

bt/Market Insight - GfK

# The Final Stretch

Confidence levels are up and businesses are looking forward to better times. The end might just be in sight



By Tamer Hafez

It's been a contradictory reporting period this time around, but stability seems to be the order of the day. Confidence levels look good (up by one point to 62.6), but fluctuate according to sector. And the EGX 30 has been all over the place, though thankfully the trend is generally upwards, heading towards 6,500 points from 5,640 at the start of the reporting period.

Not least of our problems was swine flu – or rather the reaction to it. The pharmaceutical retail sector is suffering from effects of a black market for Tamiflu. The price of a 10-pill-packet has risen 10-fold from the Ministry of Health set price to LE 450 on the black market.

On the bureaucratic side, a presidential decree was issued last month to create a new entity called the National Authority for Financial Control. Its role is to combine the operations of the Capital Market Authority, National Insurance Authority and Real Estate Financing Authority. It is unclear as to whether the existing institutions will be shut down, or if they will continue to operate alongside the new authority.

It has also emerged that FMCG companies are consolidating the market: Citadel Capital, Americana, Dalla Dairies, Al Mamlaka, Nestle and Cadbury are all planning new acquisitions in the coming months.

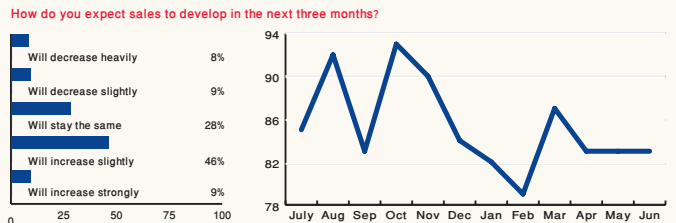
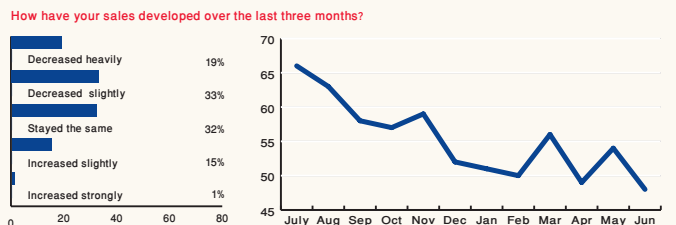
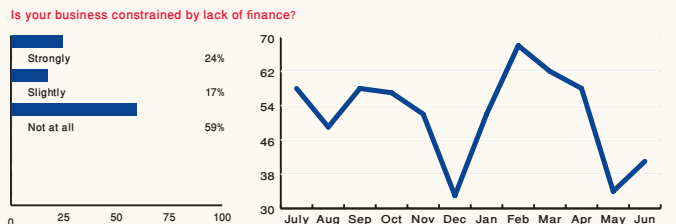
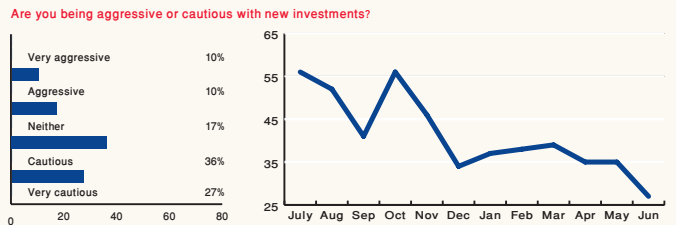
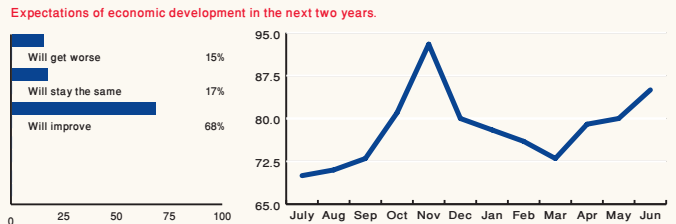
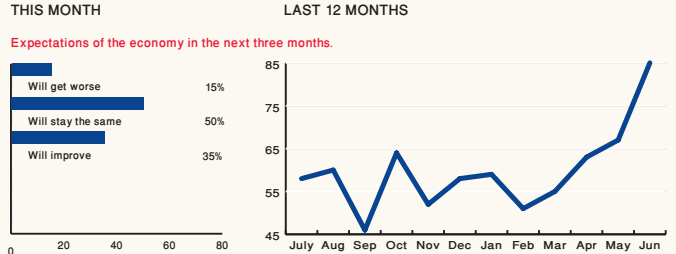
## Events of the Month

It appears the business world was once again overtaken by health concerns this month. For 38% of our panel, swine flu comes in as the most important event of the month. Local economic instability – layoffs and bankruptcies – comes in at number two (12%). The third biggest concern was price fluctuations (10%) while Obama's visit was the most important event for just 8%. The death sentence on the table for Hisham Talaat Moustafa, former chairman and CEO of TMG, was number five (4%). And the remaining 24% of the panel? They said no significant events happened during the period.

## Confidence Details

By industry size, change in confidence level seemed to be inversely proportional to the size of the business. Small enterprises confidence levels rose from 67 to 71 points. Medium-sized enterprises' confidence remained the same as last period at 67 points. Meanwhile, large corporations reported that confidence was down by four points to 74.

By sector, confidence levels are all over the place – the services



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## Important Events

| Event              | Importance |
|--------------------|------------|
| Swine Flu          | 38%        |
| Nothing            | 24%        |
| Local Economy      | 12%        |
| Price Fluctuations | 10%        |
| Obama Visit        | 8%         |

tor was the only one to report a significant decrease in confidence, down seven points to 70 points, while manufacturers reported a less worrying one point decrease to 67. In the contracting sector, confidence increased by four points to 83, while commercial sector confidence increased by five points to 71 points.

### Economy and Operations

Stability continues for another reporting period, as forecasts for the end of the financial crisis become more optimistic. A full 44% of our panel say the crisis will end in less than 12 months and 33% says it will end in the next 12 to 24 months. The other 23% have a more pessimistic outlook (8% say the crisis will take more than 24 months to end and 15% wouldn't hazard a guess).

In local economic performance, 50% of our panel say the economy will remain the same in the coming three months while 35% say it will improve during this period; both camps cite the global financial crisis as the major influence. The outlook for the next two years is more optimistic, with 68% saying that the economy will improve due to new investments and projects and a recovering global economy.

While the investment attitude of 35% of the panel is still cautious, 59% say that they are not constrained by the lack of finance and the same number say either their business has not been affected by the crisis (31%) or they are seeing positive effects (28%).

Sales patterns retained their usual behavior, with 46% of the panel expecting sales to increase during the next three months. New projects have been reported by 40% of our panel, while 56% say that they will have a new project lined up for next month.

### Conclusion

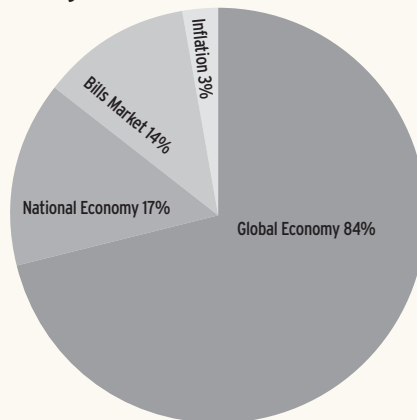
Overall, fairly promising signs – the coming

## End of the Crisis

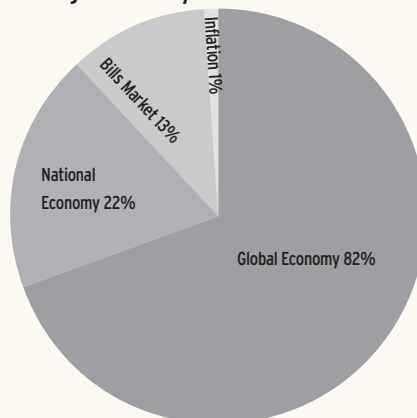
| Duration            | Probability |
|---------------------|-------------|
| Less Than One Year  | 44%         |
| One to Two Years    | 33%         |
| More Than Two Years | 8%          |
| Unspecified         | 15%         |

month is shaping up to be the first stable stepping stone for the rebuilding of business confidence. Based on the forecasts of our panel, there is a general feeling that something positive is brewing. With the EGX 30 index rising and the business community feeling optimistic, we can only hope that these are the last throes of the crisis. **bt**

### Factors affecting economic performance during the next three months

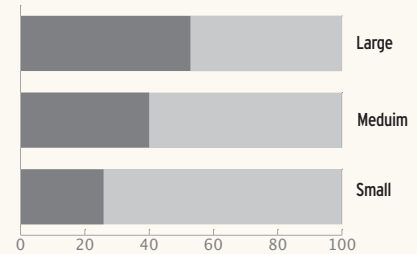


### During next two years

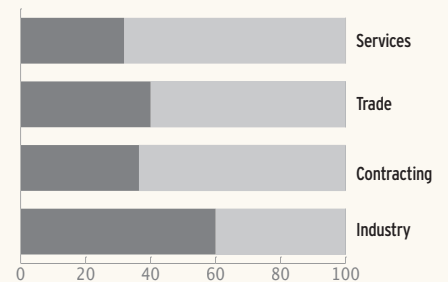


## Operations Development

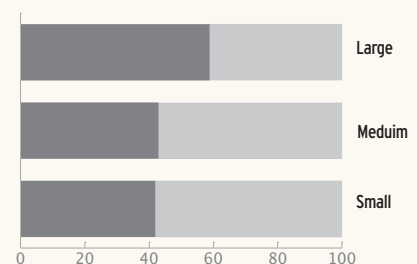
### Projects executed last month? COMPANY SIZE



### SECTOR



### Projects planned for next month? COMPANY SIZE



### SECTOR

