ISSUE 13 12 AUGUST 2009

BREAKING NEWS

UK's Financial Services Authority (FSA) Abandons Tougher Restrictions on Banker's Bonuses

The FSA may come under fire today for softening its proposals on banker's bonuses, saying it is not possible to push through all of the measures it suggested in March because the US and European Union have not taken similar steps to control the giving out of bonuses. They also claim that tough restrictions on bonuses would hurt the City's competitiveness. Measures assumed to have been dropped are a proposal that two thirds of a bonus is deferred for several years and that the bonus amount needs to be based on the company's overall performance rather than the individual's record.

Source: UK Times

Egypt's New Financial Services Regulator: General Authority for Financial Supervision

With the effect of 1st July 2009 the regulation of all non-banking financial services was gathered into the newly created General Authority for Financial Supervision (GAFS) under the tutelage of the Ministry of Investment. The GAFS merges three existing authorities: The Capital Market Authority, The Egyptian Insurance Supervisory Authority and the Mortgage Finance Authority. Banks will continue to be regulated by the Central Bank of Egypt.

Source: Economist Intelligence Unit

IN DEPTH: HEALTHCARE IN EGYPT

Do you agree?

The healthcare system in the UK serves as a good model for the further development of the Egyptian healthcare system.

The Egyptian Government is pushing through major reforms in its healthcare sector, this sector is recognized as one of the key sectors for development along with education and infrastructure. The 2002-2007 healthcare reform plan initiated by the government has upgraded medical facilities and healthcare services, created new hospitals, enhanced medical services in urban and remote areas, more training opportunities and an increase in the supply of modern equipment. The 2010 Health Sector Reform Project aims to offer universal coverage of basic healthcare services to all Egyptians. The UK model offers free universal healthcare through general taxation (NHS) as well as private healthcare. In Egypt there are two main options for the funding of free universal healthcare, either through general taxation or social insurance. Given the current situation in Egypt, following the UK model of general taxation would require less structural reform and implementation is therefore more suitable. Similar to the UK, Egypt offers both public and private healthcare. Private sector healthcare will have to be regulated to an extent if universal free healthcare is to be successful. The Egyptian government is looking for partnerships between the public and private sectors in a bid to provide universal coverage.

LATEST NEWS FROM EGYPT

- Egypt's Central Bank is reporting a nearly 26% decline in remittances for the first three months of the year
  Noozz
- Egypt's end-June mobile subscribers rise to 48.3m
  Noozz
- U.S. President Obama is to receive Egyptian President Mubarak on August 18 primarily to discuss the Middle East Peace Process and 'War on Terror'
  Egypt Daily News

LATEST NEWS FROM THE UK

- UK unemployment hits a 14-year high of 2.44m
  Times UK
- The cost of fixed-rate mortgages rose to its highest level in 10 months as more borrowers took out loans to buy new homes
  Times UK
- UK economic recovery 'slow and protracted despite encouraging signals. Interest rates will not rise as soon as markets have been expecting,' warns Bank of England governor Mervyn King
  UK Guardian

CHAMBER NEWS

Issue 13, 12 August 2009

INTRODUCING THE NEW CONTRIBUTOR

Ms Ania Thiemann will be the new contributor to the Chamber's newsletter. She will be writing a monthly article on the outlook for the Egyptian economy based on the Economist Intelligence Unit Country Reports. Ania Thiemann is senior political and economic analyst with the Economist Intelligence Unit in the Middle East & North Africa. She works on independent and autonomous political and economic analysis/forecasting, credit risk analysis (sovereign, banking sector, currency) and industry specific analysis (covering 7 markets). She is also Head of the Economist Intelligence Unit's Country Forecast & Business Environment Rankings. She currently has country expertise in Egypt, Algeria, the UAE, and Tunisia. Her first contribution will be issued in the newsletter to be released on 23 September. The Chamber would like to thank her for her continued support.

Please note: due to the summer holidays the Chamber will not be releasing the EBCC e-newsletter on 26 August but will be back with a new edition on 9 September.

Do you agree?

The UK's Financial Services Authority should have pushed through itsoriginal stricter rules on the way banker's bonuses are structured under the new code published today.

EBCC REPORTS

The EBCC is currently working on its monthly report. The topic of this months' report will be the importance of investment in renewable energy sources in Egypt, and will discuss Egypt's strong investors potential in this area. This report will be released at the end of August. Previous reports produced by the Chamber can be found below:

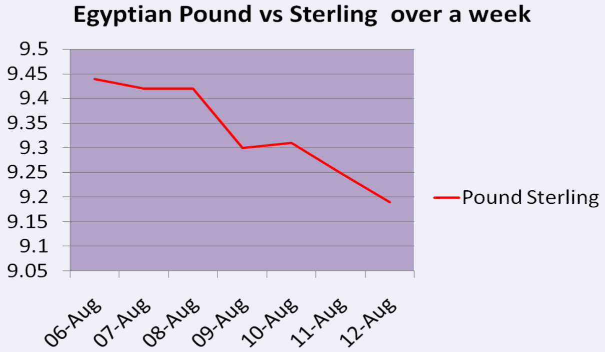
- G20 London Summit
- UK-Egyptian Trade Development & Forecast
- Business Relocation to Egypt
- Banking Reform Programme in Egypt

EBCC PLANNED EVENTS

Event Calendar	Date
Seminar: Portfolio Investment. Edinburgh, Scotland.	*October 2009*
Outward Trade Mission to Egypt	*November 2009*
Conference on Further Education. Cairo, Egypt.	*January 2010*
Seminar on Public/Private Partnership (PPP) London, UK.	*March 2010*

EXCHANGE RATES

12/08/09	Egyptian Pound
GBP	9.19
USD	5.58
EUR	7.89



Source: Central Bank of Egypt

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BUSINESS OPPORTUNITIES

Textile & Garment Industry

Egypt is the only country in the Middle East where the entire production process of textiles and ready-made garments is carried out domestically. Ready-made garments (RMG's) make up 75% of the industry. The government's policy is to boost exports and restructure the domestic textile industry by privatising mills and leveraging on low cost and available labour plus a large supply of high quality cotton. Egypt will remain a significant player despite the current downturn that is negatively affecting all Egyptian exports, including textile exports. The forecast is that 2009 and 2010 will see a fall in exports but it is likely that the textile industry will start recovering and reporting growth in 2011. The Egyptian government supports and is actively looking to attract new private investments to make Egypt more competitive on the global market. One of the biggest boosts to the Egyptian textile and RMG sector was the 2004 signing of the Qualifying Industrial Zones (QIZ) protocol between Egypt, Israel and the United States. Intended to foster peace in the Middle East, the QIZ protocol rewards economic cooperation between Egypt and Israel with duty-free access to US markets. To qualify for customs-free entry, Egyptian products must contain 10.5% of direct and relevant inputs from Israel. Over three years (2004-2007) Egyptian apparel exports to the U.S. increased tenfold. Core areas for both foreign and domestic investment are cotton production, yarn making, spinning, weaving, knitting, dyeing, and ready-made garments.

Source: Ministry of Investment (GAFI)/Noozz

ECONOMIST INTELLIGENCE UNIT REPORT EGYPT- JULY 2009

The Economist Intelligence Unit reports that worldwide economic data appears to indicate that the global economy is stabilizing with the rate of contraction easing. The rate of global growth over the next few years will likely be subject to volatility. Once the effect of the stimulus packages fades, a substantial slowdown in growth rates can be expected. Egypt's estimate real GDP growth has been corrected to 4.4% up from 4% in June this year. While this is respectable given the global downturn, it will still feel like a recession since Egypt has experienced a strong rate of growth over the last 3 years. Egypt's exports have been hit which also led to a downturn in real fixed capital formation. There are no signs that the external demand will be picking up fast but domestic demand remains strong. The inflation average for 2008 was 18.3%. Inflation has continued to fall having peaked in August at 23.7%. Expected is that the inflation rate for 2009 will be 9.7%.

The trade deficit is forecast to narrow in 2009, but widen again in 2010. Reduced external demand and the lowering in energy prices will lead to a decrease in export earnings. The Egyptian tourism sector has been hit and receipts from the Suez canal are drying up which leads to a narrowing of the non-merchandise surplus. The current account will stay in deficit in 2009 and 2010, having fallen into deficit in 2008. Expected is that the deficit will average 1.9% of GDP for 2009-10.

Source: Economist Intelligence Unit