



International Trade Report 2017

1st QUARTER 2017

2nd QUARTER 2017

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4th QUARTER 2017



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1. General Trends & Drivers of World Trade in 2016 & Forecast

- Growth in the volume of world merchandise trade slowed to 1.3% in 2016, down from 2.6% in 2015, as continuing weakness in the global economy and low commodity prices had a negative impact on global import demand.
- World growth in GDP dropped to 2.3% in 2016, down from 2.7% in 2015, well below the average of 2.8% since 1980.
- The slowdown in world trade partly reflected the further weakening of investment spending, which is the most trade-intensive component of import demand.
- Although merchandise trade increased slightly in volume terms in 2016, it declined in value terms due to a fall in export and import prices. Merchandise exports fell by 3.3 %, to US\$ 15.46 trillion, in 2016.

In 2016, the weak trade growth of just 1.3% was partly due to cyclical factors as economic activity slowed across the board, but it also reflected deeper structural changes in the relationship between trade and economic output. The most trade-intensive components of global demand were particularly weak last year as investment spending slumped in the United States and as China continued to rebalance its economy away from investment and toward consumption, dampening import demand.

The unusually low 1.3% growth in world merchandise trade volume in 2016 was the result of several risk factors converging over the course of the year. These weighed on imports of both developed and developing economies, although the latter were more affected.

Developing economies suffered a sharp 3% decline in imports in the first quarter, equivalent to an annualized drop of 11.6%, but growth resumed in the second quarter and losses were recovered by the end of the year. Meanwhile developed economies' imports continued to grow but at a reduced pace. The weakness of imports was reflected on the export side in slow growth of shipments from both developed and developing countries.

For the year, imports of developed countries grew 2.0% while those of developing economies stagnated at 0.2%. Exports recorded modest growth in both developed and developing countries, 1.4% in the former and 1.3% in the latter.

Although world merchandise trade increased slightly in volume terms in 2016, it declined in value terms due to falling export and import prices. World merchandise exports were valued at US\$ 15.46 trillion in 2016, down 3.3 % from the previous year. The pace of contraction was slower than in 2015, when export values fell 13.5 % due to strong appreciation of the US dollar and a plunge in oil prices.

Decline in Commodity Prices

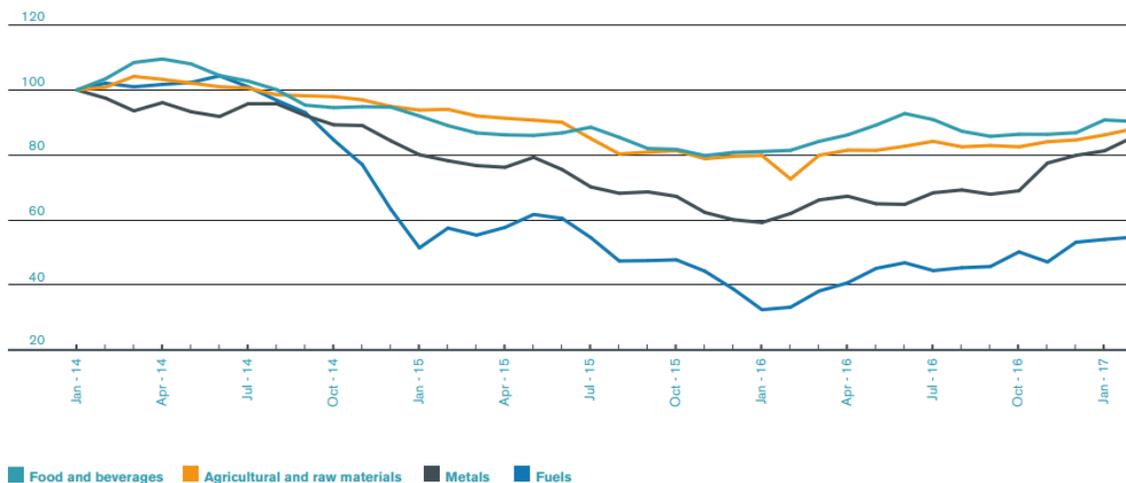
Commodity prices and exchange rates played a large role in the disappointing trade performance of 2016. Plunging prices for oil and metals since the middle of 2014 deprived resource exporting regions of revenue to purchase imports. Commodity prices have stabilized and staged a partial recovery, but a return to price levels of a few years ago is unlikely as long as oil inventories remain high and the US dollar remains strong.

Commodity price declines have distributional impacts across countries, helping net importers and harming net exporters, so their impact is ambiguous in principle. In practice, however, the price slide since 2014 appears to have had a large negative impact on oil producing countries without a corresponding positive impact in importing countries.

Appreciation of the US dollar also contributed to lower dollar prices for commodities since it allowed the same quantity of goods to be purchased with fewer units of currency. In 2016, the dollar appreciated 4.4 % on average against the currencies of US trading partners (i.e. in "nominal effective" terms) after having risen nearly 13 % in 2015.

CHART 1

Prices of primary commodities, January 2014 - February 2017
(Indices of US\$ values, January 2014 = 100)



Forecast

Global economic growth has been unbalanced since the financial crisis, but for the first time in several years all regions of the world economy should experience a synchronized upturn in 2017. This could reinforce growth and provide an additional boost to trade.

The WTO is forecasting that global trade will expand by 2.4% in 2017; however, as deep uncertainty about near-term economic and policy developments raise the forecast risk, this figure is placed within a range of 1.8% to 3.6%. In 2018, the WTO is forecasting trade growth between 2.1% and 4%.

Forward looking indicators, including the WTO's [World Trade Outlook Indicator](#), point to

↓ 16.5%

**World fuel prices
dropped by 16.5% in
2016**

stronger trade growth in the first half of 2017, but policy shocks could easily undermine positive recent trends. Unexpected inflation could force central banks to tighten monetary policy faster than they would like, undercutting economic growth and trade in the short-run. Other factors, such as the uncertainty provoked by the United Kingdom's withdrawal from the European Union could potentially have an effect.

Meanwhile, the possibility of a rise in the application of restrictive trade policies could affect demand and investment flows, and cut economic growth over the medium-to-long term. In light of these factors, there is a significant risk that trade expansion in 2017 will fall into the lower end of the range.

41%

**Developing economies
had a 41% share in world
merchandise trade in
2016**

CHART 2

Growth in volume of merchandise trade & real GDP, 2005-2016



2. UK Export Performance & Trade Confidence Index

- The number of UK businesses reporting improved export sales increased in Q1 2017; manufacturing sector: + 26%, service sector + 10%.
- The British Chambers of Commerce Trade Confidence Index – a measure of the volume of trade documentation issued nationally, increases by 5.5% on the quarter, and by 9% compared to Q1 2016.
- The volume of trade documentation issued for the Egyptian market increases by 8.8% on the quarter, but drops by 17.3% compared to Q1 2016.
- The International Monetary Fund (IMF) approves the first review of Egypt's extended fund facility and disburses \$1.25 billion; a vote of confidence in Egypt's economic reform programme.

Chapter supported by the British Chambers of Commerce:

The British Chambers of Commerce (BCC) is a dynamic and independent business network with accredited Chambers in every nation and region of the UK, and in key markets around the world. For more information, visit www.britishchambers.org.uk



+26%

Manufacturing sector
export sales

+10%

Service sector
export sales

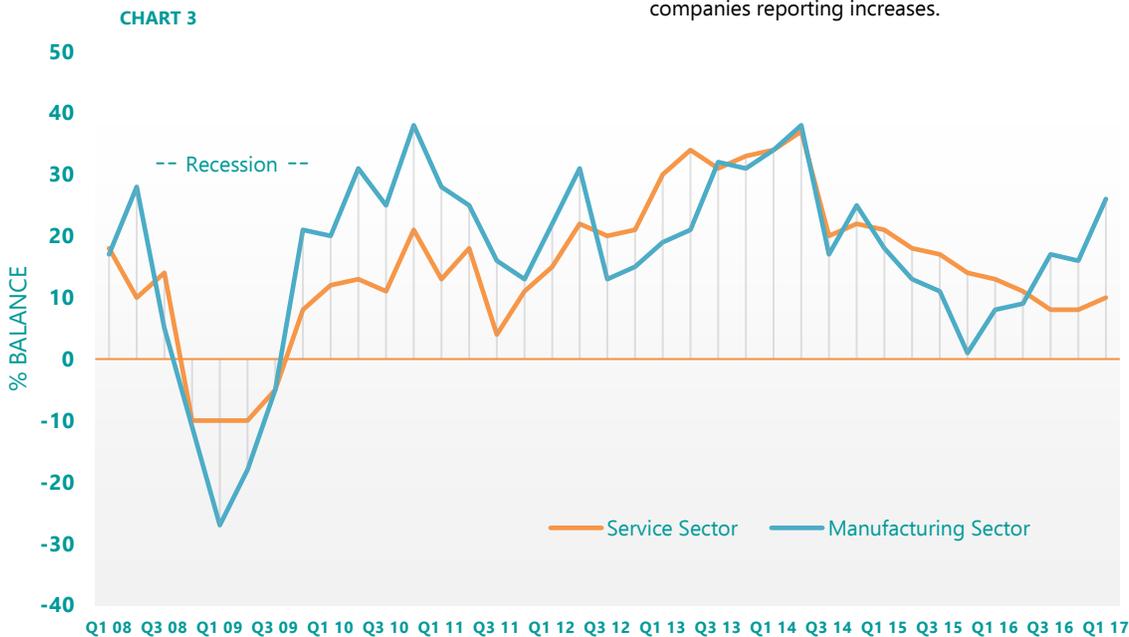
UK Export Performance

According to the British Chambers of Commerce Quarterly International Trade Outlook for Q1 2017, the number of businesses reporting improved export sales increased in the first quarter of 2017. Businesses in both manufacturing and services are also more confident that their turnover and profitability would increase in the coming 12 months.

In the manufacturing sector, the balance* of firms reporting improvements in export sales over the previous three months rose to +26% in Q1 2017 from +16% in Q4 2016. This means that 26% more firms reported an increase over a decrease. The balance of manufacturers reporting improved export orders rose to +22% from +13% in Q4.

The services sector continued to show growth levels lower than previous trends, with the balance of firms reporting improvements increasing only to +10% from +8% in Q4. For advance export orders, the balance fell slightly for firms in the services sector, to +5% from +6%.

*Balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.



The adjacent graph shows the balance of firms reporting an increase in export sales compared to those reporting a decrease going back to Q1 2008. The balance of manufacturers reporting increased export sales in Q1 2017 rose from the lowest post-recession level in Q4 2015.

BCC Trade Confidence Index - Global

Many types of exports require supporting commercial documentation. UK Chambers of Commerce issue certified trade documentation required for exports outside the EU and as a result, the British Chambers of Commerce have amassed a significant dataset around UK merchandise exports. The Egyptian-British Chamber of Commerce does the same but solely for UK merchandise exports to Egypt. The data collected from this process shows an index of trade document certification.

The BCC Trade Confidence Index for Q1 2017 - a measure of the volume of UK trade documentation issued nationally - increased by 5.5% on Q4 2016, and by 9% on Q1 2016, the index now stands at 126.55.

The largest quarterly increases in export documentation were in Northern Ireland (20.7%), the North East (12.8%), and the West Midlands (9.6%).

CHART 4



Source: [British Chambers of Commerce Quarterly International Trade Outlook Q1 2017](#)

EBCC Trade Confidence Index - Egypt

Prior to 2016, the global downturn, and in particular the unrest in the Middle East region, caused a serious drop in volume of UK export documents certified for the Egyptian market. With stability returning to Egypt, we saw significant growth in 2014 that carried on into the beginning of 2015. Growth slowed in the latter half of 2015 as foreign currency dwindled due to a lack of tourism and FDI revenue streams.

mandatory for overseas exporting companies to submit certain export documents when shipping goods to Egypt – as a result the Chamber saw a significant increase in UK export documentation in the first two quarters of 2016. However, despite mandatory documentation, growth slowed again in the second half of 2016 as economic constraints persisted. Trade in Q1 2017 picks up compared to the latter half of 2016, but – in the short term - is still hampered by measures implemented as part of Egypt’s economic reform programme.

New export documentation decrees were issued by the Egyptian government in December 2015 and early 2016 – making it

Taking 2007 as a base year at 100, Q1 2017 underperforms at 71.41.

CHART 5



Export Documentation Analysis & Forecast

The trade documentation recovery in 2014 and the beginning of 2015 could mainly be attributed to a return of political stability and increased confidence in Egypt's economic recovery post Arab Spring. However, reform momentum faded towards the end of 2015 and continued to hinder trade growth in 2016. A lack of tourism and FDI revenue streams led to a severe shortage of foreign currency in the market. While some of the bans on outflow of foreign currency were lifted earlier in 2016, foreign exchange shortages still curbed production – and consequently the export of Egyptian value-added merchandise – throughout the year.

The Executive Board of the International Monetary Fund (IMF) approved a three-year \$12 billion loan to Egypt in November 2016 to support Egypt's economic reform programme. In July 2017, the IMF approved the first review of Egypt's extended fund facility which allows the disbursement of about \$1.25 billion. The deal with the IMF involved a number of crucial measures, including a cut to Egypt's budget deficit, a reduction of subsidies, and tax increases.

A vital part of Egypt's economic reform programme, as supported by the IMF, was the decision last November to float the Egyptian pound. Following this

decision, the pound lost about half its value with prices soaring at its fastest pace in almost 12 years last December – pushed higher by a rise in fuel prices and a newly introduced value added tax.

The currency has stabilized considerably since, and is now trading at close to EGP 18 to the dollar. Inflation – currently at an all-time high of 33 % – is also expected to drop in the second half of 2017.

In short, we expect some short-term volatility, but these new economic measures will boost medium term market recovery. Egypt is a more affordable place to travel to and invest in; there will be a time lag however, as investors will only start coming in when the USD:EGP rate reaches stability.

The increased liquidity should however boost trade; and in particular Egyptian exports, as goods have now become more competitive in the global market.

While documentation levels in Q1 2017 improved from levels seen in Q4 2016, the recovery is volatile. Towards the second half of the year we estimate that recovery will start to take hold, on the back of the CBE's further easing of restrictions on outflow of foreign currency, a stabilizing exchange rate and an improved investment climate.

Highlights from the IMF statement following the IMF's First Review of Egypt's Economic Reform Programme

"The liberalization of the exchange rate, as well as the introduction of a VAT and continuing with energy subsidy reform to strengthen the fiscal position, have all had significant effects. Foreign exchange shortages are resolved and interbank market activity is recovering. Egypt has regained investors' confidence. Meanwhile, Egypt's GDP growth reached 3.9% in the first quarter of 2017 and primary fiscal deficit has fallen by about 2% of GDP.

The authorities see reducing inflation as a key priority for safeguarding the welfare of people across Egypt. We also commend the CBE (Central Bank of Egypt) for maintaining a floating exchange rate regime and sustaining adequate official reserves.

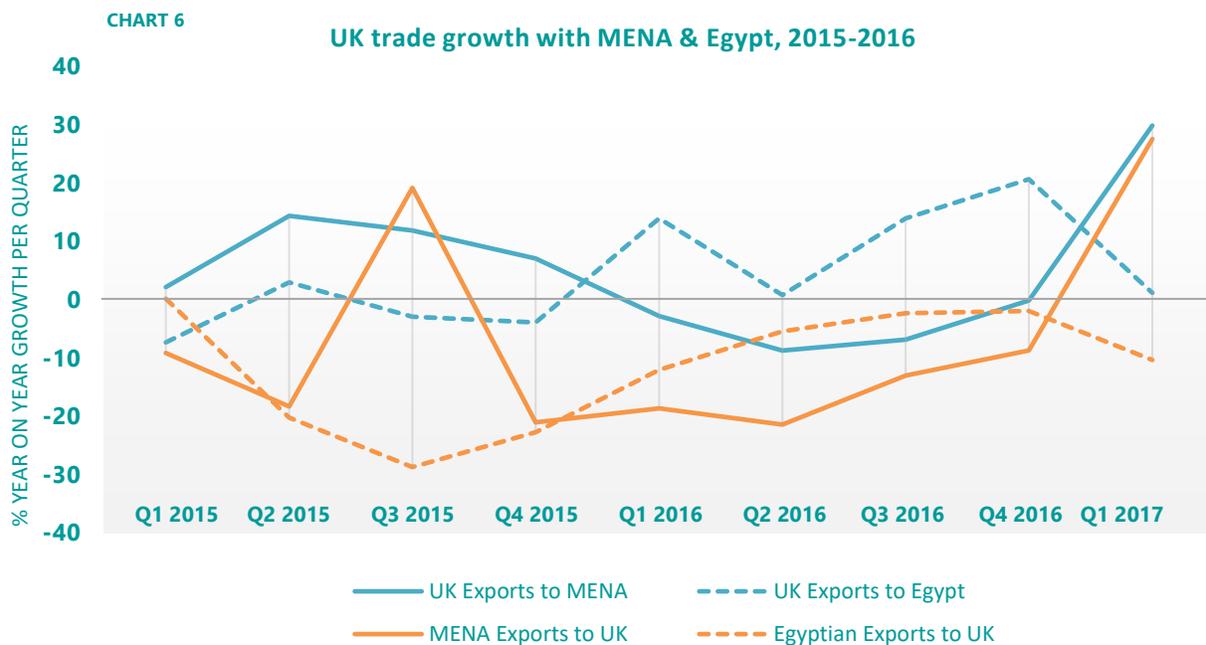
The Ministry of Finance has drafted a very strong budget. We welcome in particular the plans to raise the VAT rate, and to continue the process of reforming energy subsidies over the three years of the program. We also welcome the very good progress made on structural reforms, especially Parliament's approval of the new industrial licensing and investment laws." Chris Jarvis, IMF (May 2017)

3. UK Trade with the MENA Region & Egypt

- The value of UK trade with the Middle East and North Africa (MENA) recovers rapidly in 2017 after a volatile 2015, and largely negative growth in 2016.
- UK trade with Egypt lags behind, with only marginal growth in value of UK exports to Egypt (1.2%) and a drop in value of Egyptian exports to the UK (-10.3%)

The value of UK trade with the Middle East and North Africa (MENA) shows volatility in 2015, and largely negative growth in 2016 (see chart 6). There is however a gradual trend upwards in the second half of 2016.

In Q1 2017, the upward trend continues - and indeed is sharper - for trade between the UK and the MENA region; by comparison, trade between the UK and Egypt underperforms. UK exports to Egypt continue to out-perform Egyptian exports to the UK in terms of both value and growth percentage, but the significant growth we saw in the second half of 2016 is not maintained. Compared to Q1 2016, UK exports to Egypt increase by a marginal 1.2 %. Egyptian exports to the UK lag further behind; exports to the UK drop by 10.3 % in Q1 2017 compared to the same period a year earlier.



Commodity Prices – Fuel

Fuels saw the biggest decline in prices of any category of primary commodities in 2016, falling 16.5 % year-on-year. The weakness of fuel prices was partly explained by the resilience of crude oil production in the United States, including from non-traditional sources such as shale. According to the US Energy Information Administration, oil output declined in the first half of 2016 but rose in the second half, limiting the year-on-year decline in output to 5.5 %. However, production for the year was still 77 % higher than the level recorded in 2008.

This decrease in value of fuel exports contributed to a 21 % fall in the value of MENA merchandise exports in 2015 compared to the year before, where fuel exports fell by 50 % for the same period.

The value of Egyptian merchandise exports to the UK was similarly affected; in 2015 export value fell by 28 % compared to 2014. Fuel exports fell by 71 % for the same period.

This trend continued in 2016; the value of MENA merchandise exports to the UK dropped by close to 9 %, largely as a result of the 48 % drop in value of fuel exports.

The value of Egyptian fuel exports fell by another 36 % in 2016 compared to the year before. Other export sectors fared better in 2016, compensating for the loss of fuel revenues. As a result, Egyptian merchandise exports only dropped by 2 % in 2016 compared to a year earlier (for details see table 5 on page 18).

Egypt's Share of MENA Trade with the UK

In the years prior to 2008, Egypt recorded a 7 percent share of MENA trade with the UK on average. As a result of the Arab Spring - and subsequent political and economic turmoil - Egypt's percentage share of MENA trade with the UK dropped significantly.

In 2016, UK trade with MENA slowed whereas trade with Egypt fared comparatively better; at the start of 2017 the tables turn.

Egypt's share of UK exports to MENA drops from 5.5% to 4.3 % in Q1 2017, compared to Q1 2016. Egypt's share of UK imports from MENA drops from 6.3% to 4.4% in 2017 compared to a year earlier (see table 1 and 2).

UK Exports

TABLE 1

	Q1 2017	Q1 2016	% Change
MENA	£5,998bn	£4,617bn	29.9
Egypt	£257m	£254m	1.2
% of MENA	4.3	5.5	

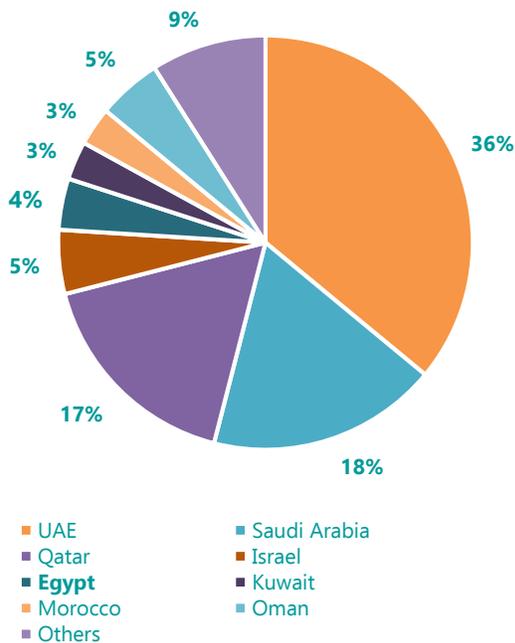
UK Imports

TABLE 2

	Q1 2017	Q1 2016	% Change
MENA	£3,559bn	£2,790bn	27.6
Egypt	£157m	£175m	-10.3
% of MENA	4.4	6.3	

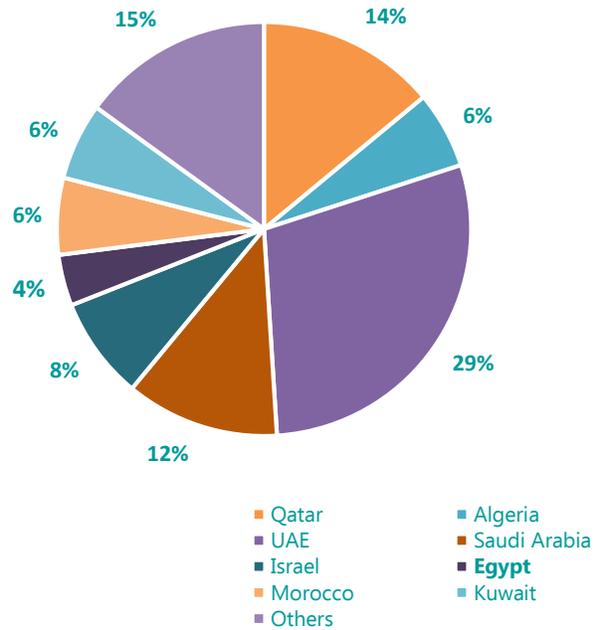
CHART 7

UK Exports to MENA



UK Imports from MENA

CHART 8



4. UK Trade with the MENA Region & Egypt: Product Breakdown

- UK exports to Egypt continue to out-perform Egyptian exports to the UK in 2016.
- Products that contribute to the growth in value of UK exports to Egypt in Q1 2017 include electrical machinery, metals, transport equipment and mineral products.
- Egyptian exports are hindered by a drop in volume and value of mineral exports to the UK.
- Products that contribute positively to total Egyptian export figures in Q1 2017 are fruit & vegetables, plastics & rubber, transport equipment and building materials.

UK Exports to Egypt

Egypt is in the midst of a construction boom. In February 2016, the Egyptian government launched its Sustainable Development Strategy – Egypt’s Vision 2030, setting out national goals for the next 15 years. The Ministry of Trade & Industry aims at gradually reaching an industrial growth rate of 8% by FY 2019/2020, and increasing the contribution of the industrial sector to GDP from 18% to 21% by 2020.

At the top of the government’s priorities list is a comprehensive urban development plan that expands and creates new cities across Egypt by developing 80,000 feddans (336 square kilometers) a year to contain the rapidly growing population. Large government priority projects, such as the New Administrative Capital, the expansion of the Cairo metro line and water treatment projects in Upper Egypt, continue to promote growth in the sector.

As a direct result, the main drivers of UK export growth to Egypt in the first quarter of 2017 are oils, metals and transport equipment (see table 3 and chart 9). UK export of lubricating and heavy oils (export value: £5.4 million) as well as gas oils used for equipment and machinery in the

18%

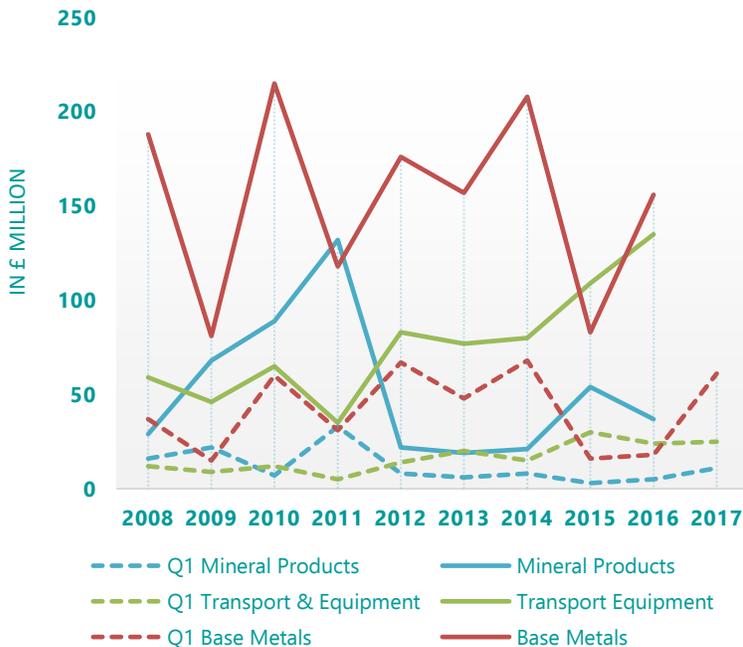
Industrial sector contribution to Egypt’s GDP in 2016

construction and agriculture sector (export value: £3.3 million) show very strong growth.

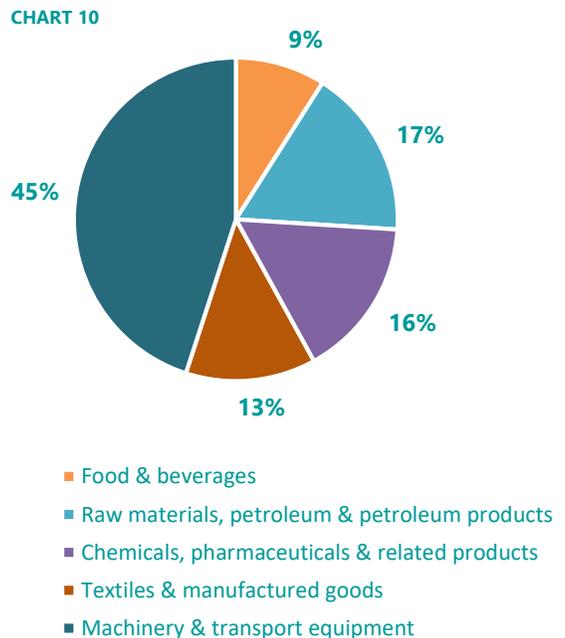
Export of transport equipment also shows continuous growth particularly since 2015, and performs well in Q1 2017 (export value: £25 million).

UK exported value of base metals (iron & steel, export value: £43 million) to Egypt has historically been more volatile – and is susceptible to volatility in world market prices of metals. However, the strong export performance in Q1 2017 is indicative of a significant increase in export value this year (see chart 9); and in line with the gradual increase in world market prices of metals since June 2016 (see chart 1).

CHART 9
Growth in value of main UK export products to Egypt 2008-2017



UK exports to Egypt by product group



UK Exports to Egypt, Product Breakdown

TABLE 3

Rank	Commodity	2017	2016	% Change
1.	Machinery & Mechanical Appliances (16), of which:	70,885,687	105,521,453	-32.8
	<i>Machinery & Mechanical Appliances</i>	<i>42,545,093</i>	<i>83,599,362</i>	<i>-49.1</i>
	<i>Of which: Turbojets</i>	<i>2,905,991</i>	<i>36,129,507</i>	<i>-92</i>
	<i>Electrical Machinery & Equipment</i>	<i>28,340,594</i>	<i>21,922,091</i>	<i>29.3</i>
2.	Base Metals & Articles of Base Metal (15)	60,657,244	17,587,123	244.9
3.	Chemicals (6), of which:	34,978,828	35,784,424	-2.3
	<i>Pharmaceutical Products</i>	<i>13,107,208</i>	<i>16,682,627</i>	<i>-21.4</i>
4.	Transport & Equipment (17)	25,123,485	23,971,412	4.8
5.	Medical & Other Instruments and Parts (18)	13,463,258	13,504,865	-0.3
6.	Vegetable Products (2), of which:	12,275,677	19,510,184	-37.1
	<i>Fruit & Vegetables</i>	<i>12,148,054</i>	<i>19,356,422</i>	<i>-37.2</i>
7.	Mineral Products (5)	11,214,971	5,479,947	104.7
8.	Plastics, Rubber and Articles Thereof (7)	9,744,069	7,654,878	27.3
9.	Paper & Paperboard (10)	9,545,811	10,120,130	-5.7
10.	Prepared Foodstuffs (4)	2,792,612	3,238,887	-13.8
11.	Live Animals & Animal Products (1)	2,232,112	2,509,737	-11.1
12.	Miscellaneous Manufactured Articles (20)	1,747,306	1,454,919	20.1
13.	Textiles & Textile Articles (11)	1,727,952	1,944,474	-11.1
14.	Building Materials (13)	373,793	600,025	-37.7
15.	Precious Stones, Metals & Jewellery (14)	225,104	4,097,189	-94.5
16.	Leather, Hides & Skins (8)	137,550	182,205	-24.5
17.	Fashion Accessories (12)	101,912	199,582	-48.9
18.	Arms & ammunitions (19)	83,147	25,000	232.6
19.	Animal or Vegetable Fats & Oils (3)	50,215	79,838	-37.1
20.	Wood and Articles Thereof (9)	24,124	112,473	-78.6
21.	Art & Antiques (21)	5,008	434,739	-98.8
22.	Other (22)	29,581	18,586	59.2
	Total	257,419,446	254,032,070	1.3

- All figures are in £ thousand
- Full product index on page 19

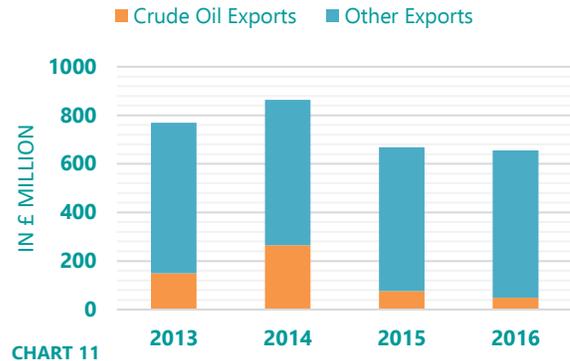
Egyptian Exports to the UK

Some of the main drivers of UK export growth to Egypt in Q1 2017 are plastics & rubber (+82.9%) transport equipment (+87.5%) and building materials (+40.7%). Egypt primarily exports ceramic sanitary fixtures and articles of natural & building stone used for the UK construction industry.

The fruit & vegetables sector also performs well; in 2016, the sector contributed a record £120 million to overall Egyptian exports to the UK, and Q1 2017 shows a further increase of 9% compared to Q1 2016.

Representative of Egypt’s gradual move up the value chain, chemicals and plastics will be some of the largest contributors to export growth in the long-term (see page 18). The exported value of chemicals to the UK dropped quite considerably in Q1 2017, but already shows a significant increase in Q2 2017. The value of chemicals exports is likely to increase this year, compared to 2016.

Egypt's crude oil exports to the UK



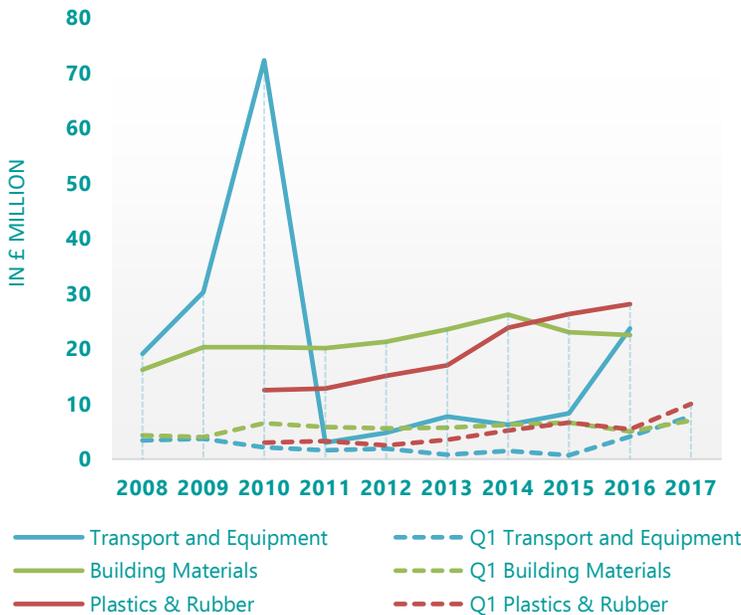
Egyptian Exports that Hinder Growth

The primary cause for the drop in value of Egyptian exports to the UK, is the decrease in export of mineral products from Egypt to the UK during the quarter, as well as a considerable export slowdown in Q1 2017 of turbojets in the machinery sector.

If we take out fuel and turbojet exports, we see an increase of 5.3 % in the value of Egyptian exports to the UK; from £143 million in Q1 2016 to £151 million in Q1 2017.

CHART 12

Growth in value of main Egyptian export products to the UK 2008-2017



Egyptian exports to the UK by product group

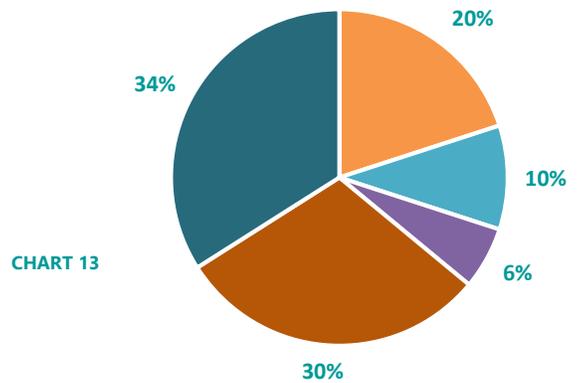


CHART 13

- Agricultural products, food & beverages
- Raw materials, petroleum & petroleum products
- Chemicals, pharmaceuticals & related products
- Textiles & other manufactured goods
- Machinery & transport equipment

Egyptian Exports to the UK, Product Breakdown

TABLE 4

Rank	Commodity	2017	2016	% Change
1.	Machinery & Mechanical Appliances (16)	53,352,117	59,595,504	-10.5
	<i>Machinery & Mechanical Appliances</i>	<i>6,960,454</i>	<i>18,664,399</i>	<i>-62.7</i>
	<i>Of which: Turbojets</i>	<i>5,857,774</i>	<i>17,699,015</i>	<i>-66.9</i>
	<i>Electrical Machinery & Equipment</i>	<i>46,391,663</i>	<i>40,931,105</i>	<i>13.3</i>
	<i>Of which: Insulated Wire, Cable and Other Insulated Electric Conductors</i>	<i>42,863,717</i>	<i>38,315,330</i>	<i>11.9</i>
2.	Vegetable Products (2), of which:	31,062,099	29,304,786	6
	<i>Fruit & Vegetables</i>	<i>30,138,790</i>	<i>27,640,920</i>	<i>9</i>
3.	Textiles & Textile Articles (11)	27,021,192	30,542,634	-11.5
4.	Plastics, Rubber and Articles Thereof (7)	10,026,115	5,483,077	82.9
5.	Transport & Equipment (17)	7,750,249	4,133,011	87.5
6.	Building Materials (13)	7,001,925	4,977,806	40.7
7.	Paper & Paperboard (10)	5,613,013	5,673,381	-1.1
8.	Precious Stones, Metals & Jewellery (14)	4,596,969	783,679	486.6
9.	Chemicals (6)	3,641,833	14,503,255	-74.9
10.	Medical & Other Instruments and Parts (18)	3,399,152	2,654,717	28
11.	Base Metals (15)	2,476,881	996,523	148.6
12.	Prepared foodstuffs (4)	489,904	907,674	-46
13.	Animal or Vegetable Fats & Oils (3)	207,205	255,817	-19
14.	Mineral Products (5)	172,454	13,821,642	-98.8
15.	Miscellaneous Manufactured Items (20)	96,993	336,132	-71.1
16.	Live Animals & Animal Products (1)	50,284	2,737	1737.2
17.	Wood and Articles Thereof (9)	29,830	120,718	-75.3
18.	Art & Antiques (21)	27,971	179,117	-84.4
19.	Fashion Accessories (12)	6,489	905,481	-99.3
20.	Leather, Hides & Skins (8)	-	2,553	-100
21.	Other (22)	390,879	347,061	12.6
	Total	157,413,554	175,527,305	-10.3

- All figures are in £ thousand
- Full product index on page 19

EGYPT'S INDUSTRY HIGHLIGHTS

Manufacturing – Chemicals & Plastics

The chemicals and plastics sector has a long history in Egypt, and it is becoming an increasingly important component of the country's industrial output and export base.

With strong demand for a range of industrial chemicals and for plastics to serve the thriving **fast-moving consumer goods market**, the sector is likely to become an industrial heavyweight in the coming years.

In June 2017, chemical exports registered \$320m, an increase of 17% compared to June 2016, according to the Chemical Export Council (CEC).

The CEC reported that total chemical exports in the first half of the current year registered \$2.1bn, with a growth rate of 36%.

In fact, plastic and rubber products were ranked first with \$662.9m in June 2017 compared to \$516.4m in the same period last year, with an increase of 18%.

The sector also increasingly services the domestic Egyptian market. Several major multinational manufacturers have announced plans to expand production in Egypt and use the country as a regional manufacturing base on the back of an improving macroeconomic outlook. US confectioner Mars is to invest LE750m (\$41.9m) over the following 18 months to boost exports from 50-60% of its production in Egypt to 80%. Unilever plans to double its assets in Egypt and turn the country into a regional export centre.

The recent fall in the Egyptian pound (as a result of the flotation in November 2016) – and subsequent rise in import costs – has led some of these manufacturers to look at increasing the proportion of raw materials and packaging they source from within Egypt, with benefits likely for local suppliers.

70% of the packaging for Mars products is currently sourced locally, though the firm hopes to increase that to 100% by next year. The quality of local suppliers and service providers in Egypt is seen as another comparative advantage.

The government aims to increase manufacturing's share of GDP from 16.6% in 2015 to 25% in 2020, creating 3 million jobs in the process. In order to achieve this, a reliable source of energy is vital. Domestic gas supply is rapidly recovering thanks to a range of newly tapped deposits and investment in existing fields, helping to support the government's aims to substantially increase industrial output. Total gas production is expected to increase by 50% in 2018, and double by 2020.

US\$ 663 Million

Egypt's total export value of plastics in first half of 2017

Real estate sector Shows Promise

Despite Egypt's macroeconomic headwinds, the country's real estate market has benefitted in recent months from steady demand and currency reforms, resulting in a busy pipeline of new projects and investment funds.

Bolstered by demand from the country's 92 million residents – and a housing deficit estimated to be as many as 3 million units – several large developers have announced new or expanded plans for mixed-use projects.

On the sidelines of the Cityscape Egypt 2017 event – the largest real estate investment & property show in Egypt – for example, local company Hyde Park Properties for Development announced a LE12.5bn (\$692.3m) project to be built by 2023 on the north coast. The project broke ground in July, and will comprise around 1000 residential units, a hotel district and a commercial site located on 1 million sq metres of land.

Similarly, ARDIC for Real Estate Developments unveiled a new phase of its LE1.2bn (\$66.3m) Zizinia El Mostakbal project in New Cairo, which will have 45 buildings and 1800 units when completed in 2020.

A number of other mixed-use projects are expected to be announced in the near future, alongside larger developments such as the New Administrative Capital, a 700-sq-km city to be built east of Cairo with the potential to house 5m people.

Long-Term Outlook

The Chamber is encouraged by the progress made in 2016 on Egypt's economic reform programme. It is progress that continues in 2017, with growth expected to return to a healthier 4.8% in FY 2017/18 up from 4.1% in 2016/17.

With foreign exchange now more readily available after the Central Bank of Egypt (CBE) liberalised the exchange rate in November 2016, the outlook for 2017 is more optimistic. Assuming reforms continue to be implemented, growth should pick up slightly because of positive developments in the gas, manufacturing and real estate sectors,

alongside recovery in the tourism sector from recent security-related issues.

However, managing to contain the large fiscal and current account deficits in an environment of high inflation will be a challenge in the remainder of 2017 and beyond.

But research shows that, while facing short- and medium-term challenges – Egypt's long-term economic and trade outlook is largely positive.

Full Product Index

1. Live animals; animal products
2. Vegetable products
3. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
4. Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes
5. Mineral products
6. Products of the chemical or allied industries
7. Plastics and articles thereof; rubber and articles thereof
8. Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)
9. Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basket-ware and wickerwork
10. Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof
11. Textiles and textile articles
12. Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair
13. Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware
14. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coins
15. Base metals and articles of base metal
16. Machinery and mechanical appliances; electrical equipment; parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
17. Vehicles, aircraft, vessels and associated transport equipment
18. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof
19. Arms and ammunition; parts and accessories thereof
20. Miscellaneous manufactured articles
21. Works of art, collectors' pieces and antiques
22. Others

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