Press Release

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EGP devaluation: economic reforms mark the start of a new beginning

Cairo, Egypt, 21st February 2017 - The Egyptian Central Bank's decision to float its currency, the Egyptian Pound (EGP), in November 2016, is being felt today in more ways than one - and is a step in the right direction towards a free and growing economy, PwC Middle East said in its report: *"EGP devaluation: economic reforms mark the start of a new beginning"* out today.

Positive influences on foreign and local investments coupled with increased global competitiveness are among the key long-term effects that are likely to be felt across the country, PwC said in its latest report on the Egyptian economy.

Maged Ezzeldeen, Egypt Senior Partner and Deals Leader at PwC Middle East said:
"The current economic reforms, in particular the draft investment law and the floatation of the EGP, mark the start a new era for Egypt. Now is the time to expand your businesses and the time for foreign companies to invest in Egypt.

Locally manufactured goods can now substitute imports and provide high-quality competitive products to both local and foreign markets by leveraging the various trade agreements that are already in place. We are optimistic about Egypt's long-term economic prospects and hope that this report will help shed some light on the positive effects of the ongoing economic liberalisation being undertaken by the Egyptian government."

Maye Ayoub, Egypt Deals Partner at PwC Middle East said:
"Egypt has now made its way again to the list of promising markets on the investment front, driven by the recent devaluation, a series of economic reforms, but last and not least, strong demographic forces in the Middle East and a strategic location."

Now a more competitive destination for investors and tourists alike, an inflow of foreign currency and Foreign Direct Investments (FDI) will serve to refuel the economy in the long-term. This positive effect is of course contingent on the stabilisation of the EGP against the dollar, which PwC argues is only a matter of time. That is, until speculation and volatility settle down and investors obtain a clearer picture of how the float will evolve.

"For now, the devaluation has resulted in a valuation gap due to the large decrease in business values compared to previously stated dollar terms; valuation adjustments will therefore have to be made, resulting in a delay before deals are sealed" ***Ezzeldeen argues.***

Increased global competitiveness

"The new wave of economic reforms and liberalisation of the EGP is a huge leap towards luring foreign investors back to Egypt, and strengthening the Egyptian economy in general. The liberalisation of the EGP is only one of many steps being taken by the government against a wider economic reform agenda. Agreed reforms include a set of tax and non-tax incentives, currently under consideration, for the benefit of foreign investors along with a clear roadmap for profit repatriation." ***Ezzeldeen ended.***

"There is tremendous potential for local manufacturers in both local and international markets post-floatation, given that Egyptian-made products can now be competitively priced abroad. There is also room to expand local market share for these products, given that imports are becoming more expensive in EGP terms" ***Maye Ayoub added.***

PwC also expects exports to pick up on exploration of new gas fields and competitive gains from the devaluation and a more attractive investment climate.

The report *"EGP devaluation: economic reforms mark the start of a new beginning"* can be accessed through the following link:

ENDS

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