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Egypt's GDP and Exports are Expected to Grow Strongly in the Years Ahead

Egypt's GDP and exports are expected to grow strongly in the years ahead, helped by rising inflows of foreign investment to fund major projects, according to HSBC's latest Trade Forecast Report.

The half yearly HSBC Trade Forecast report highlights that Egypt's growth prospects have improved significantly over the last year. The government has shown commitment to an adjustment and reform programme, which has already helped to raise economic growth. If this commitment is sustained and political stability continues, then growth should continue to accelerate, helped by continued GCC and Western support.

Commenting on the report, **Amr El Bahey, Head of Large Corporates of HSBC Bank Egypt** said: "The success of the March investor conference in Egypt has resulted in momentous pledges of investment projects and business deals and should help to boost long-term growth and trade prospects. Significant growth opportunities in Egypt's ICT market will also be one of the Egyptian economy catalysts and will help drive economic growth."

One of the key priorities of the government is to raise investment, with the cornerstone of its growth strategy being a focus on megaprojects, for example further development of the Suez Canal area and a number of energy projects.

Export Corridors to watch – The contribution of oil and gas exports to total export growth is expected to fall from about 25% in 2015-2020 to just 14% in the decade to 2030. This will partly reflect the impact of increasing domestic economic activity, which will reduce energy availability for export. In addition, there will be strong growth in exports of chemicals,

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manufacturing, machinery and transport equipment. The contribution to export growth of food and animal products will also fall from 16% to 7%. Our projections show that Egypt's fastest-growing top two export destinations (of the countries included in this survey) in the decade to 2030 will be China (12% per annum) and India (11% per annum).

Import Corridors to watch – The sector composition of imports is expected to change a little over the next 15 years. Industrial machinery imports will remain the leading category, accounting for some 19% of the growth in total imports in the ten years to 2030 (from 17% in 2015-20) as Egypt upgrades its infrastructure, modernises its industry and meets growing demand for consumer durables. Solid GDP growth will still entail strong demand for energy, but recovering domestic production will result in energy's contribution to import growth dropping from 11% in 2015-20 to 5% in 2021-30. In the decade to 2030, we expect the value of imports from China and Vietnam (both growing at 12% per annum) as well as India (11% per annum) to lead this expansion. This will result in China and India being the two leading suppliers of Egyptian imports in 2030.

Foreign trade has traditionally played a limited role in the Egyptian economy, but its share in GDP is expected to grow in the coming years despite a likely drop-off in trade in oil and gas. This will reflect a combination of increased domestic energy production and faster growth of exports in value-added goods such as plastics and chemicals (particularly ammonium sulphate/nitrate and urea), which build upon the country's existing focus on hydrocarbons. And with investment expected to drive growth, imports of industrial machinery and transport equipment will play an increasingly important role in Egypt's trade over the longer term.

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For further information please contact:
Rola Nosseir
Communications Manager
HSBC Bank Egypt SAE
Tel: 202 2529 8387
Email: rola.nosseir@hsbc.com

Notes to editors:

About the HSBC Trade Forecast - Modelled by Oxford Economics

Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade in goods, based on HSBC's own analysis and forecasts of the world economy. A top-down approach is employed, with Oxford Economics' suite of models used to ensure consistency between HSBC's forecasts for economic growth and exchange rates in key countries and the more granular projections for bilateral trade flows presented here.

Oxford Economics employs a global modelling framework, with headline bilateral trade forecasts constructed as a function of final demand in the destination market and the exporter's competitiveness (as measured by relative unit labour costs). Exports, imports and trade balances are identified, with both historical estimates and forecasts for the periods 2014-16, 2017-20 and 2021-30.

These headline bilateral trade forecasts are also disaggregated by sector, using Oxford Economics' Industry forecasts to inform future production trends. Sectors are classified according to the UN's Standard International Trade Classifications (SITC) system at the two-digit level and grouped into 30 sector headings.

Oxford Economics produces a global report for HSBC, as well as country specific reports on the following 23 countries: Hong Kong, China, Australia, Indonesia, Malaysia, India, Singapore, Vietnam, Bangladesh, Canada, USA, Brazil, Mexico, Argentina, UK, France, Turkey, Germany, Poland, Ireland, UAE, Saudi Arabia, and Egypt. The analysis also includes trade with Japan and Korea for a total sample of 25 key trading nations.

All trade flows data are reported in nominal US-dollar value terms (using market exchange rates) unless otherwise specified. This means that fluctuations in a country's terms-of-trade due to relative price and exchange rate effects are reflected in the data.

HSBC Bank Egypt S A E

HSBC Bank Egypt S.A.E. was established in 1982 as Hongkong Egyptian Bank S.A.E. and adopted its present name in April 2001 following an increase in shareholding by the HSBC Group from 40% to 94.5%.

HSBC Bank Egypt S.A.E. is one of the largest multinational banks operating in Egypt, providing a comprehensive range of banking and related financial services through a network of more than 70 branches and outlets in prominent cities in Egypt.

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