

**Efforts to deal with repercussions of the global
financial crisis on industry and trade sectors**

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First: global effects of the financial crisis:

Causes	Effects
<ul style="list-style-type: none"> - bad real estate over financing of The Banking sector - Excessive securitization and use of derivatives - weak oversight of financial institutions - stopping lending and lack of liquidity 	<ul style="list-style-type: none"> - Successive reductions in the World economic growth rate - decline in the global demand for products and decline in sales volume - Decline in exports and international trade - Large increase in unemployment and reducing wages - Affecting the World business and production cycle

Thus, there are follow-up policies to face up to global repercussions of the crisis:

<u>Financial rescue plan</u>	<u>Economic stimulus plan</u>
<ul style="list-style-type: none"> - Pumping liquidity - Recapitalization of banks - Providing deposits guarantee - Buying some banks troubled assets - Tightening control over the banking sector 	<ul style="list-style-type: none"> - Reducing interest rate - Reducing exchange rate - Increasing spending on the Infrastructure projects - granting of some tax exemptions - supporting small and medium projects - Increasing spending on Social safety nets

Second: local effects of the financial crisis:

Current position of some economic sectors

In light of the global crisis

Engineering industries :	The volume of demand for the public Enterprise Sector companies that work in the mining industry sector was down 50%-75% compared to the corresponding period of the previous year. The exports were down 22% in 2008/2009 and continued over January 2009 as it reached 57% compared to the corresponding month of the previous year.
automotive industry :	The local cars production decreased by 15% and its sales down about 37% in December 2009 compared with December 2007. The exports are up 70% compared to the corresponding period of last year due to closure and the faltering auto companies. But, because of the financial crisis, it is down 67% compared with the corresponding month of the previous year.
Construction and building materials industry :	Despite the decline in some building materials prices, the local sales were down about 20% in 2008 compared with the last year. The decline reached 15% in January 2009. As for exports, it decreased by 20% in the year 2008/2009 compared with the previous year. The decline continued in January 2009 to be 33% more than the corresponding month of the previous year.
Cement industry	It witnessed down 30% in demand due to the decrease in the other related materials prices such as metal, wood, glass and ceramic. As for exports, it was down 23% in January 2009 compared with the corresponding month of the previous year.

Food industry :	Its local market witnessed down 10% due to the tourism decline . As for exports, it were down 8% in 2008 and reached 26% in January 2009.
Dairy industry :	Its sales are expected to be down 10% during next period. The exports were down 21% in January 2009.
Spinning and weaving industry :	The exports were down 31% in 2008 and 27% in January 2009 compared to the corresponding month of the previous year.
Ready made clothes industry :	Up 2% more than the corresponding period of the previous year.
Furniture industry :	Exports were down 28% In January 2009 compared with last year and expected to be down 30% in 2009.
Chemical industry :	Exports were down 6% compared to last year and expected to be down 39% in 2009.

Source: Ministry of Trade and Industry - **General Organization for Exports and Imports Control (GOEIC)** March 2009 from the **documents submitted to GOEIC in export and import ports.**

Local effects and future expectations

*** Real Economic Growth Rate:**

Expected: continuing its decline to be 5.1% in 2008/2009 and 4.9% in 2009-2010.

Actual: 4.1% in 2008.

*** Industrial production: (including oil)**

Expected: it will drop to 5.4% in 2008/2009 and 5.1% in 2009-2010

Actual: it reached 4.1% in 2008/2009

*** Unemployment rate**

Expected: continuing its rise to be 8.6% in 2008/2009 and it is predicted to decline to 8.4% In 2009/2010

Actual: it hit 8.8% in 2008/2009

*** Foreign direct investment**

Expected: its rates are expected to continue its decline between 1.5%-2% because of the investors' need to liquidity and the high interest rates.

Actual: it declined to 20% in 2008/2009 compared to 2007/2008

*** Inflation**

Expected: increasing due to low commodity prices in the world because of the increase of the supply of goods. Thus, it hits 9.5% in 2008/2009 and 4.6% in 2009/2010

Actual: hitting 14% in January 2009

The Economist – International Monetary Fund (IMF) February 2009

Third: most important programs and support actions

A- Main axes produced by the Egyptian government to counter the global financial crisis

1. Additional **Public Expenditure** on labor-intensive projects to decrease unemployment
2. Attracting more investments in specific projects, especially the labor-intensive projects, in coordination with various ministries.
3. Stimulating the local market through the existing funding parameters.
4. National savings through directing the banking sector to safe projects.

B- The Trade and Industry ministry most important programs and support actions to improve production and employing rate

- ❖ Completing supporting the infrastructure facilities of 20 industrial zones in Lower and Upper Egypt as first and second stage.
- ❖ Supporting The Industrial Modernization Centre (IMC) activities through:
 - allocating LE560 million.
 - taking a number of actions to reduce the production costs such as raising the limits of making use of IMC's services.
 - reducing the company's shares to 50% of its existing ones to serve 11.5 thousand factory employing one million insured workers.
- ❖ Supporting The Industrial Training Council (ITC) through allocating about LE575 million for training workers.

- ❖ Supporting the youth Technology and incubators centers through allocating about LE62 million, as one of Ministry of Trade and Industry actions to reduce production costs. Besides, increasing the support provided by the technology centers to factories.
- ❖ Supporting the Export Development Fund (EDF) by additional LE22 thousand million to make the total amount LE42 million. A number of actions :
 - Increasing funding all the export support programs by 50% starting from 1/12/2008 to preserve 1300 benefited companies.
 - Studying new programs for export subsidies.
 - Additional support for exporting to non-traditional markets especially in Africa and Asia.
 - Reducing the participation cost in the international specialized exhibitions.

Preparing a plan by the end of 2009 to make integrated electronic linking the Egyptian customs with the new mechanization to ease completing the customs procedures on the internet through an integrated database linking ministries of Trade and Industry, finance and transport and the banking system.

Supporting domestic trade investment (allocating LE200 million)

Implemented steps for domestic trade development and modernization:

- ☒ Government attaches utmost importance to organize and increase investing in the domestic trade.
- ☒ Issuing the Presidential Decree No. 345 for 2008 for the establishment of the domestic Trade Development Agency (ITDA).
- ☒ Allocating LE200 million to be used in facilitating the allocated land to be used in domestic trade.
- ☒ Coordinating with various ministries to support the different domestic trade activities such as: Wholesale, retail, super and hyper markets.

- ☒ Coordinating with the Chambers of Commerce in Cairo and Alexandria to provide ITDA a financial boost in its first term.
- ☒ Providing trained workers on selling, marketing and training.

Most important action taken by ministry of Trade and Industry in domestic trade sector:

- 12 trade zones and markets are being established in 24 months.
- Developing the market sectors and opening trade centers in it.

- Encouraging the Egyptian and Arab investors' participation in domestic trade.
- Providing free jobs for youth.
- Reduction of random trade in the market
- Modernization of the institutional and legislative framework related to domestic trade.
- Establishing an integrated modern database.

The Steps implemented in the Industrial development:-

♠ Facilitating existing industrial zones (first and second stage) :

Supporting the infrastructure facilities of 20 industrial zones in the Upper and lower Egyptian governorates by Additional LE400 million to make the total amount about LE800 million.

♠ Facilitating new industrial zones :

According to the Presidential Decree no. 358 for 2008, 12 new zones for industrial trade investment will be added. Besides, the Ministry of Trade and Industry decided to postpone 75% of Industrial Lands' Premiums payments of 2009 to the next year.

♠ industrial development Incentives in Upper Egypt:

- Providing investment and employment Grant for industrial investments that are not less than LE15 million for each project.
- Providing LE15 thousand for each free job up to 25% of the company total investments. 100% of this stimulus is applied in the Governorates of Assiut, Minya, Sohag, Qena, Luxor, Aswan and 50% of the projects established in Beni Suef

- To obtain this stimulus, the worker must have a certificate approved by the Industrial Training Council. Besides, technical labor must not be less than 80% of the total number of labor in the geographical scope of the governorate.
- The most important industries are: spinning and weaving and ready made clothes - furniture and wood – food – mining – chemicals – electrics – leather – medicine – building materials.

♠ **Encouraging investment in aquaculture industry**

- 500 thousand Feddans allocated for new investments in agricultural industries.
- Specifying 11 promising industries for investment including: (juice and tomato paste – olive oil – cheese – frozen vegetables – milk and butter – olive – processed Poultry and livestock feed).
- Encouraging investment in industrial agriculture through processing a system for land allocation and new credit facilities Mechanisms to finance equipment.

♠ **reducing production costs to stimulate employment in industry**

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- Specifying 11 promising industries for investment including: (juice and tomato paste – olive oil – cheese – frozen vegetables – milk and butter – olive – processed Poultry and livestock feed).

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♠ **Supporting labor in trade and industry sectors**

Supporting labor in trade and industry sectors, because it include the large number of affected labor of the crisis. Then, the services and tourism sectors come. Thus, it is suggested to support the industrial establishments by LE2.7 billion from the state general budget to face the financial crisis repercussions during the first 6 months of 2009 and the workers conditions must be addressed as follows:

- Paying the unemployment compensation by the Social Insurance law to the workers in the establishments that fully or partially stopped working.
- Paying Compensation from a Contingency fund for the workers of establishments that temporarily reduced its production and kept its current workers.

More suggestions to face the financial crisis:

- Treating lack of foreign and Arab investments and encouraging funding domestic savings to the industrial sector through Mergers responsive to the domestic market needs and presenting good interest rates to the industrial projects during the period of the crisis.
- Establishing domestic funds: the industrial development fund for funding the industrial projects, a fund for agricultural development and other for real estate.

- Interaction with the small and medium enterprises system to make this sector works in a context of cluster or group relations not separate or single work.
- Changing the agricultural policies to support the industrial policies and activating the idea of trade and logistic zones and the immediate implementation of the agro-industrial clusters.
- Expediting the issuance of uniform industry law and Federation of Industries law and allocating lands as Regional distribution centers.

Suggestions to cope with the crisis effects on trade sector:-

- 1- Moving to the least affected development partners and supporting the exporting companies through using consultancy firms to face the crisis. the ministry of Trade and Industry will fund part of expenses through the Export Support fund
- 2- Increasing supporting allocations for all Egyptian exports and supporting the exporting bodies through three angles:
First: supporting the needed fund for exportation.
Second: supporting the needed fund for increasing exporting capacity and regaining losses.
Third: supporting export financing and insurance mechanism in Egypt through The Egyptian Company for Exports Insurance.
- 3- Changing funds to be 40% for the insured wages (basic, variable).
- 4- Increasing the administrative and marketing capacity of the business owners.
- 5- Increasing the Elements of transparency, accountability and trial.