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VIEWPOINT

EGYPT'S MACRO TURNAROUND IS REAL—AND ITS INVESTMENT CASE IS TAKING SHAPE

For global investors, Egypt's 2025 macroeconomic data is more reassuring than it has been at any point in recent years. Growth has rebounded, inflation has fallen sharply from its peak, foreign currency availability has improved, and external inflows have strengthened. Sovereign risk premiums have narrowed, the exchange rate has stabilized under a managed float, and access to hard currency has become more predictable. Taken together, these shifts mark a clear transition away from crisis management.

The more consequential question is whether stabilization can be sustained—and converted into attractive, risk-adjusted returns. Egypt is no longer confronting immediate macro stress. What matters now is whether recent gains can evolve into a durable, investment-led growth story.

By late 2025, real GDP growth had approached 5%. Both headline and core inflation declined to about 12% in November, after exceeding 38% at the height of the crisis. The exchange rate stabilized near EGP 48 per dollar, while international reserves climbed to a historic high of around \$51.5 billion at the end of last December compared to \$47.1 billion in December 2024. These developments materially improved visibility on currency availability and reduced repatriation risk—an essential consideration for foreign investors.

Early indicators suggest that stabilization is beginning to gain traction in the real economy. Private investment has increased by about 80%, a meaningful rebound even from a low base, pointing to a renewed willingness to deploy capital. Business activity has returned to expansionary territory, with the PMI moving above 50 last December. At the same time, a primary surplus near 3.5% of GDP has reinforced fiscal credibility. Taken together, these signals suggest a gradual re-engagement of the private sector and indicate that the recovery is extending beyond macro repair toward investable momentum.

External inflows have also strengthened. Tourism posted a record year, with visitor numbers nearing 19 million and revenues approaching \$18 billion. Remittances rebounded sharply and are expected to exceed \$40 billion, providing a vital source of foreign currency and household income support. Merchandise exports reached roughly \$45 billion in the first 11 months of the year, reflecting growth of nearly 18%, while imports

rose by only about 4%. As a result, the trade deficit narrowed to around \$30 billion, its lowest level in nearly a decade. Balance of payments dynamics have improved materially, reducing near-term macro volatility.

Still, much of the progress to date reflects stabilization and the correction of earlier distortions rather than a full reallocation of capital toward higher-productivity uses. Inflation has slowed, but real incomes remain compressed, and purchasing power has yet to recover meaningfully. For investors, the key issue is not growth itself, but whether it translates into productivity gains, scalable private sector expansion, and sustained returns.

Public debt remains the most binding structural constraint. High debt levels and servicing costs absorb a large share of government revenues. More problematic than the size of the debt stock is its structure: Elevated interest costs crowd out spending on infrastructure, skills, and productivity-enhancing investment, constraining long-term growth potential. That said, the improvement in the primary balance and the decline in inflation provide a window to gradually ease this constraint—provided policy discipline is maintained.

The IMF-supported reform program, now nearing completion, should be viewed in that context. The Fund does not generate growth or investor returns. It provides discipline, restores credibility, and reduces tail risk. On those terms, the program has largely achieved its objective. What comes next—how capital is allocated, whether competition is fair, and how predictable the policy environment becomes—will determine whether stabilization matures into a durable investment narrative.

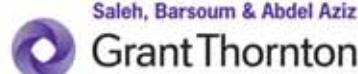
Looking ahead to 2026, the outlook is constructive. Inflation is expected to continue easing, and external obligations appear manageable. Stability has created room for policy choice. If that space is used to deepen private sector participation, reduce the state's footprint in competitive markets, and channel capital toward tradable, export-oriented sectors, growth can become more resilient and returns more compelling.

For long-term investors, Egypt's opportunity lies not only in the stabilization already achieved, but in the momentum now building beneath it. With disciplined execution, clearer competition, and capital increasingly directed toward productive activity, improved macro fundamentals can translate into a credible medium-term investment case. The numbers have turned. The next phase is about converting stability into returns.

OMAR MOHANNA
President, AmCham Egypt



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Richard Rumelt's book *Good Strategy Bad Strategy: The Difference and Why it Matters* explains why most corporations are more likely to develop bad strategies than good ones.

RUNNING THE 2026 GAUNTLET

As we enter 2026, the global economic and political landscape presents a real test of resilience, foresight and adaptability. In this issue, we explore challenges and opportunities that will shape the upcoming year.

Our cover story looks at the appointment of a new Federal Reserve chair and what the leadership change might mean for global monetary policy. Will the Fed's approach affect emerging markets or alter capital flows worldwide? We also review the results of COP30, a pivotal moment for climate commitments, and consider whether these promises will lead to real progress.

Central Bank Digital Currencies (CBDCs) are also gaining importance. The euro is leading this development — and Egypt is increasing trades within that zone — which could have significant effects on cross-border transactions and financial stability. We also analyze the World Trade Organization's outlook on global trade in 2026, a year that offers both optimism and uncertainty.

We also provide additional coverage of Badr Abdel Atty, Egypt's Minister of Foreign Affairs, as he discusses how geopolitics will play an increasingly significant role in economic outcomes.

For readers interested in Egypt's progress, we share insights from multinational and international financing institutions regarding the country's economic outlook for 2026.

Beyond our main stories, this issue includes a summary of the book "Good Strategy Bad Strategy," emphasizing that clarity and coherence are especially crucial during uncertain times.

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THE NEWSROOM



MOUS AIM TO BOOST INVESTMENT, SUSTAINABILITY

Egypt and the European Bank for Reconstruction and Development (EBRD) have agreed to six memorandums of understanding aimed at expanding private sector participation, upgrading energy infrastructure and promoting investment.

The Egyptian Electricity Transmission Co. (EETC) has an MoU with the EBRD to modernize the national grid with a financing package of 164 million euros (\$194 million) for the first phase for upgrading a 500 kilovolt substation in Cairo and construction of a 200-kilometer (124-mile) transmission line from the Gulf of Suez. Additional financing agreements of 35 million euros and 2 million euros also were signed.

Egypt plans to raise electricity sector output to EGP 655.6 billion in FY2025/26,

expand coverage to 99.8%, and increase annual generation to 235 billion kilowatt-hours. Investments in electricity and renewables for the same fiscal year are projected at EGP 136.3 billion, with 27% from the private sector.

The General Authority for Investments and Free Zones (GAFI) signed an MoU with the EBRD to enhance foreign direct investment and support SMEs. Another agreement was signed to set a roadmap for private sector engagement in sustainable projects and improved access to Hafiz, a platform connecting development partners and businesses. Notably, MSMEs represent 90% of Egypt's private sector, contributing 43% of GDP and 75% of employment.

VOLKSWAGEN TO EXPAND EV MANUFACTURING IN EGYPT

German automobile manufacturer Volkswagen announced a \$240 million investment to scale up electric vehicle (EV) production in Egypt, according to the Ministry of Industry and Transport. The German automaker intends to localize its car manufacturing and will initially outsource assembly to Egyptian German Automotive (EGA) before establishing its own factory in East Port Said.

The project aligns with the National Automotive Industry Development Programme (AIDP), which offers incentives for EV manufacturing. Volkswagen plans to strengthen local supply chains, build a research and development center and launch a technical

training hub to develop expertise in EV maintenance and repair.

The initiative is expected to create 2,100 direct jobs and 4,000 indirect jobs. According to the statement, Volkswagen's strategy mainly aims to enhance the skills of domestic parts suppliers to rely on locally made car components, while expanding the production of parts in Egypt.

Volkswagen Group COO and Volkswagen Passenger Cars CEO Thomas Schäfer said Egypt has the key conditions to play a major role in the future of Africa's automotive industry, citing its industrial infrastructure, strategic location, skilled workforce and East Port Said as a modern industrial and logistics hub.

EGYPT, ALBANIA SIGN COOPERATION AGREEMENTS

Egypt and Albania signed MoUs to strengthen bilateral cooperation across 25 sectors, marking the first accords between the two nations in over two decades. The agreements were signed by Minister of Planning and International Cooperation Rania Al-Mashat and Albania's Minister of Economy and Innovation Delina Ibrahimaj during Egyptian-Albanian Joint Committee meetings in Tirana.

The MoUs address water resources, renewable energy, irrigation, education, research and health, alongside measures to boost trade and private-sector partnerships. A separate agreement between Egypt's General Authority for Investment and Free Zones (GAFI) and Albania's Investment Development Agency (AIDA) aims to promote joint projects and investor support through GAFI's new digital platform.

The accords align with Egypt's five-year economic strategy targeting higher productivity, macroeconomic stability and increased private investment, which reached 47.5% of total executed investments in FY2024/25 — the highest in five years.

A separate MoU was signed between GAFI and AIDA to support investors, organize business delegations and promote joint projects supported by GAFI's new digital investment platform.



LICENSE FOR SUSTAINABLE AVIATION FUEL PLANT

Egypt signed its first production agreement for sustainable aviation fuel project, a milestone in the country's transition to green energy. The deal brings together the Egyptian Petrochemicals Holding Co., represented by the Egyptian Company for Sustainable Aviation Fuel, and Honeywell UOP, an international supplier and technology licensor.

The plant to be built in Alexandria will convert used cooking oil into aviation-grade fuel with an annual capacity of up to 120,000 tons, according to Minister of Petroleum and Mineral Resources Karim Badawi. The project is expected to eliminate 400,000 tons of CO₂ emissions annually and deliver significant economic and environmental benefits.

Honeywell will provide advanced hydro-treating technology, achieving conversion

rates of up to 80% and ensuring compliance with international aviation standards. The agreement underscores Egypt's commitment to low-carbon technologies and Honeywell's strategy in supporting clean fuel in the region.

Egypt also signed a \$200 million deal with Qatar's Al Mana Holding to build a sustainable aviation fuel plant in the Suez Canal Economic Zone. The facility, developed by newly formed Saf Fly Ltd, will convert used cooking oil into SAF, biopropane and bionaphtha, with an annual output capacity of about 200,000 tonnes.

The project will cover a total area of 100,000 square meters in the integrated Suez area, which is divided into 70,000 square meters in the industrial zone and 30,000 square meters at Suez Port.

GAFI LAUNCHES DIGITAL PLATFORM FOR DUE DILIGENCE

The General Authority for Investments and Free Zones (GAFI) introduced a new electronic platform to streamline financial due diligence and enhance Egypt's investment climate. The system enables investors to submit and track applications online, monitor procedures in real time, and benefit from integrated communication between departments.

Alongside the platform, GAFI updated its financial frameworks and valuation standards for mergers, divisions and legal form changes. The updated frameworks and digital platforms aim to improve transparency, accuracy, and regulatory compliance in pre-audit financial reviews. They also aim to improve the authority's financial evaluation and inspection system, according to a statement.

Then GAFI CEO Hossam Heiba said the initiative is part of a broader modernization program to automate services and align technical outputs with international practices, supporting Egypt's strategy to attract foreign investment under the IMF-backed Extended Fund Facility.



VIEW FROM OUTSIDE

What some top international institutions are saying about Egypt in 2026.

by Rania Hassan



According to the government's latest statistics, Egypt's economy is rapidly recovering. In the first quarter of fiscal year (FY) 2025/2026, GDP grew 5.3%, up from 3.5% a year earlier, "marking the strongest quarterly performance in over two years," according to a November statement from the Ministry of Planning, Economic Development and International Cooperation (MPED). It forecast that GDP growth would not fall below 5% by the end of the fiscal year.

It said this "acceleration reflects the tangible impact of ongoing economic and structural reforms that are bolstering the real economy, crowding in private-sector activity and steering the growth model toward tradable, high-productivity sectors such as manufacturing, tourism and telecommunications."

Meanwhile, the World Bank (WB), European Bank for Reconstruction and Development (EBRD), and the three main sovereign credit rating agencies — Standard & Poor's, Moody's, and Fitch — expressed cautious optimism about Egypt's economic outlook for 2026 and 2027.

World Bank

In the Global Economic Prospects Report published in June, the WB forecast the Egyptian economy, which it classifies as a "low-middle-income" nation, would underperform its peers until 2027, despite outperforming them in 2022 and 2023.

On the plus side, the report praised Egypt's efforts to increase its foreign exchange reserves from \$46.5 billion at the start of FY 2024/2025 to more than \$50 billion in October, a 20-year high.

However, it noted, "external accounts have continued to face pressure, as evidenced by the weak foreign asset position of commercial banks. In addition, the increases in U.S. import tariff rates ... have raised uncertainty about prospects for exports from the region."

The WB expects Egypt's GDP growth rate to rise from 3.8% in FY 2024/2025 to 4.2% in FY 2025/2026, reaching 4.6% in FY 2026/2027. This growth is driven by "stronger private consumption, higher private investment ... anticipated monetary easing and a gradual rebound in manufacturing activity."

Egypt's current account deficit should "narrow" in FY 2025/2026, "partly reflecting low oil and natural gas prices, sustained strong remittances and a vibrant tourism sector." Additionally, the country's "non-oil trade deficit is likely to decrease as the effects of clearing import backlogs from FY2024/25 subside."

However, "fiscal deficits in oil import are projected to widen in 2026, partly because of Egypt's higher interest payments and decline in non-tax revenues after a significant one-time increase from the [\$35 billion Ras El Hekma deal with the U.A.E.," the WB noted.

In 2026, this fiscal deficit should "decline slightly," thanks to "fiscal consolidation proceeds in Egypt in FY2025/26, by implementing a reduction in energy subsidies and enhancing tax revenue mobilization efforts."

Another challenge in 2026 will be that "poverty is ... expected to remain elevated in Egypt, partly owing to persistent, though reduced, inflation, especially for food. Over [FY] 2026/2027, poverty is forecast to decline gradually ... as per capita growth strengthens and inflationary pressures moderate."

EBRD

In September, the EBRD reported GDP growth rates in countries along the eastern and southern Mediterranean coast (SEMED) "exceeded expectations in the first half of 2025, averaging 3.6%, up from 1.2% in 2024."

For 2025, the bank forecasts the region's GDP growth rate will increase slightly to 3.7%. Egypt's GDP growth rate should reach 4.8%, "against the backdrop of macroeconomic stabilization and a gradual improvement in investor sentiment," noted the report.

However, GDP growth rates may slow in 2026 for SEMED nations, including Egypt. EBRD projects SEMED's growth rate will decrease to 3.2%, while Egypt will record 4.5%.

The EBRD attributed Egypt's slower growth pace to ongoing risks having a larger impact on the economy in 2026 than in 2025. "Debt levels remain elevated, with servicing costs expected to absorb 65% of budget revenue in [FY] 2025/2026, while slow progress in structural reform continues to hold back potential growth."

Also, "significant downside risks remain relating to a further escalation of regional conflicts and ... a further delay in implementation of the IMF-supported reform program."

S&P Global

In October, S&P Global upgraded Egypt's long-term sovereign credit rating from B- to B, while keeping its short-term rating at B. That places Egypt in S&P Global's "highly speculative" territory.

On the positive side, "Egypt's shift to a flexible exchange rate is resulting in higher growth and increased tourism and remittance inflows," the rating agency said. "Net financial inflows have also improved, benefiting the economy's external position."

The "stable outlook" reflects "Egypt's improving growth prospects and improving balance of payments trends against continued high government deficits and debt, including external commercial obligations."

S&P Global praised the government for achieving a primary surplus (profit before interest and debt payments) of 3.5% of GDP in FY 2024/2025. Yet, “the key challenge for public finances remains how to lower the elevated interest bill, while also extending the average maturity of domestic debt.”

The rating agency’s “upside scenario” would “consider raising … ratings if Egypt’s net government and external debt positions improve much faster than we currently expect, perhaps via an accelerated pace of deleveraging or higher FDI supported by the planned sale of state assets.”

Another positive development would be if the government “opens up key sectors to foreign investment [to] benefit the Egyptian economy, including the quality of external financing.”

Alternatively, S&P Global said its “downside scenario” would see it “revise the outlook to negative if the government’s commitment to macroeconomic reform, including exchange rate flexibility, wanes and economic imbalances such as foreign currency shortages increase again.”

S&P Global also could drop ratings “if the elevated interest costs prompt the government to undertake a debt exchange that we consider to be distressed, or if current geopolitical and tariff-related tensions impinge on Egypt’s external market access and cost of debt.”

For this fiscal year and the next, the rating agency forecasts Egypt’s government deficit will stay at 7.1% in FY 2025/2026 and fall to 6.9% by FY 2027/2028.

It also expects a simplification of the tax system, a broadening of the tax base and the elimination of tax exemptions to support fiscal revenue through fiscal 2028.

S&P Global also forecast “the more competitive exchange rate to continue to support goods and services exports, while remittances should remain strong, resulting in a gradual narrowing of the current account deficit.” However, “Egypt’s return to being a net importer of hydrocarbons [would] weigh on fiscal and external accounts.”

Government expenditures will continue to be “driven by subsidies, grants, social benefits and wages, although under the IMF program, the government has been attempting to reduce subsidies, while ending tax exemptions.”

S&P Global is optimistic the government could borrow more in 2026. “The main source of funding for the government is domestic debt bought by the Egyptian banking system, which, in our view, remains liquid in local currency, and the system can increase its lending to the government and public sector, if necessary.”

Lastly, the rating agency forecasts inflation will continue to fall, averaging 10% through 2028. That is just 1% over the central bank’s upper inflation limit of 9%.

Moody's

Moody's was less enthusiastic about raising Egypt's credit rating. Its last update was in March 2024, when it upgraded Egypt's Caal outlook from negative to positive. The rating indicates Egypt's sovereign debt faces “substantial risk,” one tier below Moody's.

Its positive outlook “reflects the prospect for an easing of Egypt's debt service burden [and] increasing monetary policy credibility and effectiveness.” The decision came after Egypt secured the \$35 billion Ras El Hekma investment agreement in February 2024.

However, that outlook depends on domestic and foreign factors. “The ongoing fiscal adjustment and structural reforms raise the prospect of a medium-term improvement in fiscal metrics and higher potential growth. However, geopolitical disruptions and social pressures could challenge the policy adjustment.”

The rating agency also noted ongoing risks, including Egypt's high debt-to-GDP (89%), low tax and non-tax state revenue (19% of GDP), and a sizable current account deficit of 6% of GDP.

Moody's worries that the economy's structural rigidity, the significant role of the public sector, geopolitical pressures, and “social pressures” could hinder implementation of government structural reforms.

To achieve better scores, the ratings agency stressed the government needed to maintain its current reform path and secure more affordable internal and external financing.

Fitch

Fitch Ratings retained Egypt's long-term foreign currency default rating at B, with a “stable” outlook, as of November 2024. The rating and outlook are similar to S&P Global.

“The rating is supported by Egypt's relatively large economy, fairly high potential GDP growth, and strong support from bilateral and multilateral partners,” Fitch said.

However, “these factors are balanced by weak public finances, including exceptionally high debt interest/revenue, sizable external financing needs, a record of volatile commercial financing flows, high inflation and geopolitical risk.”

Fitch forecasts Egypt's foreign currency reserves will cover 4.4 months of imports in FY 2025/2026, then decline to 4.2 months the following fiscal year, just below the B rating median of 4.3 months.

The agency also said the current account deficit would decrease from 4.2% of GDP at the end of 2025 to 2.8% in 2027, while FDI, mainly from GCC real estate investors, would grow from \$13.2 billion in 2025 to \$15.5 billion in 2027.

The overall government deficit will remain essentially flat in 2026 and narrow slightly by 2027,

Fitch said. It cited Egypt's "strong revenue and contained capex (capital expenditure) offset a further rise in debt interest." Throughout the forecast period, these deficits will remain "more than double [the rating agency's] 'B' median."

Fitch also noted an increase in tax revenue from 35% of GDP in 2025 to 35.8% in 2026, "below the government plan of [36%]."

The agency predicts that while the government has met its public investment cap of EGP 1 trillion in 2025 and raised it to EGP 1.16 trillion for 2026, "maintaining restraint over a longer period could prove politically difficult."

Regarding government finances, Fitch forecasts debt levels will fall to 77% of GDP by 2027, down from 81% in 2024. That remains "above the 'B' median of 50.6%."

The rating agency also expects the debt interest-revenue ratio to decrease from 65% in 2026 to 40% in 2029, as more high-interest loans mature, replaced with low-interest debt. The projected drop still would be significantly higher than the median for other low-middle-income nations, which stands at 15%.

Fitch's other forecasts include inflation, which it expects to remain above the Central Bank of Egypt's upper target of 9%. The agency projects inflation to increase from 11.7% in October 2025 to 12.3% in FY 2025/2026, then fall to 10.4% in the following fiscal year.

It described short-term reforms as "moderate," adding "structural reform to improve the business environment and competitiveness and mitigate against re-emergence of external imbalances into the medium-term has been notably weaker than measures under the IMF program to restore near-term macro-fiscal stability."

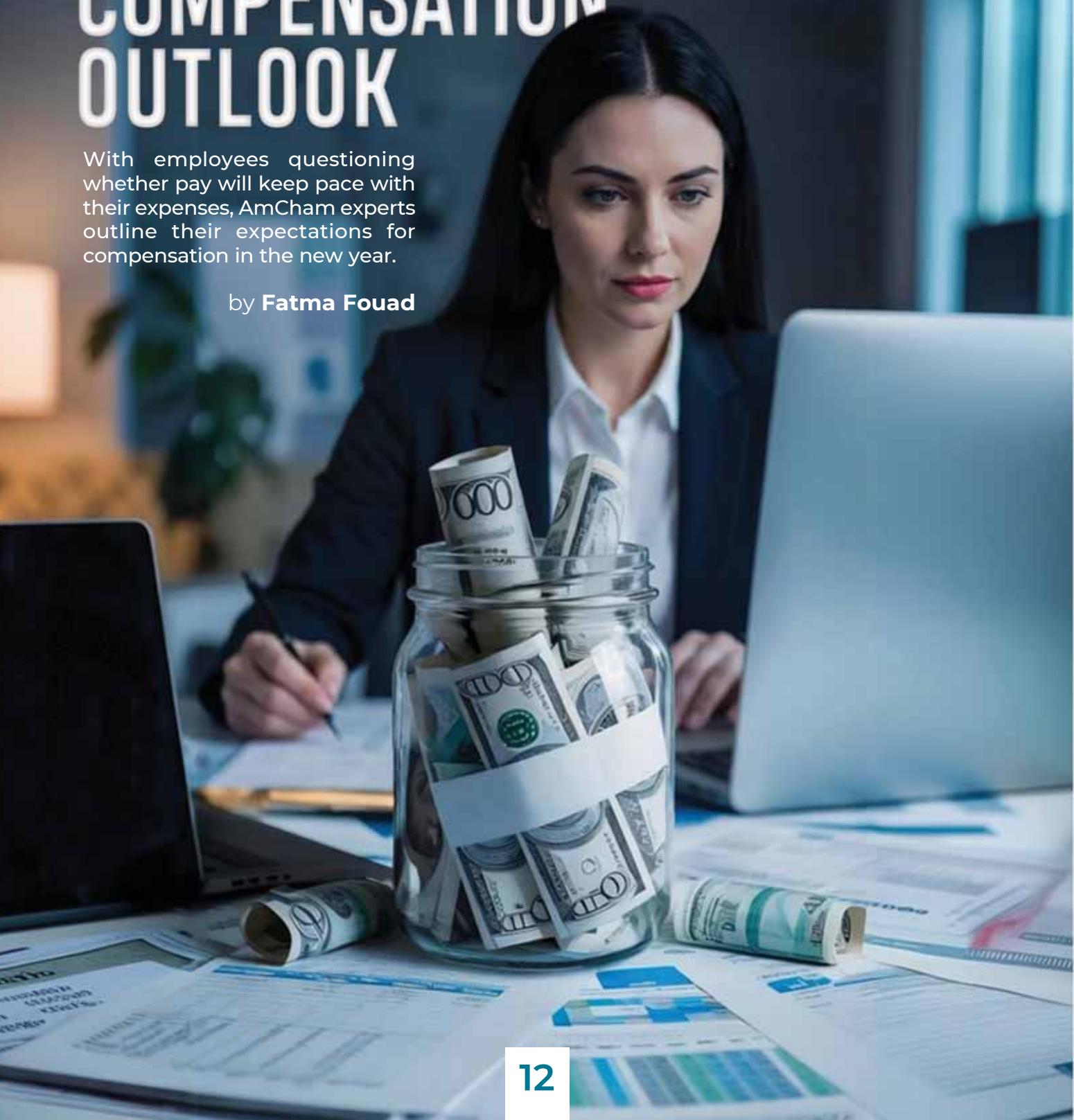
Finally, Fitch expressed doubts about the government's exit from economic activity, noting, "Steps have been taken to improve state-owned enterprises' management and remove their tax privileges, but divestments have proceeded slowly." ■



2026 COMPENSATION OUTLOOK

With employees questioning whether pay will keep pace with their expenses, AmCham experts outline their expectations for compensation in the new year.

by **Fatma Fouad**



The Central Bank of Egypt (CBE) has indicated a positive outlook for the Egyptian economy in the period ahead in its monetary policy report for the third quarter (3Q) of 2025. Notably, annual headline inflation is expected to continue declining, averaging 14% in 2025 and 10.5% in 2026, compared to 28.3% in 2024.

The report showcases improving global conditions, a firmer exchange rate and supportive monetary policies as key factors contributing to easing inflation. "Recent moderation in global commodity prices, particularly oil, is likely to reduce import inflation pressures, supporting Egypt's external balances and domestic price stability," the report noted.

While inflation is expected to stabilize, employees will still anticipate salary adjustments reflecting recent cost increases. "The government will concentrate on ensuring that citizens feel the impact of economic reforms through better wages, stable prices, improved living conditions, and enhanced health and education services," said Prime Minister Mostafa Madbouly in November.

At an AmCham event in November, Mohamed Youssef, CEO of Dcode Economic and Financial Consulting, said inflation is one of the main indicators businesses use to determine salary levels; however, it shouldn't be the only one.

Mohamed Faisal Al Nizami, principal consultant and Egypt country manager at Mercer, emphasized the importance of looking at the bigger picture rather than treating each year in isolation. "You need to consider the entire story since the market valuation changes in March 2022 — compare overall market increases with your own adjustments, assess your current positioning, and then decide what's going to happen in 2026," he explained.

Global headwinds

According to Youssef, "The global operating reality already faces headwinds from different crises ... intertwined and reinforcing each other."

He said such crises include the ongoing trade war between China and the United States, challenges posed by climate change, and the rapid pace of technological advancement. He emphasized the emergence of artificial intelligence, which creates efficiency on one hand, but presents a risk of layoffs.

Another headwind is "the global shift in socioeconomic polarity or economic polarization," Youssef noted. He said the problem is aging

populations in developed countries and young populations suffering unemployment in developing nations. This, in turn, directly affects growth projections, "putting all businesses and economies on edge."

Currently, the world is witnessing a reversal in some trends, Youssef noted, citing the shifting preference toward gold rather than the U.S. dollar. "This creates uncertainty for businesses and around how they can keep their talent."

Evolving expectations

Youssef said employee expectations have shifted significantly. In the current climate of global economic uncertainty, the primary concern for most individuals is securing a stable job and income. At the same time, employees increasingly seek "meaning and purpose in their work, flexibility through agile working arrangements, opportunities for personal growth, continuous skill development, and career advancement," he said. Moreover, fairness, transparency, equity and inclusion have become essential workplace priorities. Such evolving expectations are a direct response to today's widespread uncertainty, he added.

This has significant implications for Egypt's economic recovery. Youssef explained that the country faced a series of economic headwinds beginning in 2022, but the economy is now entering a recovery phase as reflected in key indicators. "Egypt's GDP growth hit 5% in Q2 2025, inflation stood at 12.5% in October 2025, the Egyptian pound is appreciating against the U.S. dollar, and foreign reserves have risen to historically high levels." While external debt remains in the danger zone, the government is actively working to reduce it as a percentage of GDP, he added.

Another challenge lies in the balance of payments, which is under pressure — particularly from the energy sector. Egypt has shifted from being an energy exporter to an importer, and this transition is a key factor contributing to the balance of payments deficit, Youssef said.

He discussed the erosion of wealth, saying that between 2022 and mid-2024, interest rates were consistently lower than inflation. "On the fiscal front, Egypt has been implementing consolidation measures led by the Ministry of Finance, most notably tax reforms. However, debt repayment remains a significant challenge. In fact, when analyzing expenditures by type, interest payments alone account for nearly 50% of

government revenue — meaning that for every 100 pounds collected, about 50 pounds go toward servicing debt."

Youssef was optimistic about the short-term outlook. He outlined the baseline scenario for the end of this year and next year, projecting real GDP growth to reach 4.7% by the end of 2026. He expects the exchange rate to stabilize at about 52 pounds to a dollar, urban headline inflation to decline to 11% and the overnight lending rate to fall significantly to 11%. However, he cautioned that an adverse scenario remains possible if regional instability or geopolitical tensions escalate.

Inflation and salary

Youssef said that inflation peaked in September 2023 at 38%. A significant drop occurred beginning in February 2025, largely due to year-on-year comparisons. This decline was supported by the easing of the foreign exchange crunch. "The drop is driven by the baseline effect, stable exchange rates, and reduced import costs," he explained.

The earlier surge in inflation was primarily fueled by regional conflict, the weaker currency, the debt burden, and fiscal consolidation measures implemented by the government.

When discussing how businesses should revise salary structures, Youssef emphasized the importance of considering sector performance over the past five years as reflected in the average real-growth rate.

"The communication and information technology sector is experiencing significant growth ... while tourism has also shown strong performance over the past five years."

Interestingly, he added that extractive industries, including petroleum companies, have recorded negative growth during the same period. Manufacturing remains a mixed bag: overall performance is solid, but success depends on whether companies are export-oriented and rely heavily on local components. Those that do are thriving, said Youssef.

Beyond sector performance, businesses also must consider job descriptions when revising salary structures. According to Youssef, high-pressure roles are increasingly in demand, particularly frontline skilled workers and engineering professionals. Additionally, complex tech roles and white-collar positions are seeing rising demand, driven by the need for specialized expertise.

He said inflation figures alone don't always reflect how people feel on the ground. Inflation is based on the basket of goods monitored monthly and how much is spent on individual categories, which vary by income. When aggregated, this dilutes the impact of price changes on specific groups. Additionally, some products are subsidized and factored into the calculation, further influencing the overall figure. Youssef said, "Real income is not catching up, which is why people still feel the economic strain. Although inflation rates are declining, households have been losing purchasing power since 2022."

Competition for talent

Al Nizami said Mercer's remuneration survey for 2025 in Egypt covers 438 companies from different sectors, 200,000 employees, and 4,000 job descriptions.

Salaries overall rose an average of about 20% in 2025, according to Mercer's latest update, and are expected to go up 18% in 2026.

Any significant increase above that would be due to retention of key employees and competition for top talent rather than inflation, said Al Nizami, adding that 2026



"will be the toughest year in terms of negotiations with global teams."

In Mercer's surveys, companies are compared to identify the highest and lowest payers with the energy sector traditionally in the top position. Today, the "chemicals sector leads the market," Al Nizami said.

He added that high-tech companies came into play by securing substantial business outside Egypt "by exporting their services or products," he noted.

Notably, many high-tech professionals in Egypt resigned from companies to work as freelancers on project-based assignments. "The pay they were receiving for a single project was equivalent to two or three years of their salary in Egypt," said Youssef. In response, high-tech companies acted quickly by increasing salaries to retain talent.

To do that, some companies have resorted to paying employees in dollars. "If you are a company that is operating in Egypt and selling in Egyptian pounds, it doesn't make any sense that you consider paying salaries in dollars," said Al Nizami. "However, if you have a revenue stream coming from your export department and if it's somewhere around 50% of your revenue, so it's balanced between pounds and dollars, then maybe yes, we can consider some other options."

Mercer tries not to encourage that because of the long-term consequences. "We're trying to convince companies to take it a little slow. There are other alternatives that you can do instead of converting your salaries to another currency," said Al Nizami.

One alternative is long-term incentive (LTI) schemes, which have proven highly successful over the past couple of years. LTIs involve making a commitment to specific employees to provide rewards within a two- to three-year timeframe. For some companies, these incentives have even been structured in dollars or euros, offering a more stable approach compared to converting salaries into foreign currency, which can be far more disruptive, according to Al Nizami.

He also stressed the importance of short-term incentives — such as bonuses, profit-sharing or sales commissions — paid annually. "Even companies that did not perform well or sectors that struggled still had to provide proper short-term incentives to retain employees, given the severe brain drain in recent years," he explained. Egypt witnessed a significant outflow of talent to Saudi Arabia, the U.A.E., Europe, and elsewhere after the currency devaluation.

Al Nizami further noted that Egypt may soon experience an adverse effect as quotas abroad,

particularly in Saudi Arabia, are filled. "People are starting to return from Saudi Arabia to Egypt. This could make the talent war next year completely chaotic," he warned. Over the past few years, when talent left, 90% were millennials, forcing companies to find replacements. "The most readily available option was Gen Z — despite their limited experience — leading companies to pay premiums as they competed for a very small talent pool," Al Nizami said.

According to Al Nizami, 2026 is expected to be highly competitive in terms of talent availability. "Companies should not relocate talent to Cairo, but instead consider opening satellite offices in other cities where talent exists," he said. ■





EGYPT AND THE WORLD, 2026

This year begins with a pivotal shift in monetary leadership: the appointment of a new U.S. Federal Reserve chair whose decisions will likely reshape how emerging-market central banks navigate inflation and tighter liquidity.

A second change Egypt needs to prepare for is the EU, its largest trading partner, issuing a central bank digital currency to safeguard its financial sovereignty. This could complicate cross-border trade, as Egypt outlaws digital currencies.

Egypt must also take a closer look at outcomes from the U.N. Conference of the Parties (COP30), held in Brazil in November, and their implications for securing funding for green projects, as well as whether sustainability goals can withstand economic headwinds.

Finally, the World Trade Organization's latest report sets the tone for global commerce in 2026. The outlook is both challenging and transformative, spanning trade policy reforms and macroeconomic strategies to reduce deficits.

By **Tamer Hafez**

PIED PIPER OF THE U.S.

This year, U.S. President Donald Trump will appoint the next Federal Reserve chair. Experts believe his choice might be a “yes man” who could disrupt monetary policies around the world.

Since 1977, the U.S. Federal Reserve (Fed) has used interest rates to achieve two primary targets. The first is to achieve “maximum employment,” which requires a rapidly growing GDP (low interest rate). The second is to “stabilize prices,” which calls for low GDP growth (relatively high rates). A third, lesser-known goal is to maintain a “moderate long-term interest rate” to limit changes.

Starting in May, balancing these targets could become lower priorities, as the Fed will have a new chair appointed by President Donald Trump. “A new Fed chair aligned with Trump’s views might compromise the Fed’s independence,” Etf.com, an investment platform, said in December.

That means the new Fed chair could follow Trump’s instructions, not economic data. For central banks, such as Egypt’s, that monitor and react to Fed decisions, that might be a game-changer.

New era

Trump has yet to announce who will lead the Fed for four years starting in mid-May. “I guess a potential Fed chair is here,” Trump said in December during a White House event. “He’s a respected person, that I can tell you.”

In December, Reuters, Bloomberg, CNBC, The Economist and Financial Times, among others, predicted the choice would be current economic adviser Kevin Hassett, who led the White House Council of Economic Advisers during Trump’s first term.

Reuters noted Hassett’s office is in the West Wing of the White House with “direct access to the president” and he has helped shape Trump’s views on trade, economic issues and monetary policy.

Jeff Mason, Reuters White House correspondent, said Hassett “has proven his loyalty to the president through regular, if not weekly, television appearances on CNBC, Fox News and other channels, where he has endorsed Trump’s sweeping import tariffs and calls for lower interest rates.”

Other candidates are Fed governors Michelle Bowman and Christopher Waller; former Fed governor Kevin Warsh; and Rick Rieder, chief investment officer of Global Fixed Income at BlackRock, a private investment firm.

Regardless of who gets the job, “Trump has made it no secret he prefers someone who favors lower [interest] rates,” Mason stressed.

Good outlook

The U.S. economy is poised to grow in 2026, despite interest rates of about 4%, compared with 0% to 0.25% in 2008 and 2019. “A modest economic tailwind fueled by expansionary fiscal policies, rate cuts by the Federal Reserve, the full expensing of capital investments and deregulation should push overall growth in the United States to an above-trend 2.2% in 2026,” RSM, a consultancy, said in a December research note.

RSM also “reduced ... probability of a recession over the next 12 months to 30% from our previous estimate of 40%.”

RSM downplayed the effect of Trump policies on GDP growth. “The noise from the policy sector will most likely ease as trade-related uncertainty winds down and the economy adjusts to permanently higher trade taxes,” the note said. “We think that the tariffs’ drag on growth of nearly 1% in 2025 will fade, helping to spur a solid reacceleration of growth in 2026.”

Their 2026 “baseline” forecast is for GDP growth of 2.2%, unemployment 4.5% and inflation 2.7%. The “optimistic” scenario sees GDP growth exceeding 2.5%, unemployment below 4.1%, and inflation surpassing 2.3%. The “pessimistic” scenario envisions the U.S. economy entering “stagflation,” where prices rise despite declining GDP and consumer purchasing power.

Joe Brusules, RSM’s chief economist, said in December the “anticipation [is] that the Fed will cut its policy rate to 3% [in 2026].” “The primary risk to the [U.S.] economy [in 2026] continues to be the affordability crunch associated with our stagflation-lite baseline scenario that includes rising inflation and slower real wage growth.”

“Trump directive”

Economic theory states that raising trade barriers makes local producers more competitive as imports become more expensive. Meanwhile, lower interest rates mean cheaper debt financing and an active stock market for companies seeking equity funding.

A March statement from the White House read, “Trump is on a mission to make America the manufacturing superpower of the world once again ... Companies from around the world are responding with new investments as President Trump levels the playing field for American workers and businesses.”

Trump already imposes double-digit tariffs on almost every nation. Missing are low interest rates (4% now versus 0.25% pre-pandemic). In August, U.S. news

outlets reported Trump wants a 1% interest rate, last seen in 2022. "Trump wants lower interest rates to try and offset the expected economic slowdown caused by increasing consumer costs and stalling global trade, thanks to his wide-sweeping tariffs," reported Emmy Hawker, a journalist at Trustnet, an investment platform, in August.

Trump vs. the economy

A massive or unwarranted drop in interest rates could spike inflation in 2026, leading to a marked decrease in individual and corporate consumption as prices rise. That could be offset by taking on more, less expensive debt. However, that might put the U.S. economy in a precarious position, as excessive leverage was a primary cause of the 2008 global financial crisis.

Another potential hazard from significant drops in interest rates would be a surge in high-risk investments. "Historically, low interest rates have tended to create a very supportive environment for risk assets," Tina Fong, economist at Schroders, an investment firm, told Trustnet in August.

Stefano Amato, multi-asset fund manager at M&G Investments, told Trustnet that low rates would "potentially fuel outperformance in more speculative areas, like meme stocks, or hard assets such as gold and bitcoin."

Fong stressed any economic benefits of low interest rates would be short-lived. "While [low interest] could support growth in the short term, it may also exacerbate debt sustainability concerns. In turn, the rising risk of a global fiscal crisis could push [long-term] bond yields higher as investors demand greater compensation for sovereign risk."

Shadow looms large

With increasing fears the next Fed chair will appease Trump, concerns about the Fed's independence are in the spotlight.

"Knowing that the rates will be based on well-researched data, and not political whims, assures the world that the U.S. economy will remain relatively stable and its markets will stay rational — barring unexpected events," the Center for American Progress

(CAP), a policy institute, said in a September research note. "Few foreign investors want to risk their money in a volatile, unpredictable environment."

Additionally, markets doubting the Fed's independence could threaten U.S. global economic leadership. "The Federal Reserve's independence underpins the dollar's status [as] the world's primary reserve currency [and] the most widely used currency in international trade," noted CAP.

Such volatility would influence monetary policies of wealthy and emerging economies' central banks, which prioritize maintaining an interest gap to the Fed's rate to prevent a dollar exodus.

In the MENA region, outcomes would vary. GCC economies might become volatile because their currencies are pegged to the dollar, which means they could not unilaterally adjust their interest rates. Countries like Egypt with non-pegged currencies, however, will have more freedom to change monetary policies to boost their economies without as much concern about dollar outflows to the United States.



EGYPT'S DIGITAL CURRENCY BARRIER

The EU, Egypt's largest trading partner, plans to digitize the euro to drive digital payment growth across member states and with foreign countries. Egypt isn't ready for it.

Egypt and the EU have long had strong economic ties, supported by the EU-Egypt Association Agreement signed in 2004. The free trade pact eliminates tariffs on industrial and agricultural products, among other provisions. In 2010, both sides signed another deal that further facilitated the entry of agricultural, processed agricultural, and fisheries products into Europe.

"In 2024, the EU was Egypt's largest trading partner, accounting for 22% of Egypt's total trade," the EU Central Bank (ECB) said on its Egypt facts and figures webpage. "The EU was also the leading destination for Egyptian exports (26.5% of the total) and the largest source of Egyptian imports (19.9% of the total)."

By 2029, however, trade flows may be disrupted, as the EU will allow its businesses to use a digital version of the fiat euro. That option will appeal to the EU and its vendors, as digital currencies offer economic, political, and business benefits.

For Egypt to accommodate the digital euro, it needs a robust tech infrastructure, a legislative framework (as digital currency trading is currently illegal), and awareness campaigns.

Sovereignty's digital shield

In November, Piero Cipollone, a member of the ECB's Executive Board, said they "are making progress on both legislative and technical preparations [to launch a digital euro]."

This step is essential, Cipollone stressed, as "Not having a digital form of cash puts [the EU's] strategic autonomy at risk." He noted that the bloc lacks a homegrown digital solution for day-to-day payments. "The euro area depends on the 'kindness of strangers' for retail digital transactions," he said.

As it stands, almost all digital payments worldwide must pass through the U.S. banking system, which controls fees and can unilaterally halt transactions. "Even ... domestic card schemes that provide a European alternative ... still rely on non-European card schemes for cross-border transactions," Cipollone said.

The "digital euro will be a European digital payment solution built on European infrastructure – all the providers we have selected are EU nationals controlled by EU nationals," he said. "And it will ensure that the euro remains the single unit of account, protecting our monetary sovereignty."

Cross-border trade 2.0

Across the world, more central banks are discussing issuing a digital currency alongside their fiat currencies. According to the Atlantic Council, a think tank, 137 central banks have launched or expressed interest in having a central bank digital currency (CBDC). The most prominent is China, the world's largest exporter and second-largest importer, which has been using the digital yuan since 2020 alongside the paper yuan.

The advantages of CBDCs are undeniable. In conventional transactions, "the speed of settlement for cross-border payments varies from the same business day to five business days," a World Economic Forum paper said. "Human interaction is often required in the process of verifying the sender and recipient's information."

The speed at which banks process payments depends on variables such as the hours the sender and receiver work and whether they use the same infrastructure, such as SWIFT, for commercial banks. "For digital currencies that rely on decentralized ledgers, money could be sent and received within seconds and around the clock," the WEF said. However, it warned that regulating CBDCs "may have an impact on the speed."

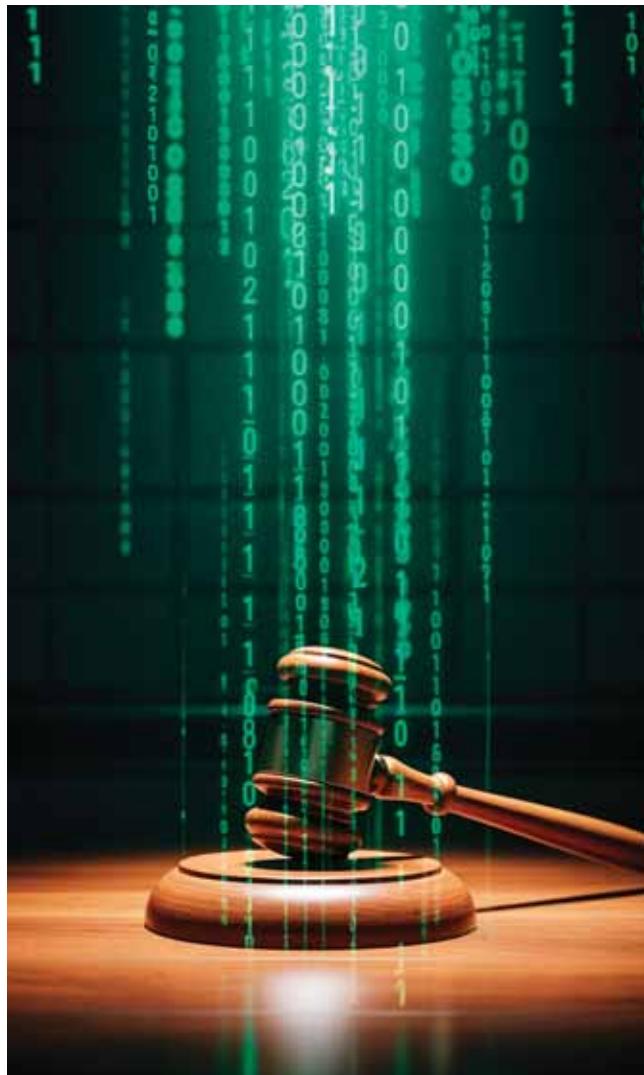
The second significant advantage of using CBDCs is they could more easily finance "SMEs that typically don't have established financial records with banks," noted the WEF. With digital currencies, including CBDCs, "public ledgers of digital currencies could be used to share payment and financial history to underwrite loans for import and export," the research note stated. However, "strong privacy protocols would need to be enforced."

Thirdly, "digital currencies could alleviate the issues of de-risking ... for countries [that] want to participate in global trade [by enabling] consumers and vendors [to] connect with international buyers and sellers ... in compliance with [international standards] requirements."

Egypt's legislative mindset

Cryptocurrency trading is illegal in Egypt under a 2020 law that prohibits all unlicensed crypto activities, with violators facing imprisonment and fines up to EGP 10 million (\$209,000).

According to a 2025 note from Lightspark, a privately held cryptocurrency company based in Los Angeles, the legislation is phrased to "strictly prohibit most related activities," including CBDCs.



The Central Bank of Egypt has “not only refrained from issuing any licenses, but has also released multiple public warnings against dealing in digital currencies,” Lightspark said.

Further solidifying this anti-digital money stance among individuals is a “non-binding religious decree from Dar al-Ifta [the state’s supreme religious authority], which declared cryptocurrency transactions forbidden under Islamic law,” Lightspark noted.

However, the Financial Regulatory Authority (FRA), which oversees Egypt’s non-bank financial landscape, “is not currently involved in crypto oversight,” Lightspark said. It also has not explicitly stated its position on digital currency transactions. As such, Lightspark indicated, if Egypt were to legalize digital currency trading, it would likely start with the FRA.

For now, Lightspark said, “Egypt’s strict prohibition on cryptocurrencies creates significant hurdles for businesses that use digital assets for international transactions,” as the only payment option is “traditional

banking channels, which are often slower and more expensive for cross-border payments.”

Eventually, this prohibition could “isolate the Egyptian market from global partners who prefer the efficiency of digital currency settlements, ultimately hindering trade and financial innovation,” Lightspark warned.

Infrastructure

An equally critical issue for adopting CBDCs and digital currencies in Egypt is infrastructure readiness. In addition to the country’s “legal and regulatory constraints,” the Bank of International Settlements (BIS) said the country’s banks aren’t designed to handle digital currency transactions. “If it is not suitably designed, the issuance of a CBDC may have major consequences in terms of financial stability,” the BIS said in a research note. “It may ... lead to serious implications for banks’ core business.”

Having a robust digital infrastructure is “another major challenge” facing central banks when promoting CBDC use. “Many possible difficulties could arise at the technical level, for example, relating to internet connectivity, especially in rural areas, interoperability with the existing systems or cyber attacks,” noted BIS.

Financial literacy would be another challenge, according to the BIS paper. For Egypt, the religious spin Dar al-Ifta’s statement puts on digital currencies makes overcoming this issue even more difficult.

CBDC-verse

Eventually, CBE may have little choice but to allow local importers and exporters to use digital currencies when trading with the EU. According to a December Central Bank paper, “What was once a niche has become the norm. Harnessing technology to provide better financial services is now the name of the game.”

However, central banks need to prioritize determining which types of CBDCs they need, as each has “potential benefits in acting as a catalyst for innovation and development of financial ecosystems,” noted the BIS.

Retail CBDCs enable real-time peer-to-peer (online and offline) transactions with instantaneous settlement. Wholesale CBDCs “facilitate access for multiple financial institutions to a large-value payment system and support settlement for a digital financial market infrastructure,” the BIS noted. Lastly, CBDCs need to “facilitate direct cross-border monetary relationships with other CBDC networks to be established under the supervision of central banks.”

Ultimately, continuing to outlaw and undermine the importance of digital currencies could destabilize the economy. “If central banks don’t issue digital money, they will lose their central role in money issuance and fail to provide an anchor of stability to the entire financial system,” said Egypt’s Central Bank. “Adapting to new technologies is not an option; it is an existential must.”



CLIMATE DIVIDE

Outcomes from this year's U.N. Conference of the Parties (COP30) were mixed, with several unresolved issues deferred to COP31.

For Egypt, securing funding for environmental (green) projects is a priority. "Sustainable finance is a powerful tool that can be used to create balanced economic growth through transforming current threats into opportunities," the Central Bank (CBE) said on its website.

That should make the annual U.N. Conference of the Parties (COP) meeting crucial for Egypt. "COP plays a pivotal role in mobilizing climate finance ... encouraging developed countries to fulfill their commitments to support developing nations in their climate efforts," said Prasad Gollakota, chief content and operating officer at xUnlocked, a climate consultancy.

However, at this year's COP30 in November, more developing countries were increasingly vocal about their right to prioritize economic growth over long-term climate considerations. Meanwhile, wealthy nations were more hesitant to commit to financing environmental projects beyond their borders.

In November, *The Economist* said these narratives mean middle-income nations with environmental ambitions, such as Egypt, will likely only "make progress on any [climate] front under their own steam."

How we got here

Environmental protection efforts were undermined after U.S. President Donald Trump announced America, the world's second-biggest polluter, would accelerate fossil fuel extraction and freeze federal funding for nearly all green projects.

"This 'climate change,' it's the greatest con job ever perpetrated on the world," Trump said during a September U.N. meeting. "All of these predictions made by the United Nations and many others ... were wrong."

Trump wants other governments to follow suit. He told UN attendees green transition efforts "have cost their countries fortunes and given those same countries no chance for success. If you don't get away from this green scam, your country is going to fail ... You need ... traditional energy sources if you are going to be great again."

Not surprisingly, the United States snubbed COP30. A White House statement said, "President Trump will not jeopardize our country's economic and national security to pursue vague climate goals that are killing other countries."

COP30's outcomes

The United States' views on environmental protection contributed to COP 30's mixed outcomes. "The [conference's] decisions secured some important wins ... but it omitted some of the big-ticket items many hoped to see," the World Resource Institute (WRI), a climate research firm, said in a paper.

In a major drawback, attendees agreed to delay climate adaptation financing from 2030 to 2035, although the amount would triple to \$120 billion.

Another issue was that voluntary measures "nixed any mention of fossil fuels and failed to include a deforestation roadmap," said Stefan Anderson, a reporter for *Health Policy Watch*, in November.

"The final decision only included new voluntary initiatives to accelerate national climate action," said the WRI. A case in point was the Brazilian presidency, COP 30's host, announcing it would implement unilateral measures to curb fossil fuel use and combat deforestation outside the formal COP talks.

However, some positives came from the event. "Negotiators ... agreed for the first time to hold discussions on how trade policies can help or hinder climate action," said the institute.

COP30 saw the launch of the Tropical Forests Forever Facility. The Baku-to-Belem Roadmap was also introduced, linking COP 29 to COP 30 outcomes and increasing financing through 2035. The Fostering Investible National Implementation initiative also launched at COP30. It will run for three years, targeting climate adaptation projects.

The conference also saw the launch of the Resilient Agriculture Investment for Net-Zero Land Degradation Accelerator, which funds the restoration of degraded farmland. The Global Climate Finance Accountability Framework aims to enhance transparency in climate finance.

Other initiatives include the Adaptation Financing Window for Africa, which funds adaptation projects in Africa; the Scaling J-REDD+ Coalition, which focuses on forest protection; and the Global Implementation Accelerator and the Belém Mission to 1.5, which assists countries in implementing their climate plans.

Topics for COP31

COP30 saw several developments that need to be readdressed at COP31. One is declining progress in Nationally Determined Contributions (NDCs), a periodic report each country gives the U.N. to demonstrate progress in mitigating climate change. Climate Watch Data, an aggregator, said NDCs "collectively delivered less than 15% of the emissions reductions needed by 2035 to keep global temperatures below 1.5 degrees."

Another COP31 discussion point will be each nation's progress in implementing the Global Goal on Adaptation objectives, "including establishing indicators to track progress," the WRI said. At COP30, attendees agreed on 59 indicators. They cover seven sectors, including water, agriculture, and health, and align policy planning for finance, capacity building, and technology transfer.

The fate of the Loss and Damage Fund, introduced at COP27 to compensate vulnerable countries for climate-related damages, may be decided at COP31. According to the WRI, it "received little attention compared to previous COPs."

Progress included "a new State of Loss and Damage Report, developed guidance to include Loss and Damage into national plans, and enhanced coherence within the Paris Agreement's loss and damage agriculture," the WRI said. "Parties also agreed on new guidance for the Fund for Responding to Loss and Damage."

This year's COP featured a new concept of "connecting the climate regime to people's real lives," the third president's letter said. "It is essential that all negotiation

tracks deliver outcomes ... that connect climate ambition with people's everyday realities."

This development will likely alter negotiations during COP31. For one, including "people's everyday realities" alongside climate ambitions could mean excluding environmental targets not serving society's immediate needs. These include "poverty eradication and alleviation, reduction of the inequality gap, [and] equity and justice. [These considerations] should underpin all work ... and negotiation tracks," the COP President's letter said. "All agendas matter when the future is at stake."

New-era COP

Mariana Cano, founder of 10 Billion Solutions, a climate consultancy, noted, "COP30 was the first in which the entire Paris Agreement had ... been negotiated, as the implementation of ... carbon markets was the last element under negotiation and had already been approved at COP29."

Accordingly, COP31 would mark the start of "decisive ... translation agreements into real and fair action," said Cano. According to the Investor Group on Climate Change, a network of Australian and New Zealand institutional investors, "COP31 provides our best chance to accelerate global climate action."

Another notable feature of COP31 is that Turkey will host the event, while Australia, which will include the Pacific Islands, will hold the presidency. "With sufficient goodwill, an Australia-Pacific-Turkey COP could break through the current inertia in climate diplomacy," said ODI Global, a think tank. "Australia brings sophisticated negotiating capabilities [and] good working relationships with the developed countries bloc, with the potential to bridge internal schisms between leaders like the EU and laggards like Japan."

The Pacific Islands bring a "sense of urgency to the climate negotiations, as the stalwart champions of 1.5°C," representing the Alliance of Small Island States, an intergovernmental organization.

Lastly, "Turkey is a bridge country in every sense," noted ODI Global. "Geographically, it straddles east and west. Economically, it straddles the developed and developing countries. Politically, it has pragmatic if transactional working relationships within negotiating blocs [such as] the Africa Group of Negotiators, the Arab Group, and the Commonwealth of Independent States."

However, the think tank warned, "Fragmented leadership will make it even more difficult to deliver a successful summit, particularly if Australia, Turkey, and the Pacific are not aligned in their priorities and approaches. [It] will take a real step up change in diplomatic effort and climate ambition for Australia, Turkey, and the Pacific to deliver on COP31."



NEW TRADE ORDER

The WTO forecasts 2026 cross-border trade of goods and services, and reviews how effectively trade and macroeconomic policies address imbalances.

Over the past decade, the government's priority has been to address Egypt's trade deficit, which stood at \$3.27 billion as of September, up from a decade low of \$1.19 billion in November 2021. A narrower trade deficit implies less new debt to finance imports and lower foreign-currency outflows, leading to moderate exchange-rate movements versus the dollar.

One way to achieve that goal is to increase exports. In 2024, Egypt's non-oil exports grew nearly 25%. The largest buyers of Egyptian goods are the EU, United States, and Arab nations.

However, the export growth rate could suffer in 2026. The October 2025 World Trade Organization (WTO) Global Trade Outlook and Statistics report forecasts growth rates in the new year will decline more than earlier estimates. "Prospects for the second half of 2025 and 2026 are less optimistic," the report said. "Possible signs of weakness in trade and manufacturing output have been observed in developed economies, including reduced business and consumer confidence and slower growth in employment and incomes."

The "imbalances" dilemma

Running bilateral trade deficits "has long been a concern for policymakers, prompting calls for corrective trade measures," WTO said. At their core, negative trade balances reflect a society "consumes more than it produces."

To overcome this issue in 2025, the world's largest economy and second-largest trader, the United States, adopted protectionist policies to defend domestic companies. Joining the foray were the EU (with tariffs on Asian trading partners, particularly China) and Arab nations (Morocco, in December, imposed tariffs of 74%-92% on Egyptian plastics).

The WTO said tariffs generally create new problems for trading partners and, in case of the U.S. or EU, the fallout will eventually spread to other countries. "Tariffs can alter sectoral trade patterns, reducing the deficit in a targeted sector at the expense of other sectors," the report said. "They can also distort bilateral flows, narrowing the deficit with a targeted partner while widening it with others." Lastly, industrial policy could suffer, as no single industrial sector (manufacturers and their suppliers) can meet all its needs from a single country.

Trade 2025, 2026

In the first half of 2025, the WTO reported global merchandise and commercial services trade grew 6% and 9%, respectively, year-on-year. "Several factors contributed to this robust trade expansion, including frontloading of imports in North America in anticipation of higher tariffs, favorable macroeconomic conditions (disinflation, supportive fiscal policies, strong growth in emerging markets), and a surge in demand for AI-related goods," the report said.

However, the WTO said it couldn't determine how much of that boost was due to macroeconomic "push" factors and how much was due to U.S. businesses stocking up on foreign-made goods in the first half of 2025, anticipating price increases from anticipated tariffs.

The second half of 2025 saw trade growth decline compared to the first half. "With higher tariffs now in place and trade policy still highly uncertain, frontloading of purchases is expected to unwind as accumulated inventories are drawn down," noted the WTO.

By the end of 2025, the global growth rate of merchandise trade will be 2.4% year-on-year (the WTO's earlier forecast was 0.9%). In 2026, it will increase only 0.5% (the earlier forecast was 1.8%).

The report added that 2025's "frontloading" activity was so significant that, combining 2025 and 2026, the global trade growth rate forecast would be 2.9% by the end of 2026, compared to an earlier 2.3% forecast.

The "inventory" factor

The most significant factor influencing global trade growth rates in the second half of 2025 through 2026 will be inventory levels. "Stocks increased by around 25% after the COVID-19 pandemic, with a move from just-in-time to just-in-case delivery and the growth of e-commerce potentially resulting in permanently higher inventory levels."

That was evident from "a surge in demand for warehouse space in tandem with proposals to increase tariffs," the WTO said. "This increase in demand has been most pronounced in ... foreign trade zones (FTZs) and bonded warehouses."

That development is risky, as "a build-up in inventories would lead to a correction thereafter," the WTO report said. "The unwinding could drag several economies into recession later in the year."

Another issue highlighted was that "holding bigger inventories beyond their optimum level adds costs for firms," thereby raising prices worldwide. "The inventory holding cost is typically estimated to be 16% [to] 20% of the item cost per year," the report said.

Eventually, this factor might be temporary as companies adjust to enhance inventory planning, resulting in "a reduction in shocks to inventories" and ultimately "a reduction in the volatility of output" as global uncertainties decrease, the report said.

The unpredictable variable will be U.S. foreign policy under President Donald Trump, as "tariff uncertainty ... disrupts these fundamentals," the report noted.

Trade policy impact

With increased talk about implementing protectionist policies, the WTO report analyzed the effectiveness of using "tariffs to eliminate sectoral or bilateral deficits."

A simulation the report ran showed that to eliminate

the U.S. merchandise deficit with Asia, "tariffs would need to be raised by around 40 percentage points." This move "would also increase trade deficits with other regions," such as Europe, the WTO said. "Moreover, the policy would have significant economic costs, including a reduction in North America's GDP of about 0.8%."

The report also ran a scenario where the U.S. imposes tariffs on all trading partners. "The simulations show that eliminating the merchandise trade deficit would require an across-the-board tariff increase of about 45 percentage points."

In that case, "the services surplus would decline proportionally and turn into a deficit. This policy would also entail greater economic losses than the bilateral case, reducing North America's GDP by around 1.5%."

Macroeconomy policy

WTO also highlighted addressing trade imbalances was "macroeconomic policies." The simulation focused on what would happen if saving rates change — "a stylized way to reflect the combined impact of fiscal policy, taxation, financial regulation, and other structural factors," the WTO explained.

Results showed "North America's [goods plus services] trade deficit could be eliminated through a modest realignment of global saving behavior. A 2.5 percentage point increase in North America's gross savings-to-GDP ratio, matched by a corresponding decline in the main surplus regions of Asia and Europe, would be sufficient to close the aggregate trade gap."

The report stresses that, unlike tariffs, governments using macroeconomic policies to address trade deficits simultaneously need "a larger services surplus and a narrowing [of the] goods trade deficit." That is because "Macroeconomic rebalancing through changes in saving can eliminate aggregate trade imbalances, but may not fully resolve sector-specific imbalances."

Strength via unity

Ultimately, the WTO report stressed, trade and macroeconomic policies need to work in tandem, as "tariffs can affect savings behavior" by making goods less affordable, lowering demand and corporate profits.

However, the WTO warned governments should tread carefully when addressing trade imbalances. "A fundamental principle of economic policy design is that each distortion should be addressed with the instrument that targets it most directly."

This means governments need to accurately identify the causes of trade deficits. "Trade distortions are best addressed with trade policy, while macroeconomic imbalances are more effectively handled with macroeconomic instruments," the report said. "Using one to address the other is not only inefficient, it may also have unintended consequences." ■

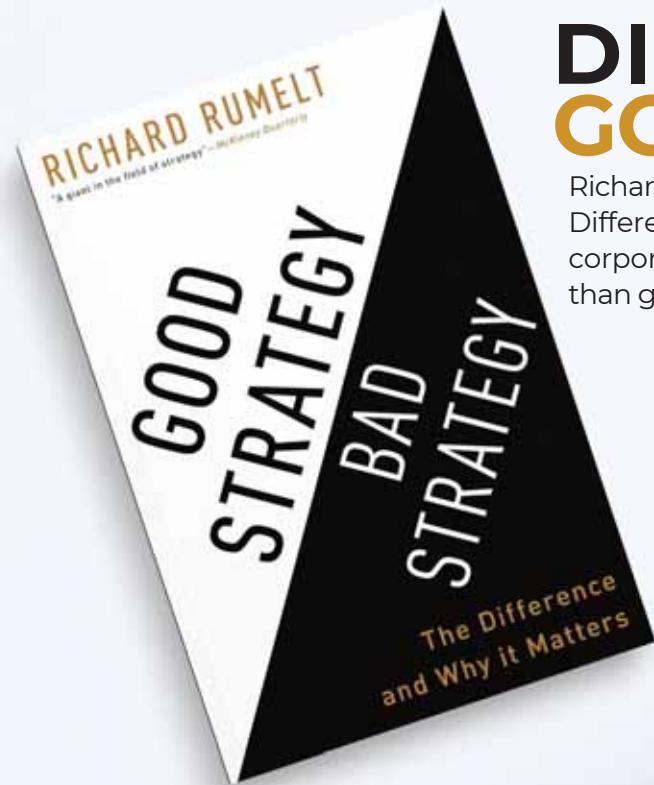
DISTINGUISHING GOOD FROM BAD

Richard Rumelt's book **Good Strategy Bad Strategy: The Difference and Why it Matters** explains why most corporations are more likely to develop bad strategies than good ones.

by **Tamer Hafez**



SCAN THE CODE
TO PURCHASE



For company leaders, their "most important responsibility is identifying the biggest challenges to forward progress and devising a coherent approach [aka strategy] to overcoming them," writes Richard Rumelt in his book "Good Strategy Bad Strategy: The Difference and Why it Matters."

One difficulty in fulfilling that task is that the word "strategy" is overused in many contexts. "We have become so accustomed to strategy as exhortation that we hardly blink an eye when a leader spouts slogans and announces high-sounding goals, calling the mixture a 'strategy,'" he writes.

That excess has distorted "strategy's" true meaning. "The gap between good strategy and the jumble of things people label as 'strategy' has grown over the years," the book says. "Good strategy [has become] the exception, not the rule. And the problem is growing. More and more organizational leaders say they have a strategy, but they do not. Instead, they espouse ... bad strategy."

Having misguided plans can become existential for any company. "Bad strategy covers up its failure to guide by embracing the language of broad goals, ambition, vision and values," Rumelt stressed. "These elements ... are not substitutes for the hard work of strategy."

Strategy building block

"The most basic idea of strategy is the application of strength against weakness, [or] the most promising opportunity." Such strengths (advantages) can come from being the first mover, having sufficient scale to compete, a broad product or customer base, expanded connections (network effects), a reputable market presence or a recognizable brand, among others.

To turn these advantages into real-world growth drivers, they must be integrated into a "coherent strategy" that coordinates policies and actions, the book says.

Ultimately, any strategy should "create new strengths" through "insightful reframing of a competitive situation," Rumelt writes. "The most powerful strategies arise from such game-changing insights."

Good strategy

One advantage of having a good strategy is that it is "unexpected," meaning most competitors are not likely to have one and won't expect you to have one. A good strategy is implemented by aligned

individuals who perform coordinated actions. It also has cohesive policies and sufficient resources that allow the company to "accomplish an important end," the book says.

The book stresses all "good strategies" must have a "basic underlying structure, known as a 'kernel.'" With it, executives and company leaders will find it "much easier to create, describe, and evaluate a strategy."

A kernel "leaves out visions, hierarchies of goals and objectives, references to time span or scope, and ideas about adaptation and change. All of these are supporting players."

It comprises "a diagnosis that defines or explains the nature of the challenge. A good diagnosis simplifies the often overwhelming complexity of reality by identifying certain aspects of the situation as critical."

A good strategy's kernel must also include a "guiding policy ... to cope with or overcome the obstacles identified in the diagnosis." The third component is "a set of coherent actions that are designed to carry out the guiding policy."

For these parts to perform their designated functions, they need two types of data. The first is generally available functional knowledge, which is "essential." The other is proprietary functional knowledge, which is "the most precious" because it is available only to the organization.

Bad strategy

At the opposite end, "a bad strategy is not simply the absence of a good strategy," the book stressed. "It grows out of specific misconceptions and leadership dysfunctions."

Components of a bad strategy include "fluff ... a form of gibberish masquerading as strategic concepts or arguments." It uses "inflated and unnecessarily abstruse [messages] and ... esoteric concepts to create the illusion of high-level thinking."

A bad strategy's second feature is failure to "recognize or define the challenge," Rumelt writes. "When you cannot define the challenge, you cannot evaluate a strategy or improve it."

Third is "mistaking goals for strategy," the book says. "Many bad strategies are just statements of desire rather than plans for overcoming obstacles." A case in point is when governments promote food security as their strategy, when in reality it's a strategic goal that requires a plan (strategy) to achieve.

Last is "bad strategic objectives," notes Rumelt. "A strategic objective is set by a leader as a means to

an end. Strategic objectives are 'bad' when they fail to address critical issues or when they are impractical."

The book highlights two types of "bad objectives." The first is the "dog's dinner objective," when the company wants to "pursue multiple objectives that are unconnected with one another or, worse, that conflict with one another." This is the result of having a "long list of 'things to do'" shaping the strategy.

An interesting feature of dog's dinner objectives is they are easily recognizable. "The label 'long-term' is added so that none of them needs to be done today," Rumelt explains.

The second category is "blue-sky objectives," which usually are a "simple restatement of the desired state of affairs or of the challenge. It skips over the annoying fact that no one has a clue how to get there."

One example is "asking for 'transformational leadership' when one, the text of the plan explains that many administrators and leaders have limited ability to meet their daily problems. Two, no one knows how to create 'transformational' leaders even in the best of conditions. Three, these [decision-makers] remain embedded in a giant all-controlling bureaucracy and union system."

Why so common?

According to Rumelt, bad strategy results from mistakes in assessing the competition, the company's own resources, lessons learned from past experience, and the scale of the opportunities and problems associated with innovation.

Miscalculations happen "because [the strategy]

floats above analysis, logic and choice, held aloft by the hope that one can avoid dealing with these tricky fundamentals and the difficulties of mastering them."

One reason bad strategies are prevalent is that anyone can formulate one, as better education "barely puts a dent in the proclivity to create bad strategy," the book says. Another reason is that "leaders are unwilling or unable to make choices among competing values and parties, bad strategy is the consequence."

Thirdly, a significant number of executives and company leaders tend to use "template strategies ... filling in the blanks with vision, mission, values and strategies, [believing in] a one-size-fits-all substitute for the hard work of analysis and coordinated action."

Fourth, bad strategies are common, as many adopt the "new thought" idea that "all you need to succeed is a positive mental attitude."

While "there are other pathways to bad strategy, [these] are the most common," Rumelt writes. "Understanding how and why they are taken should help you guide your footsteps elsewhere."

Strategy mindset

Once company leaders and executives develop the ability to detect bad strategy, they will dramatically improve their effectiveness at judging, influencing and creating strategy, the book says.

The first step is "to take the viewpoints of others, seeing how the [company's] situation looks to a rival or to a customer."

Then "think about your own thinking," the book says, stressing that awareness is not about "fully controlling our thoughts." Rather, it is when people are "acutely aware of [their thoughts] when [they] are unable to suppress undesired ruminations about risk."

"A great deal of human thought is not intentional — it just happens. One consequence is that leaders often generate ideas and strategies without paying attention to their internal process of creation and testing."

This "thinking about thinking" mindset helps executives and corporate leaders develop "good strategies," provided they perceive it as a possibility and implement it based on experience. "As results appear, good leaders learn more about what does and doesn't work and adjust their strategies accordingly," Rumelt writes.



Another way to “think about thinking” requires a strategist to be a proactive learner on and off the job. “Universities don’t teach … real [skills or problem solving], and neither do trade schools,” the book says.

Overlooked basic tool

One tool most strategists overlook is making lists, the book says, adding that many consider it “baby-steps management.” “Pick up any book on self-help, on organizing yourself or on the nuts and bolts of running an office or organization, and it will proffer this advice.”

However, Rumelt says the importance of having lists lies in “actually constructing” them. The book explains that when someone forgets to buy milk on their way home, it is because they have been driving instead of shopping. “People can forget their larger purposes, distracted by the pull of immediate events.” Hence, “the idea that people [should] automatically chase after [their goals] like some kind of homing missile is plain wrong.”

“The act of making a list forces us to reflect on the relative urgency and importance of issues,” Rumelt writes. And making a list of ‘things to do now’ rather than ‘things to worry about’ forces us to resolve concerns into actions.”

For a “things to do now” list to be the bedrock of good strategy, it “must work with the facts … not vague outlines of the distant future.”

Facts come from insight into industry structures and trends, anticipating competitors’ actions and reactions, understanding your own competencies and resources, and stretching your thinking to cover more of the bases and resist your biases, the

book says. “Being ‘strategic’ largely means being less myopic than your deliberative self.”

Always something new?

The book notes that in some situations, a strategy might not need “new insights or ideas, [as] deduction is sufficient.” Additionally, strategic goals [mustn’t always] aim to create new opportunities or address new risks. [Sometimes] the logical answer to the strategy question is simply ‘keep it up, do more of the same.’”

However, Rumelt warns, “In a world of change and flux, ‘more of the same’ is rarely the right answer. A good strategy must have an entrepreneurial component … [that] embodies some ideas or insights into new combinations of resources for dealing with new risks and opportunities.

For the strategy to include new ideas or identify new opportunities, strategists must not “presume that all important knowledge is already known, or available through consultation with authorities,” Rumelt writes. Executives and company leaders “must put aside the comfort and security of pure deduction and launch into the murkier water of induction, analogy, judgment and insights.”

In that journey, the strategist will likely meet anomalies: “facts that don’t fit” with the strategy. These irregularities “mark an opportunity to learn something, perhaps something very valuable.”

Ultimately, a good strategy requires balance, which few can achieve, notes Rumelt. “Being independent without being eccentric and doubting without being a curmudgeon are some of the most difficult things a [strategist] can do.” ■



Market Watch

Stock Analysis

The strong momentum continues

EGX30 and EGX70 continued to hit new all-time highs. The former rose 5.3% to 42,305, while the latter rose 7.1% to 13,007, extending their year-to-date gains to 42% and 60%, respectively. For the EGX30, 2025 could be the second-largest performance in the last 8 years, but for the EGX70, it's in 4 years.

The top gainers were small caps. El-Obour Real Estate Investment (OBRI), soared 131%, valuing the company at nearly EGP 1.5 billion before its bull run continued. The company had just reported nine-month results, with net earnings up more than 200% year on year, driven by revenues 3.4 times higher, mostly from its contracting business in Saudi Arabia. The stock also saw changes in its shareholder register.

Elsewhere, corporate actions are driving the performance of several

stocks. For instance, Macro Group (MCRO) finalized its EGP 570 million capital increase and saw its stock jump 60%. Similarly, Atlas Investment & Food Industries (AIFI) rose 44% before the company announced plans for a 77% capital increase to raise EGP50 million in equity.

The latest company to go public saw its stock advance further. Tawasoa Factoring (TWSA), listed on the small and medium enterprises exchange, rose 35% during the period. Some dollar-denominated stocks also rose. Maridive & Oil Services (MOIL) jumped 28%. The company wrote off its investment in Valentine Maritime, setting the stage for earnings to recover over the coming quarters, as seen in its third-quarter results, which turned a net loss into a net profit.

Meanwhile, mergers and acquisitions deals continue to make headlines. The latest came from a company controlled by Abu Dhabi Ports, which is interested in raising its stake to 90%, but at least to 51%, in Alexandria Container & Cargo Handling (ALCN). The mandatory tender offer was priced at EGP22.9 a share, but the stock has traded above that level since, suggesting the acquirer may raise the deal price.

On the downside, cement stocks erased earlier gains. Misr Beni Suef Cement (MBSC, -14%), Sinai Cement (SCEM, -10%), and Suez Cement (SUCE, -10%). The only exception was South Valley Cement (SVCE, +14%).

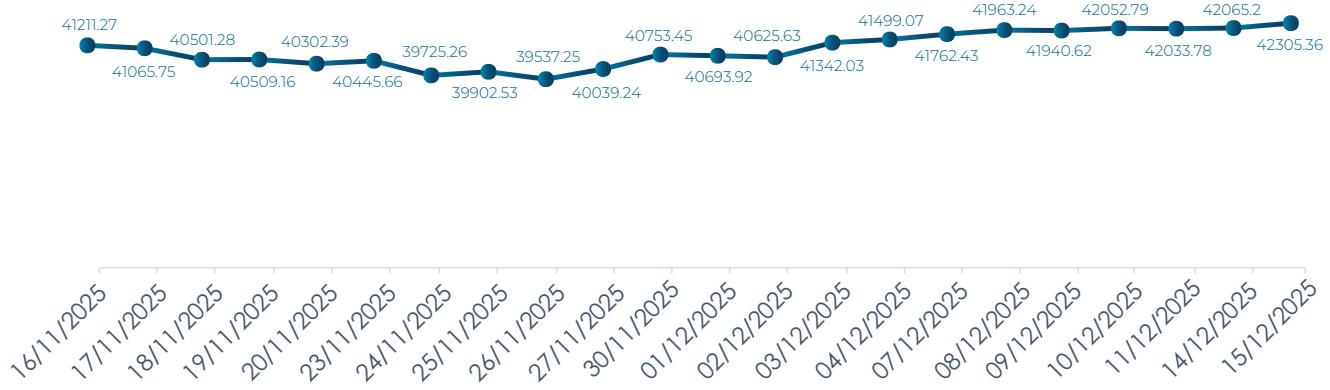
Meanwhile, the pound strengthened against the dollar after the Fed cut rates 25 basis points, while the Central Bank of Egypt maintained rates unchanged.

Qalaa Holdings (CCAP)

Qalaa Holdings (CCAP) came back in vogue, having staged a strong comeback. The stock jumped 45% during the period to EGP3.92. However, the ride was more exciting than it seems; the stock traded between a low of EGP2.20 and a high of EGP4.27—a 94% range in just seven trading sessions. The company just executed its long-awaited capital increase as part of its recapitalization. Certain shareholders had opted to buy the company's debt at an implied steep discount to the share's par value with the goal to convert it back into shares at a premium. Hence, a total of 1.8 billion shares were issued, raising the company's market cap to more than EGP14 billion.



EGX 30



EGX 70



Tamayuz



Tamayuz index is an all-new weighted index, launched on June 23rd. It comprises companies with high free cash flows from operations. EGX stresses that this is not an endorsement of those stocks.



POLITICS, ECONOMICS AND THE NEW WORLD ORDER

Foreign Minister Badr Abdelatty outlines Egypt's stance on regional geopolitical developments and their impact on the economy and investment prospects.

by **Rania Hassan**

Over the past four years, the Middle East and Africa (MEA) have faced turbulent, unpredictable geopolitical events. These developments continue to challenge Egypt's diplomatic prowess in resolving conflicts among neighboring countries, influencing negotiations over Nile water rights, and managing economic fallout.

"This year marks 80 years since the founding of the United Nations, an organization created...to prevent war, uphold international law, and protect the rights and dignity of all people," Minister of Foreign Affairs Badr Abdelatty told AmCham members in December. "Yet despite its founding goal, the international system faces fragmentation, polarization and major challenges."

In this shifting world order with its shifting alliances, Egypt is using its diplomatic muscle to navigate and temper volatility in Ethiopia, the Gulf of Aden, Red Sea, the Gaza Strip, and Sudan, while establishing itself as a trustworthy international partner.

"At the regional level, ... MEA stands today at a historical crossroads," Abdelatty stressed, "certainly rich with opportunities, yet severely challenged by unresolved conflicts." Egypt's diplomatic priorities are maintaining geopolitical stability in neighboring countries, establishing balanced political relations, and positioning itself as a trusted partner by fostering economic ties.

Fundamental priority

An existential concern for Egypt is safeguarding its historic rights to the Nile River, which amount to 55 billion cubic meters of water annually. "Egypt is the most populated water-scarce country in the world," Abdelatty said. "The Nile has been the source of life for Egyptians for millennia. It's a matter of survival, as it supplies over 95% of the water needs of more than 110 million Egyptians and 10 million refugees."

Since mid-2020, Nile water security has been in the spotlight after Ethiopia unilaterally announced an accelerated timeline to fill its Grand Ethiopian Renaissance Dam (GERD), built on the Blue Nile, the Nile's largest tributary. "We never oppose Ethiopia's right to development and to harness its natural resources and pursue growth," said Abdelatty. "But we believe this must be done in accordance with international law within a cooperative, legally binding framework that ensures no harm to downstream countries."

That has led to diplomatic friction. "For over a decade, we have negotiated in good faith from our side seeking an agreement on the filling and operation of the dam," he said. "Unfortunately, Ethiopia opted to act unilaterally in clear violation of international law, undermining trust and threatening regional stability."

Egypt "will continue to closely monitor the developments on the Blue Nile and we will take all appropriate measures and steps to protect our existential interest in the Nile in accordance with international law and the U.N. Charter, especially if any harm happens to our water rights," said Abdelatty.

Preventing more war

Bordering the Gaza Strip and Sudan, Egypt finds itself at the center of upheavals and conflicts that could threaten its own stability.

According to Abdelatty, Egypt's priority in the Gaza Strip is to uphold the current ceasefire agreement, signed in Sharm El Sheikh in October. He stressed that current efforts focus mainly on preventing Israel from resuming attacks. "We are coordinating with the U.S. leadership to ensure the ceasefire is sustainable."

The foreign minister said another priority is to ensure that humanitarian aid reaches Gaza Strip residents. "Medical response is of great importance, along with Israel's withdrawal," he said. "It is important to follow [U.S. President Donald] Trump's 20-point peace plan."

Abdelatty also noted the ongoing volatility in Syria since Bashar al-Assad was ousted from the presidency in December 2024. Meanwhile, Lebanon remains another hotspot of instability. "We are very, very worried

about Lebanon, very worried about the fragility of [its] situation, and how that would impact the entire region." He also cited the need to de-escalate the situation in Iran and reach some level of resolution regarding its nuclear capability."

Finally, Abdelatty said he is involved in negotiations to end the war in Sudan, stressing, "It is our responsibility, and we will continue to do what we can to end this conflict."

Red Sea diplomacy

Another political issue Egypt is addressing is the rising conflict at the southern entrance to the Red Sea and the Gulf of Aden. "We are closely monitoring what's happening [south of the] Red Sea," Abdelatty said. "We will not allow any landlocked country access to the sea against the will of the countries overlooking the Red Sea."

Since 1991, Ethiopia, a landlocked country, has supported Somaliland's efforts to gain independence from Somalia in exchange for direct access to the Gulf of Aden. The two countries signed an MoU to that effect in January 2024.

Another political situation Egypt is navigating in the Red Sea is the ongoing threat of Yemen's Houthi rebels attacking freighters entering the waterway from the Bab el-Mandab Strait. "Egypt remains deeply concerned about the escalation in the Red Sea," Abdelatty said. "Disruptions have cost Egypt more than \$9 billion in Suez Canal revenue and threatened the stability of global supply chains."

Supporting Africa

For Abdelatty, "Africa is at the top of our agenda," whether politically or economically. "Egypt prioritizes sovereignty, legality and the pursuit of peaceful solutions. We stand ready to work with all responsible actors."

A case in point is "the Horn of Africa, [where] Egypt views Somalia's security and territorial integrity as essential," Abdelatty said. "We support stabilization efforts, including Egypt's intention to participate in the African Union-led mission to Somalia."

He stressed the importance of U.S. diplomacy "to build a more stable and cooperative region and world."

On the economic front, Abdelatty urged Egypt's private sector to "strengthen its presence in African countries ... especially through public-private partnerships based on win-win strategies. We believe that Africa is the future because it's the only continent in the world that will double its population by 2050 and has an expanding middle class, with increasing purchasing power."

U.S. partnership

Abdelatty stressed that “[the] central pillar of our bilateral partnerships is with the United States,” adding that this “strategic relationship” is a “pivotal element” for both nations’ “shared future.”

That “strategic partnership” has enabled the U.S. to become “one of Egypt’s largest economic partners, with bilateral trade exceeding \$8.4 billion last year alone,” Abdelatty said. “That brings total U.S. investments in Egypt to \$24.4 billion, with over 2,000 American companies operating locally.” That makes Egypt America’s third largest trading partner in Africa and the fifth-largest in MENA.

For the Egyptian government, “increasing investment and trade between the two countries remains one of the top priorities,” Abdelatty said. “That is why it was important to convene the Egypt-U.S. Economic Forum. Its latest meeting in May saw over 60 U.S. companies participate, including newcomers to Egypt.” The next meeting is scheduled for May 2026.

“Our priority during that gathering is to ensure discussions lead to contracts and that interest translates into action,” the foreign minister said. “Even though the Egyptian-American strategic partnership is solid and mutually reinforcing, we still have not fully capitalized on the significant business and economic opportunities in several promising sectors.”

Economy and politics

To further strengthen diplomatic ties with the United States and other nations, the Egyptian government needs to ensure its economy is resilient and attractive to foreign investors.

The government began implementing structural reforms in 2016 to stabilize Egypt’s macroeconomic environment, strengthen the banking sector, modernize infrastructure, boost private-sector competitiveness at home and abroad, and empower the private sector to lead economic growth and development, Abdelatty noted.

“These reforms have supported [Egypt’s] resilience [after] global shocks from the [COVID-19] pandemic to geopolitical disruptions,” Abdelatty said. Since March 2024, “Egypt adopted a new wave of decisive reform measures that restored predictability to the foreign exchange market, increased foreign reserves, and aligned monetary policy with global standards.”

“Egypt now maintains a market-driven exchange rate policy without intervention from the Central Bank, a sign of financial transparency and confidence for investors,” he noted.

These reforms and efforts “led to an increase in FDI inflows and a rise in the annual [GDP] growth rate to 4.5%

in fiscal year 2024-2025, up from 2.4% in 2023-2024,” Abdelatty said. “These results received international recognition and contributed to a recent upgrade in Egypt’s credit rating.”

What next?

On the economic side, Abdelatty stressed, “Our goals [in 2026] are to expand and deepen business-to-business ties in sectors where collaboration can quickly grow with appropriate enabling measures. The aim is to generate more investment opportunities, boost exports and create better-quality jobs.”

On the political front, Abdelatty said Egypt will aim to strengthen its collaboration with the EU. “We value our cooperation with the EU ... The convening of the first-ever summit between Egypt and the EU is a testament to the strategic importance of our relationship.”

Egypt already has a six-pillar strategic partnership with Europe, which includes security and defense, economic cooperation, and scientific research, with think tanks and scientific centers in Europe gaining access to Egyptian universities.

Egypt also will seek to further strengthen ties with the United States. “Our commitment is clear. Egypt will remain a dependable partner for U.S. investors, and we will continue engaging in a structured, transparent manner to address concerns and improve the business environment here in Egypt,” he said. “The Egypt-U.S. strategic partnership is not only built on shared priorities and values, but also on mutual interest and responsibility to foster a regional environment where stability fosters prosperity, peace replaces conflict and cooperation overcomes polarization.” ■



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Monthly Luncheon



On Dec. 18, AmCham Egypt hosted its monthly luncheon featuring Minister of Communications and Information Technology Amr Talaat, who highlighted the latest developments in the country's tech strategy.

Its key pillars are skills development, digital services modernization, AI adoption, infrastructure expansion, and data governance.

Talaat said the ministry's approach to job creation in the ICT sector starts with talent: "The most valuable asset Egypt owns."

To achieve that goal, the ministry launched "WE Schools" in 2021 to offer specialized ICT courses to secondary students. Beginning with one school in Cairo, the initiative has expanded to 27 schools. Talaat stressed, the primary goal is to ensure the highest quality of education and training, rather than maximizing student numbers.

In addition to classroom education, vocational training is essential for expanding Egypt's ICT talent pool, supporting digital transformation projects, and attracting global companies to establish offshoring centers. "We personalize training paths based on each applicant's skills and aspirations, aligning them with labor market needs," said Talaat. "Job readiness is accelerated through specialized tracks that combine foundational knowledge with in-depth expertise."

Training has evolved from traditional classrooms to hybrid models and now features a comprehensive online platform with 1,700 hours of expert-led content. Accessed by 650,000 Egyptians, this platform received UNESCO's 2025 award for its significant societal impact in the Middle East, highlighting Egypt's commitment to inclusive, high-quality ICT education.

Freelancing is especially important for citizens in rural areas where local economies cannot generate advanced ICT jobs. "By equipping trainees with freelance skills, we empower them to access opportunities beyond geographical boundaries and adapt to flexible work arrangements," the minister said. "Every course under the MCIT initiatives includes a freelancing module to ensure job readiness."

18 December

IT minister outlines Egypt's tech progress

He added, "We are expanding AI training across diverse sectors because we believe AI is now a universal skill." Courses are tailored for professionals such as lawyers, journalists, judges, architects, doctors, and pharmacists, enabling them to use AI to improve efficiency and performance. "Starting with 400,000 trainees in 2018, we reached 500,000 last year and are targeting 800,000 this fiscal year. At mid-year, we have already trained 400,000 individuals."

Offshoring is a key pillar of Egypt's ICT strategy, enabled by the expansion of its ICT talent pool. "We launched the offshoring strategy in 2021 after years of capacity building, and by 2022 ... multinationals ... recognized Egypt as a reliable and strategic destination," Talaat said.

In 2022, the ministry signed agreements with 29 global firms to establish offshoring centers, creating 34,000 jobs. By 2025, they had created 60,000.

In 2025, 55 companies committed to creating 75,000 jobs, with 39 expanding existing operations and 16 entering the Egyptian market for the first time. These investments reflect the country's attractiveness to investors from Europe, the United States, India, Vietnam, and China.

The minister stated that offshoring-related ICT exports increased from \$2.5 billion in 2022 to \$4.8 billion in 2025, underscoring Egypt's strong position as a global outsourcing destination.





The AmCham Egypt *Christmas* Reception

On December 7th, AmCham Egypt hosted its annual Christmas Reception, bringing together over 700 members and guests from various sectors for an evening of networking and celebration. The event was honored by the presence of Hassan Elkhattib, Minister of Investment and Foreign Trade, Ambassadors, and Heads of Authorities.

The evening featured a live performance by Natalie Bishara and a festive buffet dinner. Attendees

participated in a raffle draw with valuable giveaways. The reception gave members a chance to connect and enjoy a memorable night in a warm, celebratory atmosphere.

Beyond celebration, the reception was an opportunity to thank AmCham members for their continued support and engagement throughout the year. The event recognized their participation in AmCham's initiatives and activities, marking a progressive year achieved together.





Special Event



On December 16, AmCham Egypt hosted a thought leadership session with Abdul Aziz Al Ghurair, in collaboration with the MIT Kuo Sharper Center for Prosperity and Entrepreneurship. Drawing on his experience as a fourth-generation family businessman, former CEO and Chairman of Mashreq Bank, and founder of the Abdulaziz Al Ghurair Foundation for Education, Al Ghurair shared insights on creating long-term value through discipline, accountability, and governance.

He stressed that family business sustainability depends on strong governance frameworks, merit-based employment, structured decision-making, and clear succession plans to avoid conflict and fragmentation. Inclusion was a key theme, with Al Ghurair emphasizing that women and spouses should be treated as stakeholders to strengthen alignment and continuity.

Al Ghurair argued that youth are not the problem, systems are. He called for urgent reforms in education and labor markets to keep pace with technological and

16 December

A Conversation with Abdul Aziz Al Ghurair

economic change, warning that failure would squander the region's demographic advantage. He urged the private sector to lead by example and advocate for systemic change, even when challenging.

On philanthropy, Al Ghurair distinguished between charity and strategic giving, insisting it must be institutionalized, governed, and impact driven. His foundation operates like a business, using KPIs, accountability, and measurable outcomes, focusing solely on education as the most powerful driver of sustainable development and employment. He highlighted the paradox of high youth unemployment alongside talent shortages, advocating for education aligned with market needs and skills-to-jobs models that measure success by employment outcomes.

Digital learning featured prominently, especially during COVID-19, when the foundation rapidly shifted to online delivery, even in refugee camps. This adaptability reinforced his belief that systems can change when urgency, leadership, and accountability converge.

Education Committee



On Dec. 4 AmCham Education Committee held a high-level meeting with Mohamed Abdel Latif, Minister of Education, to review the White Paper titled "Opening Opportunities for Egypt's Education Sector: Building a Sustainable and Transformative Future." Discussions focused on enhancing public-private collaboration, positioning education as a priority for sustainable investment, and highlighting recent reforms.

The Minister outlined key achievements in addressing structural challenges, including resolving classroom overcrowding, eliminating shortages in core subjects, restoring formative assessments, and raising student attendance to about 87%. Major curriculum reforms were discussed, such as reducing subject overload in secondary education, introducing the Egyptian Baccalaureate as an alternative to Thanaweya Amma, and aligning with international models like the IB. He emphasized integrating 21st-century skills—coding, AI, and algorithmic thinking—and noted the success of a digital learning platform developed

4 December

Closed Roundtable with Mohamed Abdel Latif, Minister of Education

with Japan, which boosted engagement and certification outcomes.

Vocational education was highlighted as a success area, with a trilateral partnership model involving government, private investors, and international partners. Ongoing cooperation with Italy, Germany, and others aims to internationalize vocational training, enhance workforce readiness, and attract investment.

The White Paper seeks to build on these achievements by promoting private-sector investment, increasing competition to improve quality, and adopting sustainable regulatory and tuition frameworks tied to performance and accreditation. The discussion also addressed the need for clearer governance of American schools in Egypt to strengthen quality assurance while preserving flexibility.

The meeting concluded with a shared commitment by AmCham and the Ministry to advance reforms, attract investment, and position Egypt as a regional hub for high-quality education and skills development.



Insurance Committee



The AmCham Insurance Committee hosted a session titled "Cyber Insurance: From Risk to Resilience," featuring Lewis Bennett, Yash Magnani, and Ahmed Beshear. The discussion framed cyber risk as a strategic business issue with direct implications for continuity, financial stability, and reputation.

Speakers stressed shifting from eliminating cyber risk to fostering resilience—the ability to anticipate, respond to, and recover from incidents. They highlighted the evolving threat landscape, especially ransomware, which now uses multi-layered extortion models impacting sectors from finance and healthcare to critical infrastructure. Egypt ranks among Africa's most targeted countries.

Key components of resilience include governance, risk assessment, incident response, detection, recovery, and continuous improvement. Standards like ISO 27001 and NIST were cited, alongside measures such as immutable backups, endpoint detection, multi-factor authentication,

30 November

Cyber Insurance: From Risk to Resilience

and employee training. Human error remains a major risk, reinforcing the need for awareness programs and phishing simulations.

Cyber insurance was presented as a vital complement to technical controls, covering residual risks. Policies typically include crisis management, business interruption, cyber extortion, and third-party liabilities. Market conditions currently favor buyers, with increased capacity, competitive pricing, and streamlined underwriting.

The session concluded with a Q&A on regulatory developments, emerging risks like AI and quantum computing, and practical incident response strategies. Participants agreed that effective cyber risk management requires an integrated approach combining strong controls, governance, awareness, and comprehensive insurance—positioning cyber resilience as essential for long-term business sustainability.

Pharmaceuticals Committee



On Nov. 27, AmCham Egypt's Pharmaceutical Committee hosted Hesham Stait, Chairman of the United Procurement Authority (UPA), to discuss financial sustainability, digital transformation, access to innovation, and local manufacturing.

Stait outlined financial pressures from expanded procurement during COVID-19, higher import costs, currency devaluation, and budget delays, resulting in significant obligations and payment delays. In response, UPA, with the Ministry of Finance and Central Bank, introduced a structured settlement mechanism to improve cash flow and restore supply chain confidence.

The mechanism separates future procurement from past obligations: supplies delivered after Jul. 1 will be paid within 90 days, while liabilities up to Jun. 30 will be covered by Ministry of Finance guarantees, with repayments over three years. About 60% of the debt for free treatment in Ministry of Health hospitals will be settled by

27 November

Meeting with UPA Chairman

the Ministry of Finance; 40% of the debt for economic treatment in health insurance and university hospitals will be settled from their budgets.

UPA reaffirmed its commitment to predictable cycles, noting that over 85% of July invoices were settled and that EGP 35 billion was injected between July and November, though EGP 17 billion in legacy debt remains. Priority is given to stable future cash flow over rapid historical debt clearance.

The meeting reviewed UPA's digital procurement platform, covering orders, deliveries, objections, and payments, with enhancements including SAP integration, GS1 coding, expanded track-and-trace, and preparation for serialization. Plans also include a unified platform for access to innovation.

UPA also presented Egypt's national strategic storage system, a nationwide network for routine and emergency needs, anchored by the New Administrative Capital hub, set to open in February 2026.



Banking Committee



On Nov. 25, AmCham Egypt's Banking Committee hosted a roundtable on Egypt's public debt strategy and local debt market dynamics, featuring Mae Adel, Advisor to the Minister of Finance for Public Debt and Capital Markets.

Adel highlighted macroeconomic and fiscal developments, noting improvements in key indicators such as GDP growth nearing 5%, increased tax revenues due to digitization and a broader base, and ongoing primary surpluses. She stressed that reducing debt and servicing costs is a national priority, consistent with government aims to channel public spending toward social and developmental needs.

The discussion focused on the Ministry's efforts to reduce reliance on short-term instruments, extending average maturity, and lowering rollover risks with a balanced issuance strategy. Adel highlighted progress in limiting external central government debt and improving Eurobond yields through disciplined issuance and investor engagement.

Roundtable Meeting



On Nov. 24, AmCham Egypt met Abdallah Al Dardari, United Nations Assistant Secretary-General, to discuss Gaza's recovery and reconstruction within a UN-led framework. The discussion stressed that humanitarian assistance must be complemented by a transparent, well-governed process to restore services, infrastructure, and dignity for Gaza's people.

Egypt's central role was highlighted, given its proximity and influence, alongside the UN's legitimacy to oversee an internationally accepted recovery framework. The private sector was identified as a vital partner, able to contribute expertise, innovation, and capacity in post-conflict environments, provided there is clarity on governance, legal frameworks, financing, and accountability.

The UN outlined plans for an international conference structured around four pillars: early recovery, reconstruction, private sector and finance, and enabling

25 November

Debt Market Transformation

Structural challenges in the local debt market were discussed, particularly high real interest rates and the concentration of debt among financial institutions. Adel emphasized diversifying the investor base for greater resilience, including plans to introduce retail bonds via Egypt Post to reach unbanked segments without competing with bank deposits.

Participants examined innovative financing, such as local-currency sukuk and sustainable bonds, and asset-liability management to ease the debt burden. The use of proceeds from asset sales and privatization was identified as central to the medium-term debt reduction strategy.

Lastly, Adel highlighted fintech collaboration, tax issues, foreign investor participation, index inclusion, and transparency in issuance. The discussion underscored the ongoing value of dialogue among stakeholders to build a more diversified, efficient, and resilient debt market aligned with Egypt's long-term economic goals.

24 November

Meeting with UN Assistant Secretary General

conditions such as security and legal frameworks. The event will span two days. Day one for technical discussions. Day two is for political statements and pledges and will see the launch of a long-term process with a permanent secretariat and thematic working groups.

Gaza faces immense challenges: physical division, debris removal, and restricted access to humanitarian and reconstruction materials. Damage assessments estimate destroyed assets at \$68.4 billion. Early recovery, prioritized as a phased approach, will focus on temporary shelter, basic services, livelihoods, and education over 3 to 5 years at a cost of \$4 to 5 billion, with special emphasis on digital education solutions and UNRWA's role.

Egyptian companies highlighted their technical capabilities and readiness to partner in Gaza's recovery, stressing that with the right framework, the private sector stands ready to contribute meaningfully.



NEW MEMBERS



Membership
Type:
**Associate
Resident**

BUILDING MATERIALS

Amreyah Cement Company
Ahmed Samir Afifi,
Group CEO

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Membership
Type:
**Associate
Resident**

INVESTMENT

SV Advisory SAE
Ahmed El Alfi,
Chairman

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Membership
Type:
General

CONSTRUCTION ENGINEERING SERVICES

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LEGAL SERVICES

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Partner

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Membership
Type:
**Associate
Resident**

HEALTHCARE

Biotech
Mahmoud El-Ashry,
Chairman

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Membership
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Resident**

REAL ESTATE

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Resident**

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NEW AFFILIATE MEMBERS

Financial Sector

Mahmoud Shehab

Head of Financial Institutions, Suez Canal Bank

Food & Beverage

Dimah Jayyusi

Senior Category Director, Coca-Cola Egypt - Atlantic Industries

Mahmoud Mahrous

General Counsel & Legal Director North Africa, Levant and Iraq, Unilever Mashreq

Human Resources

Ahmed Abdulaziz

COO, Staff Arabia

Mohamed Ahmed

Director of HR Compliance Services & Payroll, Staff Arabia

Ahmed Adel

Head of Growth and Business Development, Staff Arabia

Ahmed Benni

Marketing & Branding Consultant, Staff Arabia

Information & Communication Technology

Sally Ebeid

Chief of Staff, Summit Technology Solutions

Insurance

Dina Karim

Chief People & Culture Officer, Medmark Insurance Brokerage

Investment

Laila Kamal

CEO Technical Assistant, Magic Land Alhokair

Legal Services

Youssef Emam

Associate - Corporate M&A Group, Matouk Bassiouny

Kubra Kabaali

Lawyer - Corporate Department Lead, Andersen Egypt

Mining/Minerals and Precious Metals

Ehab El Sherif

Chief Executive Officer, Real Mining Services

Power and Renewable Energy Services

Mohamed Moez

Regional General Manager Industrial Automation, Honeywell Egypt

Real Estate

Ashraf Hamdy

Group Chief Financial Officer, Hassan Allam Properties (HAP)

Ayten Anwar

Chief Investment & Strategy Officer and Head of Non-Residential Portfolio, Hassan Allam Properties (HAP)

Hussein Sheir

Managing Director – Development, Hassan Allam Properties (HAP)

REPLACEMENTS IN MEMBER COMPANIES

Emad Essam

Country Manager MENA Market, Ecolab

Category: General

Sector: Chemical Products

Ahmed Singer

Chief Integration Officer, ECG Engineering Consultants Group, SA

Category: Affiliate

Sector: Construction
Engineering Services

George Elombi

President and Chairman of the Board of Directors, African Export-Import Bank

Category: Multinational

Sector: Financial Sector

Amgad Doma

Chief Strategy & Sustainability Officer, Emirates NBD (Emirates National Bank of Dubai)

Category: Affiliate

Sector: Financial Sector

**Aladdin ElAfifi**

Tanmeyah Chairman of Board of Directors, Tanmeyah Micro Enterprise Services

Category: Associate Resident

Sector: Financial Sector

Bassel Mubarak

Non Executive Chairman of the Board, Digital Access to Finance

Category: Associate Resident

Sector: Healthcare

Engy Alaa

Chief Commercial Officer, Digital Access to Finance

Category: Affiliate

Sector: Healthcare

Safwat Hamad

Chief Information Officer, Digital Access to Finance

Category: Affiliate

Sector: Healthcare

Wassim Gayed

CFO, Orascom Hotels Management

Category: General

Sector: Hospitality/Tourism/Travel

Tamer Refaat

CFO, Orascom Hotels Management

Category: Affiliate

Sector: Hospitality/Tourism/Travel

Ahmed Sobhy

Deputy CEO, e-finance

Category: Affiliate

Sector: Information & Communication Technology

Aladdin ElAfifi

Tanmeyah Chairman of Board of Directors, Tanmeyah Micro Enterprise Services

Category: Associate Resident

Sector: Financial Sector

Seonhee Lee

General Manager, Astellas Pharma International B.V.

Category: Multinational

Sector: Pharmaceuticals

Rania Ahmed

Market Access and Governmental Affairs Lead, Astellas Pharma International B.V.

Category: Affiliate

Sector: Pharmaceuticals

Marihan Nashaat

Country Manager, PPGA, Egypt, IND EG Systems for Transportation Services, inDrive

Category: General

Sector: Transportation

Omar El Halaby

CEO-Real Estate, ADD Properties - Member of Sami Saad Holding

Category: Affiliate

Sector: Hospitality/Tourism/Travel

Change in Member's Company

Abdel Halim Assem

Consultant, Assubur Consult

Category: Affiliate

Sector: Service Providers

Mohamed Nadim

Egytrans CEO Commercial & Operations, Egyptian Transport & Commercial Services Co., SAE (Egytrans)

Category: Affiliate

Sector: Transportation

Mohamed Tawakol

General Manager, Egyptian Transport & Commercial Services Co., SAE (Egytrans)

Category: Affiliate

Sector: Transportation

*A Glance At The Press*

**Help me, I want to buy
New Year's gifts!**

Al Masry Al Youm, Dec. 18



Media Lite collates a selection of some the most entertaining offbeat and lighthearted news items published in the local press. All opinions and allegations belong solely to the original source publications and no attempt has been made to ascertain their veracity.

King Nyuserre's Valley Temple uncovered in Abusir

An Italian archaeological mission has uncovered extensive remains of the Valley Temple of King Nyuserre at Abu Ghurab in the Abusir necropolis, marking a major breakthrough in Fifth Dynasty research. The structure, exceeding 1,000 square meters (10,700 square feet), features a unique architectural plan and is considered one of the most significant sun temples in the ancient Memphis region.

Findings include the temple's original entrance floor, limestone and granite column bases, stone casing, granite doorframes and a quartzite gateway in excellent condition. A massive inscribed threshold detailing religious festivals and references to Nyuserre also was discovered, along with pottery from the Old Kingdom to the First Intermediate Period and two wooden pieces from the ancient game senet.

Preliminary evidence suggests the temple was later repurposed as a settlement during the First Intermediate Period, offering rare insights into daily life in Memphis. Excavations will continue to reveal more about the evolution and function of sun temples.

Abram Online, Dec. 12

Koshary joins UNESCO's cultural heritage list

UNESCO has officially recognized Egypt's iconic dish, koshary, as part of its Representative List of the Intangible Cultural Heritage of Humanity, making it the country's 11th listed element. The announcement was made by Minister of Culture Ahmed Hanno.

The recognition follows efforts by koshary makers and cultural advocates, highlighting the role of Egyptian women in preserving traditional preparation methods. Koshary — a popular, budget-friendly meal of rice, pasta, lentils, and fried onions — remains a staple of homes, restaurants and street carts.

Nahla Emam, heritage consultant to the minister of culture, called the recognition a major achievement. She noted that the process was initiated by koshary makers themselves and praised women who preserved traditional preparation methods.

Egypt's other listed elements include Al-Sirah Al-Helalya (2008), Taheet (2016), Aragouz puppetry (2018), palm tree traditions (2019, 2021), manual-textile crafts in Upper Egypt (2020), Arabic calligraphy (2021) and the Journey of the Holy Family Festival (2022).

Abram Online, Dec. 10

Ain Sokhna Port earns Guinness record for deepest man-made basin

Ain Sokhna Port has been recognized by Guinness World Records for constructing the deepest manmade port basin on land at 19 meters (62 feet), according to the Ministry of Industry and Transport.

The achievement reflects ongoing expansion within the Suez Canal Economic Zone. The ministry outlined development plans that include five additional 19-meter basins for a total excavation volume of 120 million cubic meters. Dredging operations are underway, with planned dredging volumes reduced from an initial 70 million cubic meters to 25 million cubic meters after technical reviews. The port has been connected to a multimodal transport network by a 30-kilometer internal railway system linking it to national rail lines, road networks, dry ports and logistics zones.

Under Egypt's Vision 2030 transport strategy, plans include building 70 kilometers of new quays with depths of 18–25 meters, bringing total quay length across national ports to more than 100 kilometers. The strategy also aims to expand the maritime fleet to 40 vessels capable of handling up to 25 million tonnes of cargo annually.

Cairo Scene, Dec. 16



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SOLUTIONS COMPANY
TO BECOME THE
GO-TO PARTNER
FOR OUR CUSTOMERS
TO OUTPERFORM
OUR MARKETS





GOLDENGATE

THE RHYTHM OF NEW CAIRO