



Decide with Confidence

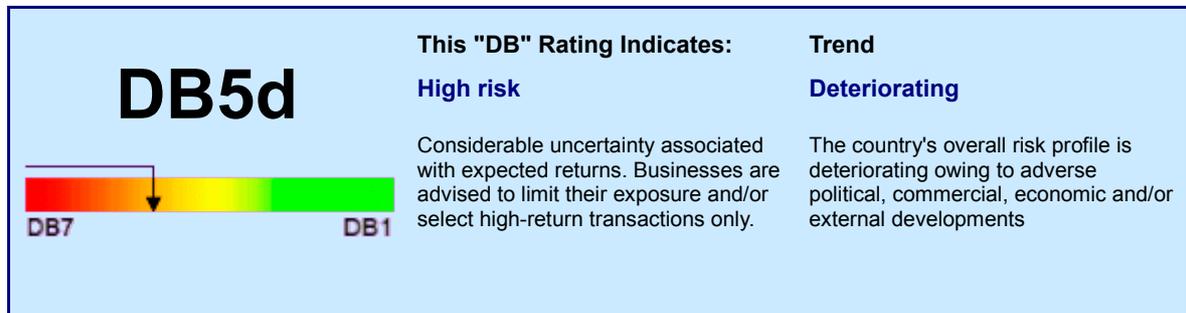
D&B Country RiskLine Report

EGYPT

Region : Middle East

Edition : August 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	82.5m
Surface area (sq km):	60,000,000
Capital:	Cairo
Timezone:	GMT +02:00
Official language:	Arabic
Head of state:	President Mohamed Hussein TANTAWI
GDP (USD):	261.1bn
GDP per capita (USD):	3,164
Life expectancy (years):	70
Literacy (% of adult pop.):	71.4

Country Overview:

Egypt is located in North Africa; neighbours include Libya, Sudan and Israel, with which Egypt signed a peace treaty in 1979 (although this is now under threat).

Power is concentrated in the hands of a military council ruling the country after President Hosni Mubarak's forced resignation in early 2011; this was the result of a wave of protests that toppled the regime. Furthermore, the elections in late 2011/early 2012 that followed the overthrow resulted in parliament being dominated by Islamist parties, increasing political tensions with the secular protesters. The next stage in the political development of the country is the drawing up of a new constitution, which will see a three-way split between the military, Islamists and secular parties.

The government is slowly liberalising the economy away from its Arab-socialist origins, with the government successfully 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.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CLC
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D&B'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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-3 months
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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.

Trade & Commercial Environment

According to a government spokesman, real GDP increased by between 1.8% and 2.0% in the Fiscal Year (FY) that ended in June 2012. This is a bit above our estimate of 1.0% and may prove optimistic once official figures are collated. Nevertheless, we do expect faster growth in FY(2012/13), as increased government spending (the budget is set to rise by around 12.5%) and a pick-up in tourist arrivals help to stimulate the all-but moribund economy. However, there are many downside risks to this scenario, including a prolonged balance of payments crisis, continued labour unrest, spillovers from the euro-crisis, and the risk of further civil unrest. Meanwhile, we expect the domestic liquidity squeeze to continue, adversely affecting payments performance.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Cover available subject to LC, no discretionary limits
ECGD	Full cover available
Euler Hermes UK	ST cover available, restrictions may apply

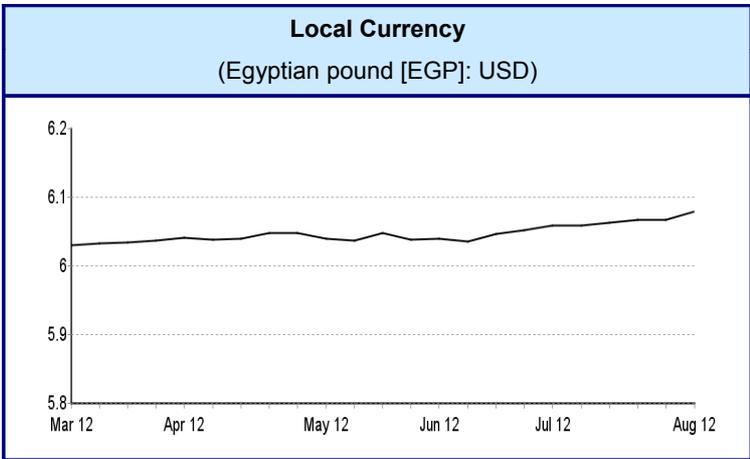
Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	5.1	1.8	1.0	4.0	4.5
Inflation, annual ave, %	11.6	11.2	9.0	10.0	8.5
Govt balance, % GDP	-8.1	-9.5	-11.6	-10.5	-9.0
Oil price, USD/b	61.8	79.6	111.3	107.9	109.1
C/A balance, % GDP	-2.0	-1.2	-2.9	-3.6	-3.2

Economic Indicators: Figures (except for the oil price) refer to fiscal years (July-June; i.e. 2009 is July 2009 through June 2010).

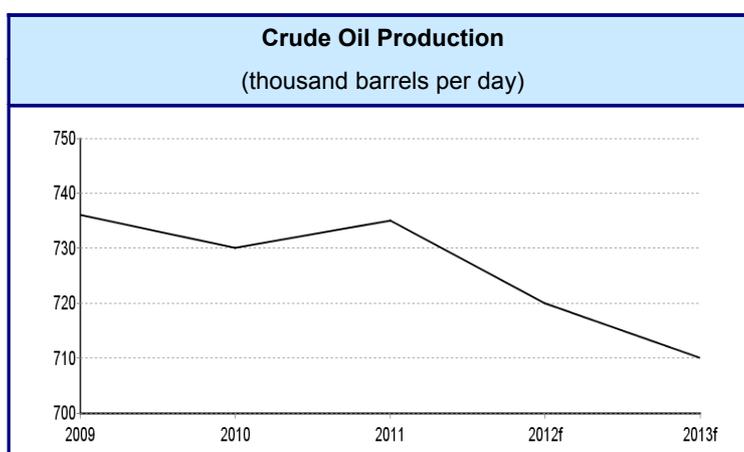
Currency Information

Exchange Rates	
(London, 16 Jul 12)	
EUR	7.4236
GBP	9.4259
JPY*	7.6543
USD	6.063
*(x 100)	



Local Currency						
(Egyptian pound [EGP]: USD)						
	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12
Week 1	6.030	6.040	6.039	6.039	6.058	6.079
Week 2	6.032	6.038	6.036	6.035	6.059	
Week 3	6.033	6.039	6.047	6.046	6.063	
Week 4	6.036	6.047	6.038	6.052	6.066	
Week 5		6.048			6.066	

Crude Oil Production



Data Table				
2009	2010	2011	2012f	2013f
736.0	730.0	735.0	720.0	710.0

Risk Factor

Political risk will remain elevated over the forecast period, highlighted by the presidential elections held in May and June. Having topped the standing in the May first round election, army-backed ex-Prime Minister Ahmed Shafiq and the Muslim Brotherhood's Muhammad Morsi faced each other in a run-off on 16-17 June. Tensions rose as the announcement of the result of the election was delayed by the Election Commission. However, the eventual result, which saw Morsi taking 51.7% of the vote and being declared Egypt's new president on 24 June, was greeted with widespread celebration in the country (and a 7.6% boost to the stock market). In his inauguration speech, Morsi pledged to be a president for "all Egyptians" and promised not to favour any particular group (perhaps a reference to fears that a new government would pursue an aggressively Islamist agenda). Nevertheless, in light of Morsi's victory, Shafiq left the country for the United Arab Emirates, hours after Egypt's prosecutor general opened a corruption investigation into allegations that Shafiq wasted state funds during his eight years as Minister of Civil Aviation.

Meanwhile, even with the presidential and parliamentary elections out of the way, political risk will remain undiminished. This is highlighted by the constitutional row between the president and the country's supposed real rulers, the Supreme Council of the Armed Forces (SCAF). Just before the run-off presidential election, SCAF announced the dissolution of parliament, following a ruling by the Supreme Constitutional Court (SCC) that the elections for one-third of the legislature's members were invalid. Shortly after becoming president, Morsi issued a decree reconstituting the legislative chamber: a move challenged immediately by the SCAF. In a setback for Morsi, the Administrative Court ruled that it was not competent to adjudicate on the constitutional issue on 19 July. The case is likely to be referred to the SCC, whose members were appointed by the army-backed Mubarak regime and whose rulings before the presidential run-off suggested it would favour the SCAF. The case is pivotal in defining the powers of the presidency, which the old guard are keen to see highly constrained. In another case before the court, the make up of the Constitutional Commission, charged with writing a new constitution for the country, is under question. An adverse ruling on this could provoke even more dangerous violent clashes between revolutionaries and supporters of the status quo.

Adding to the political uncertainty, labour unrest in the textile industry threatens a key export sector at a time when the country's current account is under severe strain. With no parliament, and yet to appoint a cabinet, it remains to be seen if Morsi has the authority to help resolve the dispute.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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

Recommended Terms:

D&B'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:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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