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Thurs 26 March >> Palaces Real Estate & Development AGM

## EGYPT NEWS

### EGYPT'S BUDGET DEFICIT TO WIDEN TO 8.4% OF GDP IN FY2009/10, MINISTER SAYS

Egypt's budget deficit is expected to widen to 8.4% of GDP in FY2009/10 from an estimated 6.9% in FY2008/09, Al Ahram quoted Minister of Finance Youssef Boutros-Ghali as saying. Presenting the budget to the President, Boutros-Ghali said revenues are expected to decline 26% Y-o-Y to EGP213 billion while expenditure will decline 10% Y-o-Y to EGP322 billion. The FY2009/10 budget also includes a new stimulus package of EGP12 billion to be spent on infrastructure investment (EGP8 billion) and export subsidies (EGP4 billion) compared to EGP15 billion spent in the current FY2008/09. The government did not yet decide the extent of the pay rise for public employees, he said, adding that some officials suggest increasing investment instead. President Mubarak said there will be no additional taxes imposed and no cut in subsidies, which are budgeted at EGP59.7 billion, lower than a budgeted EGP60.2 billion in FY2008/09, due to lower food and oil prices. The budget deficit will widen to 8.4% of GDP (EGP109 billion) in FY2009/10 from an estimated 6.9% (EGP70 billion) in FY2008/09, according to the Minister. The government will, however, aim to lower the expected deficit to 7.7% before presenting the budget to Parliament through raising grants and engaging the private sector in public investment. The budget assumes economic growth of 4.5% in FY2009/10.

The FY2008/09 budget includes an EGP25 billion transfer between state pension funds through the fiscal budget that was budget neutral. Excluding this transfer, the government's FY2009/10 budget forecasts a 15% Y-o-Y decline in revenues from budgeted FY2009/08 and only a 1% increase in spending from budgeted FY2008/09. We expect government revenue to decline as economic growth slows sharply and lower Suez Canal income resulting in lower tax receipts. A decline in oil prices will also decrease income from the state-owned Egyptian General Petroleum Company (EGPC) that will not affect the budget deficit because fuel subsidies are budget neutral. The muted increase in spending is likely to be the result of lower subsidy spending in FY2009/10 than in the previous year. We forecast the budget deficit will widen to 9.1% of GDP in FY2009/10e from 8.3% in FY2008/09e, based on economic growth forecasts of 3.3% in FY2008/09e and 1.4% in FY2009/10e. (By Mohamed Abu Basha)

### MENA TOURISTIC & REAL ESTATE INVESTMENT SIGNS JOINT VENTURE WITH MENA PLAZA

Mena Touristic & Real Estate Investment Company signed a joint venture contract with Mena Plaza Company to develop a residential project in New Cairo City. The project will be developed on a land plot owned by Mena Plaza that extends over 241,500 sqm. The project features 2,000 residential units ranging between 120 and 200 sqm. Mena Touristic & Real Estate Investment Company owns a 15% stake in Mena Plaza Company. Mena Touristic & Real Estate Investment Company's return from the project is its return from the joint venture, estimated at 69%, and 15% of Mena Plaza's returns. (Mena Touristic & Real Estate Investment Company disclosure)

### TB3 AT CAIRO INTERNATIONAL AIRPORT TO START OPERATING IN APRIL

Terminal Building 3 (TB3) at Cairo International Airport will start receiving passengers between 22 and 28 April 2009, Al Ahram newspaper quoted Minister of Civil of Aviation Ahmed Shafik as saying. The new terminal investment costs exceeded USD350 million, of which USD70 million was provided by the Egyptian Government and the remaining USD280 million by the World Bank. TB3 is 164,000 sqm of built-up area and is designed to handle 11 million passengers per year. The design allows gradual expansion of TB3 to accommodate more passengers in the future and the terminal could triple its size by 2030. It will initially handle aircrafts of airlines belonging to Star Alliance. (Al Ahram newspaper)

### EGYPTIAN IRON AND STEEL SETS OPERATIONAL TARGETS FOR FY2009/10

Egyptian Iron and Steel Company set targets for sales and profits in FY2009/10 during its AGM on 23 March 2009. They intend to produce and sell 650 thousand tons, 32% below 2007/08 levels and 28% below estimated 2008/09 sales. Average selling price for 1H2008/09 was EGP5031 per ton and EGP3675 for FY2008/09, 3% lower than their estimated selling price in FY2009/10. The company expects after tax profits of EGP21.95 million for FY2009/10, but does not intend to distribute them as prices fall and it will need the cash to finance operational expenses. The company is planning EGP205 million in capital investments in FY2009/10 to increase the efficiency of its production process, it said. (Company disclosure)

**PARADISE CAPITAL RAISES ITS STAKE IN B. TECH TO 26.5%, AL-MAL SAYS**

Paradise Capital received CMA approval to buy an additional 8.59% stake in B. Tech, increasing its current ownership to 26.5%. All of B. Tech's shareholders approved the acquisition terms. The transaction represents a transfer of ownership from individual Salam family members to Paradise Capital which is the investment arm of the Salam family. Paradise Capital owns a 52% stake in Olympic Group, which owns 48% of B. Tech's shares. Paradise Capital will have a representation on B. Tech's board, Al-Mal cited B. Tech chairman Mahmoud Khattab as saying. This will improve B. Tech's operations and sales performance. B. Tech is looking to invest EGP12 million to expand its branch network during 2009 to 52 from 44 currently. (Al-Mal)

OG: EGP16.0, ST Neu. / LT Buy, FV EGP38.0, MCap USD171 m, Av. Vol. USD0.35 m

**SAUDI ARABIA NEWS****MOBILY'S PROFITS FOR FIRST TWO MONTHS OF 2009 UP COMPARED TO LAST YEAR**

Mobily's profits for the first two months of 2009 grew compared to the same period last year, Al-Riyadh quoted Chairman Abdulaziz Alsaghyir as saying. The company is currently working on refinancing the SAR1.5 billion loan into a long-term loan. The loan was used to fund the acquisition of Bayanat Al-Oula, he added. (Al-Riyadh)

**EMAAR THE ECONOMIC CITY TENDERS CONSTRUCTION WORK IN ITS MARINA NEXT APRIL**

Emaar the Economic City will tender construction work in its marina in April, Argaam website quoted the company's CEO as saying. The marina's first phase is expected to be operational in 2012, he added. Sale of residential units within the city amounted to SAR2 billion to date. The city currently provides 2,000 luxury residential units. The company is planning to start work on providing middle-income and low-income units within the next three months. Sixty percent of residential units within the city will target middle and low income groups. (Argaam)

**TAIBA HOLDING COMPANY DISTRIBUTES SAR0.3 DIVIDEND IN 1Q2009**

Taiba Holding Company will distribute a SAR0.3 cash dividend in 1Q2009, the company disclosed to the Saudi stock exchange. The company previously announced that cash dividends representing 3% of the company's capital will be distributed quarterly starting 1Q2009. The ex-dividend date is 31 March 2009. (Tadawul)

**ARRIYADH DEVELOPMENT COMPANY SIGNS THREE DESIGN CONTRACTS FOR SAR2.12 MILLION**

Arriyadh Development Company signed today three design contracts for three investment and services projects, the company disclosed to the Saudi stock exchange. The three contracts are worth SAR2.12 million. (Tadawul)

**MOROCCO NEWS****MOROCCO'S CENTRAL BANK CUTS RATES 25 BPS**

Morocco's central bank cut its benchmark interest rate by 25 bps to 3.25% yesterday, citing a fall in underlying inflation and deterioration in global economic conditions, Reuters reported. CPI inflation dropped to 3.8% Y-o-Y in February from 4% in January, with non-food inflation growth declining to 1.7% Y-o-Y from 2%. We forecast inflation will drop to an average 1.8% Y-o-Y in 2009e from 3.9% in 2008. The move is in line with our expectation that the central bank will lower interest rates as inflation declines on lower food and commodity prices and growth slows sharply in the non-agriculture sector. While we believe overall economic growth is expected to remain resilient (dipping to 4.8% in 2009e from 5.8% in 2008e) thanks to rapid growth in agriculture, the non-agriculture sector is expected to slow markedly due to a contracting European economy, Morocco's main trading partner and its leading market in tourism and remittances. We, therefore, forecast an additional 25 bps cut in interest rates in 2009e. Credit growth slowed to 21% Y-o-Y in February, down from an average 25% in 4Q2008, the bank said, adding that it expects an average loan growth of 16% Y-o-Y in 2009. (By Mohamed Abu Basha)

**BANQUE CENTRALE POPULAIRE (BCP) 2008 NET PROFIT RISES 16% Y-O-Y**

Banque Centrale Populaire (BCP), the central body of Credit Populaire du Maroc (CPM) reported FY2008 net profit of MAD826 million, a 16% increase vs. 2007 net profit of MAD715 million (restated from MAD632 million). Deposits increased 32% Y-o-Y to MAD16.2 billion and customer loans increased 60% to MAD20.8 billion. The bank plans to distribute MAD5.75 per share compared to MAD4.8 in 2007. The actual net profit was well above our forecast of MAD739 million. We will provide further comment once detailed financial statements are available. (By Elena Sanchez-Cabezudo)

**Banque Centrale Populaire (BCP): MAD259.8, STAcc / LT Buy, LTFV 261.3, MCap USD1,941 mn**

**EFG-HERMES RESEARCH NEWS****EGYPT ECONOMICS NOTE - EGP WEAKNESS TO COME, DESPITE RECENT INTERVENTION**

We reassess our estimates for USD-EGP and EGP policy rates in light of recent the CBE's intervention in Egypt's interbank FX market. The intervention was intended, we think, to reintroduce volatility in USD-EGP, force FX market participants to factor in possible EGP strength and reduce the probability of rapid deposit dollarisation. The intervention may have had a limited impact on the CBE's reserve position (since banks sold long USD positions back to the CBE as the EGP strengthened), but the CBE will have to run down reserves, we believe, to ensure a gradual USD-EGP during the rest of 2009 and into 2010. We still expect a trade-weighted depreciation of the EGP in 2009. We expect USD-EGP to end 2009 at EGP6.00. We expect the CBE will continue to cut policy rates, with total cuts of 300-400 basis points (bps) in 2009e, but we no longer expect rate cuts to be aggressively front loaded. (By Simon Kitchen)

**SAUDI HOLLANDI BANK - ADJUSTING LTFV FOR BONUS SHARES ISSUE; MAINTAIN RATING**

We lower our LTFV to SAR42.70 to adjust for the 25% bonus shares issued along with 2008 results. The stock will trade ex-dividend for both stock and cash dividend (SAR0.75/share) on 25 March 2009. Total outstanding shares stand at 330.75 million after adjusting for bonus shares. We maintain our ST/LT Accumulate rating on SHB. In our opinion, SHB is the most defensive of Saudi banks in the current economic environment. The bank remains one of the least susceptible to declines in global equity markets or widening credit spreads on corporate debt as the bulk of SHB's investment portfolio is government and quasi government securities (91%), while the bank's total asset exposure outside Saudi Arabia is less than 2.5% of total assets.

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