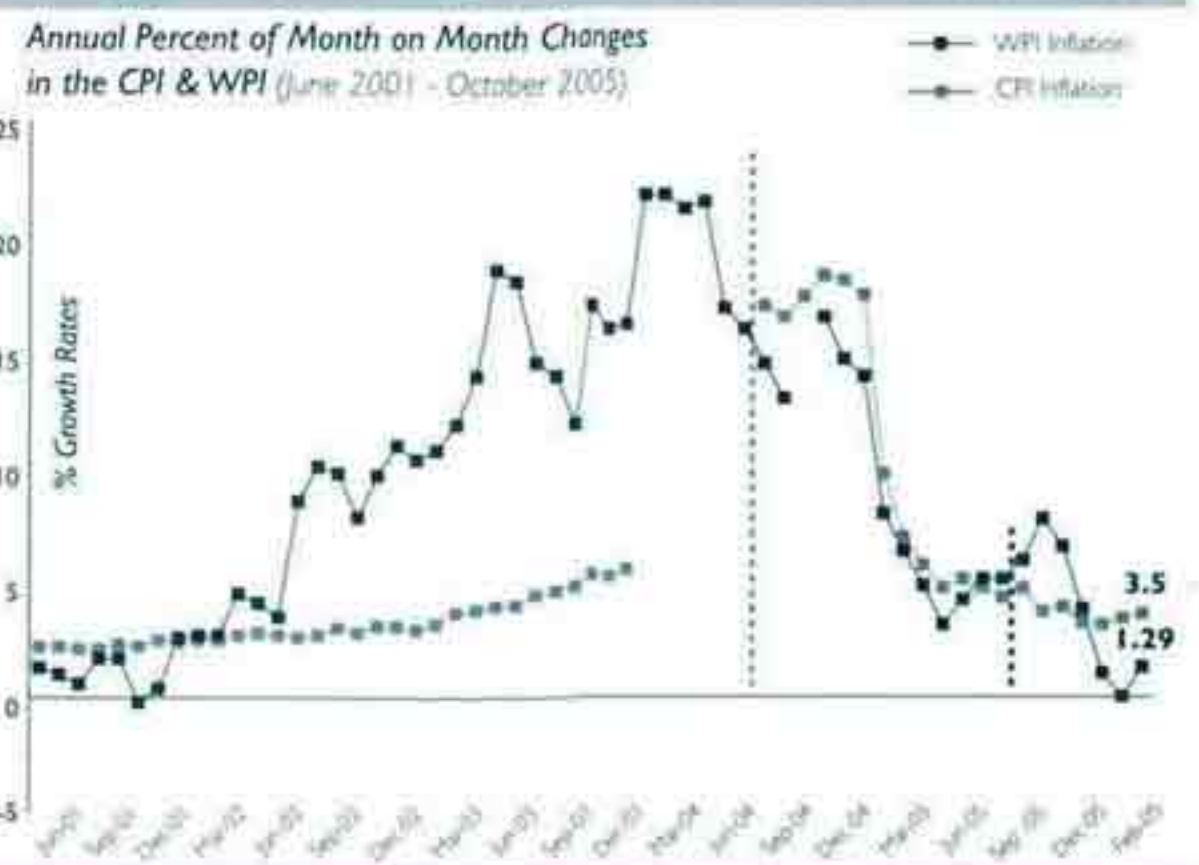
## II. B. Inflation

**Figure II.4 In the meantime, inflation rates are still falling ...**

### Important notes:

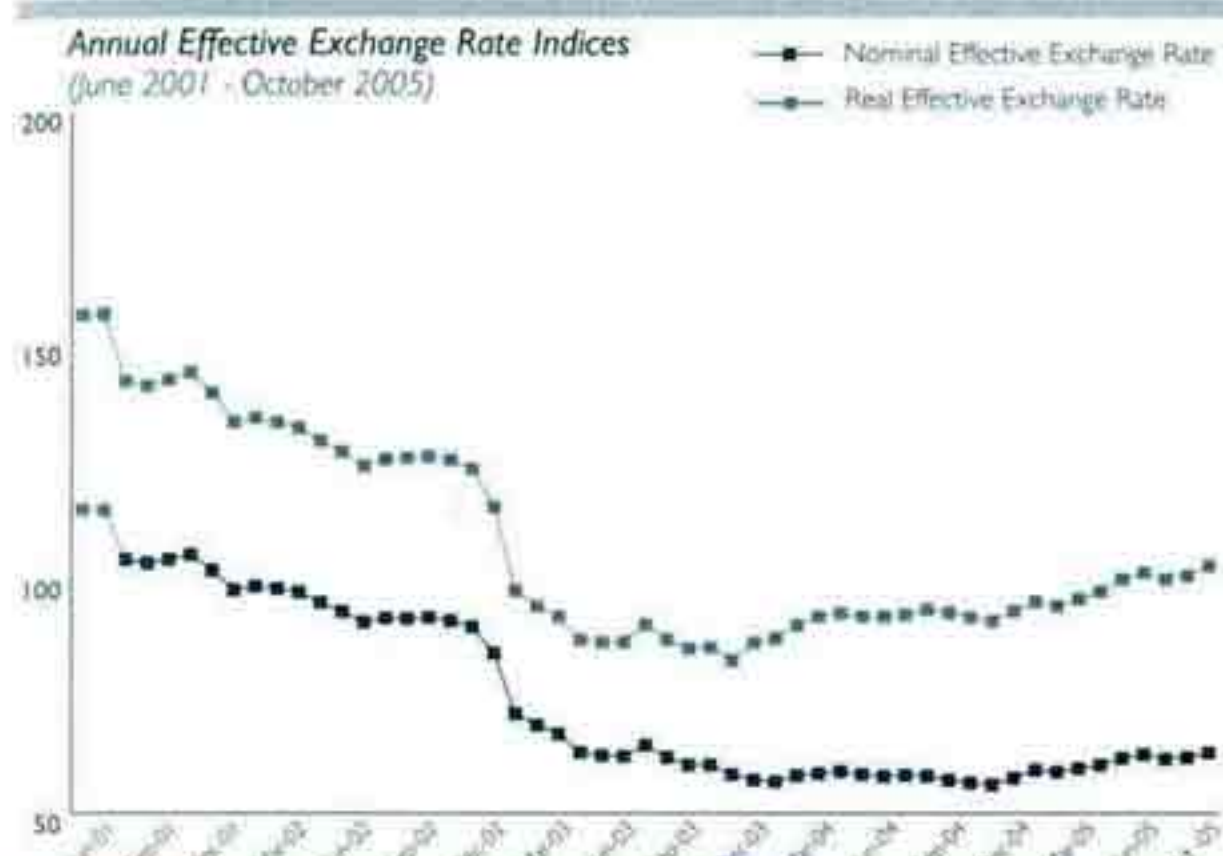
- CPI Series Break: Starting July 2004, CPI data are based on the weights derived from the 1999/2000 income and expenditure survey, and using 1999/2000 as a base year. Prior to this date, the basket as well as the weights were derived from the 1995/1996 income and expenditure survey which used 1995/1996 as a base year.
- WPI Series Break: Starting September 2004, data are based on the weights derived from 1999/2000 as a base year. Prior to this date, the basket was based on weights derived from 1986/1987 as base year.

Source: CAPMAS



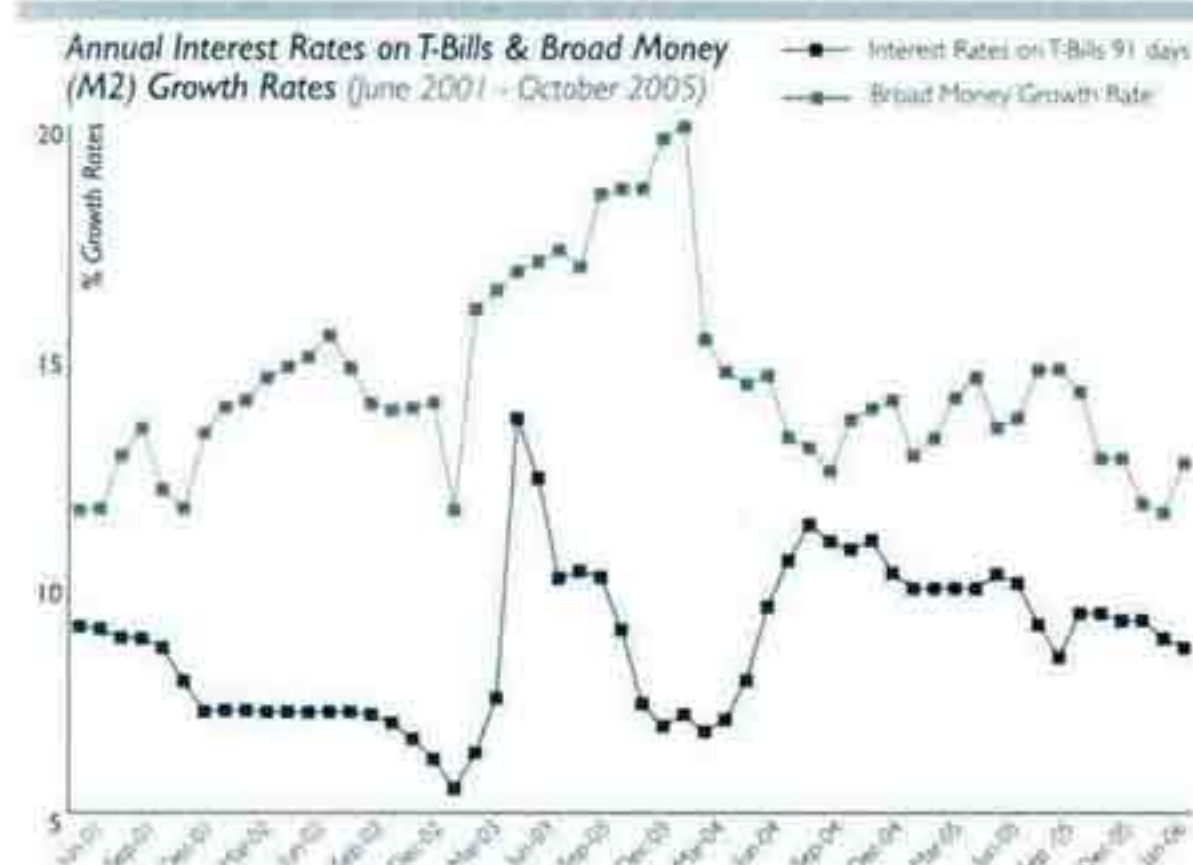


## II.C. Exchange Rate and Monetary Policy



**Figure II.5 ... as the pound stabilizes in an active interbank market.**

Source: IMF



**Figure II.6 Interest rates have fallen since early 2003. While monetary growth was sufficiently accommodative to finance growth, it was not so accommodative as to cause accelerating inflation.**

Source: CBE

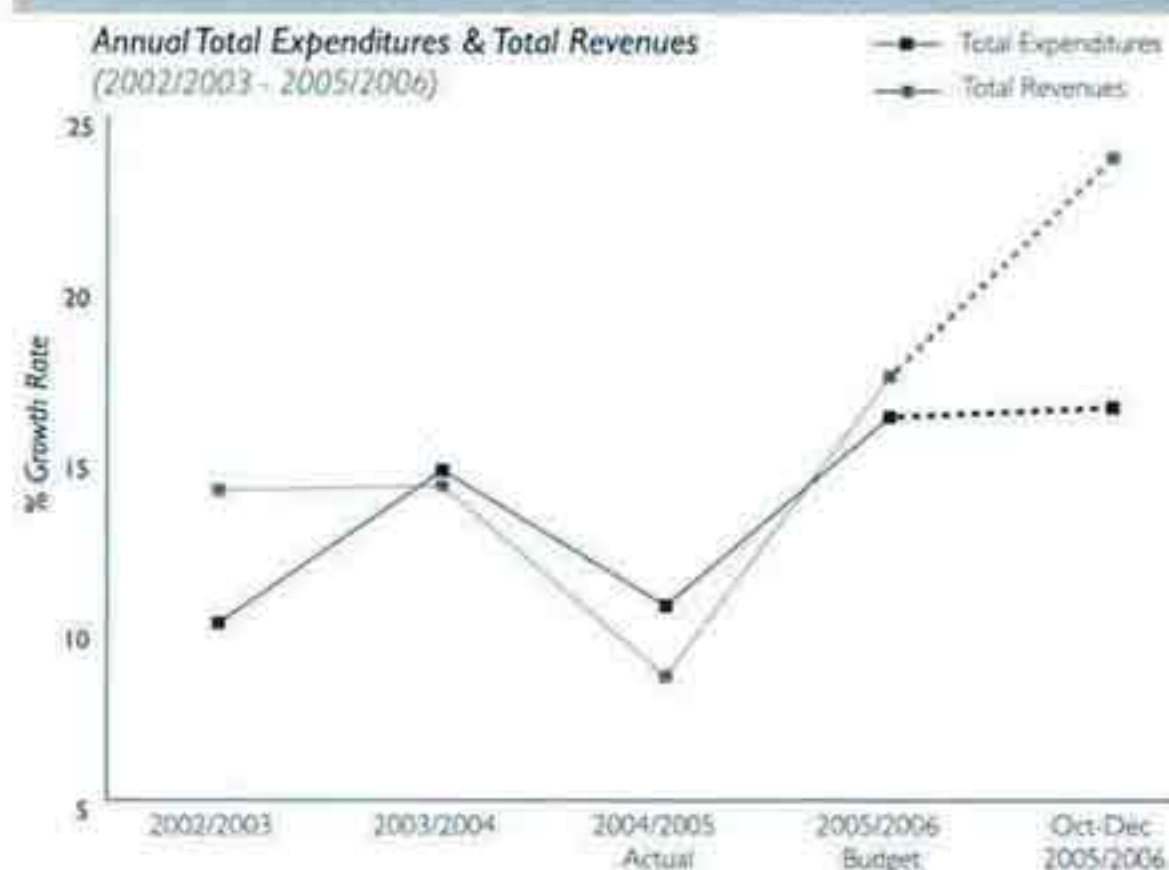
## II.D. Fiscal Policy and Public Debt



**Figure II.7 The fiscal deficit continues to be under control.**

The Budget is based on the IMF 2001 GFS Classification, modified to cash principles. (See Appendix C: Economic News). The new classification was adopted by the Egyptian Ministry of Finance by Law 97/2005.

Source: MOF



**Figure II.8 After a period of sluggish growth, total revenue growth is outperforming expenditure growth in 2005/2006 as confirmed by data for the period July-December 2005 compared to July-December 2006.**

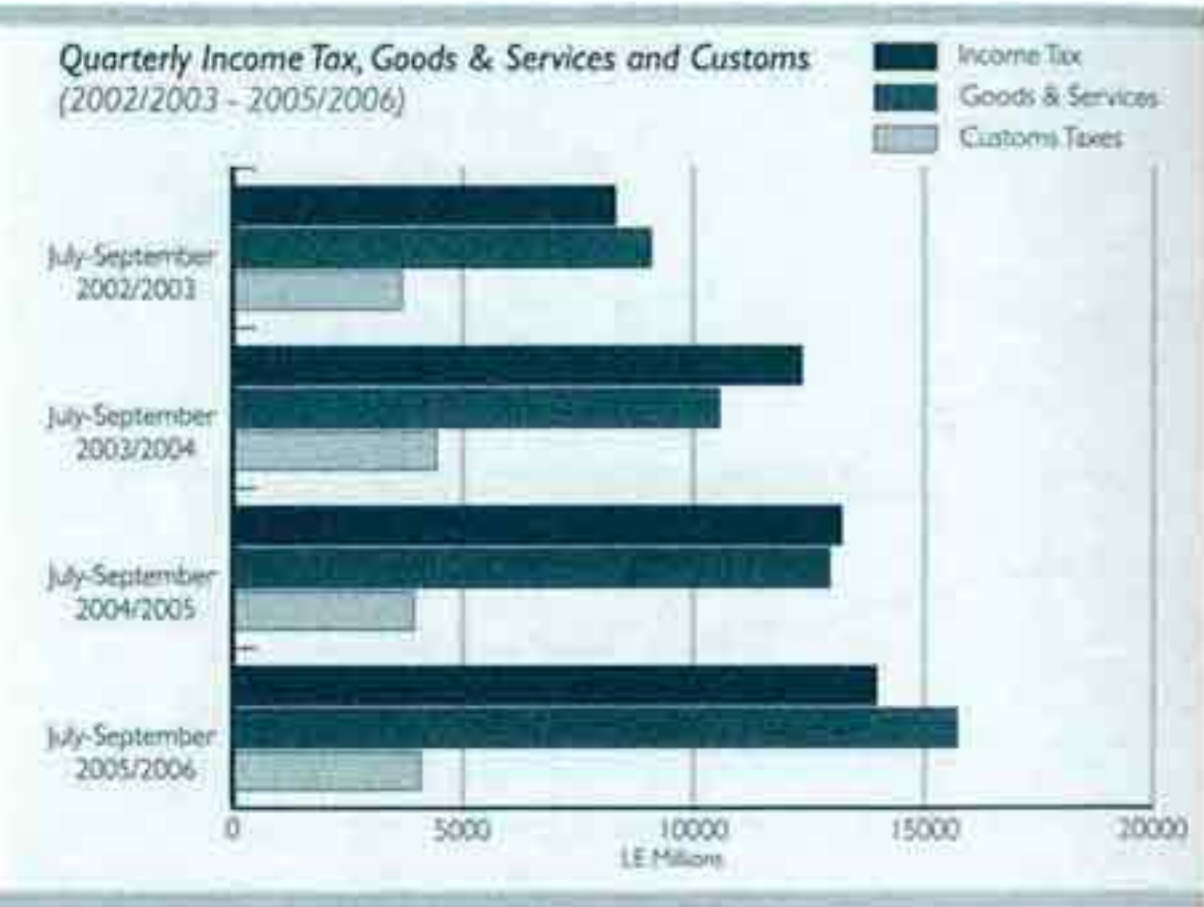
Source: MOF



II.D. Fiscal Policy and Public Debt (cont.)

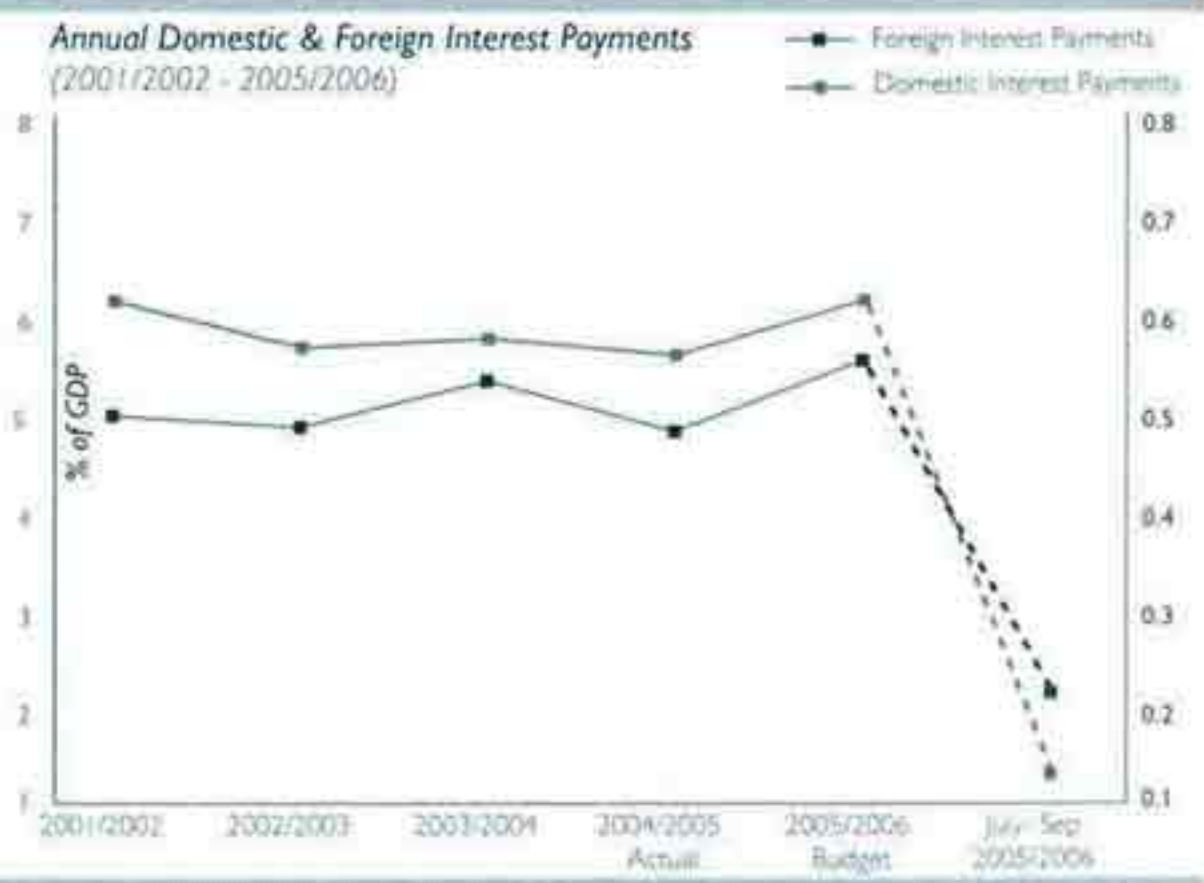
**Figure II.9 Data for the first half of the fiscal year (July-December 2005) confirm that income and customs tax receipts have picked up beyond their levels in the corresponding quarters of the previous years, despite the rate cuts.**

Source: MOF



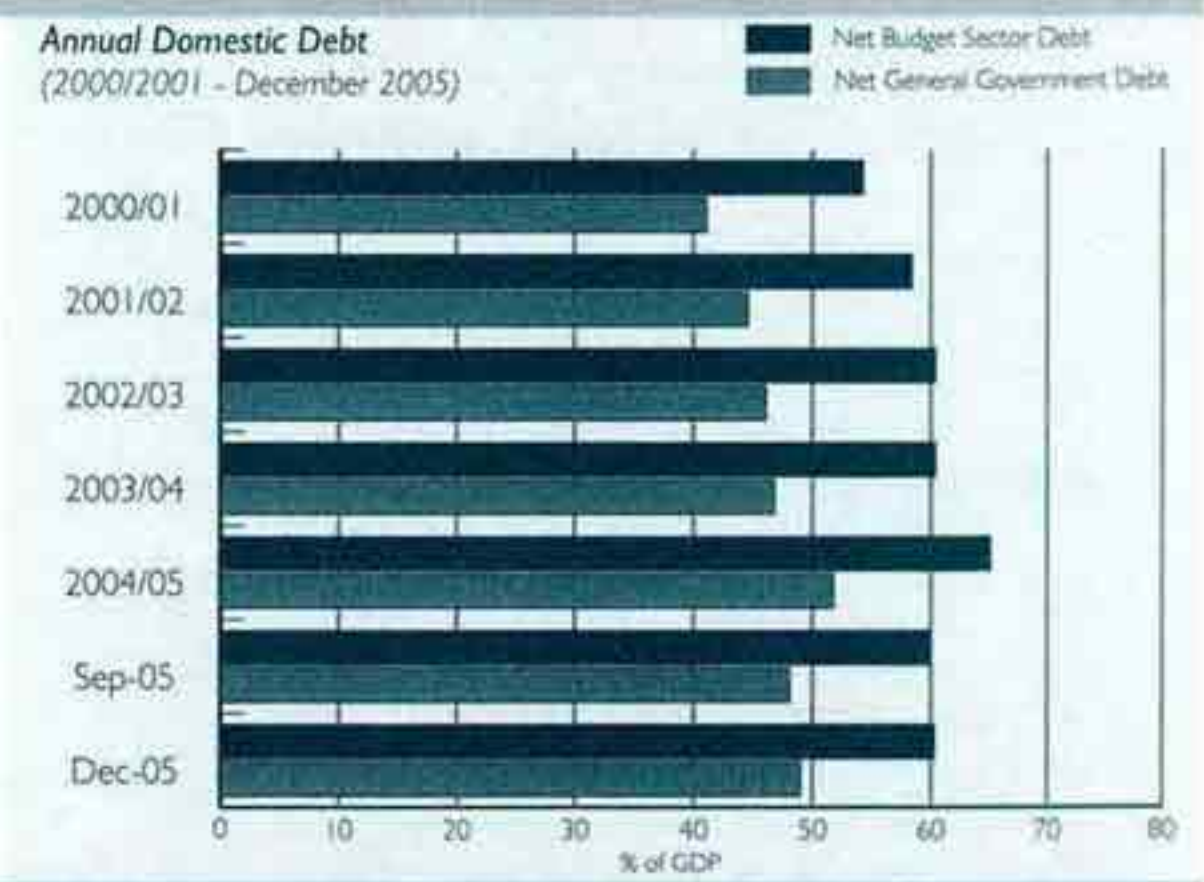
**Figure II.10 The rise in domestic interest payments reflects increased reliance on non-inflationary financing of the budget. Fiscal consolidation and reduction in interest rates during 2005/2006 are helping contain the growth in domestic interest payments.**

Source: MOF



**Figure II.11 Net budget sector and general government debts are under control.**

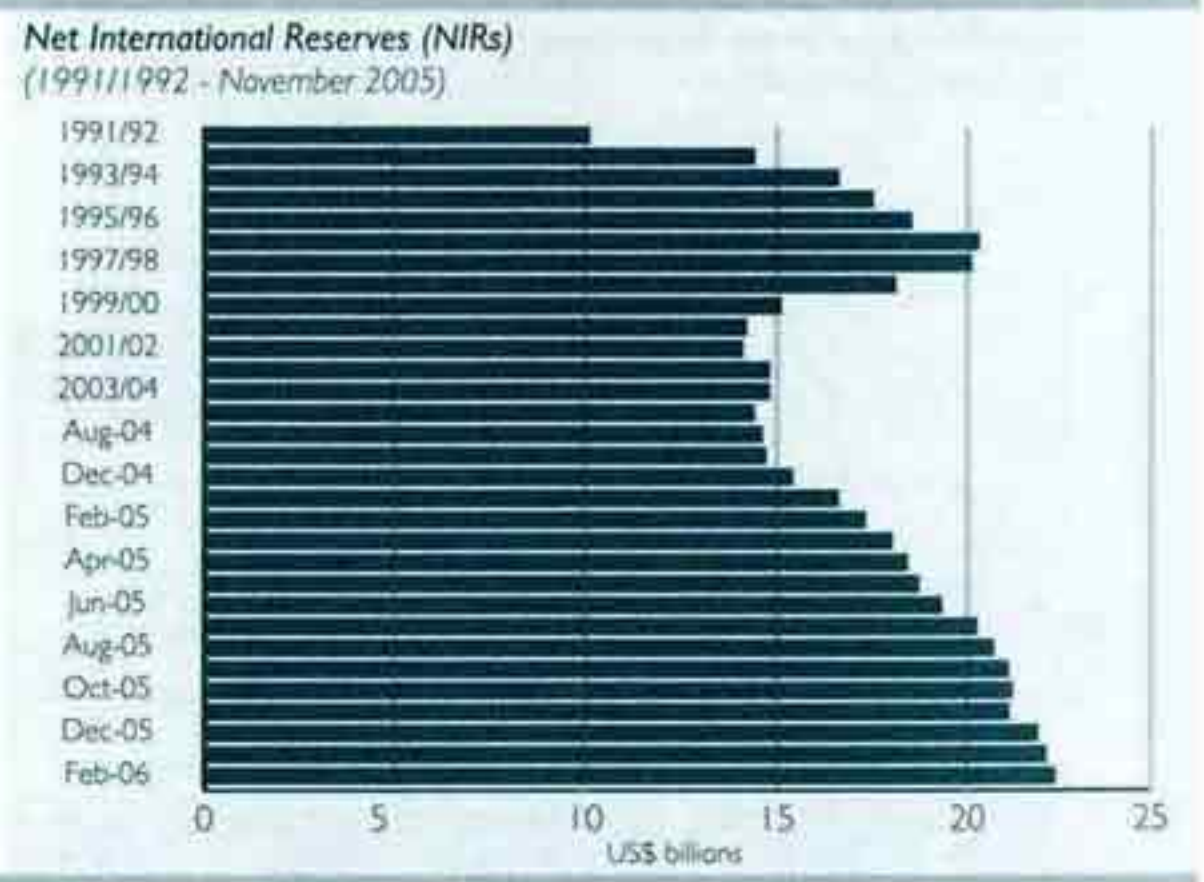
Source: MOF



II.E. External Sector

**Figure II.12 Optimism and restored confidence in the economy has helped the CBE build up its NIRs to record levels.**

Source: CBE





II.E. External Sector (cont.)

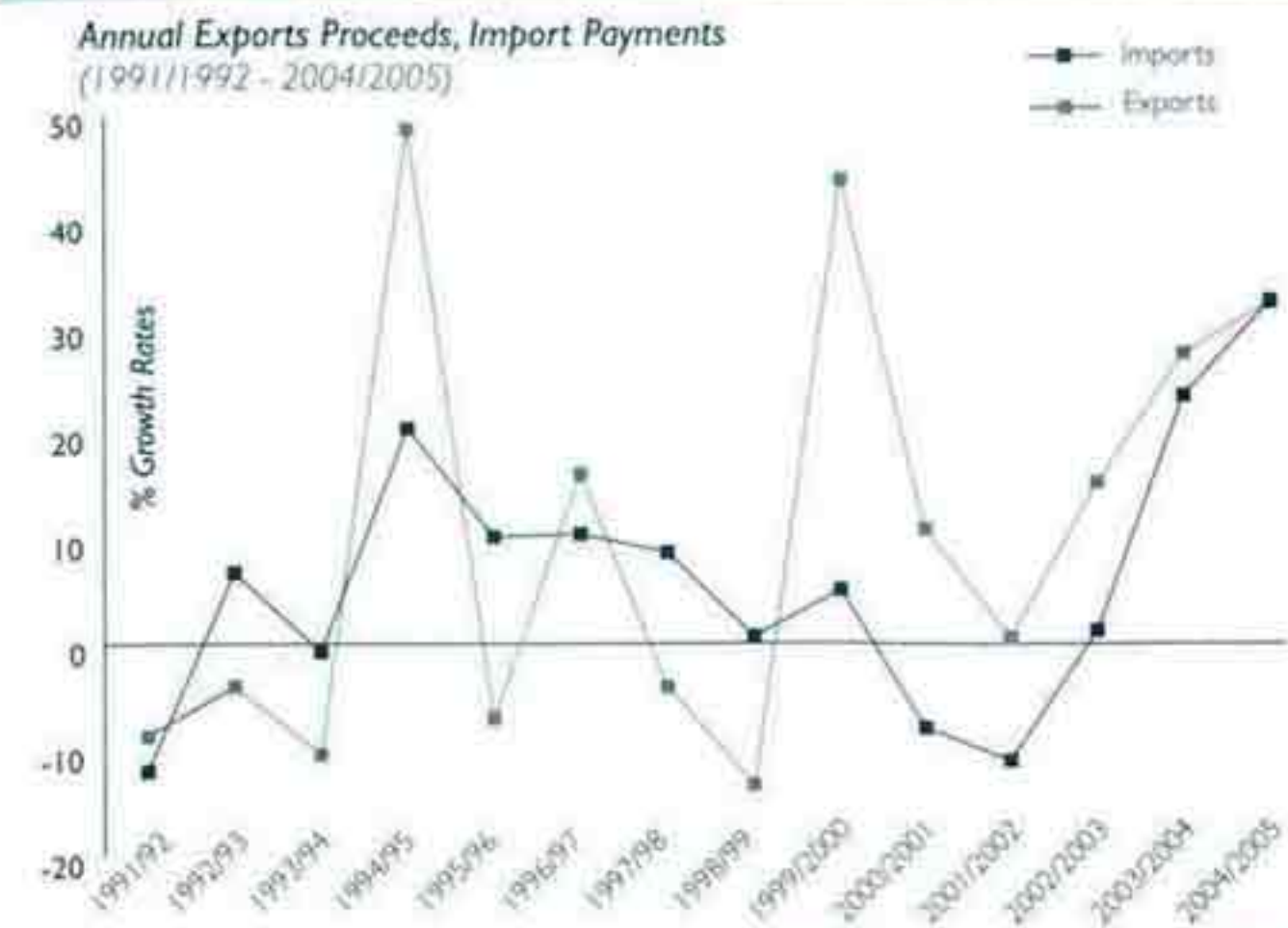


Figure II.13 The improvement in the competitiveness of the Egyptian economy has been further spurred by recent trade reforms.

Source: CBE

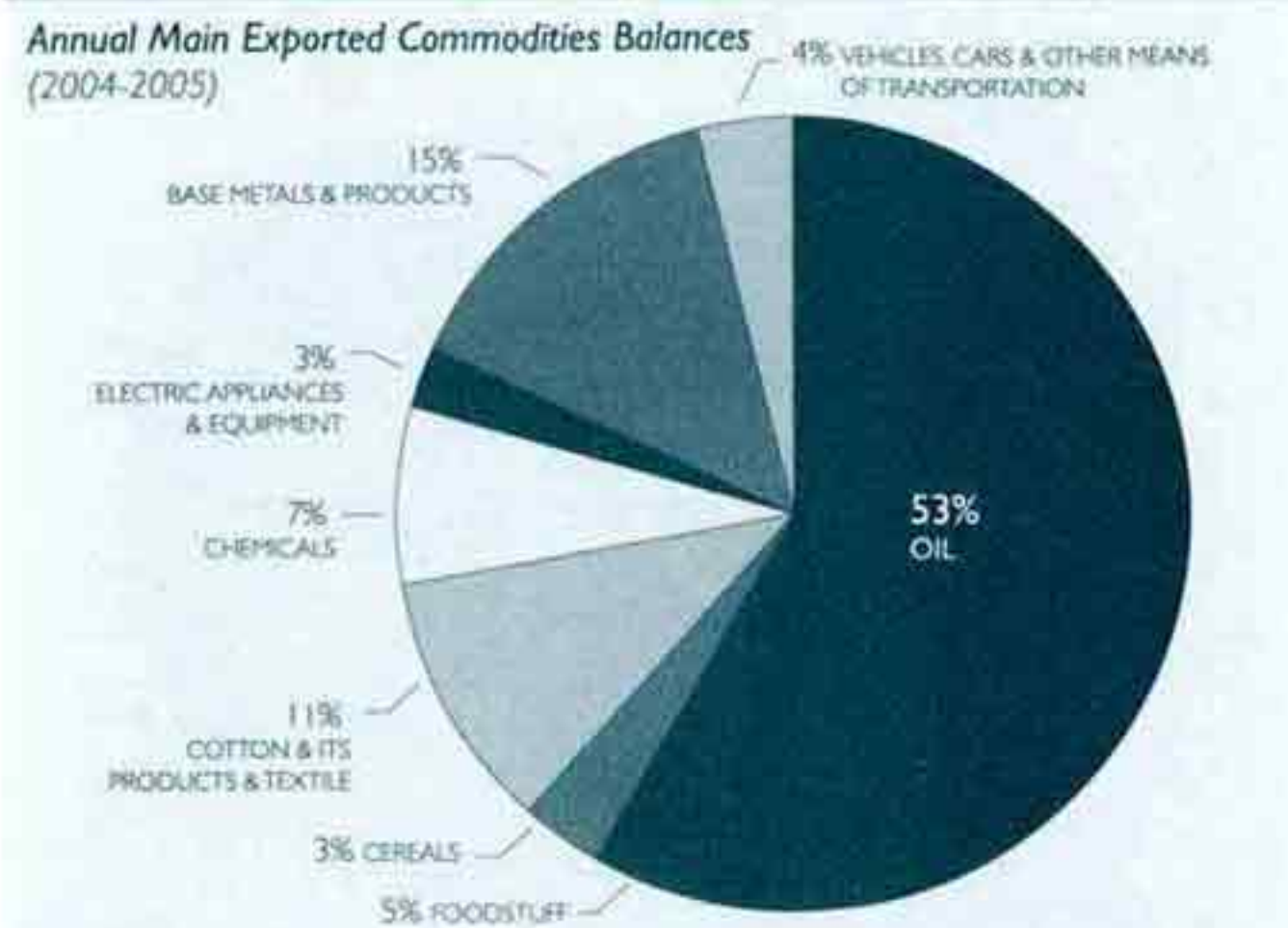


Figure II.14 Oil represents some 50 percent of Egypt's exports. Exports of the merchandize sector are diversified.

Source: CBE

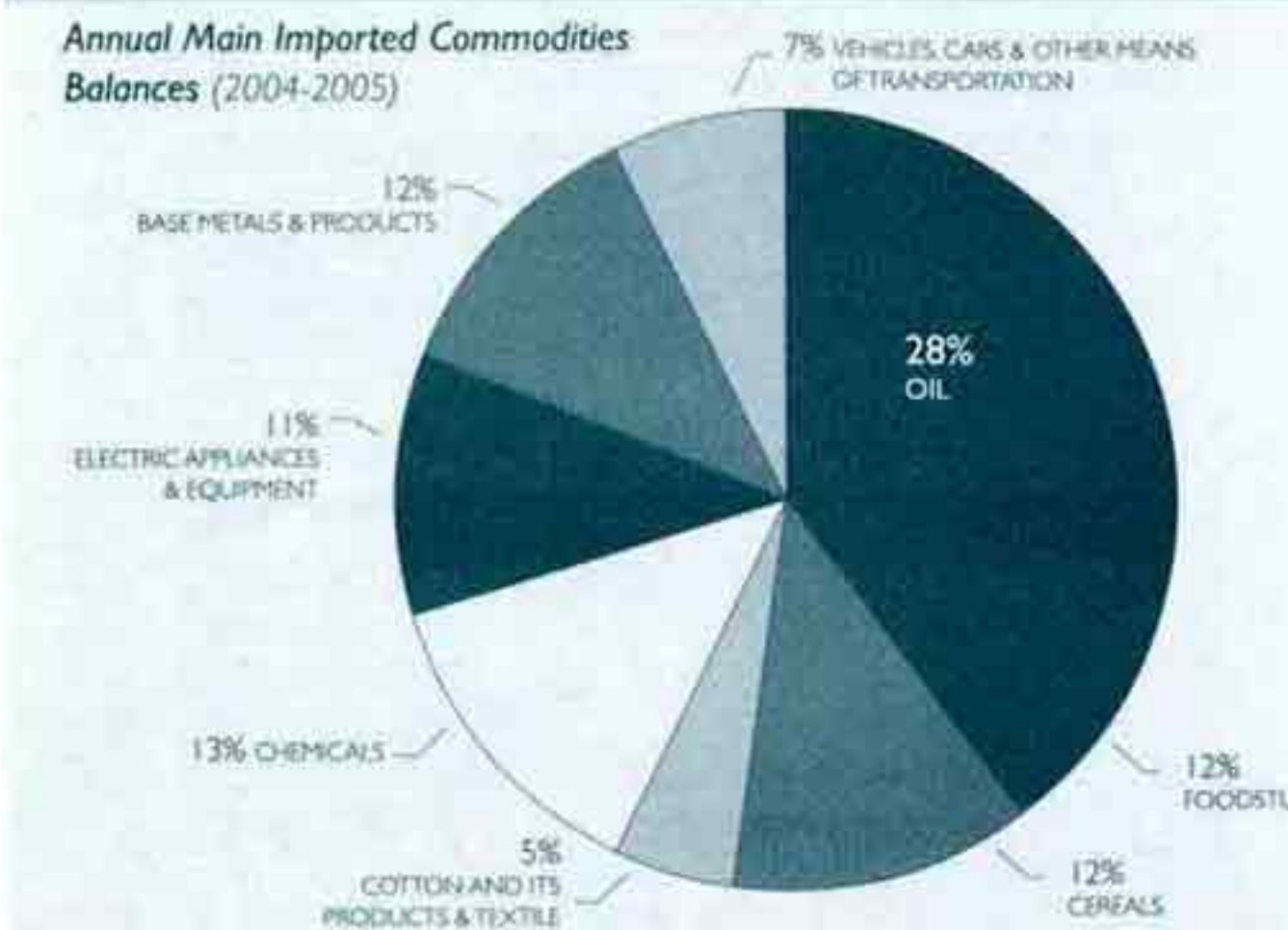


Figure II.15 Egypt's non-oil imports are diversified. Chemicals, foodstuffs, and electric and metal products represent the majority of imports.

Source: CBE

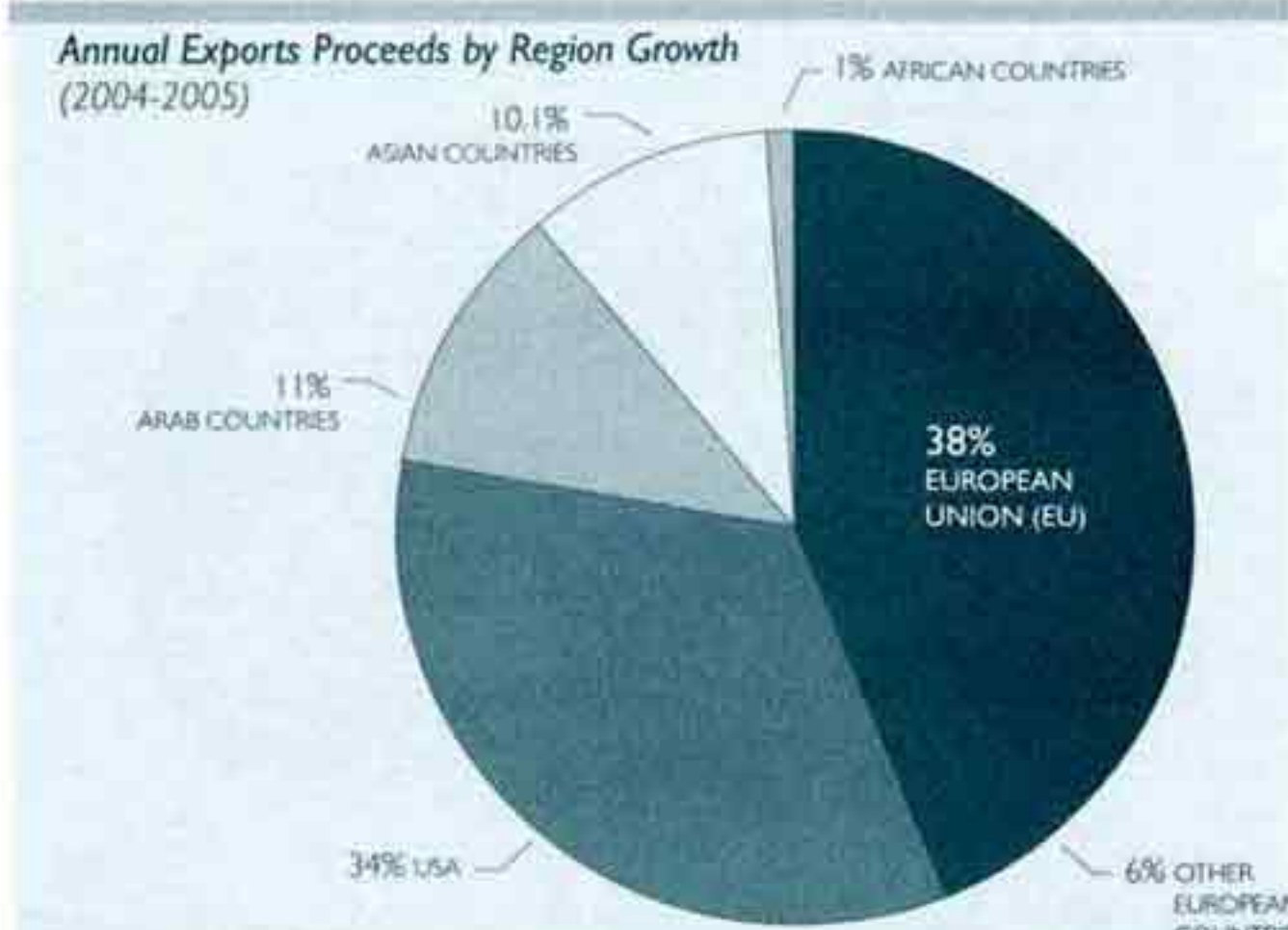


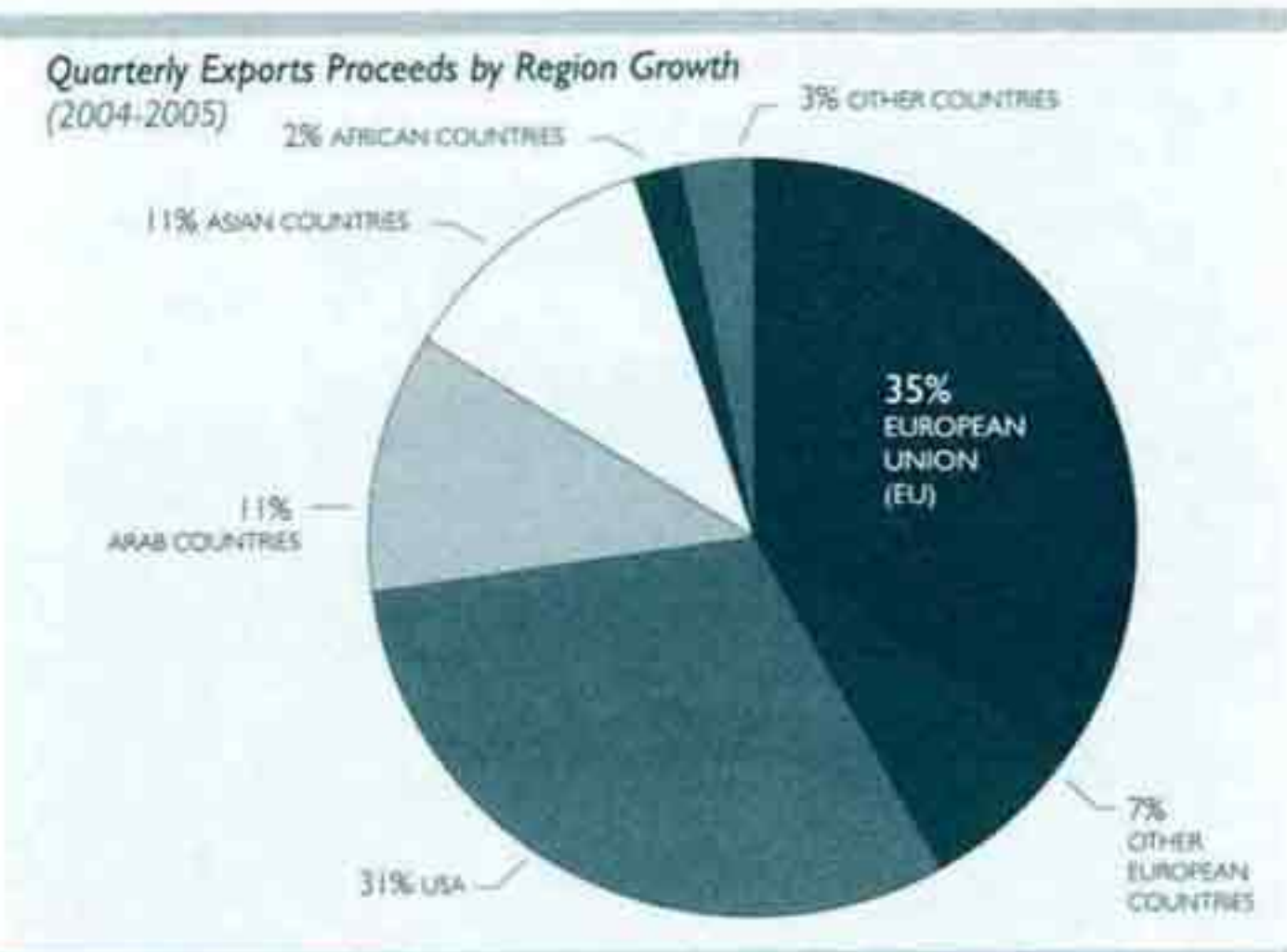
Figure II.16 The bulk of Egypt's exports go to the EU and the US.

Source: CBE



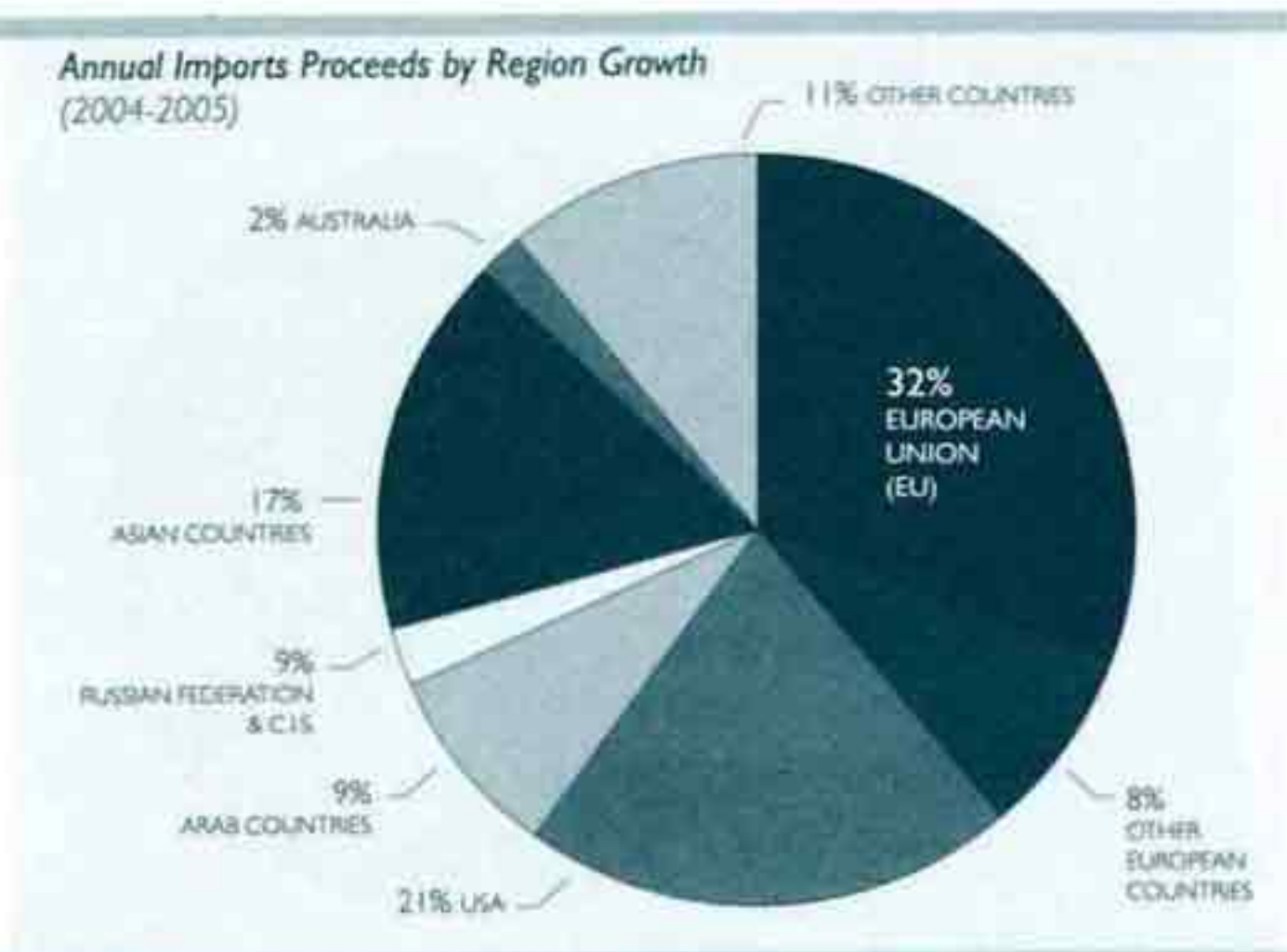
II.E. External Sector (cont.)

Figure II.17 Again, EU and US receive bulk of Egypt's exports . . .



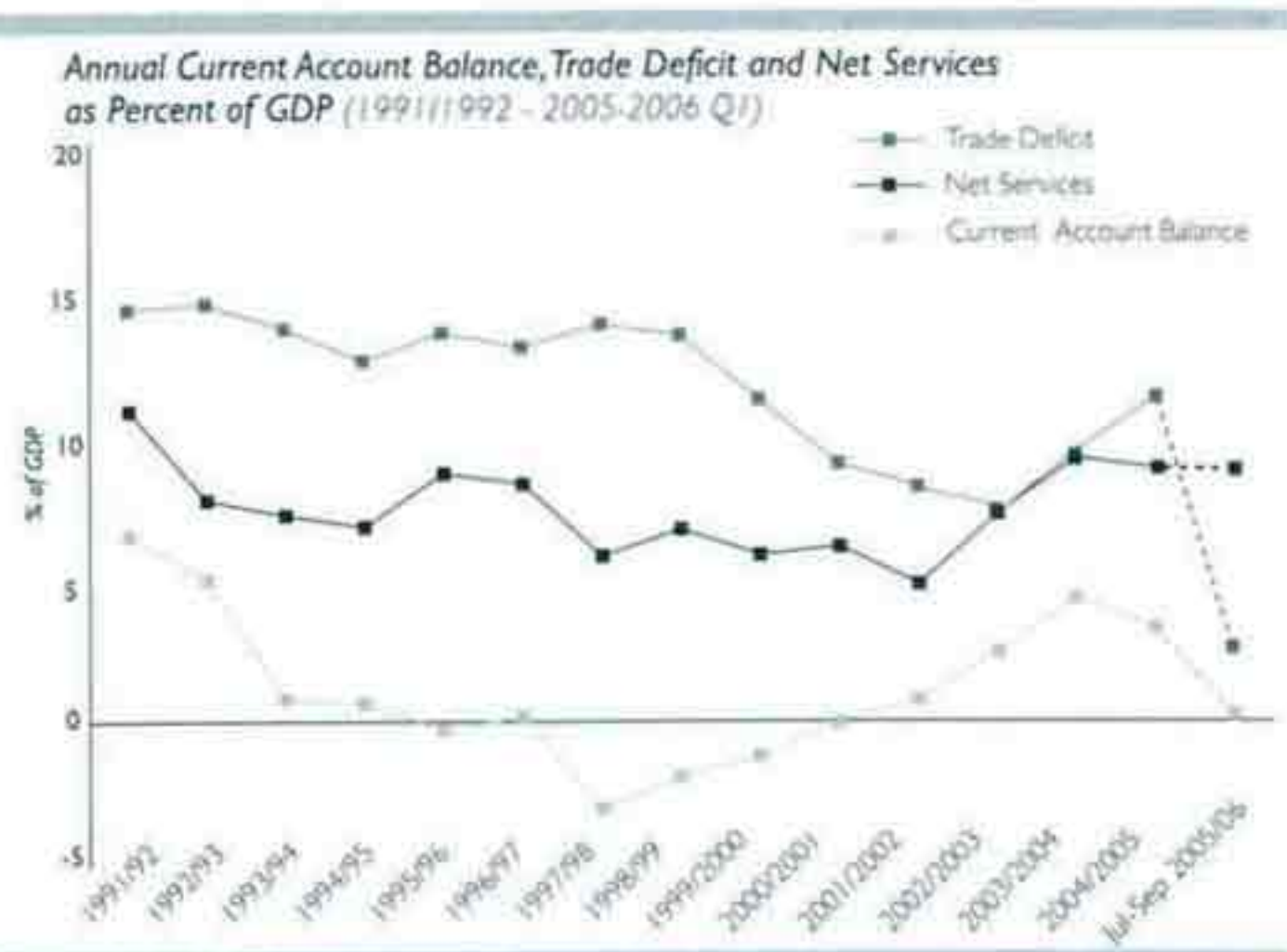
Source: CBE

Figure II.18 Egypt's largest imports come from the EU and the US.



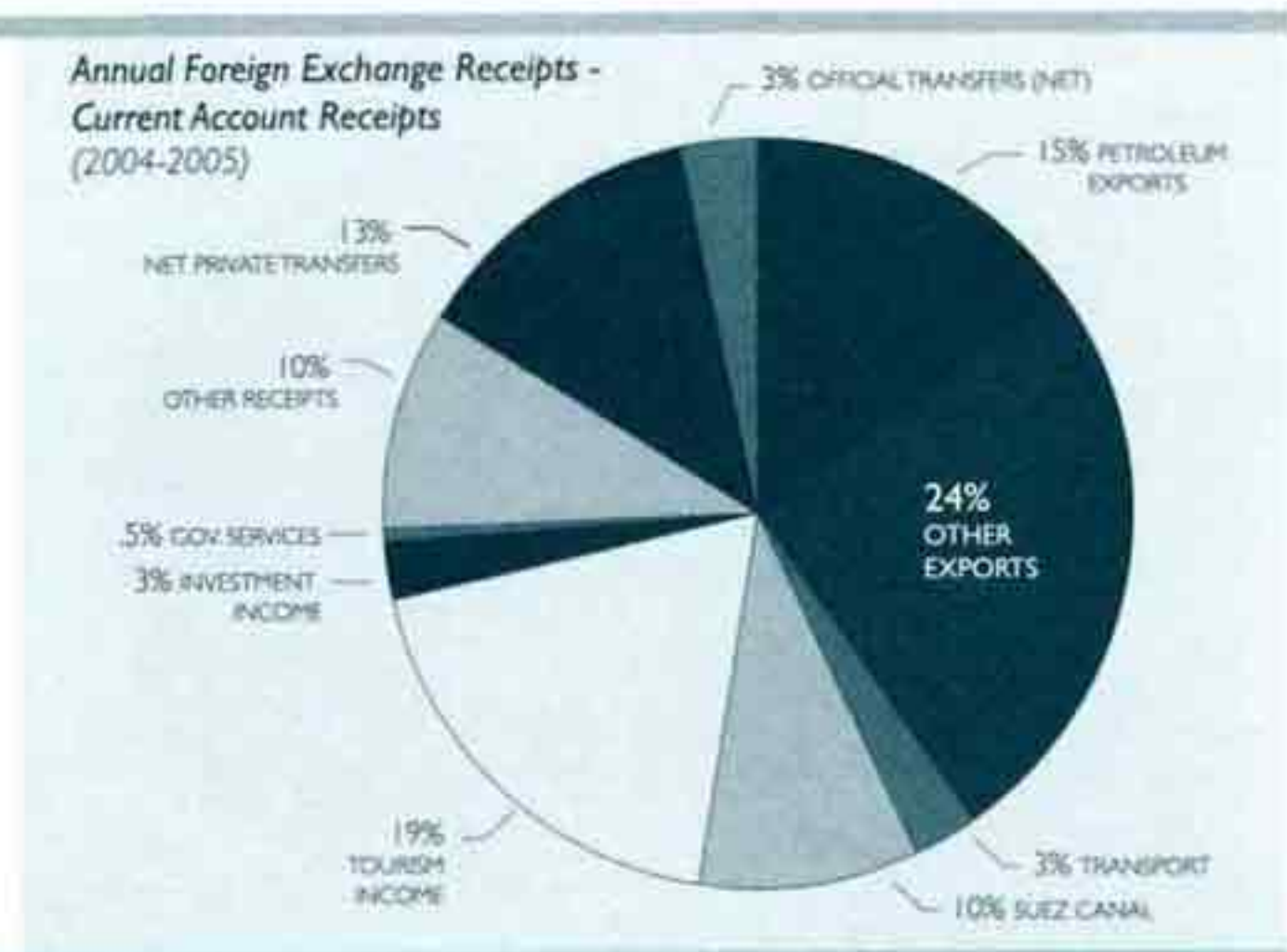
Source: CBE

Figure II.19 The current account is still in surplus despite a slight widening in the trade deficit. Increased revenues from the Suez Canal and resurgent tourism have boosted receipts from the services sector.



Source: CBE

Figure II.20 Egypt's foreign exchange receipts are well diversified. This diversity provides resilience to external shocks.



Source: CBE



II.E. External Sector (cont.)

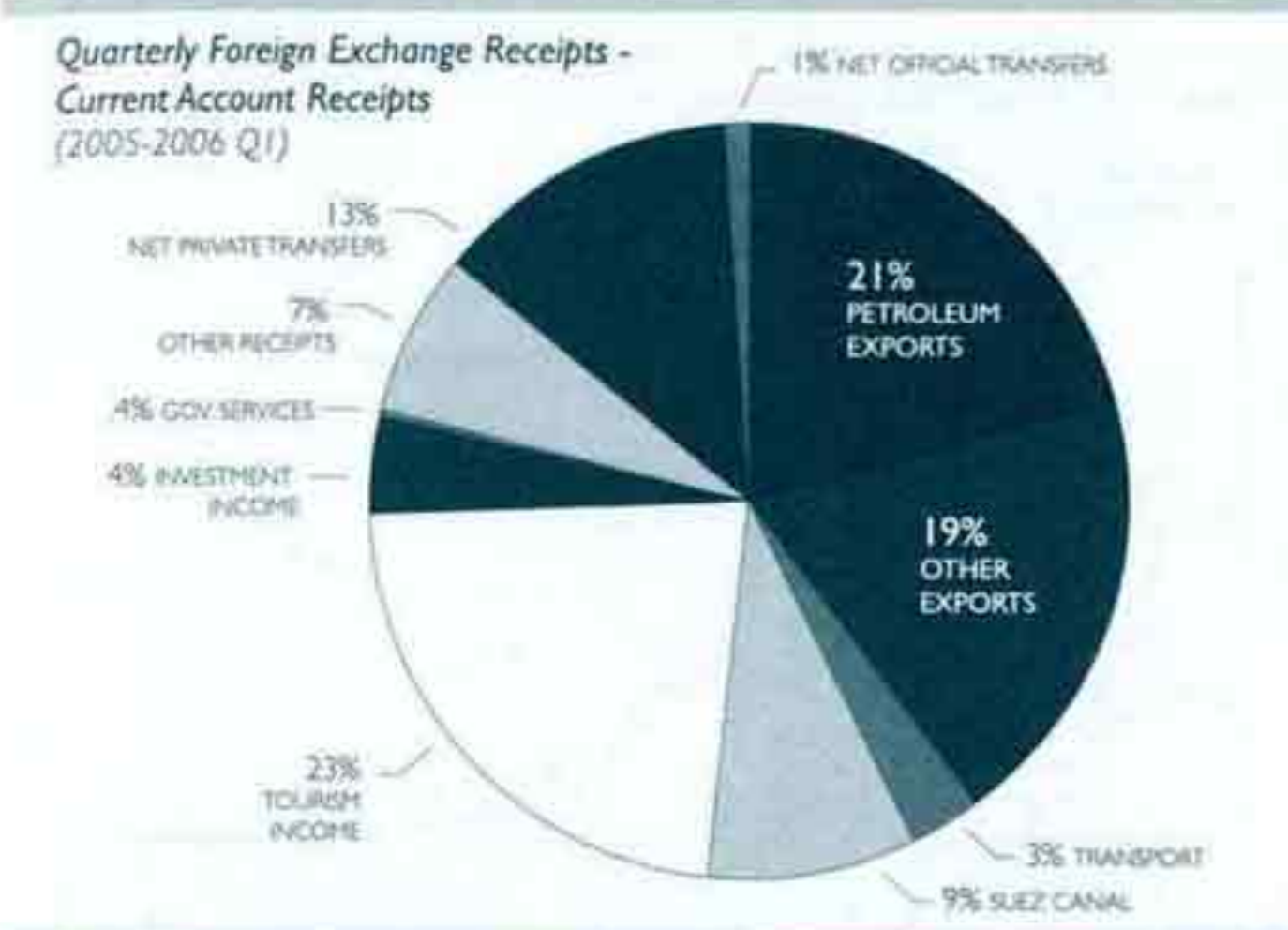


Figure II.21 Egypt’s foreign exchange receipts are well diversified, providing resilience to external shocks.

Source: CBE

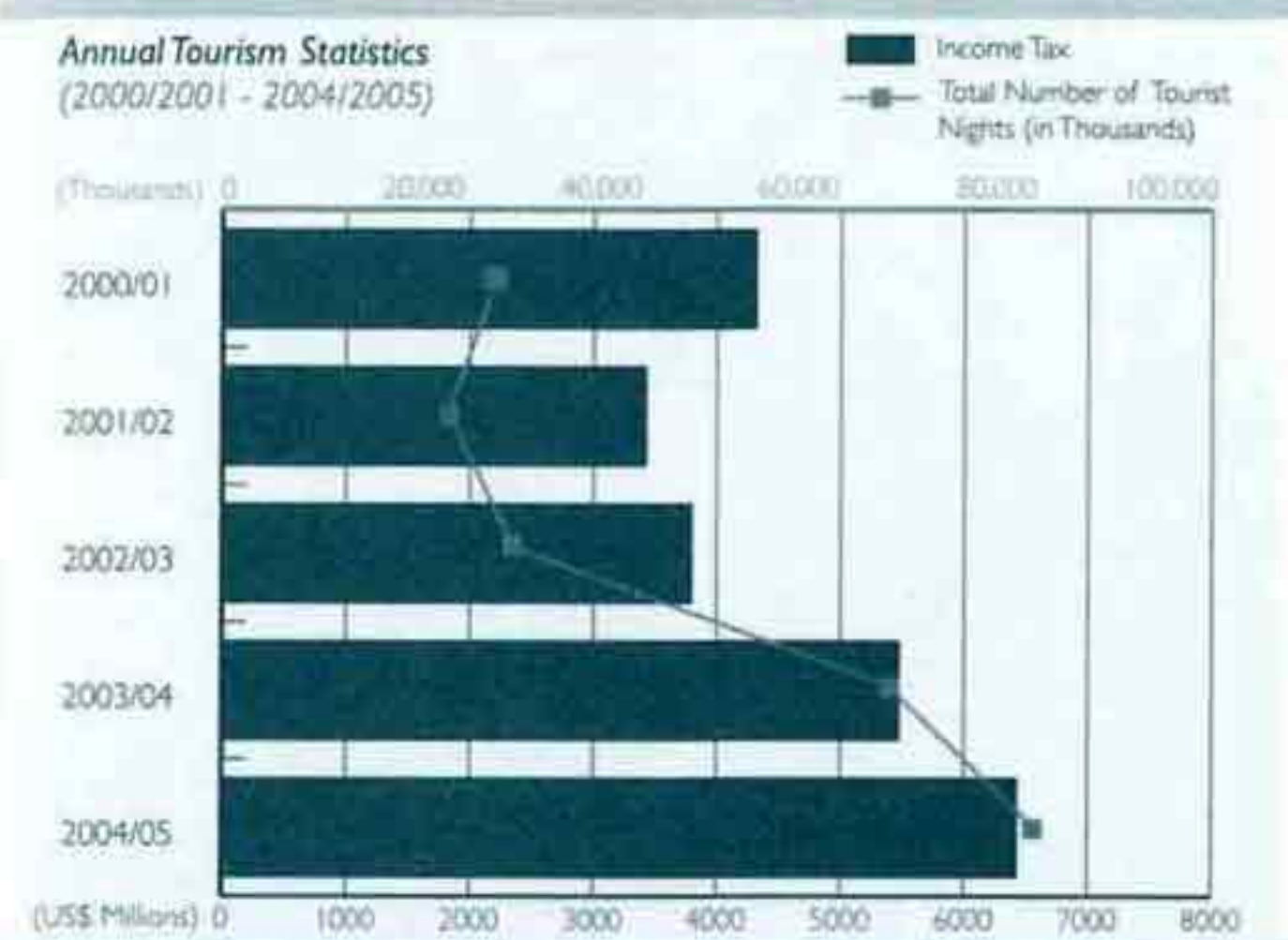


Figure II.22 Tourist nights and total tourist income are on the rise.

Source: CBE

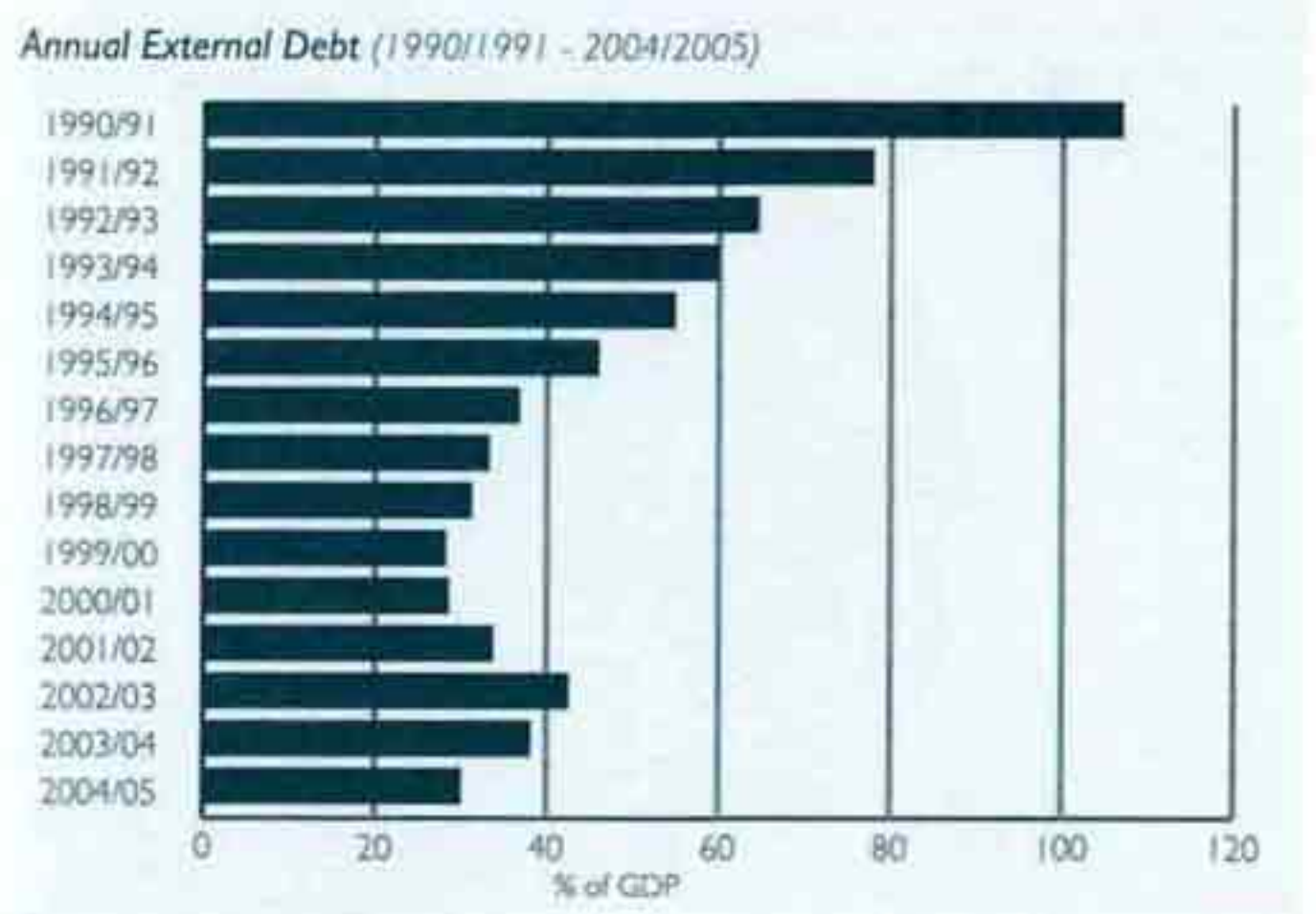


Figure II.23 Egypt’s external debt is safe by international standards.

Source: CBE

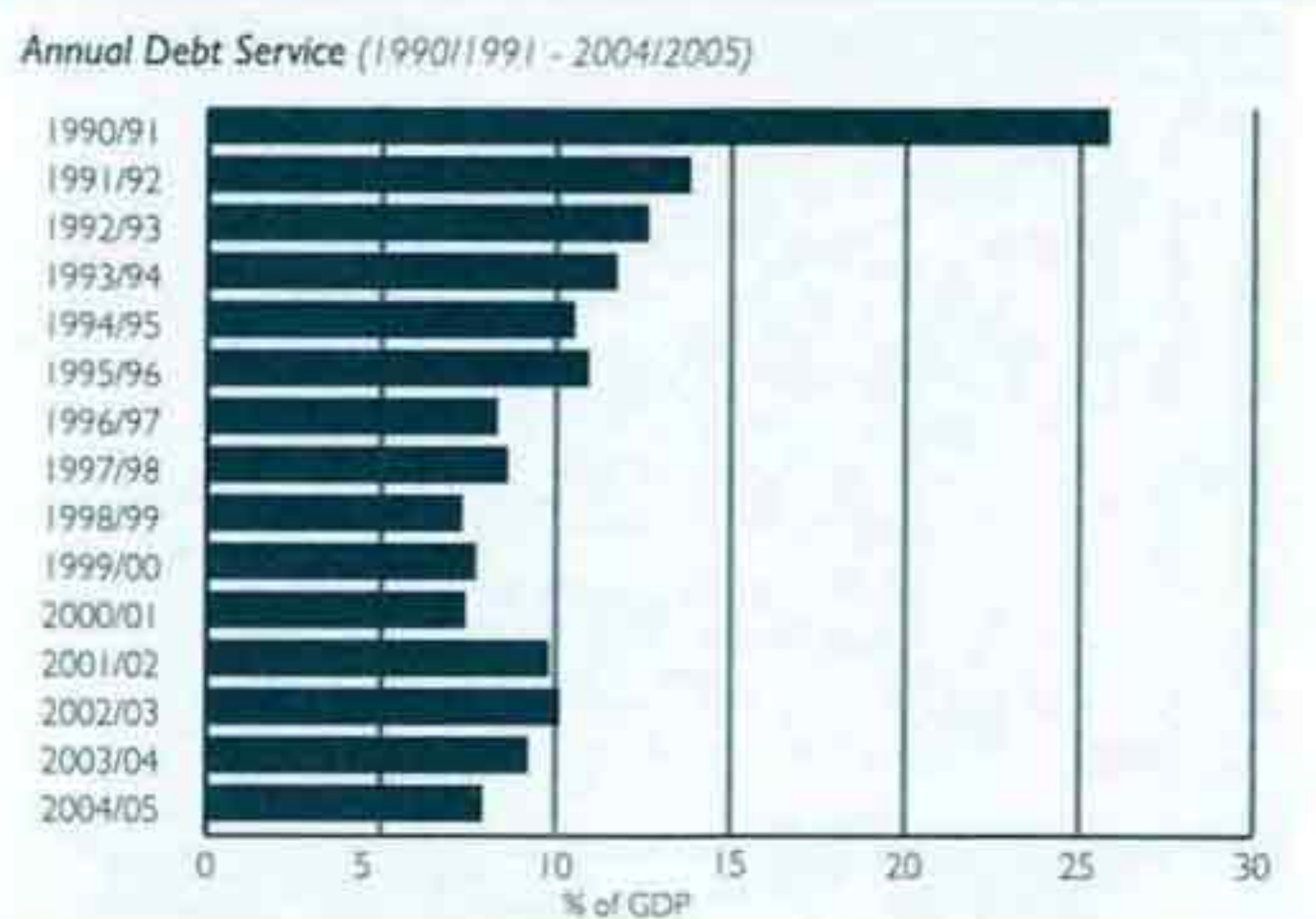


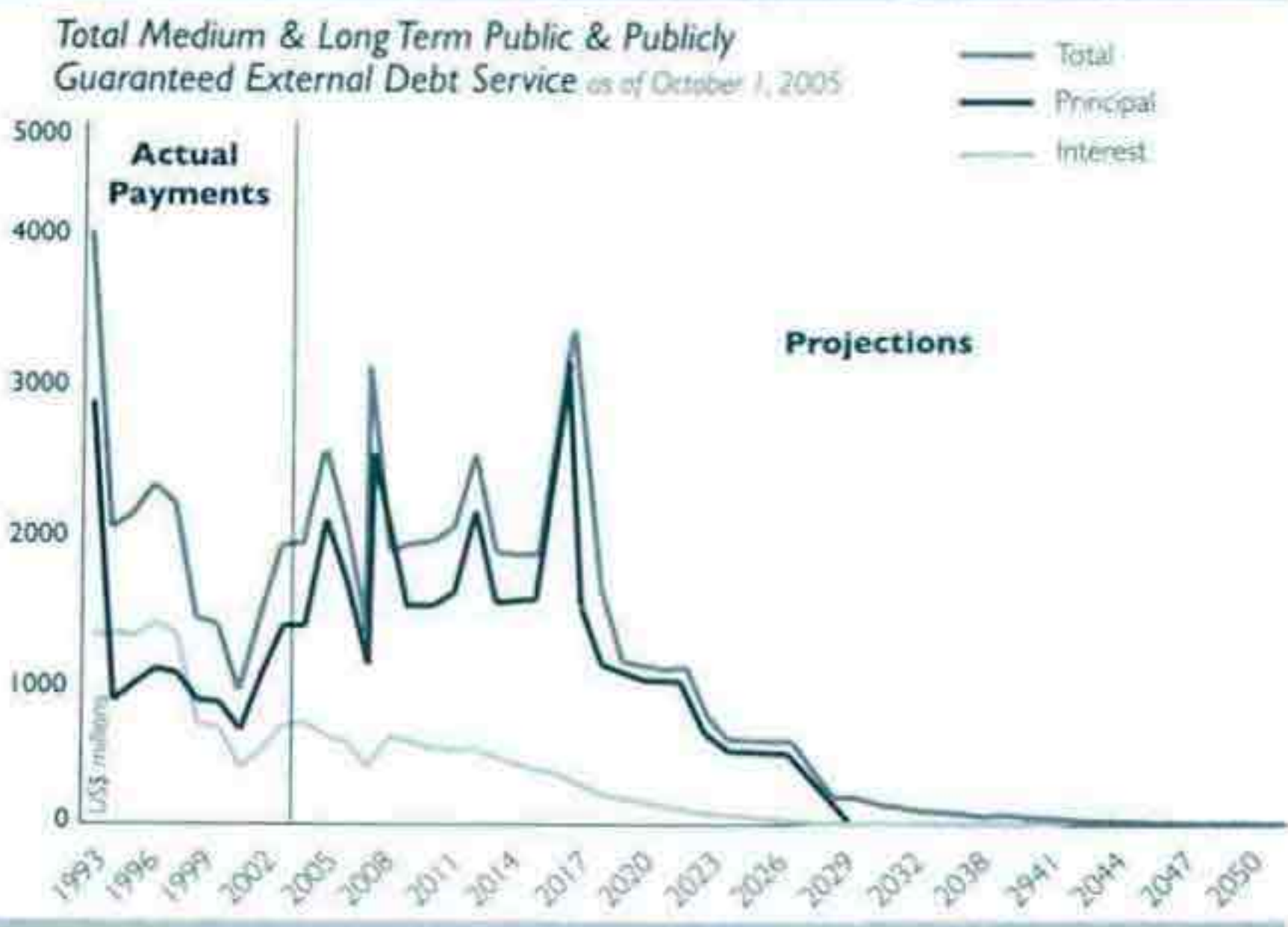
Figure II.24 Debt service positions...

Source: CBE



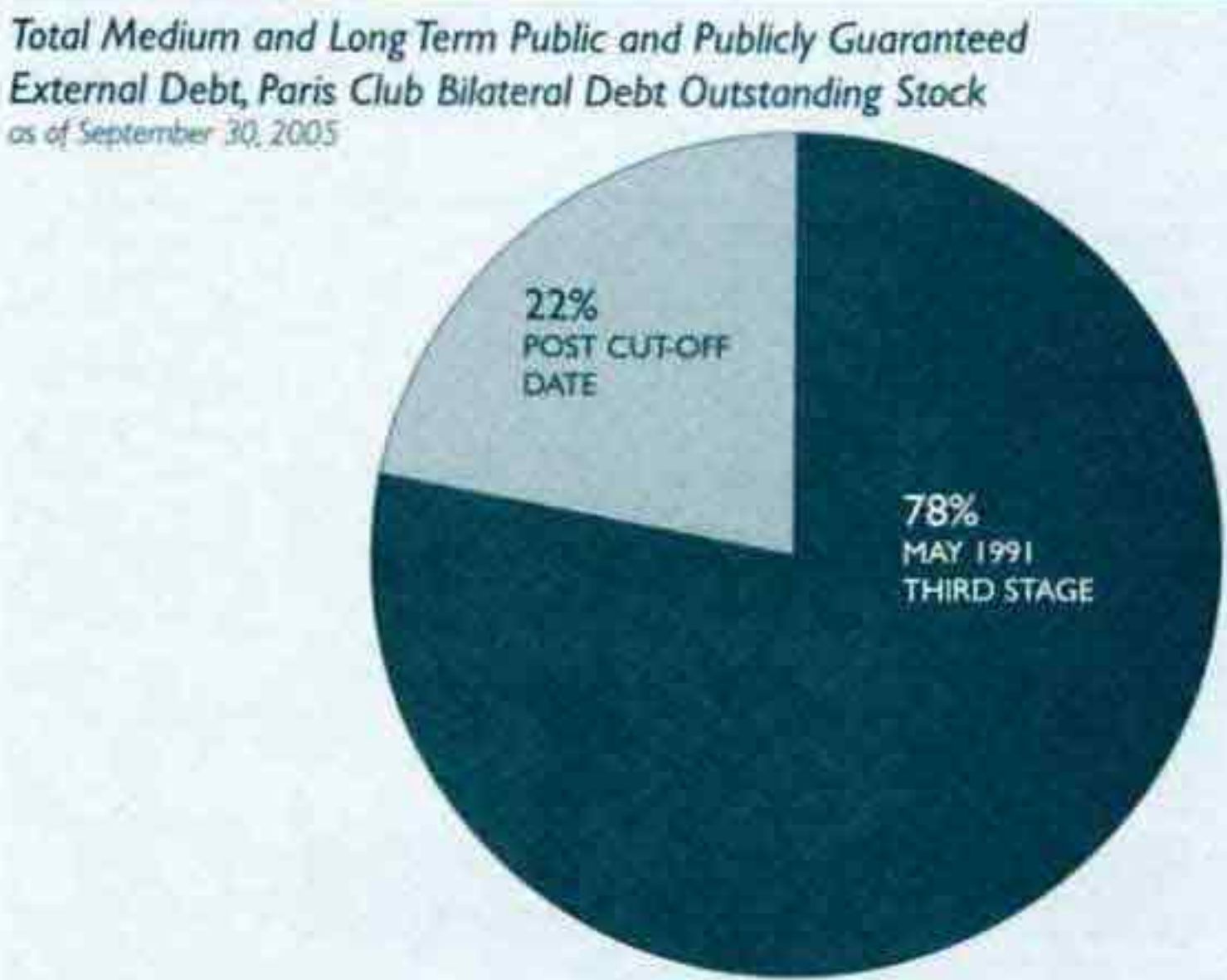
II.E. External Sector (cont.)

Figure II.25 Debt service positions ...



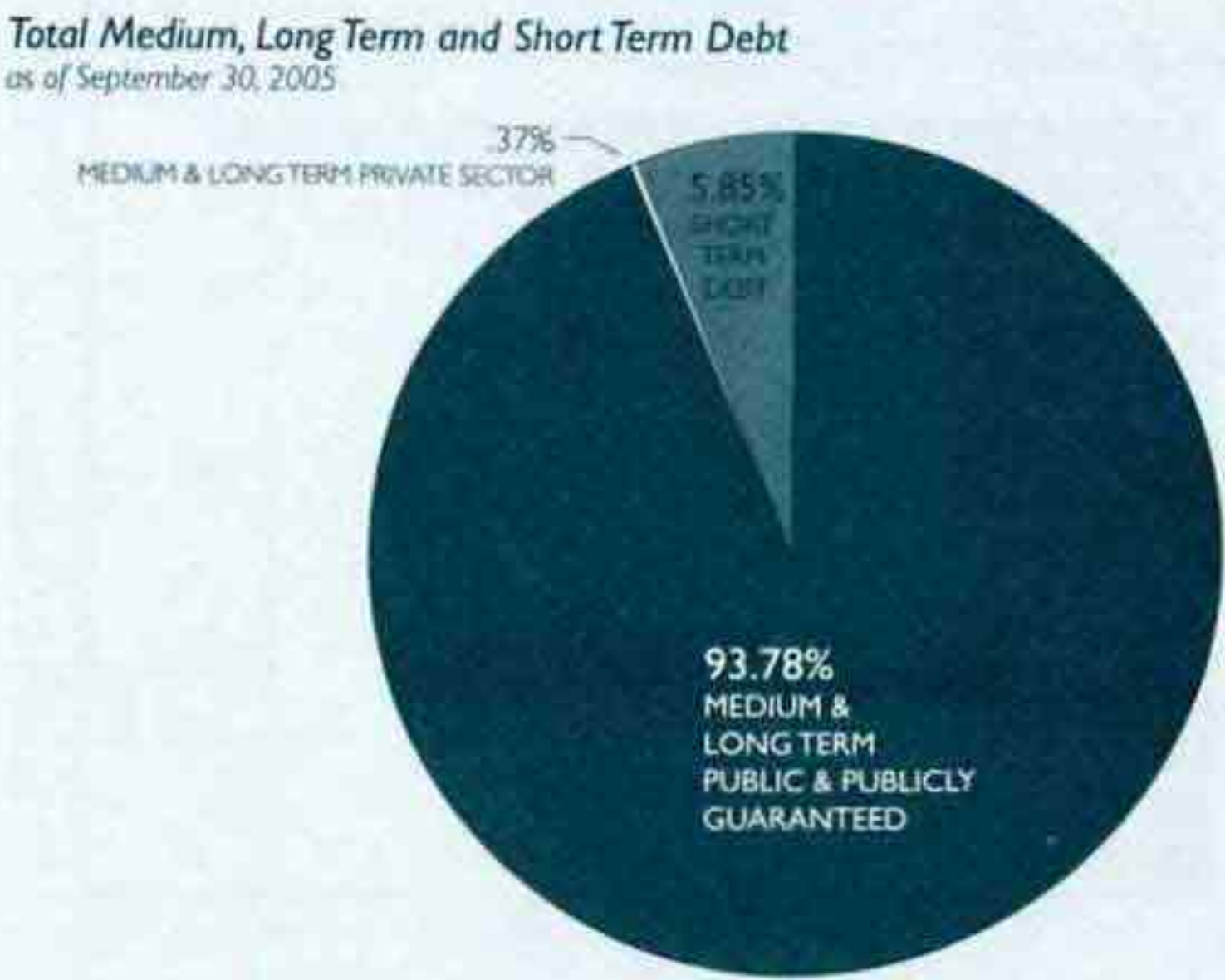
Source: CBE

Figure II.26 ... and maturity structure ...



Source: CBE

Figure II.27 ... continue to be favorable.



Source: CBE

Figure II.28 And in terms of net present value, Egypt's total external debt has declined from US\$29.9 billion in 1991 to US\$24.3 billion in September 2005.



Source: CBE



II.E. External Sector (cont.)

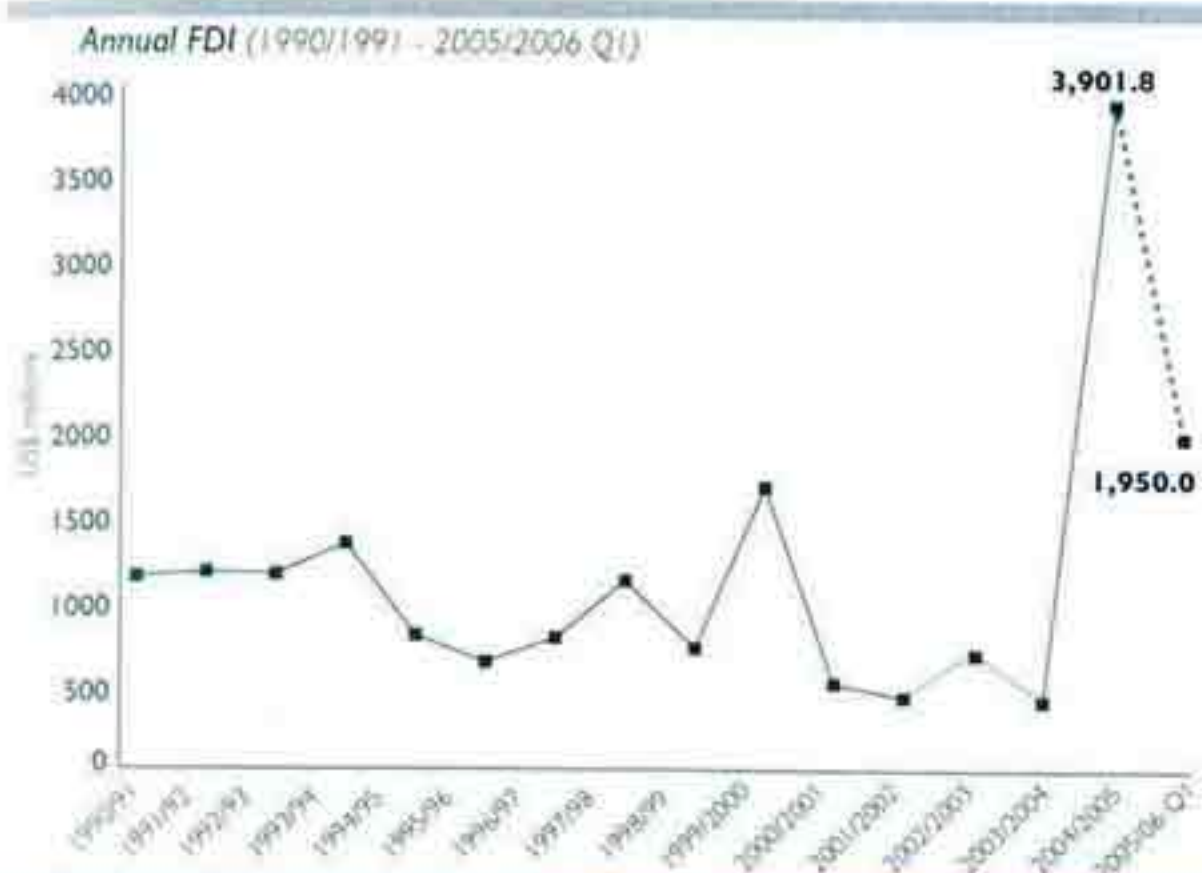


Figure II.29 Over 2004/2005, non-oil FDI inflows tripled to US\$1.3 billion, bringing total FDI flows to US\$3.9 billion in June 2005. During the first quarter of the fiscal year, FDI flows were almost US\$2 billion compared to 774.5 million during the corresponding quarter of last year.

Source: CBE

II.F. Privatization

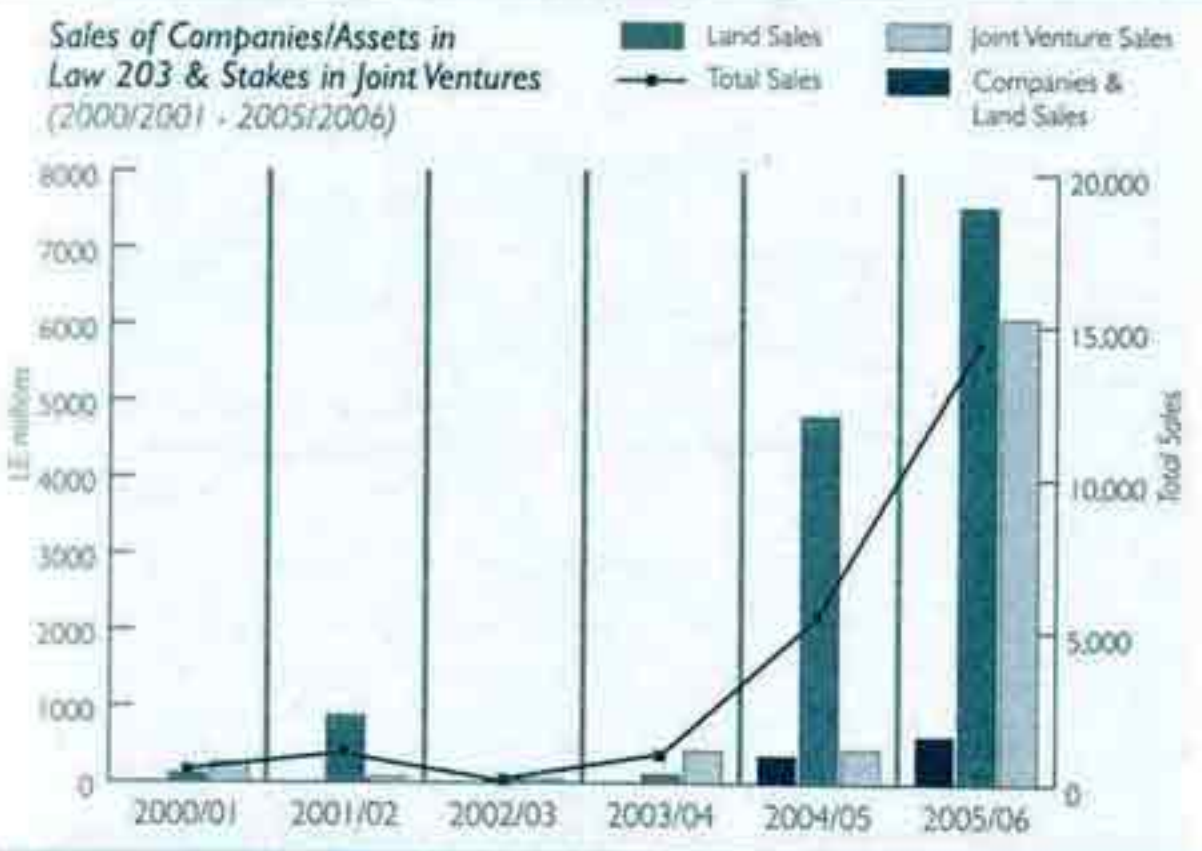


Figure II.30 Privatization is on the rise, with total revenue from the sale of state stakes in public enterprises reaching close to LE 20 billion between July 2004 and Decembetr 2005. This is more than 10 fold procceds between July 2000 and June 2004.

Note: See Appendix B:Table 1.7

Source: MOI

II.G. Domestic Savings

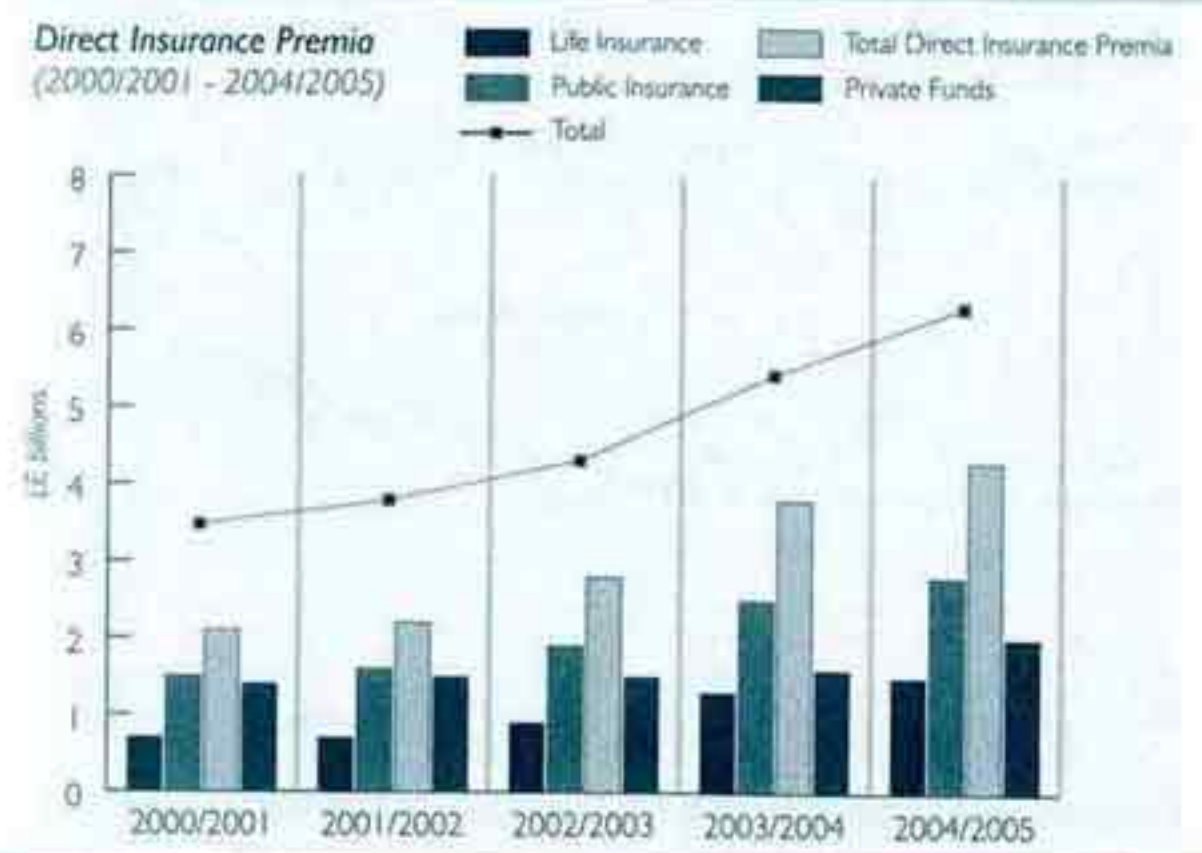


Figure II.31 In June 2005, the value of total insurance premia amounted to LE 4.3 billion, representing an increase of 12.8% over the previous year. Of this total, some LE 1.5 billion (35.5 percent) was generated by life business, while LE 2.8 billion were generated by non-life.

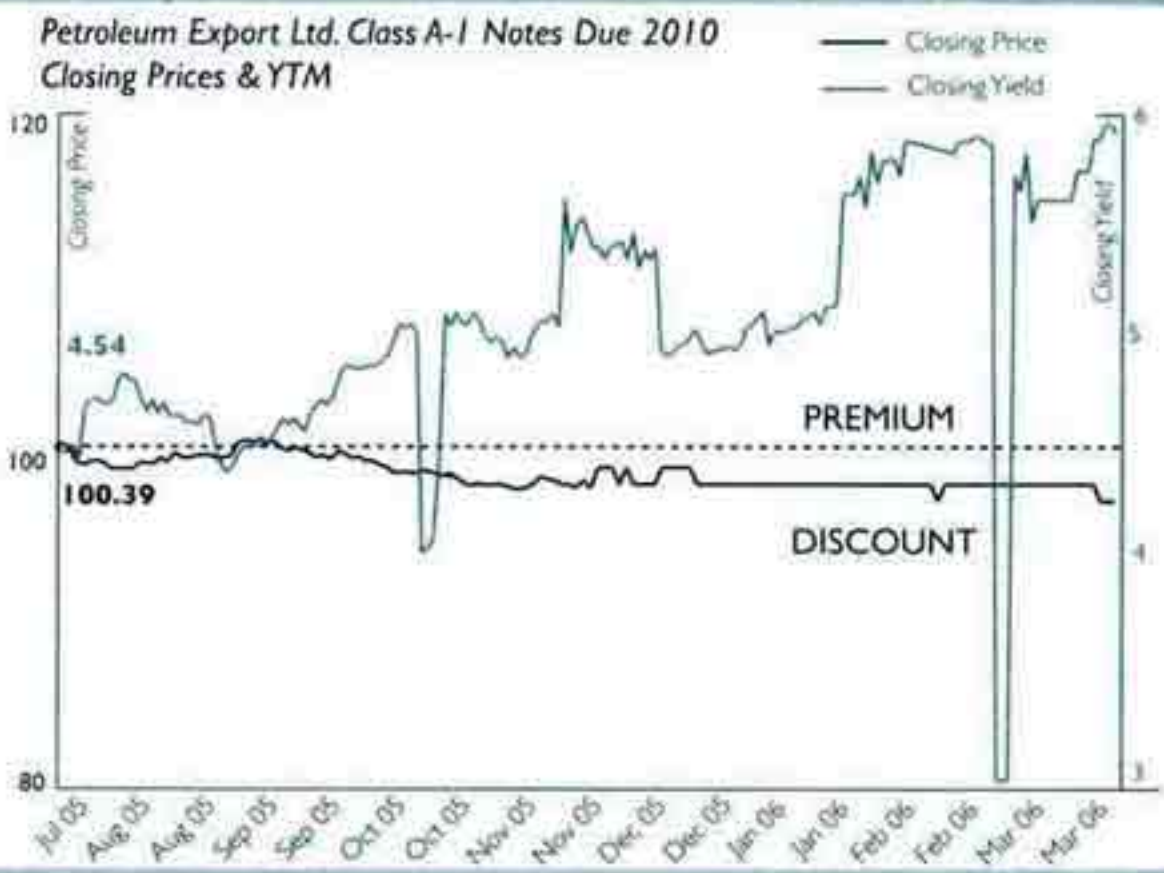
Source: MOI



## II.H. Eurobond Performance

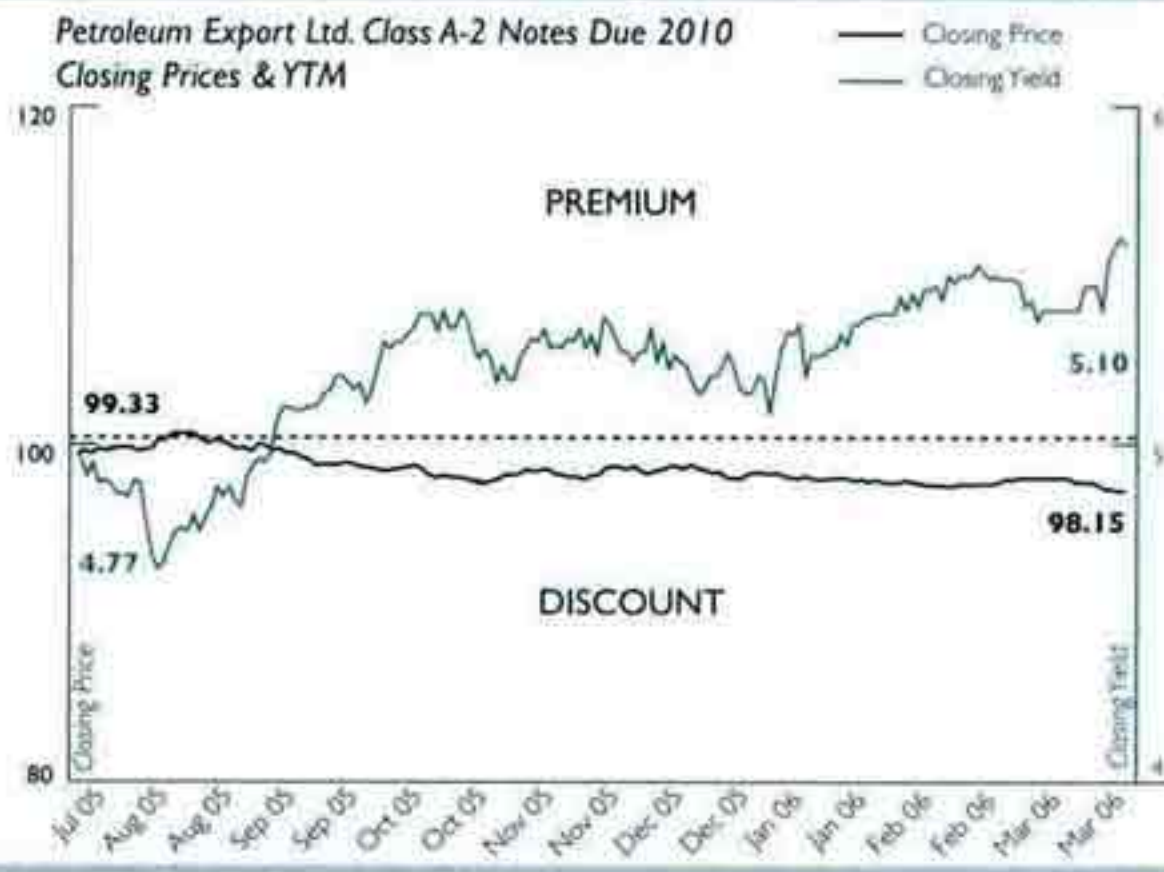
**Figure II.32** The first tranche of the EGPC securitized notes has been trading at a discount because of the increase in U.S. interest rates.

Source: MOF



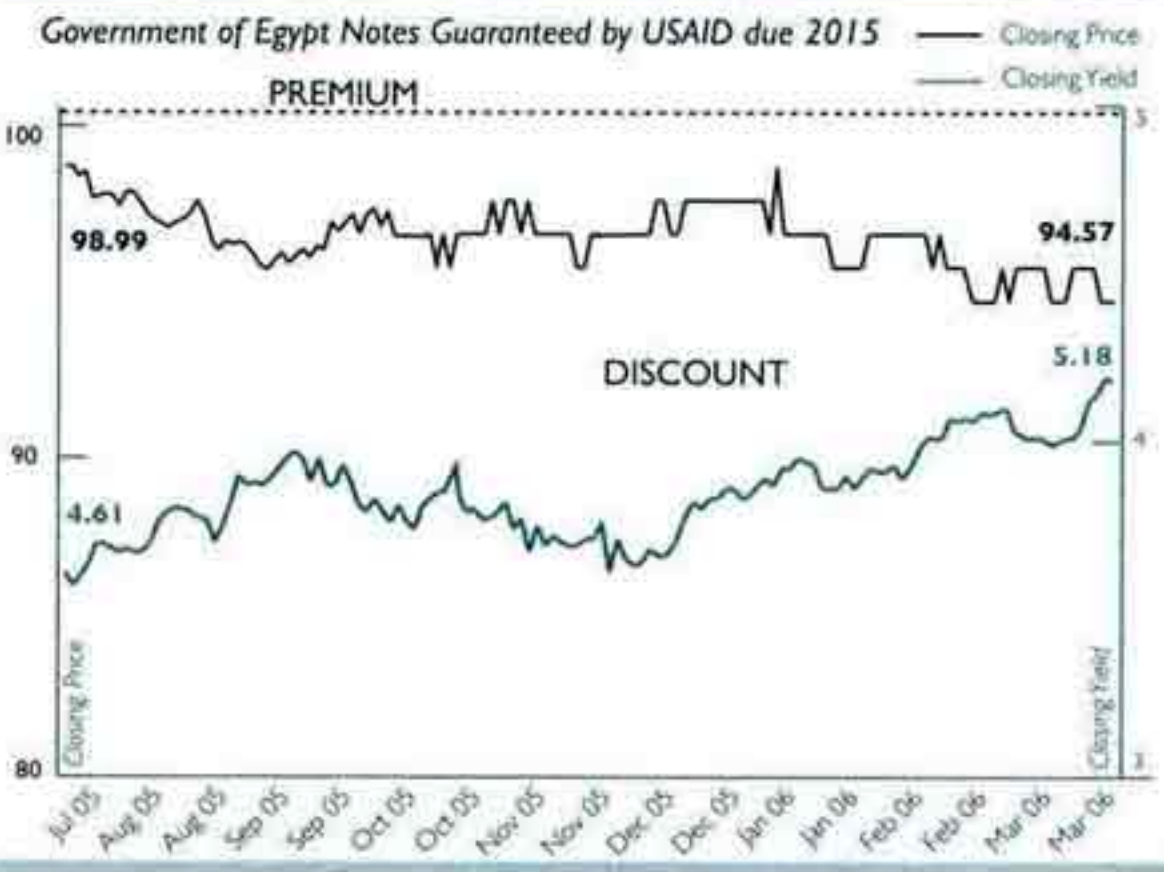
**Figure II.33** Also, the second tranche of the EGPC securitized notes has been trading at a discount because of the increase in U.S. interest rates.

Source: MOF



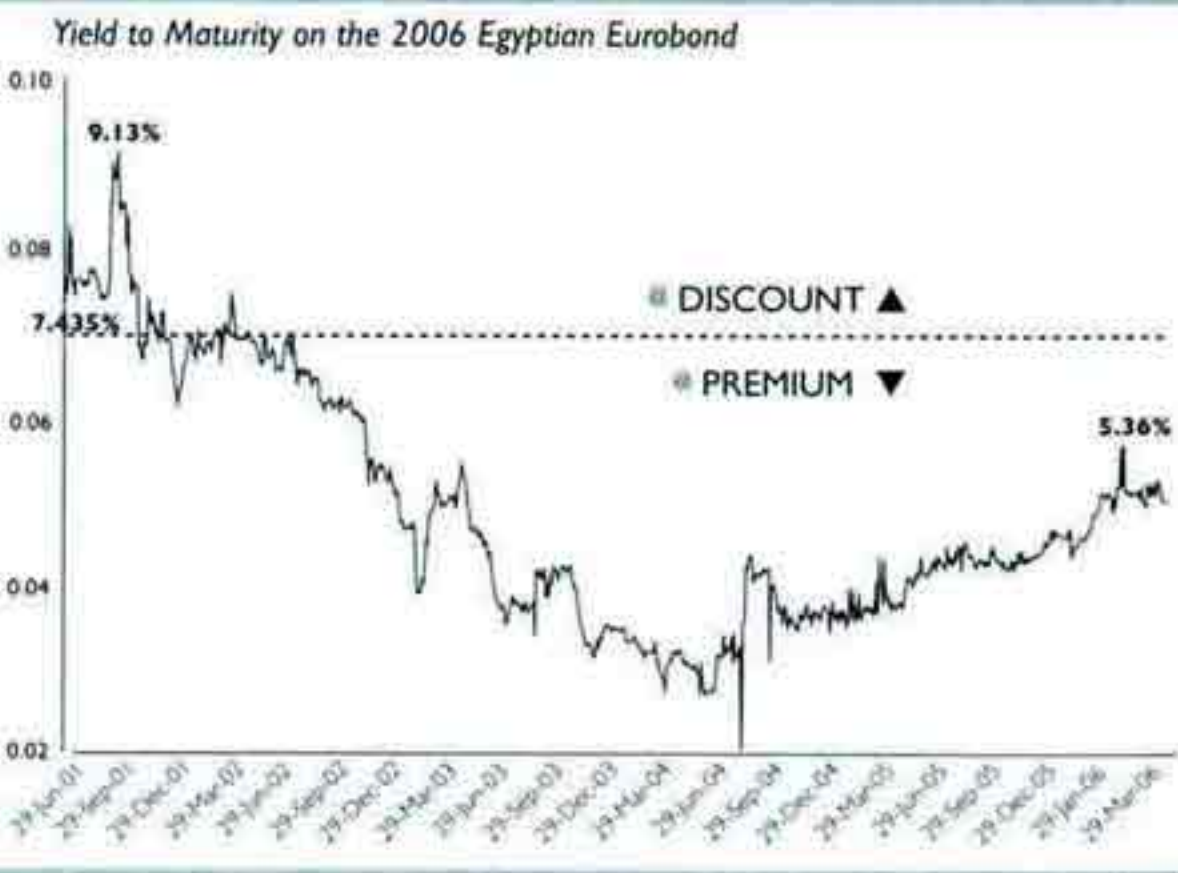
**Figure II.34** And even the Government of Egypt Notes, guaranteed by USAID, have been trading at a discount because of the increase in U.S. interest rates

Source: MOF



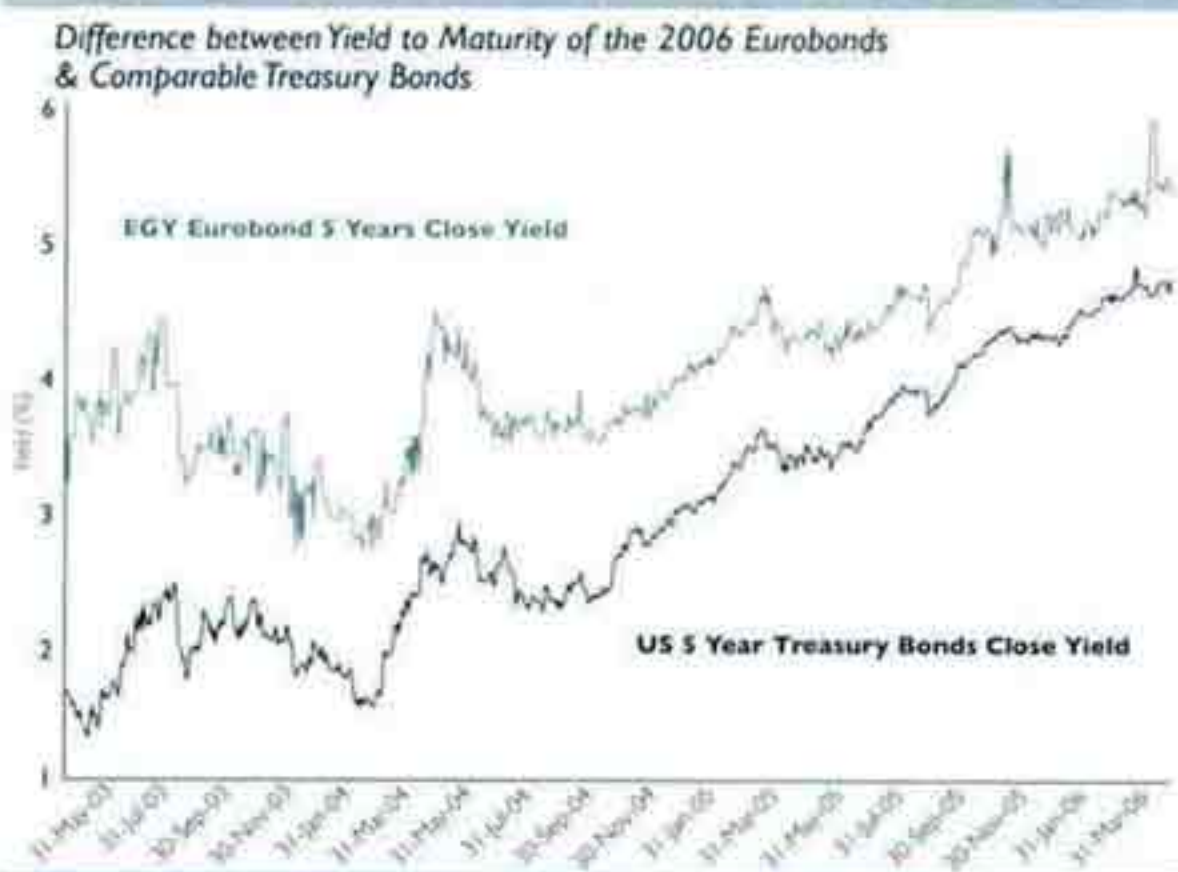
**Figure II.35** The YTM on the 2006 issue increased from 4.44 percent in March 2005 to 5.36 percent in March 2006. Over the same period, and as the 2006 bond approaches its maturity, its price fell from US\$103.8 to US\$100.6, approaching its par value.

Source: MOF



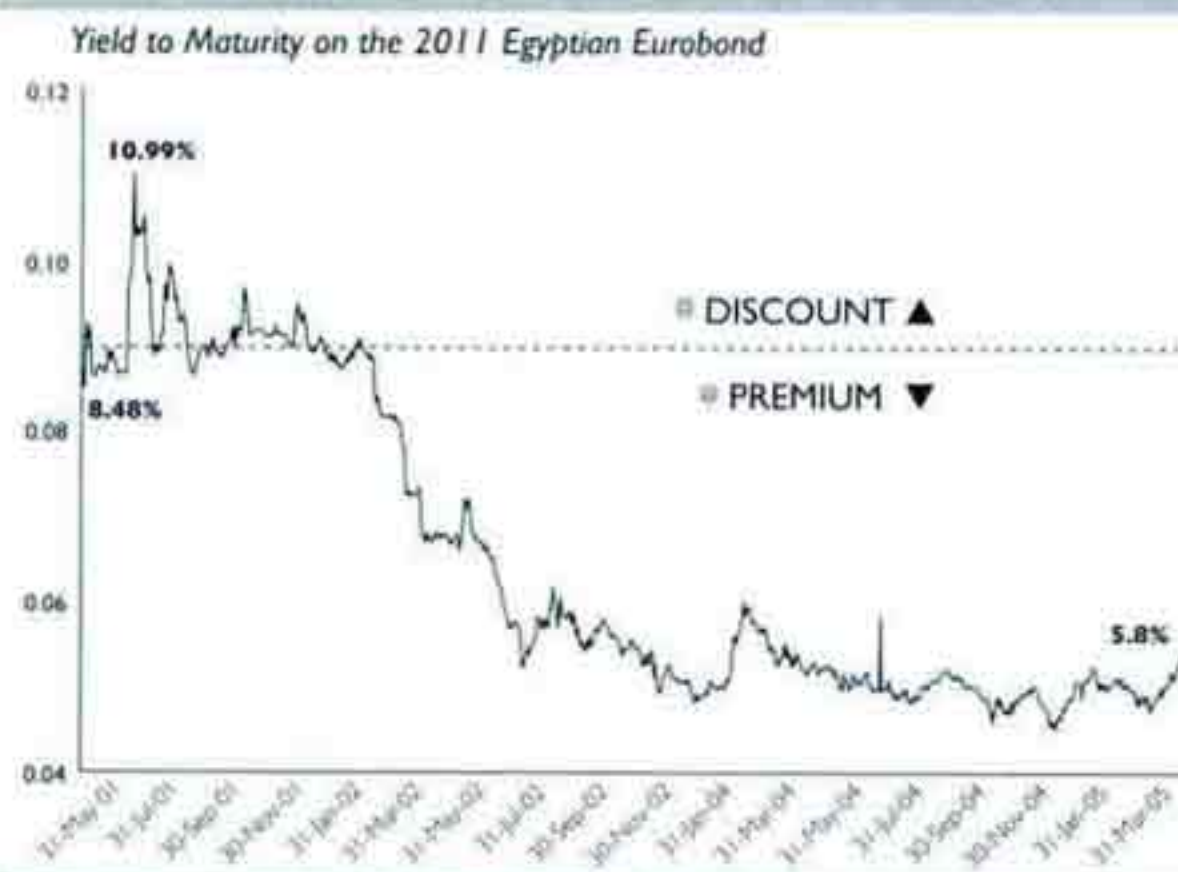


II.H. Eurobond Performance (cont.)



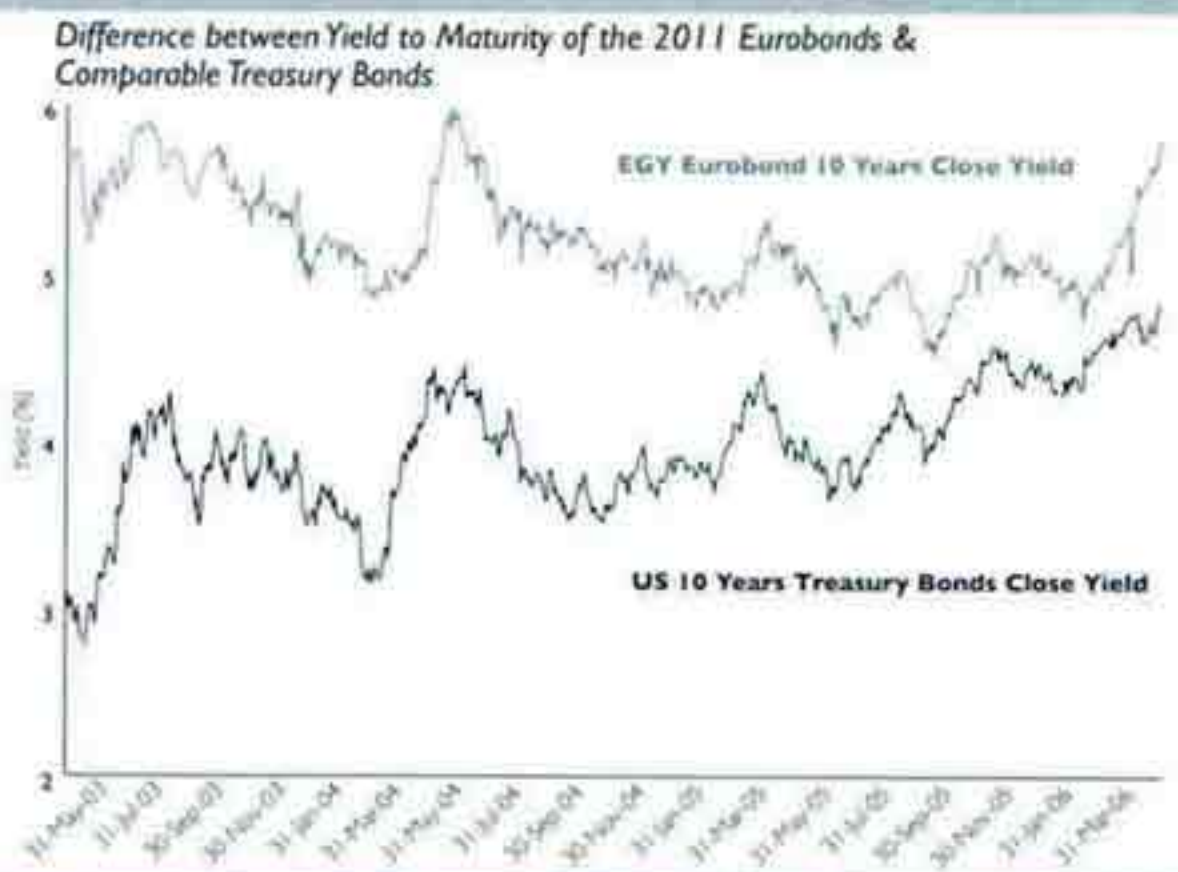
**Figure II.36** The spread over US Treasury for the 2006 bond issue tightened to 65 basis points in March 2006 compared to 102 basis points last year. This was due to an increase in appetite for Egyptian debt following the recent and continued reform initiatives of the July 2004 Cabinet.

Source: MOF



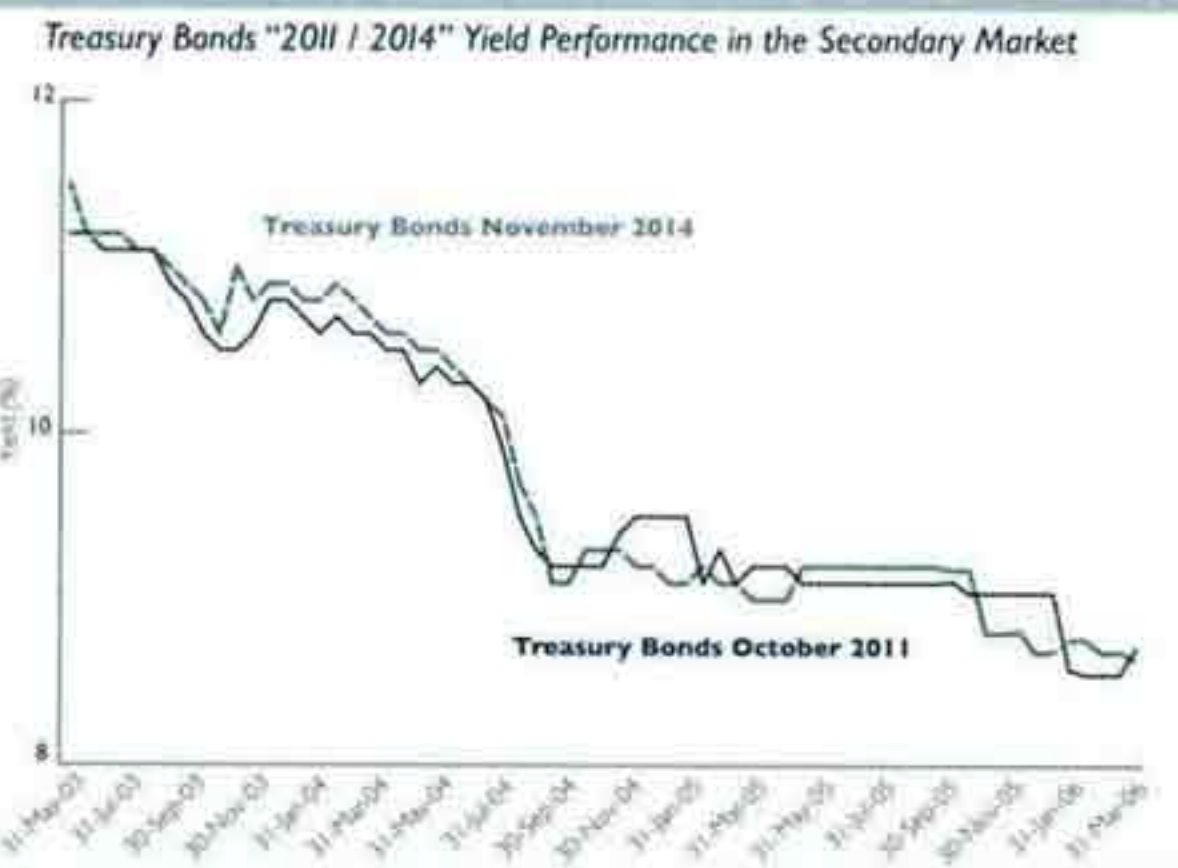
**Figure II.37** The YTM on the 2011 issue increased from 5.224 percent in March 2005 to 5.8 percent in March 2006. At the same time, the price of the bond declined from US\$118.36 to US\$113.21. On the other hand, the YTM on the 10-year US Government bond rose from 4.24 percent to 4.81 percent.

Source: MOF



**Figure II.38** The spread over US Treasury for the 2011 bond issue tightened to 100 basis points in March 2006 compared to 102 basis points last year.

Source: MOF



**Figure II.39** Due to the fall in domestic inflation rates, the yield on government bonds has been steadily softening.

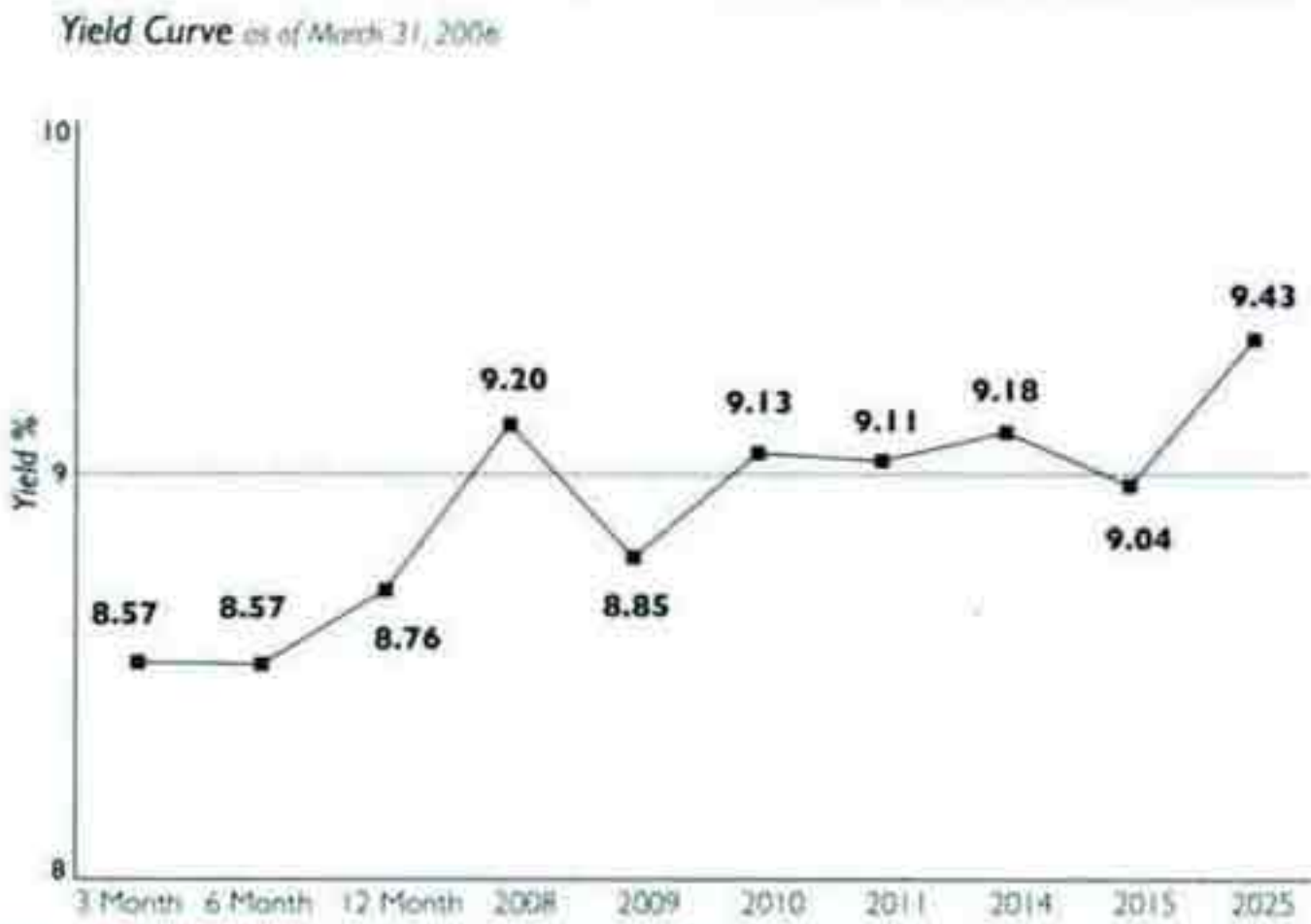
Source: MOF



## II.I. Stock Market

**Figure II.40** Our regular issuances of government bonds are gradually helping create an upward sloping yield curve.

Source: MOF



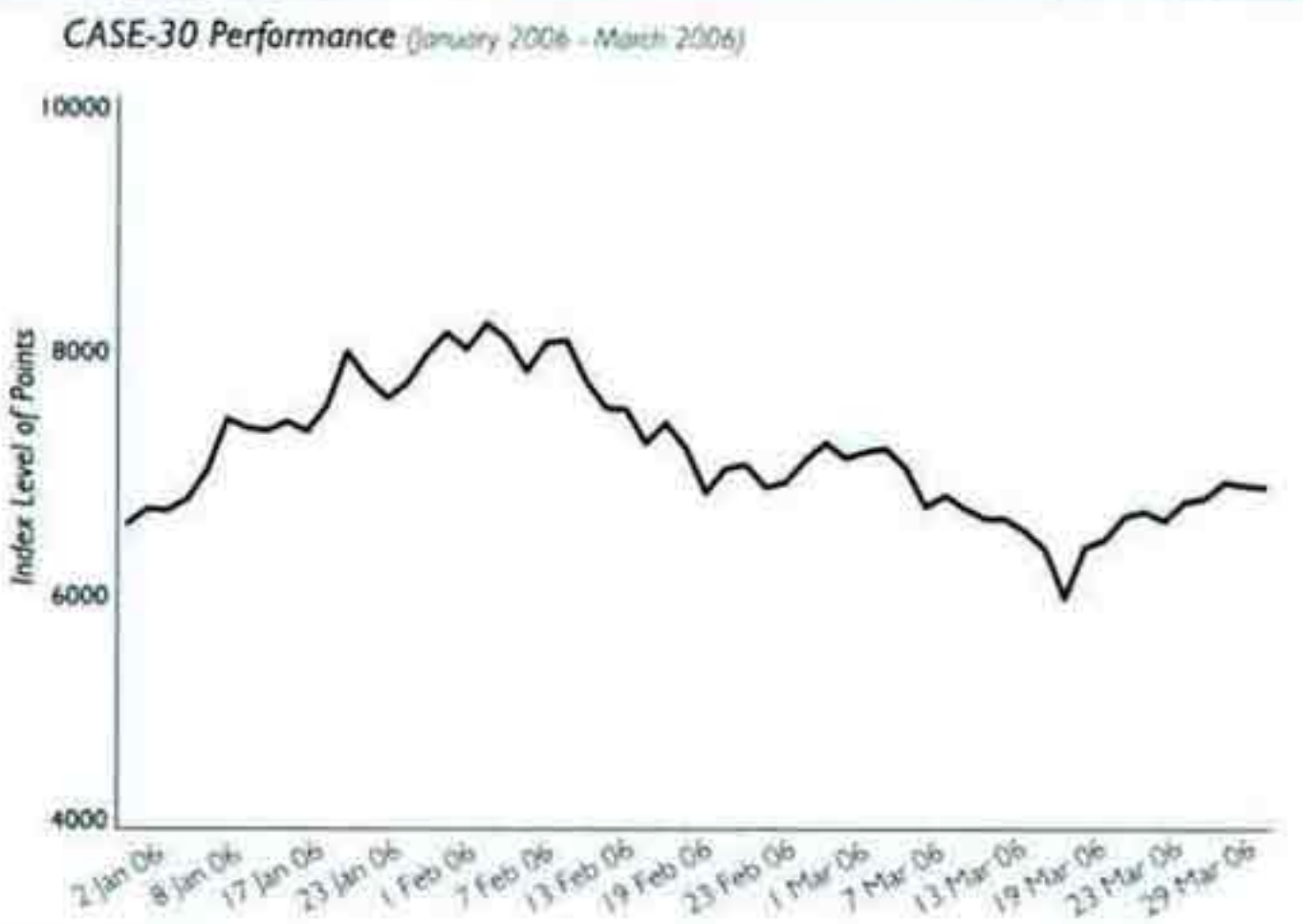
**Figure II.41** The bullish performance was driven by the continued improvement in the external accounts, tariff and tax cuts, and rapid and successful privatization. Since December 2005, the stock market received an extra boost after the renewal of the tenure of the reform-oriented Economic Team for another term. The market dropped in mid-March 2006 following the regional crash. However, the market recovered at the end of this quarter.

Source: Egyptian Stock Market & Reuters



**Figure II.42** The CASE-30 has gained a 25 percent net increase in March compared to January 2006. This confirms the strong fundamentals on which the Egyptian economy is based.

Source: Egypt Stock Market & Reuters





II.1. Stock Market (cont.)



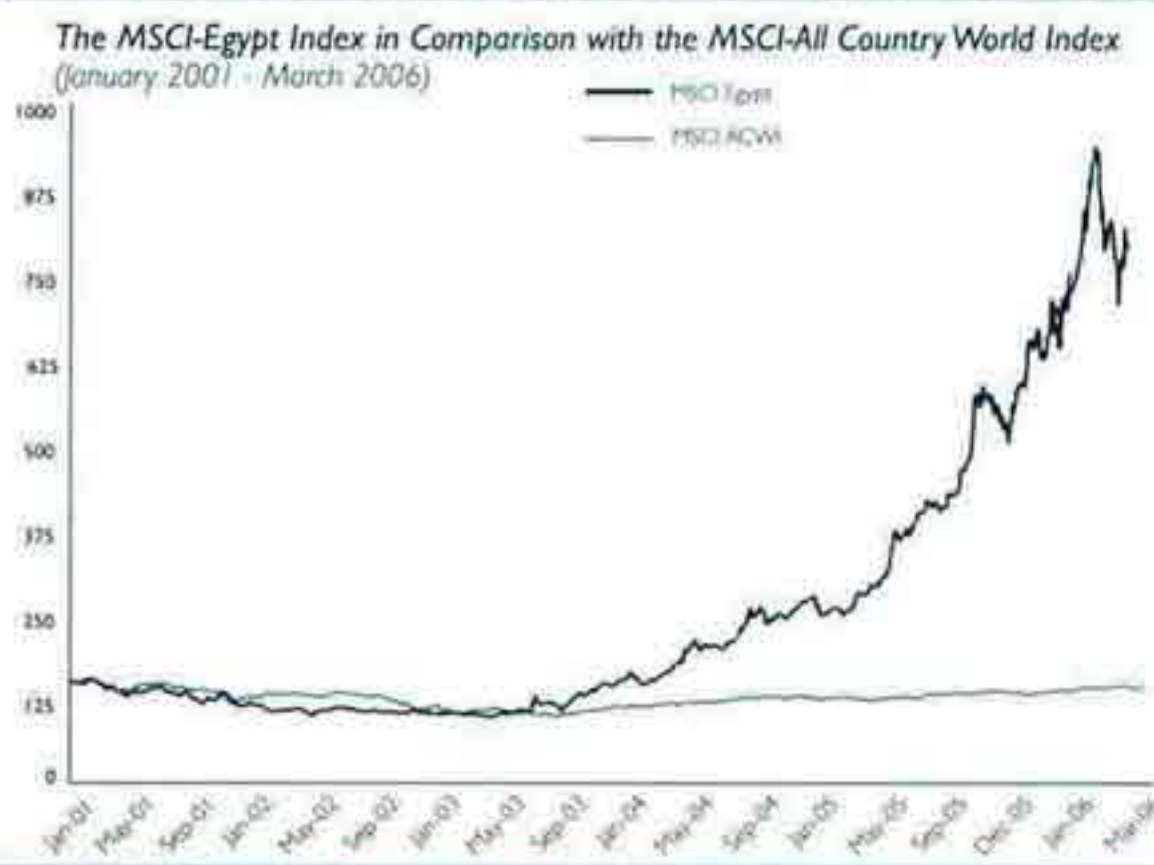
**Figure II.43** During January to March 2006, the MSCI-Egypt Price Index, which measures the market price performance, achieved a 9% net increase for its return compared to 12% net increase during the previous quarter (October to December 2005), and 49% during the corresponding quarter of 2005. Moreover, the index closed at 1,320 at the end of March 2006 compared to 1,215 at the end of the previous quarter (October to December 2005) and 750.6 at the end of the corresponding quarter of 2005. The small increase reflects continuous increased valuation of the international financial corporations for the Egyptian Stock Market in specific and the Egyptian economy in general.

Source: MOF



**Figure II.44** Since July 2004, the performance of the MSCI-Egyptian Stock Market Index has exceeded both the MSCI-Emerging Markets and MSCI-Emerging Markets, Europe and Middle East indices in an accelerated trend.

Source: MOF



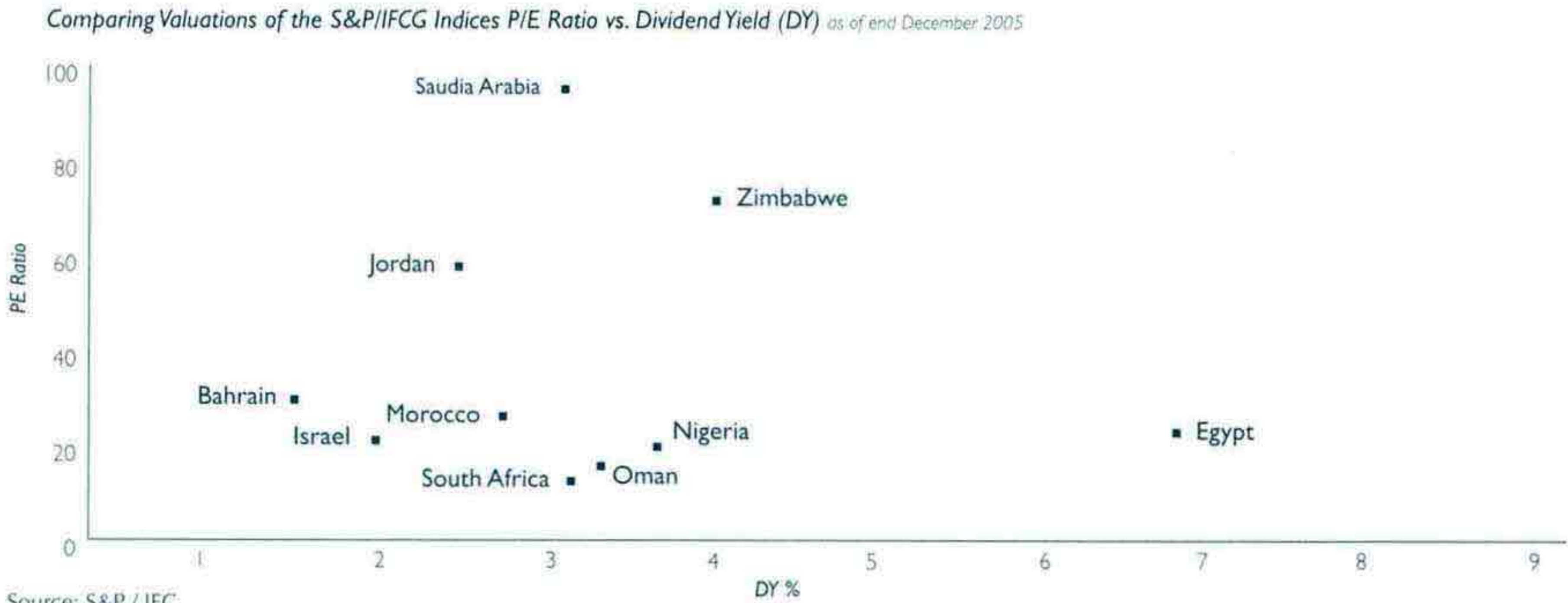
**Figure II.45** The performance of the MSCI-Egyptian Stock Market Index has exceeded the performance of the MSCI-All Country World Index since July 2004 in an accelerated trend.

Source: MOF



II.I. Stock Market (cont.)

**Figure II.46: Comparing Valuations of the S&P/IFCG Indices P/E Ratio vs. Dividend Yield (DY)**  
(as of end December 2005)



**Table II.2: Egypt vs: Emerging Markets: S&P/IFCG Price Index Performance Summary (US\$)**

Rank	Emerging Markets	I-Month (Nov 05 - Dec 05 )	YTD (Jan 05 - Sep 05)
		%Change	%Change
1	Egypt	16.3	155.9
2	South Africa	11.2	24.7
3	Colombia	11.1	108.1
4	Korea	9.6	56.8
5	Indonesia	9.0	9.8
6	Thailand	8.5	1.6
7	India	8.5	33.3
8	Taiwan	7.7	4.6
9	Poland	5.6	20.7
10	Czech Republic	5.3	43.5
11	Mexico	4.6	43.7
12	Pakistan	4.2	58.5
13	Israel	4.1	23.9
14	China	3.6	4.9
15	Turkey	3.5	50.9
16	Russia	3.4	82.0
17	Philippines	2.2	25.5
18	Saudi Arabia	1.8	111.0
19	Oman	1.0	38.0
20	Argentina	0.2	44.1
21	Malaysia	0.1	(3.0)
22	Morocco	0.0	8.6
23	Nigeria	(0.5)	20.7
24	Peru	(1.0)	24.1
25	Brazil	(1.5)	50.0
26	Bahrain	(1.6)	20.8
27	Chile	(1.7)	14.4
28	Hungary	(1.8)	15.7
29	Venezuela	(2.7)	(22.0)
30	Zimbabwe	(4.5)	36.6
31	Jordan	(11.9)	117.8
32	Sri Lanka	(15.1)	29.3

*In December 2005, Egypt’s rank in the S&P/IFCG Price Index was the first compared to 11th at the end of September 2005, reflecting the improvement in the performance of the Egyptian Capital Market.*



# III

## APPENDICES



# APPENDIX A: Fiscal Data

**Table I.1: Fiscal Data**

The Budget Sector (2002/2003 - 2005/2006) <sup>1</sup>: Summary Table

LE Millions	2002/2003	2003/2004	2004/2005	2005/2006 <sup>2</sup>	Jul-Sep 2004/05	Jul-Sep 2005/06	Jul-Dec 2004/05	Jul-Dec 2005/06
		Actual		Budget			Actual	
# Revenues	89,347.2	102,044.7	110,864.0	130,151.7	20,995.7	24,629.0	44,409.3	54,985.0
Taxes	55,707.3	67,147.5	75,759.2	81,607.3	13,572.8	13,447.6	30,615.6	34,713.2
Grants	3,289.5	5,058.1	2,853.2	2,861.0	-26.7	-81.8	-307.3	396.7
Other Revenues	30,350.4	29,839.1	32,251.6	45,683.4	7,449.6	11,263.2	14,101.0	19,875.1
# Expenses	127,319.6	145,987.9	161,610.8	187,817.3	31,179.1	32,374.0	61,669.3	71,842.1
Wages and Compensation	33,816.1	37,265.7	41,545.9	45,842.7	10,933.7	12,408.9	19,059.6	21,026.6
Purchases of Goods & Services	8,490.8	9,421.7	12,612.6	13,143.0	1,245.8	1,939.3	4,182.8	4,001.8
Interests	25,851.2	30,703.9	32,779.8	42,605.0	4,872.3	5,887.0	8,808.8	9,591.6
Subsidies, Social Benefits and Grants	20,649.2	24,751.7	29,705.5	50,546.2	7,954.8	5,830.3	14,894.4	22,222.5
Other Expenses	18,261.4	20,993.7	21,692.3	18,285.0	4,031.3	4,349.6	8,988.9	9,284.5
Purchase of Non Financial Assets	20,250.9	22,851.2	23,274.7	17,395.4	2,141.2	1,958.9	5,734.8	5,715.1
Primary Deficit / Surplus	-17,794.8	-16,123.5	-18,863.2	-16,795.5	-5,319.7	-2,223.3	-8,418.0	-7,759.7
Deficit / Surplus (Operating Balance)	-37,972.4	-43,943.2	-50,746.8	-57,665.6	-10,183.4	-7,745.0	-17,260.0	-16,857.1
# Net Acquisition of Assets	-5,673.6	-2,884.2	-896.2	-1,734.9	-8.6	-365.3	33.2	-494.2
Proceeds of Lending & Sales of Financial Assets, excl. Privatization	1,831.8	1,767.6	2,193.7	2,572.0	243.0	214.0	597.6	439.8
Acquisition of Domestic & Foreign Financial Assets, excl. Treasury Contribution in the Fund of Restructuring Finance	7,505.4	4,651.8	3,089.9	4,306.9	251.6	579.3	564.4	934.0
Overall Fiscal Balance	-43,646.0	-46,827.4	-51,643.0	-59,400.5	-10,192.0	-8,110.3	-17,226.8	-17,351.3
Financing Required	72,626.9	46,827.3	51,643.0	59,400.5	10,192.0	8,110.3	17,226.8	17,351.3
# Net Borrowing	72,587.7	46,810.3	50,631.2	56,400.5	10,204.0	7,264.1	17,238.7	16,989.4
Borrowing & Issuance of Securities other than Shares	58,097.2	61,054.9	65,761.8	76,948.9	12,290.1	11,233.6	22,648.6	23,611.1
Payment of Debt Installments	14,490.5	-14,244.6	-15,130.6	-20,548.4	-2,086.1	-3,969.5	-5,409.9	-6,621.7
# Privatization Proceeds	39.2	17.0	1,011.8	3,000.0	-12.0	846.2	-11.9	361.9
GDP	417,500	485,000	536,400	593,000	536,400	593,000	536,400	593,000
Percentage of GDP								
Revenues	21.4%	21.0%	20.7%	21.9%	3.9%	4.2%	8.3%	9.3%
Expenditures	30.5%	30.1%	30.1%	31.7%	5.8%	5.5%	11.5%	12.1%
Cash Deficit / Surplus	-9.1%	-9.1%	-9.5%	-9.7%	-1.9%	-1.3%	-3.2%	-2.8%
Overall Fiscal Balance	-10.5%	-9.7%	-9.6%	-10.0%	-1.9%	-1.4%	-3.2%	-2.9%

Source: Ministry of Finance

<sup>1</sup> The new budget is presented according to the IMF 2001 GFS Standards, modified to cash principles. (See Appendix C: Recent Economic Developments). The new classification was adopted by the Egyptian Ministry of Finance by Law 97/2005. Therefore, Data starting 2005/2006 are not comparable to previous years as a new approach is used in the budget classification.

<sup>2</sup> Figures are provisional and subject to revisions. Data starting 2005/2006 are not comparable to previous years as subsidies were not previously explicitly included in the budget line.



<b>Table 1.2: Fiscal Data</b> <b>Budget Sector Domestic Debt (End June 2001 - End December 2005) <sup>1</sup></b>							
LE Billions	◊ Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Sep-05	Dec-05
Gross domestic debt of the budget sector	253,163	298,704	351,963	422,235	502,554	482,201	480,370
Ministry of Finance securities	133,545	165,907	208,592	272,074	340,898	325,983	327,998
Treasury bills	29,334	40,007	55,318	63,774	79,907	91,093	91,344
Treasury bonds	13,000	13,000	13,000	13,000	27,000	34,000	43,500
Treasury bills issued to CBE	0	0	0	20,000	45,000	11,883	4,572
Treasury bonds and notes issued to CBE	76,125	94,875	112,875	132,875	147,875	147,875	147,875
Revaluation bonds	0	0	0	13,582	13,582	13,582	13,582
Commercial banks recapitalization bonds	0	0	4,000	4,000	4,000	4,000	4,000
GASC bonds	2,705	2,705	2,705	2,705	2,705	2,705	2,235
Energy bonds	0	0	0	0	0	0	-
Bank restructuring bonds	8,047	9,406	12,610	12,938	12,070	12,008	11,969
Insurance notes	3,029	2,000	2,000	2,000	2,000	2,000	2,000
Eurobonds (held domestically)	0	2,511	4,612	5,647	5,122	5,199	5,281
Housing bonds	139	136	132	128	124	125	122
The 5 % Government bonds	1,166	1,267	1,340	1,425	1,513	1,513	1,518
Budget sector borrowing from NIB	101,126	113,786	123,939	134,325	143,751	143,522	144,485
Budget sector bank loans	18,492	19,011	19,432	15,836	17,905	12,696	7,887
Budget sector deposits with banks	58,353	77,480	99,778	129,514	153,385	127,107	122,727
Net domestic debt of the budget sector	194,810	221,224	252,185	292,721	349,169	355,094	357,643
Memorandum Items							
GDP	358,700	378,900	417,500	485,000	536,400	593,000	593,000
Gross Budget Sector Debt (% of GDP)	70.6%	78.8%	84.3%	87.1%	93.7%	81.3%	81.0%
Net Budget Sector Debt (% of GDP)	54.3%	58.4%	60.4%	60.4%	65.1%	59.9%	60.3%

Source: Ministry of Finance

<sup>1</sup> Includes debt of the central government, municipalities, and services authorities.  
 (◊) percent change over previous year.



---

## Erratum

***Note: Domestic debt data in Tables 1.2 and 1.3 are provisional, as methodology is being revised.***

---



**Table 1.3: Fiscal Data****General Government Domestic Debt (End June 2001 - End December 2005)**

LE Billions	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Sep-05	Dec-05
Gross General Government Domestic Debt	216,023	259,169	313,138	374,945	451,514	431,565	431,667
a- Gross domestic debt of the budget sector	253,163	298,704	351,963	422,235	502,554	482,201	480,370
Less: budget sector borrowing from NIB	101,126	113,786	123,939	134,325	143,751	143,522	144,485
Less: MOF securities held by NIB	0	0	147	9,239	6,124	6,124	5,402
Less: MOF securities held by SIF	3,259	2,236	2,260	2,119	3,552	3,552	3,552
Consolidated Budget Sector Debt	148,778	182,682	225,617	276,552	349,127	329,003	326,931
b- Gross domestic debt of NIB	203,585	231,145	262,354	294,550	321,393	321,718	324,093
NIB borrowing from SIF	136,340	154,658	174,833	196,157	219,006	219,156	219,357
Investment certificates	51,063	56,425	61,778	66,915	65,337	65,456	66,694
Post office savings	13,305	17,109	22,300	27,776	33,902	34,297	35,338
Other	2,877	2,953	3,443	3,702	3,148	2,809	2,704
Less: NIB borrowing from SIF	136,340	154,658	174,833	196,157	219,006	219,156	219,357
Consolidated NIB Debt	67,245	76,487	87,521	98,393	102,387	102,562	104,736
General Government Deposits	68,538	90,013	120,579	147,952	173,822	146,523	141,292
Budget sector	58,353	77,480	99,778	129,514	153,385	127,107	122,727
NIB	3,179	2,800	9,082	4,393	4,917	3,480	4,199
SIF	7006	9,733	11,719	14,045	15,520	15,936	14,366
Net Domestic Debt of the General Government	147,485	169,156	192,559	226,993	277,692	285,042	290,375
Memorandum Items							
GDP	358,700	378,900	417,500	485,000	536,400	593,000	593,000
Gross General Government Debt (% of GDP)	60.2%	68.4%	75.0%	77.3%	84.2%	72.8%	72.8%
Net General Government Debt (% of GDP)	41.1%	44.6%	46.1%	46.8%	51.8%	48.1%	49.0%

Source: Ministry of Finance

<sup>†</sup> Includes outstanding consolidated debt of the budget sector, National Investment Bank, and Social Insurance Funds. Consolidation excludes interrelated relations between the three bodies.



**Table 1.4: Fiscal Data**  
**National Investment Bank: Sources and Uses (June 2000 - September 2005)**

LE Millions	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Sep-05
Sources	174,018	200,406	228,345	253,272	290,157	316,476	318,238
Social Insurance Fund for Government Employees	62,408	72,487	83,779	95,886	108,991	122,913	123,063
Social Insurance Fund for Public & Private Employees	57,429	63,853	70,879	78,947	87,166	96,093	96,093
Proceeds of Investment Certificates	39,007	43,966	49,009	55,218	60,178	58,485	58,493
Accumulated Returns on Investment Certificates (Category A)	6,329	7,097	7,417	6,560	6,737	6,852	6,963
Proceeds of US Dollar Development Bonds	1,044	1,138	1,303	1,736	1,738	1,418	1,135
Post Office Savings	10,446	13,305	17,108	22,300	27,776	33,902	34,297
NIB Balances held at the Banking System (Net)	(4,402)	(3,179)	(2,800)	(9,082)	(4,393)	(4,917)	(3,480)
Other *	1,757	1,739	1,650	1,707	1,964	1,730	1,674
Uses:	174,018	200,406	228,345	253,272	290,157	316,476	318,238
Government	88,947	101,126	113,786	123,939	134,325	143,751	143,522
Economic Authorities	41,475	44,967	47,124	50,094	53,771	58,265	59,791
Other	43,596	54,313	67,435	79,239	102,061	114,460	114,925

Source: Ministry of Finance



# APPENDIX B: Statistics

## 1. Macroeconomic data

Table 1.1: Macroeconomic Data						
Population, Labor Force, Employed and Unemployed (1999/2000 - 2004/2005)						
	In Millions					
	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Population *	63.30	64.65	66.60	68.00	69.30	70.00
Population Growth Rate %	2.12	2.10	2.00	2.00	2.00	2.00
Labor Force	18.80	19.30	19.70	20.60	20.80	21.60
Employed	17.30	17.60	17.90	18.40	18.50	19.30
Unemployed	1.45	1.60	1.92	1.98	2.04	2.00
Labor Force / Population %	29.70	29.85	29.58	30.29	30.01	30.86
Unemployment Rate %	9.00	8.80	9.00	10.50	11.10	10.50

Source: Ministry of Planning, CAPMAS  
\* Excluding Egyptians working abroad

Table 1.2.a: Macroeconomic Data					
Resources and Uses in Current Prices - Quarterly Data (2004/2005 - 2005/2006)					
Items	LE Billions				
	2004/2005		2005/2006		
	Q1	Q2	Q1	Q2	Q2
Total Resources	176.1	175.8	200.0		196.0
GDP at Market Prices	136.0	130.9	148.0		145.8
GDP at Factor Production Cost	128.2	123.3	140.0		137.9
Net Indirect Taxes	7.8	7.6	8.0		7.9
Commodity & Services Imports	40.1	44.9	52.0		50.2
Total Uses	176.1	175.8	200.0		196.0
Total Final Consumption	115.1	111.7	127.5		122.4
Final Private Consumption	96.5	96.0	107.0		105.3
Final Public Consumption	18.6	15.7	20.5		17.1
Total Investments	18.2	24.1	22.5		27.6
Investments	18.2	24.1	22.5		27.6
Change in Stock	0.0	0.0	0.0		0.0
Commodity & Services Exports	42.8	40.0	50.0		46.0

Source: Ministry of Planning



**Table 1.2.b: Macroeconomic Data**

Resources and Uses, Percent of GDP in Current Prices  
Annual Data (1999/2000 - 2004/2005)

Items	LE Billions						% of GDP					
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Total Resources	417.7	438.8	464.8	517.6	625.7	711.7	122.8	122.3	122.7	124.0	128.9	132.6
GDP at Market Prices	340.1	358.7	378.9	417.5	485.3	536.6	100.0	100.0	100.0	100.0	100.0	100.0
GDP at Factor Production Cost	315.7	332.5	354.5	390.6	456.3	504.6	92.8	92.7	93.6	93.6	94.0	94.0
Net Indirect Taxes	24.4	26.2	24.4	26.9	29.0	32.0	7.2	7.3	6.4	6.4	6.0	6.0
Commodity & Services Imports	77.6	80.1	85.9	100.1	140.4	175.1	22.8	22.3	22.7	24.0	28.9	32.6
Total Uses	417.7	438.8	464.8	517.6	625.7	711.7	122.8	122.3	122.7	124.0	128.9	132.6
Total Final Consumption	296.1	310.6	326.2	356.1	404.9	450.5	87.1	86.6	86.1	85.3	83.4	84.0
Final Private Consumption	258.0	270.0	279.0	303.2	343.0	381.0	75.9	75.3	73.6	72.6	70.7	71.0
Final Public Consumption	38.1	40.6	47.2	52.9	61.9	69.5	11.2	11.3	12.5	12.7	12.8	13.0
Total Investments	66.5	65.5	69.2	70.5	82.2	95.0	19.6	18.3	18.3	16.9	16.9	17.7
Investments	64.4	63.6	67.5	68.1	79.6	92.5	18.9	17.7	17.8	16.3	16.4	17.2
Change in Stock	2.1	1.9	1.7	2.4	2.6	2.5	0.6	0.5	0.4	0.6	0.5	0.5
Commodity & Services Exports	55.1	62.7	69.4	91.0	138.6	166.2	16.2	17.5	18.3	21.8	28.6	31.0

Source: Ministry of Planning

**Table 1.3.a: Macroeconomic Data**

Resources and Uses in Constant Prices - (2001/2002 Prices)  
Quarterly Data (2004/2005 - 2005/2006)

Items	LE Billions			
	2004/2005		2005/2006	
	Q1	Q2	Q1	Q2
Total Resources	138.9	137.5	148.6	149.2
GDP at Market Prices	112.1	105.3	118.0	111.7
GDP at Factor Production Cost	105.3	98.5	110.9	104.8
Net Indirect Taxes	6.8	6.8	7.1	6.9
Commodity & Services Imports	26.8	32.2	30.6	37.5
Total Uses	138.9	137.5	148.6	149.2
Total Final Consumption	97.5	92.3	103.3	98.5
Final Private Consumption	84.0	81.3	89.0	87.0
Final Public Consumption	13.5	11.0	14.3	11.5
Total Investments	14.5	14.8	16.3	16.4
Investments	14.5	14.8	16.3	16.4
Change in Stock	0.0	0.0	0.0	0.0
Commodity & Services Exports	26.9	30.4	29.0	34.3

Source: Ministry of Planning



**Table 1.3.b: Macroeconomic Data**  
 Resources and Uses, Growth Rate in Constant Prices  
 Annual Data (1999/2000 - 2004/2005)

Items	LE Billions						Growth Rate %					
	(1996/1997 Prices)		(2001/2002 Prices)									
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Total Resources	380.4	390.5	464.8	478.0	509.0	560.4	3.6	2.7	1.5	2.8	6.5	10.1
GDP at Market Prices	309.3	320.2	378.9	391.0	407.0	427.1	5.4	3.5	3.2	3.2	4.1	4.9
GDP at Factor Production Cost	287.0	296.8	354.5	365.5	381.0	400.4	5.9	3.4	3.2	3.1	4.2	5.1
Net Indirect Taxes	22.3	23.4	24.4	25.5	26.0	26.7	(0.9)	4.9	3.0	4.5	2.0	2.7
Commodity & Services Imports	71.1	70.3	85.9	87.0	102.0	133.3	(3.4)	(1.1)	(6.0)	1.3	17.2	30.7
Total Uses	380.4	390.5	464.8	478.0	509.0	560.4	3.6	2.7	1.5	2.8	6.5	10.1
Total Final Consumption	263.5	274.3	326.2	335.0	342.0	360.4	4.9	4.1	2.7	2.4	2.1	5.6
Final Private Consumption	230.8	240.0	279.0	286.0	292.0	308.4	5.1	4.0	2.7	2.3	2.1	5.8
Final Public Consumption	32.7	34.3	47.2	49.0	50.0	52.0	2.8	4.9	2.6	2.7	2.0	4.4
Total Investments	62.2	59.7	69.2	64.0	68.0	75.7	(1.4)	(4.0)	5.0	(6.2)	6.3	9.3
Investments	59.4	58.1	67.5	61.6	67.0	73.2	(2.3)	(2.2)	5.5	(8.7)	6.2	9.8
Change in Stock	2.8	1.6	1.7	2.4	1.0	2.5	21.7	41.2	(12.5)	24.3	8.3	(3.8)
Commodity & Services Exports	54.7	56.5	69.4	79.0	99.0	124.3	3.8	3.3	(7.8)	13.8	25.3	26.4

Source: Ministry of Planning



**Table 1.4.a: Macroeconomic Data**  
GDP in Public & Private Sectors in Factor Cost Current Prices:  
Quarterly Data: (2004/2005 - 2005/2006)

Sectors	LE Millions					
	Q2 2004/2005			Q2 2005/2006		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	3.5	15,776.5	15,780.0	3.7	16,637.0	16,640.7
Extractions	14,566.1	2,673.4	17,239.5	19,692.7	3,090.0	22,782.7
Petroleum	8,480.0	1,295.0	9,775.0	9,098.0	1,244.0	10,342.0
Gas	5,990.0	1,250.0	7,240.0	10,490.0	1,706.0	12,196.0
Other Extractions	96.1	128.4	224.5	104.7	140.0	244.7
Manufacturing Industries	3,182.1	22,643.5	25,825.6	3,380.0	24,455.0	27,835.0
Petroleum Refinement	770.0	481.0	1,251.0	790.0	525.0	1,315.0
Other Transfer	2,412.1	22,162.5	24,574.6	2,590.0	23,930.0	26,520.0
Electricity	1,548.0	180.0	1,728.0	1,696.0	181.0	1,877.0
Water	461.8	0.0	461.8	505.0	0.0	505.0
Construction & Buildings	1,058.0	3,011.0	4,069.0	1,209.0	3,466.0	4,675.0
Transportation & Communication	1,062.3	7,137.5	8,199.8	1,183.0	7,910.0	9,093.0
Suez Canal	5,101.9	0.0	5,101.9	5,918.0	0.0	5,918.0
Whole Sale & Retail	496.0	15,980.0	16,476.0	535.0	17,430.0	17,965.0
Financial Intermediaries & Supporting Services	4,023.9	2,026.1	6,050.0	4,301.5	2,157.8	6,459.3
Insurance & Social Insurance	2,587.0	118.0	2,705.0	2,781.0	127.0	2,908.0
Restaurants & Hotels	35.0	3,078.0	3,113.0	37.0	3,105.7	3,142.7
Real Estate Activities	136.2	4,091.2	4,227.4	144.0	4,394.0	4,538.0
Rent	75.6	2,085.4	2,161.0	78.0	2,209.0	2,287.0
Other Real Estate & Business Services	60.6	2,005.8	2,066.4	66.0	2,185.0	2,251.0
Public Government	9,312.0	0.0	9,312.0	10,159.0	0.0	10,159.0
Education, Health, Social, Cultural, Entertainment & Personal Services	67.1	3,105.6	3,172.7	71.8	3,284.0	3,355.8
Grand Total	43,640.9	79,820.8	123,461.7	51,616.7	86,237.5	137,854.2

Source: Ministry of Planning



**Table 1.4.b: Macroeconomic Data**

GDP in Public & Private Sectors in Current Prices  
Quarterly Data (2004/2005 - 2005/2006)

Sectors	LE Millions					
	Q1 - 2004/2005			Q1 - 2005/2006		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	5.2	23,566.8	23,572.0	5.8	24,887.0	24,892.8
Extractions	15,474.9	2,790.3	18,265.2	18,353.3	3,206.3	21,559.6
Petroleum	8,522.0	1,425.0	9,947.0	8,948.0	1,430.0	10,378.0
Gas	6,871.0	1,256.0	8,127.0	9,316.0	1,658.0	10,974.0
Other Extractions	81.9	109.3	191.2	89.3	118.3	207.6
Manufacturing Industries	2,510.5	17,957.5	20,468.0	2,741.0	19,463.0	22,204.0
Petroleum Refinement	697.0	461.0	1,158.0	783.0	513.0	1,296.0
Other Transfer	1,813.5	17,496.5	19,310.0	1,958.0	18,950.0	20,908.0
Electricity	1,589.0	305.0	1,894.0	1,736.0	319.0	2,055.0
Water	432.4	0.0	432.4	475.0	0.0	475.0
Construction & Buildings	933.0	3,072.7	4,005.7	1,058.0	3,551.0	4,609.0
Transportation & Communication	1,293.6	5,020.2	6,313.8	1,430.0	5,419.0	6,849.0
Suez Canal	4,766.5	0.0	4,766.5	5,577.0	0.0	5,577.0
Whole Sale & Retail	672.0	14,443.8	15,115.8	724.5	15,543.0	16,267.5
Financial Intermediaries & Supporting Services	4,045.0	1,368.1	5,413.1	4,369.0	1,485.0	5,854.0
Insurance & Social Insurance	2,636.0	86.0	2,722.0	2,881.1	92.0	2,973.1
Restaurants & Hotels	37.0	4,357.0	4,394.0	38.0	4,461.0	4,499.0
Real Estate Activities	106.4	4,026.7	4,133.1	112.0	4,225.0	4,337.0
Rent	68.5	2,044.7	2,113.2	72.0	2,145.0	2,217.0
Other Real Estate & Business Services	37.9	1,982.0	2,019.9	40.0	2,080.0	2,120.0
Public Government	13,000.0	0.0	13,000.0	13,990.0	0.0	13,990.0
Education, Health, Social, Cultural, Entertainment & Personal Services	63.3	3,662.0	3,725.3	66.0	3,841.0	3,907.0
<b>Grand Total</b>	<b>47,564.8</b>	<b>80,656.1</b>	<b>128,220.9</b>	<b>53,556.7</b>	<b>86,492.3</b>	<b>140,049.0</b>

Source: Ministry of Planning



**Table 1.4.c: Macroeconomic Data**

GDP in Public & Private Sectors in Current Prices  
Annual Data (2003/2004 - 2004/2005)

Sectors	LE Millions					
	2003-2004			2004-2005		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	52.5	69,199.5	69,252.0	53.6	75,438.4	75,492.0
Extractions	48,734.1	8,712.7	57,446.8	50,847.7	9,163.2	60,010.9
Petroleum	29,054.0	4,723.0	33,777.0	28,967.0	4,549.0	33,516.0
Gas	19,238.0	3,611.0	22,849.0	21,424.0	4,223.0	25,647.0
Other Extractions	442.1	378.7	820.8	456.7	391.2	847.9
Manufacturing Industries	11,302.0	72,349.0	83,651.0	12,277.3	78,054.9	90,332.2
Petroleum Refinement	2,580.0	1,675.0	4,255.0	3,058.6	1,921.8	4,980.4
Other Transfer	8,722.0	70,674.0	79,396.0	9,218.7	76,133.1	85,351.8
Electricity	5,795.0	1,080.0	6,875.0	6,648.4	1,189.1	7,837.5
Water	1,788.6	0.0	1,788.6	1,940.6	0.0	1,940.6
Construction & Buildings	2,412.0	16,090.0	18,502.0	2,610.0	17,496.0	20,106.0
Transportation & Communication,	4,680.6	23,735.4	28,416.0	5,261.0	26,499.9	31,760.9
Suez Canal	15,888.6	0.0	15,888.6	20,353.3	0.0	20,353.3
Whole Sale & Retail	1,977.5	48,714.6	50,692.1	2,191.1	54,875.5	57,066.6
Financial Intermediaries & Supporting Services	15,866.6	8,538.0	24,404.6	17,215.3	9,212.5	26,427.8
Insurance & Social Insurance	10,463.9	227.1	10,691.0	11,206.8	248.4	11,455.2
Restaurants & Hotels	161.9	12,499.7	12,661.6	200.8	16,905.5	17,106.3
Real Estate Activities	664.9	15,370.9	16,035.8	745.8	16,980.6	17,726.4
Rent	275.2	8,319.0	8,594.2	306.6	9,026.1	9,332.7
Other Real Estate & Business Services	389.7	7,051.9	7,441.6	439.2	7,954.5	8,393.7
Public Government	46,293.1	0.0	46,293.1	51,894.6	0.0	51,894.6
Education, Health, Social, Cultural, Entertainment & Personal Services	872.3	12,871.9	13,744.2	958.7	14,159.1	15,117.8
Grand Total	166,953.6	289,388.8	456,342.4	184,405.0	320,223.1	504,628.1

Source: Ministry of Planning



**Table 1.5.a: Macroeconomic Data**

GDP in Public & Private Sectors in Constant Prices - (2001/2002 Prices)  
 Quarterly Data (2004/2005 - 2005/2006)

Sectors	LE Millions						Growth Rates %		
	Q2 - 2004/2005			Q2 - 2005/2006					
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	3.0	12,314.0	12,317.0	3.1	12,678.0	12,681.1	3.3	3.0	3.0
Extractions	6,592.1	1,211.9	7,804.0	8,063.0	1,469.0	9,532.0	22.3	21.2	22.1
Petroleum	3,752.0	563.0	4,315.0	3,605.0	551.0	4,156.0	(3.9)	(2.1)	(3.7)
Gas	2,749.0	526.0	3,275.0	4,364.0	791.0	5,155.0	58.7	50.4	57.4
Other Extractions	91.1	122.9	214.0	94.0	127.0	221.0	3.2	3.3	3.3
Manufacturing Industries	2,397.8	18,948.2	21,346.0	2,491.0	20,093.0	22,584.0	3.9	6.0	5.8
Petroleum Refinement	454.0	290.0	744.0	444.0	306.0	750.0	(2.2)	5.5	0.8
Other Transfer	1,943.8	18,658.2	20,602.0	2,047.0	19,787.0	21,834.0	5.3	6.1	6.0
Electricity	1,542.0	152.0	1,694.0	1,650.0	153.0	1,803.0	7.0	0.7	6.4
Water	445.5	0.0	445.5	473.6	0.0	473.6	6.3	0.0	6.3
Construction & Buildings	830.0	2,720.0	3,550.0	929.0	3,070.0	3,999.0	11.9	12.9	12.6
Transportation & Communication	909.4	6,251.4	7,160.8	968.0	6,680.0	7,648.0	6.4	6.9	6.8
Suez Canal	4,631.0	0.0	4,631.0	4,996.0	0.0	4,996.0	7.9	0.0	7.9
Whole Sale & Retail	395.0	14,113.3	14,508.3	409.0	14,713.0	15,122.0	3.5	4.2	4.2
Financial Intermediaries & Supporting Services	3,468.5	1,870.3	5,338.8	3,589.9	1,932.0	5,521.9	3.5	3.3	3.4
Insurance & Social Insurance	2,362.0	101.0	2,463.0	2,468.0	106.0	2,574.0	4.5	5.0	4.5
Restaurants & Hotels	34.0	2,885.2	2,919.2	35.0	3,078.0	3,113.0	2.9	6.7	6.6
Real Estate Activities	95.6	3,400.7	3,496.3	98.0	3,518.6	3,616.6	2.5	3.5	3.4
Rent	65.0	1,828.0	1,893.0	67.0	1,899.6	1,966.6	3.1	3.9	3.9
Other Real Estate & Business Services	30.6	1,572.7	1,603.3	31.0	1,619.0	1,650.0	1.3	2.9	2.9
Public Government	8,025.0	0.0	8,025.0	8,285.0	0.0	8,285.0	3.2	0.0	3.2
Education, Health, Social, Cultural, Entertainment & Personal Services	54.6	2,750.5	2,805.1	56.0	2,839.0	2,895.0	2.6	3.2	3.2
<b>Grand Total</b>	<b>31,785.5</b>	<b>66,718.5</b>	<b>98,504.0</b>	<b>34,514.6</b>	<b>70,329.6</b>	<b>104,844.2</b>	<b>8.6</b>	<b>5.4</b>	<b>6.4</b>

Source: Ministry of Planning.



**Table 1.5.b: Macroeconomic Data**

GDP in Public & Private Sectors in Constant Prices - (2001/2002 Prices)  
 Quarterly Data (2004/2005 - 2005/2006)

Sectors	LE Millions						Growth Rates %		
	Q1 - 2004/2005			Q1 - 2005/2006			Public	Private	Total
	Public	Private	Total	Public	Private	Total			
Extractions	6,751.6	1,219.9	7,971.5	7,633.1	1,362.6	8,995.7	13.1	11.7	12.8
Petroleum	3,794.0	583.0	4,377.0	3,737.1	567.3	4,304.4	(1.5)	(2.7)	(1.7)
Gas	2,880.0	532.0	3,412.0	3,816.0	686.3	4,502.3	32.5	29.0	32.0
Other Extractions	77.6	104.9	182.5	80.0	109.0	189.0	3.1	3.9	3.6
Manufacturing Industries	2,357.4	15,734.1	18,091.5	2,482.4	16,535.0	19,017.4	5.3	5.1	5.1
Petroleum Refinement	425.0	286.0	711.0	461.1	306.9	768.0	8.5	7.3	8.0
Other Transfer	1,932.4	15,448.1	17,380.5	2,021.3	16,228.1	18,249.4	4.6	5.1	5.0
Electricity	1,550.0	295.0	1,845.0	1,675.6	300.9	1,976.5	8.1	2.0	7.1
Water	387.3	0.0	387.3	410.5	0.0	410.5	6.0	0.0	6.0
Construction & Buildings	811.6	2,762.4	3,574.0	905.0	3,084.4	3,989.4	11.5	11.7	11.6
Transportation & Communication	1,337.3	4,970.1	6,307.4	1,413.6	5,288.3	6,701.9	5.7	6.4	6.3
Suez Canal	3,460.4	0.0	3,460.4	3,899.9	0.0	3,899.9	12.7	0.0	12.7
Whole Sale & Retail	568.0	13,023.4	13,591.4	579.4	13,570.4	14,149.8	2.0	4.2	4.1
Financial Intermediaries & Supporting Services	3,736.0	1,267.1	5,003.1	3,870.5	1,312.7	5,183.2	3.6	3.6	3.6
Insurance & Social Insurance	2,284.9	75.9	2,360.8	2,348.9	78.9	2,427.8	2.8	4.0	2.8
Restaurants & Hotels	36.6	4,355.4	4,392.0	36.7	4,442.5	4,479.2	0.3	2.0	2.0
Real Estate Activities	94.2	3,668.6	3,762.8	97.3	3,767.6	3,864.9	3.3	2.7	2.7
Rent	62.8	1,808.2	1,871.0	64.9	1,857.0	1,921.9	3.3	2.7	2.7
Other Real Estate & Business Services	31.4	1,860.4	1,891.8	32.4	1,910.6	1,943.0	3.2	2.7	2.7
Public Government	11,302.0	0.0	11,302.0	11,731.5	0.0	11,731.5	3.8	0.0	3.8
Education, Health, Social, Cultural, Entertainment & Personal Services	40.9	3,246.7	3,287.6	42.3	3,344.9	3,387.2	3.4	3.0	3.0
<b>Grand Total</b>	<b>34,723.4</b>	<b>70,567.4</b>	<b>105,290.8</b>	<b>37,132.4</b>	<b>73,704.5</b>	<b>110,836.9</b>	<b>6.9</b>	<b>4.4</b>	<b>5.3</b>

Source: Ministry of Planning



**Table 1.5.c: Macroeconomic Data**

GDP in Public & Private Sectors in Constant Prices - (2001/2002 Prices)  
Annual Data (2003/2004 - 2004/2005)

Sectors	LE Millions					
	2003/2004			2004/2005		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	234.0	62,160.0	62,394.0	242.2	64,335.6	64,577.8
Extractions	26,250.4	4,665.3	30,915.7	26,491.6	4,665.9	31,157.5
Petroleum & Gas	25,919.0	4,219.0	30,138.0	26,158.0	4,215.0	30,373.0
Other Extractions	331.4	446.3	777.7	333.6	450.9	784.5
Manufacturing Industries	9,501.3	63,362.3	72,863.6	9,964.0	66,573.1	76,537.1
Petroleum Refinement	1,722.0	1,112.0	2,834.0	1,788.0	1,148.0	2,936.0
Other Transfer	7,779.3	62,250.3	70,029.6	8,176.0	65,425.1	73,601.1
Electricity	5,737.0	1,013.0	6,750.0	6,155.5	1,053.5	7,209.0
Water	1,677.4	0.0	1,677.4	1,745.1	0.0	1,745.1
Construction & Buildings	6,580.0	9,858.8	16,438.8	6,845.2	10,247.9	17,093.1
Transportation & Communication	4,338.4	22,350.0	26,688.4	4,615.8	23,957.8	28,573.6
Suez Canal	11,228.8	0.0	11,228.8	13,171.4	0.0	13,171.4
Whole Sale & Retail	1,782.6	42,514.5	44,297.1	1,867.7	44,613.3	46,481.0
Financial Intermediaries & Supporting Services	14,457.1	7,793.0	22,250.1	14,890.8	8,026.8	22,917.6
Insurance & Social Insurance	9,461.9	200.7	9,662.6	9,745.8	206.7	9,952.5
Restaurants & Hotels	136.0	11,082.5	11,218.5	166.7	13,762.2	13,928.9
Real Estate Activities	592.4	13,981.5	14,573.9	614.0	14,527.0	15,141.0
Rent	250.4	7,463.2	7,713.6	258.2	7,745.0	8,003.2
Other Real Estate & Business Services	342.0	6,518.3	6,860.3	355.8	6,782.0	7,137.8
Public Government	37,096.9	0.0	37,096.9	38,580.8	0.0	38,580.8
Education, Health, Social, Cultural, Entertainment & Personal Services	785.3	12,159.9	12,945.2	796.1	12,564.9	13,361.0
<b>Grand Total</b>	<b>129,859.5</b>	<b>251,141.5</b>	<b>381,001.0</b>	<b>135,892.7</b>	<b>264,534.7</b>	<b>400,427.4</b>

Source: Ministry of Planning



**Table 1.6: Macroeconomic Data**  
GDP Growth Rates in Public & Private Sectors in Constant Prices - (2001/2002 Prices)  
Annual Data (2004/2005 - 2005/2006)

Sectors	2004/2005			2005/2006		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	0.8	4.0	4.0	1.0	3.5	3.5
Extractions	1.6	6.8	2.4	0.9	0.0	0.8
Petroleum	(3.6)	2.0	(2.9)	(3.8)	(8.8)	(4.4)
Gas	10.2	14.3	10.8	7.6	10.8	8.1
Other Extractions	3.3	4.0	3.7	0.7	1.0	0.9
Manufacturing Industries	(0.7)	2.0	1.6	4.9	5.1	5.0
Petroleum Refinement	(15.0)	9.9	(6.7)	3.8	3.2	3.6
Other Transfer	3.2	1.9	2.0	5.1	5.1	5.1
Electricity	(2.0)	87.6	5.6	7.3	4.0	6.8
Water	4.9	0.0	4.9	4.0	0.0	4.0
Construction & Buildings	1.5	4.6	4.2	4.0	4.0	4.0
Transportation & Communication	3.0	7.5	6.8	6.8	7.6	7.5
Suez Canal	11.3	0.0	11.3	17.3	0.0	17.3
Whole Sale & Retail	3.3	1.3	1.4	(0.8)	4.9	4.7
Financial Intermediaries & Supporting Services	1.8	5.2	3.0	3.0	3.0	3.0
Insurance & Social Insurance	2.6	3.6	2.6	3.0	3.0	3.0
Restaurants & Hotels	44.7	46.2	46.2	22.6	24.2	24.2
Real Estate Activities	2.9	3.9	3.9	3.6	3.9	3.9
Rent	0.8	1.7	1.7	3.1	3.8	3.8
Other Real Estate & Business Services	4.5	6.6	6.5	4.0	4.0	4.0
Public Government	2.3	0.0	2.7	4.0	0.0	4.0
Education, Health, Social, Cultural, Entertainment & Personal Services	0.6	5.8	5.5	1.4	3.3	3.2
Grand Total	2.6	5.0	4.2	4.6	5.3	5.1

Source: Ministry of Planning



**Table 1.7: Macroeconomic Data**Shares of Public and Private Sectors in GDP in Constant Prices - (2001/2002 Prices)  
Annual Data (2003/2004 - 2004/2005)

Sectors	2003/2004 (Structure %)			2004/2005 (Structure %)		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	0.0	24.4	16.4	0.0	23.9	16.1
Extractions	21.0	1.8	8.1	20.2	1.7	7.8
Petroleum	12.2	0.9	4.6	11.2	0.8	4.2
Gas	8.5	0.7	3.3	8.7	0.8	3.4
Other Extractions	0.3	0.2	0.2	0.3	0.2	0.2
Manufacturing Industries	7.6	24.8	19.1	7.6	24.7	19.1
Petroleum Refinement	1.4	0.4	0.7	1.4	0.4	0.7
Other Transfer	6.2	24.3	18.4	6.2	24.3	18.4
Electricity	4.6	0.4	1.8	4.2	0.4	1.8
Water	1.3	0.0	0.4	1.3	0.0	0.4
Construction & Buildings	1.6	5.6	4.3	1.6	5.6	4.3
Transportation & Communication	3.4	8.7	7.0	3.5	8.9	7.1
Suez Canal	9.0	0.0	2.9	10.1	0.0	3.3
Whole Sale & Retail	1.5	16.6	11.7	1.4	16.6	11.6
Financial Intermediaries & Supporting Services	11.5	3.0	5.8	11.4	3.0	5.7
Insurance & Social Insurance	7.6	0.1	2.5	7.4	0.1	2.5
Restaurants & Hotels	0.1	4.3	2.9	0.1	5.1	3.5
Real Estate Activities	0.5	5.5	3.8	0.5	5.4	3.8
Rent	0.2	2.9	2.0	0.2	2.9	2.0
Other Real Estate & Business Services	0.3	2.5	1.8	0.3	2.5	1.8
Public Government	29.6	0.0	9.7	29.5	0.0	9.6
Education, Health, Social, Cultural, Entertainment & Personal Services	0.6	4.8	3.4	0.6	4.7	3.3
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Planning



**Table 1.8.a: Macroeconomic Data**  
Total Production in Public & Private Sectors Current Prices:  
Quarterly Data: (2004/2005 - 2005/2006)

Sectors	Q1 - 2004/2005			Q1 - 2005/2006		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	8.4	35,380.6	35,389.0	9.2	39,021.8	39,031.0
Extractions	18,173.3	2,828.4	21,001.7	21,626.0	3,304.0	24,930.0
Petroleum	10,456.0	1,425.0	11,881.0	10,928.0	1,428.0	12,356.0
Gas	7,565.0	1,256.0	8,821.0	10,533.0	1,717.0	12,250.0
Other Extractions	152.3	147.4	299.7	165.0	159.0	324.0
Manufacturing Industries	11,774.4	45,789.6	57,564.0	13,974.0	50,740.0	64,714.0
Petroleum Refinement	4,400.0	1,434.0	5,834.0	5,899.0	1,948.0	7,847.0
Other Transfer	7,374.4	44,355.6	51,730.0	8,075.0	48,792.0	56,867.0
Electricity	2,549.0	440.0	2,989.0	2,814.0	448.0	3,262.0
Water	744.8	0.0	744.8	827.0	0.0	827.0
Construction & Buildings	2,100.0	7,362.8	9,462.8	2,363.0	8,999.0	11,362.0
Transportation & Communication	4,908.2	9,124.3	14,032.5	5,379.5	10,039.9	15,419.4
Suez Canal	4,870.0	0.0	4,870.0	5,649.2	0.0	5,649.2
Whole Sale & Retail	1,437.0	20,831.0	22,268.0	1,549.1	23,123.8	24,672.9
Financial Intermediaries & Supporting Services	4,408.3	1,542.1	5,950.4	4,699.2	1,675.0	6,374.2
Insurance & Social Insurance	8,168.4	246.1	8,414.5	8,903.5	283.1	9,186.6
Restaurants & Hotels	83.7	7,983.2	8,066.9	84.3	8,200.4	8,284.7
Real Estate Activities	131.7	4,308.0	4,439.7	143.3	4,592.3	4,735.6
Rent	74.8	2,245.0	2,319.8	81.4	2,393.0	2,474.4
Other Real Estate & Business Services	56.9	2,063.0	2,119.9	61.9	2,199.3	2,261.2
Public Government	18,917.8	0.0	18,917.8	20,904.2	0.0	20,904.2
Education, Health, Social, Cultural, Entertainment & Personal Services	84.0	8,857.0	8,941.0	86.4	9,388.0	9,474.4
Grand Total	78,359.0	144,693.1	223,052.1	89,011.9	159,815.3	248,827.2

Source: Ministry of Planning



**Table 1.8.b: Macroeconomic Data**

Total Production in Public & Private Sectors Current Prices:  
Annual Data: (2003/2004 - 2004/2005)

Sectors	LE Millions					
	2003/2004			2004/2005		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	81.8	90,853.5	90,935.3	83.5	99,000.0	99,083.5
Extractions	57,893.7	8,845.1	66,738.8	61,546.9	9,299.9	70,846.8
Petroleum	34,291.0	4,723.0	39,014.0	34,806.0	4,549.0	39,355.0
Gas	22,781.0	3,611.0	26,392.0	25,892.0	4,223.0	30,115.0
Other Extractions	821.7	511.1	1,332.8	848.9	527.9	1,376.8
Manufacturing Industries	43,166.6	191,077.2	234,243.8	47,464.1	205,669.4	253,133.5
Petroleum Refinement	16,192.0	5,093.0	21,285.0	18,953.0	5,845.0	24,798.0
Other Transfer	26,974.6	185,984.2	212,958.8	28,511.1	199,824.4	228,335.5
Electricity	9,407.5	1,585.0	10,992.5	10,792.9	1,741.9	12,534.8
Water	2,555.9	0.0	2,555.9	2,770.6	0.0	2,770.6
Construction & Buildings	5,372.8	39,898.8	45,271.6	5,808.5	43,352.3	49,160.8
Transportation & Communication	9,396.3	33,490.3	42,886.6	10,574.6	37,171.0	47,745.6
Suez Canal	16,388.2	0.0	16,388.2	20,976.9	0.0	20,976.9
Whole Sale & Retail	4,443.8	67,100.0	71,543.8	4,912.8	75,171.9	80,084.7
Financial Intermediaries & Supporting Services	17,688.5	9,403.1	27,091.6	19,192.1	10,134.8	29,326.9
Insurance & Social Insurance	11,022.8	503.5	11,526.3	11,800.4	549.6	12,350.0
Restaurants & Hotels	321.9	24,751.9	25,073.8	399.2	32,762.6	33,161.8
Real Estate Activities	921.6	15,854.6	16,776.2	1,031.5	17,499.5	18,531.0
Rent	281.7	8,602.9	8,884.6	313.8	9,334.1	9,647.9
Other Real Estate & Business Services	639.9	7,251.7	7,891.6	717.7	8,165.4	8,883.1
Public Government	61,889.2	0.0	61,889.2	69,377.8	0.0	69,377.8
Education, Health, Social, Cultural, Entertainment & Personal Services	2,196.6	25,692.4	27,889.0	2,411.9	28,205.4	30,617.3
<b>Grand Total</b>	<b>242,747.2</b>	<b>509,055.4</b>	<b>751,802.6</b>	<b>269,143.7</b>	<b>560,558.3</b>	<b>829,702.0</b>

Source: Ministry of Planning



**Table I.9.a: Macroeconomic Data**  
Total Production in Public & Private Sectors in Constant Prices - (2001/2002 Prices)  
Quarterly Data: (2003/2004 - 2004/2005)

Sectors	LE Millions						Growth Rates %		
	QI - 2003/2004			QI -2004/2005			Public	Private	Total
	Public	Private	Total	Public	Private	Total			
Agriculture, Woodlands & Hunting	233.0	25,375.0	25,608.0	238.2	26,226.0	26,464.2	2.2	3.4	3.3
Extractions	7,414.7	1,193.7	8,608.4	7,573.2	1,256.5	8,829.7	2.1	5.3	2.6
Petroleum	4,353.0	580.0	4,933.0	4,227.0	583.0	4,810.0	(2.9)	0.5	(2.5)
Gas	2,920.0	475.0	3,395.0	3,202.0	532.0	3,734.0	9.7	12.0	10.0
Other Extractions	141.7	138.7	280.4	144.2	141.5	285.7	1.8	2.0	1.9
Manufacturing Industries	9,347.8	39,206.6	48,554.4	9,496.8	40,870.2	50,367.0	1.6	4.2	3.7
Petroleum Refinement	2,704.0	825.0	3,529.0	2,709.0	885.0	3,594.0	0.2	7.3	1.8
Other Transfer	6,643.8	38,381.6	45,025.4	6,787.8	39,985.2	46,773.0	2.2	4.2	3.9
Electricity	2,404.0	370.0	2,774.0	2,498.0	427.0	2,925.0	3.9	15.4	5.4
Water	549.2	0.0	549.2	551.0	0.0	551.0	0.3	0.0	0.3
Construction & Buildings	3,630.0	4,545.0	8,175.0	3,734.7	4,708.3	8,443.0	2.9	3.6	3.3
Transportation & Communication	1,895.8	7,310.6	9,206.4	1,948.5	7,526.5	9,475.0	2.8	3.0	2.9
Suez Canal	3,090.7	0.0	3,090.7	3,474.1	0.0	3,474.1	12.4	0.0	12.4
Whole Sale & Retail	920.0	17,240.0	18,160.0	946.1	18,240.5	19,186.6	2.8	5.8	5.7
Financial Intermediaries & Supporting Services	3,914.7	1,359.8	5,274.5	4,076.3	1,405.3	5,481.6	4.1	3.3	3.9
Insurance & Social Insurance	2,414.3	106.1	2,520.4	2,492.4	109.3	2,601.7	3.2	3.0	3.2
Restaurants & Hotels	59.0	6,316.0	6,375.0	78.3	8,195.4	8,273.7	32.7	29.8	29.8
Real Estate Activities	112.8	3,751.9	3,864.7	116.1	3,850.2	3,966.3	2.9	2.6	2.6
Rent	60.8	1,858.9	1,919.7	62.8	1,894.3	1,957.1	3.3	1.9	1.9
Other Real Estate & Business Services	52.0	1,893.0	1,945.0	53.3	1,955.9	2,009.2	2.5	3.3	3.3
Public Government	15,055.0	0.0	15,055.0	15,460.0	0.0	15,460.0	2.7	0.0	2.7
Education, Health, Social, Cultural, Entertainment & Personal Services	76.6	6,886.6	6,963.2	78.5	7,059.0	7,137.5	2.5	2.5	2.5
Grand Total	51,117.6	113,661.3	164,778.9	52,762.2	119,874.2	172,636.4	3.2	5.5	4.8

Source: Ministry of Planning



**Table 1.9.b: Macroeconomic Data**

Total Production in Public & Private Sectors in Constant Prices - (2001/2002 Prices)  
Annual Data: (2003/2004 - 2004/2005)

Sectors	LE Millions					
	2003/2004			2004/2005		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	75.5	81,638.7	81,714.2	76.3	84,676.8	84,753.1
Extractions	29,462.0	4,821.3	34,284.0	30,131.1	4,823.5	34,954.6
Petroleum	17,023.0	2,345.0	19,368.0	16,924.0	2,139.0	19,063.0
Gas	11,823.0	1,874.0	13,697.0	12,587.0	2,076.0	14,663.0
Other Extractions	616.0	602.3	1,219.0	620.1	608.5	1,228.6
Manufacturing Industries	34,856.5	167,584.4	202,440.9	36,159.7	175,251.2	211,410.9
Petroleum Refinement	10,991.0	3,432.0	14,423.0	11,308.6	3,531.8	14,840.4
Other Transfer	23,865.5	164,152.4	188,017.9	24,851.1	171,719.4	196,570.5
Electricity	9,790.0	1,629.1	11,419.1	9,992.7	1,543.3	11,536.0
Water	2,395.4	0.0	2,395.4	2,491.4	0.0	2,491.4
Construction & Buildings	4,493.2	35,833.3	40,326.5	4,655.9	37,170.1	41,826.0
Transportation & Communication	8,666.1	31,583.4	40,249.5	9,227.5	33,902.0	43,129.5
Suez Canal	11,581.9	0.0	11,581.9	13,575.0	0.0	13,575.0
Whole Sale & Retail	4,230.6	58,559.9	62,790.5	4,187.7	61,114.1	65,301.8
Financial Intermediaries & Supporting Services	16,117.2	8,581.0	24,698.2	16,600.7	8,830.4	25,431.1
Insurance & Social Insurance	10,012.6	445.9	10,458.5	10,291.2	457.3	10,748.5
Restaurants & Hotels	270.4	22,945.5	23,215.9	331.4	26,670.9	27,002.3
Real Estate Activities	817.9	14,420.9	15,238.8	845.7	14,971.1	15,816.8
Rent	256.3	7,717.9	7,974.2	264.3	8,009.3	8,273.6
Other Real Estate & Business Services	561.6	6,703.0	7,264.6	581.4	6,961.8	7,543.2
Public Government	49,594.8	0.0	49,594.8	51,578.6	0.0	51,578.6
Education, Health, Social, Cultural, Entertainment & Personal Services	1,977.5	24,271.3	26,248.8	2,002.8	25,029.7	27,032.5
Grand Total	184,341.6	452,314.7	636,657.0	192,147.7	474,440.4	666,588.1

Source: Ministry of Planning



**Table 1.10: Macroeconomic Data**

Total Production Growth Rates in Public & Private Sectors in Constant Prices -  
(2001/2002 Prices)

Annual Data (2003/2004 - 2004/2005)

Sectors	2003/2004			2004/2005		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	0.8	3.8	3.8	1.1	3.7	3.7
Extractions	1.7	6.7	2.4	2.3	0.0	2.0
Petroleum	(3.5)	2.0	(2.9)	(0.6)	(8.8)	(1.6)
Gas	10.3	14.3	10.8	6.5	10.8	7.1
Other Extractions	3.1	4.0	3.6	0.7	1.0	0.8
Manufacturing Industries	(2.7)	2.3	1.4	3.7	4.6	4.4
Petroleum Refinement	(10.7)	32.6	(3.2)	2.9	2.9	2.9
Other Transfer	1.5	1.8	1.8	4.1	4.6	4.5
Electricity	3.0	86.6	10.0	2.1	(5.3)	1.0
Water	4.9	0.0	4.9	4.0	0.0	4.0
Construction & Buildings	1.4	4.5	4.1	3.6	3.7	3.7
Transportation & Communication	2.6	7.0	6.0	6.5	7.3	7.2
Suez Canal	10.9	0.0	10.9	17.2	0.0	17.2
Whole Sale & Retail	3.3	1.2	1.3	(1.0)	4.4	4.0
Financial Intermediaries & Supporting Services	1.8	5.2	3.0	3.0	2.9	3.0
Insurance & Social Insurance	2.6	3.6	2.6	2.8	2.6	2.8
Restaurants & Hotels	44.7	51.1	51.0	22.6	16.2	16.3
Real Estate Activities	4.4	3.8	3.8	3.4	3.8	3.8
Rent	0.7	1.6	1.6	3.1	3.8	3.8
Other Real Estate & Business Services	6.2	6.4	6.4	3.5	3.9	3.8
Public Government	2.6	0.0	2.6	4.0	0.0	4.0
Education, Health, Social, Cultural, Entertainment & Personal Services	0.4	5.8	5.4	1.3	3.1	3.0
Grand Total	1.9	5.1	4.2	4.2	4.9	4.7

Source: Ministry of Planning



**Table I.11: Macroeconomic Data**

Shares of Public & Private Sectors in Total Production in Constant Prices -  
(2001/2002 Prices)

Annual Data (2002/2003 - 2004/2005)

Sectors	2003/2004 (Structure %)			2004/2005 (Structure %)		
	Public	Private	Total	Public	Private	Total
Agriculture, Woodlands & Hunting	0.0	18.0	12.8	0.0	17.8	12.7
Extractions	16.0	1.1	5.4	15.7	1.0	5.2
Petroleum	9.2	0.5	3.0	8.8	0.5	2.9
Gas	6.4	0.4	2.2	6.6	0.4	2.2
Other Extractions	0.3	0.1	0.2	0.3	0.1	0.2
Manufacturing Industries	18.9	37.1	31.8	18.8	36.9	31.7
Petroleum Refinement	6.0	0.8	2.3	5.9	0.7	2.2
Other Transfer	12.9	36.3	29.5	12.9	36.2	29.5
Electricity	5.3	0.4	1.8	5.2	0.3	1.7
Water	1.3	0.0	0.4	1.3	0.0	0.4
Construction & Buildings	2.4	7.9	6.3	2.4	7.8	6.3
Transportation & Communication	4.7	7.0	6.3	4.8	7.1	6.5
Suez Canal	6.3	0.0	1.8	7.1	0.0	2.0
Whole Sale & Retail	2.3	12.9	9.9	2.2	12.9	9.8
Financial Intermediaries & Supporting Services	8.7	1.9	3.9	8.6	1.9	3.8
Insurance & Social Insurance	5.4	0.1	1.6	5.4	0.1	1.6
Restaurants & Hotels	0.1	5.1	3.6	0.2	5.6	4.1
Real Estate Activities	0.4	3.2	2.4	0.4	3.2	2.4
Rent	0.1	1.7	1.3	0.1	1.7	1.2
Other Real Estate & Business Services	0.3	1.5	1.1	0.3	1.5	1.1
Public Government	26.9	0.0	7.8	26.8	0.0	7.7
Education, Health, Social, Cultural, Entertainment & Personal Services	1.1	5.4	4.1	1.0	5.3	4.1
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Planning



**Table 1.12: Macroeconomic Data**

Price Index for Commodities and Services - (1999/2000 Prices)  
Monthly Data ( February 2005 - February 2006)

Period	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06
Food & Beverages	147.6	149.3	150.0	151.4	150.7	151.5	152.2	153.8	155.2	155.7	156.0	156.5	156.9
Tobacco	136.1	136.1	136.1	136.1	136.1	136.1	136.1	136.1	136.1	136.1	136.1	136.1	136.1
Clothing & Footwear	125.8	125.8	130.8	130.8	130.8	130.9	130.9	130.9	130.9	130.9	130.9	130.9	130.9
Housing, Water, Electricity & GAS	112.3	112.3	112.4	112.4	112.4	112.4	112.4	112.4	112.4	112.4	112.4	113.0	113.0
Furniture, Equipment & Maintenance	131.7	131.7	132.5	132.5	132.5	132.8	132.8	132.8	132.8	132.8	132.8	137.3	137.3
Health	118.5	120.0	120.3	120.3	120.3	122.4	122.4	122.4	122.4	122.4	122.8	125.0	125.0
Transportation	125.1	125.1	125.5	125.5	125.5	126.4	126.4	126.4	126.4	126.4	126.4	126.4	126.4
Communications	180.7	180.7	180.7	180.7	180.7	178.7	178.7	178.7	178.7	178.7	178.7	178.7	178.7
Recreation & Culture	119.5	119.5	119.5	119.5	119.5	120.2	120.2	120.2	120.2	120.2	120.2	121.6	121.6
Education	119.5	119.5	119.5	119.5	119.5	119.5	119.5	119.5	125.0	125.0	125.0	125.0	125.0
Hotels, Cafes & Restaurants	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1	130.1
Miscellaneous Goods & Services	121.1	121.1	121.1	121.1	121.1	121.1	121.1	121.1	121.1	121.1	121.2	122.1	122.1

Source: CAPMAS

**Table 1.13: Macroeconomic Data**

Annual and Monthly Inflation Rates of Consumer Prices for Urban Areas  
(2001-2006)

	2001		2002		2003		2004		2005		2006	
	yoy	mthly	yoy	mthly	yoy	mthly	yoy	mthly	yoy	mthly	yoy	mthly
January	2.6	0.5	2.4	0.5	2.9	0.5	--	1.9	9.6	0.2	3.4	0.5
February	2.4	0.1	2.5	0.2	3.1	0.3	--	2.0	6.9	(0.4)	4.0	0.1
March	2.4	0.2	2.5	0.2	3.6	0.7	--	1.7	5.7	0.5		
April	2.3	0.1	2.7	0.2	3.7	0.4	--	1.5	4.7	0.7		
May	2.2	0.1	2.8	0.2	3.9	0.4	--	0.1	5.1	0.4		
June	2.3	0.2	2.7	0.2	4.0	0.2	--	0.2	4.7	(0.2)		
July	2.2	0.3	2.6	0.2	4.4	0.5	16.9	0.7	4.3	0.4		
August	2.1	0.1	2.7	0.2	4.5	0.3	16.4	(0.2)	4.7	0.2		
September	2.1	0.2	3.0	0.5	4.7	0.6	17.3	1.4	3.7	0.4		
October	2.3	0.2	2.8	0.1	5.2	0.5	18.2	1.3	3.9	0.7		
November	2.2	0.1	3.1	0.4	5.1	0.3	18.0	0.1	3.2	0.1		
December	2.5	0.4	3.0	0.2	5.5	0.6	17.3	0.1	3.1	0.1		

Source: CAMAPS

Note: Starting July 2003, data is based on the weights derived from the 99/00 household survey, and using 99/00 as a base year. Prior to this date, the basket was based on the weight derived from 95/96 survey of expenditures and consumption, using 95/96 as a base year.



**Table 1.14.a: Macroeconomic Data**  
Investment Distributed among Economic Sectors: Quarterly Data (2005/2006)

Sectors	Q2 (LE Millions)									
	Government		Economic Authorities		Public Business Sector		Private Business Sector		Grand Total	
	Targeted	Executed	Targeted	Executed	Targeted	Executed	Targeted	Executed	Targeted	Executed
Agriculture, Irrigation & Reclamation	1,868.7	494.6	292.4	49.6	0.3	0.0	6,000.0	675.0	8,161.4	1,219.2
Crude Oil & Mining	39.1	1.2	266.1	0.0	3,554.8	1,105.3	15,900.0	5,200.0	19,760.0	6,306.5
Manufacturing Industries & Oil Products	211.4	24.7	23.2	9.5	3,541.0	936.2	11,475.0	2,480.0	15,250.6	3,450.4
Electricity, Water & Natural Gas	2,856.6	933.5	1,247.8	203.5	6,606.0	1,309.5	0.0	0.0	10,710.4	2,446.5
Construction & Buildings	106.8	0.2	139.5	1.0	370.0	72.7	1,715.0	385.0	2,331.3	458.9
Total	5,082.6	1,454.2	1,969.0	263.6	14,072.1	3,423.7	35,090.0	8,740.0	56,213.7	13,881.5
Transportation & Communication	2,712.6	962.0	1,974.2	351.3	3,456.0	1,772.3	11,907.0	4,840.0	20,049.8	7,925.6
Suez Canal	0.0	0.0	430.0	46.5	0.0	0.0	0.0	0.0	430.0	46.5
Internal Trade	1.0	0.0	260.3	8.9	262.7	30.6	1,266.0	300.0	1,790.0	339.5
Financial Intermediaries & Supporting Services	265.3	0.0	375.7	35.5	838.4	53.2	0.0	0.0	1,479.4	88.7
Restaurants & Hotels	151.6	65.6	135.2	4.8	235.0	50.0	3,215.0	500.0	3,736.8	620.4
Total	3,130.5	1,027.6	3,175.4	447.0	4,792.1	1,906.1	16,388.0	5,640.0	27,486.0	9,020.7
Real Estate Activities	66.3	23.4	0.0	0.0	8.0	0.0	14,372.0	1,585.0	14,446.3	1,608.4
Education Services	3,315.6	469.8	62.9	6.0	0.0	0.0	1,000.0	250.0	4,378.5	725.8
Health Services	1,687.3	334.9	175.7	40.6	20.0	0.0	1,000.0	220.0	2,883.0	595.5
Other Services	6,727.2	1,691.3	862.2	71.2	76.9	11.3	150.0	0.0	7,816.3	1,773.8
Total	11,796.4	2,519.4	1,100.8	117.8	104.9	11.3	16,522.0	2,055.0	29,524.1	4,703.5
Others	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0
Grand Total	20,011.9	5,001.2	6,245.2	828.4	18,969.1	5,341.1	68,000.0	16,435.0	113,226.2	27,605.7

Source: Ministry of Planning

**Table 1.14.b: Macroeconomic Data**  
Investment Distributed among Economic Sectors: Quarterly Data (2005/2006)

Sectors	Q1 (LE Millions)									
	Government		Economic Authorities		Public Business Sector		Private Business Sector		Grand Total	
	Targeted	Executed	Targeted	Executed	Targeted	Executed	Targeted	Executed	Targeted	Executed
Agriculture, Irrigation & Reclamation	1,702.5	539.2	266.6	13.7	0.3	0.0	6,000.0	620.0	7,969.4	1,172.9
Crude Oil & Mining	39.4	1.2	266.1	0.2	3,554.8	936.3	15,900.0	4,700.0	19,760.3	5,637.7
Manufacturing Industries & Oil Products	468.6	17.5	23.2	0.9	3,541.0	792.7	11,475.0	3,800.0	15,507.8	4,611.1
Electricity, Water & Natural Gas	2,684.3	470.2	1,247.8	119.9	6,606.0	1,088.2	0.0	0.0	10,538.1	1,678.3
Construction & Buildings	106.8	11.9	0.5	17.3	370.0	83.6	1,715.0	350.0	2,192.3	462.8
Total	5,001.6	1,040.0	1,804.2	152.0	14,072.1	2,900.8	35,090.0	9,470.0	55,967.9	13,562.8
Transportation & Communication	2,611.3	484.9	2,074.2	417.1	3,456.0	1,386.5	11,907.0	1,532.0	20,048.5	3,820.5
Suez Canal	0.0	0.0	430.0	69.7	0.0	0.0	0.0	0.0	430.0	69.7
Internal Trade	1.0	0.0	260.3	0.5	262.7	30.0	1,266.0	275.0	1,790.0	305.5
Financial Intermediaries & Supporting Services	3.3	0.0	375.7	6.7	838.4	57.0	0.0	0.0	1,217.4	63.7
Restaurants & Hotels	150.4	0.7	103.2	1.0	235.0	50.0	3,215.0	500.0	3,703.6	551.7
Total	2,766.0	485.6	3,243.4	495.0	4,792.1	1,523.5	16,388.0	2,307.0	27,189.5	4,811.1
Real Estate Activities	54.6	13.9	0.0	0.0	8.0	0.0	14,372.0	2,890.0	14,434.6	2,903.9
Education Services	3,129.1	377.4	62.9	11.0	0.0	0.0	1,000.0	250.0	4,192.0	638.4
Health Services	1,597.6	230.3	175.7	24.0	20.0	0.0	1,000.0	200.0	2,793.3	454.3
Other Services	6,400.8	974.2	862.2	93.3	76.9	4.2	150.0	0.0	7,489.9	1,071.7
Total	11,182.1	1,595.8	1,100.8	128.3	104.9	4.2	16,522.0	3,340.0	28,909.8	5,068.3
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	18,949.7	3,121.4	6,148.4	775.3	18,969.1	4,428.5	68,000.0	15,117.0	112,067.2	23,442.2

Source: Ministry of Planning



**Table 1.14.c: Macroeconomic Data**

Investment Distributed among Economic Sectors: Annual Data (2004/2005 )

Sectors	2004/2005 (LE Millions)				Grand Total	(Structure %)
	Government	Economic Authorities	Public Business Sector	Private Business Sector		
Agriculture, Irrigation & Reclamation	3,016.7	84.7	0.5	4,250.1	7,352.0	8.0
Crude Oil & Mining	0.0	16.0	2,138.0	12,465.9	14,619.9	15.8
Manufacturing Industries & Oil Products	181.0	74.6	4,134.5	8,200.0	12,590.1	13.6
Electricity, Water & Natural Gas	2,388.3	1,428.6	4,229.5	0.0	8,046.4	8.7
Construction & Buildings	51.8	2.4	244.6	835.0	1,133.8	1.2
Total	5,637.8	1,606.3	10,747.1	25,751.0	43,742.2	47.3
Transportation & Communication	3,025.1	2,381.5	4,826.7	7,303.0	17,536.3	19.0
Suez Canal	0.0	326.1	0.0	0.0	326.1	0.4
Internal Trade	0.0	48.4	141.1	900.0	1,089.5	1.2
Financial Intermediaries & Supporting Services	0.0	313.2	654.7	0.0	967.9	1.1
Restaurants & Hotels	657.0	12.0	160.0	2,200.0	3,029.0	3.3
Total	3,682.1	3,081.2	5,782.5	10,403.0	22,948.8	24.8
Real Estate Activities	180.3	0.0	0.0	9,900.0	10,080.3	10.9
Education Services	1,799.4	58.8	0.0	480.0	2,338.2	2.5
Health Services	2,491.8	150.3	0.0	700.0	3,342.1	3.6
Other Services	9,259.4	579.7	109.2	66.0	10,014.3	10.8
Total	13,730.9	788.8	109.2	11,146.0	25,774.9	27.9
Grand Total	23,050.8	5,476.3	16,638.8	47,300.0	92,465.9	100.0

Source: Ministry of Planning

**Table 1.15: Macroeconomic Data**

Total Investment in Government Sector Distributed among Financial Resources: Quarterly Data (2004/2005)

Sectors	Q1		Q2		Q3	
	Budgeted (LE Millions)	Implemented %	Budgeted (LE Millions)	Implemented %	Budgeted (LE Millions)	Implemented %
Internal Resources	50.3	5.2	163.6	12.7	246.0	17.5
External & Internal Grants and Aid	96.9	4.6	303.9	12.1	297.3	10.7
National Investment Bank Loans	3,002.5	18.4	3,561.2	23.1	3,811.5	24.3
External Loans	152.3	9.7	111.0	6.7	139.6	8.5
Other Sources	17.0	0.0	33.0	0.0	33.7	0.0
Unallocated Funds	0.0	0.0	0.0	0.0	0.0	0.0
Total	3,319.0	15.8	4,172.7	19.2	4,528.1	21.0

Source: Ministry of Planning. Economic sectors re- classified according to 1993 national accounts.

**Table 1.16: Macroeconomic Data**

Total Investment in Economic Authorities Distributed among Financial Resources: Quarterly Data (2004/2005)

Sectors	Q1		Q2		Q3	
	Budgeted (LE Millions)	Implemented %	Budgeted (LE Millions)	Implemented %	Budgeted (LE Millions)	Implemented %
Internal Resources	280.8	12.6	362.7	16.5	453.4	20.0
External & Internal Grants and Aid	0.0	0.0	31.5	8.7	39.1	9.9
National Investment Bank Loans	701.4	21.7	791.2	24.5	907.8	28.0
External Loans	120.8	35.8	36.8	10.1	69.5	19.0
Other Sources	3.8	0.0	0.0	0.0	0.0	0.0
Total	1,106.8	18.1	1,222.2	19.8	1,469.8	23.4

Source: Ministry of Planning. Economic sectors re- classified according to 1993 national accounts.



**Table 1.17: Macroeconomic Data**  
Foreign Direct Investment (2000/2001 - 2004/2005)

	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005 **	US\$ Millions *			
						2004/2005			
						Q1	Q2	Q3	Q4
General Authority for Investment and Free Zones - Law No. 8/1997 <sup>1</sup>	645	637	849	1,029	685	240	214	136	95
General Authority for Investment and Free Zones - Law No. 159/1981 <sup>2</sup>	57	29	36	14	150	3	6	124	17
Total General Authority for Investment and Free Zones	702	666	885	1,043	835	243	220	260	112
Petroleum	1,684	2,057	2,123	3,125	3,295	716	766	678	1,135
<b>Total</b>	<b>2,386</b>	<b>2,723</b>	<b>3,008</b>	<b>4,168</b>	<b>4,130</b>	<b>959</b>	<b>986</b>	<b>938</b>	<b>1,247</b>

Source: General Authority for Investment (GAFI)

\* Exchange rates according to Central Bank of Egypt

\*\* Starting 2004/2005, FDI was calculated on paid up capital according to IMF recommendation.

<sup>1</sup> Law 8/1997 for Investment Incentives and Guarantees

<sup>2</sup> Law 159/1981 for Joint Stock, Partnership, Limited par Shares, Limited Responsibility Companies

2000/2001: L.E. 4 /US\$

2001/2002: L.E. 4.5 /US\$

2002/2003: (Jul - Feb) L.E. 4.5/US\$, (Mar - Jun): L.E. 6/US\$

2003/2004: L.E. 6.11/US\$

2004/2005: L.E. 5.85/US\$

**Table 1.18: Macroeconomic Data**  
Foreign Investments in Companies (2000 - 2005)

	LE Millions					
	2000	2001	2002	2003	2004	2005
General Authority for Investment - Law No. 8/1997						
Issued Capital <sup>1</sup>	14,872	13,458	12,204	14,423	26,068	33,587
Foreign Participation <sup>2</sup>	3,462	2,125	3,629	5,152	6,609	10,155
Percent of Total	23	16	30	36	25	30
Companies Authority - Law No. 159/1981						
Issued Capital	2,616	1,397	962	1,161	6,065	8,022
Foreign Participation	169	255	116	291	141	3,454
Percent of Total	6	18	12	18	2	43

Source: General Authority for Investment (GAFI) & Companies Authorities

<sup>1</sup> Issued Capital for GAFI includes capital increase and expansion growth since year 2000.

<sup>2</sup> Foreign Participation for GAFI includes foreign participation in capital increase and expansion growth since year 2000.

**Table 1.19: Macroeconomic Data**  
Tourism \* (2001/2002 - 2004/2005)

	LE Millions - Current Prices			
	2001/2002	2002/2003	2003/2004	2004/2005
Value Added	5,107	7,728	12,662	17,106
Employment (in Thousands)	217	239	253	269
Investment **	2,729	2,114	2,502	3,029

Source: Ministry of Planning

\* Tourism refers to hotels and restaurants

\*\* Includes private & public sectors



## 2. Monetary data

**Table 2.1: Monetary Data**
**Monetary Survey: Reserve Money and Counterpart Assets (May 2005 - March 2006)**

LE Millions	2005								2006		
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar **
Reserve Money	170,453	177,822	144,717	147,330	151,414	155,970	158,820	163,609	169,215	173,965	168,651
Currency in circulation outside the CBE	66,707	67,241	70,461	70,183	70,133	73,796	73,086	73,173	74,844	73,723	74,458
Banks' deposits in local currency with CBE	103,746	110,581	74,256	77,147	81,281	82,174	85,734	90,436	94,371	100,242	94,193
Counterpart Assets of Reserve Money	170,453	177,822	144,717	147,330	151,414	155,970	158,820	163,609	169,215	173,965	168,651
Net Foreign Assets	32,818	37,295	44,513	46,523	49,050	49,861	50,855	54,019	57,895	59,807	60,860
Domestic Assets	137,635	140,527	100,204	100,807	102,364	106,109	107,965	109,590	111,320	114,158	107,791
Net Claims on Government (A+B-C)	121,366	126,770	82,074	101,576	104,737	108,651	106,573	104,058	114,670	112,974	116,206
A- Securities	208,021	208,021	166,077	166,860	164,906	164,906	164,436	164,436	164,436	164,436	163,833
B- Credit facilities	12,228	17,126	13,931	17,535	11,919	9,315	8,049	7,324	7,909	8,426	8,058
C- Deposits	98,883	98,377	97,934	82,819	72,088	65,570	65,912	67,702	57,675	59,888	55,685
Net Claims on Public Economic Authorities (A-B)	(2,904)	(4,506)	(3,332)	(3,065)	(2,570)	(2,788)	(2,412)	(1,948)	(2,568)	(3,115)	(2,912)
A- Claims on public economic authorities	2,211	2,220	2,356	2,201	2,317	2,321	2,363	2,381	2,382	2,272	2,258
B- Deposits	5,115	6,726	5,688	5,266	4,887	5,109	4,775	4,329	4,950	5,387	5,170
Net Claims on Deposit Money Banks (A-B) *	(27,127)	(24,175)	(20,996)	(19,577)	(11,160)	(8,240)	(8,352)	(4,257)	(1,887)	1,051	2,331
A- Claims on deposit money banks	7,261	9,131	6,836	6,913	13,667	16,439	16,528	20,213	13,602	16,695	18,008
B- Deposit money banks' deposits in foreign currency with CBE	34,388	33,306	27,832	26,490	24,827	24,679	24,880	24,470	15,489	15,644	15,677
Net Claims on Other Banking Institution (A-B) *	2,806	2,192	2,837	3,092	3,083	2,817	2,514	2,201	1,668	2,541	2,726
A- Claims on other banking institution	3,134	2,441	3,085	3,343	3,333	3,068	2,770	2,450	1,917	2,791	2,977
B- Other banking institution's deposits in foreign currency with CBE	328	249	248	251	250	251	256	249	249	250	251
Other Items (net)	43,494	40,246	39,621	18,781	8,274	5,669	9,642	9,536	(563)	707	(10,560)

Source: CBE

\* Derived from the CBE's balance sheet.

\*\* Preliminary

\* All banks (excl. CBE) are considered deposit money banks.



**Table 2.2: Monetary Data**Banking Survey: Domestic Liquidity and Counterpart Assets  
(May 2005 - February 2006) \*

LE Millions	2005								2006	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb **
Domestic Liquidity (M2)	490,130	493,884	505,899	512,730	514,822	516,716	518,905	522,296	528,827	534,409
Money Supply (M1)	88,338	89,685	93,547	97,698	99,928	100,108	99,680	100,712	103,455	102,717
Currency in circulation outside the banking system	62,498	63,029	65,888	65,973	66,335	69,703	68,806	68,960	70,307	69,609
Demand deposits in local currency	25,840	26,656	27,659	31,725	33,593	30,405	30,874	31,752	33,148	33,108
Quasi-Money	401,792	404,199	412,352	415,032	414,894	416,608	419,225	421,584	425,372	431,692
Time & saving deposits in local currency	279,374	283,020	285,772	288,989	290,467	291,732	293,548	296,756	298,731	300,938
Demand, time & saving deposits in foreign currencies	122,418	121,179	126,580	126,043	124,427	124,876	125,677	124,828	126,641	130,754
Counterpart Assets	490,130	493,884	505,899	512,730	514,822	516,716	518,905	522,296	528,827	534,409
Net Foreign Assets	75,636	80,913	94,801	97,542	103,913	106,308	108,349	112,777	122,533	131,332
Domestic Assets	414,494	412,971	411,098	415,188	410,909	410,408	410,556	409,519	406,294	403,077
Domestic Credit	462,846	466,771	462,687	469,859	470,017	473,981	474,747	473,948	476,889	480,220
Other Items (net)	(48,352)	(53,800)	(51,589)	(54,671)	(59,108)	(63,573)	(64,191)	(64,429)	(70,595)	(77,143)

Source: CBE

\* Extracted from the consolidated balance sheet of the banking sector.

\*\* Preliminary

**Table 2.3: Monetary Data**

Banking Survey: Deposits in Local Currency (May 2005 - February 2006)

LE Millions	2005								2006	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb **
Total Deposits in Local Currency	305,214	309,676	313,431	320,714	324,060	322,137	324,422	328,508	331,879	334,046
Demand Deposits	25,840	26,656	27,659	31,725	33,593	30,405	30,874	31,752	33,148	33,108
Public business sector *	2,699	3,027	2,870	3,128	3,162	3,088	3,081	3,315	3,095	3,179
Private business sector	11,719	12,228	12,425	16,444	18,022	14,403	14,488	14,897	15,915	15,837
Household sector	11,838	11,985	12,817	12,590	13,214	13,359	13,687	13,964	14,549	14,494
Minus: purchased cheques & drafts	416	584	453	437	805	445	382	424	411	402
Time and Saving Deposits	279,374	283,020	285,772	288,989	290,467	291,732	293,548	296,756	298,731	300,938
Public business sector *	13,658	13,700	13,770	13,867	14,386	14,034	14,097	14,450	14,712	14,950
Private business sector	27,100	27,439	28,085	27,846	27,583	27,160	26,713	27,422	26,937	26,925
Household sector	238,616	241,881	243,917	247,276	248,498	250,538	252,738	254,884	257,082	259,063

Source: CBE

\* Including all public sector companies subject or not to law No 203 for 1991.

\*\* Preliminary



**Table 2.4: Monetary Data****Banking Survey: Deposits in Foreign Currencies (May 2005 - February 2006)**

LE Millions	2005								2006	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb **
Total Deposits in Foreign Currencies	122,418	125,179	126,580	126,043	124,427	124,876	125,677	124,828	126,641	130,754
Demand Deposits:	18,380	18,140	21,655	18,663	19,125	18,984	19,417	19,195	20,672	22,291
Public business sector *	1,413	1,249	1,381	1,212	885	862	1,081	889	991	1,127
Private business sector	10,178	10,234	13,287	10,787	11,742	11,201	11,607	11,616	13,042	14,326
Household sector	6,960	6,823	7,134	6,858	6,658	7,094	6,889	6,827	6,764	6,792
Minus: purchased cheques & drafts	171	166	147	194	160	173	160	137	125	154
Time and Saving Deposits	104,038	103,039	104,925	107,380	105,302	105,892	106,260	105,633	105,969	108,463
Public business sector *	3,178	2,916	3,707	4,061	4,202	3,817	3,838	3,984	4,070	4,094
Private business sector	21,303	21,103	21,713	23,944	22,333	23,087	24,057	23,838	23,890	26,345
Household sector	79,557	78,990	79,505	79,375	78,767	78,988	78,365	77,811	78,009	78,024

Source: CBF

\* Including all public sector companies subject or not to law No 203 for 1991.

\*\* Preliminary

**Table 2.5: Monetary Data****Banking Survey: Domestic Credit and Other Items Net (May 2005 - February 2006)**

LE Millions	2005								2006	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb **
Domestic Credit	462,846	466,771	462,687	469,859	470,017	473,982	474,747	473,948	476,889	480,220
Net Claims on the Government (A+B-C)	166,935	170,978	165,077	169,464	165,395	165,765	165,349	159,617	170,328	169,841
A- Securities	312,388	311,376	307,617	293,374	283,285	280,211	281,408	278,656	280,186	282,475
B- Credit facilities	13,009	17,904	14,675	18,260	12,696	10,089	8,784	7,897	8,345	8,849
C- Government deposits	158,462	158,302	157,215	142,170	130,586	124,555	124,843	126,936	118,203	121,483
Net Claims on Public Economic Authorities (A-B)	(11,025)	(11,089)	(9,926)	(9,986)	(8,300)	(8,412)	(9,077)	(8,441)	(8,276)	(7,800)
A- Claims on public economic authorities	21,886	23,460	23,865	23,437	24,026	23,510	22,759	23,019	24,006	23,567
B- Deposits	32,911	34,549	33,791	33,423	32,326	31,922	31,836	31,460	32,282	31,367
Claims on Public Business Sector *	37,931	37,421	37,993	38,109	38,253	39,275	40,597	41,756	34,699	34,578
Claims on Private Business Sector	228,197	228,195	228,635	230,069	231,589	234,006	233,809	235,426	233,205	234,391
Claims on Household Sector	40,808	41,266	40,908	42,203	43,080	43,348	44,069	45,590	46,933	49,210
Other Items (Net)	(48,352)	(53,800)	(51,589)	(54,671)	(59,108)	(63,573)	(64,191)	(64,429)	(70,595)	(77,143)
Capital accounts	(95,752)	(94,179)	(94,027)	(95,958)	(99,152)	(100,804)	(101,163)	(99,453)	(103,357)	(103,902)
Net unclassified assets and liabilities	47,400	40,379	42,438	41,287	40,044	37,231	36,972	35,024	32,762	26,759

Source: CBF

\* Including all public sector companies subject or not to law No 203 for 1991.

\*\* Preliminary



**Table 2.6: Monetary Data****Banking Survey: Foreign Assets and Liabilities (May 2005 - February 2006)**

LE Millions	2005								2006	
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb *
Net Foreign Assets	75,636	80,913	94,801	92,542	103,913	106,308	108,349	112,777	122,533	131,332
Foreign Assets	169,129	174,328	183,937	186,639	192,803	195,245	194,125	201,862	209,545	216,351
Central Bank of Egypt	105,793	108,737	114,030	116,578	118,636	119,432	119,496	122,956	124,130	125,602
Banks	63,336	65,591	69,907	70,061	74,167	75,813	74,629	78,906	85,415	90,749
Foreign Liabilities	93,493	93,415	89,136	89,097	88,890	88,937	85,776	89,085	87,012	85,019
Central Bank of Egypt	72,975	71,443	69,517	70,055	69,586	69,571	68,641	68,937	66,235	65,795
Banks	20,518	21,972	19,619	19,042	19,304	19,366	17,135	20,148	20,777	19,224

Source: CBE

\* Preliminary

**Table 2.7: Monetary Data****CBE - Official Reserve and Foreign Currency Assets (July 2005 - March 2006)**

\$US Millions	2005						2006		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar *
A. Official Reserve Assets	19,075	20,046	20,909	20,992	21,173	22,138	22,128	22,630	22,996
(1) Foreign Currency Reserves (in convertible foreign currencies) <sup>1</sup>	18,246	18,684	19,501	19,191	19,043	20,247	20,442	20,799	21,136
A. Securities <sup>3</sup>	2,853	2,829	2,307	1,841	2,267	2,751	3,163	3,387	5,018
B. Total Currency and Deposits	15,391	15,885	17,195	17,391	16,777	17,893	17,079	17,412	16,138
- Other National Central Banks, BIS and IMF	1,016	1,019	1,019	1,265	1,326	1,215	965	872	794
A. Banks Headquartered in Reporting Country	233	235	236	237	237	238	239	240	241
Located Abroad	233	235	236	237	237	238	239	240	241
B. Banks Headquartered Outside the Reporting Country	14,142	14,631	15,940	15,849	15,315	16,041	15,875	16,300	15,102
Located in the Reporting Country	2	2	348	414	539	761	402	675	802
(2) IMF Reserve Position <sup>4</sup>	103	101	99	97	95	95	80	57	57
(3) SDRs <sup>5</sup>	95	97	99	100	98	98	105	107	107
(4) Gold (including gold deposits and, if appropriate, gold swapped)	1,241	1,048	1,140	1,148	1,149	1,259	1,366	1,365	1,364
Volume in full legal tender	2,432,221	2,432,221	2,432,221	2,432,221	2,432,221	2,432,221	2,432,221	2,432,221	2,432,221
(5) Other Reserve Assets	90	105	70	457	738	440	155	304	282
Financial derivatives	0	0	0	0	0	0	0	0	0
Loans to nonbank residents	0	0	0	0	0	0	0	0	0
Other	90	105	70	457	738	440	155	304	282
B. Other Foreign Currency Assets	200	215	1,079	886	805	1,258	631	444	705
Securities not included in official reserve assets	0	0	0	0	0	0	0	0	0
Deposits not included in official reserve assets	48	61	927	734	853	1,106	239	491	554
Loans not included in official reserve assets	152	152	152	152	152	152	152	152	152
Financial derivatives not included in official reserve assets									
Gold not included in official reserve assets									

Source: CBE

\* Provisional

<sup>1</sup> Official reserve assets and other foreign currency assets approximate market value<sup>2</sup> Form for presenting data in the template on international reserves/foreign currency liquidity. Information to be disclosed by the monetary authorities and other central government, excluding social security.<sup>3</sup> Issuer headquartered in reporting country but located abroad.



**Table 2.8: Monetary Data**

International Reserves and Reserve Template (June 2005 - March 2006)

\$US Millions	2005							2006		
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar *
Net International Reserves	19,302	20,251	20,705	21,100	21,213	21,212	21,890	22,129	22,365	22,537
Gross Official Reserves	19,322	20,272	20,727	21,121	21,235	21,236	21,915	22,146	22,383	22,556
Gold	779	779	779	779	779	779	779	779	779	779
SDRs	93	95	97	99	100	98	98	105	107	107
Foreign Currencies	18,345	19,295	19,749	20,145	20,259	20,264	20,943	21,202	21,440	21,613
IMF Reserve	105	103	102	98	97	95	95	60	57	57

Source: CBE

\* Preliminary

**Table 2.9: Monetary Data**

Outstanding T-Bills (August 2004 - September 2005)

End of	T-bills Outstanding Balances (LE Billions)													
	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
Total	97.14	108.2 <sup>1</sup>	118.4 <sup>2</sup>	119.1 <sup>3</sup>	120.6 <sup>4</sup>	117.6 <sup>5</sup>	116.5 <sup>6</sup>	116.9 <sup>7</sup>	109.3 <sup>8</sup>	122.4 <sup>9</sup>	124.9 <sup>10</sup>	127.7 <sup>11</sup>	111 <sup>12</sup>	103 <sup>13</sup>
With banks	88.1	99.2	104.1	110.1	110.3	105.3	103.4	102.9	93.4	103.8	103.0	100.2	82.2	71.7
Outside the banking system	9.1	9.0	14.3	9.0	10.3	12.3	13.1	14.0	15.9	18.6	21.9	27.5	28.8	31.3

End of	Average Interest Rate (%) *													
	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
91 day T-Bills	10.92	10.74	10.94	10.23	9.89	9.89	9.89	9.89	10.19	9.78	9.06	8.97	9.32	9.19
182 day T-bills	11.41	11.11	11.30	10.52	10.09	9.69	9.11	10.76	10.47	9.89	8.39	9.65	9.58	9.46
364 day T-Bills	12.21	11.87	12.00	11.20	10.84	10.48	9.52	11.07	10.66	10.04	9.09	9.39	9.98	9.13

Source: CBE

\* Average T-bill interest rate calculated according to the last auction in the month.

<sup>1</sup> Of which 30 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE<sup>2</sup> Of which 40 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE<sup>3</sup> Of which 50 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE<sup>4</sup> Of which 45 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE<sup>5</sup> Of which 35 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE<sup>6</sup> Of which 45 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE<sup>7</sup> Of which 11.9 L.E. Billion T-Bills issued for monetary policy purposes and fully covered by Government deposits at CBE



**Table 2.10: Monetary Data**Discount and Interest Rates on Deposits and Loans in Egyptian Pounds  
(January 2004 - January 2006)

End of Period Rates	CBE Discount Rate	Three Months Deposits	Lending Rate (Less than one year loans)	Three Months T-bills	Increasing Certificates *	Post Office Savings Deposits*
Jan-04	10.00	7.88	13.37	6.77	10.00	10.50
Feb-04	10.00	7.80	13.42	7.03	10.00	10.50
Mar-04	10.00	7.68	13.25	7.89	10.00	10.50
Apr-04	10.00	7.67	13.31	9.49	10.00	10.50
May-04	10.00	7.68	13.31	10.50	10.00	10.50
Jun-04	10.00	7.68	13.39	11.28	10.00	10.50
Jul-04	10.00	7.71	13.44	11.24	10.00	10.50
Aug-04	10.00	7.71	13.47	10.93	10.00	10.50
Sep-04	10.00	7.70	13.45	10.74	10.00	10.50
Oct-04	10.00	7.70	13.42	10.95	10.00	10.50
Nov-04	10.00	7.69	13.33	10.24	10.00	10.50
Dec-04	10.00	7.69	13.34	9.90	10.00	10.50
Jan-05	10.00	7.66	13.36	9.90	10.00	10.50
Feb-05	10.00	7.62	13.44	9.90	10.00	10.50
Mar-05	10.00	7.60	13.41	9.90	10.00	10.50
Apr-05	10.00	7.60	13.36	10.10	10.00	10.50
May-05	10.00	7.59	13.34	9.91	10.00	10.50
Jun-05	10.00	7.60	13.36	9.22	10.00	10.50
Jul-05	10.00	7.47	13.32	8.98	10.00	10.50
Aug-05	10.00	7.44	13.26	9.38	10.00	10.50
Sep-05	10.00	---	---	9.13	10.00	10.50
Oct-05	10.00	---	---	9.33	10.00	10.50
Nov-05	10.00	---	---	9.23	10.00	10.50
Dec-05	10.00	---	---	8.82	10.00	10.50
Jan-06	9.00	---	---	8.56	10.00	10.50

Source: CBE

\* Simple Interest

\* Calculated as additional interest of 0.25% for deposits of one year maturity

Notes: Starting September 2005 the method of calculated interest rates was changed to weighted averages.



### 3. Balance of Payments data

**Table 3.1: Balance of Payments: Quarterly Data (2003/2004 - 2005/2006)**

US\$ Millions	2003/2004				2004/2005				2005/2006
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 *
Trade Balance	(1,603.3)	(2,011.9)	(1,917.8)	(2,300.8)	(2,355.4)	(2,837.8)	(2,122.5)	(3,138.7)	(3,198.2)
Export Proceeds**	2,227.3	2,286.8	2,890.0	3,048.4	3,109.3	3,226.4	3,446.3	4,051.4	4,031.0
Petroleum	827.0	874.8	1,148.7	1,059.8	1,219.2	1,303.5	1,300.3	1,476.0	2,137.8
Other Exports	1,400.3	1,412.0	1,741.3	1,988.6	1,890.1	1,922.9	2,146.0	2,575.4	1,893.2
Import Payments**	(3,830.6)	(4,298.7)	(4,807.8)	(5,349.2)	(5,364.7)	(6,064.2)	(5,573.8)	(7,190.1)	(7,229.2)
Petroleum	(493.3)	(646.1)	(628.9)	(804.5)	(539.1)	(1,048.4)	(662.0)	(1,725.8)	(1,132.8)
Non Oil imports	(3,340.3)	(3,652.6)	(4,178.9)	(4,544.7)	(4,825.6)	(5,015.8)	(4,911.8)	(5,464.3)	(6,096.4)
Services (net)	2,286.8	1,550.0	(542.5)	1,938.5	2,661.8	1,839.1	1,329.7	1,812.2	2,169.9
Receipts	3,540.7	2,963.1	3,125.5	3,351.7	4,182.1	3,519.5	2,645.5	3,682.3	4,622.7
Transportation	867.4	902.3	984.5	1,001.0	1,006.4	1,040.3	1,084.7	1,128.2	1,164.6
Suez Canal Dues	682.0	692.0	726.7	747.7	774.6	827.3	846.8	858.1	871.4
Travel	1,632.7	1,229.1	1,292.8	1,320.5	2,111.0	1,400.8	1,449.8	1,468.2	2,321.9
Investment Income	138.2	112.2	129.2	105.5	153.5	184.0	257.6	315.5	387.2
Government Services	73.8	23.3	21.9	60.4	40.7	27.2	47.2	42.1	44.5
Other receipts	828.8	692.2	697.1	864.3	870.5	867.2	864.2	728.5	704.5
Payments	(1,253.9)	(1,413.1)	(1,583.0)	(1,413.2)	(1,520.3)	(1,680.4)	(2,115.8)	(1,870.3)	(2,452.8)
Transportation	138.3	124.6	208.0	197.3	183.6	245.0	248.9	224.9	269.2
Travel	272.1	399.9	379.4	263.7	277.4	336.8	455.9	368.2	394.3
Investment Income	221.6	112.1	231.6	126.5	354.9	163.3	336.7	309.1	509.8
Interest Paid	186.9	107.1	187.8	104.1	187.0	110.0	186.4	100.3	179.4
Government Expenditures	120.6	104.8	131.4	132.4	140.3	145.8	192.4	178.1	340.3
Other Payments	501.3	671.6	632.6	693.3	564.3	789.5	881.9	790.0	929.2
Balance of Goods & Services	683.5	(461.9)	(753.3)	(362.3)	406.2	(940.7)	(787.8)	(1,326.5)	(1,028.3)
Transfers	855.4	936.4	929.7	1,212.6	1,075.8	1,340.6	1,500.6	1,410.8	1,355.0
Private (net)	722.5	751.5	751.8	820.3	810.8	997.7	1,251.0	1,312.2	1,264.7
Remittances of Egyptians Working Abroad	723.3	736.0	735.8	804.5	802.8	980.7	1,239.2	1,306.8	1,279.9
Official (net)	132.9	184.9	177.9	392.3	265.0	350.9	341.6	98.6	90.3
Balance of Current Account	1,338.9	474.5	(544.4)	850.3	1,482.0	349.9	994.8	84.3	326.7
Capital & Financial Account	(2,231.6)	(776.4)	(1,090.4)	(918.0)	(1,410.8)	(1,063.1)	(2,066.2)	(1,669.3)	(1,808.3)
Direct Investment Abroad <sup>1</sup>	(6.4)	(2.3)	(13.3)	(133.7)	(5.0)	(6.9)	(6.2)	(20.9)	(18.6)
Direct Investment in Egypt <sup>1,2</sup>	33.7	55.5	95.1	222.9	774.5	1,064.9	1,220.1	842.3	1,947.0
Portfolio Investments Abroad (net)	4.3	25.8	59.2	23.7	72.9	179.9	304.1	(16.3)	78.5
Portfolio Investments in Egypt (net)	3.6	(23.0)	19.0	(225.2)	38.6	82.5	461.1	248.9	2,579.2
Bonds <sup>3</sup>	(17.2)	(23.3)	(22.4)	(84.8)	9.1	(13.1)	0.6	29.3	2,786.1
Other Investments (net)	(2,266.8)	(833.6)	(1,250.4)	(805.7)	(2,291.8)	(267.3)	87.1	615.2	(2,776.8)
Net borrowing	96.7	554.8	247.5	609.8	76.6	707.5	11.5	205.0	(39.5)
Medium and Long-Term Loans	(235.5)	(75.6)	(277.8)	(53.1)	(251.0)	(1.9)	(284.8)	(246.1)	(395.5)
Drawings	178.8	246.3	174.0	191.9	193.8	305.4	198.7	30.0	120.2
Repayments	(414.3)	(322.1)	(451.9)	(245.0)	(444.8)	(307.3)	(483.5)	(276.1)	(515.7)
M.T. Suppliers' Credits	(21.1)	55.3	29.6	4.5	(71.5)	(7.0)	(75.0)	(372.7)	(51.1)
Drawings	42.0	105.4	205.0	198.0	5.5	44.0	1.8	14.9	1.8
Repayments	(83.1)	(50.1)	(175.4)	(193.5)	(77.0)	(71.0)	(76.8)	(387.2)	(52.9)
S.T. Suppliers' Credits (net)	353.3	575.1	495.7	658.1	399.1	716.4	371.3	823.4	407.1
Other Assets	(1,857.6)	(1,190.0)	(1,390.6)	(1,266.3)	(2,093.2)	(1,145.1)	1,130.0	(34.7)	(2,293.8)
CBE	(21.8)	(16.0)	-4.0	12.4	(0.8)	(19.7)	19.1	24.4	5.6
Banks	(688.0)	(516.7)	(628.4)	(710.1)	(899.6)	(927.3)	(324.7)	(20.4)	(1,550.1)
Other	(1,147.8)	(657.3)	(716.4)	(568.6)	(1,192.8)	(218.1)	418.2	(38.7)	(749.3)
Other Liabilities	(505.9)	(197.2)	(107.1)	(149.2)	(275.2)	190.3	(37.4)	444.9	(443.5)
CBE	(0.6)	6.4	(25.9)	3.4	0.9	3.9	(10.2)	3.4	1.7
Banks	(505.3)	(203.6)	(81.2)	(152.6)	(276.1)	186.4	(27.2)	441.5	(445.2)
Net Errors & Omissions	546.8	321.9	(25.4)	444.3	(174.3)	(585.7)	(523.2)	(527.4)	(324.1)
Overall Balance	(144.3)	200.0	(410.6)	376.6	(103.1)	817.3	2,337.8	(226.1)	1,811.9
Change in Reserve Assets (Increase = +)	144.3	(200.0)	410.6	(376.6)	103.1	(817.1)	(2,338.0)	(1,226.1)	(1,811.9)

Source: Central Bank of Egypt

\* Provisional

\*\* Includes free zones

<sup>1</sup> Includes Foreign Direct Investment in Petroleum Sector

<sup>2</sup> Includes the acquisition of two local companies by foreign investors valued US\$ 300.6 mn in the first quarter of 2002/2003 and US\$ 44.0 mn in the second quarter 2002/2003.

<sup>3</sup> The Sovereign euro bonds issued by the government of Egypt on July 1st, 2001, at the nominal value of US\$ 1.5 bn, where inflows reflect the acquisition of foreign financial institutions thereof, and outflows reflect the purchases by resident banking and insurance sectors.



**Table 3.2: Balance of Payments (1999/2000 - 2004/2005)**

US\$ Millions	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
<b>Trade Balance</b>	(11,472.3)	(9,363.1)	(7,516.5)	(6,614.9)	(7,833.8)	(10,359.4)
Export Proceeds**	6,387.7	7,078.2	7,120.8	8,205.4	10,452.5	13,833.4
Petroleum	2,272.9	2,632.4	2,381.0	3,160.8	3,910.3	5,299.0
Other Exports	4,114.8	4,445.8	4,739.8	5,044.6	6,542.2	8,534.4
Import Payments**	(17,860.0)	(16,441.3)	(14,637.3)	(14,820.3)	(18,286.3)	(24,192.8)
Petroleum	(2,387.8)	(3,171.9)	(2,476.8)	(2,313.0)	(2,569.8)	(3,975.3)
Non Oil Imports	(15,472.2)	(13,269.4)	(12,160.5)	(12,507.3)	(15,716.5)	(20,217.5)
<b>Services (net)</b>	<b>5,629.7</b>	<b>5,587.5</b>	<b>3,878.3</b>	<b>4,948.6</b>	<b>7,317.8</b>	<b>7,842.6</b>
Receipts	11,425.6	11,696.4	9,618.1	10,441.4	12,981.0	15,029.6
Transportation	2,634.7	2,704.3	2,714.9	2,964.8	3,755.2	4,259.6
Suez Canal Dues	1,780.8	1,842.5	1,819.8	2,236.2	2,848.4	3,306.8
Travel	4,313.8	4,316.9	3,422.8	3,796.4	5,475.1	6,429.8
Investment Income	1,832.5	1,849.6	938.2	611.3	485.1	910.6
Government Services	109.6	189.7	188.4	252.8	179.4	157.2
Other Receipts	2,535.0	2,635.9	2,353.8	2,786.1	3,086.2	3,272.4
Payments	(5,795.9)	(6,108.9)	(5,739.8)	(5,492.8)	(5,663.2)	(7,187.0)
Transportation	456.5	428.7	420.1	392.5	668.2	902.4
Travel	1,028.3	1,053.7	1,207.9	1,372.4	1,315.1	1,438.3
Investment Income	900.7	778.1	842.4	748.5	691.8	1,164.0
Interest Paid	769.8	727.8	688.6	625.9	583.9	583.7
Government Expenditures	467.0	588.1	660.4	455.4	489.3	656.6
Other Payments	2,943.4	3,260.3	2,629.0	2,524.0	2,496.8	3,025.7
<b>Balance of Goods &amp; Services</b>	<b>(5,842.6)</b>	<b>(3,775.6)</b>	<b>(3,638.2)</b>	<b>(1,666.3)</b>	<b>(516.0)</b>	<b>(2,516.8)</b>
<b>Transfers</b>	<b>4,679.5</b>	<b>3,742.2</b>	<b>4,252.4</b>	<b>3,609.3</b>	<b>3,934.1</b>	<b>5,427.8</b>
Private (net)	3,747.1	2,972.9	3,108.8	2,945.7	3,046.1	4,371.7
Remittances of Egyptians Working Abroad	3,067.3	2,842.7	2,952.5	2,962.6	2,999.6	4,329.5
Official (net)	932.4	769.3	1,143.6	663.6	888.0	1,056.1
<b>Balance of Current Account</b>	<b>(1,163.1)</b>	<b>(33.4)</b>	<b>614.2</b>	<b>1,943.0</b>	<b>3,418.1</b>	<b>2,911.0</b>
<b>Capital &amp; Financial Account</b>	<b>(1,099.2)</b>	<b>(541.7)</b>	<b>(963.8)</b>	<b>(2,733.8)</b>	<b>(3,016.4)</b>	<b>3,377.7</b>
Direct Investment Abroad <sup>1</sup>	(42.5)	(27.3)	(15.2)	(30.0)	(155.7)	(39.0)
Direct Investment in Egypt <sup>1</sup>	1,656.1	509.4	428.2	700.6	407.2	3,901.8
Portfolio Investments Abroad (net)	(12.2)	(4.6)	(3.2)	(15.8)	113.0	540.6
Portfolio Investments in Egypt (net)	472.6	260.5	998.9	(405.2)	(225.6)	831.1
Bonds <sup>2</sup>	0.0	0.0	953.6	(218.2)	(142.7)	25.9
<b>Other Investments (net)</b>	<b>(3,273.2)</b>	<b>(1,279.7)</b>	<b>(2,372.5)</b>	<b>(2,983.4)</b>	<b>(5,155.3)</b>	<b>(1,856.8)</b>
Net borrowing	492.4	268.1	(71.3)	143.6	1,508.8	1,000.6
Medium and Long-Term Loans	(532.0)	(559.1)	(585.2)	(586.5)	(642.0)	(783.8)
Drawings	1,935	268.2	340.0	644.9	791.2	727.9
Repayments	(725.5)	(827.3)	(925.2)	(1,221.4)	(1,433.2)	(1,511.7)
M.T. Suppliers' Credits	(94.6)	(112.2)	(207.4)	(340.1)	68.3	(325.8)
Drawings	236.1	77.0	260.5	42.5	550.4	86.2
Repayments	(330.7)	(189.2)	(467.9)	(382.6)	(482.1)	(612.0)
S.T. Suppliers' Credits (net)	1,119.0	939.4	721.3	1,070.2	2,082.5	2,310.2
<b>Other Assets</b>	<b>(3,111.6)</b>	<b>(2,281.4)</b>	<b>(1,862.0)</b>	<b>(3,067.7)</b>	<b>(5,704.7)</b>	<b>(3,180.0)</b>
CBE	(22.0)	(16.6)	21.0	(32.0)	(21.4)	23.0
Banks	(198.2)	1,033.5	327.4	(493.4)	(2,593.2)	(2,171.6)
Other	(2,891.4)	(3,298.3)	(2,110.4)	(2,542.3)	(3,090.1)	(1,031.4)
<b>Other Liabilities</b>	<b>(654.0)</b>	<b>733.6</b>	<b>(439.2)</b>	<b>(59.3)</b>	<b>(959.4)</b>	<b>322.6</b>
CBE	(3.3)	495.3	6.9	3.7	(16.7)	0.0
Banks	(650.7)	238.3	(446.1)	(63.0)	(942.7)	322.6
<b>Net Errors &amp; Omissions</b>	<b>(664.9)</b>	<b>(296.3)</b>	<b>(106.8)</b>	<b>1,336.8</b>	<b>1,440.0</b>	<b>(1,812.2)</b>
<b>Overall Balance</b>	<b>(3,026.7)</b>	<b>(871.4)</b>	<b>(956.4)</b>	<b>546.0</b>	<b>(158.3)</b>	<b>4,476.3</b>
Change in Reserve Assets (Increase = +)	3,026.7	871.4	456.4	(546.0)	158.3	(4,476.3)

Source: Central Bank of Egypt

\*\* Includes free zones.

<sup>1</sup> Includes US\$ 2638 million as foreign direct investment in petroleum and US\$ 419.5 million as receipts from selling a number of local companies to foreign investors during 2004/2005.<sup>2</sup> The Sovereign euro bonds issued by the government of Egypt on July 1st, 2001, at the nominal value of US\$ 1.5 bn, where inflows reflect the acquisition of foreign financial institutions thereof, and outflows reflect purchases by resident banking and insurance sectors. During the first quarter of FY 2005/2006 foreigners' subscriptions to US\$ 2.8 billion for other Egyptian bonds and notes.<sup>3</sup> FY 2001/02 includes Arab Monetary Fund Loans.<sup>4</sup> FY 2001/02 includes US\$156.1 million medium term buyers' credit from the USA.<sup>5</sup> FY 2001/02 includes US\$253.5 million repayment to England.<sup>6</sup> FY 2000/01 includes the Arab International Bank Deposits with CBE.



**Table 3.3: Balance of Payments****Main Commodity Balances: (2004/2005 - 2005/2006)**

US\$ Millions	2004/2005			July / September					
	Exports	Imports	Surplus/ Deficit	Exports	Imports	Surplus/ Deficit	Exports	Imports	Surplus/ Deficit
<b>Oil Commodity Balance</b>	5,299.0	3,975.3	1,323.7	1,219.2	539.1	680.1	2,137.8	1,152.8	985.0
Crude oil	1,937.7	1,638.9	298.8	475.9	153.5	322.4	759.7	816.1	(56.4)
Oil products	2,274.2	2,281.3	(7.1)	506.3	378.6	127.7	766.4	301.7	464.7
Bunker and jet fuel	802.0	75.1	726.9	218.0	7.0	211.0	275.0	35.0	190.0
Natural gas	285.1	0.0	285.1	19.0	0.0	19.0	386.7	0.0	386.7
<b>Foodstuff Commodity Balance</b>	469.1	1,888.2	(1,419.1)	115.3	471.7	(356.4)	64.3	430.1	(365.8)
Meat	6.4	197.3	(190.9)	1.2	43.0	(41.8)	1.5	61.9	(60.4)
Fish	4.6	98.3	(93.7)	1.2	21.2	(20.0)	2.2	27.5	(25.3)
Dairy products and eggs	22.1	111.3	(89.2)	5.1	19.5	(14.4)	5.2	19.6	(14.4)
Fruits	56.5	30.7	25.8	7.6	7.4	0.2	7.3	8.4	(1.1)
Tea	3.1	54.3	(51.2)	0.6	30.0	(29.4)	0.8	18.9	(18.1)
Animal & vegetable fats and products	75.0	590.7	(515.7)	32.8	160.0	(127.2)	3.7	149.8	(146.1)
Raw sugar and its products	54.8	143.6	(88.8)	15.7	65.1	(49.4)	12.5	57.2	(44.7)
Tobacco	30.9	222.9	(192.0)	12.3	74.8	(62.5)	7.6	36.6	(29.0)
<b>Cereals Commodity Balance</b>	323.0	1,762.3	(1,439.3)	62.1	463.2	(401.1)	78.3	328.2	(249.9)
Wheat	0.0	1,107.1	(1,107.1)	0.0	299.8	(299.8)	0.2	156.3	(156.1)
Misc.	8.9	433.4	(424.5)	0.0	101.2	(101.2)	25.7	139.8	(114.1)
Rice	140.6	2.3	138.3	22.3	1.3	21.0	21.3	0.5	20.8
Cereals, fruits and seeds, and plants for manufacturing	21.0	162.1	(141.1)	5.5	40.7	(35.2)	8.0	22.7	(14.7)
<b>Commodity Balance of Cotton &amp; its Products &amp; other Textiles</b>	1,041.9	723.0	318.9	708.6	194.6	514.0	236.8	184.9	51.9
Cotton	137.8	69.3	68.5	15.2	30.2	(15.0)	32.8	19.3	13.5
Cotton yarn	117.7	112.8	4.9	11.2	27.8	(16.6)	31.4	25.5	5.9
Cotton textiles	305.8	21.9	283.9	57.5	6.5	51.0	48.2	7.6	40.6
Ready-made clothes	296.9	137.0	159.9	64.9	28.3	36.6	68.5	50.0	18.5
Synthetic fibers	19.4	329.4	(310.0)	4.1	92.5	(88.4)	6.4	63.8	(57.4)
Carpet and other floor coverings	110.8	42.5	68.3	24.1	7.3	16.8	36.9	8.2	28.7
<b>Chemicals Commodity Balance</b>	706.4	1,831.4	(1,125.0)	153.3	400.1	(246.8)	172.8	473.8	(301.0)
Organic & inorganic chemicals, and carbon	203.4	716.4	(513.0)	47.7	216.4	(168.7)	91.9	184.9	(93.0)
Pharmaceuticals	215.2	524.6	(309.4)	35.4	117.9	(82.5)	24.7	147.2	(122.5)
Fertilizers	149.6	316.8	(167.2)	45.7	6.6	39.1	39.6	64.3	(24.7)
<b>Commodity Balance of Electric Appliances, Equipment &amp; Parts</b>	272.5	1,361.8	(1,089.3)	65.9	326.9	(261.0)	123.1	429.9	(306.8)
Motors, generators, transformers & parts	50.1	96.1	(46.0)	13.4	18.7	(5.3)	9.6	36.4	(26.8)
Household electric motor machines	22.1	247.3	(225.2)	2.4	20.7	(18.3)	7.8	28.3	(20.5)
Air conditioners	71.4	90.6	(19.2)	15.8	26.2	(10.4)	66.8	24.7	42.1
House refrigerators & electric freezers	14.1	57.9	(43.8)	4.1	15.8	(11.7)	3.8	19.1	(15.3)
TV & sending & receiving equipment for telephones & radios	26.0	175.2	(149.2)	6.8	55.3	(48.5)	2.6	44.1	(41.5)
Computers and software	47.8	158.7	(110.9)	12.1	34.3	(22.2)	16.1	50.6	(34.5)
<b>Commodity Balance of Base Metals &amp; Products</b>	1,370.0	1,645.1	(275.1)	421.6	354.5	67.1	328.8	568.6	(239.8)
Iron ore, steel & products	830.9	1,124.2	(293.3)	283.3	234.5	48.8	195.5	444.5	(249.0)
Aluminum ore	302.9	163.0	139.9	78.5	35.9	42.6	66.6	20.2	46.4
Copper	31.8	72.7	(40.9)	4.2	15.1	(10.9)	11.9	29.2	(17.3)
<b>Commodity Balance of Vehicles, Cars &amp; other Means of Transportation</b>	379.8	1,013.9	(634.1)	71.0	230.7	(159.7)	32.7	321.5	(288.8)
Lifts, bulldozers and parts	77.3	86.6	(9.3)	11.6	23.6	(12.0)	5.9	23.1	(17.2)
Cars & vehicles for transport of passengers & goods	246.6	281.1	(34.5)	50.2	60.6	(10.4)	9.1	88.4	(79.3)
Car accessories and spare parts	47.8	435.7	(387.9)	6.4	104.3	(97.9)	14.9	136.1	(121.2)

Source: Central Bank of Egypt.

\* Provisional.



**Table 3.4: Balance of Payments**Exports and Imports by Regional Distribution: Quarterly Data  
(2004/2005 - 2005/2006)

US\$ millions	Exports Proceeds *					Imports Proceeds *					Trade Balance				
	2004/2005				2005/ 2006	2004/2005				2005/ 2006	2004/2005				2005/ 2006
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1
Total	1,105	1,225	1,446	1,451	1,433	1,165	1,264	1,504	1,490	1,229	(1,255)	(1,417)	(1,146)	(1,129)	(1,177)
European Union (EU) **	1,145	1,160	1,382	1,456	1,445	1,238	1,768	1,898	2,445	2,703	(992)	(608)	(516)	(189)	(1,258)
Other European Countries	173	155	215	210	280	494	442	465	572	592	(321)	(286)	(250)	(362)	(312)
United States of America	1,095	1,212	967	1,351	1,237	1,242	1,379	1,167	1,433	1,458	(147)	(167)	(200)	(825)	(221)
Arab Countries	346	387	379	446	449	458	516	503	657	559	(112)	(129)	(124)	(211)	(110)
Asian Countries	275	251	426	428	442	906	770	854	1,073	1,028	(632)	(519)	(428)	(645)	(587)
African Countries	43	29	40	71	64	40	33	29	45	37	3	(5)	11	25	27
Russian Federation & CIS	15	12	18	13	12	82	122	112	223	282	(68)	(120)	(94)	(209)	(270)
Australia	1	5	1	2	1	57	5	26	39	39	(54)	0	(25)	(37)	(58)
Other Countries and Regions	15	15	18	74	102	348	1,019	521	703	512	(332)	(1,004)	(503)	(629)	(811)

Source: Central Bank of Egypt

\* Includes imports of free zones

\*\* The EU includes the ten countries which joined its membership as of May 2004.

**Table 3.5: Balance of Payments**

Tourism Statistics (1999/2000 - January 2006)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Jul-Jan 2005/06
Total Arrivals (in Thousands)	5,311	5,347	4,341	5,239	7,512	8,651	5,053
Total Number of Tourist Nights (in Thousands)	34,045	32,702	28,542	33,011	73,002	85,730	53,510
Tourism Income over Tourist Nights (Dollar/Night)	127	132	120	115	75	75	NA
Average Number of Nights (per Tourist)	7.1	7.2	7.0	6.8	10.4	10.4	13.1

**Number of Arrivals of Tourists by Region (October 2004 - August 2005)**

(In Thousands)	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05
Total	734	679	499	635	639	827	820	686	654	840	743
% over previous year	(10.7)	(9.3)	(3.7)	(12.0)	(10.2)	(26.1)	(13.1)	(12.1)	(4.7)	(28.4)	(11.5)
Middle East	69	85	75	103	83	100	99	94	151	251	215
Africa	20	16	21	20	16	21	23	23	23	26	25
North America	15	18	17	21	17	23	22	20	21	22	20
Latin America	4	3	2	4	4	5	4	4	4	5	3
Eastern Europe	160	140	100	115	96	137	153	115	86	99	92
Western & Southern Europe	436	383	255	337	387	505	484	399	339	404	359
East Asia and Pacific	15	16	16	23	21	19	17	15	15	15	16
South Asia	15	18	13	12	15	17	18	16	15	18	13

Source: CAMPAS



## 4. Debt data

**Table 4.1: Debt Data**
**External Debt by Type (1999/2000 - September 2005)**

US\$ Millions <sup>1</sup>	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Sep-05
Total Debt	27,783	26,560	28,661	29,396	29,872	28,949	29,674
Medium and Long Term Public and Publicly Guaranteed Debt	25,774	23,880	25,969	27,314	27,820	26,979	27,827
Suppliers' and Buyers' Credit	981	896	924	1,133	1,333	781	747
Multilateral Loans	4,275	4,310	4,697	4,904	5,081	5,058	5,088
Bilateral Loans	20,518	18,674	19,394	20,542	20,818	20,026	19,646
Sovereign Bonds	0.00	0.00	954	735	588	614	596
Arab International Bank Deposits *	0.00	0.00	0.00	0.00	0.00	500	500
Guaranteed Notes **	0.00	0.00	0.00	0.00	0.00	0.00	1,250
Short Term Debt	1,627.93 #	2,207 #	2,150 #	1,865 #	1,967 #	1,855	1,736
Private Sector Debt	381	473	542	217	85	115	111

Source: Central Bank of Egypt

<sup>1</sup> Using end of period exchange rate

\* It has been agreed to consider the Arab International Bank Deposits as Medium and Long Term External Debt.

\*\* For details, see Appendix C - Economic News, Public Debt Management

# Includes US\$ 500 Million Arab International Bank Deposits.

**Table 4.2: Debt Data**
**External Debt Arrears as of September 30, 2005**

US\$ Millions <sup>1</sup>	Current Outstanding	Arrears (P+I)	Total Debt
Grand Total	29,672.00	2.44	29,674.44
Medium and Long Term Public and Publicly Guaranteed Debt	27,827.64	0.03	27,827.67
a) Paris Club Bilateral Debt	19,649.44	0.00	19,649.44
(i) May 1991 (Third Stage)	15,373.30	0.00	15,373.30
(ii) Non-guaranteed Debt	0.00	0.00	0.00
(iii) Post Cut-off Date	4,276.14	0.00	4,276.14
b) Non-Paris Club Bilateral Debt	744.03	0.03	744.06
c) Multi-Lateral Agencies	5,088.07	0.00	5,088.07
d) Sovereign Bonds	596.10	0.00	596.10
e) Arab International Bank Deposits <sup>2</sup>	500.00	0.00	500.00
f) Guaranteed Notes	1,250.00	0.00	1,250.00
Medium and Long Term Private Sector Non-guaranteed Debt	107.91	2.41	110.32
Short Term Debt	1,736.45	0.00	1,736.45
Deposits (Non Residents)	732.87	0.00	732.87
Other	1,003.58	0.00	1,003.58

Source: Central Bank of Egypt

<sup>1</sup> Using end of period exchange rate

<sup>2</sup> It has been agreed to consider the Arab International Bank Deposit as medium and long term external debt.



**Table 4.3: Debt Data****Total External Debt as of End September (2002-2005)**

US\$ Millions <sup>1</sup>	Total Debt			
	Sep-02	Sep-03	Sep-04	Sep-05
Grand Total	29,248.60	29,209.87	29,473.93	29,674.44
1- Medium and Long-Term Public and Publicly Guaranteed Debt	25,735.92	27,020.50	27,363.02	27,827.67
A. Paris Club Bilateral Debt <sup>2</sup>	19,256.01	20,309.97	20,614.24	19,669.44
1- May 1991 (Third Stage)	15,012.20	15,917.72	16,166.79	15,373.30
2- Post Cut-Off Date	4,243.81	4,392.25	4,447.50	4,296.14
B. Non-Paris Club Bilateral Debt	946.31	1,024.65	1,133.16	744.06
C. Multilateral Agencies	4,679.20	4,967.68	5,018.82	5,088.07
D. Sovereign Bonds	854.40	718.20	596.80	596.10
E. Arab International Bank Deposits <sup>3</sup>	0.00	0.00	0.00	500.00
F. Guaranteed Notes	0.00	0.00	0.00	1,250.00
2- Medium and Long-Term Private Sector Non-Guaranteed Debt	311.35	262.64	85.88	110.32
3- Short-Term Debt	2,201.33	1,926.73	2,025.03	1,736.45
Deposits (Non-Residents)	856.99	785.97	754.86	732.87
Arab International Bank Deposits	500.00	500.00	500.00	0.00
Other	844.34	640.76	770.17	1,003.58

Source: Central Bank of Egypt

<sup>1</sup> Using end of period exchange rate<sup>2</sup> Debt owed to Paris Club member countries but not guaranteed by them.<sup>3</sup> It has been agreed to consider the Arab International Bank Deposit as medium and long term external debt.**Table 4.4: Debt Data****Outstanding External Short Term Debt as of End September (2002 - 2005)**

US\$ Millions <sup>1</sup>	Total Debt			
	Sep-02	Sep-03	Sep-04	Sep-05
Grand Total	2,201.33	1,926.73	2,025.03	1,736.45
Short-Term Debt <sup>2</sup>	2,035.93	1,821.84	1,789.26	1,521.48
Non-Financial Public Sector	41.17	62.12	212.85	516.87
Financial Public Sector <sup>3</sup>	290.48	1,302.1	335.28	336.29
Private Sector Guaranteed	163.98	171.46	54.67	36.96
Private Sector Non-Guaranteed	1,040.30	759.05	686.46	631.36
Arab International Bank Deposits <sup>3</sup>	500.00	500.00	500.00	0.00
Short-Term Banking Facilities	165.40	103.89	235.77	214.97
Public Sector Banks	2.13	0.27	0.00	0.05
Private Banks	163.27	103.62	235.77	214.92

Source: Central Bank of Egypt

<sup>1</sup> Using end of period exchange rate<sup>2</sup> Excludes banking facilities.<sup>3</sup> It has been agreed to consider the Arab International Bank Deposit as medium and long term external debt.**Table 4.5: Debt Data****Medium and Long Term Public and Publicly Guaranteed Debt in Original Currencies as of September 30, 2005**

Currency Name	Millions of Original Currencies	US\$ Millions <sup>1</sup>	Percentage
Danish Kroner	846	137	0.46
Norwegian Kroner	180	28	0.09
Swedish Kroner	279	36	0.12
Swiss Franc	707	547	1.84
British Pound Sterling	139	254	0.86
Canadian Dollar	187	160	0.54
US Dollar	12,668	12,668	42.68
Kuwaiti Dirar	413	1,416	4.77
Saudi Riyal	158	42	0.14
UAE Dirham	178	48	0.16
Japanese Yen	421,640	3,740	12.60
Australian Dollar	182	139	0.47
EURO	7,596	9,158	30.85
SGD	904	1,310	4.41
Total		29,683	100

Source: Central Bank of Egypt

<sup>1</sup> Using the exchange rate of September 30, 2005.



**Table 4.6: Debt Data**

Total Medium and Long Term Public & Publicly Guaranteed  
External Debt Service as of October 1, 2005

Period	Principal <sup>1</sup>	Interest	Total	Period	Principal <sup>1</sup>	Interest	Total
2005 <sup>1</sup>	333.03	78.50	411.53	2028 <sup>1</sup>	78.94	4.51	83.47
2006 <sup>1</sup>	725.91	303.40	1,029.31	2028 <sup>2</sup>	93.39	5.00	98.39
2006 <sup>2,3</sup>	1,220.69	298.17	1,518.86	2029 <sup>1</sup>	85.09	3.57	88.66
2007 <sup>1,4</sup>	1,551.00	281.30	1,832.30	2029 <sup>2</sup>	75.30	3.64	78.94
2007 <sup>2</sup>	783.24	268.56	1,051.80	2030 <sup>1</sup>	88.42	2.82	91.24
2008 <sup>1</sup>	792.60	263.43	1,056.03	2030 <sup>2</sup>	62.04	2.76	64.80
2008 <sup>2</sup>	848.04	261.68	1,109.72	2031 <sup>1</sup>	52.58	2.32	54.90
2009 <sup>1</sup>	816.15	246.90	1,063.05	2031 <sup>2</sup>	45.82	2.10	47.92
2009 <sup>2</sup>	846.93	243.01	1,095.94	2032 <sup>1</sup>	42.67	1.93	44.58
2010 <sup>1</sup>	848.32	244.70	1,093.02	2032 <sup>2</sup>	41.31	1.75	43.06
2010 <sup>2</sup>	913.82	229.92	1,153.74	2033 <sup>1</sup>	39.09	1.58	40.67
2011 <sup>1</sup>	869.70	261.81	1,131.51	2033 <sup>2</sup>	34.13	1.43	35.56
2011 <sup>2,5</sup>	1,475.10	234.44	1,709.54	2034 <sup>1</sup>	33.57	1.29	34.86
2012 <sup>1</sup>	845.80	211.22	1,057.02	2034 <sup>2</sup>	25.76	1.18	26.92
2012 <sup>2</sup>	853.86	211.96	1,065.82	2035 <sup>1</sup>	25.54	1.07	26.61
2013 <sup>1</sup>	859.45	192.41	1,052.06	2035 <sup>2</sup>	24.94	0.98	25.92
2013 <sup>2</sup>	876.68	194.11	1,070.79	2036 <sup>1</sup>	38.19	0.89	40.08
2014 <sup>1</sup>	853.15	173.66	1,026.81	2036 <sup>2</sup>	22.89	0.80	23.69
2014 <sup>2</sup>	894.85	176.39	1,071.24	2037 <sup>1</sup>	21.97	0.72	22.69
2015 <sup>1</sup>	880.42	156.70	1,037.32	2037 <sup>2</sup>	21.01	0.64	21.65
2015 <sup>2,6</sup>	2,308.00	158.55	2,466.55	2038 <sup>1</sup>	19.85	0.56	20.41
2016 <sup>1</sup>	913.15	110.64	1,023.79	2038 <sup>2</sup>	17.35	0.49	17.84
2016 <sup>2</sup>	1,028.00	109.71	1,137.71	2039 <sup>1</sup>	13.25	0.42	13.67
2017 <sup>1</sup>	526.62	81.30	607.92	2039 <sup>2</sup>	12.27	0.37	12.64
2017 <sup>2</sup>	548.18	83.71	631.87	2040 <sup>1</sup>	11.07	0.32	11.39
2018 <sup>1</sup>	538.97	78.66	607.63	2040 <sup>2</sup>	10.66	0.28	10.94
2018 <sup>2</sup>	548.37	80.19	628.56	2041 <sup>1</sup>	9.34	0.24	9.58
2019 <sup>1</sup>	502.05	66.03	568.08	2041 <sup>2</sup>	9.01	0.21	9.22
2019 <sup>2</sup>	533.99	67.15	601.14	2042 <sup>1</sup>	7.31	0.17	7.48
2020 <sup>1</sup>	482.64	54.04	536.68	2042 <sup>2</sup>	5.13	0.15	5.28
2020 <sup>2</sup>	371.45	54.83	426.08	2043 <sup>1</sup>	5.13	0.13	5.26
2021 <sup>1</sup>	470.19	42.60	512.79	2043 <sup>2</sup>	4.80	0.11	4.91
2021 <sup>2</sup>	448.76	42.59	491.35	2044 <sup>1</sup>	4.03	0.09	4.12
2022 <sup>1,7</sup>	272.54	32.32	304.86	2044 <sup>2</sup>	3.83	0.07	3.90
2022 <sup>2</sup>	295.41	34.23	329.64	2045 <sup>1</sup>	2.93	0.06	2.99
2023 <sup>1,8</sup>	248.59	26.60	295.19	2045 <sup>2</sup>	2.93	0.05	2.98
2023 <sup>2</sup>	290.52	27.95	318.47	2046 <sup>1</sup>	2.93	0.04	2.97
2024 <sup>1,9</sup>	268.31	21.25	289.56	2046 <sup>2</sup>	2.85	0.03	2.88
2024 <sup>2</sup>	286.78	22.04	308.80	2047 <sup>1</sup>	2.39	0.02	2.41
2025 <sup>1</sup>	266.10	15.95	282.05	2047 <sup>2</sup>	0.42	0.01	0.43
2025 <sup>2</sup>	287.10	16.11	303.21	2048 <sup>1</sup>	0.42	0.01	0.43
2026 <sup>1</sup>	265.29	10.74	276.03	2048 <sup>2</sup>	0.42	0.00	0.42
2026 <sup>2</sup>	278.47	10.11	288.58	2049 <sup>1</sup>	0.21	0.00	0.21
2027 <sup>1</sup>	83.21	5.49	88.80	2049 <sup>2</sup>	0.21	0.00	0.21
2027 <sup>2</sup>	103.54	6.59	110.13	2050 <sup>1</sup>	0.29	0.00	0.29
				2050 <sup>2</sup>	0.05	0.00	0.05
<b>Grand Total</b>					<b>3,548.58</b>	<b>5,892.02</b>	<b>37,440.40</b>

Source: Central Bank of Egypt

<sup>1</sup> Using the exchange rate of September 30, 2005

<sup>2</sup> Includes assumptions on disbursements of undrawn portion of contracted loans.

<sup>3</sup> Includes US\$ 500 million sovereign bonds.

<sup>4</sup> Includes US\$ 500 million for the Arab International Bank deposits. It has been agreed to consider as medium and long term external debt.

<sup>5</sup> Includes US\$ 96.1 million sovereign bonds.

<sup>6</sup> Includes interest projections for US\$ 1,250 million guaranteed notes.



## 5. Banking Sector data

**Table 5.1: Banking Sector**  
**The Four State-Owned Banks' Holdings in Joint Venture Banks**  
**(End-September 2005)**

Percent Share Available for Sale (%)	National Bank of Egypt	Banque Misr	Banque Du Caire	Bank of Alexandria	Total Share
Islamic Bank for Investment & Development	23.35	19.96	23.35	23.09	89.75
Bank of Commerce & Development	23.03	21.70	22.36	13.15	80.24
Export Development Bank of Egypt	11.43	11.74	11.59	10.21	44.97
Egyptian Saudi Finance Bank	3.22	—	2.08	2.22	7.52
Suez Canal Bank	0.00	0.01	0.01	0.00	0.05
Misr International Bank	0.00	0.00	0.35	0.00	0.35
Egyptian Workers Bank	0.00	5.11	4.71	0.00	9.82
Egyptian American Bank	0.58	0.18	0.07	33.81	34.64
Cairo Far East Bank	0.00	0.00	19.20	0.00	19.20
Delta International Bank	0.00	0.93	0.00	10.18	11.11
Egyptian Commercial Bank	0.00	0.00	0.00	0.01	0.01
Alexandria Commercial & Maritime Bank	0.00	0.00	4.98	0.00	4.98
Misr Romania Bank	0.00	33.26	0.00	0.00	33.26
Commercial International Bank (CIB)	19.17	0.86	0.36	0.00	20.39
National Societe Generale Bank	0.00	1.74	0.18	0.00	1.92
BNP Paribas Le Caire	0.00	0.00	4.41	0.00	4.41
United Bank of Egypt	0.00	0.01	21.80	0.00	21.81
Misr Iran Development Bank	0.00	0.00	0.00	25.41	25.41
Cairo International Bank (Kambala)	5.89	6.52	44.78	6.34	63.53
Cairo Amman Bank	0.00	0.00	10.78	0.00	10.78
Misr Lebanon Bank	0.00	89.32	0.00	0.00	89.32
Misr Europe Bank	10.00	50.75	10.00	10.00	80.75
African Bank for Exporting & Importing	3.33	2.00	4.29	2.72	12.34
Samba Financial Group	0.00	0.00	1.74	0.00	1.74

Source: Central Bank of Egypt  
 — Less than 0.01%.



## 6. Insurance Sector data

**Table 6.1: Insurance Sector**  
**Insurance Premia (1999/2000 - 2004/2005)**

	Insurance Premia					
	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Total Insurance Premium (% of GDP)	0.9	0.9	1.1	1.2	1.4	1.2
Insurance Companies Premia	0.6	0.5	0.6	0.7	1.0	0.8
Private Insurance Funds Premia	0.3	0.4	0.5	0.5	0.4	0.4
Per Capita Insurance Premium* (LE Billions)	52.9	54.8	57.4	63.3	78.3	91.0
Per Capita Insurance Premium (Individuals + Property)	32.5	33.4	34.8	41.8	55.1	62.1
Per Capita Private Insurance Funds Premia	20.4	21.4	22.6	21.5	23.2	28.9

Source: Egyptian Insurance Supervisory Authority (EISA)

\* Insurance Premia comprise both insurance companies premia (individual property) in addition to private insurance funds premia.

**Table 6.2: Insurance Sector**  
**Some Indicators in the Insurance Market (1999/2000 - 2004/2005)**

LE Billions	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Total Insurance Premia	2.0	2.2	2.3	3.0	3.8	4.3
Total Claims	1.4	1.4	1.9	1.9	1.6	2.4
Total Insurance Companies Investments	11.3	12.8	13.5	14.6	15.6	16.8
Shareholder Rights	2.6	2.8	3.0	2.7	2.9	3.2
Policy Holders Rights	8.1	8.6	9.3	10.4	11.6	12.7

Source: Egyptian Insurance Supervisory Authority (EISA)

**Table 6.3: Insurance Sector**  
**Direct Insurance Premia (1999/2000 - 2004/2005)**

LE Billions	Direct Insurance Premia			Private Funds	Total
	Life Insurance	Public Insurance	Total		
1999/2000	0.6	1.4	2.0	1.3	3.3
2000/2001	0.7	1.5	2.1	1.4	3.5
2001/2002	0.7	1.6	2.2	1.5	3.7
2002/2003	0.9	1.9	2.8	1.5	4.3
2003/2004	1.3	2.5	3.8	1.6	5.4
2004/2005	1.5	2.8	4.3	2.0	6.3

Source: Egyptian Insurance Supervisory Authority (EISA)



## 7. Privatization data

**Table 7.1: Privatization**  
**Sale of Companies/Assets in Law 203 and Stakes in Joint Ventures<sup>1</sup>**  
**2000/2001 - December 2005**

	Companies & Lines Sales		Land Sales <sup>2</sup>		Joint Venture Sales <sup>3</sup>		Total Sales		GDP	% of Total Sales to GDP
	Number	Value LE Millions	Number	Value LE Millions	Number	Value LE Millions	Number	Value LE Millions	Value LE Billions	
2000/2001	12	263	—	—	7	118	19	381	340	0.11
2001/2002	7	73	—	—	3	879	10	952	359	0.27
2002/2003	6	49	—	—	1	64	7	113	379	0.03
2003/2004	9	428	—	—	4	115	13	543	418	0.13
2004/2005	9	457	7	367 <sup>4</sup>	12	4,819	28	5,643	485	1.16
Jul/Dec 05	7	6107 <sup>5</sup>	29	638	13	7,560	49	14,305	593	2.41
<b>Grand Total</b>	<b>50</b>	<b>7,377</b>	<b>34</b>	<b>697</b>	<b>40</b>	<b>13,555</b>	<b>126</b>	<b>21,937</b>		

Source: Ministry of Investment

<sup>1</sup> This is a new classification for privatized companies.

<sup>2</sup> Data from 1991/1992-2003/2004 under process.

<sup>3</sup> All Joint Venture figures represent value of public sector stake.

<sup>4</sup> Value of Sales Land includes sale of Thomas Cook Land at 249 LE million.

<sup>5</sup> This figure includes 5,122 LE million, value of the sale of 20% in Telecom Egypt.

Note: Law No. 203 - 1991, concerning Public Sector Enterprises.







# APPENDIX C: Economic News

## C.1 A New Government for 2006

A new Government was sworn in on December 31, 2005. In the new government, the number of ministers shrank from 34 to 30. Key economic ministers remain largely unchanged, but a couple of portfolios have been expanded. The Ministry of Finance has been added the responsibility of pensions reform. The portfolio of the Ministry of Trade and Industry has also been expanded to include domestic trade issues such as anti-competitive practices.<sup>1</sup> The newly created Ministry of Social Welfare has been assigned to oversee the provisioning of welfare services, including the management of subsidies.<sup>2</sup> The Ministries of Investment and International Cooperation did not see any restructuring or added responsibilities.

The maintenance of the Economic Cabinet of July 2004 bodes well for maintaining the rapid pace of bold economic reforms that started eighteen months ago. The core Economic Team that continues within the new Government has established a positive track record as a cohesive, reform-oriented group. This Economic Group was able to deal with long-standing sensitive and difficult issues such as income taxes, tariff rates, overhauling tax and customs administrations, exchange rate, privatization, and banking sector reforms, including the sale of state-owned and joint venture banks. At the same time, real growth rates were increased to more than 5 percent within a stable foreign exchange and inflation milieu.<sup>3</sup> These reforms have established a solid economic foundation that will enable the new Economic Cabinet to continue its daunting reform agenda. The agenda includes building more growth and creating more jobs, while at the same time addressing difficult issues such as banking sector reforms, continued fiscal consolidation, treasury cash management, improving tax administration, further tax reforms (property, value added and stamp taxes), pension reform, and strengthening the social safety net.

## C.2 Stock Market

### C.2.1 Recent Stock Market Performance

During January to March 2006, CASE-30 performance clearly illustrated strong growth in the Egyptian Stock Market. The market however witnessed a process of correction since the beginning of February until mid-March resulting from the high increase the market achieved during January where CASE-30 gained 25% net increase.

This correction can be attributed to the entrance of a new category of small investors who lack the experience needed for investing in the stock market. Moreover, significant declines in several Arabic stock markets encouraged large investors and some international financial institutions to sell their positions in order to decrease their overall losses.

Meanwhile, the market went up again through the last two weeks of this quarter which confirms the strong fundamentals that of the Egyptian economy. In addition, this quick recovery illustrates that the sharp increase in the Egyptian stock market indices achieved since July 2004 is not a bubble, but is a reflection of the recent economic expansion based on strong and stable economic fundamentals that the Egyptian economy has acquired. Hence Egyptian economic reform outlook is still promising even if its stock market actually has not fully recovered. The key to maintaining the Egyptian stock market upward trend is to continue the development of the business environment and accelerate privatization.

### C.2.2 Telecom Egypt Initial Public Offering (IPO) Oversubscribed

Telecom Egypt, a state-owned landline operator, raised LE 5.12 billion (US\$892 million) during its initial public offering (IPO) on the Cairo Stock and London Exchanges (as Global Depository Receipts on the latter) on Thursday (December 8, 2005). The 20 percent stake offered was valued at LE \$4.6 billion (US\$781 million).

Half of the 20 percent stake was made available to institutional investors and was oversubscribed by a factor of 45. The remaining 10 percent was offered to small investors and saw a three-fold oversubscription. The offered stakes had already been fully subscribed two days before the offer closed.

<sup>1</sup> Previously under the purview of the dissolved Ministry of Supply and Domestic Trade.

<sup>2</sup> Ibid.

<sup>3</sup> EIC - Horner, *Cairo's Realistic Reform Trend Continued* (December 10, 2005).



The minimum bid price was LE 13.3 per share. Institutional investors were required to bid for at least 1 million shares, with an upper limit of 17 million or 1 percent of the company. Retail investors could bid for between 100 to 10,000 shares.

The Telecom Egypt IPO is the largest from the Middle East and North Africa region to be listed on an international exchange in 2005.

### **C.2.3 Egypt Aluminum**

The Government has announced the sale of 17 percent of Egypt Aluminum in a deal that will bring in LE 1.15 billion. Some 7 percent of the company will be offered by IPO at a fixed price of LE 54 per share, with 100 – 5,000 shares available for each buyer. The second tranche (10 percent of the company) will be offered to institutional investors at an auction. Applicants must bid for between 50,000 and 500,000 shares.

## **C.3 The Budget**

### **C.3.1 Improving Budget Classification**

Law 97/2005 enacted the budget for 2005/2006 according to the IMF 2001 Government Finance Statistics (GFS) classification standard (modified to cash principles). The new system, which is consistent with International budget accounting practices, will ensure more consistent reporting during the year. Under the new system the budget will in the medium term be guided by macroeconomic and financial objectives and constraints. The new accounting procedures bring greater transparency to the budget and public sector economic activity. This will permit better analysis of resources and expenditures to improve efficiency and to ensure that the budget remains focused on the social and economic priorities of the Government.

The adoption of the new classification distinguishes between economic, administrative and functional classifications. There is a clear distinction between revenues, expenditures and financing transactions, as well as between transfers and exchange transactions. The fiscal policy stance is monitored on the basis of the cash/surplus deficit and the overall fiscal balance.

Under the new standard, which re-classified many budget lines, indirect petroleum subsidies are explicitly treated as budget lines. (This applies only to the 2005/2006 budget which makes the year incomparable to previous series.) Thus the published 2005/2006 budget deficit appears larger than that projected at the start of the fiscal year because petroleum subsidies are treated for the first time as explicit items in the budget. This means that the published nominal deficit for 2005/2006 will not be directly comparable to the prior years' published figures which did not treat gas and oil subsidies in the same way.

### **C.3.2 Government Finances And Projections**

The newly established macro-fiscal unit in the Ministry of Finance is now working on the 2007 budget that should include medium term projections and fiscal sustainability analysis. It will coordinate with the Ministry of Planning and the Central Bank who are also involved in the forecasting.

### **C.3.3 Budget Automation**

An Automated Government Expenditure System (AGES) has led to more efficient preparation of the budget. The Ministry of Finance is now working on the second phase of automation which will require online linkage of other ministries' budget preparation, and hence automated issuance of end of year closing accounts. AGES is designed to be compatible with the GFS budget classification.

## **C.4 Banking Sector Reform<sup>4</sup>**

The banking sector restructuring program aims at strengthening the banking sector and increasing its robustness to enable it to face global and regional competition effectively, and help achieve the targeted economic growth. The Banking Reform Unit (BRU) within the Central Bank of Egypt introduced its plan which comprised four main pillars: (i) privatization and consolidation of the banking sector; (ii) addressing the non performing loans issue; (iii) financial and managerial restructuring of state-owned banks; and (iv) upgrading CBE Banking Supervision. The plan commenced in September of 2004. To date, the following has been achieved.

### **C.4.1 Privatization and Consolidation of the Banking Sector**

- The banking sector privatization program aims at the divestiture of up to 100 percent of state ownership in one state-owned bank (SOB), namely Bank of Alexandria, and the divestiture of all SOB holdings in joint venture banks.
- The pre-sale preparation phase for the privatization of the bank of Alexandria has been finalized, including:
  - o auditing the bank in accordance with international accounting standards;
  - o conducting a complete Vendor Due Diligence;
  - o preparing Data Room materials and procedures; and

<sup>4</sup> Source: Central Bank of Egypt.



- o preparing all the promotional and marketing material including the Information Memorandum by Citigroup acting as the Egyptian Government Sell Side Advisor.
- o The announcement for soliciting offers is expected during 2006.
- As for the divestiture of SOB holdings in joint venture banks, four of the five banks were sold (Cairo Barclays, NSGB, EAB and MI Bank), while the CIB will be transacted shortly. Three other deals were concluded namely the sale of Misr America Bank to Arab African International Bank, Egyptian Commercial Bank to the Greek bank Piraeus Bank, and Suez Canal Bank to Arab International Bank. At the time of writing this report another deal was concluded namely the sale of Misr Romania Bank to the Lebanese Bank Blom.
- On the consolidation front, the minimum capital requirement of banks was set at LE 500 million in mid-July 2005. In September 2004, when the banking reform plan was approved, the number of banks and branches of foreign banks operating in Egypt totaled 57 banks. As of March 2006, this number has been reduced to 43 banks, and it is expected to reach 35 banks by the end of 2007.

### C.4.2 Non-performing Loans (NPLs) in Banks

- An NPL management unit within the CBE was established to carry out the responsibility of setting a national policy for dealing with NPLs, setting up a NPL database monitoring recovery efforts, and introducing a conciliation/ arbitration mechanism for NPLs.
- The NPL Unit in the CBE has instructed all banks operating in Egypt to establish an independent Workout Unit to be staffed with qualified personnel (banking/legal). The Unit in the CBE will be monitoring the achievements of the Workout Units through monthly reports that are pre-designed in order to have a clear, adequate, and objective plan that is time lined for NPL resolution. The aggregate monthly pre-designed reports cover collections, settlement agreements, type of recovery, and write-offs. The unit has been regularly receiving/analyzing the data since June 2005. Also meetings have been conducted with state owned banks' senior management along with work out unit senior staff in order to detect any problems that would hinder the operating team from achieving the set goals.
- The Banking Reform Unit (BRU) is working with the Ministry of Investment and Ministry of Finance to finalize an agreement to substitute the Public Enterprises debt with bonds issued by the Public Enterprises holding companies of each non-performing affiliate which will be guaranteed by the Ministry of Finance. A committee was established in August 2005 that is headed by the CBE Deputy Governor with committee members representing the Ministry of Investment, the four

public sector banks, and the holding companies. The view is to identify the public enterprises that are regular in order to be excluded from the above mentioned agreement.

- The Conciliation and Arbitration process has been finalized and approved by CBE Board of Directors. A team of qualified bankers and lawyers have been assigned the task of managing the Conciliation and Arbitration Administration under the umbrella of the BRU. The process has been communicated to all banks that are operating in Egypt. With an immediate launch, the Administration has already begun to respond to some cases which have been presented for conciliation and arbitration.

### C.4.3 Restructuring of Public Sector Banks

- A detailed restructure plan has been prepared by the BRU. The plan was presented to state-owned banks' Senior Management during January 2005 in the form of standardized templates to simplify and unify the restructuring approach to the banks in order to control and monitor their achievements and adherence to target dates.
- The plan is designed in two phases: Phase I focuses on hiring and appointing key management positions and qualified personnel in business/ support units with specific target dates. Phase II emphasizes the adherence to a specific timetable with regard to actions and targets for each business/support unit to put the banks on the right track. This phase continues on an ongoing basis in the form of a 5-year plan/budget. On a regular basis banks submit their templates in accordance with the Restructuring Plan. BRU's methodology is to control and monitor the process through monthly and quarterly reports. Banks have submitted their restructuring plan progress reports thru the end of the third quarter of 2005. Also, a senior executive committee was established in September 2005 headed by CBE Deputy Governor and two of the senior management of CBE, along with three seniors executive managers of the public sector banks. The view is to ensure the implementation of the restructuring plan process effectively and efficiently.
- The BRU and the European Commission in Egypt (EC) have finalized the Terms of Reference and selected the international consultants. The support requested will serve to model future bank restructuring along the lines of the Bank Misr and National Bank of Egypt restructuring, especially in the areas of risk management, information technology/MIS, and human resources. International consultants began work in October 2005.



### **C.4.4 Audit of the Four Largest State-owned Banks**

- As per the Restructuring Plan, international audit firms will be assigned to conduct full audit review on the four public sector banks as per international Audit Standards and according to the Terms of Reference (TOR) that was prepared by BRU with the consent of the World Bank.
- The pre-sale preparation phase for the privatization of Bank of Alexandria has been finalized, including: (a) audit of the bank in accordance with international accounting standards; (b) completion of Vendor Due Diligence; (c) preparation of Data Room materials and procedures; (d) preparation of all promotional and marketing material including the Information Memorandum by Citigroup acting as the Egyptian Government Sell-side Advisor; (e) cash settlement through the National Investment Bank of all non-performing loans owed by public enterprise entities to BOA, amounting to LE 6.9 million; (f) full divestiture of BOA's non-core investments including its 33.8 percent shareholdings in EAB; and (g) announcement for soliciting expressions of interest in March 2006.

### **C.4.5 Upgrading of Banking Supervision**

The Central Bank of Egypt (CBE) is embarking on a project to upgrade the Banking Supervision Capabilities. The main objective is to establish a proactive future-oriented and highly analytical bank supervision framework that meets international Standards. This will enhance banking supervision's contribution to securing a stable financial system in Egypt that can fulfill its role of financial intermediation and thereby sustain economic growth and overall stability of the country. In this context, a memorandum of Understanding and a Protocol have been signed in November 2005 with the European Central Bank and four of the Euro System National Central Banks (Deutsche Bundesbank, Banque de France, Banca d'Italia, Bank of Greece) to provide long-term technical assistance for the CBE in the area of banking supervision to be in line with international best practices. The two-year project began in September 2005.

### **C.5 Domestic Foreign Exchange Market**

Over a year has passed since the official launch of the inter-bank system. Confidence in the CBE's foreign exchange mechanism is growing, which has contributed to the pound's stability against the dollar. The pound appreciated 7.90% against the dollar since the official launch of the inter-bank market on December 23, 2004. The exchange rate by the end of April was LE 5.745 per US dollar. The CBE is determined to continue to improve the credibility of the foreign exchange market. The CBE recognizes that a free market exchange rate will improve macroeconomic

management, increase the economy's resilience to shocks, and its credibility towards foreign investors. Thus, the CBE will continue to tolerate short term fluctuations. In an attempt to let the market determine a fair level for prices, the CBE has pledged to not influence any price movements in the market. The launch has proven successful, adding stability and depth to the market and completely eliminating the parallel market.

### **C.6 Monetary Policy**

In an attempt to bring greater predictability to monetary policy, and move away from direct intervention, the CBE introduced more consistency into monetary management. The CBE abandoned the exchange rate as the nominal anchor and developed a cohesive monetary policy framework that effectively anchors inflation expectation. The newly adopted monetary policy framework is periodically reviewed and evaluated by the International Monetary Fund during technical assistance missions and progress has been satisfactory. Several institutional and operational changes were initiated to help facilitate monetary policy formulation and assessment, and lay the ground for formally adopting an inflation targeting regime over the medium-term.

After a long period of being reactive under a fixed exchange rate regime, the design of monetary policy has changed to allow more proactive action by the CBE. The Coordinating Council on Monetary Policy (CCMP), head by the Prime Minister, was established to ensure that government policies are consistent and properly coordinated to support proactive monetary policy. In its inaugural meeting in April 2005, the CCMP decided that price stability be the overriding objective of monetary policy to ensure sustained economic growth. Against this background, the CBE designed an interest rate corridor to guide the overnight interest rate, which is the operational target.

A semi-structural model, which accounts for inflation expectation and a proactive interest rate policy, was developed to provide benchmarks for monetary policy decision. To ensure the transparency of monetary policy and proper communication to the market, the MPC publishes a press statement after each meeting on the CBE's external web-site.

These endeavors have been successful: the corridor has been accepted as the policy rate and has become a key determinant of market interest rates; volatility in the overnight interest rates has declined; and the market finds MPC statements credible.

The CBE is committed to further improving the conduct of monetary policy in the period ahead to ensure that monetary policy objectives are met and clearly communicated to the market. Steps taken in this direction were both operational and institutional.



## 1. Operational Steps:

- During the transition to a formal inflation targeting regime, the CBE will meet its inflation objectives by steering short term interest rates and monitoring the monetary and credit developments on a regular basis.
- It will continue to closely monitor all developments in the economy, specially the factors affecting inflation, and will not hesitate to adjust the key CBE rates in either direction if necessary to insure price stability over the medium term.
- The instruments of the CBE include reverse repurchase operations and two standing facilities, an overnight lending and a deposit facility. The interest rates on the standing facilities, the lending and the deposit rates, are the two key CBE interest rates. These rates provide a ceiling and a floor for the overnight rate in the money market. By setting the rates on the standing facilities, the MPC determines the corridor within which the overnight rate can fluctuate. Effectively, steering the overnight rate within this corridor is the operational target of the CBE. Initially, the width of the corridor has been set at three percentage points (Figure C.1). The width of the corridor was reduced by 25 bps in September 2005 and by an additional 25 bps in October 2005.
- For the first time, in August 2005, the CBE issued its own securities to manage market liquidity. The maturity of these securities varies between 7 days and 91 days.

## 2. Institutional Steps:

- The Coordinating Council on Monetary Policy (CCMP), head by the Prime Minister, was set up in April 2005. Members of the CCMP include the Governor and Deputy Governor of the CBE, Minister of Finance, Minister of Investment, and a number of academicians. In its first meeting, the objectives of monetary policy were announced and the importance of CBE independence was discussed. The CCMP meets once every quarter.
- To carry out its better-defined mandate, the CBE established a Monetary Policy Committee (MPC), which convenes on the first Thursday of each month to decide on key policy rates. The MPC consists of nine members: the Governor, the two Deputy Governors, and six members of the CBE's Board of Directors. To enhance transparency, bolster the credibility of the CBE, and help anchor inflation expectations, MPC's decisions are communicated to the market through a policy statement released on the CBE's external web-site after each meeting.
- The Monetary Policy Unit (MPU) was established as an independent body within the CBE, and is expected to play a key role in providing objective monetary policy analysis, assessment, and modalities of communication with the market through

its research and other functions. It is also tasked with developing and continuing to improve the semi-structural model that provides a cohesive framework for monetary policy, consistent with a flexible exchange rate policy. The structure and functions of the MPU were outlined in several technical assistance reports prepared by the International Monetary Fund and the United States Financial Services Volunteer Corp.<sup>3</sup> The CBE followed these recommendations closely and currently the MPU consists of three divisions: monetary policy implementation, monetary policy stance, and monetary policy strategy. The CBE is also actively recruiting to strengthen the MPU's technical staff. An expert from the IMF was recruited to head the MPU's Monetary Policy Stance Division and a resident IMF expert has joined the MPU in October 2005 to assist the staff in the Monetary Policy Implementation Division.

## C.7 Public Debt Management

### C.7.1 Domestic Debt

The Ministry of Finance is the sole responsible entity for issuing government debt and making fiscal policy decisions. Fiscal policy decisions includes determining appropriate level of taxes, government spending and revenues and hence government debt. Since July 2004, the Ministry of Finance has begun to develop an efficient government securities market with a view to minimize, over time, refinancing risk and its cost of debt.

Towards this end, the Government of Egypt launched on July 4, 2004, its Primary Dealer System (regulated by Ministerial Decree 480/2002) for government bills and bonds. The principal provisions of the program include:

- The designation of 14 banks, including Citibank and HSBC, as Primary Dealers.
- All bills and bonds have been dematerialized and transactions are recorded electronically within a system linking Primary Dealers, Central Bank, the Stock Exchange and the clearing house Misr Clearing and Settlement Depository (MCSD).
- Auction rules for government bonds have been changed from a "subscription" to a "competitive" style auction in which the coupon is set at the average yields of accepted bids.
- Issuance calendar is published quarterly, providing data on debt issuance for the particular quarter.
- Since June 2004, the Ministry of Finance issued a series of medium term bonds maturing in 2008, 2011 and 2014 respectively. The view is to build a liquid yield curve. On January 18, 2005, the Government issued its first ever 20-year fixed rate bond bearing a coupon of 11.4 percent. The issue was oversubscribed with a bid to cover ratio 2.6 times. As of March 31, 2006, its yield to maturity

<sup>3</sup> Stephen Axilford from the Federal Reserve represented the United States Financial Services Volunteer Corp.



was 9.45%. Furthermore, the concept of "bond re-opening" was introduced to create liquid benchmarks over time. During the second half of 2006, the concept of bond lending and short selling should be introduced in order to improve both primary and secondary market pricing.

- From October 2005 to March 2006, the Treasury issued LE 92.7 billion. As for the fourth quarter (April-June 2006), the Treasury intends to issue LE 42 billion.
- During 2005, the Ministry of Finance issued a total of LE 143 billion in tradable debt through 110 auctions with an average bid-to-cover ratio of 2.92 times. As for the total secondary market activities between Primary Dealers, tradable debt reached LE 245 billion.

### **C.7.2 International Eurobond**

In July 2001, Egypt issued two sovereign Eurobonds worth US\$1.5 billion in two tranches (5 and 10 year-maturity). The 5-year bond, maturing in July 2006, has a nominal value of US\$500 million. It was issued with a spread of 275 basis points over 5-year US Treasury bonds and offered a fixed coupon of 7.625%. The 10-year Eurobond is due to mature in July 2011 and has a nominal value of US\$1 billion. It was issued with a spread of 335 basis points over 10-year UST bonds and offered a fixed coupon of 8.75%.

The issues marked Egypt's first international bond issuance and firmly established Egyptian credit in international capital markets. Both issues were received with very strong demand; they were oversubscribed by international investors and are now held by international, regional and domestic investors. Both issues were lead managed by Morgan Stanley and Merrill Lynch and commanded a BBB+ investment grade rating by Standard and Poor's. The Ministry of Finance, at the time of writing has not yet decided on the fate of its Eurobond maturing in July 2006.

#### **C.7.2.1 Eurobond Performance**

Both Eurobonds have performed well since their issuance.

The spread over US Treasury for the 2011 bond issue, tightened to 100 basis points in March 2006, compared to 102.49 basis points in March 2005. The YTM on the 2011 issue has risen from 5.269% in March 2005 to 5.8% in March 2006, which was accompanied with a price decline from 118.36 in March 2005 to 113.21 in March 2006. On the other hand, the YTM on the 10 year US Government bonds increased from 4.244% in March 2005 to reach 4.809% in March 2006 due to continued Fed tightening.

The decline in spread over US Treasury for both issues has been due to increased appetite for emerging market debt; the positive outlook for the Egyptian economy following the appointment of the new cabi-

net in July 2004; and the vigorous reform program that has been undertaken, including the recent 2005 multi-candidate presidential election held for the first time in Egypt.

#### **C.7.2.2 EGPC's Securitized Transaction**

In July 2005, Egyptian General Petroleum Company entered into a "Prepaid Forward Sale" contract with Petroleum Export Limited (PEL), who issued securitized notes for a nominal value of US \$1.55 billion.

The issue, partly wrapped by MBIA and XL Capital, commanded a (AAA) rating from S&P as well as Moody's. As for the unwrapped portion (US\$903 million), it was rated (BBB) by both rating agencies.

The issue was over 3 times oversubscribed; the coupon was 4.6% and 5.3% on the wrapped and unwrapped series respectively. Maturing in 2010 and 2011, it was managed by a consortium of Egyptian, American and European banks mainly Morgan Stanley, BNP- Paris Bas, National Bank of Egypt, Bank Misr, EFG Hermes, and HC Securities.

The first and second tranches of the securitized notes have been trading at a discount because of the increase in U.S. interest rates. Class A-1 Notes had a yield of 5.97% and Class A-2 Notes had a yield of 5.39% in March 2006. As for the BBB unwrapped tranche, there was no trading.

#### **C.7.2.3 Egypt's Sovereign Eurobond Backed by USAID (Guaranteed Notes)**

On September 28th 2005, Egypt issued its third Sovereign Eurobond, which was backed by the full faith and credit of the United States of America acting through USAID. The notes had a nominal amount of US\$1.25 billion, a maturity of 10 years and a coupon of 4.45 pct.

The notes were extremely well received and issued at a spread of 31 bp over 10-year US Treasury bonds, which was tighter than regular US Government agencies such as Fannie Mae or Freddie Mac.

The issue was awarded a triple-A and Aaa rating by Standard & Poor's and Moody's respectively. Morgan Stanley acted as the sole underwriter for the notes.

The guaranteed notes have been trading at a discount since their issuance reaching 97.68 due to the increase in U.S. interest rates as the yield on the 10-year US treasury was 4.18% at the time of issuance while it reached 4.5% in November 2005. The yield on these notes reached 5.18% in March 2006.



## C.8 Asset Management Program (AMP)

### C.8.1 State-Owned Enterprises

Since July 2004, the Ministry of Investment has adopted an Asset Management Program (AMP) with an advanced strategy based on three main principles: first, restructuring and maintaining public ownerships as long as companies and assets are still publicly owned until they are sold; second, the sale and ownership transfer of assets, companies, and joint ventures; and third, promotion of corporate governance processes.

From July 2004 until December 2005, 77 privatization deals were completed with a total value of LE 20 billion. This represents an amount equal to 91 percent of total proceeds from 2000/2001 until June 2004.

Concurrently, the Government has implemented a two-tranche structure for IPOs, except in the case of banks. The first tranche is offered to institutional investors and high net worth clients, whereas the second tranche is offered to the public at pre-set price per share. The strong demand for IPOs by investors, both local and foreign, coupled with favorable prices led to significant oversubscriptions in both prices and robust price performance.

Restructuring efforts have contributed in preparing the maximum number of companies and assets to be sold which led to accelerate the divestiture plans in sectors that achieved big losses (i.e. textiles sector, that witnessed more than 5 sale transactions since July 2004 and the sale of Samanood factory during 2005/2006). With regard to other loss-making units, metals manufacturing sector and chemicals manufacturing sector witnessed three sales transactions of factories and production lines to anchor investors. All sales went thru with original employment levels maintained and land use preserved.

On the other hand, the program positively affected the trading activity in the Stock Market. Huge transactions were carried out through IPOs in the market during 2005/2006 (only six months), the most important were IPOs for 20% of AMOC, 13.5% stake of Eastern Company, and 20% of Egypt Telecom.\*

With regard to attracting Arab and foreign investments, the first half of the current fiscal year 2005/2006 witnessed sales to non-Egyptians for 3.9 billion LE, compared to 3.5 billion LE during the full year 2004/2005.

Total revenues from stock market offerings during the first half of the current fiscal year 2005/2006 reached 6.5 billion LE which exceeds the total revenues during the full last fiscal year that reached 5.6 billion LE. Moreover, total revenues from the Asset Management Program during the last 18 months since July 2004 recorded 15.5 billion LE which is equal to 46% of the

total revenues that have been achieved since 1991.

The AMP plan during the second half of the current fiscal year (thru June 2006) includes offering 41 companies and assets of public enterprises, and stakes in 43 joint ventures for sale. The AMP program includes sales of stakes in flour milling companies, and majority stakes in companies operating in various sectors like chemicals, construction, textiles, metallurgical industries, trade and department stores, and tourism.

### C.8.2 Use of Proceeds

Proceeds from the divestiture of public companies and assets are channeled to the Ministry of Finance and the Restructuring Fund (RF). The RF finances the restructuring of companies and early retirement schemes for employees with a higher compensation package. Privatization proceeds will also be used to settle non-performing loans owed to public sector banks by state-owned companies. The Government has already settled LE 6.9 billion to the Bank of Alexandria in preparation for its privatization.

## C.9 Insurance Sector

The insurance market in Egypt has a huge and promising growth potential, considering the low insurance density (premium per capita) and low penetration rate (premiums per gross domestic product). Insurance density in Egypt averaged a 12.7 percent increase, reaching LE 62.1 in 2005, compared to LE 55.1 in 2004.

On average, 0.8 percent of the Gross Domestic product is spent on insurance. In June 2005, the insurance premium volume amounted to LE 4,289 million, representing an increase of 12.8 percent over the previous year. Of the total, LE 1,522 million (35.5 percent) was generated by life business and LE 2,767 million by non-life business.

Since 1998, the insurance market in Egypt has witnessed significant steps towards development and reforms, with new entrances in the market and an opening to foreign insurers. Many foreign insurers showed a great interest, and now are in the market. These include: AIG, Allianz, ACE, Bupa (British health insurer), and four companies in the process of being licensed to act as Takaful Insurers.

Rate regulation by the supervisory authority was abolished in 2000 in order to intensify competition in the market, provide the customer with world-class products, and stimulate the demand. Further, a gradual reduction in compulsory reinsurance cessions were in effect thru 2003.

In addition, an internal control committee was set up in each insurance and re-insurance company to adopt the principles of corporate governance to comply with the international standards.

\* Refer to Section C.2 in this appendix: *Telecom Egypt IPO More Than Ten Times Oversubscribed.*



The Egyptian Government and the Ministry of Investment have made every effort to put into action measures aimed at developing this vital sector of the economy.

The effective reform project of the Egyptian Insurance Sector has five main pillars, namely:

1. Restructuring and privatization of the State-Owned Insurers (SOIs);
2. Updating the insurance regulatory/ supervisory regime;
3. Upgrading the private pension regulatory/ supervisory regime, including outsourcing to professional managers;
4. Moving towards a more liberalized market; and
5. Setting policy reform for motor third party liability insurance.

The Egyptian Government and the Ministry of Investment have taken steps towards the revival of earlier privatization plans of the four state-owned companies. In fact, the beginning of this year coincides with the signing of the consortium which marks the launch of an auspicious plan to revamp and restructure state-owned companies on their way towards successful privatization.

The privatization program will be handled in two stages: the first will involve restructuring, strategy and identification, and the second will include valuation and privatization implementation. Moreover, the establishment of an independent real estate company is expected to acquire and manage the real estate portfolios of the four State-Owned Insurers.

## C.10 Tax Reforms

### *C.10.1 Executive Regulations Of New Tax Law Issued in December 2005*

The executive regulations of the new tax law were issued on December 28, 2005, including all implementation aspects of the law such as self-assessment statements and tax returns.

### *C.10.2 Large Taxpayer Center Inaugurated on September 19, 2005*

A large taxpayers' center (LTC) was inaugurated by the Prime Minister on September 19, 2005. It serves as a model facility with regard to transactions between taxpayers and the tax administration, speed, accuracy and ease of transactions, utilizing advanced technological systems. The LTC serves 2000 taxpayers whose volume of work exceeds LE 7 million.

The LTC follows a customer-focused approach to tax administration. There are six strategic objectives that support the tax administration transformation vision and help drive overall reform:

- i. Improve taxpayer service through appropriate administration of tax law and regulations, including segmentation of taxpayers by size (total turnover).
- ii. Foster trust and compliance by applying the principles of self-assessment and shifting the burden of proof from the taxpayer to the Tax Authority, coupled with credible compliance measures.
- iii. Merge income and sales tax departments to increase operational efficiency, ensure fair and balanced treatment of customers and employees, and improve the quality of revenue administration. A single integrated organization responsible for the administration of both income and sales tax that provides proactive taxpayer service will reduce taxpayer compliance costs.
- iv. Provide efficient and effective taxpayer service through a taxpayer-focused organization that offers end-to-end tax administration services.
- v. Create value for taxpayers through integrated and enabling technologies that provide value for taxpayers and create demand for additional similar services) such as unified taxpayer files, electronic filing and payment.
- vi. Drive cultural change and maintain reform commitment through a high-performance organization that uses efficient private sector work practices.

Ongoing tax reforms will support broader fiscal reform efforts aimed at enhancing macroeconomic stability.

## C.11 Customs Reform

### *C.11.1 World Bank: Egypt First Among World Countries in Customs Procedures Reform*

Egypt was listed among the world's top 10 reformers in the World Bank's Global Competitiveness Report, following a year in which the government drastically reduced customs duties and tax rates and accelerated the privatization program. Egypt holds the first place at world level in Customs Procedures Reform. This recognition reflects to the facilitation of commercial documentation procedures, and the reduction in the number of customs approvals from 26 to only 5.

In its report on the climate of business and investment, the World Bank stated that Egypt's steps come within the framework of a more comprehensive reform strategy, which has resulted in the elimination of 21 customs restrictions and facilitation of inspection at borders.

The report indicates that an exporter in Egypt needs seven days to obtain the documents necessary for exportation. This period rises in Iran and Syria to 12 days, and decreases to three days, as a minimum, in other countries.



### ***C.11.2 Center for Large Importers to Serve 200 Importers***

A customs center shall soon be established for major importers, including some 200 importers that import 80% of Egyptian imports and bring in 70% of Customs revenue. The Center will facilitate transactions, with an accountant assigned to each importer, to expedite the resolution of problems that may arise, provide consultation on expediting the release of their imports, and ensure follow-up to reduce release time as much as possible.

The center will rely on personal accounts in banks, and expand reliance on electronic visa cards and correspondence through internet. The Egyptian Customs Authority (ECA) and the National Bank of Egypt, in cooperation with Egypt's Banks Company, which includes 33 banks, have made an agreement to have importers pay the customs duties due on imports through the network of these banks spread out all over Egypt. Collection of the revenues shall be input simultaneously into ECA's account with the Central Bank by means of a computerized system specially designed for that purpose and a work mechanism agreed upon by MOF and the National Bank of Egypt and other operating banks. This will facilitate transactions for importers and reduce release time, which does not exceed two hours at present.

Advanced customs centers have been established at the Ports of Alexandria, Suez and Cairo to complete customs documentation procedures, determine customs tariffs, and issue release permits.

### ***C.11.3 Risk Management***

The risk management directorate, which has been established in the Egyptian Customs Authority, has all necessary information on exporters and importers who stick to importation of compliant goods and have a clean record of transactions with ECA. Such a record promotes trust in stakeholders and ensures goods are handled most expeditiously.

### ***C.11.4 Provisional Release***

The Customs Commissioner asserted that Customs offices have already started applying the provisional release system, with release procedures completed within a day or two.

### ***C.11.5 Post Audit System***

The Customs Commissioner has announced that there are open facilities for applying the post release audit system, provided that the importer has accurate documents, invoices, and registers available. ECA is careful to apply the exchange rate on the date of submitting the customs declaration, to avoid any discrepancy with regard to value of imported consignments. Random estimation of customs tax has completely

disappeared. The law obliges the importer to maintain the complete documentation for 5 years.

### ***C.11.6 New Executive Regulations for Customs Law***

The Ministry of Finance will soon issue the executive regulations of the new Customs law. The new executive regulations are clear and easy to understand, eliminating all accumulated problems and negative aspects created by Customs laws applied since 1963. More importantly, they will contribute to eliminating personal interpretations.

By the beginning of next year, all Customs directorates at the national level shall be connected by means of an electronic network. Electronic operation has already been implemented at the ports of Alexandria, Port Said, Suez, Ein El Sokhna, Cairo and Damietta. This has had positive impacts, the most important of which has been the reduction of Customs procedures from 17 days to two hours only, according to testimony of the International Bank for Development and Reconstruction.

The changes also included simplifying Customs procedures for calculation and collection of taxes and duties, inspection of cars, issuance or renewal of free zones trip tickets, reduction of Customs procedures for exports, and operation of the exports complex around the clock.

### ***C.11.7 Coordination with the Ministry of Health***

The Ministries of Finance and Health have agreed that the Ministry of Health will examine one random sample out of each ten consignments, to reduce the consignments period of stay at Customs.

### ***C.11.8 Coordination with Lebanese Customs***

Minister of Finance Youssef Boutros-Ghali has reached an agreement with the Lebanese Minister of Finance to set a uniform mechanism for customs clearance in the two countries, so that procedures completed in one country shall be valid in the other. As soon as Egyptian Customs Authority is fully computerized, the organization shall be linked to Lebanese Customs and customs coordination shall start to facilitate trade between the two countries. This is expected to take place during 2006.



## **C.12 New Private Sector Scheme to Boost Manufacturing**

In an initiative to boost manufacturing growth and stimulate job creation, the Ministry of Trade and Industry<sup>7</sup> has set up a National Suppliers Development Program that aims at ensuring the cost effectiveness of Egyptian goods and their compliance with international standards. The scheme is expected to help manufacturing exports grow by an annual rate of 10 percent, up from the current growth rate of 5 percent.

## **C.13 World Bank Discusses a US\$2-2.8 Billion New Country Assistance Strategy (CAS) for Egypt 2006-2009**

The World Bank's new Country Assistance Strategy (CAS) for Egypt covers the next four years from fiscal years 2006 to 2009. The CAS aims at supporting three key development objectives: (i) facilitating private sector development; (ii) enhancing the provision of public services; and (iii) promoting equity, through support of enhancements in infrastructure, education, poverty alleviation, financial sector reforms. The lending package is combined with the Bank's non-lending technical assistance, analytical and advisory services.

## **C.14 Avian Flu Hit**

The spread of Avian flu in the world and Egypt has hit the thriving domestic poultry industry. Egypt is thus looking to restructure its poultry industry in order to address the repercussions on the economy, especially on small-scale producers.

This hit potentially affects up to 3 millions people who are supported by the industry with 750,000 directly employed in the breeding of domestic fowl alone. In the aftermath of avian flu, 30 percent of those employed have been laid off. This represents a severe downturn in sales and daily losses of LE 12.5 million in a sector worth LE 20.16 billion. Prices have decreased to lower than LE 5 per kilo from LE 14 in the beginning of February.

<sup>7</sup> Renamed Ministry of Trade and Industry on December 31, 2005. See Section C.1 above.



# APPENDIX D: Status of Recent Economic Legislation

LAW	STATUS
1. Financial Leasing Law No. 95/1995, amended by Law No. 16/2001	Enacted
2. Central Depository Law No. 93/2000	Enacted
3. Mortgage Law No. 148/2001	Enacted - Executive Regulations issued
4. Money Laundering Law No. 80/2002	Enacted
5. Intellectual Property Rights Law No. 82/2002	Enacted - Executive Regulations issued
6. Special Economic Zones Law No. 83/2002	Enacted
7. Civil Association and Establishments Law No. 84/2002	Enacted
8. Export Promotion Law No. 155/2002	Enacted - Executive Regulations awaiting approval
9. Telecommunication Law (UTL) No. 10/2003	Enacted
10. Unified Labor Law No. 12/2003	Enacted
11. Central Bank, the Banking System and Monetary Law No. 88/2003	Enacted
12. Law Number 15/2004 concerning Electronic Signature	Enacted
13. Small and Medium Enterprises Law No.141/2004	Enacted - Executive Regulations issued
14. Presidential decree No. 23, 2004, Establishment of Ministry of Investment	Enacted
15. Presidential decree No. 300, 2004, Customs Tariffs	Enacted
16. Income Tax Law No. 91/2005	Enacted - Executive Regulations issued
17. Competition Law No. 3/2005	Enacted - Executive Regulations issued
18. Draft Unified Corporate Law	Pending discussion
19. Draft Capital Markets Law	Pending discussion



# Law No. 91 / 2005 Concerning the Income Tax

- Less than two months after the appointment of the new Cabinet, Minister of Finance Youssef Boutros-Ghali presented a new income tax law during the annual conference of the National Democratic Party, held in September 2004. The draft law was circulated and discussed by all stakeholders and then sent to Parliament for approval. The Parliament has passed the new law and the President has signed and issued it in the Official Gazette in June 2005.
- The new income tax law makes the Egyptian tax system more transparent for both national and foreign companies looking to invest in Egypt. It cuts personal and corporate income taxes, and unifies tax exemptions and legislations. It introduces a 50 percent reduction in personal and corporate taxes to a maximum rate of 20 percent. It has also restructured income tax brackets into three categories with tax rates of 10, 15, and 20 percent. Existing tax exemptions for annual earnings of under LE 5,000 would double. Working spouses would benefit from the new law as each of them would be eligible for an exemption of LE 5,000 on wages. Civil servants would get a personal exemption of LE 4,000 annually.
- Additionally, the law grants a general amnesty for taxpayers in all cases before courts on tax estimation, provided that the disagreed tax amount does not exceed LE 10,000. Moreover, the law provides for a settlement process in tax evasion cases, or other offences upon request from the concerned person within one year of the entry into force of the law. These provisions are seen essential in order to encourage Egypt's informal economy to legalize its status.
- The law also provides for phasing out tax exemptions for newly established companies. Companies listed on the Stock Exchange would also lose the tax exempt status of their paid-in capital.
- In addition to rate reductions, the law provides for streamlining tax administration and merging all income tax legislations into one law. The law is intended to encourage the voluntary submission of tax returns by taxpayers, the timely payment of taxes, and greater compliance of citizens who had previously evaded taxes whether because of high rates or cumbersome procedures. A key element of the law is the introduction of self-assessment for taxpayers. This places the burden of proof for tax evasion on the Tax Authority which will now limit its inquiry to a sample of some 5 to 10 percent of all taxpayers. The elimination of what had been viewed as discretionary assessments aims at regaining the missing trust between taxpayers and the Tax Authority.
- The Ministry anticipates a significant improvement in the cost effectiveness of the Tax Authority and a reduction in costs to enterprises and individuals associated with the payment of taxes. The new system raises revenue from a limited number of tax rates and will therefore substantially reduce administration and compliance cost. Avoidance of numerous taxes that yield limited revenue will also facilitate tax assessment and avoid the impression of excessive taxation. The new law also introduces high deterrent penalties against tax fraud.
- The proposed rate reductions and administrative changes will, in the medium term, stimulate the economy. Higher profits for businesses will encourage faster economic growth, thus expanding the tax base and ultimately increasing tax revenues. This should partially make up for the shortfall in tax revenues, estimated at between LE 3.2-3.5 billion. GDP growth rates should increase by 2-2.5 percent giving rise to at least LE 2 billion in additional revenues.
- A broad tax base with limited exemptions enables revenue to be raised with relatively low rates. The erosion of the tax base through exemptions requires higher tax rates to make up for the loss in revenue. Higher rates only serve to increase the likelihood of tax evasion. Hence, expected improved tax compliance under the new reforms should also cover a large part of the loss in tax receipts.
- Proceeds from an ambitious privatization program that includes 172 state-owned companies, a public sector bank and the stake of the government in joint venture banks will also be used to finance the temporary increase in the budget deficit.
- Over the longer term, the government will be building up the administrative capacity of the state to collect taxes. In addition, a plan was set, immediately after the issuance of the law, to create awareness of taxpayers in order to encourage them to take part in the reform. This plan depends to a large extent on press and media campaigns directed to all classes of society.
- Article Eight of the law provides that the Minister of Finance shall issue the Executive Regulation for the tax law.
- Accordingly, the Minister issued decree No.(991) of the year 2005 promulgating the Executive Regulations of the Income Tax law. The Regulation set forth the guidelines and interpretation of tax law articles to guide the application of the principles.
- All articles set forth in the regulations respond fully to the principles of the income tax law, and aims primarily to support the efficient application of the law.



# APPENDIX E: Important Definitions

## E.1 Special Drawing Rights (SDRs):

A member's quota in the IMF is denoted in SDRs. The quota determines the amount of a member's subscription, its voting right, its access to IMF financing and its shares of the allocation of the SDRs.

## E.2 The Morgan Stanley "MSCI" Organization:<sup>1</sup>

MSCI is a leading provider of global indices and benchmark related products and services to investors worldwide. It is headquartered in New York, and conducts business worldwide with operations in Geneva, London, Hong Kong, Tokyo, Singapore, Sydney, Frankfurt, Milan, Paris, Princeton and San Francisco.

The business of MSCI is to provide benchmark products and services to the investment management community, to distribute index and company-level data and to license the MSCI indices to third parties for the purpose of creating derivative and proprietary products.

**E.2.1 The Benchmark Research Group (BRG)** is responsible for research and analysis in connection with the MSCI Indices. The members of the BRG provide expertise in country and company research and analytic research. MSCI has the largest and most experienced research staff in the index business, and therefore it has resources and skills to ensure that the analysis of thousands of securities around the world is as accurate as it can be.

**E.2.2 The Index Committee** is responsible for all editorial decisions affecting the MSCI Indices, including additions and deletions of constituents within the Indices. The members of the Committee are from MSCI and the BRG. MSCI provides independent and unbiased indices. To this end, MSCI has a strict internal compliance structure ensuring the independence of its editorial decision making.

**E.2.3 The Editorial Advisory Board (EAB)** serves MSCI in an advisory capacity, providing input on index construction methodology and new product development. The EAB provides a formal forum in which leading senior members of the investment industry worldwide can actively discuss the present and future role of MSCI benchmarks in the investment process. The EAB comprises approximately 18 members from leading pension funds, asset management firms, consultants and academicians from around the world.

**E.2.4 The MSCI-Egypt Price Index** measures market price performance only. The index measures the sum of the free float-weighted market capitalization returns of all its constituents on a given day.

**E.2.5 The MSCI-Egypt Total Return Indices** measures the market performance, including price performance and income from dividend payments. MSCI's Daily Total Return (DTR) methodology reinvests dividends in indices the day the security is quoted ex-dividend (x-date). Dividends are not considered in price indices.

## E.3 The following MSCI-Egypt Total Return Indices are calculated:

**E.3.1 With Gross Dividends.** This series approximates the maximum possible dividend reinvestment. The amount reinvested is the dividend distributed to individuals resident in the country of the company, but does not include tax credits.

**E.3.2 With Net Dividends.** This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

**E.3.3 The MSCI ACWI (All Country World Index) Index<sup>SM</sup>** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global developed and emerging markets. As of May 2005 the MSCI ACWI consisted of the following 49 developed and emerging market country indices: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Korea, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Singapore Free, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom, the United States and Venezuela.

**E.3.4 The MSCI Emerging Markets Index<sup>SM</sup>** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of May 2005 the MSCI Emerging Markets Index consisted of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

**E.3.5 The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index<sup>SM</sup>** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging market countries of Europe, the Middle East & Africa. As of May 2005, the MSCI EM EMEA Index consisted of the following 10 emerging market country indices: Czech Republic, Hungary, Poland, Russia, Turkey, Israel, Jordan, Egypt, Morocco and South Africa.

<sup>1</sup> Morgan Stanley website: [www.msci.com](http://www.msci.com)



