



Egypt Country Report 2014

EGYPT COUNTRY REPORT

Current Market Description

Since the Revolution of January 2011, Egypt has been going through various phases of political and economic upheavals. Quick shift of governments and policies has taken a heavy toll on the business environment over the last four years. Once flourishing, tourism and foreign direct investments (FDI) witnessed an unprecedented decline forcing the government to resort to economic aid from the Gulf countries to sustain import bills and service debt. Since Mr. Abdul Fattah Al Sisi's becoming the President in June 2014, the government has embarked on an aggressive plan to restore political as well as economic stability. A landmark achievement was made in the form of holding Egypt Economic Development Conference (EEDC) in March 2015 for attracting FDI by restoring investors' confidence and paving the way for an investment friendly environment. Several memorandums of understanding (MOU's) worth billions of dollars were signed during the summit and it is hoped that these will be converted to actual investments soon.

The leasing industry in Egypt is not immune to the Country's political and economic environment. Since 2011, the leasing sector has faced business and recovery problems which seem to subside only gradually and slowly. There are more than 200 registered leasing companies however only a handful are engaged in recurring and regular business.

Growth / Prospects of the Leasing Industry

Leasing business forms less than 0.50% of Egypt's GDP and is miniscule when compared with the lending volume of commercial banks. During 2013, total lease business amounted to LE 6.08 billion and was followed by LE 6.96 billion in 2014 implying an organic growth of 14.47% year on year basis.

On the back of a growing population with immense needs and requirements, the Egyptian market offers a promising prospect to the leasing industry. The Country has a diversified industrial base which is in continuous need of funds to expand to meet the ever growing demand. With commercial banks not so willing to finance SME's, leasing industry can play a crucial role to support SME's and strengthen the backbone of the economy. The prospects however come with perils hindering an otherwise possible robust growth of the leasing industry.

Constraints

The leasing industry in Egypt has been facing a variety of problems since inception. The current political and economic turmoil has added a few more to the existing list of problems which are summarized below.

1. Political and economic uncertainty which is further exacerbated due to occasional but much hyped law and order issues.
2. Lack of awareness and slow acceptability about leasing as an alternate financial product.
3. No level playing field for the leasing companies as many are off shoots of commercial banks.
4. No joint effort, neither by the leasing companies nor the Government, to promote leasing as an industry.
5. Leasing is not subject to accounting standards compliant with International Financial Reporting Standards rather it follows Egyptian Accounting Standards where the two are not aligned.
6. Absence of prudential regulations for Non Banking Finance Companies.
7. Cumbersome legal system with virtually no support for recovery / repossession.
8. Increasing cost of funds.
9. Lack of trained human resource.

May 18, 2015