

E**BCC** E-Newsletter

Your **Free** Guide to
Business in Egypt & the
United Kingdom



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NEWS | OPINION | LATEST EVENTS | FINANCE | INVESTMENT

UK Inflation Hits 5.2 Percent in September

UK inflation jumped to a three-year high last month as energy bills rose sharply, tightening the squeeze on households.

The Office for National Statistics said consumer price inflation rose to 5.2% in September, up sharply from 4.5% in August and also above the economists' consensus forecast for 4.9%. It was the highest since September 2008. In that month inflation also hit 5.2% and was the highest since this series of data began in 1997.

The ONS said that gas, electricity and fuel prices were the biggest factors in the rise. Overall, prices in the economy rose 0.6% on the month from August but average gas bills rose by 13% and electricity bills went up 7.5%, reflecting recent complaints from households, politicians and consumer groups over rising bills. David Cameron recently met with major energy suppliers to discuss a temporary freeze of energy costs in an attempt to control inflation.

Food and transport costs were also significantly higher than a year earlier. Economists said that while September's number was higher than most had expected, it was likely to be the peak. Jonathan Loynes,



chief European economist at Capital Economics, commented: "We still think inflation will fall sharply over the next year as food/energy and VAT effects drop out and core inflation finally eases."

The pickup in inflation contrasts with slow wage growth for workers, meaning their disposable incomes are continuing to shrink. But for those on state benefits, including pensioners, there is a small advantage in the fact that the September consumer price index (CPI) number will be used to set payouts.

The Office for Budgetary Responsibility, whose forecasts are used by the Treasury, had forecast September inflation would be a much lower 4.3%, the rationale behind this lowered forecast is unclear. Under that estimate the benefit bill stood at a total of £207.8bn. The Institute for Fiscal Studies calculates the total with CPI at 5.2% is closer to £209.6bn – £1.8bn higher than expected.

The inflation rise is also likely to worry policymakers at the Bank of England who recently embarked on a fresh programme to pump money into the economy. The process, called quantitative easing, risks stoking inflation.

According to some economic analysts, the Bank is clearly more concerned about the current fragility of the recovery than current above-target inflation, meaning further stimulus could well be on the cards as policymakers seek to prevent the country from sliding back into recession if business and consumer confidence fails to pick up soon.

Egypt's Fragile Electoral Pacts

The Egyptian High Commission for Elections has decided to extend the candidate registration period for the upcoming parliamentary elections to 22 October 2011.

The decision comes after a number of political groups and parties demanded an extension by the country's de-facto military rulers, the Supreme Council of the Armed Forces (SCAF), in order to reorganise themselves, particularly after several electoral blocs and coalitions experienced recent splits. Political splits, however, continue to take place.

The main two electoral coalitions, the Democratic Alliance for Egypt and the Egyptian Bloc, are witnessing major fissures that could affect their popularity and electoral viability.

The Democratic Alliance for Egypt has recently seen a number of its allies pull out leaving the Freedom and Justice Party, the Muslim

Brotherhood's political arm, with just 16 partners to form its electoral lists. As it stands, the Nasserist Party, like the Wafd Party, will have a list of its own. Their reasons: "the Alliance proved to be a way to help the Muslim Brotherhood dominate Parliament and the whole political scene."

The Egyptian Bloc established as a counterbalance by business tycoon Naguib Sawiris is experiencing similar complications. Egypt Freedom Party broke away from the Bloc just 48 hours after the Socialist Popular Alliance Party. They cited a "lack of transparency" in the candidate selection process and the presence of many NDP figures on the lists.

With time fast running out, the older coalitions scramble to reorganise their lists, and the newer coalitions struggle to properly establish themselves, leaving many to ask questions about the viability of the electoral list system and the coalitions that come out of it.

Ahram Online

Guardian

Egypt in Brief...



Switzerland Returns Frozen Funds

The Swiss authorities are expediting procedures for returning SF770 million in frozen funds to Egypt, Tunisia and Libya, though the transfer might take several years. An Egyptian committee is travelling to Switzerland in a few days to negotiate the return of SF410 million that belonged to the Mubarak family and 18 of Mubarak's close associates.

Maspero Clashes Weaken Confidence

Credit ratings agency Moody's says last Sunday's clashes between the army and mainly Coptic protesters has increased pressure on the Egyptian economy and further weakened investor confidence in the country. In March, Moody's cut the rating for Egyptian sovereign bonds to Ba3 from Ba2, saying further reductions were possible. The agency has not revised the rating since.

Egypt to Grow 3m Acres of Wheat

Egypt, the world's largest wheat importer, expects to grow 3 million acres of wheat in the 2011/12 season. Egypt raised the price it will pay local farmers for their wheat next season to LE380 (US\$63.60) per ardeb (140 kg) from LE350 during the last season to give an incentive to local wheat farmers. Wheat is planted in October and November and harvested in April and May.

The UK in Brief...



Bank of England: More QE

The Bank of England's Monetary Policy Committee (MPC) was unanimous in voting for another £75bn of quantitative easing (QE) to support the weak UK economy. Minutes from the MPC's meeting earlier this month show members considered injecting between £50bn and £100bn. The committee cited a sharp deterioration in the international outlook as a key factor.

Millions More in Line for Tax Rebate

About six million people are set to receive tax rebates averaging £400, while another million will learn they have underpaid their tax by about £600. Her Majesty's Revenue and Customs (HMRC) said letters would begin going out in the next few months, with those owing money able to pay in stages. It is the second year tax and National Insurance discrepancies have been identified by a new computer system.

Moody's Downgrades Spain

Moody's has downgraded the rating of Spain's government bonds. The ratings agency cut Spain two notches, two days after Standard & Poor's took the same decision. Moody's said it had cut the rating because there had been no credible resolution to the eurozone debt crisis. Spain's rating was cut from Aa2 to A1.

Do You Agree?

The Announcement to Delay Presidential Elections until the End of 2012 Confirms that The Military Council is Keen to Stay in Power

Egypt's Supreme Council of Armed Forces (SCAF) has come under attack in recent weeks for their role in the Maspero incidents, and their decision to postpone Egypt's first elections since the fall of Mubarak from September to November this year.

During and immediately after the revolution, SCAF upheld its image as a neutral facilitator for Egypt's transition to democracy. But the road towards the elections was always going to be a troublesome one, and anyone in charge would undoubtedly face much public scrutiny.

When looking at the role of the military in Egypt's transition period, we have to bear in mind that for Egypt the only viable option following the revolution was an interim military rule. The police was not respected for their actions against the people during the protests, Egypt no longer had a government or president,



and Egyptians felt the support of the military in those troublesome times earlier this year. And whatever the reasons of the military were in supporting the people during the revolution, no one can deny that their support brought victory for the protestors.

The army managed to protect the structure of the nation, and allows the interim government to go

about its day-to-day activities to keep the economy afloat.

From the onset, the army promised two things; the first was never to run for election; and the second was to leave as soon as the parliamentary & presidential elections determine Egypt's new leadership under a newly formed constitution.

There will certainly be prerequisites to the handover of power from the military to the new government, but for now let us give the military the opportunity to show their goodwill and prove to its people that the council honours its word.

Next Issue **Do You Agree?**

UK Energy Firms Should Freeze Energy Costs for Households in an Attempt to Control Inflation

[Comment](#)

Chamber News

- Last week, the EBCC released a special report entitled “Global Capital Markets in Hot Water”. [Click here](#) to download our latest report.
- Upon the request of the British delegates, the Chamber was forced to postpone its Autumn Trade Mission to Egypt, scheduled to take place from 29 October to 2 November this year. The recent disruptions in Egypt, particularly the Maspero incident, were the reason for this postponement. Our understanding is that the situation in Egypt since this incident is much calmer. For this reason, the Chamber is keen to resume preparations for the visit of a British business delegation to Egypt. The EBCC is looking into the possibility of organising this visit mid-January 2012. During this time, Egypt’s parliamentary elections will be in full swing. The positive atmosphere created by the elections, combined with eagerness of Egypt’s officials to receive our trade mission, should lead to a successful visit.
- The EBCC is planning a conference on Renewable Energy and Waste Management, to take place in London in December this year. Further details of this event, including the conference agenda, will be forwarded in due course.

Event Invitations

Get Together Reception; an EBCC Networking Event

6 December 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



Events Calendar

Panel Debate: Egypt In Transition

@ King’s College London

20 October 2011

Renewable Energy Conference

@ London

December 2011

Get Together Networking Reception

@ EBCC Office, London

6 December 2011

Trade Mission to Egypt

@ Cairo

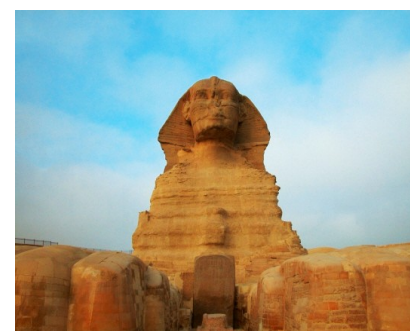
January 2012

Board & AGM Meeting

@ Cairo

22 January 2012

British Midland
International 



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

flybmi

UK-Egypt Trade Statistics Jan-Jul 2011

UK Imports to MENA

| | 2010 | 2011 | % Change |
|-----------------|----------|----------|----------|
| MENA | £6,288bn | £8,907bn | 42 |
| Egypt | £398mIn | £548mIn | 38 |
| % Share of MENA | 6.3 | 6.2 | |

UK Exports to MENA

| | 2010 | 2011 | % Change |
|-----------------|----------|----------|----------|
| MENA | £8,173bn | £8,866bn | 8 |
| Egypt | £635mIn | £585mIn | -8 |
| % Share of MENA | 7.8 | 6.6 | |

UK Imports to MENA

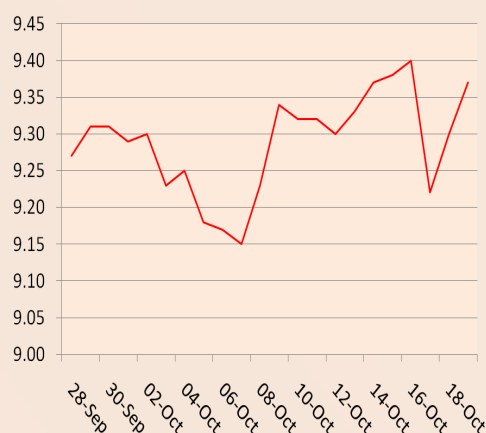
| | | | |
|---|--------------|----------------|-------------|
| 1 | Qatar | £2,945bn | +180% |
| 2 | UAE | £1,061bn | +20% |
| 3 | Israel | £1,001bn | +16% |
| 4 | Kuwait | £869mIn | +74% |
| 5 | Saudi | £653mIn | +26% |
| 6 | Algeria | £558mIn | +30% |
| 7 | Egypt | £548mIn | +38% |
| 8 | Libya | £326mIn | -51% |

UK Exports from MENA

| | | | |
|---|--------------|----------------|-------------|
| 1 | UAE | £2,659bn | +25% |
| 2 | Saudi | £1,751bn | + 2% |
| 3 | Israel | £934mIn | +24% |
| 4 | Qatar | £792mIn | +23% |
| 5 | Egypt | £584mIn | - 8% |
| 6 | Morocco | £345mIn | +43% |
| 7 | Algeria | £302mIn | +79% |
| 8 | Kuwait | £249mIn | -19% |

Financial Market Information

28 September - 19 October 2011 EGP against GBP



Exchange Rates

| | EGP |
|-----|--------|
| GBP | 9.37 ▲ |
| USD | 5.95 ▲ |
| EUR | 8.18 ▲ |

EGX30 • Egyptian Stock Exchange

| Open | High | Low | Close | % Change |
|----------|----------|----------|----------|----------|
| 4,214.72 | 4,270.59 | 4,209.20 | 4,263.99 | 1.169 |

For interactive chart [click here](#)

FTSE 100 • London Stock Exchange

| Open | High | Low | Close | % Change |
|----------|----------|----------|----------|----------|
| 5,410.35 | 5,483.79 | 5,410.35 | 5,434.77 | 0.451 |

For interactive chart [click here](#)

Exports to the UK for the period Jan-Jul 2011 increased by a significant 38 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. 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 51 percent compared to Jan-Jul last year and UK exports to Tunisia are also down by 59 percent this year. Egypt's interim government is actively boosting foreign trade to minimise the losses caused by the revolution.

[Comment](#)