Issue: 25

Date : 21 August 2016

Our Economy & the World

This week's issue of "Our Economy and the World" includes:

- **Key Global Developments Over the Past Week**
- **From the International Press: EU-US Trade Agreement Faces Obstacles**
- **Special Analysis: We're in a Low-Growth World. How Did We Get Here?**
- **An Analysis of Global Financial Market Performance and Changes in Prices of Goods and Raw Materials**

Key Global Developments

Alternative Energy Provides 45% of the World's Energy Needs
WAM

A research center study expected renewables such as wind and solar energy to comprise 45 percent of total world energy production in 2040. Brazil is on top of the list of countries with the highest percentage of renewable energy, as its overall energy production amounts to 92 percent, followed by Canada (83 percent), the EU (70 percent), and Mexico (69 percent).

According to the study, issued by Bloomberg's New Energy Finance, Japan will produce one-third of its needs from alternative energy by 2040, i.e., the eighth among the top nine countries and regions of carbon dioxide emissions in the world.

The study relied on energy policies in 110 countries, the cost of electricity generation and market competitiveness of the type of energy in addition to other factors.

Some Fed Members See Need for Rate Rise 'Soon'
Reuters

Some Federal Reserve policymakers expect that a US interest rate increase will be needed soon, although there is general agreement that more data is needed before such a move, according to the minutes from the Fed's July policy meeting.

"Some ... members anticipated that economic conditions would soon warrant taking another step in removing policy accommodation," the Fed said in the minutes, which were released Wednesday.

The minutes showed that members of the US central bank's rate-setting Federal Open Market Committee were generally upbeat about the US economic outlook and labour market, but several said a slowdown in the future pace of hiring would argue against a near-term hike.

Ten policymakers currently are members of the FOMC, and seven other officials from regional Fed banks also participated in the July 26-27 meeting but did not have a vote on policy.

Of the broader group of policymakers, several expressed concern that low interest rates could hurt financial stability.

$50 is the Magic Number for Oil, Pimco CIO Says
Argaam

An Pacific Investment Management Company official, Mihir Worah, added his voice to the chorus of energy experts saying $50 per barrel is the magic number for crude oil.

Worah told CNBC in an interview: "As far as the Saudi-Russian OPEC meeting, we think it is just headlines. Both the Saudis and the Russians are pumping pretty much as much as they can. So freezing output is fairly meaningless."

Malcolm Graham-Wood, the founder of HydroCarbon Capital and a well-known oil analyst, described $50 as the "magic" number for crude prices over the coming 12 months in his daily blog.

Worah said the oil rout was likely over and that investors should consider the possible upward impact on global inflation, noting: “Inflation I think is actually the sleeper. A lot of people are ignoring it, but leading with the U.S. monetary policy.”

IFC Provided USD 839 Mn in Trade Financing for MENA Banks in FY2015

Alborsa Newspaper Website

The IFC has invested USD 839 mn over the last fiscal year in the Middle East and North Africa “to help banks extend trade financing for their clients, boosting cross border trade and spurring economic development,” according to an emailed statement.

The IFC says it inked three trade finance agreements in FY2016 with Société Générale de Banque au Liban in Lebanon and NBK Egypt and Al Baraka Bank in Egypt “to help their clients access international markets and import critical commodities, including raw materials, pharmaceuticals, fertilizers, spare parts, and capital goods.”

The three banks, in addition to another 29 banks in MENA, are part of IFC’s Global Trade Finance Program (GTFP), which offers global and regional banks guarantees covering payment risk against letters of credit and other trade-related transactions. The $5 billion program extends and complements the capacity of banks to deliver trade financing by providing risk mitigation in new or challenging markets where trade lines may be constrained. The facility also offers partner banks access to trade funding for post-shipment finance to their clients.

“Supporting cross-border trade is a priority for IFC in MENA,” said Mouayed Makhlouf, IFC Regional Director for the Middle East and North Africa. “Linking local markets with global economies can help foster economic growth and drive development.”

Over the years, IFC’s Global Trade Finance Program (GTFP) has been engaged in the low-income economies classified as International Development Association (IDA) countries and Fragile and Conflict-Affected States (FCS). Since its inception, GTFP has supported over $6.8 billion in MENA through over 8,250 trade transactions. The main countries covered include Lebanon, Pakistan, Egypt, Jordan, Afghanistan, and the West Bank and Gaza.

After 40 Years of Export Ban, Who Buys US Crude Oil?

Argaam

US crude oil reaches most parts of the world following lifting the ban on oil exports, which lasted forty years at the end of last year.

According to Bloomberg calculations based on the US Bureau of Statistics data, more than 87 million barrels of crude oil and condensates were shipped to 17 countries in the first half of 2016.

Most of those shipments went to Canada, which received 53.5 million barrels, then Curacao (8.7 million), and the Netherlands (6 million), in addition to several other countries that buy US crude oil, including the UK, Japan, Marshall Islands, France, China, Colombia, Italy, Switzerland, Panama, and Peru.

The US Congress and president Barack Obama agreed to lift the trade restrictions, which lasted 40 years, in December, 2015.

US Industrial Output Rose 0.7 Percent in July
Reuters

U.S. industrial production rose more than expected in July, according to Federal Reserve data released.

Industrial output increased 0.7 percent last month after a downwardly revised 0.4 percent increase in June. Last month, manufacturing output rose 0.5 percent.

Economists polled by Reuters had forecast industrial production climbing 0.3 percent last month.

Asian Fund Managers Compete over $11 Trillion Muslim Wealth Mountain

Argaam

Many Asian funds are trying to seize opportunities to invest over $11.5 trillion wealth owned by Muslim individuals, institutions, or governments.

The asset management units of Malaysia's RHB Bank Bhd and Indonesia's PT Bank Mandiri plan new Islamic funds, expanding an industry that's lured global money managers from BNP Paribas SA to Schroder Investment Management Ltd. in the past year.

While demand for investments that comply with the Koran's tenets is rising, about $9.5 trillion of Islamic wealth still remains outside the Shariah finance industry, Malaysia International Islamic Financial Centre estimated in February.

"There will be positive growth as investors continue to look for steady and sustainable returns, but we do not anticipate a spike," said Raj Mohamad, managing director at Singapore-based consultancy Five Pillars Pte.

Shariah law forbids investments in shares of companies with excessive debt or which are involved in activities considered unethical such as gambling, prostitution, and alcohol or pork-related businesses.

Implications for Egypt:

There are initial signs of economic stability in the US that reflected on the Fed’s decision to delay raising the interest rate, which can be looked at as an indicator of the need for Egypt’s monetary policy to keep pace with financial and economic developments. This requires that any monetary policy measure should wait until matters are clearer regarding the financial package Egypt is trying to obtain to finance its economic reform program over the next three years.

We reaffirm that the current period may require speeding up the restructuring of sectors affected by international developments in light of crises that recurred this year. The current relative stability may signal a greater need to attract more investment and to promote domestic investment with the advent of initial signs of global stability.

In addition, the Egyptian government needs to move quickly to sign bilateral trade agreements with the UK to land the best possible conditions in the time being, given that there will be competition in the coming period to conclude trade and investment agreements between the UK and many countries.

On the other hand, one must be aware that global estimates are now moving toward increasing global oil prices in the light of stable internal factors in oil markets. This will increase average prices during the next two years, probably to $50 on average per barrel compared to $40 on average in Egypt's state budget for 2016/2017.

It is worthy of note that the escalating interest of international markets in investments related to Islamic law places Egypt before the challenge of developing its markets to become a regional financial hub. In other words, a hub that can compete in attracting such investments the medium term, especially in light of escalating capital flight from many markets in the region and its search for new investment havens.

From the International Press

EU-US Trade Agreement Faces Obstacles

Al-Hayat

It is no longer a secret that the EU-US trade agreement, which is undergoing official discussions between the European Commission and the US authorities since the summer of 2013, has become in recent months rejected by several German and European civil and economic sectors as well as trade unions. The direct reason is the US intransigence and insistence on determining which courts to rule disputes that may arise between European companies and their countries on the one hand, and the US legal authorities on the other.

US laws are known for being harsh and costly; they are incomparable in the world, especially in terms of the financial penalties for offenses committed intentionally or unintentionally by foreign companies. A recent example is the decision of a US court to impose a $15-billion fine on the German Volkswagen over its rigging of diesel emission tests, and announcing its vehicles are environment-friendly that reduce carbon dioxide emissions, while they are very damaging to the environment.

The same applies to banks. European and German banks such as “Deutsche Bank” suffer big trouble and high fines. In Europe and Germany, companies have no fear of this issue, which could lead to the bankruptcy of many of them. The decisions of US courts are final and no appeal are allowed outside the US, a matter that is rejected by European companies and governments, and hence by the European Commission.

The other point of contention between the two parties relates to foods. Europeans refuse to import quite a number of genetically modified foods such as corn, and foods treated with antibiotics such as meat, and with phosphorus such as chicken. These treatments contradict EU regulations for food production in its member states.

The increasing opposition to the agreement earned a prestigious legal personality recently, namely, the Former President of the Federal Constitutional Court of Germany, Hans-Jürgen Papier, who advised European negotiators recently to halt talks with the US for a while “for constitutional-political reasons”. He told German business newspaper “Handelsblatt” that due to large doubts of the public regarding the agreement, it is better to reconsider the objectives, form, manner and content of negotiations. He added that the public is sensing the dangers of enacting laws with broad powers in the absence of a parliamentary lawmaker.

He also called for greater transparency in negotiations and for informing the public thereof to respond to the demand of many non-governmental organizations and trade unions. He criticized the radical changes that would result from such an agreement to the national and European laws and legislations, saying that it is not possible to ignore the resulting inability of the concerned officials to influence such laws. With this stance, Papier joined the camp criticizing the Atlantic agreement, led by Sigmar Gabriel, Federal Minister for Economic Affairs and Energy, and member of the Social Democratic Party of Germany (SPD), who stressed that he believes negotiations are not moving forward. While Chancellor Angela Merkel continues to appease and does not clearly express her actual stance.

In addition to the continuing debate over the type of dispute-settlement courts, there is another relevant issue of contention, namely, the US refusal to grant bidding Germans the same rights enjoyed by Americans. This threatens the agreement with failure. Also, Americans complain that the Europeans refuse to give them written statements to guarantee facile entry of American workers to the service sector in the European market.

Many representatives of the German economy expect the worst with the agreement, especially small and medium companies opposing the agreement. The European Commission, which recently conducted a new round of negotiations with the US, does not believe that the agreement is dead yet. Commission President Jean-Claude Juncker believes that most of the agreement, rather than all of it as hoped by US President Barack Obama during his visit to Germany two months ago, will be concluded in January, 2017, i.e., before the end of Obama's term in office and his departure from the White House.

Implications for Egypt:

Promoting the agreement overlooks an important fact that tariffs are already as low as approximately 3 percent. This means that 80 percent of the potential gains would come from reducing the cost of regulations.

The biggest benefit of the agreement will go to small firms. Large firms can manage the regulatory bureaucracy. But small firms in Europe or the US will get funds and investors more easily if there is a clear path to US and European markets.

The agreement faces major impediments in terms of the mechanism of settling disputes between investors and the state, which is another issue of contention. The legal system allows companies to sue countries for laws affecting business revenues—an issue that was strongly opposed by the parliaments of Germany and France, the two largest economies in the Eurozone. However, there are serious attempts to reach a final version of the agreement during Obama's term in office, as he supports US free trade agreements with a number of countries in the world such as the Pacific states.

If concluded, the agreement will help boost world trade and demand for raw materials and petroleum products, which will increase traffic through the Suez Canal and may help transfer some industries from the European markets to the southern Mediterranean and East European markets.

But Egyptian exports to the European markets should be revised to assess the possibility of being substituted by cheaper US exports due to lower duties resulting from the agreement.

In light of the current global situation, integration among African countries, through policies concerned with export promotion, should be a fundamental goal. The aim is to achieve real development. Africa is experiencing an economic recession and difficulties that require inter-African cooperation to address the slow pace of development in the continent, as well as the political and economic problems, considering the need to maintain high growth rates in order for economic growth to become sustainable. We stress that the main engine of development in Africa will be exchanging and intensifying meetings between economic agents. This will facilitate several other issues, including capitalization on available investment opportunities in the African countries.

Egypt should take three integral steps to activate trade exchange with Africa, including building a network of trade fairs and Egyptian logistics centers in the African capitals to provide goods. Transportation problems, which represent a major obstacle currently, should be addressed to increase Egyptian exports to African markets, considering that there are no roads, rail networks or Egyptian shipping lines linked to African commercial centers, thus weakening Egyptian commercial presence therein.

Special Analysis

We're in a Low-Growth World. How Did We Get Here?

Al-Sharq Al-Awsat – New York Times Service

One central fact about the global economy lurks just beneath the year's remarkable headlines: Economic growth in advanced nations has been weaker for longer than it has been in the lifetime of most people on earth.

The United States is adding jobs at a healthy clip, as a new report showed, and the unemployment rate is relatively low. But that is happening despite a long-term trend of much lower growth, both in the United States and other advanced nations, than was evident for most of the post-World War II era.

This trend helps explain why incomes have risen so slowly since the turn of the century, especially for those who are not top earners. It is behind the cheap gasoline you put in the car and the ultralow interest rates you earn on your savings. It is crucial to understanding the rise of Donald J. Trump, Britain's vote to leave the European Union, and the rise of populist movements across Europe.

This slow growth is not some new phenomenon, but rather the way it has been for 15 years and counting. In the United States, per-person gross domestic product rose by an average of 2.2 percent a year from 1947 through 2000 — but starting in 2001 has averaged only 0.9 percent. The economies of Western Europe and Japan have done worse than that.

Over long periods, that shift implies a radically slower improvement in living standards. In the year 2000, per-person G.D.P. — which generally tracks with the average American's income — was about $45,000. But if growth in the second half of the 20th century had been as weak as it has been since then, that number would have been only about $20,000.

To make matters worse, fewer and fewer people are seeing the spoils of what growth there is. According to a new analysis by the McKinsey Global Institute, 81 percent of the United States population is in an income bracket with flat or declining income over the last decade. That number was 97 percent in Italy, 70 percent in Britain, and 63 percent in France.

Like most things in economics, the slowdown boils down to supply and demand: the ability of the global economy to produce goods and services, and the desire of consumers and businesses to buy them. What's worrisome is that weakness in global supply and demand seems to be pushing each other in a vicious circle.

Why Policies Do not Work

It increasingly looks as if something fundamental is broken in the global growth machine—and that the usual menu of policies, like interest rate cuts and modest fiscal stimulus, aren't up to the task of fixing it (though some well-devised policies could help).

The underlying reality of low growth will haunt whoever wins the White House in November, as well as leaders in Europe and Japan. An entire way of thinking about the future—that children will inevitably live in a much richer country than their parents—is thrown into question the longer this lasts.

The first step to trying to reverse the slowdown is to understand why it's happening. A good way to do that is to re-examine predictions from smart economists.

In January 2005, as it does every year, the Congressional Budget Office released its forecast for the United States' budget and economic outlook over the decade to come. If the C.B.O.'s projections had come true, the United States would have had $3.1 trillion more economic output in 2015 than it actually did—17 percent more. Even if the steep contraction of 2008-2009 hadn't happened, the shortfall would have been $1.7 trillion.

As a matter of arithmetic, the slowdown in growth has two potential components: people working fewer hours, and less economic output being generated for each hour of labor. Both have contributed to the economy's underperformance.

In 2000, Robert J. Gordon, a Northwestern University economist, published a paper titled "Does the 'New Economy' Measure Up to the Great Inventions of the Past?" It argued that the internet would not have the same transformative impact on how much economic output would emerge from an hour of human labor as 20th-century innovations like electricity, air transport and indoor plumbing did.

It was a distinctly minority view in that apex of technological optimism. "People said: 'Productivity growth is exploding, Gordon. You're wrong; we're in a new age,' " Mr. Gordon said. But as productivity growth slowed several years later, "people started to take my point of view more and more seriously."

He offers the example of the self-check-in computer technology that airlines use. When introduced in the early 2000s, it really did mean greater productivity: Fewer airline clerks were needed for every passenger. But the gain was more a one-time bump than a continuing trend.

Has Technology Hurt the Economy?

Douglas Holtz-Eakin, director of the C.B.O. at the time of the 2005 forecast and now president of the American Action Forum, said technology "just seems to be less special and more comparable to other forms of investments than it had seemed."

The forecasters thought the average output for an hour of labor would rise 29 percent from 2005 to 2014. Instead it was 15 percent.

But it's not just that each hour of work is producing less than projected. Fewer people are working fewer hours than seemed likely not long ago.

The unemployment rate is actually lower than the C.B.O. projected it to be a decade ago (it saw it as stable at 5.2 percent; it was 4.9 percent in July). But the unemployment rate counts only those actively seeking a job. There were five million fewer Americans in the labor force — neither working nor looking — in 2015 than projected.

An analysis by the White House Council of Economic Advisers last year estimated that about half of the decline in labor force participation since 2009 was caused by aging of the population (which was anticipated in the projection), and about 14 percent from the economic cycle. About a third of the decline was a mysterious "residual": younger people leaving the work force, perhaps because they saw little opportunity or viewed the potential wages they could earn as inadequate.

Weak productivity and fewer workers are hits to the "supply" side of the economy. But there is evidence that a shortage of demand is a major part of the problem, too.

The Engine and the Economy

Think of the economy as a car; if you try to accelerate far beyond the speed it's capable of, a car won't go any faster but the engine will overheat. Similarly, if the voluntarily exit of people from the labor force and lower-than-expected gains from technological advances were the entire story behind the growth slowdown, there should be evidence the economy is overheating, resulting in inflation.

That's not what's happening. Rather, global central banks are keeping their feet on the economic accelerator, and that is not resulting in any overheating at all.

The distinction is important if there is to be any hope of solving the low-growth problem. If the issue is a shortage of demand, then some more stimulus should help. If it is entirely on the supply side, then government stimulus is not much use, and policy makers should focus on trying to make companies more innovative and coax people back into the work force.

But What If It's Both?

Larry Summers, the Harvard economist and a former top official in the Obama and Clinton administrations, watched as growth stayed low and inflation invisible after the 2008 crisis, despite extraordinary stimulus from central banks. Even before the crisis, economic growth had been relatively tepid despite a housing bubble, war spending and low interest rates.

In November 2013, he combined those observations into a much-discussed speech at an I.M.F. conference arguing that the global economy had, just maybe, settled into a state of "secular stagnation" in which there was insufficient demand, and resulting slow growth, low inflation and low interest rates.

While the theory is anything but settled, the case has become stronger in the last three years.

Investment Beliefs

But it may not be as simple as supply versus demand. Perhaps people have dropped out of the labor force because their skills and connections have atrophied. Perhaps the productivity slump is caused in part by businesses not making capital investments because they don't think there will be demand for their products.

Mr. Summers, in an interview, frames it as an inversion of "Say's Law," the notion that supply creates its own demand: that economywide, people doing the work to create goods and services results in their having the income to then buy those goods and services.

In this case, rather, as he has often put it: "Lack of demand creates lack of supply."

His proposed solution is that the government sharply expand investment in infrastructure, which might provide a jolt of higher demand, which in turn could help the picture on supply — helping workers who build roads and bridges become reattached to the work force, for example. As it happens, increasing infrastructure spending is among the few economic policies advocated by both Hillary Clinton and Mr. Trump.

Economic history is full of unpredictable fits and starts. When Bill Clinton was elected in 1992, the internet, a defining feature of his presidency, was rarely mentioned, and Japan seemed to be emerging as the pre-eminent economic rival of the United States.

In other words, there's a lot we don't know about the economic future. What we do know is that if something doesn't change from the recent trend, the 21st century will be a gloomy one.

Implications for Egypt

Egypt has certainly been exposed to several economic shocks since 2009 to date, negatively affecting its economic performance. However, it is reassuring that what Egypt is currently suffering is not comparable to what some other countries in the region are going through. This is a good indicator of Egypt's ability to overcome the crisis, provided the right decisions are taken. We cannot isolate Egypt from the outside world. So, Egypt's turning this economic curve does not relate solely to the country's internal performance, but also to global performance.

There is a consensus that Egypt has not yet reached economic recession. Despite going through adverse economic circumstances, Egypt achieved growth for the second year in a row, and possesses several advantages that enable it to overcome the crisis. Such advantages include a sizable market, a young labor force, and a unique geographical location. Also, the country is witnessing remarkable economic mobility, albeit things must happen faster. Hence, the only way out of this crisis is that instead of denying current challenges, they must be placed in their proper context and dealt with accordingly. Addressing problems has become possible and the vision for the future has become more rooted. The will to reform is what can drive us out of this economic crisis.

In light of the above, the Egyptian government has to focus on the implementation of large public finance reform packages aimed at rationalizing public spending and supporting revenues in order to consolidate the public budgets and ensure their sustainability, especially in light of the current challenges facing the fiscal policy. Tax reform should be on top of the priorities of fiscal policymakers to boost the tax revenues and ensure a fair and efficient tax system by reviewing the income and corporate profits tax systems, adopting the value-added tax and directing the tax system to support small and medium enterprises and the promising regions.

Attention should also be paid to controlling public spending items by rationalizing current expenditure through adjusting wage costs, proceeding with the reform of the basic commodity subsidy system, raising the efficiency of investment spending, increasing the transparency and efficiency of public budget management, and reducing deficits. All this should be combined with parallel efforts to raise the efficiency of public debt management, increase the average maturity of debt issuance and fund it from sources that ensure financial sustainability.

We stress that reforms to public finances and the Egyptian economy should take into account the sustainability of economic growth and the reform of public indicators to ultimately reach stable levels of economic performance. Meanwhile, it is important to shield the poorest groups from the impact of structural reforms, which must be carried out in an integrated and balanced fashion on both the short and medium terms.

Issue: 25

Date : 21 August 2016

Global Financial Market Performance

Reuters and Argaam

Chinese stock indices closed marginally higher during Friday trading, with profit-taking and despite the loss of real estate development companies.

Official data showed the stability of house prices in China in July compared to the previous month. The government tightened its rules of buying houses to calm the market.

The credit rating agency, "Moody's," announced increasing its forecasts for economic growth rates in China after the fiscal stimulus package and the monetary policies recently adopted by the government.

The Chinese government has recently stressed its continued efforts to face up to speculative operations.

At the end of trading, the "Shanghai" composite index rose by 0.1 percent to 3,108.1 points.

The Japanese stocks also closed Friday trading higher, supported by gains in the energy sector with the rise in oil prices, and the yen's fell against the dollar.

The rise of stocks supported car manufacturers' gains, in addition to the recovery of the real estate sector with the improved confidence in the global economy.

At the end of trading, the Japanese "Nikki" index rose by 0.3 percent to 16,545 points, while the "TOPIX" index rose by 0.4 percent to 1,295 points.

The US stock indices declined during Friday trading as investors wait for more statements from members of the Federal Reserve to get signals about interest rate increase. The "Nasdaq" posted gains for the eighth straight week.

The "Dow Jones' industrial average fell by 45 points to 18,552.5 points, the "Nasdaq" index fell by -1.7 points to 5,238 points, while the broader "S & P 500" index fell by -3 points to 2,184 points.

On a weekly level, the "Dow Jones" posted losses of 0.1 percent; the "S & P" recorded losses of about 0.1 percent; while the "Nasdaq" achieved a weekly gain of 0.1 percent.

In Europe, "Stoxx Europe 600" fell by 0.8 percent, or 2.7 points, to 340 points, scoring a weekly loss of 1.7 percent.

The British "FTSE 100" index Fell by -10 points to 6,859 points, while the German "DAX" index dropped by -58.6 points to 10,544 points, and the French "CAC" index declined by -36.5 points to 4,400.5 points.

On the other hand, gold futures for December delivery settled lower by 0.8 percent, or by $11 to $1,346.20 an ounce. The precious metal achieved a weekly gain of 0.2 percent.

In the oil markets, the US "NYMEX" rose by 0.6 percent, or by 30 cents, closing at $48.52 a barrel, and posted gains of 9.1 percent this week, the largest since the beginning of March. The "Brent" index fell by one cent and closed at $50.88 a barrel, registering a weekly gain of 8.3 percent, the largest since the beginning of April.

President and Chief Executive Officer of the Federal Reserve Bank of San Francisco, John Williams, said he preferred to raise the interest rate at the September meeting. Also, President and Chief Executive Officer of the Federal Reserve Bank of New York, William C. Dudley, expressed his confidence in the acceleration of US economic growth in the second half of this year, which would justify increasing the interest rate soon.

Implications for Egypt:

The Egyptian Stock Exchange (EGX) continued to perform independently from global market as a result of internal factors related mainly to the results of agreement with the IMF and the start of economic reform measures. This created a wait and see approach, causing stock market trading to stabilize during the second half of the week, with a tendency to profit-taking, contributing to a relative decline in stock indices.

It is worth noting that with the start of implementing the program of economic reform, the stock market needs to intensify activity toward attracting foreign investment, especially that the reform measures are expected to make such investment more attractive. This will make the stock market more prepared for the placements expected over the coming period along with increasing trading volume and investment inflows.

We reaffirm that the Egyptian Stock Exchange needs more government attention to complete its development, and improve its legislative institutional framework. This requires speeding up the amendment of the Capital Market Law No. 95 of 1992 as well as modifying the Presidential law governing the institutional setup of the stock market to allow for more investment flexibility, to strengthen the supervisory tools, and to increase the number of investment instruments available for trading.