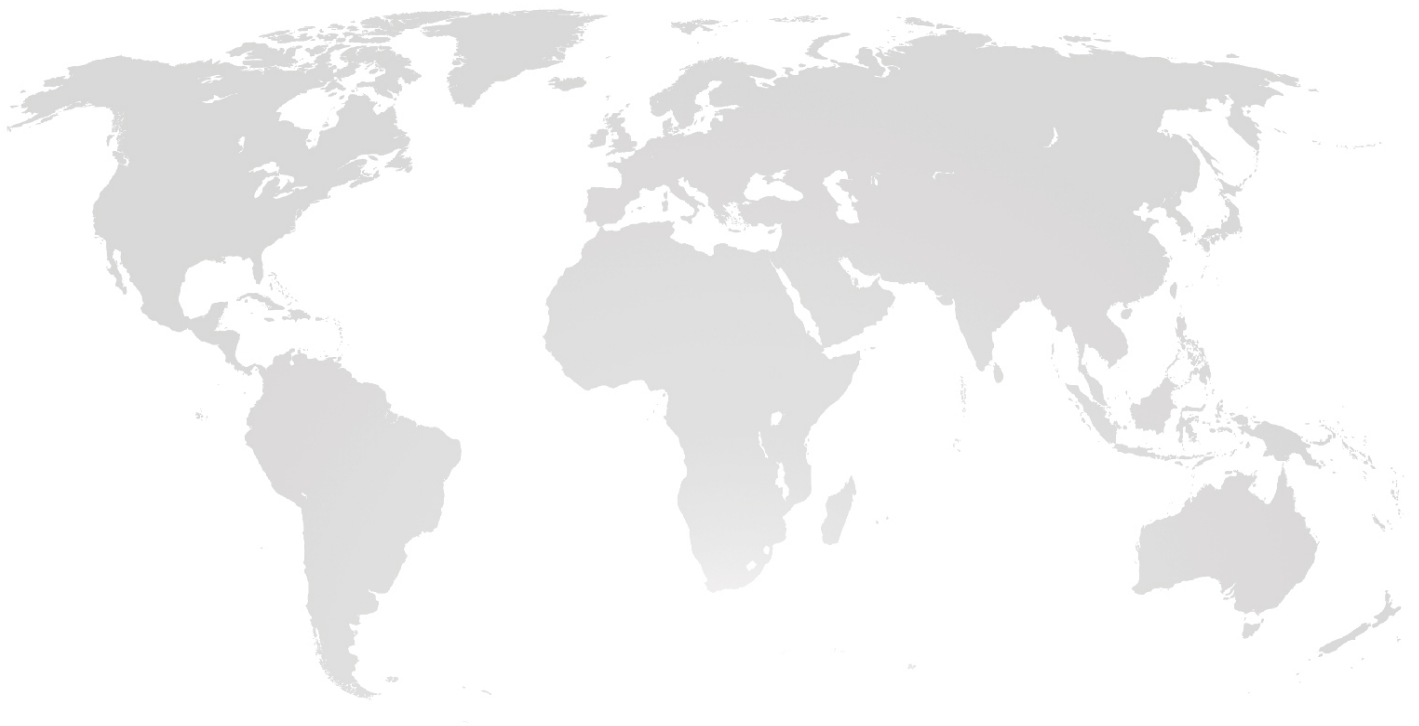


Country Insight Snapshot

Egypt

November 2015






OVERVIEW

OVERALL COUNTRY RISK RATING: DB6B

Very high risk : Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

R

Rating Outlook: Deteriorating 

CORE OUTLOOK

- + Egypt's prime location as a base for exports to the Middle East, Asia and Africa creates potential for long-term economic growth, as does its large population of about 90m.
- The aftermath of the overthrow of the presidents, Hosni Mubarak and Mohammed Morsi, undermines political stability and the security environment.
- Egypt is classified as a water-scarce country by the UN, and long-term growth is at risk from intensifying regional demand and competition for Nile water.
- Investment in human capital and the quality of education is poor, leaving many with insufficient skills to meet the demands of a modern export-oriented economy.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Egypt's country risk rating after the downing of a Russian airliner in Sinai, which will harm the important tourism sector.

CREDIT ENVIRONMENT OUTLOOK

R

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

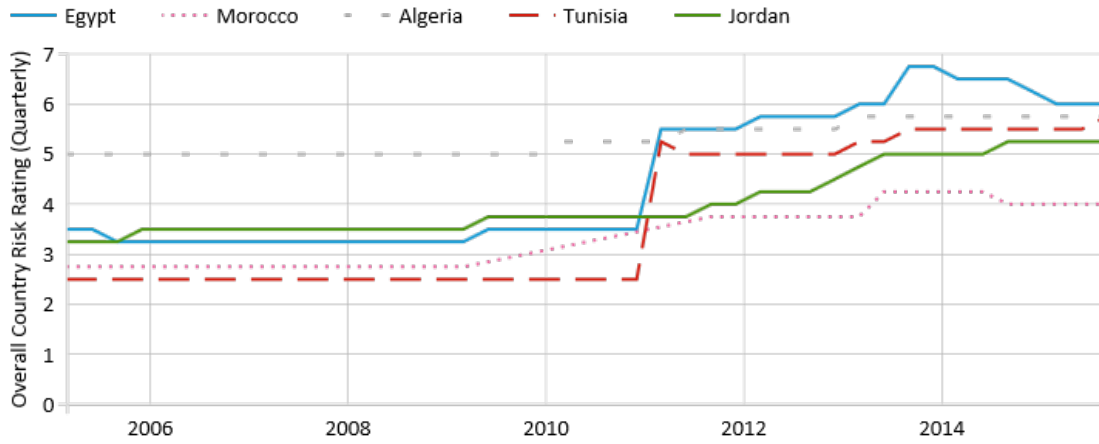
R

Key Development has had a negative impact on the outlook.



KEY INDICATORS

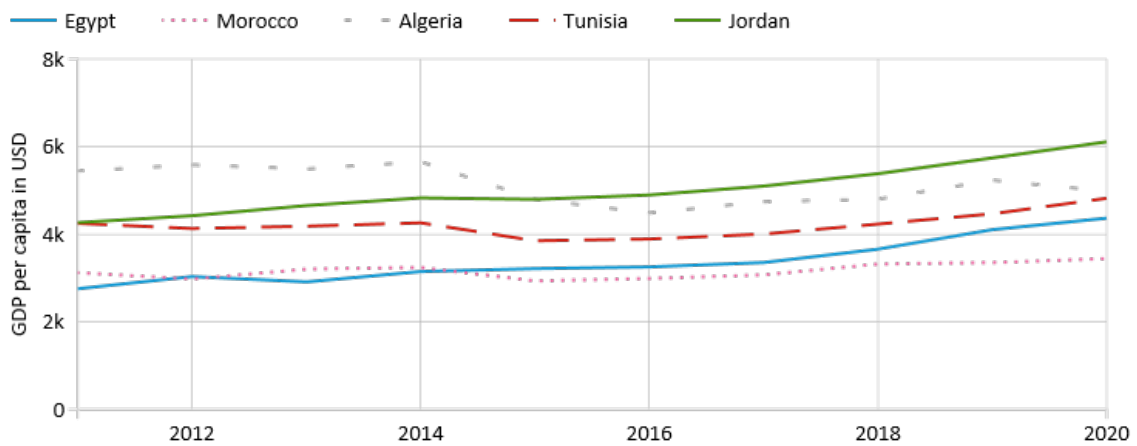
Rating History and Comparison



Source : Dun & Bradstreet

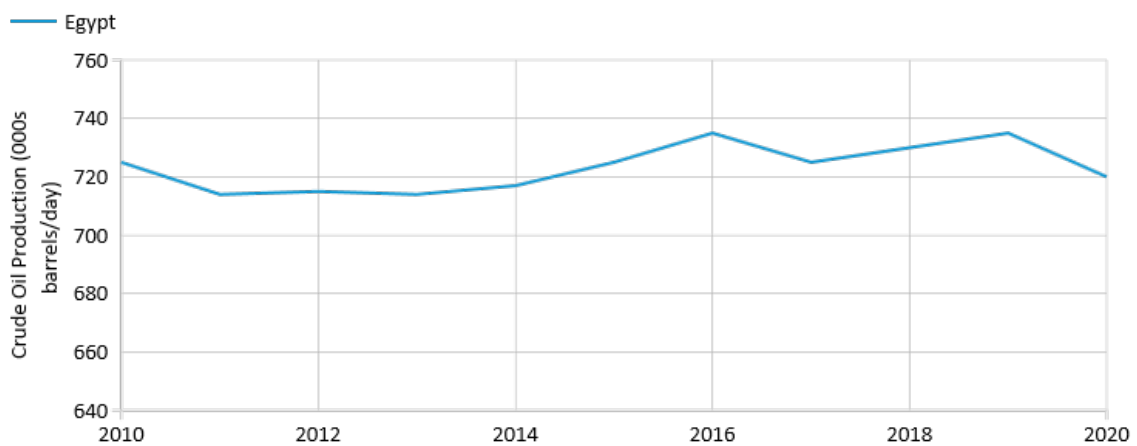
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Crude Oil Production



Source : Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-1.4	-2.1	-4.7	-5.0	-3.9	-3.3	-2.8	-2.0
Govt balance, % GDP	-13.7	-12.8	-11.6	-10.8	-9.6	-8.9	-8.4	-7.2
Inflation, annual avge %	9.4	10.1	9.8	10.3	8.7	7.6	7.3	8.1
Oil Price, USD/b	108.6	99.2	53.8	52.1	68.0	75.0	80.0	90.0
Real GDP Growth, %	2.1	2.2	4.0	3.0	5.2	5.6	5.0	4.2

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The government's efforts to improve perceptions of the business environment and to encourage foreign investment suffered a setback with the recent publication of the World Bank's *Doing Business 2016* report, in which Egypt's ranking dropped to 131st out of 189 countries, compared with 112th in the previous year's report. The downgrade was partly attributable to changes in methodology, and the latest report did highlight significant improvements that Egypt has made over the past ten years, such as in the ease of starting a business and getting credit. Yet the low ranking reflects a worsening in the business environment during the recent period of political turmoil and sluggish growth. The main problem importers face will continue to be the shortage of FX. Businesses will also have to grapple with the impact of reforms to the regulatory and taxation system that are ostensibly aimed at streamlining procedures, which could prove to be burdensome.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CLC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CLC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-3 months

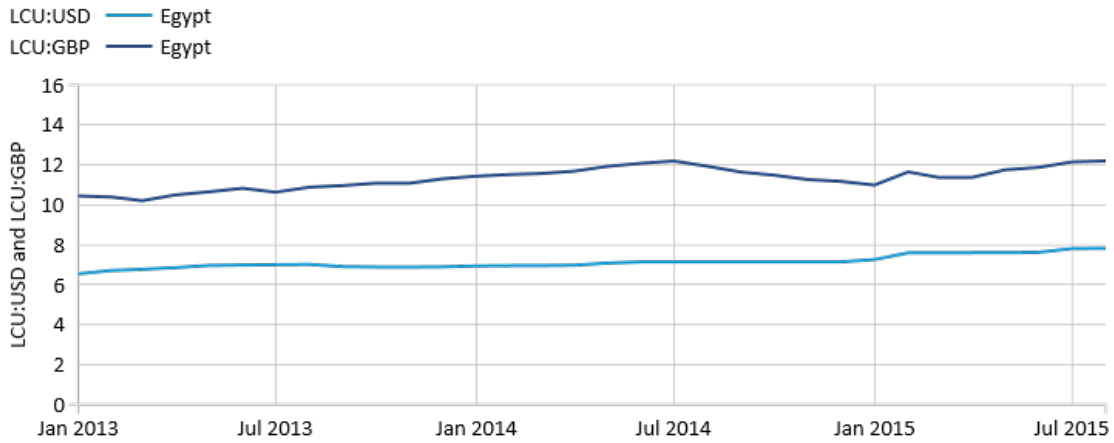
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-3 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



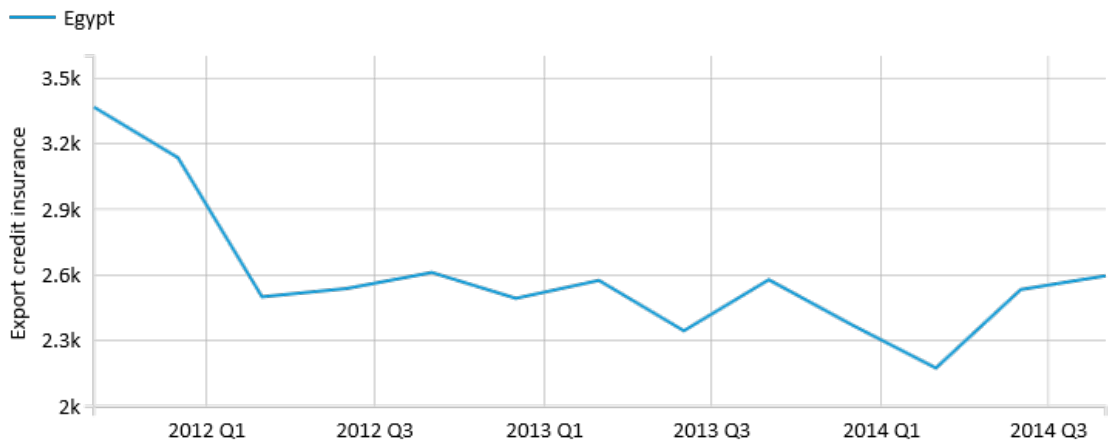
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

FX Risk

Terror attack harms important tourism sector

We have downgraded our 'Very high risk' rating for Egypt by one quartile to DB6b with a deteriorating outlook in the wake of the downing of a Russian airliner in Sinai on 31 October, with the death of all 224 people on board. The crash was almost certainly caused by a bomb planted on board by terrorists pledging allegiance to Islamic State. The incident will have a serious impact on Egypt's tourism sector, an important source of employment and FX revenue. Given the anticipated losses of tourism revenue, we have raised our forecasts for the current account deficit to USD13.7bn in 2015 and to USD15.3bn in 2016. The attack came at the start of the high season for European and Russian tourism, and is likely to result in an annual loss of at least USD2bn in tourism revenue (that totalled USD7.2bn in 2014). The blow to tourism complicates the task facing the new governor of the Central Bank of Egypt, Tarek Amer, whose predecessor, Hisham Ramez resigned on 21 October, having lost the confidence of the business community. Amer is due to assume his post on 26 November, but he has already made his presence felt by using his influence on public sector banks to furnish USD1.8bn in FX liquidity to importers whose goods were blocked at Egypt's ports. The leading banks have also issued high-yielding certificates of deposit in a bid to boost their EGP liquidity. Meanwhile a 2.5% FX devaluation that Ramez effected in mid-October has been reversed. However, Amer is likely to consider a substantial devaluation within a few months as part of his efforts to bolster FX inflows. He is also expected to scrap limits imposed by Ramez in early 2015 on cash deposits of FX. This move had been intended to squeeze the black market, but its main effect was to dry up the available pool of FX.

The government has agreed a USD3bn structural adjustment loan programme with the World Bank, which could be supplemented by USD1.5bn from the African Development Bank. However, Egypt will find it hard to regain the confidence of financial markets unless it commits to an IMF programme, which would include more rigorous conditions for fiscal and monetary reforms. FX risk will remain elevated for at least the next 12 months.

Long-Term Economic Potential

Russia signs nuclear power contract

On 19 November Russia's Rosatom signed a contract with the Ministry of Electricity to build a nuclear power station at El-Dabaa, 160 kilometers west of Alexandria. It will comprise four 3G reactors, each with capacity of 1,200 megawatts, the first pair of which is due to come on line in 2024. The project will probably cost about USD20bn and will be largely financed by the Russian company. The deal, which has been under discussion for several years, is an important element in diversifying Egypt's energy sector away from its reliance on natural gas. Another key element is solar and wind energy, which is attracting considerable interest from private investors. Energy has been one area in which the government has made major progress over the past two years.



COUNTRY PROFILE AND STATISTICS

Overview

Egypt is located in North Africa; neighbours include Libya, Sudan and Israel, with which Egypt signed a peace treaty in 1979. Popular protests in early 2011 forced the resignation of President Hosni Mubarak, who had been in power for more than 30 years, and ushered in a period of political turbulence. The military establishment oversaw an initial period of political transition, during which the Muslim Brotherhood won parliamentary and presidential elections. In July 2013, amid further mass popular protests, the army commander, Abdel-Fattah el-Sisi, ousted the Muslim Brotherhood president, Mohammed Morsi. Following the passage of a new constitution, Sisi was elected president in May 2014. After much delay, a new parliament was elected between October and December 2015.

Despite the political upheavals the economy has been slowly liberalised from its Arab-socialist origins, with the government focusing on attracting foreign investment and promoting exports. Nevertheless, considerable barriers to doing business in Egypt remain; in particular, corruption is widespread, while the military dominates wide areas of the economy.

Key Facts

Key Fact	Detail
Head of state	President Abdel Fattah EL-SISI
Capital	Cairo
Timezone	GMT +02-00
Official language	Arabic
Population (millions)	89.6
GDP (USD billions)	282.1
GDP per capita (USD)	3,150
Life expectancy (years)	71
Literacy (% of adult pop.)	71.4
Surface area (sq km)	60,000,000

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	1.78	2.2	2.1	2.16	3.99
Nominal GDP in USDbn	230.99	259.95	255.24	282.15	294.44
Nominal GDP in local currency (bn)	1,371	1,576	1,753	1,998	2,273
GDP per Capita in USD	2,757	3,035	2,913	3,150	3,218
Population (year-end, m)	83.79	85.66	87.61	89.58	91.51
Exchange rate (yr avge, USD-LCU)	5.94	6.06	6.87	7.08	7.72
Current Account in USDbn	-6.09	-10.15	-3.49	-5.79	-13.73
Current Account (% of GDP)	-2.64	-3.9	-1.37	-2.05	-4.66
FX reserves (year-end, USDbn)	14.92	11.63	13.61	12	12.66
Import Cover (months)	2.63	1.87	2.24	1.82	2.06
Inflation (annual avge, %)	10.2	7.2	9.4	10.1	9.8
Govt Balance (% GDP)	-9.8	-10.6	-13.7	-12.8	-11.6

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	3	5.2	5.6	5	4.2
Nominal GDP in USDbn	304.2	319.6	355.2	405.5	439.1
Nominal GDP in local currency (bn)	2,576.4	2,933.7	3,321.4	3,730.2	4,188.6
GDP per Capita in USD	3,257	3,356	3,662	4,105	4,368
Population (year-end, m)	93.4	95.2	97	98.8	100.5
Exchange rate (yr avge, USD-LEU)	8.5	9.2	9.4	9.2	9.5
Current Account in USDbn	-15.3	-12.4	-11.8	-11.3	-8.6
Current Account (% of GDP)	-5.02	-3.88	-3.32	-2.78	-1.96
FX reserves (year-end, USDbn)	14.5	17	18.4	19.7	19.7
Import Cover (months)	2.31	2.64	2.77	2.94	2.86
Inflation (annual avge, %)	10.3	8.7	7.6	7.3	8.1
Govt Balance (% GDP)	-10.8	-9.6	-8.9	-8.4	-7.2

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Egypt	Morocco	Algeria	Tunisia	Jordan
Income per Capita (USD)	3,150	3,243	5,656	4,261	4,831
Country Population (m)	89.6	33.9	38.9	11.1	7.4
Internet users (% of population)	31.7	56.8	18.1	46.2	44
Real GDP Growth (% p.a., 2015 - 2024)	4 - 6	3 - 4.5	3 - 5	3 - 5.5	3.5 - 5.5

Source : Various sources/Dun & Bradstreet



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