

## Business

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CAIRO: A billboard with an election poster for Egyptian President Abdel Fattah Al-Sisi standing next to a bridge overlooking the river Nile in the capital Cairo's island of Manial. —AFP

# Egypt reforms stall amid rising prices

## Effects of pound flotation still felt as election nears

CAIRO: Traders at the textile market in Cairo's Al-Azhar district were once used to seeing their shops filled with customers, but soaring prices have driven many away. The reason for the spiraling costs—drastic reforms that the government pledged would bring benefits to the turmoil-hit nation. But far from improvements, many Egyptians say they feel worse off, and the economic woes could present the major challenge for President Abdel Fattah Al-Sisi as he approaches an election essentially unopposed.

"People who want to get married these days have to wait: there is no money for anyone to buy anything," said Shaimaa, a homemaker in her 30s, as she looked for some fabric. "Years ago, the salary was enough and there was even a surplus, but now a salary that is even as high as three thousand, or four thousand pounds (\$225, 180 euros) a month is not enough."

### The effects of flotation

Egypt's presidential vote from March 26-28 is the third since a 2011 uprising toppled longtime ruler Hosni Mubarak, and Sisi looks certain to win a second four-year term. Most of his rivals have either been sidelined or withdrawn and the only other candidate, Moussa Mostafa Moussa, has himself previously

expressed support for the ex-military chief.

While there is little competition at the ballot box the economic discontent facing many Egyptians could prove a bigger political issue. Shaken by the 2011 revolt and the years of turmoil that followed, Egypt implemented a set of radical economic reforms linked to a three-year \$12-billion loan the International Monetary Fund approved in November 2016.

The steps included the adoption of a value-added tax, energy subsidy cuts, and floating the pound, which halved its value against the dollar in the import-reliant country. Sayyed Mahmoud, 50, one of the biggest fabrics merchants in Al-Azhar district, sits outside his store, blaming "the pound's flotation" for the slump. "This decision changed everything. Prices went up threefold and fourfold," said Mahmoud. "A blanket that was 200 pounds, now costs 800 pounds," said Mahmoud.



## Govt pushes ahead with mega projects

Since the currency move the inflation rate has soared, reaching a high of 34.2 percent in July.

Meanwhile some 28 percent of Egyptians, or 93 million people, now live under the poverty line, according to official figures. While some of the government's measures were positive, floating the pound was handled "the worst", said Alia El Mahdi, the former dean of the faculty of Economics and Political Science at Cairo University. "If the economic improvement comes at the expense of people's living standards, then the target of the reform program was not met," she said.

### Unemployment and local industry

Despite the soaring inflation and rising poverty, Sisi insists that his first term has seen an "unprecedented boom". Since his election in 2014, Egypt has been working on a series of mega projects.

The large-scale national projects included the expansion of the Suez Canal, which ended in 2015, about year after Sisi's inauguration. After its completion, Sisi announced another ambitious project: a new capital that is currently being built over about 170 square kilometers and should begin functioning next year. "We are about to finish about 11,000 projects... with a cost of about two trillion pounds," Sisi said in January.

Hailing the economic successes during his term he pointed to a rise in foreign currency reserves to \$37 billion and a drop of unemployment to 11.9 percent. But economists like Mahdi said that if the government wanted to build sustainable growth it needed to focus on bolstering "industry, agriculture, and services to reduce unemployment in a lasting and real way".

"National projects only need temporary workers," she said. And while the IMF in January declared a "favorable" economic outlook for Egypt after growth of 4.2 percent in the fiscal year to June 2017, many are not feeling it. Like fabric vendor Mahmoud, who is adamant that he has not seen any improvements. "The state's political leadership works correctly and has accomplished many massive projects, and I support Sisi through and through, but where is the return for me at the moment?" —AFP

## Toys'R'Us 'winds down' as British retailers hit hard times

LONDON: The British arm of troubled retailer Toys'R'Us is winding down its activities, administrators said yesterday as the US firm faces pressure from rival stores and online giant Amazon.

Yesterday's announcement puts up to 3,200 jobs at risk and comes as British electricals retailer Maplin joined Toys'R'Us UK in falling Wednesday into administration—the process whereby a troubled company seeks independent financial advice

regarding its future.

Maplin operates out of 217 stores across Britain and Ireland, employing close to 2,500 staff. The collapse of certain major retailers in the UK comes as Brexit uncertainty appears to be impacting the country's economic growth according to recent official data.

"The challenging conditions in the UK retail sector are well documented," said Zelf Hussain at PWC, which is acting as administrators for Maplin. "Like many other retailers, Maplin has been hit hard by a slowdown in consumer spending and more expensive imports as the pound has weakened" following Britain's vote in favor of exiting the European Union.

Hussain added that the administrators will "engage with parties who may be interested in acquiring all or part of the company". The British division of Toys'R'Us narrowly avoided entering administration in December after a key creditor embraced its plan to begin shut-

ting stores and plug its pensions deficit. It was agreed ahead of the New Year that at least 26 of the 105 shops in Britain would close in early 2018.

But the firm was nevertheless forced to enter insolvency proceedings. Court-appointed administrators Moorfields said in a statement: "Following the failure to attract a buyer for the business... administrators are conducting an orderly wind-down of the company's store portfolio."

While the Toys'R'Us announcement "is likely to affect many... staff, whether some or all of the stores will close remains to be decided", said Moorfields administrator Simon Thomas. As of late last year, Toys'R'Us in the UK employed more than 3,000 staff across more than 100 mostly warehouse-style stores.

"All is not well on UK (shopping) high streets," said Richard Lim, chief executive of Retail Economics. —AFP



LONDON: In this file photo, closing down posters are in the windows of a Toys 'R' Us store in south London. —AFP