

E**BCC** -Newsletter

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Business in Egypt & the
United Kingdom



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NEWS | OPINION | LATEST EVENTS | FINANCE | INVESTMENT

Is This What Was Promised by the Conservatives?!

In a letter to the Financial Times, 20 high-profile economists and leading business experts urge UK chancellor George Osborne to cancel the top 50 percent tax rate for those that earn over £150,000 per year. They say that the 50 percent tax rate, introduced by the Labour government as an emergency measure to tackle the UK deficit, could do lasting damage to the UK economy. One of the signatories of the letter to FT, DeAnne Julius, a former member of the Bank of England's Monetary Policy Committee (MPC) is concerned that the UK is losing its competitive edge; she claims that the 50 percent tax rate puts the UK in a less than favourable position to attract or retain foreign investors, it also does not stimulate entrepreneurial aspiration.

The chancellor confirmed that the 50 percent tax rate was first introduced as temporary measure, but is treading on dangerous political ground if he drops this top rate. Communities secretary Erik Pickles told BBC Radio 4 yesterday that 'there is a strong case to say this isn't actually



contributing very much and on balance is probably doing more damage than good. When the chancellor judges the time is right to do so, then we should get rid of it.'

But abolishing it would be politically risky at a time when average wage earners are struggling to make ends meet. Shadow chancellor Ed Balls said 'people in the real world looking at this, what they'll be saying is people who earn £150,000 should be paying a bit more tax when they are seeing their budgets squeezed, energy prices up and unemployment up as well.' Public opinion is not in the chancellor's favour following the news that the short term economic forecast for UK growth is down. The economy grew by only 0.2 percent in June to August 2011. The Office for Budget Responsibility (OBR) predicts a growth of 1.7 percent in 2011 but most economists believe the actual growth rate will be much lower. Despite growth concerns, the chancellor reiterates that the government's deficit cutting plan is still on track. Osborne will make his autumn statement on 29 November this year, his statement follows the OBR's latest economic forecast.

The Trial of Former President Mubarak Continues

On Wednesday, a key witness in the trial of former Egyptian president Hosni Mubarak was detained after being charged with perjury for dramatically changing his evidence.

The move came after Captain Mohammed Abdel-Hakim, in charge of ammunition for a Cairo security regiment, denied he had any knowledge that police were armed or given orders to shoot protesters during the anti-Mubarak uprising. Abdel-Hakim was released shortly after the hearing was adjourned.

Prosecutors say four earlier witnesses also changed their stories, though none have been charged.

Former Egyptian President Hosni

Mubarak was in court again on Thursday, a day after an Egyptian judge summoned the head of the ruling military council, Mohamed Tantawi, and several other high-ranking officials to testify for a 5-day period next week. Among those testifying are former head of the Intelligence Service Omar Suleiman and Armed Forces Chief of Staff Sami Anan.

Also standing trial alongside the former president and former interior Minister Habib al-Adli, are Mubarak's two sons, Alaa and Gamal, as well as six police officers.

Al Jazeera

BBC News/Metro

Egypt in Brief...



Egypt's Foreign Reserves Decline Slows

Egypt's net foreign reserves slipped by US\$700 million to US\$25.01 billion last month from July, figures on the central bank's website revealed, showing the outflow of funds had continued to slow from a peak in the wake of Egypt's Revolution. Foreign reserves fell by US\$860 million in July to US\$25.71 billion. The central bank has said the drawdown of reserves was a temporary measure to cover a balance of payments gap until the economy gets back on its feet following the Revolution.

Tourism Down £3bn This Year

Egypt's Tourism Ministry predicts a loss in revenue of around £3bn by the year-end. Last year, total tourism revenue was £12.8bn, this year it is estimated at close to £10bn. Tourist numbers increased during the Eid holidays in Hurghada, Sharm-El-Sheikh and the North Coast, almost reaching normal occupancy rates for the time of the year. Tourist numbers will likely rise through September and October if security and stability are maintained.

Egypt's Government Sets Maximum Wage

Deputy Prime Minister and Minister of Finance Hazem Beblawi has proposed a maximum wage for state employees, set at 36 times the minimum wage. On 1 August, the Egyptian government raised the monthly minimum wage for government employees from LE400 to LE700 (about US\$117). According to Beblawi's proposal, the maximum wage would be LE25,200 per month (about US\$4235). The Central Agency for Organization and Administration will implement the proposal from January 2012.

The UK in Brief...



UK Interest: Savers and Borrowers Gap

Savers have lost out on £43bn but mortgage borrowers have gained £51bn owing to low interest rates. The Bank rate remains at 0.5 percent following a statement made by the Bank of England's Monetary Policy Committee earlier today. The fortunes of savers and borrowers have been in stark contrast owing to low rates. The Bank rate was cut to 0.5% in March 2009, and has remained there ever since.

Retail Sales Report Sluggish Growth

UK retail sales fell in August as weak consumer confidence and high inflation continued to dampen spending, according to the British Retail Consortium. The BRC said like-for-like sales, which strip out the impact of sales at new stores, fell 0.6% in August compared with a year earlier. Total sales were up 1.5%, against a 2.8% increase in August last year. The sales figures confirm data released on Monday suggesting the riots early August had little impact on footfall on UK High Streets.

Industrial Production Figures Fall

Government hopes for a manufacturing boom to drag Britain out of its slump were dealt a blow on Wednesday after news that industrial production fell unexpectedly in July. Figures from the Office for National Statistics showed production continuing to lose momentum following strong growth last year. Manufacturing output rose just 0.1% in July, while the wider measure of industrial production fell 0.2%.

Do You Agree?

UK Interest Rates Should be Raised to Ease Inflation and Continued Pressure on the Housing Market

Interest rates in the UK have been at a record low of 0.5 percent since March 2009, and the arguments for raising rates are gathering momentum.

With inflation at double the Bank of England's target, and likely to stay there for some time, many think the Bank should increase rates sooner rather than later in order to combat rising prices, which are eroding consumers' spending power and causing a fall in demand in the housing market.

But others say it is still too soon and the Bank's Monetary Policy Committee (MPC) should hold off, for fear of jeopardising the UK's fragile economic recovery. The OECD's latest forecast predicts that the UK economy will remain weak in the foreseeable future. The OECD's economists call for central banks to keep their interest rates low in case of any weakness in the economy or where there is a risk of relapsing into a recession.



The figures released in August further attest that the UK economy is indeed still fragile. Growth slowed in the three months to August, output grew by 0.2 percent compared to an 0.6 percent increase in the previous quarter. The OECD downgraded its growth forecast to 0.3 percent in 2011. Despite further worrying figure in production output and retail sales, the chancellor guarantees that his

deficit cutting plans remain unaltered.

It is thus very unlikely that the Bank of England will raise its interest rates anytime soon. Instead today's meeting of the Bank's Monetary Policy Committee touched on the possibility of quantitative easing, a case argued for by leading businessmen from the Institute of Directors. Fact remains that even with quantitative easing, the Bank's real struggle is to get the economy moving again in the midst of severe spending cuts.

[Comment](#)

Next Week Do You Agree?

The direct and indirect effects of Mubarak's Trial on Egypt's Economic Development are Largely Positive.

[Comment](#)

Chamber News

- On Wednesday 20 July, the Chairman of Moody's Middle East, Dr Amr Hassanein gave an in-depth presentation on 'Egypt's Stolen Public Wealth. The presentation formed part of the House of Lords event on the Repatriation of Misappropriated Monies and Assets. Dr Hassanein's presentation can be downloaded from the EBCC website: [Egypt's Stolen Public Wealth - Dr Amr Hassanein](#)
- The EBCC staff recently celebrated the Eid Feast and would like to wish all readers happy returns.

Event Invitations

Get Together Reception; an EBCC Networking Event

15 September 2011

The Chamber invites you to attend our bi-monthly Get Together Reception at the EBCC office from 4pm to 6pm on Thursday 15 September. This informal event gives all Chamber members the opportunity to network and connect with the UK-Egypt business community.

Kindly **RSVP** to Karin van Wesep: Karin@theebcc.com / 020 7499 3100

Trade Mission to Egypt

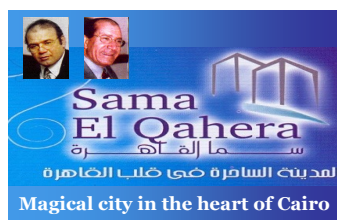
29 October - 2 November 2011

The Egyptian-British Chamber of Commerce kindly invites you to join its **Trade Mission to Egypt from 29 October to 2 November 2011**. This mission promotes global trade and investment with Egypt in the fields of healthcare, automotive, renewable energy and tourism.

The Government and business community of Egypt are looking to stimulate the Egyptian economy via national projects that promote exports, create job opportunities, boost Egyptian trade with the region, and help shape Egypt's national identity. This in turn creates excellent business opportunities for international companies wishing to enter the Egyptian and Middle East markets, or expand in the region.

The mission includes visits to Egyptian Senior Ministers and other prominent Government officials. Further meetings will be held at Egypt's leading business organisations. Site visits and one-to-one meetings are also included in the programme.

[Draft Programme \[download\]](#) / [Registration Form \[download\]](#)



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Events Calendar

Get Together Reception

@ EBCC Office, London

15 September 2011

Egyptian Textile & Garment

B2B Mission

@ Hyatt Churchill, London

10 October 2011

PPP Conference

@ London

October 2011

Trade Mission to Egypt

@ Cairo

29 October - 2 November 2011

British Midland International 



Daily from London Heathrow to Cairo – we look forward to welcoming you on board

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UK-Egypt Trade Figures Jan-Jun 2011

UK Imports from MENA

	Jan-Jun 2010	Jan-Jun 2011	% Change
MENA	£5,534bn	£7,751bn	40
Egypt	£354mln	£479mln	35
% of MENA	6.4	6.2	

UK Exports to MENA

	Jan-Jun 2010	Jan-Jun 2011	% Change
MENA	£6,919bn	£7,517bn	9
Egypt	£539mln	£493mln	-8
% of MENA	7.8	6.6	

UK Import Ranking

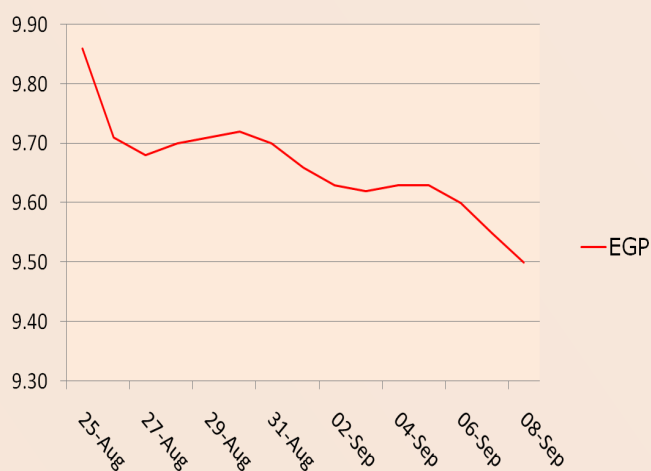
1	Qatar	£2,573bn	+171%
2	UAE	£932mln	+30%
3	Israel	£842mln	+19%
4	Kuwait	£789mln	+81%
5	Saudi	£553mln	+27%
6	Egypt	£480mln	+35%
7	Algeria	£451mln	+5%
8	Libya	£326mln	-47%

UK Export Ranking

1	UAE	£2,259bn	+24%
2	Saudi	£1,434bn	0%
3	Israel	£760mln	+21%
4	Qatar	£724mln	+27%
5	Egypt	£493mln	-8%
6	Morocco	£286mln	+54%
7	Algeria	£277mln	+117%
8	Lebanon	£211mln	+20%

Financial Market Information

25 August - 8 September 2011 EGP against GBP



EGX30 • Egyptian Stock Exchange

Open	High	Low	Close	% Change
4,727.40	4,756.10	4,727.79	4,747.82	0.432

For interactive chart [click here](#)

FTSE 100 • London Stock Exchange

Open	High	Low	Close	% Change
5,318.59	5,369.82	5,290.18	5,348.16	0.556

For interactive chart [click here](#)

Exports to the UK for the period Jan-Jun 2011 increased by a significant 35 percent despite disruptions caused by the 25 January Revolution. Egypt's imports from the UK did feel the effect of the disruptions and fell by 8 percent. Most UK products exported to Egypt are capital goods, intermediate products and raw materials needed for industry. The slowdown in industrial activity in Egypt as a result of the Revolution, and the UK's less competitive position globally attribute to the 8 percent drop. The Egyptian export figures to the UK are particularly encouraging in a time when UK imports from many other Middle East destinations facing unrest are down. Exports to Libya have dropped by 47 percent compared to Jan-Jun last year and UK exports to Tunisia are also down by 61 percent this year. Egypt's interim government is actively boosting foreign trade to minimise the losses caused by the revolution.

[Comment](#)