

*General Authority for
Investment and Free Zones*

Egypt : On the brink of change

Investment for Growth

June 2014



Content

- About GAFI
- Political Roadmap and Consensus Building
- Pro-Investment Policies
- Government and Investment Stimulus
- Signs of Early Recovery
- Room for Corporate Growth
- Key FDIs (2011 – 2013)
- Investment Opportunities



Who We Are

Who are we

- GAFI is the principal governmental authority concerned with regulating and facilitating and promoting investment and stands ready to assist investors worldwide.

Vision

- Position Egypt as the location of choice for business and innovation

Mission

- Enabling and sustaining Egypt's economic growth through investment promotion, facilitation, efficient business services and advocacy of investor friendly policies.

Mandate

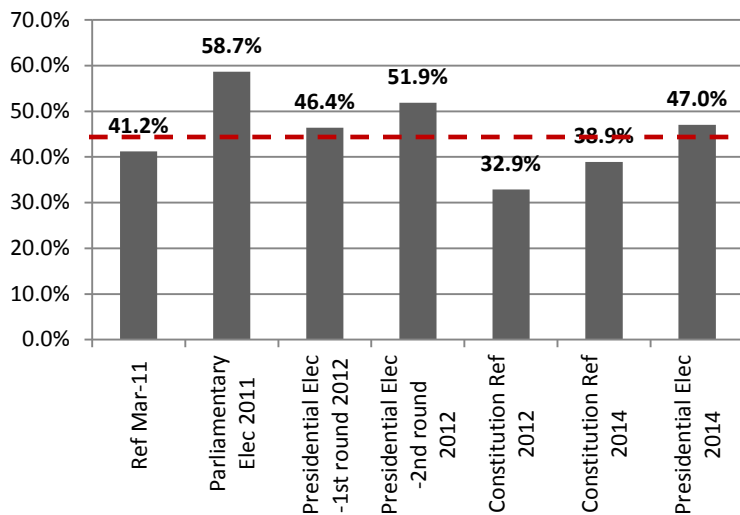
- Promoting Egypt's potential sectors; attracting new investments; Greenfield or Expansions. providing services to investors through the "One Stop Shop" in addition to supporting and accelerating the development of competitive and strategic clusters.



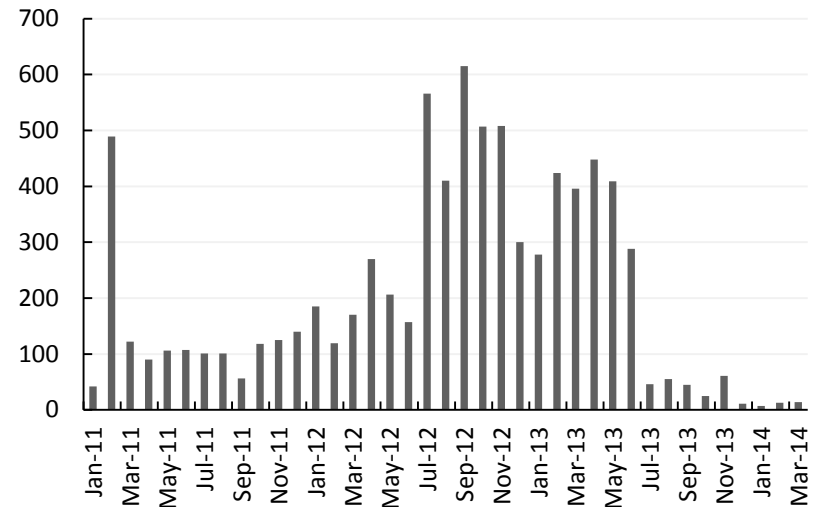
A new start solidifying consensus building

- Presidential elections confirms commitment to Egypt’s political roadmap.
- With a popular president and a new constitution, Egypt is on track towards a well-established political scene by 4Q14 (*Parliamentary elections expected by October 2014*).
- This advocates social stability and reflects solid moves to reinstate medium and long-term stability - the core of a conducive investment climate – that is clearly evident in the deceleration of the average monthly strikes.

Presidential elections turnout (47% preliminary) – above Post 2011 average of 45%



Average monthly strikes since revolution



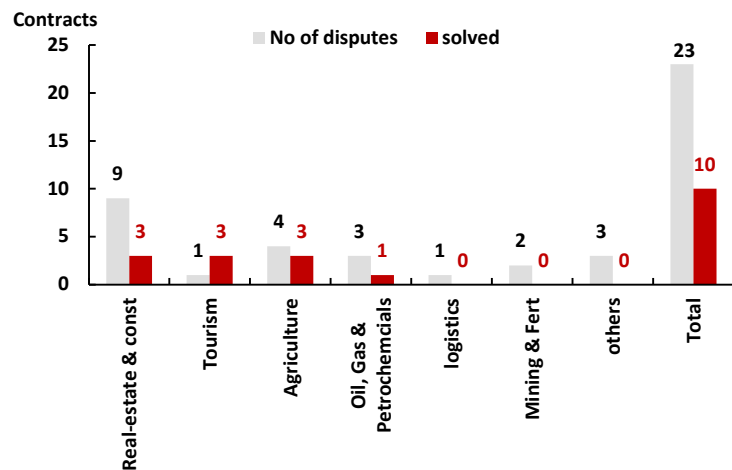
Source: Ministry of Investment, Basera & Egyptian Center for Economic & Social Rights



Pro-investment policies to help restore investors' confidence..

- Enforcing a law that limits appeals/challenges to contracts between the government and investors to the parties involved only. A step that was seen crucial to remove legal hurdles and improve the business climate.
- Settling investor's disputes with the set of new regulations imposed –**43% of investor's disputes were resolved under the mechanism of contract reconciliation.**
- Aftercare Department, Disputes Settlement Center, Ministerial Dispute Settlement Committee, The Contracts Committee , Modification of the Investment law No. (8) year 1997
- Settling dues with foreign oil and gas companies to boost investors' confidence – already the Central Bank paid USD1bn of these arrears in December 2013. Likewise, settling dues with contractors.

Contracts reconciliation committee



Ministerial dispute settlement committee

Authority	Number
Ministry of Housing, Urban Development and affiliates	35
Ministry of Finance , Justice, Investment and affiliates	129
Ministry of Health, Electricity, Agriculture, Industry, Tourism and affiliates	15
Other ministries, authorities and affiliates	159
Total Settlement	338

Source: Ministry of Investment



...and jumpstart the economy through investment stimulus

- The government allocated an investment stimulus of EGP29.7bn in 2013, mainly targeting infrastructure projects. Another stimulus of EGP34bn was introduced in early 2014, +60% is also directed to infrastructure projects.
- Such off-balance sheet spending - accounting for 3.6% of GDP - should help alleviate high unemployment and achieve the targeted GDP growth of 2% in FY13/14.
- Focus on social justice measures reflects the commitment to ensure social stability which is a basic foundation for attracting investments.

First stimulus package (EGP29.7bn)

Projects	EGP bn
Upgrading roads and transportation network	6.74
Supporting and developing national industry program	4.35
Upgrading water, sanitation, and natural gas networks	4.06
Social housing program	3.05
Supporting power networks	2.92
Settling contractors' arrears with the government	2.2
Upgrading health services network	0.63
National land reclamation program	0.52
Investment stimulus	24.48
Social justice stimulus	5.26
Total	29.74

Second stimulus package – EGP34bn

Projects	EGP bn
Construction of 50 k housing units	10.40
Government investments	5.60
Government contribution in Suez Canal corridor project	2.00
Others	4.60
Investment stimulus	22.60
Minimum wage implementation	10.00
Allocation to subsidies and social grants	1.40
Social justice stimulus	11.40
Total	34.00

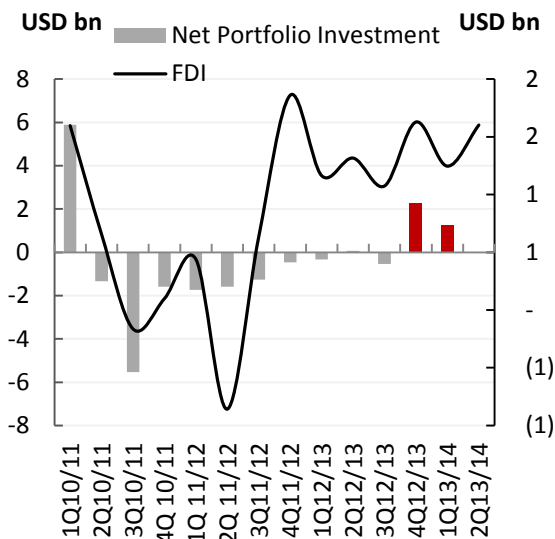
Source: Ministry of Planning & Ministry of Finance



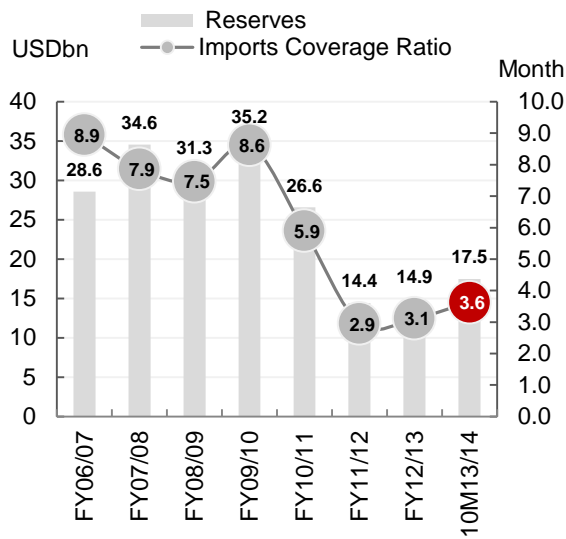
Reflecting signs of economic performance early recovery...

- Economic figures signal a bottoming out with net portfolio investment shifting to an inflow of USD1.2bn in 1H13/14 from the persisting outflow over the past two years.
- Quarterly FDI inflows averaged +USD1bn since 3Q12/13. In 1H13/14 net FDI rose to USD2.8bn (vs USD2.5bn a year earlier) driven by the increase in net Greenfield investments and inflow for the oil sector.
- Stable net international reserves level – covering 3.6 months of imports up from 3 months in 2012.
- Sovereign credit ratings upgraded by S&P and Fitch of long- and short-term foreign and local currency debt to B-/B from CCC+/C, with a 'stable' outlook.

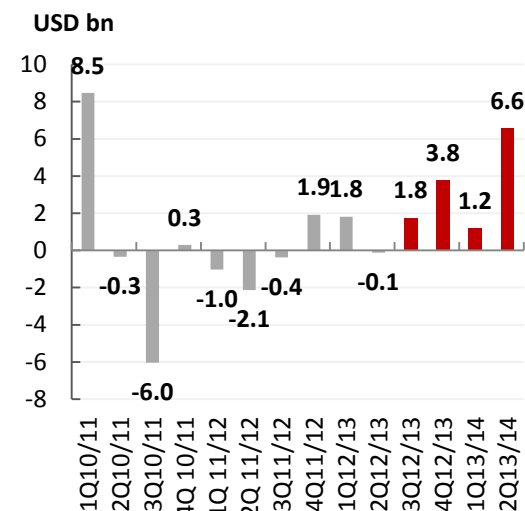
Net portfolio investment and FDIs



Net international reserves



Net foreign currency inflow



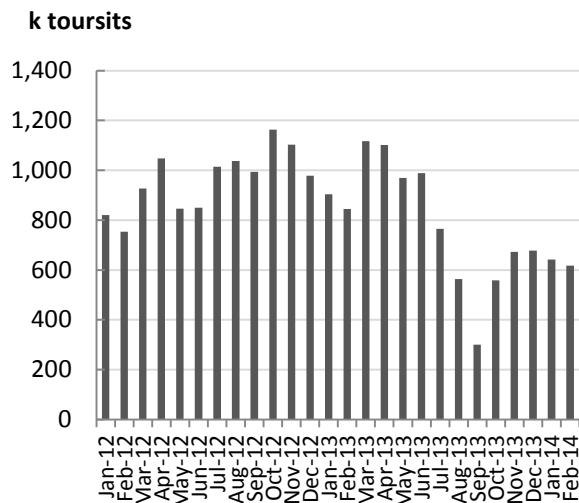
Source: Central Bank of Egypt



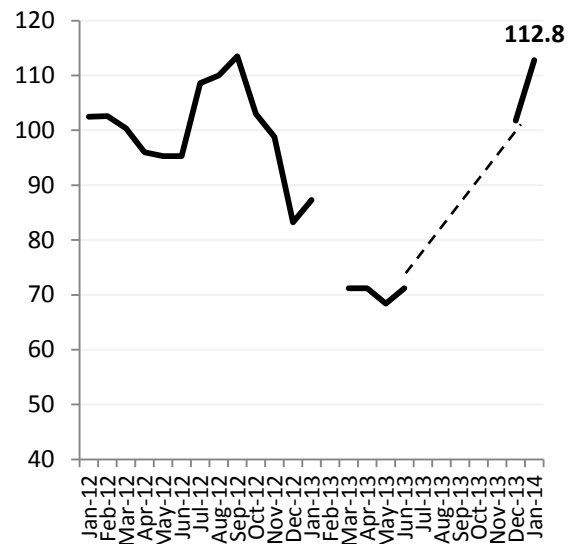
Reflecting signs of economic performance early recovery...

- A pick-up in tourist arrivals as 26 countries lifted their travel ban to Egypt in November 2013
- A rise in consumer confidence index to its two years high of 113 which reflects solid moves towards stability

Tourist arrivals



Consumer Confidence Index



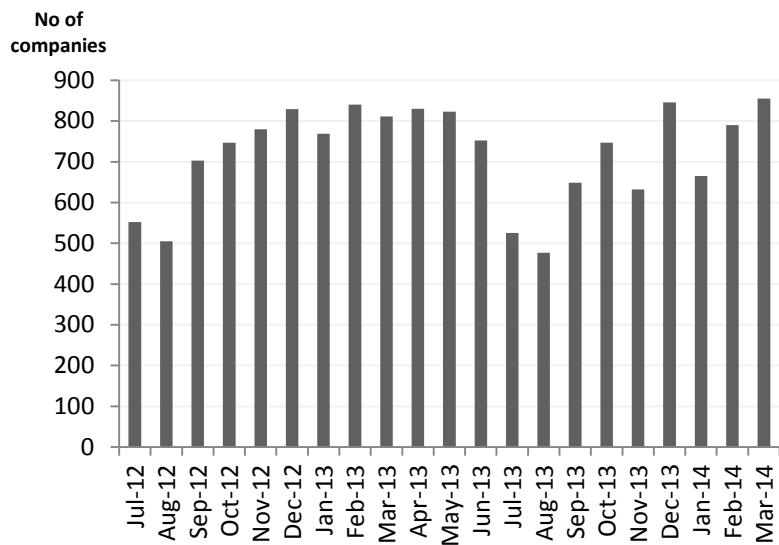
Source: CAPMAS, Bloomberg & IDSC



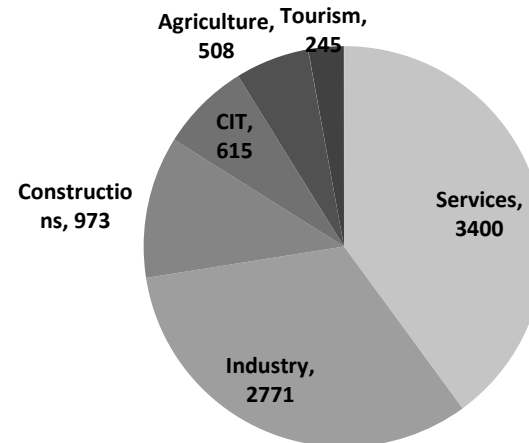
...as Egypt moves towards an upturn in investment growth

- Monthly average number of established companies increased to 770 in 3Q13/14 up from an average of 742 companies a quarter earlier and a monthly average of 654 companies in 2012.
- The services sector topped new establishments (40%) in 2013; followed by the industrial sector accounting for 33%.

Newly established companies



New establishment by sector - 2013



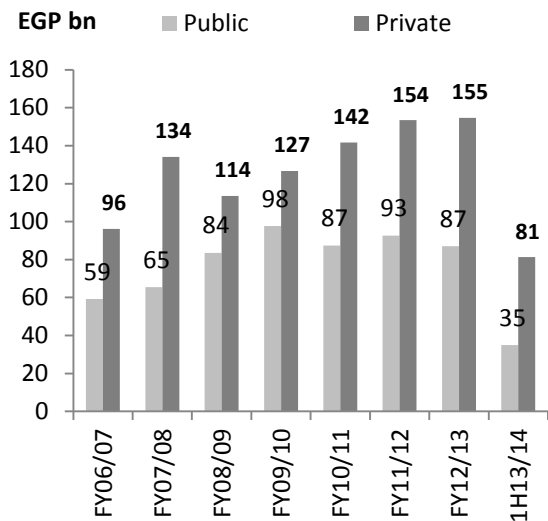
Source: GAFI & Central Bank of Egypt



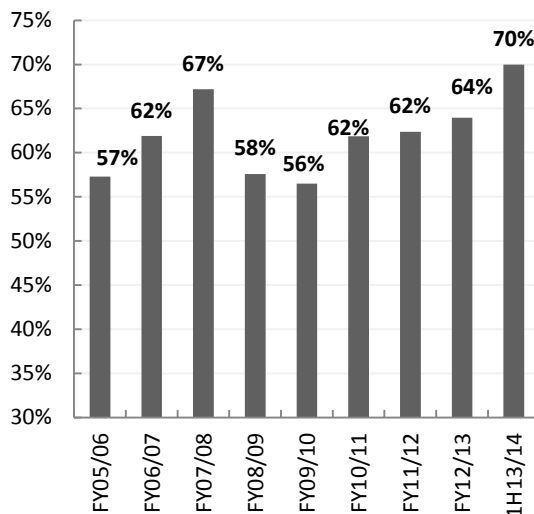
Acknowledging its importance amidst tight budget

- As subsidies, wages and interest payment erode 82% of government expenditure in FY12/13; the government has limited capacities to stimulate investment particularly with a target of 12% deficit to GDP in FY14/15
- Thus, private sector investments is to take the lead to help accomplish employment targets.

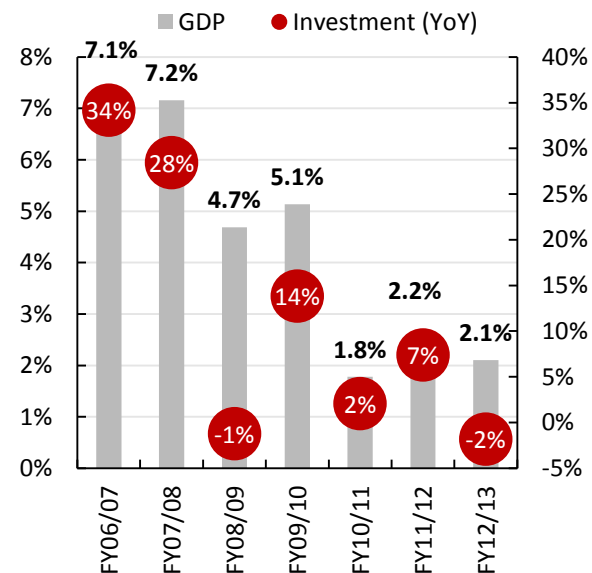
Implemented investments



Private sector contribution in investments



Investment drives growth



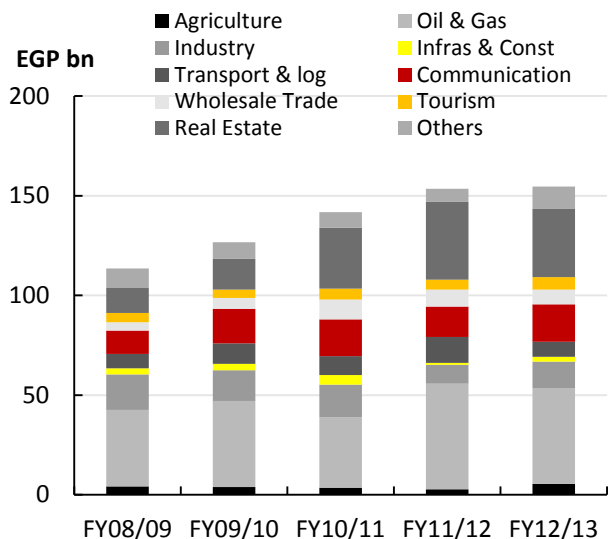
Source: Central Bank of Egypt & Ministry of Investment



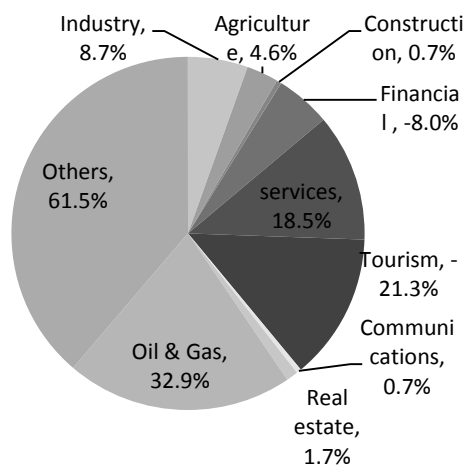
Acknowledging its importance amidst tight budget

- The government targets planned investments of EGP291bn in FY13/14; of which the private sector is to contribute EGP171bn
- This should help alleviate high unemployment rate which reached 13.4% as of December 2013

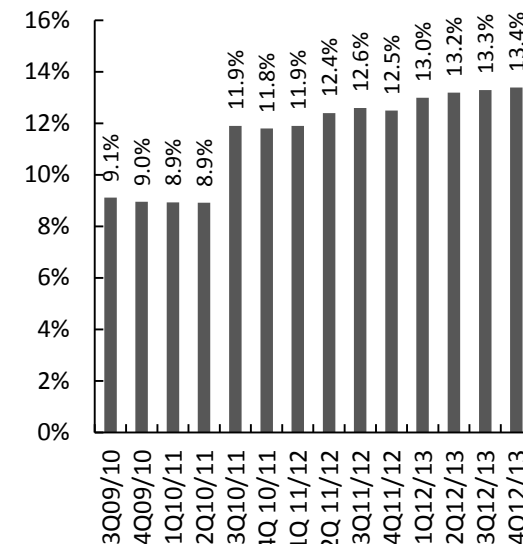
Private sector investments by sector



FY12/13 Net FDI inflow by sector (USD3bn)



Unemployment rate



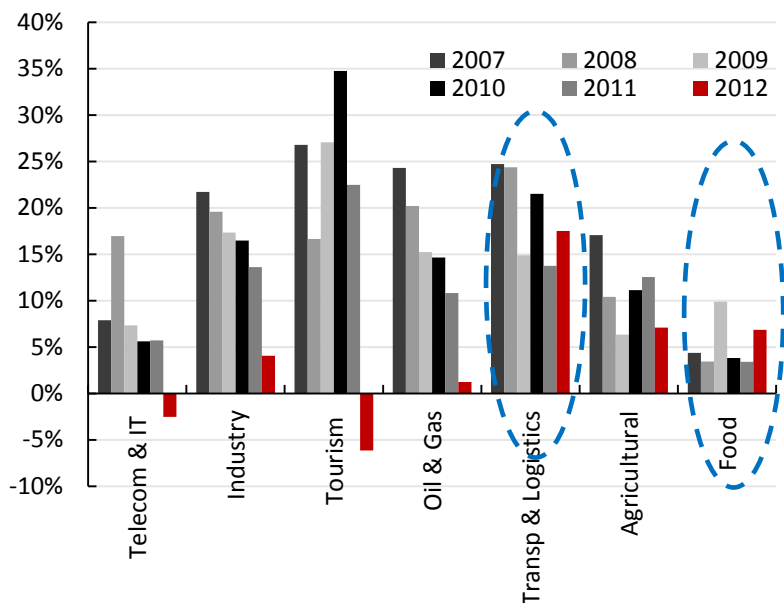
Source: Ministry of Investment



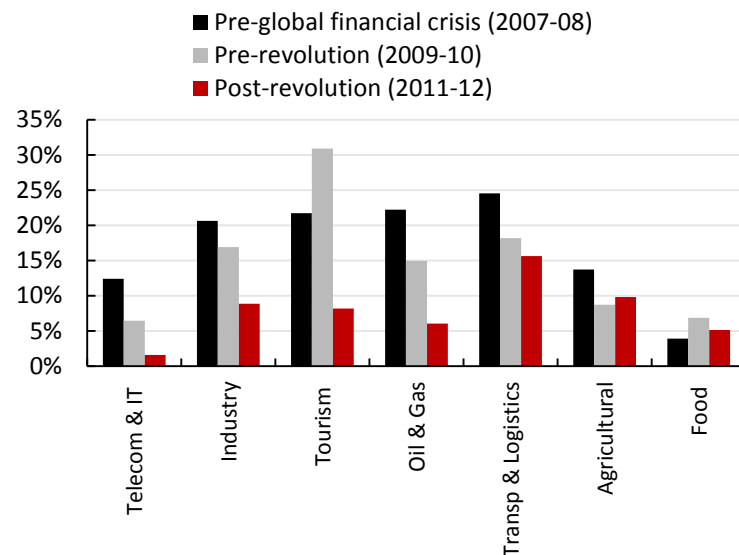
Room for corporate growth.....

- Average ROS for a selected sample reflects a relatively resilient performance for the transport and logistics sector with more potential to deliver – especially as +60% of the introduced investment stimulus targets infrastructure projects. Like wise, the food industries marked an improved returns in 2012 backed by a solid domestic demand.

RoS by sector



RoS by sector (Avg period)



Source: Ministry of Investment

*A sample of selected companies; of which 70% are unlisted in the stock exchange



Key FDIs (2011-13)



TOTAL



Bavarian Auto Group
Driving To Better Future





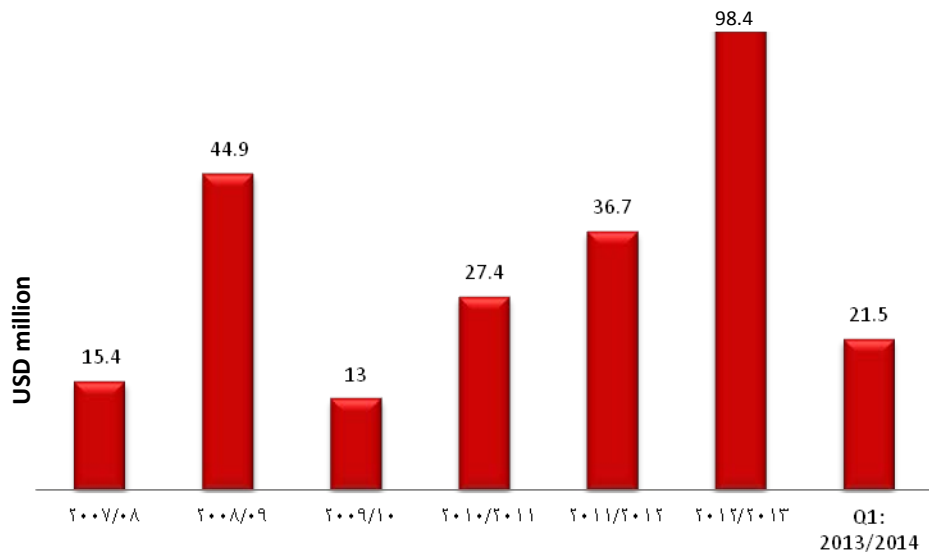
Key Arab investments (2011-13)



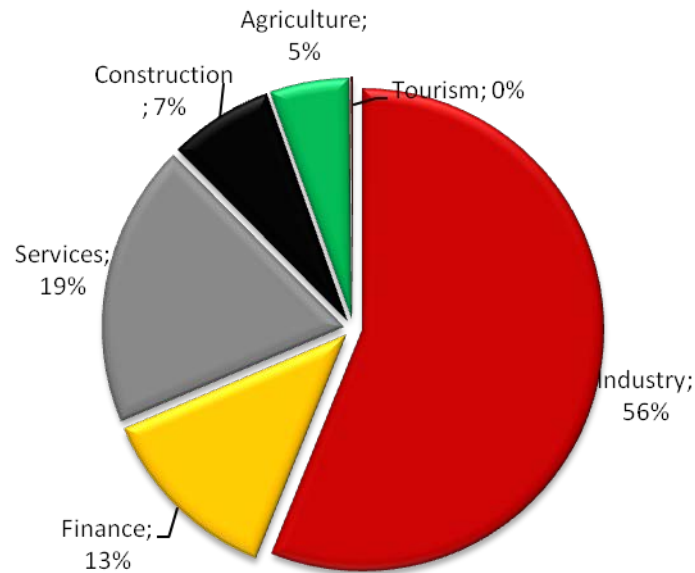


Japanese Investments in Egypt....

Japanese FDI inflow 2007/08 – Q1 2013/2014
Total: USD 257.3 million



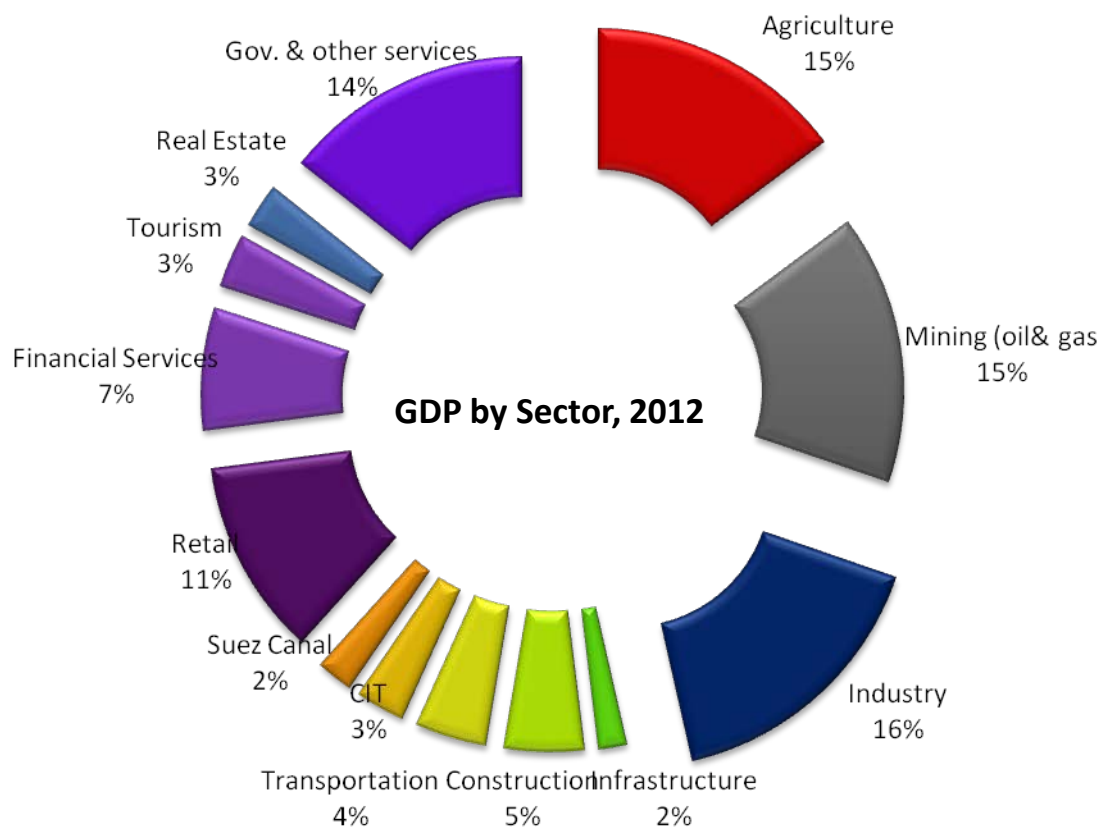
Japanese Investments in Egypt by Sector
1970 – March 2014





Diversified Economy .. resilient during economic hardship

“An important ingredient of Egypt’s success lies in its highly diverse economy. A number of sectors provide the backbone of economic activity in the country, with energy, agriculture and industry being among the most significant. Having such a diverse base obviously allows for greater stability, particularly in times of economic hardship.” *The Banker, 2010*



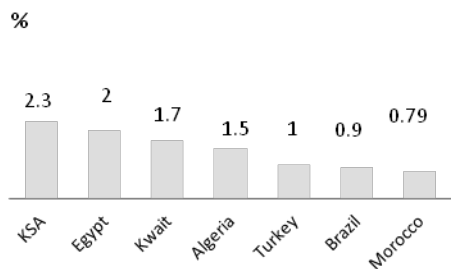
Source; CBE



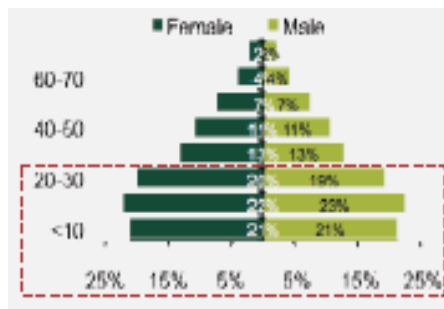
More resiliency with large population and high consumption

- Despite the current economic setback, Egypt underlying fundamentals remain intact.
- Egypt's large and young population, coupled with high levels of consumption are expected to continue contributing to the long term health of Egypt's economy.

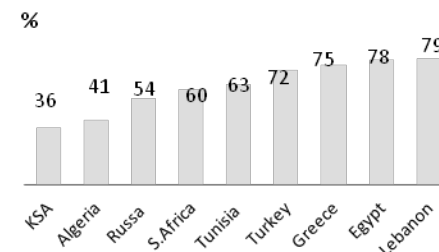
Population characterized by fast growth



... and young age ...

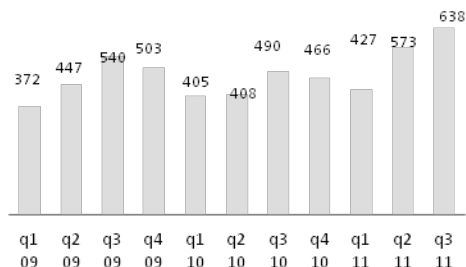


Driving strong consumption to GDP

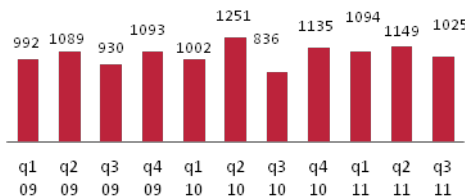


Resilient Consumer Spending

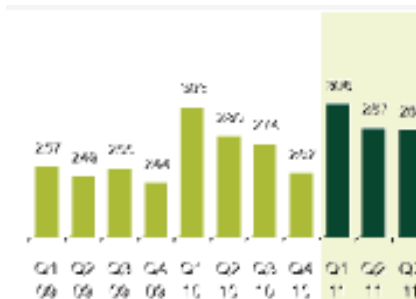
F & B sales (EGP mn)



Cigarettes sales (EGP mn)



Pharmaceuticals sales (EGP mn)





Global Markets; Access and Proximity



- Close proximity to Key global markets in Europe, the Middle East, Africa and the Indian Subcontinent are all readily accessible from Egypt.
- Closer to the European and North American markets than other major exporters
- Suez Canal;
 - the shortest link between the east and the west,
 - Approximately 8% of the world's maritime shipping passes through the Suez Canal each year.
 - Significant savings in distance, time and operating costs.

- Access to Europe, Middle East and Africa**
Accessing 1.5 + billion Customers through multilateral and bilateral trade agreements

59 agreements on double taxation and 71 bilateral investment treaties in effect



Sectors' Snapshot



30% of industrial output
14.2% of Non- Petroleum exports in first three quarters of 2011/2012
30% of local employment in 2010
The only fully vertically integrated textiles industry in the Middle East



20% of total power generation by 2020, 20% of which from Wind Energy
To boost US\$110bn of investment into the power sector by 2027
The leader producer: as Egypt produces almost 57% of the region's total wind energy



Agriculture contributed to around 14.5% of GDP in 2011/2012.
6130 companies operating, total capital reaching EGP 50 billion and manpower of 5 million
Food processing industry in Egypt is better developed than that in many neighboring states, creating strong export opportunities.



Unique geographic location combined with an expanding infrastructure base
8% of the world's maritime shipping passes through the Suez Canal.
Accounting for 4.1% of GDP.



2nd worldwide in terms of market saturation and 5th in terms of growth potential (global retail development index).
63.4% expected growth in the value of retail segment (2013-2017) (BMI).
Top 5 retail players hold only 1.8% of total market share



3rd largest car-producing market in Africa (Nissan, Toyota, Jeep, BMW, Mercedes-Benz, etc.)
Sales rose by 43% reaching 17,463 units in January 2013. total sales of 489 million \$; 4.2 of total exports.
30 assembly plants, and total of 509 companies



Investment opportunities

<i>Oil & Gas</i>	4 projects with USD9bn worth of investments
<i>Tourism</i>	8 projects with USD550mn worth of investments
<i>Transport</i>	31 projects with USD8bn worth of investments
<i>Housing</i>	2 projects with USD150mn worth of investments
<i>General Public</i>	17 projects with USD3bn worth of investments
<i>Electricity & Energy</i>	4 projects with USD1bn worth of investments

Source: Ministry of Investment



Thank you