



Egyptian Stock Market Tumbles 10.5 Percent on Protests

The Egyptian stock market tumbled over 10.5% early Thursday as a result of massive anti-regime protests that have engulfed the country. The Egyptian government had previously attempted to calm investors in the wake of the unrest in Tunisia that led to the ouster of Tunisian President Ben Ali. The protests in Egypt have had a negative impact on all sectors, even the traditionally stable real-estate industry.

The anti-regime demonstrations come soon after the highly criticised parliamentary elections that saw the ruling National Democratic Party secure yet another victory. President Mubarak, leader of the NDP has ruled the country for 30 years in relative political stability. Mass protests are fairly uncommon in Egypt, but the NDP's political victory, coupled with the likelihood that Mubarak, now 83 years old, will run for President for another six-year term, and growing dissatisfaction with regards to the distribution of economic growth has led to serious tensions.



Protesters in Tahrir Square, downtown Cairo

Picture: Al Masry Al Youm

Inspired by the uprising in Tunisia, the opposition, protesters and activists from all walks of society have united in a nationwide rally with demands that Mubarak and his son should not run for presidency and the government should step down after revoking the

parliamentary election results. Protesters further appeal for increased transparency to prevent corruption, the abolition of martial law and release of political prisoners. The protests have led to five deaths, including one policeman. Hundreds of people were injured and detained.

The Egyptian Ministry of Interior yesterday announced a ban on all protests in the country following Tuesday's aptly named 'Day of Anger'. Egypt's Prime Minister commented that this announcement represents the official position of the government; he thereby only addresses the issue of security. Further political statements from Egypt's government leaders are sorely lacking. The ban on protests was met with serious criticism internationally; France's Foreign Minister Michele Alliot-Marie called for 'more democracy' in Egypt, and US Secretary of State Hillary Clinton urged and called for reforms. Civil rights groups further say that Egypt must investigate the violence against protesters.

Fears of Double Dip Recession as UK Economy Contracts

According to official figures released by the Office of National Statistics (ONS) the UK economy suffered a surprise contraction of 0.5% in the fourth quarter of 2010. UK Chancellor George Osborne called the figures 'disappointing' and put the blame primarily on the severe weather conditions in December. Osborne asserts that he has no intention to change the government's planned cuts in public spending.

Bank of England Governor Mervyn King however claimed that "even abstracting from the effects of snow, growth at home slowed in the second half of last year." Analysts concur that even without the snow, growth would have remained stagnant in Q4.

The construction sector was the main

contributor to the contraction, activity in this sector decreased by 3.3%. The only bright spot remained manufacturing, reporting a growth of 1.4%. The services output of the retail industry was weak as expected but the decreased activity across other sectors suggests that the Coalition's economic policy founded on cuts in public spending has so far not managed to get the UK out of recession.

Upon release of the figures, sterling dropped a cent against the dollar to \$1.5770. UK unemployment is rising (7.9%), inflation is up to 3.7% in December, and further spending cuts are imminent. The UK is in for a bumpy road to recovery.

Egypt In Brief...



IMF on Petroleum Subsidies

The International Monetary Fund (IMF) is calling on Egypt to abolish subsidies on petroleum products. According to the IMF, the projected increase in Egypt's inflation rate will burden the government's budget.

The current political turmoil will lead to an increase in spending on social services but will also make it very difficult to abolish subsidies in the near future.

Egyptian Pound Falls

The Egyptian pound fell on Wednesday to its lowest level since January 2005 on the back of nationwide anti-regime demonstrations.

The pound fell to 5.830 against the US currency, its only chance to strengthen is if the euro stays at its current high level (see page 4).

Egypt Trade Deficit Increases

Official CAPMAS figures indicate that Egypt's budget deficit increased by 42.6% to LE 17.48bn in October 2010 year-on-year. Imports rose by 33% in the same period, whereas exports only increased by 22%. The rise is further attributed to the increase in prices of petroleum products, wheat, detergents and sugar. Egypt's exports to the UK decreased by 2% in Q3 year-on-year.

The UK In Brief...



Interest Rates Remain at 0.5%

The Bank of England's Monetary Policy Committee yesterday voted to keep interest rates at 0.5%. Following the news that GDP contracted by 0.5%, two members voted in favour of an interest rate rise to 0.75% to keep inflation below 5%. One member voted for quantitative easing, and six members voted to hold rates.

'Project Merlin' Deal Stalls

Attempts to reach an agreement between the Coalition government and the UK's biggest banks on the amount they lend to small businesses have stalled. The government's so-called 'Merlin Project' should have made £200bn available to small businesses in 2011. The stumbling block is thought to have concerned governance issues.

Barclays Job Cuts and Fine

Barclays Bank is closing its branch based financial advice service on the basis that it has become less commercially viable. The closure could lead to around 1,000 job losses. Meanwhile Barclays was fined by the FSA for failings in customer advice and breaching rules in the handling of client money.

Do You Agree?

Oil and Natural Gas resources in Egypt will dry up by 2050

Egypt is currently the world's 25th largest oil producer and has 4.5bn barrels of crude reserves. Analyst projections indicate that these reserves will diminish by 66% to around 1.5bn barrels by 2030. If these projections are accurate, Egypt will have to import roughly 400,000 barrels of oil per day over and above the 280,000 barrels produced domestically, to sustain its economy at current levels.

Egypt's natural gas resources are more abundant than petroleum. The country ranks 16th largest natural gas producer globally with 76 trillion cubic feet in reserves. Egypt is an important natural gas supplier to Europe and the Mediterranean. Egypt's energy strategy is continuously challenged as domestic demand increases. Reports reveal that Egypt's energy strategy is extremely dependent on gas resources, not only for its industry but also for the country's economic and social development scheme; funding for education, health etc. is partly based on the availability of low-cost gas and petroleum. Figures indicate that its current gas-focused energy strategy can only be sustained for another 15 years. Similar to



oil production in the 1990s, global gas production is likely to stagnate and decline in around 20 years. Egypt's rapid economic growth and its campaign promoting natural gas over petroleum strains the country's

gas resources to such an extent that Egypt's gas strategy is forecast to reach its limits during the 2020s.

Renewable energy is vital to its future energy strategies, Egypt will need to reconsider its gas exports and ensure that natural gas is used to complement wind, hydro and later solar energy.

Egypt's nuclear energy programme will further relieve the burden on oil- and petroleum product imports and extend the life of natural gas reserves. The added benefit of nuclear energy is its low production cost once the power plant is constructed, particularly compared to oil and natural gas.

Source: NREA, Ministry of Electricity & BMZ

[Comment](#)

Chamber News

The Chamber held its AGM and bi-annual Board Meeting in Cairo on 20 January.

Mohamed Omran, Steve Rudge, Stephen Jackman, Michael Hodges and Bill Ward were re-elected as members of the EBCC's Board of Directors.



The Chamber also officially welcomes Elhamy El-Kerdany, General Manager of City Stars Cairo to its Board of Directors.

Membership

The Egyptian-British Chamber offers a wide variety of services to the UK and Egyptian business communities.

If you want to keep up to date with all EBCC events, receive monthly economic reports on key industries in Egypt and the UK, and get advice on all business matters, from forming partnerships to establishing trade contacts, join the Chamber now. For a full list of services and to join, please visit our website membership section, [click here](#).

The EBCC has launched its Membership Provider Package offering all Chamber members discounts on essential business services. For more information, email karin@theebcc.com



Next Issue... Do You Agree?

The political and social unrest in Egypt will have an impact on Egypt's economic growth & development

[Comment](#)

Conference Review



Picture: Steve Rudge (Tesco) Presenting



Picture: Conference Audience

On 19 January 2011 the Chamber held its annual Conference in Egypt on 'Best Practices for Export to the UK and Retail in Egypt'.

The conference highlighted export opportunities in the fruit & vegetable and textile & garment industries with a key-note address by Steve Rudge from Tesco UK.

The conference further addressed essential branding & marketing strategies to improve competitiveness and add value to Egyptian export products.

The event finished with very successful one-to-one meetings led by our team of experts, Steve Rudge from Tesco's fruit & vegetable industry, Lumat Ahmed from Tesco's newly established Egypt Hub for international sourcing of clothing & textile, and finally Mark Wing and Paul Keyes from Interrelated on business branding.

The Chamber would like to thank the sponsors, Chaer Group, Mega City Mall and Nahdet Misr for their support of this event.

All conference presentations can be found on our website, [click here](#)

Events Calendar

Get Together Networking Reception

EBCC Office

3 March 2011

The Nuclear Energy Option in Egypt

Cairo, Egypt

28-30 March 2011

Regional Chambers Tour UK

April/May 2011

EgyTex UK Textile Trade Fair

London, UK

July 2011




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Magical city in the heart of Cairo.
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Egypt: Towards a National Initiative for Solar Energy



Egypt's renewable energy strategy for 2020 has positioned wind energy as a first priority relative to other forms of renewable energy. This is due to the high potential for this form of renewable energy in Egypt; its high capacity factor, and low cost of implementation compared to other forms of renewable energy, such as solar energy.

Nevertheless Egypt enjoys a great potential for solar energy. This is reflected in high solar intensity, which reaches up to 7.2kwh/m² per day in some southern sites. The solar isolation period can reach up to 3500 hours per year with very few cloudy days. Solar intensity is well-spread over the country, making Egypt less dependant on specific concentrated locations, this adds to a more stable national solar energy strategy. Regrettably Egypt is not fully utilizing its solar potential largely because of high

implementation costs. The national renewable energy strategy therefore lists solar energy as a future development opportunity.

Despite high costs, Egypt built its first solar thermal power plant with a maximum installed capacity of 120 MW in Korimat last year. Solar energy represents a viable option for the electrification of remote areas such as Sinai and the New Valley.

Two regional solar initiatives are currently available; Desertec and the Mediterranean Solar Plan (MSP). These initiatives enable European countries to build renewable plants in a non-European country, and export the generated energy to Europe. Since Egypt has a large potential for solar energy, an advanced and large power sector and diversified economy, the country is ideally qualified as a pioneer for export of solar energy to Europe.

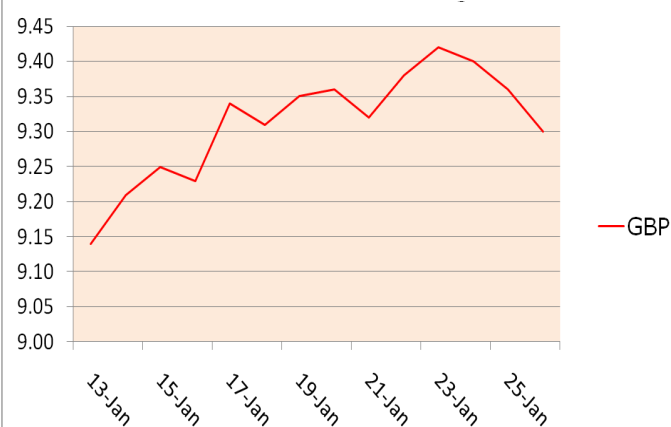
Based on this high potential for solar energy in Egypt, the country is currently establishing a national solar initiative. This initiative will receive institutional support from Egypt's Electricity Regulatory Agency 'EgyptERA'. An essential development for the national solar initiative is the generation of a consumer list consisting of energy intensive industries, exporting industries and international companies with shareholders. These interested consumers should voluntarily consume up to 5% of their electricity consumption from solar energy. EgyptERA is further responsible for licensing for solar energy traders and producers, setting up payment mechanisms for consumers through their electricity supply contracts, monitoring of solar operations and dispute resolution.

The initiative is targets a commitment of 1000 GWh, equivalent to 500 MW of installed capacity of solar plants.

Source: Egyptian Electric Utility & Consumer Protection Regulatory Agency

Financial Market Information ♦ 27/01/11

13/01/11 - 26/01/11 ♦ EGP against GBP



Exchange Rates

	EGP
GBP	9.30 ▲
USD	5.85 ▲
EUR	7.98 ▲

EGX30 ♦ Egyptian Stock Exchange 26/01/11

Open	High	Low	Close	% Change
6,723.17	6,723.17	6,310.44	6,310.44	-6.14

For interactive chart [click here](#)

FTSE 100 ♦ London Stock Exchange 26/01/11

Open	High	Low	Close	% Change
5,917.71	6,003.28	5,917.71	5,969.21	0.87

For interactive chart [click here](#)