



CHAPTER FOUR

Economic Development: The Overall Picture

4/1 Economic Development

In continuity to the economic progress which started its ascending path in 2004/05, it is targeted to achieve a GDP real growth rate of about 8%, as an annual average during the Sixth Five-Year Plan (2007/08 – 2011/12), in comparison to the 5.5% growth rate realized during the previous Five - Year Plan.

Although economic growth rate has exceeded 7% during the first half of 2006/07 (last year of the Fifth Five-Year Plan), the Sixth Plan target is to achieve higher growth rate, rising gradually to reach 8.5% by the end of its timeframe, which is considered an achievable target in light of steady improvement in economic climate, in addition to commitment to continuing economic, social, and political reform programs, and to implementing the Presidential Election Program, beside the growing role of development partners in achieving the Five-Year Plan's goals, based on clear development strategies, as well as consistent and coherent macro and sectoral policies.

Although it was possible to embrace a higher economic growth rates (10% or 12%), as achieved by some pilot sectors, the Plan has been somewhat conservative in targeting growth rate in view of the unfavorable international and regional climate which may cast its shadows over the national economy, especially during the first years of the Plan, such as the sluggishness of the global economy growth; the continuing deficit in the US current account and the slowdown of world trade growth; the fluctuations of oil prices in the world market; the possibility of relative price decline in primary resources and its negative consequences on developing countries; the sustainability of high unemployment rates in many countries; not to mention the possibility of the uprising of some political and military unrest in different parts of the world, especially the Middle East.

4/2 Resources and Uses

Resources

The Sixth Five-Year Plan targets an increase in total resources to reach about LE 1913 billion at current prices by the end of year 2011/12, compared with about



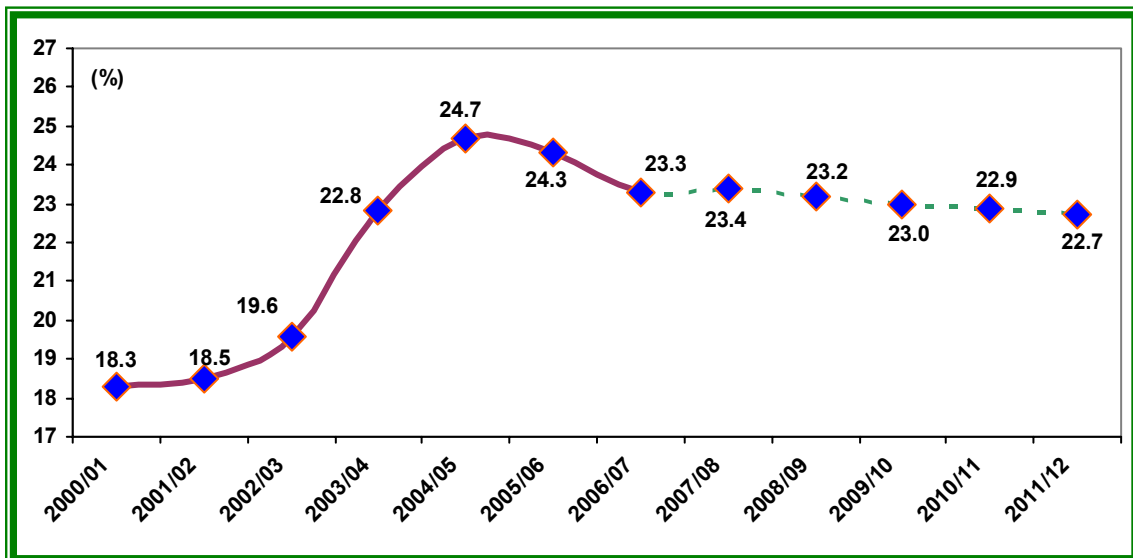
LE 952 billion expected in 2006/07. This absolute increase amounting to LE 961 billion means doubling resources with a growth rate of 101%, and an annual average real growth rate of 8.5%. It is targeted to increase the resources during the first year of the Plan (2007/08) by about LE 153.7 billion (at current prices) and reflecting a real growth rate of 8.4%.

Foreign resources – represented by goods and services' imports – account for about 23% of total resources during the Five-Year Plan, while GDP contribution accounts for nearly 77% of total national resources.

Imports growth rate is expected to be higher than that of GDP as a general average during the Plan period (10% compared with 8%), and therefore the share of imports to total supply would be stable at high levels in comparison to the period of growth sluggishness during the first years of the Fifth Five-Year Plan. This reflects the strong positive relationship between economic growth and imports growth. However, it is expected that by the end of the Plan, imports – as a percentage of total supply- would decline slightly to about 22.7% [fig. (4/1)] with the economy's increased ability to satisfy the needs of both production activities and domestic consumption.

Figure (4/1)

Goods and Services Imports Contribution to Total Supply





Uses

Concerning final expenditure, the Plan's target is to increase it by nearly LE 551 billion to reach LE 1135 billion by the end of the Plan, and 59.3% of total uses.

For private expenditure its share is estimated to be about 87.4% of total expenditure, and government consumption, about 12.6%. Corresponding shares in the Sixth Five-Year Plan's first year (2007/08) are estimated to be about 86.1%, and 13.9% respectively, which reflect the rising share of private consumption at the expense of public consumption.

Estimates of final expenditure show the steady decline in final consumption as a percentage of GDP in favor of investment, with the stability of exports relative imports.

As it is shown in table (4/1), domestic demand – both investment and consumption - is targeted to account for about 77.4% out of total uses by the end of the Plan, against a share of 22.6% for foreign demand (represented by goods and services exports), which allows almost total coverage of imports.

Table (4/1)
Total Resources and Uses in the Sixth Five-Year Plan
(2007/08 – 2011/12)

(LE billion - current prices)

Item	Expected	Targeted		Annual Real Growth Rate (%) [*]		As Percentage of GDP (%)		
						Expected	Targeted	
	2006/07	2007/08	2011/12	2007/08	2011/12 ^{**}	2006/07	2007/08	2011/12
Resources								
GDP at Factor Cost	674.6	783.2	1373	7.5	8.0	92.4	92.5	92.8
Net Indirect Taxes	55.4	63.3	106	4.7	8.2	7.6	7.5	7.2
GDP at Market Prices	730.0	846.8	1479	7.3	8.0	100.0	100.0	100.0
Goods and Services Imports	222.0	258.9	434.1	12.0	10.0	30.4	30.6	29.4
Total Resources	952.0	1105.7	1913.1	8.4	8.5	130.4	130.6	129.4
Uses								
Private Final Consumption	499.0	579.9	992	7.3	7.2	68.4	68.5	67.1
Government Final Consumption	85.0	94.0	143	4.7	5.3	11.6	11.1	9.7
Total Final Consumption	584.0	673.9	1135	7.0	6.9	80.0	79.6	76.8
Fixed Investment	150.0	180.0	345	10.0	11.6	20.5	21.3	23.3
Goods and Services Exports	218.0	251.8	433.1	11.0	10.4	29.9	29.7	29.3
Total Uses	952.0	1105.7	1913.1	8.4	8.5	130.4	130.6	129.4

^{*} At constant prices

^{**} Average compound growth rate for the period (2006/07 – 2011/12)



Resources Gap

It is targeted to increase the saving rate by about 3.7 percentage points compared with an increase of 2.8 percentage points for investment rate, which allows the saving rate to continue rising from 17.7% in 2005/06 to 20% in 2006/07, then to 23.2% in 2011/12, and the investment rate to rise from 19.1% to 20.5% then to 23.3% respectively. This would imply the disappearance of the resources gap by the end of the Sixth Five-Year Plan.

Tables (A1, A2) in the statistical appendix display the developments of total resources and uses during the Sixth Five- Year Plan compared with 2006/07 base year at both current and constant prices.

4/3 Production and Gross Domestic Product (GDP)

Gross Domestic Production

The Sixth Five-Year Plan targets a production growth rate (at constant prices) of about 7.9%, to reach a value of LE 1535 billion by the end of the Plan period compared to LE 1047 billion in 2006/07, with an absolute increase of LE 488 billion. Also, the Plan estimates a real growth rate of 7.4% for total production in its first year; with an absolute increase of LE 77.5 billion [table (4/2)].

Table (4/2)
Targeted Gross Domestic Production for First and Last Year
of The Sixth Five-Year Plan Compared to Base Year (2006/07)

Year	Expected	Targeted	
	2006/07	2007/08	2011/12
Production (LE billion at constant prices)	1046.8	1124.3	1534.6
Annual Real Growth Rate (%)		7.4	7.9

The relative distribution of production among public and private sectors reflects the lion's share of the latter, accounting for two-thirds of total production, with varying contribution from one sector to another, between 92% and 100%.



Also, it is expected that the private sector contribution to total production would rise in all activities, with the continuous improvement in investment climate, from about 66% at present to nearly 69% by the end of the Plan's period.

Table (4/3)

**Private Sector Contribution to Gross Domestic Production
By the End of the Sixth Five-Year Plan Compared to Base Year**

(%)

Activity	2006/07	2011/12
Agriculture, Forests, & Fishing	100	100
Extractive Industry	13.5	13.9
Manufacturing Industry	81.5	83.2
Building & Construction	90.3	92.8
Electricity & Water	10.5	11.0
Transportation & Storage	72.5	73.5
Communications	97.6	98.1
Trade & Finance	93.4	93.9
Tourism	98.8	99.0
Business Services	92.0	92.7
Real Estate Ownership	96.6	96.9
Social Services*	92.3	92.9
Total Production	65.9	68.5

*Education, Health, & Personal Services, excluding Government services.

The sectoral distribution of targeted production in first and last years of the Sixth Five-Year Plan reflects the significance of some sectors which are expected to achieve growth rates higher than general average (7.4% and 8% respectively). These include manufacturing, petroleum products, construction and building, transportation and storage, communications and Suez Canal, financial intermediaries, tourism, and education services [table (4/4)].



Table (4/4)
Targeted Sectoral Growth Rate for the First and Last Years
of the Sixth Five-Year Plan Compared to Base Year (2006/07)

(%)

Activity	Real Growth Rates	
	2006/07 – 2007/08	2006/07 – 2011/12 ^(*)
Agriculture, Forests, & Fishing	3.6	3.9
Petroleum, Gas, & Other Extraction	4.9	6.2
Manufacturing, & and Petroleum Products	7.0	7.8
Electricity	6.9	8.7
Water	7.8	6.6
Building & Construction	16.1	17.1
Transportation & Storage	11.7	10.9
Communications	9.7	10.8
Suez Canal	11.3	9.8
Wholesale & Retail Trade	7.1	7.7
Financial Intermediaries & Supporting Activities	9.5	10.5
Insurance	7.8	5.4
Social Insurance	6.3	3.7
Restaurants & Hotels	13.3	10.5
Real Estate Activities	5.6	3.5
Business Services	6.6	5.6
Government	3.4	3.4
Education Services	9.2	8.7
Health Services	8.0	4.1
Other Services	8.4	7.8
Total	7.4	7.9

* Annual average growth rate for the period.

Tables (A3 & A4) in the statistical appendix show domestic production targets of the Sixth Five-Year Plan for the first and last years compared to base year, at current and constant prices, as well as the contribution of both private and public sectors in total production and their corresponding growth rates.



Gross Domestic Product (GDP)

The Sixth Five-Year Plan aims at increasing GDP (at factor cost and constant prices) to nearly LE 993 billion compared to about LE 675 billion in the base year, with an absolute increase of LE 318 billion, implying a real growth rate of 8%. Also, GDP is targeted to reach about LE 444.5 billion in the Plan's first year, achieving 7.5% as real growth rate. In addition, it is expected that the private sector would contribute to GDP by about 63% at the end of the Plan, registering an annual growth rate of 8.8% on average, compared to 6.8% for the public sector (Government and Business Companies)

GDP sectoral structure reflects the shift of production structure in favor of manufacturing, and tourism services and at the expense of primary sectors (agriculture and extractive industries), and government activity [table (4/5)].

Table (4/5)
Development of GDP Sectoral Structure
in the Sixth Five-Year Plan Compared to Base Year

(%)

Economic Activity	Expected	Targeted	
	2006/07	2007/08	2011/12
Agriculture, Forests, & Fishing	13.3	12.9	11.2
Extractive Industry	16.7	16.3	14.0
Manufacturing	17.1	17.1	19.7
Electricity and Water	1.8	1.8	1.9
Construction and Building	4.2	4.5	5.6
Transportation & Storage	4.7	4.9	5.5
Communications	2.1	2.1	2.5
Suez Canal	4.1	4.3	4.6
Wholesale & Retail Trade	10.3	10.5	10.5
Finance & Insurance	4.9	5.0	5.6
Social Insurance	1.9	1.9	1.6
Restaurants & Hotels	3.4	3.6	3.9
Real Estate Ownership	1.6	1.6	1.3
Business Services	1.5	1.5	1.4
Government	9.5	9.1	7.8
Social Services	2.9	2.9	2.9
Total	100	100	100



Tables (A5 and A6) in the statistical appendix show the Sixth Plan's targets for GDP at current and constant prices by sector and economic activity in both first and last year compared with the base year, and their corresponding annual growth rates.

4/4 Investment and Finance

Total Investments

Total Investments of the Sixth Five-Year Plan are estimated to be about LE 1295 billion, which exceed executed investments of the Fifth Five-Year Plan (LE 503.4 billion) by 157%. Investments for the first year of the Sixth Plan are estimated to be LE 180 billion with an increase of LE 30 billion than the previous year (2006/07), recording a growth rate of 20%.

This increase in total investments is due in part to the inclusion of the financing needs for executing the Presidential Election Program, in addition to the investment requirements of projects still under completion, taking into consideration expected price changes over the time horizon of the Sixth Plan.

Sectoral Distribution of Targeted Investments

It is planned to direct 45% of the Sixth Five-Year Plan's total investments to commodity activities - which include primary sectors (agriculture, extractive industry) and secondary sectors (manufacturing, electricity, water, building and construction). Also, these sectors are planned to receive 47% of the Plan's first year investments. The share of the industrial sector is LE 285 billion, which represents 22% of total investments, and about LE 35.8 billion of the Plan's first year investments.

As illustrated in table (4/6), the relative importance of investments for some economic activities, such as manufacturing, natural gas, building and construction, trade, real estate activities, is expected to increase during the Sixth Five-Year Plan.



Table (4/6)
Sectoral Distribution of Total Investments
For the Sixth Five-Year Plan and its First Year

Economic Activity	Investments (LE billion)			Relative Importance (%)	
	2006/07	2007/08	(2007/08 – 2011/12)	2007/08	(2007/08 – 2011/12)
Agriculture & Irrigation	9.7	8.5	61.6	4.7	4.8
Extractive Industry	13.9	18.6	145.5	10.3	11.2
- Crude Oil	(3.7)	(4.8)	(35.1)	(2.7)	(2.7)
- Natural Gas	(10.2)	(13.8)	(110.4)	(7.6)	(8.5)
Manufacturing	34.1	35.9	285.3	19.9	22.0
- Petroleum	(2.7)	(3.3)	(25.5)	(1.8)	(2.0)
- Non Petroleum	(31.4)	(32.6)	(259.8)	(18.1)	(20.0)
Electricity	10.6	10.2	74.0	5.7	5.7
Water	2.8	3.7	17.5	2.1	1.4
Building & Construction	2.5	3.0	24.4	1.7	1.9
Transportation & Storage	24.1	29.4	156.6	16.6	12.1
Suez Canal	0.4	0.4	2.6	0.2	0.2
Communications	8.7	10.5	124.2	5.8	9.6
Wholesale & Retail Trade	4.5	5.4	42.3	3.0	3.3
Financial Intermediary, Insurance & Social Solidarity	1.4	1.2	5.5	0.7	0.4
Restaurants & Hotels (Tourism)	4.6	5.7	44.5	3.2	3.4
Real Estate Activities	12.6	13.1	107.2	7.3	8.3
Education Services	5.1	7.0	47.7	3.9	3.7
Health Services	3.3	4.1	28.4	2.3	2.2
Sanitation	3.8	6.5	43.8	3.6	3.4
Other Social Services	7.6	14.0	82.1	7.8	6.3
Others	0.3	2.8	1.8	1.2	0.1
Grand Total	150	180.0	1295	100	100



Investment Structure by Implementing Body

Total investments are distributed according to implementing bodies among government, economic authorities, and public business sector. It is targeted to allocate about LE 159 billion (12% of total investments) for the government body to face the needs of administrative and services authorities as well as local administration projects, compared to LE 51 billion (4% of total investments) to economic authorities. The business sector (public and private) is targeted to implement slightly above 84% of total investments (i.e. LE 1085 billion). Investment distribution pattern is expected to differ during the first year of the Plan, as government and economic authorities would have greater shares (17%), (7.6%) respectively, compared to 75.4% for the business sector [table (4/7)].

Table (4/7)

Distribution of Targeted Overall Investments For the Sixth Five-Year Plan and its First Year By Concerned Body

Implementing Body	2006/07		2007/08		2007/08 – 2011/12	
	LE billion	(%)	LE billion	(%)	LE billion	(%)
Government	25.1	16.7	30.6	17.0	158.5	12.2
Economic Authorities	9.2	6.1	13.7	7.6	51.4	4.0
Business Sector	115.7	77.2	135.7	75.4	1085.1	83.8
Companies under Law 97	(3.7)	(2.5)	(4.4)	(2.4)	(19.9)	(1.5)
Companies under Law 203	(4.0)	(2.7)	(1.5)	(0.8)	(4.9)	(0.4)
Holding Companies	(11.5)	(7.7)	(14.1)	(7.8)	(210)	(16.2)
Cooperative & Private Sector	(96.5)	(64.3)	(115.7)	(64.4)	(850)	(65.6)
Total	150.0	100	180.0	100	1295	100

In general, this structure shows the great role that business sector is expected to play in implementing the investment plan, as its contribution is almost 84% to total investments, of which two-thirds are expected from the private sector.



Government Investment

Total estimated government investments in the Sixth Five-Year Plan are LE 158.8 billion, of which about LE 68.8 billion for the administrative body, or 43.3%; and LE 7.6 billion is allocated to local administration (which represents about 4.8%), whereas investments of services authorities are likely to reach LE 82.4 billion (52%). Out of these investments, a sum of LE 30.6 billion is allocated to the Plan's first year, of which 52.3% for administrative body, 5.6% for local administration, and 42.1% for services authorities. Table (4/8) shows the distribution of government investments between the three bodies. It is worth mentioning that, based on People's Assembly request, governmental investments for 2007/08 have been increased from L.E 30.6 billion to L.E 32.8 billion, with the three bodies relative shares: 54.7%, 5.3%, and 40%, respectively.

Table (4/8)

Government Investments for the Sixth Five-Year Plan and Its First Year Compared to Base Year

Body	2006/07		2007/08		2007/08 – 2011/12	
	LE billion	(%)	LE billion	(%)	LE billion	(%)
Administrative Body	13.0	51.8	16.0	52.3	68.5	43.2
Local Administration	3.4	13.6	1.7	5.6	7.6	4.8
Services Authorities	8.7	34.6	12.9	42.1	82.4	52.0
Total	25.1	100	30.6	100	158.8	100

Table (4/9) and fig. (4/2) show the sectoral distribution of government investments, which clearly envisages the government bias in favor of services activities, namely, water, sanitation, education, health, and transportation services.

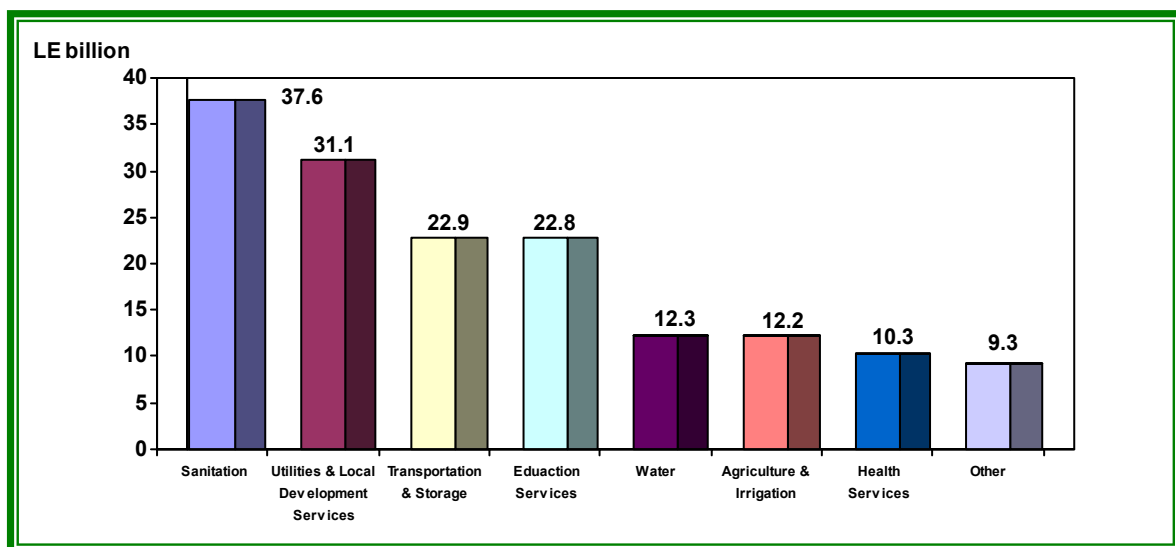


Table (4/9)
Distribution of Government Investment on Economic Activity
in the Sixth Five-Year Plan and its First Year

Activity	2007/08		2007/08 – 2011/12	
	LE billion	(%)	LE billion	(%)
Agriculture, Irrigation, and Land Reclamation	2.4	7.8	12.2	7.7
Manufacturing	0.4	1.3	2.2	1.4
Electricity	0.6	2.0	2.3	1.5
Water	2.7	8.8	12.3	7.8
Building, Construction and Real Estate Activities	0.2	0.7	0.9	0.5
Transportation and Storage	3.6	11.8	22.9	14.5
Communications	0.5	1.6	1.8	1.1
Restaurants and Hotels	0.4	1.3	2.1	1.3
Education Services	4.0	13.1	22.8	14.4
Health Services	1.8	5.9	10.3	6.5
Other Social and Local Development Services	8.3	28.4	31.1	19.6
Sanitation	5.3	17.3	37.6	23.7
Total	30.6^(*)	100	158.5	100

^(*) Investments have been increased - based on People's Assembly request – to L.E 32.8 billion as previously mentioned, most of which are directed towards the following activities: agriculture, transport, educational services, health, and sanitation, as illustrated in the statistical appendix (A/8b).

Figure (4/2)
Distribution of Targeted Government Investments,
By Activity (2007/08 – 2011/12)





Concerning sources of finance, it is targeted to finance 65% of government investment from National Investment Bank and Treasury with a total amount of about LE 103.7 billion, from which LE 20 billion for the first year's Plan. Further resources available from privatization proceeds are estimated to be about LE 26.5 billion, in addition to self finance amounting to LE 10.4 billion. These joint sources finance nearly 24% of total government investments. Then comes in the third place, international and domestic grants and aids with a share of 6.5% of total finance. Finally, loans and facilities finance about 5% of overall government investments. Table (4/10) illustrates the structure of targeted government investments during the Sixth Five-Year Plan, and its first year.

Table (4/10)
Finance Structure of Government Investments
During the Sixth Five-Year Plan and its First Year

Item/Source	2007/08		2007/08 – 2011/12	
	Value (LE billion)	(%)	Value (LE billion)	(%)
National Investment Bank and Treasury	20.0	65.4	103.7	65.3
Additional Resources (Privatization Proceeds)	5.1	16.7	26.5	16.7
International Grants & Aids	1.9	6.2	5.4	3.3
Local Grants & Aids	0.9	2.9	4.9	3.1
Foreign & Local Loans & Facilities	1.5	4.9	7.8	4.9
Self Finance	1.2	3.9	10.4	6.6
Total	30.6	100	158.5	100

Economic Authorities' Investments

Targeted investments to buy non-financial assets for economic authorities amount to nearly LE 51.4 billion in the Sixth Five-Year Plan (2007/08 – 2012/11), of which a sum of about LE 13.7 billion is targeted for the Plan's first year.

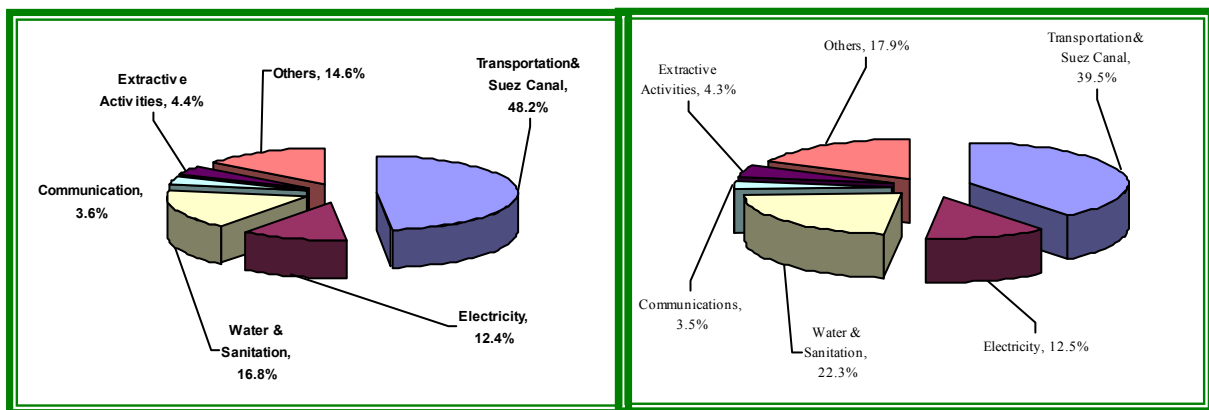
Transportation, storage, and Suez Canal sectors rank first in targeted economic authorities' investments, accounting for LE 20.3 billion, and LE 6.6 billion for the first year (2007/08) with a share 40% and 48% of total investments, respectively.



Chief investments are directed to the projects of the National Authority for Egyptian Railways, as the Sixth Five-Year Plan allocates about LE 2 billion from privatization proceeds to railways' upgrading.

Water and sanitation sectors come in second position with a targeted sum of about LE 11.5 billion and LE 2.3 billion for the Plan's first year, followed by electricity investments estimated to be nearly LE 6.4 billion during the Sixth plan and LE 1.7 billion in 2007/08 [fig. (4/3)].

Figure (4/3)
Sectoral Structure of Targeted Investments of Economic Authorities in the Sixth Five-Year Plan and its First Year (2007/08)



(2007/08) Plan

**The Sixth Five-Year Plan
(2007/08 – 2011/12)**

The National Investment Bank contributes by about LE 9.8 billion in financing economic authorities' investments during the Sixth Five-Year Plan, and nearly LE 2.3 billion in its first year, accounting for 19% and 17%, respectively. This is compared to self finance which represents the main source of financing economic authorities' investments with a share of 60% during the Sixth Plan and 49% in its first year.

Foreign and local loans and facilities rank third with a percentage of 13%. Furthermore, grants and aids are estimated to be nearly LE 1.6 billion, representing 3% of these investments. Also, the Ministry of Finance is to contribute by nearly LE 2 billion from privatization proceeds to finance some investments of the economic authorities [table (4/11)].



Table (4/11)
Targeted Sources of Funds for Economic Authorities
In the Sixth Five-Year Plan and its First Year (2007/08)

Source of Finance	2007/08		2007/08 – 2011/12	
	Value (LE billion)	(%)	Value (LE billion)	(%)
National Investment Bank Loans	2.3	16.8	9.8	19.1
Self Finance	6.7	48.9	31.1	60.5
Loans & Facilities (Foreign & Local)	1.8	13.1	6.9	13.4
Ministry of Finance Contribution	2.0	14.6	2.0	3.9
Grants & Aids	0.9	6.6	1.6	3.1
Total	13.7	100	51.4	100

Business Sector Investments

Business sector investments are targeted to be LE 1085 billion in the Sixth Five-Year Plan (2007/08 – 2011/12), accounting for nearly 84% of total Plan's investments, of which about LE 136 billion for the first year of the Plan, with a percentage of 75%*. These investments would be executed through companies under Law 97/1983 and Law 203/1991, holding companies, and cooperative & private sectors.

Business sector investments are mainly concentrated in the manufacturing sector, as investments in this sector are targeted to reach about LE 283 billion, (i.e., 26% of total), and LE 36 billion in year (2007/08).

Total investments for non-petroleum manufacturing industries are about LE 258 billion in the Sixth Five-Year Plan, of which LE 32 billion for year 2007/08, mainly for the execution of the Presidential Election Program for building 1000 large-sized factories during six years with an investment amount of LE 100 billion.

The communications sector occupies the second position with targeted investments of about LE 120 billion in the Sixth Plan (9%), and about LE 9.5 billion for the Plan's first year, followed by the transportation sector where investments are estimated to be LE 116 billion, and about 19.6 billion in 2007/08.

*) Business sector investments have been amended – based on People's Assembly request – to L.E 133.4 billion. The difference is compensated through increasing governmental investments as previously mentioned.



The crude oil extraction and natural gas sectors capture investments amounting to about LE 143 billion in the Sixth Plan, and LE 17.9 billion in the Plan's first year. Concerning real estate activities, the business sector is expected to allocate an investment sum of about LE 107 billion, of which nearly LE 13 billion in 2007/08, with the aim of establishing almost 200 thousand housing units.

Moreover, about LE 90 billion are directed as investments towards services and public utilities sectors, of which LE 12 billion for the Plan's first year, to contribute in providing education and health services, and public utilities. Also, the Sixth Plan targets to allocate nearly LE 42 billion and LE 5 billion in 2007/08 for the tourism sector, in order to expand hotel capacity in tourist destinations, and improve services facilities [table (4/12)].

Table (4/12)
Business Sector Investment Pattern
in the Sixth Five-Year Plan and the First Year 2007/08

Sector	2007/08 – 2011/12		2007/08	
	(LE billion)	(%)	(LE billion)	(%)
Agriculture, Irrigation and Fishing	48.5	4.5	5.9	4.3
Crude Oil Extraction	34.9	3.2	4.7	3.5
Natural Gas Extractive	108.4	10.0	13.2	9.7
Petroleum Industry	25.5	2.3	3.3	2.4
Non-Petroleum Industry	257.5	23.7	32.2	23.7
Electricity	65.2	6.0	7.9	5.8
Building and Construction	24.0	2.2	2.9	2.1
Transportation and Storage	116.1	10.7	19.6	14.5
Communications	120.0	11.1	9.5	7.0
Financial Intermediary, Insurance and Social Security	5.1	0.5	1.0	0.8
Wholesale and Retail Trade	41.8	3.9	5.2	3.8
Restaurants and Hotels	41.8	3.9	5.1	3.8
Real Estate Activities	106.7	9.8	13.0	9.6
Services and Public Utilities	89.3	8.2	12.2 ^(*)	9.0
Total	1084.8	100	135.7^(**)	100

^(*) Private sector contribution in these sectors has been amended to L.E 9.9 billion, based on People's Assembly request. The difference it has been compensated through increasing governmental investments allocated for these activities.

^(**) Based on the previous item, business sector investments have been modified to L.E 133.4 billion as illustrated in the Statistical Appendix (A/8b).



As shown in table (4/13), the business sector's share of total investments is almost 100% in crude oil and natural gas extraction, manufacturing building and construction, wholesale and retail trade activities, and it captures a share varying between 85%-95% in agriculture, electricity, transportation and storage, financial intermediary, and tourism activities. In the field of services and public utilities, the share of the business sector is about 45%, of total Plan's investments.

Table (4/13)
Business Sector Share of Corresponding Total Investments
By Economic Activity

(%)

Sector	2007/08	2007/08 – 2011/12
Agriculture, Irrigation and Fishing	69.0	87.6
Crude Oil Extraction	98.9	99.5
Natural Gas Extractive	95.5	98.2
Petroleum Industry	100	100
Non-Petroleum Industry	98.7	99.1
Electricity	77.9	88.2
Building and Construction	96.8	98.4
Transportation and Storage	65.7	74.1
Communications	90.6	96.7
Financial Intermediary, Insurance and Social Security	88.3	92.9
Wholesale and Retail Trade	96.1	98.8
Restaurants and Hotels	89.8	94.0
Real Estate Activities	99.3	99.6
Services and Public Utilities	40.1	45.3
Total	75.4	83.8

The distribution of Business Sectors' Investment by executing body is illustrated as follows:

First: Companies Under Law 97/1983

- Targeted investments are estimated to be LE 20 billion, representing only 1.5% of the Sixth Five-Year Plan total investments, with nearly LE 4.4 billion for the first year, with a share of 2.5%.

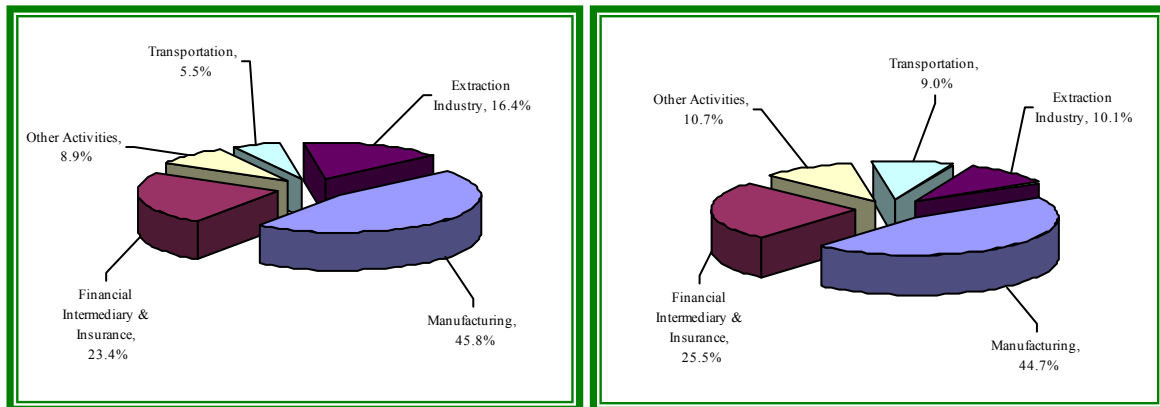


- Law 97/1983 companies' investments are concentrated in four main sectors, namely, manufacturing (LE 8.9 billion), insurance and financial intermediary (LE 5.1 billion), extraction activity (LE 2 billion), transportation (LE 1.8 billion) respectively. Altogether, they account for 90% of total companies' investments.

Fig. (4/4) shows the sectoral structure of investments for companies under Law 97/1983 in the Sixth Five-Year Plan and its first year.

Fig. (4/4)

Sectoral Structure of Investments of Companies Under Law 97



(2007/08) Plan

**The Sixth Five-Year Plan
(2007/08 – 2011/12)**

Second: Companies Under Law 203/1991

Investments of companies under Law 203 affiliated to the Ministry of Investment are estimated to be about LE 1.5 billion in 2007/08. These investments are mainly concentrated in the manufacturing sector (LE 1.14 billion), with a percentage of 76% of total investments, followed by the transportation and communications sector receiving LE 193 million (12.8%), then tourism LE 97 million (6.5%), and finally, building and construction sector with an investment of LE 70 million (4.7%).

Third: Holding Companies

Investments are estimated to reach nearly LE 14.1 billion in the Plan's first year, representing 10% of total targeted business sector's investments (LE 135.6



billion). The electricity sector is planned to capture a share of about 56% from these investments (LE 7.9 billion); the transportation and communications sector, nearly 30% (LE 4.2 billion), and the petroleum sector about 14% (LE 2 billion).

Fourth: Cooperative and Private Sector

Investments are targeted to reach about LE 850 billion, representing almost 66% of total Plan's investments (LE 1295 billion). Private sector's investments for year 2007/08 are estimated to be LE 115.6 billion, with a share of 85% of total business sector investments, and 64% of total investments.

Table (4/14) shows the investment pattern for cooperative and private sectors in 2007/08 according to main economic activities.

Table (4/14)
Investments Pattern of the Cooperative and Private Sectors
in the 2007/08's Plan

Sector/Activity	LE billion	(%)	Sector/Activity	LE billion	(%)
Non petroleum Manufacturing Industry	29.4	25.4	Transportation	15.0	13.0
Petroleum Refinement Industry	2.4	2.1	Communications	9.5	8.2
Crude Oil	3.8	3.3	Wholesale and Retail Trade	5.0	4.3
Natural Gas	11.8	10.2	Real Estate	13.0	11.3
Agriculture	5.9	5.1	Education Services	3.0	2.6
Restaurants and Hotels	5.0	4.3	Health Services	2.0	1.7
Building and Construction	2.8	2.4	Other Social Services	7.0	6.1
			Total	115.6	100.0

Tables (A/7 and A/8a) in the statistical appendix show the targeted sectoral investments in the Sixth Five-Year Plan and its first year 2007/08 according to executing bodies, while table (A/8b) shows the modifications that has been carried out according to People's Assembly request; based upon the Plan and Budget committee's suggestions.



Investment Finance Matrix

Financing the Plan's investments relies on real resources, mainly the savings of different organizational sectors. In this context, the investment finance matrix - shown in tables (4/15) and (4/16) - signals the targeted savings for each sector and direction of funds during the Sixth Five-Year Plan and its first year.

The matrix shows that expected household savings during the Sixth Five-Year Plan is LE 771 billion, financing its own direct investment by about 18% (LE 140 billion), and covering the government deficit by nearly 26%, and the remaining savings, which represent 56%, are directed towards financing other sectors' investments.

Table (4/15)

Investment Finance Matrix of the Sixth Five-Year Plan

(LE billion)

Item	Private Sector		Public Sector			Net Lending	Saving
	Household	Private Business	Public Business	Economic Authorities	Public Government		
Household Sector	140	350	31	22	228	631	771
Private Business		500					500
Public Business			65				65
Economic Authorities				28			28
Public Government					-200		-200
External World					131	131	131
Net Borrowing		350	31	22	359	762	
Targeted Investment	140	850	96	50	159		1295



Table (4/16)

Investment Finance Matrix for the First Year of the Plan (2007/08)

(LE billion)

Item	Private Sector		Public Sector			Net Lending	Saving
	Household	Private Business	Public Business	Economic Authorities	Public Government		
Household Sector	22.6	58	11.1	6.6	55.7	131.4	154
Private Business		35					35
Public Business			9.0				9.0
Economic Authorities				7.1			7.1
Public Government					-50.0		-50.0
External World					24.9	24.9	24.9
Net Borrowing		58	11.1	6.6	80.6	156.3	
Targeted Investment	22.6	93	20.1	13.7	30.6		180

In other words, the household sector finances about 44% of total domestic investment. Other organizational sectors finance nearly 46% of investments, while foreign savings' share reaches about 10%. It is estimated that about 15% of targeted domestic savings - which are likely to reach LE 1364 billion - would cover the State Budget's deficit.

Concerning the investment finance matrix of 2007/08 Plan, household savings are estimated to be about LE 154 billion, of which LE 22.6 billion (15% of its total savings) to finance the sector's direct investment, and LE 50 billion to cover the State Budget deficit, which represents two-thirds of household savings, and the rest is directed towards financing other sectors' investments (48%).

It appears from the matrix that household savings finance about 58% of gross domestic investments, and organizational sectors nearly 28%, foreign savings almost 14%, also the State Budget's deficit absorbs about 24% of total targeted domestic savings which are estimated to be nearly LE 205 billion.



4/5 International Transactions

Within the context of deepening Egypt's integration in the international economy, the 2007/08 Plan targets to significantly increase total exports and imports. According to the estimates of the Central Bank of Egypt, commodity exports are expected to reach about \$ 21.6 billion, compared with nearly \$ 39.9 billion as commodity imports, which may result in a trade balance deficit of \$ 18.3 billion.

However, the increase in services revenues expected to reach about \$ 23.7 billion compared to services payments of about \$ 12 billion, would result in services balance surplus reaching \$ 11.7 billion.

By adding net transfers (private and official) - estimated to be about \$ 7.2 billion - it is expected to cover the trade balance deficit and achieving a surplus of \$ 533 million in current account balance and transfers. On the other hand, the capital and financial account is estimated to achieve a surplus of \$ 5 billion due to expected large inflows of foreign direct investment reaching \$ 11.5 billion, in addition to the increase in short term suppliers' credit to about \$ 2.4 billion which may finally result in an overall balance surplus of \$ 5.5 billion [table (4/17)]

Table (4/17)
Estimates of Balance of Payments for Year 2007/08

Sector/Activity	\$ billion	Sector/ Activity	\$ billion
Commodity Exports	21.6	Transfers (Net)	7.2
Petroleum	12.5	Private Transfers	6.6
Non-Petroleum	9.1	Official Transfers	0.6
Commodity Imports	39.9	Balance of Current account (including Transfers)	0.5
Petroleum	8.4	Foreign Direct Investment (Net)	11.5
Non-Petroleum	31.5	Direct Investment Abroad	(0.4)
Trade Balance	(18.3)	Portfolio Investment Abroad	(0.8)
Services Exports	23.7	Portfolio Investment in Egypt (Net)	0.4
Transportation	6.4		



Cont.

Sector/Activity	\$ billion		Sector/ Activity	\$ billion
(of which Suez Canal)	4.9		Other Investments (Net)	(5.7)
Tourism	10.7		Medium and Long-Term Loans (Net)	(1.0)
Collected Investment Dividends	2.4		Medium and Long-Term Suppliers' Credit (Net)	(0.7)
Others	4.2			
Services Imports		12.0	Short-Term Suppliers' Credit (Net)	2.3
Transportation	1.5		Net Borrowing	0.7
Tourism	1.9		Financial and Capital Account	5.0
Paid Investment Dividends	2.2		Overall Balance	5.5
Others	6.4			
Services Balance		11.7		

Source: The Central Bank of Egypt.

Concerning the Sixth Five Year Plan, commodity and services exports are expected to increase at a high rate to reach 12% as an annual average as a result of the increase in exports of manufacturing industries, natural gas, growth of tourism and Suez Canal revenues, in addition to the increase of remittances of Egyptians working abroad. Also, commodity and services imports would increase, especially the imports of intermediate and capital goods to satisfy the requirements of increasing investment and growth rates, but at a lower rate than exports growth rate.

Trade balance deficit is expected to increase, but would be compensated with the expected surplus in the services and transfers balance. Hence, it is expected that current account balance surplus would be sustained during the Sixth Five-Year Plan.

Estimates of the Central Bank display an expected surplus of about \$ 370 million in current account balance, and by adding the capital balance surplus (nearly \$ 2.6 billion), the surplus in the overall balance would increase to \$ 3 billion; yet still below expectations of 2007/08 (\$ 5.5 billion).