



ISSUE 54

09-06-'11



NEWS | OPINION | LATEST EVENTS | FINANCE | INVESTMENT

## UK Interest Rates Remain at 0.5 Percent

UK interest rates have been kept at the record low of 0.5 percent again by the Bank of England's Monetary Policy Committee. Economists had expected the decision, as recent data has underlined worries about the strength of the UK's recovery. The decision comes despite the annual rate of inflation rising to 4.5 percent in April, up from 4 percent in March, and well above the Bank's 2 percent target. It is the 27th straight month that the bank has left rates unchanged.

Meanwhile, the European Central Bank's president, Jean-Claude Trichet, has signalled that its interest rate could rise next month. The ECB on Thursday held rates at 1.25 percent, but Mr Trichet said the bank would maintain "strong vigilance" on inflation - widely interpreted as a signal to the markets that rates will be raised at the next meeting.

City economists have put back the likely date for the first increase to this autumn, but many think it won't happen until next year. A November rate rise is seen as a 60% probability, while markets are not fully pricing in a rate rise until next April.



However, with inflation likely to move above 5 percent in the next three to four months on the back of rising utility bills and food prices, the balance of probabilities might favour a move earlier than next April. Economists say policymakers face a difficult choice: keep rates on hold to help the economy, or raise them to cool inflation.

But higher rates increase the cost of borrowing, and there are concerns this may hurt the economic recovery.

The record low Bank rate has led to relatively small returns for savers. The latest statistics from the Bank of England show that, at the end of May, the average rate of interest with an instant access bank or building society account was 0.3 percent. This has been unchanged since a slight rise at the start of the year. For individual savings accounts, the average interest rate was 0.55 percent. Three years earlier, this had been 4.56 percent. However, as long as the Bank rate is low, borrowers - especially those with variable rate mortgages - are seeing relatively low home loan repayments.

BBC News

## Egypt's Consumer Price Inflation Slows and Food Prices Fall in May



Urban consumer inflation in Egypt was 11.87 percent in the 12 months to May, below analysts' expectations and lower from 12.1

percent in April, the state statistics agency CAPMAS said on its website on Thursday.

The urban consumer price index for May was 114 versus 101.9 a year ago, according to CAPMAS, a rise of 12.2 percent year-on-year. Analysts had given forecasts for urban inflation -- the most closely watched indicator of prices -- that ranged from 12.4 percent to 12.6 percent. The average of the forecasts was 12.5 percent.

Inflation hit its highest rate in a year in April, on

the back of soaring food prices which contributed to the mass protests that toppled President Hosni Mubarak in February.

Food and beverage prices, which have a 44 percent weighting in the basket Egypt uses to measure inflation, fell 0.5 percent from a month earlier, driving the slowdown in the overall figure, analysts said. That compares to a 2.6 percent jump in April from a month earlier. Food prices did rise by 18.9 percent compared to May last year.

On Tuesday, a spokesperson for the Ministry of Finance stated that "inflation will remain broadly stable in the coming fiscal year, albeit at a relatively elevated level."

Al Masry Al Youm

## Egypt In Brief...



### Foreign Reserves Slow Their Fall

According to Egypt's Central Bank, the country's foreign reserves reached \$27.2 billion at the end of May, down from \$28 billion in April. This compares favourably with the fall of around \$2 billion seen between March and April. Foreign reserves have plunged \$8.8 billion since January as a consequence of the fall in revenue from vital sources of overseas currency, such as tourism and foreign investment.

### Egypt Drops Tax Plan

Egypt has dropped plans to levy a tax on share dividends, will not revive it this year and is looking for ways to reduce planned expenditure as a result, Finance Minister Samir Radwan said on Thursday. The government scrapped the planned tax after strong opposition from investors. Egypt's benchmark share index suffered its biggest decline in six weeks last Thursday after the tax was unveiled in the draft 2011/12 budget.

### Suez Canal Revenue Increases

Revenue from Egypt's Suez Canal rose 10.5 percent year-on-year to US\$436.6 million in May, and rose 0.5 percent from a month earlier, a government portal showed on Wednesday.

Revenue in May 2010 was US\$395 million. Revenue in April 2011 was US\$434.6 million. The waterway is a vital source of foreign currency in Egypt, along with tourism, oil and gas exports and remittances from Egyptians living abroad.

## The UK In Brief...



### UK Trade Gap Unchanged in April

The UK's deficit on trade in goods and services was unchanged in April at £2.8bn, after the March figure was revised down from £3bn. Figures from the Office of National Statistics showed that the deficit in goods fell to £7.4bn from £7.7bn in March as a fall in imports of consumer goods offset a small rise in exports. The surplus on trade in services was £4.6bn, against £4.9bn in March.

### Cable Threatens UK Banks

Business Secretary Vince Cable has said the government is willing to take "further action with tax on banks" if they do not increase lending to small and medium-sized enterprises (SMEs).

Mr Cable told MPs on the Business Committee that the level of lending to SMEs was a "serious problem". Under the Project Merlin agreement, the UK's biggest banks are committed to lending £76bn in 2011 to SMEs.

### Boost for UK Car Industry

BMW has announced a plan to invest £500m in UK car production over the next three years. The money will help fund the production of the next generation Mini in the UK, safeguarding over 5,000 jobs. This is the second major boost to the UK's motor manufacturing industry in a week. Nissan announced earlier this week it would invest £192m and safeguard 6,000 jobs by building its next generation Qashqai in the UK.

## Do You Agree?

**By law, Court Cases in Egypt are Open to the General Public. However, the Trial of Former President Mubarak Should Take Place Behind Closed Doors**

Former president Hosni Mubarak and his two sons will go on trial starting 3 August this year in a Cairo criminal court, as announced by Mubarak's attorney. Mubarak is tried on charges of corruption and involvement in the crackdown that left more than 800 demonstrators dead earlier this year. Mubarak is currently in custody at a hospital in Sharm El Sheikh after reportedly suffering a heart attack during questioning. There is a possibility that the court will be moved to Sharm El Sheikh.

Opinions are divided on whether Mubarak's trial should be a public or private affair. Many Egyptians have asked for the trial to be public and transparent; they say that a public trial will assure the



people that Egypt is a genuine rule-of-law state. Their concern arises from the fact that some previous trials of former officials happened behind closed doors, with no possibility for victims and their families to attend. A public trial could be a positive signal that Egypt's authorities are sincere in their efforts towards a transparent and fair democracy.

However, a public trial could mean access for media and international observers.

Chances are, that Mubarak's trial will become a spectacle, and humiliating affair for the former President, which is something many would rather avoid.

At any rate, Mubarak's trial will send a clear warning to other dictatorial leaders in the Middle East. The Region is going through momentous changes and leaders will be held accountable for actions against their people. Even if Mubarak's trial takes place behind closed doors, the Egyptian people will let their voice be heard.

[Comment](#)

## Chamber News

- The Chamber is bringing a trade delegation to Egypt to explore business and investment opportunities from 11 to 15 June. For those in Egypt interested in meeting with this international delegation, you are welcome to attend the seminar organised by the Egyptian Businessmen's Association (EBA) on Sunday 12 June from 2pm to 5pm. The event will take place at the EBA office, **21 Giza St., Nile Tower 16<sup>th</sup> floor, Cairo**. For more information, please contact Karin van Wesep - [karin@theebcc.com](mailto:karin@theebcc.com)

## Event Invitations

### Workshop

#### The Challenges of Establishing a Private Sector in MENA

King's College London is organising a 'Workshop on 'The Challenge of Building a Private Sector in MENA,' supported by the Egyptian-British Chamber of Commerce. The event will take place on 20 June 2011 from 2pm, at K2.31, King's Building, Strand Campus, King's College London.

The aim of this workshop is to address some of the major challenges facing the private sector in MENA, with particular reference to micro, small and medium sized enterprises (MSMEs). Among the key issues of to be discussed are the complexity of the regulatory environment and legal procedures that prevent a huge number of SMEs to operate in the shadow economy rather than the formal sector of the economy. There is also a growing concern that private enterprises, particularly MSMEs, operate in uneven playing fields, particularly when competing with large state-owned companies to access financing or secure credits from banks and other financial institutions. Tax burdens, customs procedures, tariff barriers and lack of incentives and exporting facilities also affect the operations, productivity, and capabilities of the firms to investment and trade in international markets.

For more information and to register for this event, [download the flyer here](#).

### Press Event

#### The Future of Archaeology in the New Egypt

At this crucial moment in Egypt's history, the country's archaeology is of particular interest. Its famous monuments have provided a backdrop to recent events and an ever-present reminder of a glorious inheritance. The close ties the Egypt Exploration Society has always enjoyed with the Egyptian authorities, and their archaeologists on the ground, make them uniquely placed to comment on and inform about any matters concerning the preservation and ongoing exploration of the remarkable antiquities of Egypt.

The Egypt Exploration Society is holding a press event on Tuesday 28 June, from 6 - 7.30pm at The Middle East Association - 33 Bury Street, London.

To register for this event kindly **RSVP** to Victoria Perry - [victoria.perry@ees.ac.uk](mailto:victoria.perry@ees.ac.uk)



**Sama El Qahera**  
المدنية القاهرة  
Magical city in the heart of Cairo



**Sol Melia**  
HOTELS & RESORTS



**McGill & Co**  
SOLICITORS  
UK Based Solicitors  
specialising in UK immigration law

## Events Calendar

### Trade Mission to Egypt

@ Cairo

11-15 June 2011

### Workshop: The Challenges of Establishing a Private Sector in the Arab World

@ King's College London

20 June 2011

### The Future of Archaeology in the New Egypt

Egypt Exploration Society  
@ MEA, 33 Bury Street, London

28 June 2011

### Egypt Open for Business

@ Surrey & Kingston Chamber of Commerce

5 July 2011

### Egyptian Textile & Garment Exhibition

@ Radisson Blu, London

21 July 2011

**British Midland International** 



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

**flybmi**

## International Support for Egypt's Economic Programme 2011/12

The International Monetary Fund (IMF), and the Egyptian authorities have reached a staff level agreement on a 12-month Stand-By Arrangement (SBA) in the amount of US\$ 3 billion to support the government's economic program for the fiscal year 2011/12 (July 1 – June 30). Egypt's SBA request is expected to be submitted to the IMF Executive Board for approval in July. Following a revolution and during a challenging period of political transition, the Egyptian authorities have put in place a home-grown economic program with the overarching objective of promoting social justice. The measures are aimed at supporting economic recovery, generating jobs, and assisting low income households, while maintaining macroeconomic stability. As the Egyptian authorities announced, "The draft budget for 2011/12 enables additional spending for job creation and protection of the poor, while limiting the widening of the deficit. Expenditures focus on human capital and social investment, as well as labour intensive public works to encourage more job-intensive growth.

On the revenue side, the budget includes a number of tax reforms to generate resources for additional social spending and enhance fairness through a moderate increase in the progressivity of the tax system. These reforms will be accompanied by efforts to strengthen tax administration and improve compliance.

The budget deficit will be financed in part through foreign grants and loans from bilateral and multilateral development partners, including the IMF. This

strategy ensures that sufficient domestic resources remain available for credit to the private sector, and helps reduce borrowing costs and lengthen the maturity profile of the public debt.

Monetary and exchange rate policies will aim at maintaining macroeconomic stability, including by preserving a comfortable level of reserves to ensure that Egypt will have a buffer against unanticipated shocks. Monetary policy will continue to aim at reducing inflation over the medium term to a level that is close to the inflation of Egypt's trading partners. Financial sector policies will be geared toward preserving the strength of the banking system and safeguarding domestic financial stability. In this regard, the Central Bank of Egypt will continue to strengthen the quality of banking supervision, including through the adoption of Basel II.

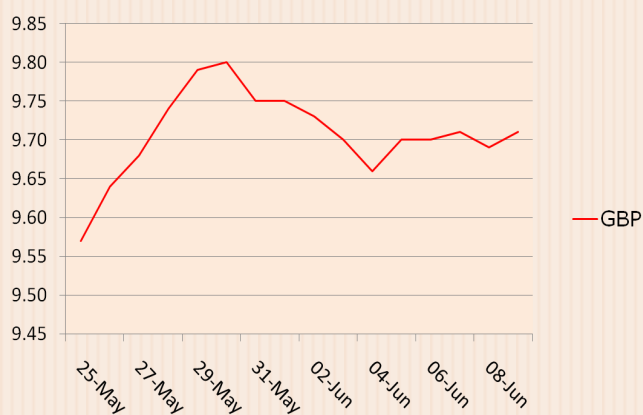
The authorities are also planning to enhance transparency and create a more competitive business environment, with a particular focus on supporting small- and medium-sized enterprises, which are the main source of employment creation in the economy.

A number of fundamental structural reforms, including the transition to a VAT-like consumption tax and reform of the highly inequitable and costly system of subsidies, are needed to improve the efficiency of public spending and help reduce the fiscal deficit in the medium term. The IMF shares the government's view that immediate implementation of such reforms is not feasible in the context of this arrangement as additional preparatory work is needed to ensure that an effective safety net is in place to protect the low income households. The government intends to prepare a road map to facilitate implementation of these reforms in the future.

Ms. Sahay, IMF's Deputy Director of the Middle East and Central Asia Department said on Tuesday that "the authorities' economic program is a first step to laying the foundation for a more inclusive private sector-led economic growth. Support from the international community will greatly facilitate the realization of the authorities' economic objectives and, in this context, the IMF is committed to supporting Egypt and its people through this arrangement"

### Financial Market Information

#### 25 May - 09 June 2011 EGP against GBP



#### Exchange Rates

	EGP
GBP	9.71 ▲
USD	5.92 ▼
EUR	8.67 ▲

#### EGX30 · Egyptian Stock Exchange

Open	High	Low	Close	% Change
5,436.50	5,512.02	5,434.49	5,504.60	1.253

For interactive chart [click here](#)

#### FTSE 100 · London Stock Exchange

Open	High	Low	Close	% Change
5,808.89	5,861.17	5,795.00	5,856.34	0.817

For interactive chart [click here](#)

[Comment](#)

Global Arab Network