

Territorial NEWSLETTER Africa

EPCINDIA
ENGINEERING THE FUTURE

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Chairman's Pen



Ravi Sehgal

In FY18, real gross domestic product (GDP) grew by 5.3 percent, compared to an average of 4.3 percent in the three years before. This pickup in growth has been driven by public investments, private consumption, and exports of goods and services, while the private sector response is delayed. Although still high, inflation has begun to ease over the past 18 months, slowing from a record 33 percent in mid-2017 to 12.7 percent in January 2019. The positive impact of macroeconomic and policy reforms has markedly improved Egypt's external position.

I believe this progress in trade and cooperation would continue and benefit people in both the regions. I also hope, our readers find this Newsletter useful

Message from Chairman, Committee on Trade with Central, Eastern & Southern Africa



**Rohington
Engineer**

This edition of Territorial Newsletter talks of the economic and commercial monthly development of Egypt. The Government of Egypt (GoE) is implementing bold reforms to address the deep-seated issues needed for achieving the World Bank Group's twin goals of eliminating extreme poverty and promoting shared prosperity. The reforms, supported under the Country Partnership Framework, have helped to stabilize the economy. To alleviate the adverse effects of the economic reforms on the poor and vulnerable and increase investments in Egypt's human capital, the government has scaled up key short-term social protection mitigating measures. The newsletter also presents a brief analysis of trade pattern in engineering products between India and Africa during May 2018.

Message from Chairman, Committee on Trade with Western & Northern Africa



**Amrutlal B.
Bhimani**

India's engineering exports to the African continent experienced a fall in April 2019 as compared to the corresponding month in the last year, with a growth rate of over 5%. Also, the top engineering export destination was occupied by South Africa and Nigeria to second largest importer of engineering goods. The rate of growth for South Africa was not impressive as it experienced a negative growth rate of over 46% and Nigeria was very impressive for the month of April 2019 over April 2018 with above 21% respectively.

Besides, this Newsletter also contains information on upcoming tenders from the African region along with factsheets on non-tariff barriers. I am hopeful that the Newsletter will give fruitful information to our readers.

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NEWSLETTER – Africa

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Basic Facts: Africa

Area: 11,668,599 Sq. km

Population: 1.216 billion (2016)

GDP: USD 3.3 trillion (2017)

Currency: US Dollar (\$)/ Canadian Dollar

Climate: Africa is the hottest continent on earth and 60% of the entire land surface consists of dry lands and deserts. Climate of Africa ranges from tropical to subarctic on its highest peaks. Its northern half is primarily desert, or arid, while its central and southern areas contain both savanna plains and very dense jungle regions.

Natural resources: Diamonds, salt, gold, iron, cobalt, uranium, copper, bauxite, silver, petroleum and cocoa beans, woods and tropical fruits. Much of its natural resources are undiscovered or barely harnessed.



Economic and Commercial Report: May 2019 - Egypt

Overview

- Fitch Solutions forecasts Egypt's real GDP growth to hit 5.4% in 2019-20
- Unemployment rate falls to 8.1% in Q1 of 2019 compared to 10.6% in 2018
- Foreign Currency Reserves rise to \$44.218 billion
- The annual inflation rate fell to 8.1%
- Investment Minister issues new GAFI statute
- Egypt ranked 1st in Africa in fish farming
- Egypt 1st country in the world to obtain UNWTO's GES

Macro-economy and Economic Policy

- **Finance Ministry reduces the customs dollar exchange rate for non-essential goods**

The Ministry of Finance reduced the customs dollar exchange rates for non-essentials goods to EGP 17.24 in May, down from EGP 17.385 April, while keeping its price unchanged at EGP 16 for strategic commodities. In December 2018, Egypt announced ending the discounted customs exchange rate for some imported goods, which are considered non-essential. Since January 2017, Egypt has set a monthly fixed customs exchange rate, following the flotation of the local currency in November 2016. Consequently, the customs rate for all goods was set at EGP 16 to the USD; however, the exchange rates in the currency market were different, as Egypt's pound held steady in a narrow range of EGP 17.78 to EGP 17.98 to the USD, over the last six months. However, the US dollar began a downward trend at the end of January

2019 and continued this decline throughout February, March, and April, losing more than 75 piasters against the pound. The average official price of the US dollar at the Central Bank of Egypt (CBE) on April 30 was EGP 17.12 for buying and EGP 17.22 for selling. Following the Ministry's decision in December 2018, two customs exchange rates were set, one for the strategic and essential goods, which will remain at EGP 16, while the other rate is for the non-essential goods and will be set as the average exchange rate, listed by the CBE in the preceding month.

- **Fitch Solutions forecasts Egypt's real GDP growth to hit 5.4% in 2019-20**

Fitch Solutions forecasted Egypt's real GDP growth to accelerate moderately from 5.3% in FY2018/19 to 5.4% in FY2019/20. Investment will remain a strong driver of headline growth, primarily as a result of rising government spending on infrastructure and rapid development of the country's hydrocarbon sector. Growth will also increasingly be underpinned by private consumption as households' purchasing power gradually improves.

- **Foreign Currency Reserves rise to \$44.218 billion**

The Central Bank of Egypt (CBE) announced that the country's foreign currency reserves went up by \$106 million. The foreign currency reserves reached \$44.218 billion at the end of April, against \$44.112 billion recorded in March, it said in a press release.

- **African Free Trade Zone takes effect**

The African free-trade zone came into force in May; a step toward creating what the African Union (AU) hopes will be a continent-wide market of 1.2 billion people worth \$2.5 trillion. The African Continental Free Trade Area had been ratified by 22 countries by April 29, the requisite number for formally notifying the AU. That paved the way for it to take effect 30 days later as stipulated in its statutes. The agreement's operational phase is to be launched on July 7 at an AU summit in Niger. There are still a number of outstanding issues to be resolved, including arbitration measures, certifying the origins of goods, tackling corruption and improving infrastructure. Fifty-two of the AU's 55 member states have signed the agreement to establish the free trade area since March 2018. In April, Egypt officially deposited the African Continental Free Trade Agreement (AfCFTA) ratification instrument, announced Egyptian Ambassador to Addis Ababa Osama Abdel Khalek.

- **\$800 million from Japan and France for energy and electricity projects**

Minister Mohamed Maait met with a delegation of Japan International Cooperation Agency (JICA) to mull over means to support energy projects in the country. A proposed amount of \$800 million will be provided by JICA, African Development Bank (AFDB), Agence Française de Développement (AFD) to develop energy projects in Egypt, the finance ministry said in a statement. Maait suggested pushing up the budget allocated to energy projects to \$1 billion. Add to that, JICA's delegation also offered to finance healthcare programmes in Egypt with \$250 million.

- **Egypt to establish 7 new free zones to attract more investors**

The Egyptian government announced the establishment of seven new free zones in order to attract more investors and increase exports and productivity. It added that the construction plan includes areas in Minya, South Sinai, New Ismailia, craftsmen "El-Herafeyeen" in Giza, Gamasa in Dakahlia, Aswan, and Kafr El-Sheikh. The seven regions are expected to include more than 1,000 projects, which will contribute to the provision of about 120,000 jobs.

- **British international trade secretary expects Egypt to be one of the top 15 economies in 2050**

British Secretary of State for International Trade Liam Fox expected Egypt to be one of the top 15 world economies by 2050. In statements at the end of his visit to Egypt, he said "now is a great time to be looking at the business opportunities with Egypt, a country projected to have one of the top 15 economies by 2050. As Egypt commits to carrying out its reform vision, the UK continues to support it in building a resilient, sustainable economy." Fox has concluded his visit to

Egypt, where he announced new partnership agreements in the country’s healthcare, transportation, and financial services sectors; most notably awarding the UK’s Bombardier Transportation a contract to build two Cairo monorails worth 3 billion euros.

- **New Aswan free zone eyes fresh investments worth \$2.3 billion**

The free zone located in south-west new Aswan city will comprise 160 projects with targeted total investments of \$2.3 billion, said Investment Minister Sahar Nasr. Given the green light during the last cabinet meeting, the New Aswan Free Zone is envisaged to create 15,000 job opportunities, she added. The area is expected to realize a 1.1-billion-dollar added value to the Gross Domestic Product that in turn would contribute to increasing exports by 675 million dollars annually. Established on 187 acres of the logistic area, near Cairo/Assuit/ Aswan western road, the zone targets producing and canning fish, producing food and drying crops. In addition, the zone will manufacture electronic plates and cells alongside photoelectric reflectors that are produced from the white sand (Silica 98%). Programming, computer software and related industries are among services that will be offered by the free zone, which will also be producing gold jewelries, gemstones, souvenirs, garments, handicrafts and rugs.

India’s latest trend in engineering exports to Africa

India engineering export to countries in the African continent during May 2019 is depicted in the table below. Countries with the highest demand for Indian engineering products during May 2019 in absolute values include:

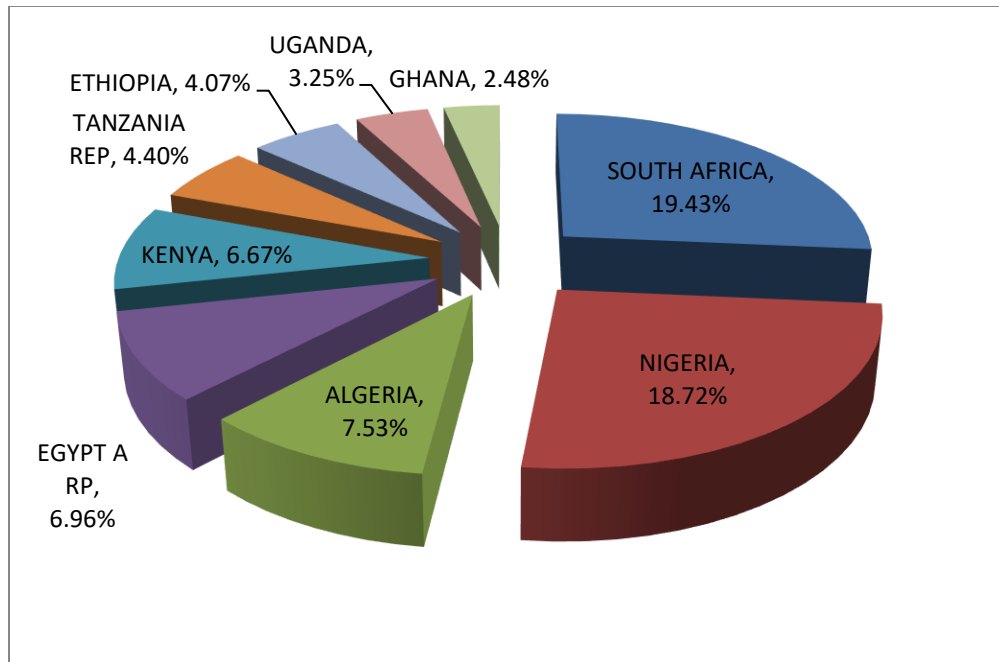
Table 1: Engineering Exports to Africa (USD million)

Africa	May 2018	May 2019	Growth (%)
South Africa	457.20	246.70	-46.04
Nigeria	196.20	237.69	21.15
Algeria	54.09	95.54	76.64
Egypt	98.78	88.38	-10.53
Kenya	93.42	84.67	-9.37
Total Africa	1346.10	1269.53	-5.69

Source: DGCI&S

South Africa gain became the top importer for Indian engineering exports in May 2019 as compared to May 2018 but with a negative growth rate of over 46%. The main engineering products exported to the country include Motor Vehicles and Parts, Industrial Machinery, Products of Iron and Steel, Electrical Machinery, Auto Components/Parts, etc. The following pie chart demonstrates share of top African countries in India’s total export during May 2019. (Fig 1)

Fig 1: India’s engineering export share to African Countries (%) in May 2019



Source: DGCI&S

Among top 15 panels, engineering exports from India decreased in case of four panels, eleven panels recorded positive growth (Table 2).

Table 2: Top 15 engineering panels exported to Africa in May 2019 (US\$ Million)

DGCI&S Engineering Panels	India's export in May 2018	India's export in May 2019	Growth (%)
Motor Vehicle/cars	295.41	310.90	5.24
Industrial Machinery	160.63	146.02	-9.10
Two and Three Wheelers	86.64	114.51	32.16
Electric Machinery	77.11	92.21	19.58
Products of Iron & Steel	108.00	90.81	-15.92
Iron and Steel	74.12	65.04	-12.26
Auto Components/Part	55.25	55.62	0.66
Nuclear Reactors, Industrial boilers etc.	13.81	54.93	297.72
Air condition and Refrigerators & parts	45.69	41.25	-9.72
Construction Machinery	31.55	31.89	1.09
Ships Boats and Floating Structures & parts	201.52	30.53	-84.85
Medical and Scientific Instruments	23.44	30.46	29.94
Aluminum and products	22.89	26.63	16.32
IC Engines and Parts	18.20	23.80	30.82
Pumps of all types	17.82	20.95	17.53

Source: DGCI&S

Table 3: Country wise and product wise India's engineering exports to Africa in May 2019

Country	Top products traded
South Africa	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Iron & Steel etc
Nigeria	Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Articles of Iron & Steel etc
Kenya	Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Iron & Steel etc
Egypt	Ships, boats and floating structures, Mechanical Machinery, Motor Vehicles & parts, Electrical Machinery, Iron & Steel etc
Algeria	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Optical, Medical and scientific instruments etc
Ethiopia	Iron & Steel, Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery etc
Ghana	Mechanical Machinery, Motor Vehicles & parts, Iron & Steel, Articles of Iron & Steel etc
Tanzania	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Articles of Iron & Steel etc
Senegal	Articles of Iron & Steel, Electrical Machinery, Mechanical Machinery, Motor Vehicles & parts, etc
Uganda	Motor Vehicles & parts, Mechanical Machinery, Electrical Machinery, Articles of Iron & Steel etc

News in Focus

➤ What are the tariffs on trade with Africa?

Prime Minister Theresa May's trip to Africa has generated vigorous debate about how easy trade is between Africa and the EU and whether the UK can keep the same arrangements or even lower barriers.

The European Union's critics sometimes invoke the presence of tariffs - effectively taxes on imported items - on African goods when they accuse it of being a protectionist club or racket.

Source: <https://www.bbc.com/news/business-45342607>

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