

Services snapshot

Egypt



KEY SERVICES DATA¹, 2013

Services² share of industry value added 2012: **54%**
 Services share of employment 2011: **58%**
 Trade in services³ contribution to GDP 2013: **13%**
 Services share of exports : **38%**
 Services export composition : **transportation (53%), travel (34%), other commercial services (13%)**
 Services import composition : **transportation (48%), other commercial services (32%), travel (20%)**
 Services exports : **US\$ 18 billion**
 Services imports **US\$ 15 billion**
 Services trade surplus : **US\$ 3 billion**

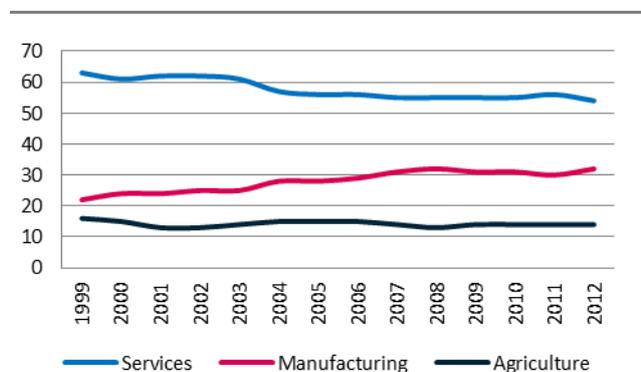
SERVICES AT A GLANCE

Throughout the last decade, GDP growth exceeded the Middle East and North African developing country average until 2011, when large-scale anti-regime demonstrations took place. Between 2010 and 2011, GDP growth declined from 5% to 2% p.a. but is expected to recover to 3% in 2016.⁴

Accounting for 54% of value added GDP in 2012, the services sector is dominant.⁵ However, since 2000 the sector has been declining in relative importance (see Figure 1) with an annual growth rate of 1.5% in 2013, compared to 2% of manufacturing and 3% of agriculture.⁴

Services generate more than a half of the employment in Egypt. **The sector also contributes a net trade surplus of US\$ 3 billion.** This is the result of the traditional net trade surplus on travel services (a proxy for tourism). The net trade surplus on services trade has been in decline since 2010, largely due to falling revenue from travel related services since the “Arab Spring” of 2011.⁶ In 2013, transport services dominated services exports and services imports. Over the 10 years to 2013, the export composition has shifted dramatically with travel services becoming less important and transport services more important.

Figure 1. Trends in share of GDP



SERVICES SUBSECTORS

Financial services

The banking sector expanded in the mid-1970s spurred by the country's so called open-door policy. This policy aimed at outward-looking growth with an active role for the private sector to promote economic performance. A new banking law was enacted in 1975 which identified three types of banks to be registered with the Central Bank of Egypt (CBE): commercial banks, business and investment banks, specialized banks.⁷

There are 28 local commercial banks, of which 4 are publicly owned commercial banks that account for the bulk of banking operations and 24 are private & joint venture banks. All 20 foreign banks (operating only through branches) are registered as business and investment banks, together with another 11 private & joint venture banks. There are 3 specialized banks: they are state-owned and are assigned the task of providing long term finance to real estate (Egyptian Arab Land Bank), agriculture (Principal Bank for Development and Agricultural Credit) and industrial development (Industrial Development & Workers Bank). In addition, there are two more banks established under private laws and which are not registered with the Central Bank of Egypt (CBE): namely, Arab International Bank and Nasser Social Bank.⁷

In trade terms, **the financial sector is in significant net trade deficit of US\$ 1.4 billion in 2012.** In 2012, insurance and financial services imports accounted for 10% of services imports, while exports accounted for 1% of services exports (see Figure 2).⁶

Communication services

In 2013, nearly half the population were internet users and 20% of the population held at least two mobile cellular subscriptions (2013 total mobile cellular subscriptions amounted to 1 billion). The number of

Figure 2. Financial services share in services trade

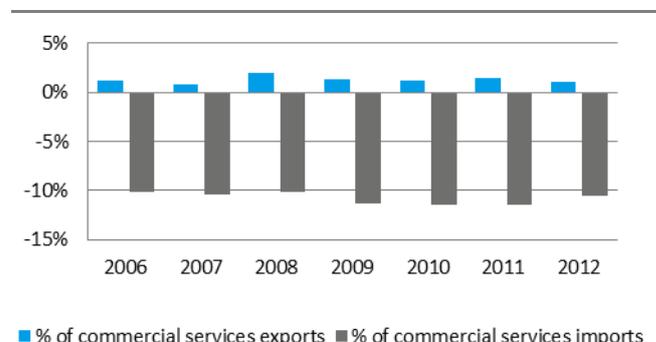


Figure 3. Communication services share in services trade

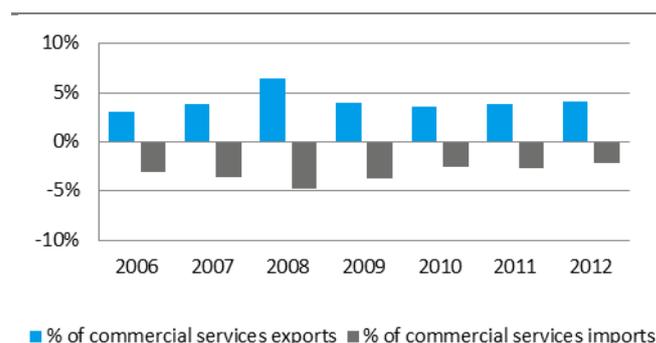
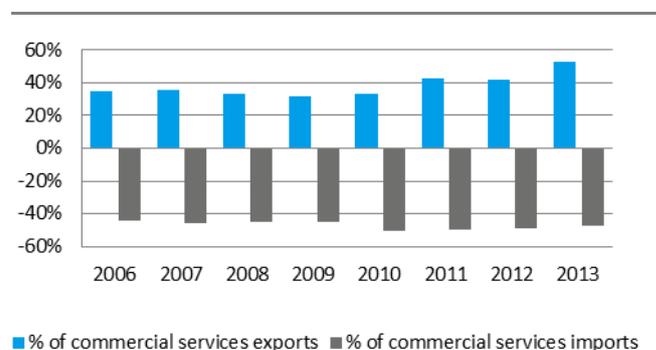


Figure 4. Transport services share in services trade



secure internet servers more than tripled between 2008 and 2013 from 81 to 285.⁴

Egypt has traditionally had a net surplus on trade in communication services but in 2005 a net trade deficit was recorded. Exports and imports reached a maximum of US\$ 1.6 billion and US\$ 785 million in 2008. In 2009 both imports and exports decreased. Whereas exports picked back up reaching US\$ 880 million in 2012, imports continued to decline and despite a recent increase in 2011, are now below their 2005 level (see Figure 3). The net trade surplus in 2012 was US\$ 549 million.⁶

Transport services

The logistics and transportation sector is playing an increasingly vital role in international trade. Transport infrastructure includes more than 108,000 km of paved roads, 9,570 km of railways, globally ranked airports in all major urban centres, including an air cargo airport of 5 terminals in Cairo, 6 seaports on the Mediterranean and 9 on the Red Sea, 6 dry ports and an extensive network of Nile river transport facilities. In particular, 8% of the world's maritime shipping passes through the Suez Canal each year. The Suez Canal is crucial to both global shipping and to the Egyptian economy, connecting the Red Sea to the Mediterranean and acting as the country's major source of foreign currency.⁸

Transport services generate a net trade surplus amounting to US\$ 2.3 billion in 2013 (see Figure 4).⁶ Egypt's strategic maritime transport location, also means that an increasing number of international companies, e.g. from India, China, Turkey and Spain are now using Egypt as a manufacturing base for exports.

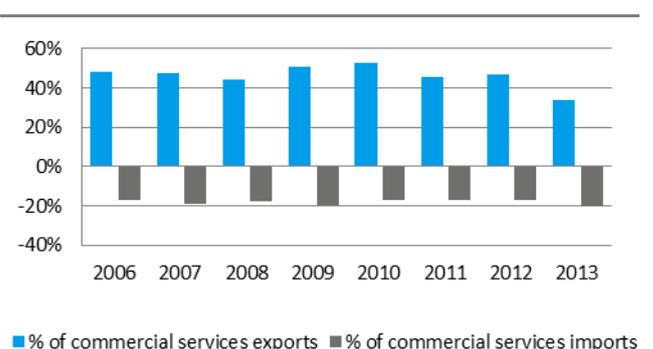
Tourism

Egypt's history, its rich cultural heritage, its warm climate and unique geographic features including pristine beaches make it a popular destination for adventure, ecological, sailing, diving, cultural tourism. Though leisure tourism is the largest market segment, business and conference tourism has generally been on the rise, as is medical tourism, with Cairo as an ascendant healthcare hub within the Middle East and North Africa region.⁹

Political instability has impacted negatively on this sector. In 2011, the number of international tourist arrivals fell sharply to 9.5 million, down from 14 million in 2010, causing a 32% drop in the value of international tourism receipts¹⁰. Tourist arrivals are now recovering, with 11 million arrivals recorded in 2012, generating US\$ 11 billion in international tourism receipts, accounting for 22% of total export earnings.⁴

Egypt is a net exporter of travel services. Between 2005 and 2012, the average net trade surplus was US\$ 7 billion, which was also the actual value of the net travel services trade surplus in 2012.⁶

Figure 5. Travel services share in services trade



FOREIGN DIRECT INVESTMENT (FDI)

FDI inflows averaged US\$ 500 million p.a. since the 1980s until 2004, when they reached US\$ 1.2 billion. In 2005 FDI inflows rocketed up to US\$ 5 billion, more than four times the value in 2004, and then doubled in the following year. This upward trend came to a halt in 2009 when a fall of 30% occurred. In 2011, given uncertainty caused by prolonged political turmoil during the Arab Spring, FDI inflows were negative (US\$ -483 million), but recovered two years later, reaching US\$ 5.5 billion.⁴ The main investing countries are United Kingdom, Belgium, USA, UAE, Qatar and France.¹¹

With a ranking of 112nd out of 189 countries in the World Bank Ease of Doing Business index 2014, Egypt is ranked the 11th easiest place to do business in the Middle East and North Africa region.¹²

FOOTNOTES / SOURCES

1. Key data derived from : United Nations Statistics Division – National Accounts Official Country Data, ILO - Key Indicators of the Labour Market (KILM), WTO Trade Profiles, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint database).
4. World Bank – World Development Indicators.
5. United Nations Statistics Division – National Accounts Official Country Data.
6. ITC Trade Map.
7. Alaa El-Shazly (2000), "Incentive-Based Regulations and Bank Restructuring in Egypt", Cairo University.
8. Egypt General Authority for Investment (2014), "Invest in Egypt. Logistics and Transportation".
9. Egypt General Authority for Investment (2014), "Invest in Egypt. Tourism".
10. International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification. For some countries they do not include receipts for passenger transport items.
11. Ministry of Investment of Egypt.
12. World Bank Group – Doing Business Index, June 2014.



For additional information

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