Business monthly

THE JOURNAL OF THE AMERICAN CHAMBER OF COMMERCE IN EGYPT

May 2022

Not for Sale

IN HIGH DEMAND

ORANGES ARE JUST ONE ITEM THAT EGYPT COULD EXPORT MORE OF TO THE EU, AS ITS SUPPLY-DEMAND GAP INCREASES.


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For more than four decades, GE has worked with Egypt's government and private sector partners in aviation, energy, healthcare, and digital transformation. Across the energy ecosystem, GE is a partner in the country's quest for power generation diversification, as set out in the country's ISES 2035. And with Egypt hosting COP27 this November, GE continues to drive the world forward by tackling its biggest energy challenges. By combining world-class engineering with software and analytics, GE helps the world work more efficiently, reliably, and safely. For 130 years, GE has invented the future of industry, and today it leads new paradigms in additive manufacturing, materials science, and data analytics. GE people are global, diverse, and dedicated, operating with the highest integrity and passion to fulfill GE's mission and deliver for our customers.

Supporting Egypt's climate change agenda

GE has joined a coalition with Bechtel and other energy transition leaders. The partners will provide execution, technology, and financing expertise for a new initiative to support the decarbonization of select petroleum facilities in Egypt, aligning plans with the country's leadership of the COP27, UN Climate Change Conference 2022. GE will bring software solutions to this coalition of partners, helping to make meaningful progress on the wider energy transition. Work of the coalition has begun with the signing of an MOU with the support of the Ministry of Petroleum. Stage one will be an assessment of onshore oil and gas facilities fully or partially owned by the Government of Egypt to target CO2 /methane emissions reduction and energy savings.

Stable, reliable energy to 4 over million homes

GE-built technologies deliver up to 16 gigawatts of electricity to the national grid through gas turbines and grid equipment in Egypt. With eight active sites, which include work on new sub-stations, services to existing sub-stations, and working on planned outages and maintenance, GE is in a position to further support the country's drive towards cleaner energy with its gas turbines capable of running on hydrogen-blended fuels for lower emissions, and its grid technologies optimizing operations. Also, GE Renewable Energy provides technology, including substations, that support the country's growing wind and solar generating capacity. These GE technologies combined represent 35% of the energy fleet framework currently installed in Egypt

Efficient aviation

In 2021, GE Aviation was awarded a CFM long-term services agreement for EgyptAir's LEAP-1A fleet. GE is powering EgyptAir's A320neo with the LEAP engine, which burns 15% less fuel compared to predecessor CFM56 technology. There are currently 7 aircraft on order, with 8 recently delivered and in operation with CFM LEAP engines.

GE and Ministry of Health

GE collaborates with the MOH on numerous programs including the launch of the Women's Health Initiative, which has already impacted 21 million women. In partnership with MOH, GE has brought the Gustave Roussy one-stop breast cancer diagnostics program to Egypt to increase the speed and the accuracy of breast cancer diagnosis.

Digital transformation and Industry 4.0

Digital Transformation is a key initiative GE is proud to have partnered with Egypt on. At the end of 2021, the Egyptian Ministry of Military Production presented GE with an award recognizing the company's partnership in supporting the digital transformation of the Ministry's factories. GE has also deployed an Industry 4.0 applications project to further optimize operations, reduce costs, and enhance efficiency, and launched a national initiative to train 1000 Egyptian engineers on Industry 4.0 technology with a certified GE program. GE continues to explore new collaborations to further support the country's digital transformation.

GE has a storied history. For 130 years, people have counted on GE to "find out what the world needs... and try to invent it," as its founder Thomas Edison famously said. This still rings true across markets at GE today. Innovation is at the core of everything GE does, and in the lead up to COP27, it continues its commitment to partnering with Egypt on its journey towards a more sustainable future.

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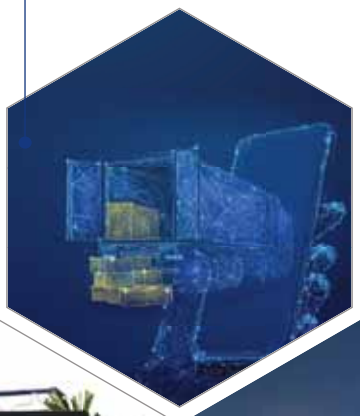

In Depth

In Depth

At a Glance

American Impact

Cover Story

The Chamber

Media Lite

In Person

Market Watch

White Collar

Bridging the Familiar with the Unfamiliar

Etisalat Misr dives into the new normal, celebrating 15 years of seamless customer experience and pioneering what's ahead.

The new normal that the pandemic enforced on the world has highlighted the importance of financial technology (fintech), transforming how people live and how businesses operate.

The pandemic caused a perceptible shift in consumer behavior that required fintech companies to help businesses with powerful digitization strategies. That changed how customers interact with payment systems, opening new doors to growing the e-commerce ecosystem through immediate, secure, and seamless customer experience, expanding the boundaries of the digital world.

According to World Bank's Global Findex Data, only 33% of adults in Egypt have bank accounts. To increase that penetration, the government prioritized financial inclusion in its 2030 Vision to support SMEs, formalize the informal sector, raise employment rates, and achieve sustainable economic growth.

Egypt's accelerated digital transformation journey means that alternative payment methods are booming, becoming a vital financing model, and Etisalat Misr is front and center. The company solved crucial challenges by delivering digital, secure, seamless user experiences and putting financial inclusion at the core of its services, starting with Etisalat Cash. It disburses government salaries and pensions through the Etisalat Wallet, offers cash-free transactions via the National Bank of Egypt's ATMs, pays bills and recharge services, and e-vouchers purchase services.

Additionally, Etisalat Misr expanded its electronic payment and collection methods. It also raised awareness to push the country's digital transformation journey forward, laying the foundations for the tech-telco market.

Technological enablement helped create a cashless society via digital payments. It morphed into a holistic digital landscape, "driving the digital future to empower societies."

Digital utilization shapes societies. For the past 15 years, Etisalat Misr has pushed Egypt's digital agenda and created a digital entertainment platform that ensures a faster route to market for digital-led consumers.

Etisalat Misr's digital OTT services (Etisalat TV, Music, Sports, and Gamification services) elevated My Etisalat mobile application's customer experience by providing more accessible and convenient management of users' accounts at their fingertips.

Etisalat's digital offerings further encompass advanced technological tools that improve network speed and connectivity to utilize intelligent IVR systems that increase self-help, robotic process automation, and chatbots complaint management system held through WhatsApp Business. Meanwhile, the digital entertainment platform, which offers Mobile Cash services, has over 20 million consumers.

Etisalat Misr contributes to Egypt's overall digital transformation plan by providing its state-of-the-art technology and infrastructure, enabling under-served groups with financial inclusion and economic empowerment and a holistic digital system.

Tomorrow's fuel

Previously Etisalat Group, e& has created a digital portfolio and reach by scaling up its fintech into the rest of the Middle East and North Africa (MENA). As the global economy recovers, the door is open for new opportunities in the fintech landscape. Leveraging those unique assets will create opportunities that will define tomorrow's economy with technology and digitization, enabling possibilities that were unimaginable only a short time ago.

Think big

With an easy, fast, and secure service, the eWallet handles consumers' digital payments, connecting customers and brands with just a click, transforming into "a global technology and investment conglomerate that accelerates the digital transformation journey."

Etisalat Misr ventures into further initiatives, enabling users through new services, including fintech, the rising star of the last decade, and relying on solid foundations for creating intelligent edge platforms with innovative problem solving to enable more thoughtful and sustainable developments.

As we celebrate the past, we venture into the future with e&, aiming to bring people closer to a more connected world, all by ideating, designing, and delivering a range of innovative and breakthrough technologies that make it possible.

etisalat

BUSINESS MONTHLY

By the time you read this, Business Monthly's dedicated portal will have been online for a week or so. For us, these are exciting times as we witness the birth of a new product to complement the print magazine. They also are the most challenging as we prepare to offer all our readers a new type of content to keep you up to date with the most important news and analyze how it could affect daily life, work, business and Egypt's economy.

The crown jewel of the portal will be the bespoke content the Business Monthly team will produce for this new product. While those articles will be shorter than the ones in the magazine, they will offer similar context, analysis and insights. In addition, they will publish much faster, keeping all our readers "in the loop" all the time and from the devices they prefer. The portal will also offer more diverse content, with multimedia providing all our readers with insights they seek in different formats.

The print content will migrate to the new portal, benefiting from its fresh interface. In addition, the website will also host the AmCham Research department's latest top-draw reports, Industry Insights, Business Digest, Policy Notes, and other research-based products.

For Business Monthly, the portal means the print version will have to be more forward-looking, making informed forecasts about what governments and businesses might do to respond to ongoing events. And invariably, how that connects to Egypt and the United States. The magazine's mission will be to illuminate possible future events and what they could mean for our daily lives, work, business and Egypt's economy.

Business Monthly is growing. No longer will it be a print magazine whose content is published online. Its new mission is to become a "one-stop-hub" for insights and analysis of local, regional and international news that affects Egypt's economy and business landscape.

Please visit the new portal at www.businessmonthlyeg.com, and let us know what you think.

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Business monthly
GOES DIGITAL

SCAN ME

NOT OUT OF THE WOODS YET

While the financial crisis in Egypt is still exerting a heavy toll on the economy, the good news is that no one is in denial. Make no mistake: The indicators suggest the economy still has a rocky road ahead. The S&P Global Egypt Purchasing Managers Index (PMI) for Egypt remains solidly in contraction territory, despite a slight increase from 46.5 in March to 46.9 in April. The construction sector accounted for the slight boost, but industry, trade and employment fared much worse on the index than in previous months.

Fortunately, there has been a fundamental shift from the mindset that governed the economy over the last seven years. Finally, there is realization that the private sector must be empowered to lead the economy. The government is lining up corrective actions, which include a clear plan for the state's timely, phased exit from the majority of productive sectors. Even as the Ministry of Trade and Industry and Central Bank of Egypt engage in a tug-of-war over limiting and controlling imports, the government acknowledges that it's a temporary measure until they get the house in order.

Obviously it had to take a crisis of this magnitude to convince decision makers that what worked seven years ago cannot work in this second phase of economic development. The Ukraine war exacerbated the crisis started by the pandemic and exposed the cracks in both the monetary and fiscal policies, making the inherent problems plaguing our economy crystal clear. Looking on the bright side, we could call the crisis a blessing in disguise.

When it comes to navigating this crisis, time is of the essence. We expect more FDI news in the coming days, as well as the official announcement of the state-owned enterprises divestiture plan. Aggressive moves to unlock bureaucracy are also well underway, with strong backing from Egypt's president to give them credibility and more traction. These moves strengthen Egypt during its current negotiations with the International Monetary Fund, and a new IMF funding deal would ultimately give Egypt's efforts a seal of approval.

Because ultimately, history has shown that building a monetary policy on hot money and a fixed exchange rate will not work. It's time to change course and put the economy on the right track.

TAREK TAWFIK
President, AmCham Egypt

MOUNTAIN VIEW INSPIRES GENERATIONS WITH THE "Science of Happiness"

Mountain View has long been associated with an outstanding architectural creativity and unprecedented innovation, and is renowned for its distinctive white & blue iconic homes as well as exquisite landscapes. The company has been a true champion of spreading positivity and happiness through its ventures and among its people, putting together vibrant and family-driven neighbourhoods together with campaigns that touch the hearts of the entire country. This year, the real estate giant put together the biggest stunt when they surprised us with a heart-felt campaign for residents' loved ones to come back from abroad to see their families in Egypt during Ramadan. The "Science of Happiness" has sincerely been brought to life over the past few years and the real estate industry in Egypt has since changed.

The ambitious developer embodies a picturesque residential community that inspires creativity, which meets world-class quality standards in architecture and design, delivered by a pool of talented local and international experts led by a core value: respect. The company has developed a reputation for excellence with the brand's visionary, Eng. Amr Soliman, Mountain View's Founder and CEO, fuelled by his revolutionary and aspiring story.

Mountain View teamed up with "Delivering Happiness" to implement the "Science of Happiness" in their projects' designs, cultures, and workplaces. The organisation focuses on designing first-tier residences and resorts that are structured, up-to-date, creative, and cost-effective while staying deeply rooted in real life, and these inspirational ideals have resonated with its ventures.

The company believes that a better and more meaningful life is not only their duty towards their communities but also their responsibility towards the generations to come. Driven by this belief, Mountain View creates breathable, walkable and liveable environments to make each day enjoyable and stress-free away from the congestion and commotion of the outside world, all while encouraging residents to make the most of their everyday life and engage in healthy lifestyle activities such as yoga and meditation.

These inspirational values have resonated with its projects, as the company focuses on developing first-tier residences and resorts that are structured, up-to-date, innovative and cost-efficient while remaining deeply ingrained in real life, for those who aspire to grow a happy family and build a meaningful life; in a safe place they can call home.

Passing this joyful experience to families, and to empower young generations, the company launched the Youth Development Program to cultivate the skills of children aged 4-17 years old through Mountain View's projects and build impactful experiences to foster their self-development to pass on to future generations. The program is designed to immerse young children in the authentic Egyptian culture and real-life experience. Throughout the program, the company has developed a curriculum focusing on connecting families and children to their lineage culture and customs, as well as familiarising children with their heritage, culture, and society through various activities.

The brand is built on empathy, innovation and creativity. They achieve empathy through seeing, feeling and hearing their clients completely, not just through market research and focus groups, who help them gain a deeper understanding of their client's true needs. The brand then employs creativity to achieve and exceed expectations, solve issues and create something truly unique. Finally, they employ rationale to see how all of this is logically achievable.

With more than 15 years' experience, this innovative brand will continue to write inspiring stories in the new chapters to come. Mountain View continues to flourish and grow, with an impressive number of residential projects under construction in New Cairo, Sixth of October, Ain Sokhna and the North Coast. The company's land portfolio is one of the largest land portfolios in the Egyptian real estate market, which caters to the company's plans to offer more expansion that reached 15 projects nationwide serving more than 54 thousand families. This great demand on the projects is the 'bridge of trust' that Mountain View built with its customers through all their previous projects.

THE NEWSROOM

FINANCIAL INCLUSION MORE THAN DOUBLES

The financial inclusion rate in Egypt grew by 115% over the past six years, the Central Bank of Egypt (CBE) announced.

Total transactional accounts, including all bank accounts, Egypt Post, mobile wallets and prepaid cards, had 36.8 million users, or 56.2% of the country's 65.4 million people aged 16 and up.

According to CBE data, a total of 16 million women own a bank account, up 171% compared to 2016.

The number of prepaid cards jumped to 39,883 per 100,000 adults, while the number of mobile wallets reached 38,505 per 100,000.

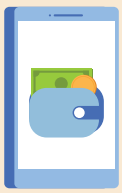
CBE indicators also showed the number of financial access points — bank branches, Egypt Post, microfinance Institutions, ATMs, points of sale, and payment service providers — reached 1,037 per 100,000 adults.

About half of Egypt's economic sectors don't have access to banking services. Accordingly, the CBE is working to involve these sectors through non-bank financial services. As part of Egypt's 2030 Vision, the country adopted a strategy to make financial services cashless and include most of the population in the banking system. Payroll cards of 4.3 million state employees have been replaced by Meeza cards, the national governmental payment system.

In March, the CBE launched the National Instant Payment Network and InstaPay mobile application, allowing clients to process electronic fund transfers instantly.

TOWARD FINANCIAL INCLUSION (2016-2021)

16 million women own a transactional account **(Growth rate of 171%)**
Prepaid Cards



26.1 million cards - 39,833 per 100,00 adults
Mobile Wallets

25.2 million wallets - 38,505 per 100,000 adults
Number of financial access points

Bank branches, ATMs, points of sale, payment service providers
1,073 per 100,000 adults

EXPORTS TO THE U.S. SURGE IN 2021

Exports to the U.S. jumped 56.3% to $2.5 billion in 2021, compared to $1.6 billion the previous year, according to CAPMAS, the state-run statistics agency.

Meanwhile, the country's imports from the United States were valued at $6.1 billion last year, a 30.9% increase from $4.7 billion in 2020.

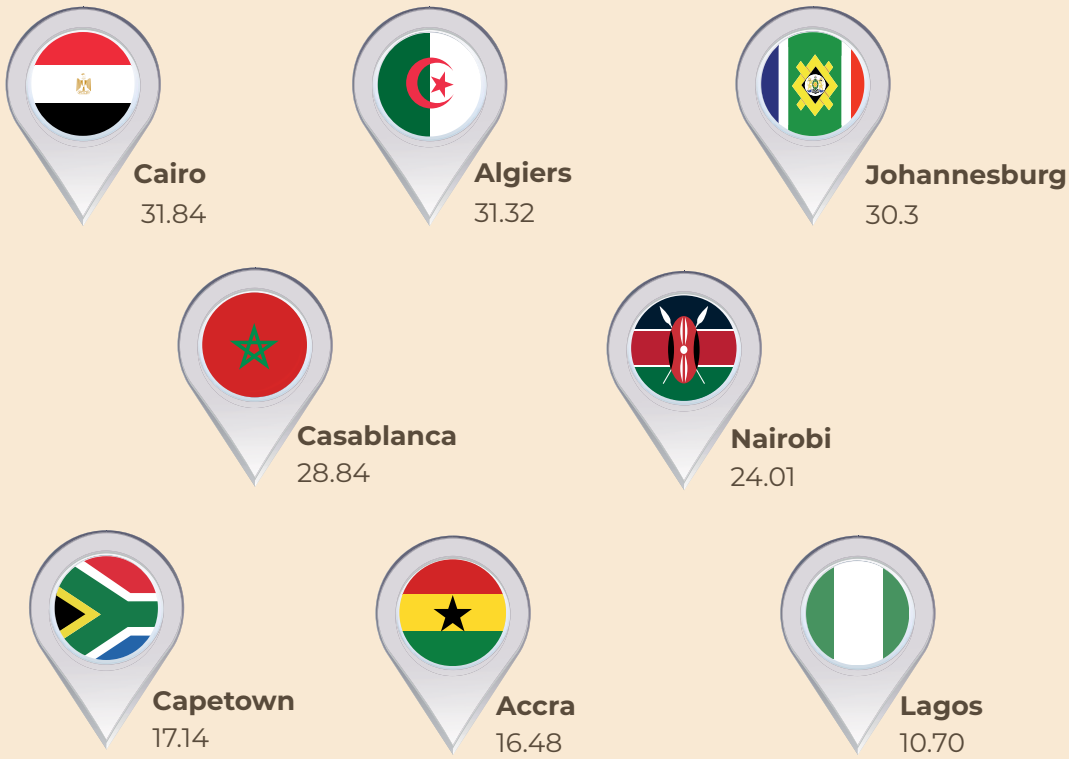
Total trade between the two countries rose 37.4% to $8.6 billion in 2021, up from $6.3 billion in 2020.

AFRICA'S TOP BUSINESS CITY? CAIRO

Statista Global Business Cities has identified and ranked the top cities for business in Africa, with Cairo coming out on top. The report evaluates 200 cities worldwide based on the most relevant data for decisions at the corporate level, as well as population and GDP, among many other factors.

The index is based on economic strength and development, infrastructure and logistics, population development, education, the standard of living, tourism, culture and the environment.

AFRICA'S TOP BUSINESS CITIES



Source: Statista Global Business Cities Report

TRADE DEFICIT SHRINKS 32% IN JANUARY

In January, Egypt's trade deficit fell 32.3% to $2.44 billion year-on-year, down from $3.6 billion, CAPMAS said. Exports grew 34.5% to $3.99 billion, compared with $2.97 billion the same month a year earlier.

The increase was backed by a surge in the value of several commodities, including petrol products (107%), crude oil (66.5%), and ready-made garments (46.8%).

Meanwhile, Egyptian imports were valued at $6.43 billion, down 2.2% from $6.57 billion in January 2021.

THREE-PRONGED Risk

Balanced unemployment, inflation and GDP growth signify a healthy economy. In America, that balance looks increasingly shaky and puts Egypt's exports to the United States at risk.

by **Tamer Hafez**

Much like the pandemic accelerated emerging trends in 2020, including hybrid workplaces and reliance on digital communication, the war between Russia and Ukraine is amplifying the economic aftermath of COVID-19.

The most significant fallout from the pandemic is runaway inflation due to product shortages, supply chain bottlenecks, and rising energy prices. Those factors jeopardize economic recoveries worldwide, as importers and exporters lose business due to late deliveries and increase consumer prices to account for spiraling costs. "Mounting inflationary pressures and the lurking specter of recession come as no surprise," Mahmoud Mohieldin, a World Bank Group senior vice president, wrote in an October op-ed on Ahram Online. "When following current global economic developments ... one term that often comes across is stagflation [stagnant GDP growth coupled with inflation].'"

The Russia-Ukraine war further disrupts food and energy supplies from both countries. A Bank of America Securities survey published in April shows GDP growth expectations at their lowest, with 71% of respondents pessimistic. Meanwhile, inflation in the United States continues to rise beyond the Federal Reserve's 2% benchmark, reaching an annual rate of 8.5% in March, its highest level in 40 years. "Expectations of stagflation have risen to the highest level since August 2008," noted the bank's analysis accompanying the survey.

So far, rising prices haven't hurt U.S. consumption. "Retail sales are roughly 10% above their pre-pandemic level. New home sales are about 6% above their January 2020 level ... Low sales as the single biggest concern [for SMEs] has rarely been lower than it is today: 4%," wrote Neil Dutta of Renaissance Macro Research in a March op-ed for Business Insider. "This current level of growth is simply unsustainable."

If and when stagflation hits, it could be a significant blow to Egypt's foreign currency inflows in the long term. According to the Central Bank of Egypt, the United States was Egypt's biggest non-oil export market in the first quarter of the fiscal year 2021/2022, accounting for over 21.8% of outgoing non-oil goods.

Balancing act

In economic literature, when GDP grows rapidly, unemployment rates drop as companies make more money and expand their operations. As more businesses become more competitive, they give higher wages to attract the best talent. That results in more employees earning higher incomes who can afford more luxury and non-essential goods and services.

That results in rising prices of goods and services to compensate for higher demand and payrolls. Eventually, inflation will become too high, making those non-essential goods and services less affordable, ultimately reducing consumption. That cools GDP growth and could result in slightly higher unemployment.

The cycle repeats itself when prices of luxury and non-essential products and services are low enough to encourage more consumption.

Central banks can exercise control over this cycle by setting inflation rate targets. In Egypt, a fast-growing emerging economy, that target is 9%, plus or minus 2%, while in the United States, an advanced slow-growing economy, the inflation target is 2% or less.

When inflation increases, central banks raise interest rates to maintain those targets — enticing individuals to save. That reduces consumption and, therefore, inflation. The balancing act ensures that interest rates don't increase too much, making credit to businesses and individuals expensive and causing consumption to dwindle further — leading to a recession.

Worst-case scenario

In 1973 and 1974, the United States saw oil prices rise after GCC countries halted supplies to Europe and America in support of Egypt during the Six-October War with Israel. In addition, then-President Richard Nixon ended price controls on essential food commodities, and extreme weather during those two years reduced crop yields. The Iranian Revolution in 1978-79 further disrupted oil supplies to those advanced economies.

Those food and energy supply shocks caused inflation to rise from 5% in 1972 to 15% by 1980, according to the U.S. Bureau of Labor Statistics. Meanwhile, GDP contracted by up to 4.8% at its worst in 1974. It recovered in subsequent years, but was consistently below its historical averages until 1980.

Economists characterized that period as stagflation. "It happens when there is a so-called negative supply shock," Veronika Dolar, an economist at SUNY Old Westbury and visiting professor at Stony Brook University, told Yahoo! News in March. "That is when something that is crucial to an entire economy suddenly becomes in short supply or ... more expensive."

"Households feel the sting of a weakening economy ... but don't see the corresponding relief on costs ... because shortages or other problems cause businesses to keep their prices high," said Dutta of Renaissance Macro Research.

As a result, recovering from stagflation is complex. "In this scenario, the tradeoffs are worse than what we'd normally see in a recession, making it tricky to break a streak of stagflation," said Dutta. Reducing interest rates to spur GDP growth and employment would encourage further spending and inflation. Meanwhile, rising interest rates would further plunge the economy into stagnation or even recession. "This makes a difficult needle to thread for policymakers," he said.

History repeating

Some experts see the war in Ukraine as a precursor to stagflation in America. "There are enough similarities between our current moment and the 1970s disaster that it's time to take stagflation seriously," said Dutta.

Those signs appeared long before the conflict in Ukraine. "The past few months have brought successive price increases in a variety of goods and commodities," said Mohieldin of the World Bank in his October 2021 op-ed. For example, cotton prices increased 43.9% from July until the war began. Meanwhile, IBISWorld, a market research firm, estimated the cost of semiconductors and electronic components has jumped by nearly 10% in 2022, compared to a fall in prices in 2020. Since rising in 1986, semiconductor prices have increased only three times: 1988, 1989 and 1993, with the highest annual jump less than 2% annually.

One cause of those hikes is that companies limited or halted production throughout 2020 and 2021, in line with lockdown measures. That disrupted the flow of exports, as evidenced by the ongoing global microchip shortage. As a result, cargo spent more time at the docks waiting to be loaded and that ultimately caused logistics bottlenecks, which further delayed deliveries, simultaneously causing inflation and slower sales.

Additionally, government policies contributed to trade disruptions and spiraling global inflation. "It is easy to cast the blame for the problems in supply chains and logistics on COVID-19," Mohieldin wrote. "This only makes it easier to overlook the protectionist practices that existed before and after the pandemic and that continue to hamper the movement of trade, drive up prices and reduce supply."

In 2022, the rift between the United States, EU and other rich countries, on the one hand, and Russia will only add to the disruption of the global flow of goods. For example, U.S. sanctions ban the sale of any Russian-made products and the import of oil and natural gas. That could hurt American importers who had business with Russian producers.

Nearly 345 U.S. companies froze business operations in Russia after the conflict started. They operate across numerous sectors, including energy, food, textiles and clothing, banks and entertainment, according to Yale School of Management information updated April 20.

"Firms are cutting ties and, in doing so, earning good press," Joel Naroff, president and founder of Naroff Economic Advisors, a consulting firm, told the Philadelphia Inquirer in March.

Soon, though, those companies, their suppliers, and supply chains may see revenue shortfalls. A case in point is Shell Oil, which cut all ties with Russia starting in April, including not buying oil or natural gas and pulling out of a joint venture with Gazprom, Russia's state-owned oil and gas company. Experts told the BBC in April the move could cost Shell $5 billion. "Sometimes, firms slip up and don't understand ... a potential tradeoff between corporate image and the short and long-term financial impact of certain actions," wrote Naroff.

The conflict also affects exports of food and energy commodities, such as oil, wheat, sunflower oils, and other grains from Ukraine and Russia. That resulted in skyrocketing prices and their biggest importers, including Egypt and Germany, scrambling to find alternative suppliers.

To calm global oil prices, the United States said it would release 180 million barrels from its strategic reserve over six months starting in March. It is the first such move since the reserve's creation in 1974 — one year after the GCC's oil embargo to the West ended. The announcement dropped international oil prices from nearly $120 to $93.60 a barrel. At press time, crude oil stood at $103.20 a barrel, up from $90 before the war.

Meanwhile, India, the world's second-largest wheat producer with exports accounting for 1% of international wheat trade, is looking to replace Ukraine as a global supplier. "We are working with several other ministries ... as well as exporters and state governments to increase our wheat exports significantly," Piyush Goyal, minister for commerce and industry, told the media in April. After the announcement, wheat dropped about 11.7% from its all-time high on March 7. However, the press-time price was still 40.6% higher than before the war.

Those price jumps were happening as the International Monetary Fund (IMF), in April, downgraded its global GDP growth forecasts from 4.4% in 2022 and 3.8% in 2023 to 3.6% for both years. "We are still some ways away from stagflation and are only looking at its early warning signs," said Mohieldin. "We still have opportunities to avert it."

What next?

Predicting policies the U.S. Fed might enact to avert stagflation could prove vital, particularly for poor and less developed countries whose macroeconomic policies change with America's. Egypt, for example, increased interest rates on March 21 by 100 basis points to 9.25%, four days after the Fed raised its interest rates by 25 basis points, reaching 0.5%.

That sudden increase was likely a lesson learned from a policy failure in the 1970s. "The Fed left interest rates too low for too long," said Dutta. "The Fed assumed the U.S. economy could continue to accelerate without triggering runaway price increases ... the error was costly: a decade of high inflation."

Dutta believes the Fed should prioritize bringing down inflation. "The Fed should have the green light to keep hiking interest rates throughout the year ... and cool off the economy," he said. "Doing so should help tamp down inflation but not cause enough harm to the labor market to trigger a recession or inflict undue pain on workers."

At the start of 2022, the Fed said it plans to increase interest rates several times this year and the next. After Russia invaded Ukraine in late February, the Wall Street Journal reported that unnamed Fed officials predicted interest rates to reach 2% by 2022. Meanwhile, "median projects show the rate rising to around 2.75% by the end of 2023," noted the publication. That would be its highest since 2008.

In March, Nouriel Roubini, chief economist at Atlas Capital Team, highlighted a possible policy shift in a blog on Project Syndicate. "Governments ... under pressure from disgruntled citizens ... may be tempted to come to the rescue with price and wage caps and administrative controls to tame inflation," he said.

However, that solution would likely backfire, plunging the U.S. economy into stagflation territory. "These measures have proved unsuccessful in the past (causing, for example, rationing) - not least in the stagflationary 1970s - - and there is no reason to think that this time would be different," noted Roubini. "If anything, some governments would make matters ... worse by, say, reintroducing automatic indexation mechanisms for salaries and pensions."

On the other hand, John Williams, president and CEO of the Federal Reserve Bank of New York, said the wave of rising prices and slowing GDP growth rates are temporary. Therefore, overcoming them won't require significant policy alterations. "It may boost near-term inflation, but household savings and strong economic growth should help limit the damage," he told Reuters in April.

His confidence stems from Americans receiving three

stimulus checks between April 2020 and March 2021, worth a combined $3,200 per person. "The economy is coming into this with a lot of forward momentum," said Williams. He likened the increase in oil prices to a "tax" on American consumers that limits spending. "But savings accumulated during the pandemic may help offset higher costs," he added.

That should reduce consumption of non-essentials, dropping their prices, as a more significant portion of households' budgets goes to pay for basics. "Inflation [should] come down later this year but remain well above the [Federal Reserve's] 2% target," he said.

In a February blog on Investopedia, Sean Ross, founder and manager of Free Lances Ltd., a hub for freelance editors, researchers and writers, said the solution that worked in the 1970s was to let stagflation resolve on its own. "Over time, the cost of oil returned to more normal levels, and the economy began to emerge from its slump," he said.

Partial solutions

However, Roubini said this time "policymakers may [have to] abandon one of their objectives [of meeting inflation, economic growth, interest targets]" in favor of the other two. He added that would work in tandem with strict sanctions on Russia and accommodate a prolonged conflict.

Alternatively, the Fed could "settle for partially achieving each goal, leading to a suboptimal macro output of higher inflation, lower growth, higher long-term rates," said Roubini. However, that would require "softer sanctions" on Russia, a speedy conclusion to the conflict and poor stock market performance.

Regardless of the U.S. approach, a paper from Fitch Ratings in April warned that emerging markets "would face the highest risks of negative rating actions." Middle Eastern and African countries with massive exposure to the United States will have to cope with higher commodity prices and weaker local currencies as America's economy returns to normal. "In particular, Egyptian and Jordanian banks appear susceptible to rating changes," said the report.

Mohieldin sees the best way forward for Egypt is for the government to resign itself to a U.S. economy with high prices and depressed GDP growth for the foreseeable future. "Ignoring [a stagflation scenario in America] or making generous assumptions about the corrective capacities of the market is not the way to go about it." ■

EBRD MAPS INVESTMENTS IN EGYPT

The European Bank for Reconstruction and Development has released a document titled "Egypt Country Strategy 2022-2027" that outlines the Bank's near-term investment plans.

Summary by **Tamer Hafez**

Egypt has long been an attractive investment destination for the European Bank for Reconstruction and Development (EBRD). In October 2020, the Bank selected Egypt as its top investment destination for 2021 until 2025, with the country retaining that status since 2016.

In February, the EBRD board of directors approved the bank's "Egypt Country Strategy 2022-2027." The 32-page document generally praised the government's reforms, GDP growth rates and resilience, efforts to increase socioeconomic inclusion and steps to build a more sustainable economy.

However, it also highlighted some incumbent problems. "The government is evolving the social contract ... by embarking on an ambitious reform program," the document said. "However, more steps are needed to reform the executive [branch], particularly the civil service. [Additionally,] in the face of acute challenges in the past few years, there has been a notable increase in the presence [of state entities] in the economy."

EBRD in Egypt

As of December, EBRD's investment portfolio had reached 4.71 billion euros ($4.3 billion), with 116 active projects holding 2.65 billion euros in operating assets. Of that funding, 70% went to the private sector. Since 2017, the budget allocated to infrastructure financing equaled that given to financial institutions, industry, commerce and agribusiness, combined.

EBRD's assistance to Egypt falls under "strategic alignment" reflected in direct investments or "technical assistance grants." Meanwhile, 87% of the bank's projects in Egypt are on track to realize their targets.

Nearly 52.5% of the EBRD's strategic alignment investments support "Egypt's private sector competitiveness through stronger value chains, improved access to finance for SMEs, and increased economic opportunities for women and young people," said the document. The EBRD refers to those investments as "Priority 1."

Some projects implemented from 2017 to 2021 included expanding SME access to finance by signing eight credit lines with "partner finance institutions" and investing in SME Equity Funds. The EBRD also secured 25 trade finance programs and eight "partner finance institutions" to boost trade competitiveness, as well as funded agribusinesses via the bank's "Value Chain Competitiveness Program." Additionally, the EBRD financed specialized vocational training, offered financing and training to women entrepreneurs, and launched the "Youth in Business" program with accompanying credit lines.

"Priority 2" focuses on "improving the quality and sustainability of Egypt's public utilities through private sector participation and commercialization." It accounted for 22.1% of strategic alignment investments through 2021.

Projects included financing the upgrade of Egyptian National Railways and improving the Metro's operational efficiency and service. The EBRD also spent 173 million euros on New Urban Communities Authority bonds, financed Kafr El Sheikh's sewage network, and worked with local oil and gas companies. The bank also offered technical support to implement the Gas Market Law, allowing private companies to buy and sell natural gas locally and abroad.

Lastly, the bank's "Priority 3" supports "Egypt's green energy transition." The EBRD allocated a quarter of its strategic alignment budget for those projects from 2017 to 2021. That included helping the government diversify its energy mix to reach 40% from renewables by 2035. It also helped improve the national irrigation network, reduce harmful emissions from cement factories, and promote the manufacturing of eco-friendly commercial vehicles and passenger automobiles.

On the other hand, 82.7% of the bank's "technical assistance grants" went to Priority 3. Priority 1 accounted for 8.9% of those grants and 5.9% for Priority 2. All of the

EBRD's support to "strengthen government and level the playing field for all businesses," referred to as Priority 4, comes in the shape of grants that represent 2.5% of the total.

Priority 4 included the EBRD's work to establish "one-stop shops" for investors in the Suez Canal Economic Zone and support to the Banque Misr to better accommodate SME financing needs. The international financing institution also funded projects for the Holding Company for Water and Wastewater. It also helped implement the Ministry of Petroleum's modernization and restructuring program."

The bank also digitized part of the Egyptian Electricity Holding Co.'s operations by helping develop a smartphone app, introducing e-procurement in government agencies and suggesting solutions to resolving logistics bottlenecks.

Priority 1: 2022-2027

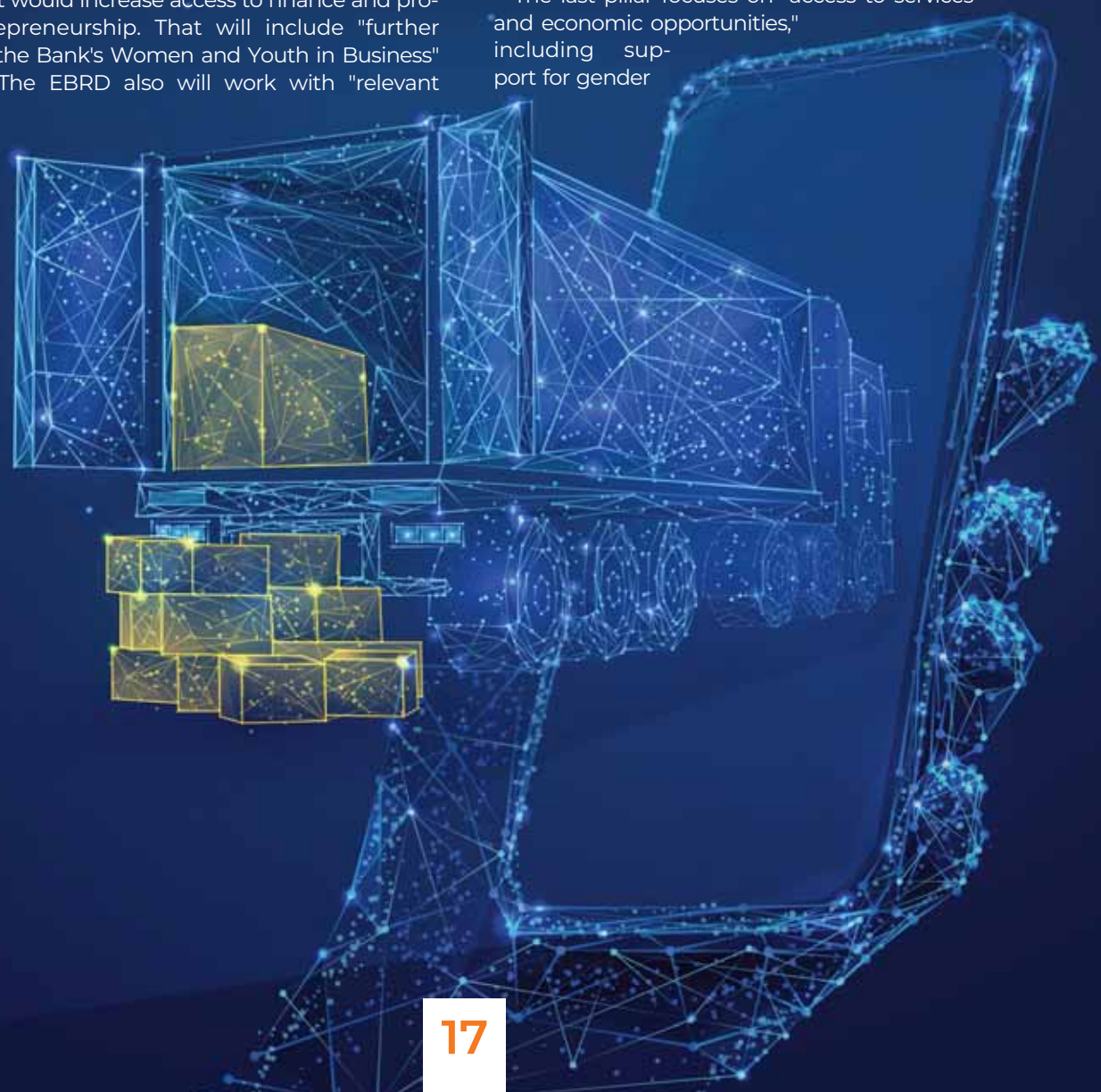
To increase women and youth economic inclusion, the EBRD said it would increase access to finance and promote entrepreneurship. That will include "further expanding the Bank's Women and Youth in Business" programs. The EBRD also will work with "relevant national agencies" to offer dedicated credit lines and advisory services beyond startups in Cairo and Alexandria.

The bank will work to increase the number of non-bank financing institutions to complement commercial banks nationwide. The EBRD also works with the Egyptian Financial Regulatory Authority and Central Bank of Egypt to promote financial inclusion via regulatory reforms.

Another focus in Priority 1 is increasing access to technical and vocational training. That will include reforming specialized establishments and higher education programs to "improve market relevance of training/education and develop occupational standards." The bank will support the rise of "quality education and training" facilities offering green and digital certificates.

Additionally, the EBRD will support private companies that offer technical and gender inclusion training by allowing access to the bank's "Skills in Business" program to complement their "medium to long term skills needs."

The last pillar focuses on "access to services and economic opportunities," including support for gender



diversity, climate-responsive energy projects and anti-harassment measures. In addition, the bank will help develop electronic platforms to help marginalized Egyptians market and sell their products nationwide. The EBRD said it will work on "specific policy initiatives with local partners to increase women's labor participation and empowerment."

The bank will also support companies in developing eco-friendly modes of transport, including electric vehicles or alternatives to cars. It also will work with the government on the "Hayah Karima" social safety net initiative and other private sector efforts to support the least privileged outside Greater Cairo and Alexandria.

Priority 2: 2022-2027

Priority 2 focuses on supporting the government and businesses in efforts to "increase renewable energy capacity and [create] a more diverse energy mix."

In the next five years, the EBRD plans to provide "direct and intermediated financing to further expand [and] support new projects, and integrate private renewable energy projects." The bank said those projects would have to be "in line with Paris Agreement objectives." Some examples include financing local green hydrogen investments and building desalination plants.

The international financing institution will work with the government to "modernize and upgrade transmission and distribution networks, including investing in smart grids and smart meters, and electricity storage facilities. The EBRD will "seek to further increase private sector participation by unbundling" state-owned electricity enterprises.

Another priority is "improving [the] quality, efficiency and environmental sustainability" of existing infrastructure. That work would expand throughout the country, built on past projects in Cairo, Alexandria and Six of October City, under the bank's "Green Cities Framework" introduced in 2016.

The EBRD's work also will support eco-friendly modes of transport and other alternatives. The bank will "further upgrade" the decarbonization of existing infrastructure in municipalities, particularly water and wastewater and solid waste disposal, via private and public-private partnership projects. The EBRD also will encourage investments that sustainably increase and diversify water resources.

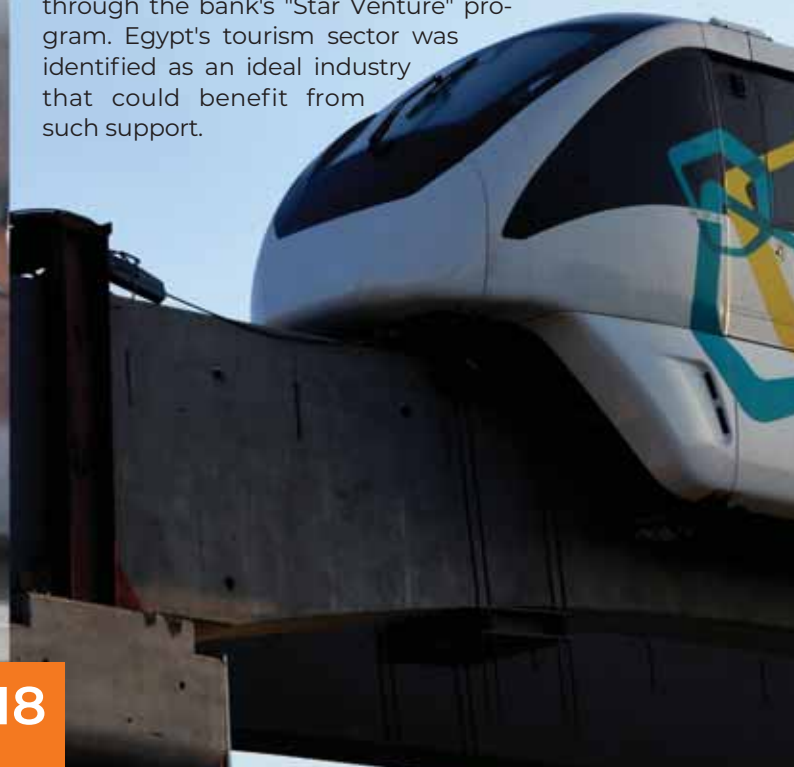
Another Priority 2 focus will be working with third parties to secure funding outside the bank's budget for eco-friendly projects by involving green venture funds. The bank will organize advisory services for such sustainable startups. Additionally, the EBRD will "promote and develop environmentally sustainable and climate-resilient practices."

Finally, the EBRD plans to work with the Ministry of Environment to develop guidelines to create a circular economy involving recycling, reusing resources, and managing raw materials.

Priority 3: 2022-2027

Working to increase private sector competitiveness and strengthening governance is the EBRD's Priority 3 for the coming five years. That includes working to create a "more expansive, competitive, resilient private sector post-COVID-19," it said.

The EBRD will provide "direct and indirect" financing to manufacturing, agribusiness, technology, media and telecom companies. Part of that support would boost companies' governance and business standards. The EBRD will also work on fostering innovation in companies, accelerators and startups through the bank's "Star Venture" program. Egypt's tourism sector was identified as an ideal industry that could benefit from such support.



The second pillar will see the EBRD deepen and diversify Egypt's financial sector and products, including introducing "derivatives ... commercial paper and Islamic finance" to local businesses. The bank's strategy would see it offer specialized tools, including "green financial instruments" such as green bonds.

The EBRD also said it would work with SMEs seeking to register on the stock exchange to secure the funding they need. The bank also would support local and regional private equity investors, venture capitalist funds and domestic institutional investors to fund promising startups. In addition, the EBRD said it would work with the CBE and Financial Regulatory Authority to give startups and SMEs more financing options via funding initiatives.

Another part of the strategy is to "increase private sector participation" in Egypt's economy. That will include working with the government to promote "transparent privatization and greater commercialization, corporatization and [increasing the] efficiency of public enterprises and SOEs," the document said. That would also include digitizing government procurement. In addition, in the coming five years, EBRD would also work to involve private companies, via the PPP framework, in green logistics, transport, and circular economy, among other eco-friendly projects.

The last pillar in Priority 3 would see the EBRD work with the government to "improve governance and [Egypt's] business environment." That includes promoting structural reforms to attract FDI, facilitating public-private dialogue, and fostering innovation. The bank said it would work with other international financial institutions and development finance institutions to realize such goals.

The EBRD said it will work with the Egyptian Competition Authority to "level the playing field" and the Suez Canal Economic Zone Authority to "develop ... a governance program and one-stop-shop."

Risks to the strategy

The EBRD's "Egypt Country Strategy 2022-2027" also highlights some risks in the coming five years. At the top of that list is "weak administrative capacity ... from domestic developments," the report said. "That could affect project preparation and implementation, particularly large-scale infrastructure projects." The EBRD noted the likelihood of that happening is high, and its impact would be significant.

The bank also identified "political risks" as a significant threat. That includes regional instability and "exacerbating socioeconomic pressures, hampering Egypt's ability to attract foreign investments." While the probability of that happening is only medium, the EBRD said, the impact would be high. The EBRD strategy was published before the war in Ukraine, which is severely disrupting energy and food supplies and prices in Egypt and Europe.

A "prolonged COVID-19 crisis" also was a concern. It could undermine Egypt's macroeconomic stability due to disruptions to global value chains, causing weakened demand for the country's exports and the tourism sector to continue underperforming.

The EBRD also fears "insufficient structural support for increasing the private sector role in the economy." That would be most evident in falling behind on delivering public infrastructure projects and delaying the privatization of state-owned assets. That would "inhibit the bank's ability to develop relevant projects," the strategy document said.

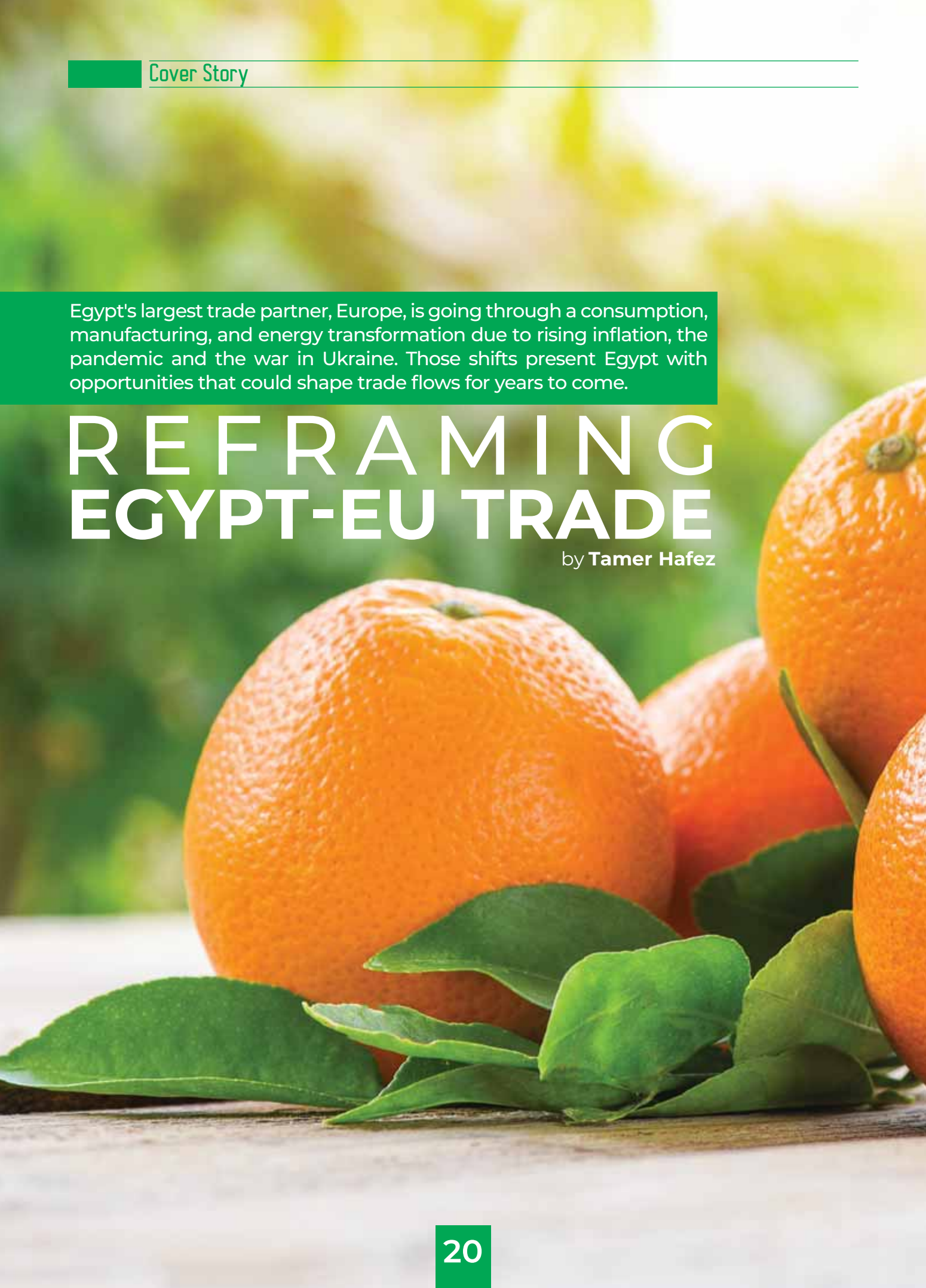
Another risk is climate change. The EBRD said agribusiness would likely be most affected if climate change has a noticeable effect on Egypt's weather patterns.

Meanwhile, two risks that would have a medium effect on the EBRD's plans are "forecasting energy demand" and "limited progress on the business environment, which is paramount to investor sentiment, [and] could dampen investment flows." ■

Egypt's largest trade partner, Europe, is going through a consumption, manufacturing, and energy transformation due to rising inflation, the pandemic and the war in Ukraine. Those shifts present Egypt with opportunities that could shape trade flows for years to come.

REFRAMING EGYPT-EU TRADE

by **Tamer Hafez**



Egypt has been on a fast economic recovery trajectory since GDP shrank 1.7% during the second quarter of 2020. By the third quarter of 2021, GDP growth rates had reached 9.8%, according to the Central Bank (CBE). The World Bank said in its January 2022 Global Economic Prospects report about Egypt that "growth is expected [to continue] supported by external demand from major trading partners."

Europe as a whole — EU and non-EU states — is Egypt's largest trade partner, accounting for 36% of value in fiscal year (FY) 2020/2021, according to the CBE. Like other countries around the world, European nations have gone through a bad economic period since the onset of the COVID-19 pandemic in March 2020. "Multiple headwinds have chilled Europe's economy this winter: the swift spread of Omicron, a further rise in inflation driven by soaring energy prices and persistent supply-side disruptions," European Economic Commissioner Paolo Gentiloni, told the press in February, nearly two weeks before Russia invaded Ukraine.

The war has only exacerbated the continent's economic woes. By early March, Credit Suisse said the EU's economy would grow 1% this year compared to the 4% forecast by the EU Central Bank (ECB) in January. "Europe is entering a difficult phase. We will face, in the short term, higher inflation and slower growth," said Christine Lagarde, ECB president, in late March. "There is considerable uncertainty about how large these effects will be and how long they will last."

Those disruptions could lead to more Egyptian exports to the EU as the bloc reassesses trade relations with major partners, particularly Russia. However, the extent of those opportunities could depend on the EU's economic outlook, currently a mixed bag of optimism and volatile geopolitics.

New reality

The war itself and sanctions on Russia could reshape Europe's trade for the long term. "The attack by Putin and the Russian leadership on Ukraine represents a turning point for Europe and the entire world," wrote Cora Jungbluth, senior expert in international trade and investment at Bertelsmann Stiftung, a German think tank, in a March blog.

The EU likely will look to diversify its portfolio of suppliers, as well as modes of transportation and routes. The pandemic showed "how serious the economic consequences can be if these supply chain relationships are disrupted, but also when the Suez Canal was blocked by a container ship in March 2021 – and now, during the Ukraine war," wrote Jungbluth.

Europe's future trade decisions probably won't be based only on economics. "International trade relations will no longer be viewed solely in terms of economic advantage, but also ... geopolitical considerations," said Jungbluth. "In shaping their foreign trade relations, more and more countries are aiming to achieve their political goals."

Lastly, Jungbluth predicts the EU will revisit economic relations with all partners, particularly in "far-flung, low-wage countries." That should greatly benefit Egypt, given its geographic proximity, trade infrastructure and amicable political relations with the EU.

Egypt and Europe

Egypt has two free trade agreements with the EU. The 2004 EU-Egypt Association Agreement removed all tariffs and fees on industrial products. Six years later, the Euro-Mediterranean Agreement removed tariffs and customs on agricultural products, processed foods, fish and fishery products from Egypt.

Those agreements helped the EU become Egypt's biggest trade partner. Top exports are petroleum products and crude oil, which account for 54% of all exports to the bloc. Other categories are pharmaceuticals (10.8%), wires and cables (6.6%) and household electronics (5.8%).

Based on CBE data, the European countries that Egypt trades with the most are Germany, Switzerland, Italy, the United Kingdom, Belgium and France.

Egypt could further expand that cooperation by reviving "Deep and Comprehensive Trade Area" negotiations with the EU, which ended soon after they began in June 2013. "It would extend beyond the association agreement to include ... trade in services, government procurement, competition, intellectual property rights and investments," said the European Commission's blurb on relations with Egypt.

Fuel fallout

The war in Ukraine has been a wake-up call for the EU, which imports 40% of its natural gas from Russia. According to statistics aggregator Statistica, natural gas is used for 38% of the bloc's heating needs and represents 22% of all energy consumption. Petroleum products are the most popular fuel, accounting for 36% of consumption, and a quarter of that comes from Russia, according to Eurostat, the bloc's statistics office.

Since the war started on Feb. 24, European countries, the United States, and other developed nations have imposed economic sanctions on Russia. Within days, the EU suspended the certification of Nord Stream 2, a natural gas pipeline between Russia and Germany. Since then, the EU has imposed a catalog of sanctions, including freezing Russian assets and preventing state-owned financial institutions from using the SWIFT global bank messaging system. And while it is debating an embargo on Russian coal, the EU has refrained from sanctioning gas and oil imports.

Although the EU has been treading carefully to maintain its natural gas and oil supplies, prices have increased. Through Apr. 8, 2022, natural gas prices increased by nearly 71% and oil by 26.8%.

Russian Deputy Prime Minister Alexander Novak warned the situation could become more volatile during a televised statement on Mar. 6: "It is absolutely clear that a rejection of Russian oil would lead to catastrophic consequences for the global market ... The surge in prices would be unpredictable." Reuters reported in March that a "senior minister" said Russia could halt natural gas and oil exports to the EU in reaction to sanctions.

Accordingly, EU member states have been looking for immediate and long-term fuel suppliers. "We must become independent from Russian oil, coal and gas," said European Commission President Ursula von der Leyen. "We simply cannot rely on a supplier who explicitly threatens us."

On Mar. 24, von der Leyen met with U.S. President Joe Biden to "prioritize [liquified natural gas] deliveries from the United States to the European Union in the coming months," the EU official told the press a day before the meeting. At press time, there were no updates.

Von der Leyen and other EU officials also visited officials from Azerbaijan, Qatar and Scandinavian countries to discuss natural gas. They also talked with Saudi Arabia and the United Arab Emirates to try to secure petroleum products. "We aim to have a commitment for additional supplies for the next two winters," von der Leyen told EU lawmakers in Brussels in March. Lastly, the EU asked OPEC, the cartel comprising the world's largest oil producers, to increase production.

Egypt's opportunity

Those developments could give Egypt a significant opening to supply the EU with more natural gas than ever before. In 2021, Egypt exported 2 million metric tons of liquified natural gas to the EU. That is around between 2.5% and 2.9% of the Union's imports in 2021.

Before the war, experts touted Egypt as a potential major natural gas supplier to the EU. "Egypt's recent offshore and onshore gas discoveries increased its natural gas reserves," said Jan Mazač, a junior associate in the Center for Global Political Economy and a member of the Research Group for Energy Policy, in 2018. "One of the options for strengthening the energy security of the European Union and reducing its dependence on Russia is the utilization of gas-rich areas like Egypt."

According to OPEC data, Egypt's natural gas wealth comes from the flagship field, Zohr, the largest discovery in the Mediterranean. Its output has allowed Egypt to become a net exporter of natural gas since 2015. The Information and Decision Support Center (IDSC) announced that by the end of 2021, natural gas exports had nearly quadrupled compared to 2020.

Meanwhile, the government has been increasingly keen to boost natural gas exports since the start of the war. In late February, state spokesman Nader Saad said rising energy prices, particularly for natural gas, could be good for the country by creating "an opportunity to export ... to compensate for purchases of oil and wheat, which are affected by the situation in Ukraine."

Most of those exports could go to the EU, thanks to the extensive infrastructure connecting it with Egypt. "As a result of the existing plants, Egypt is ... able to respond to Europe's needs," Charles Ellinas, a nonresident senior fellow at the Atlantic Council Global Energy Center, told Al-Monitor in March. "There is sufficient unutilized natural gas in the eastern Mediterranean to increase LNG by another 10 to 15 billion cubic meters per year. Most of that can be exported to Europe."

In April, Sameh Shoukry, Egypt's foreign minister, and Frans Timmermans, the European Commission's executive vice-president, signed an agreement to "reinforce cooperation on LNG .... among Europe, Africa and the Gulf," reported Al Ahram newspaper.

Long term supplier

To capitalize on the EU's rising need for natural gas, Egypt would need to send a significantly bigger portion of its production to the bloc. Egypt's current confirmed natural gas reservoirs could be sufficient to help plug at least part of the EU's shortage via the Zohr field alone, said Mazač.

Meanwhile, Ellinas of the Atlantic Council Global Energy Center, noted the EU is more open to new supply deals that meet its short-term demand. "With as much as 200 billion cubic meters per year to replace -- which is the volume of Russia's gas exports to [the EU] -- Egypt

will find it very easy to secure more export markets in Europe."

To meet the ever-increasing demand for Egyptian natural gas, the government must expedite investments in the Idku and Damietta LNG plants. "Without available additional volumes, exporting to [the EU] will be a dream only," said Cyril Widdershoven, founder of Verocy, a Dutch geopolitical consultancy focused on the MENA region, to Al-Monitor in March. "There needs to be expansion inside of Egypt or in the eastern Mediterranean to support LNG exports to [the EU] soon."

In the long term, Mazač noted, Egypt has an unprecedented opportunity to meet a significant portion of Europe's demand for LNG if it cooperates with Cyprus and Israel. "That would involve the transportation of Israeli and Cypriot offshore gas reserves to Egypt for re-export from one or both the LNG facilities on Egypt's northern coastline," wrote Mazač.

In 2016, Egypt and Cyprus agreed on a pipeline to connect the Aphrodite gas field to Egypt. In September 2021, both parties agreed to expedite its construction, but offered no timeline. Meanwhile, there is an operational natural gas pipeline with Israel to liquefy Israel's natural gas designated for the EU.

Other opportunities

Europe's current problems don't solely revolve around the war in Ukraine. According to the U.S. Department of Agriculture (USDA), EU production of oranges has declined by 0.8% compared to the previous season, which was 6% less than the year before. That is 3.3% less than the continent's 10-year average production. The U.S. agency blamed drier-than-usual weather in Spain and Italy, where 80% of the crop is grown.

Meanwhile, orange consumption in the bloc has been increasing. According to the U.K. Ministry of Agriculture, Fisheries, and Food, EU imports of oranges increased gradually between 2014 and 2020, except for 2019.

That trend likely will continue this year. "For 2021-2022, EU orange imports may rise due to the expected decline in EU orange supplies," said a USDA report.

Egypt has all the resources necessary to close that widening gap, further increasing its foothold in the EU market. According to the USDA's Foreign Agricultural Services agency, the country is the world's top exporter of oranges.

Egypt also has a robust export infrastructure with the EU. According to the UK ministry, Egypt outpaced South Africa as Europe's top supplier of oranges in the first eight months of 2021. From January through August 2021, Egypt exported more oranges to the EU than in all of 2020, according to the USDA.

Tech security

Another primary concern for the EU is its lack of competitive semiconductor and microchip industries, resulting in near total dependence on imports. Germany, however, plans to invest 3 billion euros ($3.2 billion) in producing semiconductors, the building blocks for microchips. "Access to sufficient microchips will become a competitive element for any successful global economy in the coming years," Germany's Economy Minister Peter Altmaier stressed at a press conference in August. "We must act if we want to preserve our technological sovereignty."

The announcement is part of the framework set by the European Initiative, which prioritizes "important projects of common European interest." According to Oliver Noyan, a senior editor at the pan-European

news portal Euractiv, the initiative was "motivated by the worldwide semiconductor supply shortage resulting in production losses."

In February, von der Leyen of the European Commission announced the European Chips Act, which addresses "investment, a regulatory framework and the necessary strategic partnerships to make [the EU] a leader in this market. It will enable 15 billion euros in additional public and private investment until 2030. This comes on top of 30 billion euros of public investments we have already planned, for example, in NextGenerationEU, in Horizon Europe or in national budgets."

Egypt has a massive long-term opportunity to become a supplier of silica sands, the building blocks of the semiconductor industry. According to 2017 research by South Valley University in Qena, almost all of Egypt's silica sand reserves are in 11 locations along a 400-kilometer (249-mile) coastal strip. According to the Nuclear Minerals Authority, those reservoirs are easily accessible and have the highest-grade 95% to 99.5% pure silica.

So far, there has been no government strategy to capitalize on that resource. Instead, private companies mainly use nearly 30% of extracted silica sand to make glass. The rest is exported. That opens the door to attracting FDI from the EU to make Egypt a supplier for future semiconductor factories.

Consumption outlook

A significant factor determining the size of those opportunities in the short and long terms is the EU's economic outlook. "Europe's economy will flirt near recession," wrote Steve Liesman, a CNBC senior economics reporter, in March.

The pandemic, the Omicron variant, and global supply chain disruptions caused manufacturing in the EU to drop by 7% in 2021, according to Statistics Netherlands (CBS), a government agency. Only three EU member states — Ireland, Lithuania, and Malta — reported manufacturing growth.

Despite the drop in production, GDP growth rates returned to the pre-pandemic normal of about 0.8%. On the flip side, inflation has risen steadily from 0.9% in January 2021 to 7.5% in March.

The continent's economic and consumption forecasts are shaky in the near term. "The outlook for euro area activity and inflation has become very uncertain and depends crucially on how the Russian war in Ukraine unfolds, on the impact of current sanctions and on possible further measures," said an ECB note published in April. It predicts GDP growth rates for 2022 will drop by half to 0.2%.

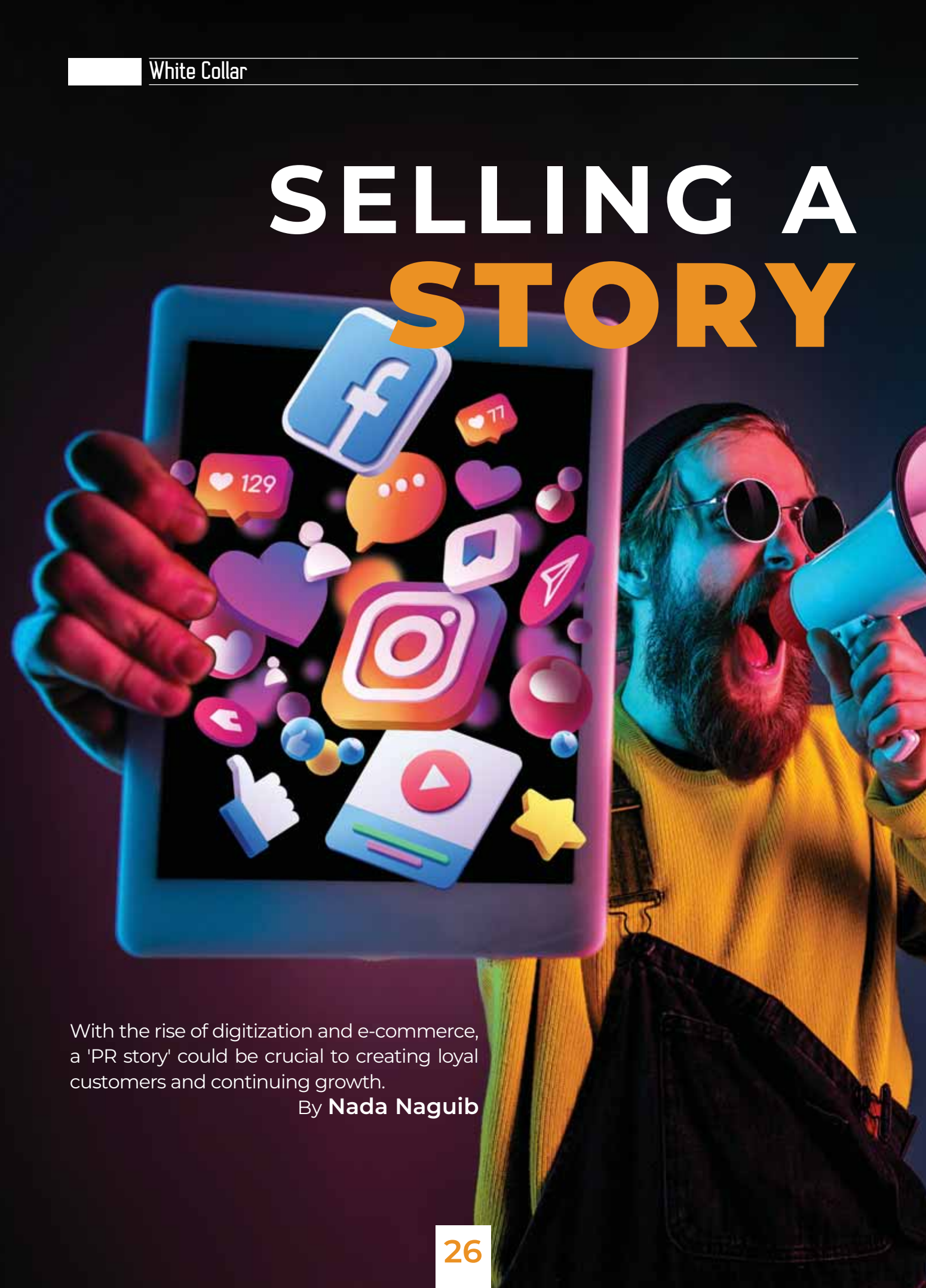
Steve Liesman CNBC Senior Economics Reporter

Despite those uncertainties, the ECB says consumer spending should recover this year and remain the "main driver of growth." Excess spending will likely come from a "further unwinding of savings accumulated since early 2020."

The ECB said growth in spending would likely continue until stabilizing in the second half of next year. At that point, household savings should settle below pre-war levels due to the permanently higher costs of living, especially energy and food.

However, the Russia-Ukraine war could upend those forecasts. "The pick-up in private consumption [and savings] is based on the assumptions of a gradual resolution of the pandemic, an easing of supply constraints for consumer goods and only a temporary disruption to energy supplies as a result of the conflict in Ukraine," said the ECB note. ■

SELLING A STORY



With the rise of digitization and e-commerce, a 'PR story' could be crucial to creating loyal customers and continuing growth.

By **Nada Naguib**

In July 2017, the world's largest eCommerce platform by market value, Amazon, announced it was buying MENA's most popular digital trading platform, Souq.com. However, instead of absorbing it, Amazon retained the Souq.com name and backend operations, ensuring visitors don't feel any differences.

At the time, Souq.com CEO and co-founder Ronaldo Mouchawar said: "Together with Amazon, our goal is to offer our customers the widest product selection, great prices, improved delivery times and first-rate customer service."

In September 2021, Amazon announced it rebranded Souq.com, merging their clients' databases and unifying terms, conditions, and procedures. Souq.com's smartphone app became Amazon, effectively making the regional platform disappear. The global platform also changed Souq.com's top-management hierarchy to integrate with its own. That reflected the global giant's confidence in the region and Egypt's eCommerce growth prospects and potential.

At the launch press event, the focus was that "Amazon.eg brings together Souq.com's local know-how and Amazon's global expertise, something we believe will be of significant value to customers across Egypt," said Amazon Egypt Country Manager Omar Elsahy. "We will keep innovating in ways that are meaningful to our customers, as we remain laser-focused on providing them with exceptional service, fast delivery, and great prices and selection on millions of items."

However, that explosion in eCommerce activity has downsides. A research paper titled "Digitalization of Retailing: Beyond E-commerce" said customers could become "dividualized," or thought of "not as individuals with emotions, attitudes, behaviors, but as data that can be divided and reassembled through analysis." E-commerce then loses the personal touch and interactions of a brick-and-mortar store experience. That could dampen the attraction of new customers to those platforms.

Accordingly, eCommerce platforms must balance streamlining purchasing processes to encourage customers to buy faster while appealing to the individuality of visitors. One solution is to create narratives or "stories" around the platform's products and services. Those tales' messages should resonate with a broad range of customers, building familiarity with visitors and ultimately loyalty in the long term.

Add to cart

The e-commerce sector in Egypt has been growing steadily since 2020. The Internal Trade Development Authority reported e-commerce transactions reached EGP 40 billion ($2.2 billion) in 2020. A year later, it reached an estimated EGP 100 billion, according to a report by BOOST, a consultancy firm.

Their report attributes the growth to an increased "number of drivers and the ease of online purchasing and selling, as well as changes in Egyptian consumer behavior due to the ramifications of the coronavirus," reported Al-Ahram online. Those new behavioral traits have been changing for the best part of the past decade. It started when several courier companies with reliable delivery networks entered the Egyptian market. They included R2S in 2015, Bosta (2017), and Aramex (founded in Jordan in 1982 and came to Egypt in 2017). Those companies embedded the idea that goods could be delivered door-to-door.

Hilda Louka, CEO of MITCHA, an eCommerce fashion platform for Egyptian designers, felt this growth. She says the industry has "grown tremendously," particularly during the COVID-19 pandemic. She noted the gap between Egypt and the following countries in the region regarding eCommerce usage to buy and sell products "is big."

As of December, fashion contributed 21% of eCommerce revenue in Egypt, second to electronics at 28%, according to the BOOST report. Sherif Makhlouf, BOOST's Founder and CEO, expects fashion products will remain popular because of the "relatively advanced supply chain of the industry and new product development in Egypt."

Challenging growth

However, the industry's growth prospects face several obstacles. That necessitates a lot of improvements before fulfilling the sector's potential.

"People who do eCommerce [in Egypt] really suffer," says Louka. Some obstacles for MITCHA, she says, are inadequate training of courier company drivers and suppliers, as well as difficulty finding sufficient technology to grow and maintain the website. "You don't have expertise in the market," she says.

Makhlouf and Louka agree the government must formalize Egypt's e-commerce industry and integrate it into tax and legal regulations. Makhlouf told

Al-Ahram online that "banks need to establish an advanced system that accepts electronic commercial transactions [and] adopt electronic payment and e-signature systems."

There should be changes to the tariff law as well, Louka adds, as it becomes an issue when customers abroad return items and then have to explain how the items originated in Egypt. Makhlouf told Daily News Egypt that platforms selling directly to consumers can positively impact the economy because "many e-commerce brands source and manufacture locally, and ship products internationally."

With global eCommerce platforms such as Amazon, Ikea and Zara entering the Egyptian market, Makhlouf expects to see more investment in existing platforms: "Egypt is one of the most important countries for attracting this kind of investment due to its population growth." He says the consumption patterns of Egyptians have "begun to turn to online because of the coronavirus," he expects a significant expansion in the market overall.

Telling the tale

The proliferation of eCommerce platforms across Egypt, whether sellers use it as their primary channel or to compliment bricks-and-mortar outlets, means standing out is essential to success.

In addition to ongoing challenges facing such platforms, new competitors are increasing, and existing ones diversify their offerings. For example, Elmenus started as an aggregator of restaurant menus across Egypt. It now offers its own delivery service from such establishments. Meanwhile, delivery giant Talabat in Egypt has expanded to deliver groceries in Egypt after several startups, such as Breadfast, Instashop and Goodsmart, successfully delivered supermarket goods.

That is where eCommerce platforms must successfully navigate the social media universe. In a nutshell, the former uses the latter to market itself quickly and less costly than conventional methods as the preferred online shopping channel. However, the massive following and overlap of social media platforms worldwide make it an increasingly tricky landscape to navigate.

The trickiest part of using social media is selling to the right customer, says Christophe Moons, CEO of Largus Group, a digital marketing company in Dubai. "In that sense, we have to add value. We're telling stories ... using the help of online tools and platforms."

Louka makes sure MITCHA's message is clear and consistent across digital marketing tools the brand uses, such as Instagram, Facebook, and the company's website. As a platform that supports rising designers, Louka explains, it is essential that customers feel like they "belong to a story. You can't fool a customer. There has to be honesty and integrity in what you do so people believe your story."

As her "best tool," social media provides several options to communicate the company's message, including videos, reels (short clips), photos, and text, giving customers a "360-degree experience" of what a brand offers. "The product can be amazing, but if you're not appealing on social media, you will not sell anything," said Moons. Louka adds that when it comes to e-commerce, there is an added element of having to develop the best possible website to back this up. "If the journey of the customer on the website is ugly, hundreds of social media reels and stories" won't help," she says.

MITCHA advertises only on social media and has never used billboards, TV, or other traditional means. However, Louka has been a speaker at public events, which she says may have contributed to growing the customer base and spreading MITCHA's message.

The focus on social media storytelling has positively affected business for Louka, who believes "people can buy at a higher price just because they believe in a vision." She estimates that 30%-40% of customers return to the online store, but there are still gaps she's trying to fill. However, maintaining a story might come with a cost. Louka believes that if she were to bring an international brand on board to MITCHA, it might drive up sales and traffic, but she'd "lose the story" and, with it, the platform's identity.

Social media stories can even be a powerful tool for companies that rely on traditional advertising. During the International Women's Summit in March, Noha Saad, Vodafone Egypt's head of external communications, said a single picture recently drove a lot of engagement on the company's Facebook page. Ahead of Egypt's World Cup qualifier match against Senegal in late March, Vodafone Egypt's Facebook page changed its profile picture to feature the Egyptian flag and a slogan supporting the national team.

Saad explained that the photo didn't interfere with any of the team's advertising partnerships, but it made Egyptians feel closer to the company. She added that engagement with the post was palpable, with thousands of comments and reactions.

Double-edged sword

However, Saad said that not every post or video is a success, adding that social media is often a "double-edged sword." Without giving examples, she said there had been instances when Vodafone had to

release statements to address controversies. For her part, Louka says she'd "be lying" if she said she didn't experience customers taking to social media to voice their dissatisfaction.

With e-commerce especially, Louka says, the negative experience can stem from problems with deliveries, payments, or supply partners that MITCHA may not have total control over. "Unless you have your own fleet of cars, your own courier companies, your own suppliers and you produce for yourself, you will have unsatisfied customers," she says. She handles them like her "top priority in life" and tries to offer personal apologies or gifts to make up for negative experiences. Unsatisfied customers are inevitable, "but the thing is what you will do to get them back."

Another issue with digital marketing is privacy. While Moons believes stories should be the primary driver of social media marketing, he said data is still "of massive importance." Access to data can become a problem for companies that outsource their digital marketing because of the effort and detail needed to draw up agreements and the hazy legal framework. The government will not enforce Egypt's new data protection law until the end of the year to give companies time to adjust. The new law intends to protect customer data and prevent misuse of it.

Building a positive story and having the laws to back up the eCommerce industry will become increasingly essential. The BOOST report anticipates further growth of 30% in eCommerce in Egypt by the end of this year. Accordingly, positive stories that eCommerce platforms tell via social media will become increasingly difficult to tell, and also more vital to a platform's sustained success. ■

CALLING NEW CITIES HOME

The government is betting its newly built cities can relieve overcrowded existing metropolises. However, a report from Cityscape and Colliers says relying on mixed-use developments to attract residents might not be enough.

By **Tamer Hafez**

For the past eight years, the government has been pushing to increase Egypt's livable area to accommodate population growth of 2% a year. Speaking at a press event in December, Essam el-Gazzar, minister of housing, utilities and urban development, said Egypt's livable area has now covered 13.7% of its total land. The original target was to achieve 14% by 2052.

The government has been building new cities across the country, starting with the New Administrative Capital (NAC) and New Alamein, and is expanding new urban areas, including New Toushka, New Qena, and New Assiut, said el-Gazzar. It also is building new cities on the outskirts of governorates, including New Aswan and West Qena. In November, the government announced plans to build 45 cities by 2052.

During the December conference, El Gazzar said the plan is to add 800,000 to 1 million residential units a year.

However, a January report from Colliers and Cityscape noted that attracting residents to new cities is the government's biggest challenge. "While residential units are easily being sold ... mostly in anticipation of capital appreciation, occupancy rates across the majority of new cities do not exceed 30%," it noted.

The key to turning these cities from "investment dormitory towns into self-sustaining urban infrastructure" goes beyond mixed-use elements to building industrial areas that create jobs. The report noted that the latest technologies embedded in smart cities would offer residents more conveniences, invariably raising occupancy rates and attracting such investors.

"New cities" landscape

The Cityscape report classifies one type of low-occupancy new city into several categories. The first is "satellite" metropolises. They are "small or medium-sized self-sustained communities located outside" Cairo, it said. "However, [they function] as part of a city center." Examples include New Cairo, 6th of October City, and Badr and Al Obour cities.

The government started building those metropolises in the 1970s, primarily as industrial cities. Later ones, such as Sheikh Zayed, largely accommodated increasing population.

The other type of cities are classified as "twin cities," which are "in close geographic proximity to the existing urban cities with similar administrative status," the report noted. They include New Damietta, New Bani Suef and New Minya.

Their primary purpose is to create economic opportunities for residents, "offering regional services, light and basic industries," the report explained.

Other cities are predominantly industrial metropolises with residential complexes. The Cityscape report classifies them as "Independent Cities," including 10th of Ramadan City, Sadat (a failed attempt to replace Cairo as Egypt's capital) and New Borg El Arab.

Their latest iterations are NAC, New Alamein and almost all of the 45 new metropolises announced since the last quarter of 2018. Those cities will mainly rely on advanced technologies such as artificial intelligence and 5G high-speed networks to offer residents more conveniences. Ultimately, those metropolises would prove the most high-profile and expensive to own.

The report noted that property in all new cities saw increasing demand after the 2016 currency devaluation. However, it said most homes were not bought as residences. Instead, buyers considered them a "safe haven for investors to hedge against the currency devaluation. Regardless of the additional supply coming into the market within the new cities, [they are] still witnessing a strong performance."

Attractive residence

The Cityscape report said most property buyers are increasingly demanding when selecting their homes. That, in turn, raises prices in neighborhoods with various amenities and conveniences. "Ensuring the proper social infrastructure to meet the continual aspirations of a growing, diversified population base is essential in a competitive environment," said Colliers in its survey analysis.

Those metropolises also attract buyers looking for long-term investments, believing they can sell them at a profit when needed.

Research by Colliers, which supported the Cityscape report, shows cities with high-quality education facilities could see property prices rise by 15%. However, it stressed "tuition fees should be aligned with community affordability levels."

Buyers' other preferences include accessibility and travel infrastructure, where easy transportation could increase a neighborhood's prices by 10% to 15%. Parks, gardens and walkways could add 4% to 6% to unit prices and "up to 20% through the appropriate provision of retail," said the report.

The report said property with all those amenities could be worth 25% to 45% more than similar properties with limited access to such conveniences.

The Cityscape report said New Cairo and 6th October City "are becoming more established" thanks to the rise of commercial malls. However, traditional neighborhoods like "Zamalek, Dokki, Mohandseen and Maadi are still popular" based on unit prices. Zamalek is "the most expensive area, given it is an established high-end neighborhood."

That indicates a continued preference to remain in crowded older neighborhoods in Greater Cairo's center.

During an interview with Cityscape, Ian Albert, CEO of Colliers MENA, explained the low occupancy in established "new cities" is due to limited investment in "schools, healthcare facilities, office space and retail entertainment centers."

New-city jobs

Major factors that attract residents to new cities are jobs and investment opportunities. "Commercial activities are essential to building employment," said Albert. "Concurrently, residential communities [must] support growth of commercial activity."

New metropolises need to cater to people with different incomes, especially those with low earnings, as those individuals prefer to work near their homes. In recently built cities, "private sector developers rushed to develop high-end communities without considering a variety of affordability levels," said the Cityscape report.

Albert explained the preference for high-end developments, saying: "Affordable housing profit margins are generally low." Therefore, most real estate developers focus more on upscale developments with higher profit potential.

The Cityscape report said the government plays a pivotal role in attracting affordable housing investment. "In order to attract developers, government support and incentives are required on the land costs," said Albert.

Additionally, the document said developers need to integrate affordable housing into their masterplans. That would include not only residential units but convenient low-income services, such as transportation. "Compounding profit margins from developing different, higher return components of ... mixed-use development[s] ... can achieve the [desired] returns for investors," Albert explained.

Logistics

Developers need to invest in infrastructure to attract commercial businesses offering entertainment, healthcare, education, and food and beverages. And as more households rely on ordering goods and food online, a suitable digital infrastructure is required.

More developers are marketing amenities, including office space, schools, entertainment facilities, and medical care, among others, as "critical differentiators." Accordingly, ensuring that commercial enterprises have easy access to their suppliers is paramount.

That fuels demand for easily-accessible warehouses and logistics specifically serving new cities, stressed the Cityscape report. Warehouses would have to be "smart logistic facilities that accommodate new requirements and technologies," the report said. "These requirements include warehouses with automated systems, cold storage facilities, temperature-controlled warehouse spaces, vertical warehouses, co-working warehouses, build-to-suit and energy-saving technologies."

The report singled out cold storage facilities as vital, yet lacking in most of Egypt's new cities. The most significant factor fueling demand for such facilities is changing lifestyles resulting from COVID-19 and other global disruptions, such as the war in Ukraine. Other factors include "the increase in demand for a healthy diet, an increase [in] online grocery shopping, food security, food manufacturing and exports."

The Cityscape report stressed the importance of rapid construction of such facilities, including cold storage, as they run at near maximum capacity. "In 2019, the occupancy rates [of cold storage] reached approximately 95% on average," the document said.

That could prove a lucrative opportunity for investors, noted the report, because the government continues to have "limited investment in ... social infrastructure and other supporting elements, [and] lack of adequate job creation."

Connecting tissue

The Cityscape report said widespread digital technology infrastructure in new cities would attract investment in supporting properties, such as warehouses. Developers could easily link to residents and businesses, creating new opportunities. "Artificial Intelligence will be the driving force for Egypt's Vision 2030, [fueled by] its AI national strategy (2020-2025)," it said.

The NAC is in pole position to attract investors in warehouses and other essential developments to attract residents and commercial developers. The Cityscape report highlighted talks between the new capital's developers and Vodafone Egypt to extend high-speed 5G. "The company is conducting many meetings and discussions with [the National Telecom Regulatory Authority] NTRA regarding the launch of 5G," Vodafone Egypt CEO Mohamed Abdallah told Daily News Egypt in November. "We aim to start trial operation of 5G services in the New

Administrative Capital. "The infrastructure of the New Capital is a major focus that attracts investment, which has encouraged the company to conduct the 5G experiment in the capital in coordination with the NTRA."

The NAC's developers signed a deal with Orange Egypt in 2020 to develop internet-of-things solutions, cloud computing and artificial intelligence. The first step is to build a data center to realize the target of having a "smart capital," said Orange Egypt's press release. "Orange Egypt will provide the main infrastructure to establish and operate the data center that will enable the administrative capital city to exploit smart technologies to provide various services."

According to Orange Egypt, those services include IoT solutions, cloud computing, artificial intelligence platforms, triple-play services (Internet, fixed phone, TV) and facility management utilities.

The Cityscape report said those joint projects could include other metropolises. "The agreements help the country realize its ambition to build the first of 14 planned smart cities."

Rising prices

The report stated that competition among developers to sell residential units in newer cities would likely increase as companies add amenities to gated complexes and push them upmarket. "Developers have always been at the forefront of innovation, be it through large-scale master plans to innovative financing through to the provision of integral sports clubs," the document noted.

Another factor driving property prices is construction costs, which are rising with little hope of a reversal. "Costs will be increasing due to an upward push on construction-related global commodities, a bounce-back of real estate activity and increased global demand for construction materials," Albert said.

In mid-March, Beni Suef Cement CEO Farouk Moustafa told Enterprise that energy accounted for 50% of the jump in cement prices. Those increases are causing another problem as several manufacturers talking to Enterprise said they would "temporarily suspend production and rely on selling stockpiles."

The news company added that much cement inventory was produced when prices were low, yet producers sell it at current prices to "ensure enough of a margin to cover the costs of their next ... purchase."

That invariably means private developers would find it increasingly financially unfeasible to build low-profit-margin affordable housing. "It's only natural that [real estate developers] will transfer this higher cost to the end product," Arabian Cement CEO Sergio Alcantarilla told Enterprise in March.

Ultimately, that means newer cities could find it increasingly harder to increase their populations. That likely would create a domino effect, starting with employees in commercial properties finding it less attractive to work in cities far from their existing well-served communities. That could eventually spill over to retail and support properties such as warehouses and logistics companies. The last domino is residents might leave those new cities, as they see them as increasingly difficult to live in, given the better services and conveniences present in the older towns and neighborhoods.

Ultimately, the Cityscape report said, this would make those new cities more like investment havens than places where people live, work and play. In the long term, property investors would shy away from new metropolises in favor of more crowded, established neighborhoods. ■

The American University in Cairo
School of Business

EGYPT WOMEN ON BOARDS OBSERVATORY

2021
WoB ANNUAL MONITORING REPORT

EGYPT WOMEN ON BOARDS OBSERVATORY

The Women on Boards Observatory, founded in 2017 by the AUC School of Business, aims to increase the representation of women on corporate boards in Egypt to 30% by 2030. It is recognized as a specialized observatory within the framework of the National Council for Women.

16.7%
A growth rate of 28.5% in one year
The 2021 Women on Boards (WoB) indicator

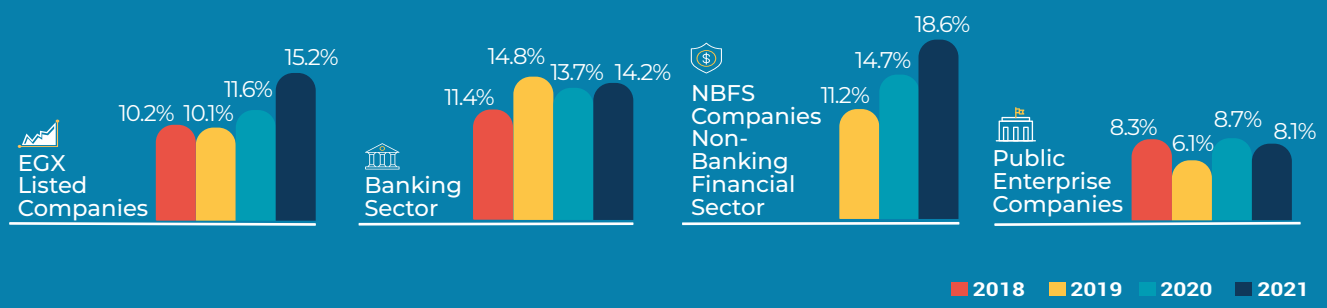
1043
46% growth in one year
Total number of women on boards of companies and banks in 2021

	OVERALL AVERAGE	EGX listed companies	Banking Sector	NBFS Companies	Public Enterprise Companies
ZERO % of companies with zero women on board	45.7% 30.2%	42.7% 14.9%	20.6% 23.5%	47.5% 19.7%	71.9% 62.8%
≥1 % of companies with at least 1 woman on board	54.3% 69.8%	57.3% 85.1%	79.4% 76.5%	52.5% 80.3%	28.1% 37.2%
≥30% % of companies with 30% or more woman on board	9.28% 12.85% 138 Companies 2021	8% 8.4% 19 Companies 2021	6% 9% 2 Banks 2021	17.8% 17.3% 112 Companies 2021	5.3% 16.7% 5 Companies 2021

2020 2021

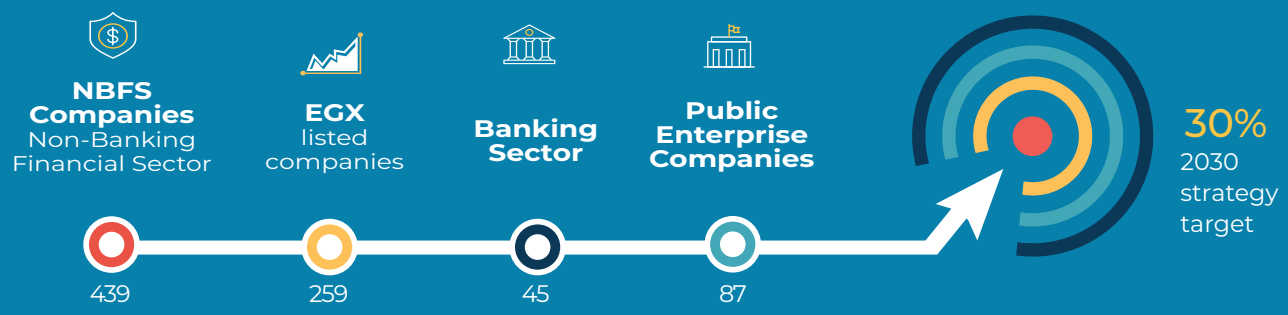
The data of EGX listed companies were excluded from FRA companies' data to avoid duplication.

Progress in WoB Representation by Category (2018-2021)



The Way Forward

As of 2021, the total gap to reach the 2030 strategy goal of 30% women on boards is 830 women (92 annually). Sustaining the 3% annual increase in WoB indicator achieved in the past 2 years will enable the analyzed categories to reach the 2030 strategy goal by 2026.



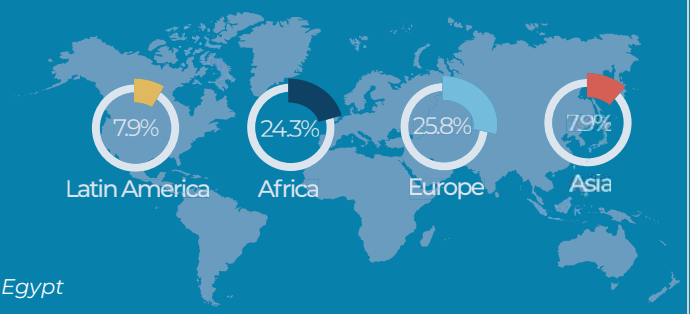
How does Egypt Compare to the World

GLOBAL BOARD DIVERSITY STATISTICS

16.9% Global Average

Africa outperforms the global average with one in four board members in Africa being female, Egypt lags with 16.7%.

Source: Board Diversity Index Egypt 2021 Edition



MSCI ACWI INDEX

19%

Companies whose-boards included at least three women directors for at least three years.

Source: MSCI Website (As of February 2021)

The 2021 Egypt Women on Boards Annual Monitoring Report is in partnership with the UN Women Egypt and the AUC WOB Observatory, following the UN's Women-ILO joint programme (JP) in partnership with the National Council for Women and the Ministry of Manpower, funded by the Swedish International Development Agency (Sida).

Market Watch

Stock Analysis

A paradigm shift?

From March 15 to April 15 included almost two weeks in Ramadan, when trading activity usually slows down. However, this time it was a bit different with the market having to react to a surprise decision by the Central Bank of Egypt (CBE). On March 21, the CBE devalued the Egyptian Pound by 14%. Also, the CBE hiked interest rates by 100 basis points. Incidentally, National Bank of Egypt and Banque Misr, the two largest state-owned banks, introduced 18% one-year certificates of deposits.

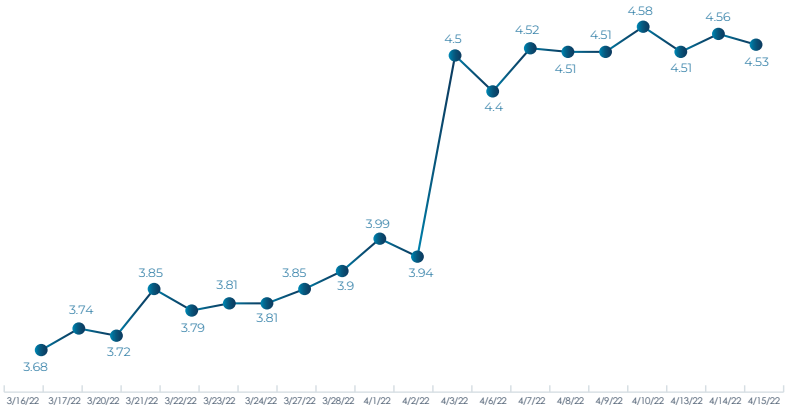
Granted, investors had to recalibrate their portfolios to overweight stocks that will benefit off higher interest rates and a weaker Egyptian pound. The latter was strong enough to entice fresh GCC investments in a select group of Egyptian stocks. By mid-April, ADQ Holding—a UAE sovereign fund—agreed with the Egyptian government to snatch sizable minority stakes in five leading EGX-listed companies for a total investment just shy of $2 billion. ADQ agreed to acquire namely 17% of CIB (COMI) (up 8.3% during the period), 12.6% of Fawry (FWRY) (down 3.3%), 21.5% of Abu Qir Fertilizers (ABUK) (up 3.1%), 20% of MOPCO (MFPC) (up 9.1%), and 32% of Alexandria Container Handling (ALCN) (up 8.3%). However, the agreement was only made public by April 12, so its impact was not really felt during the period. Thus, EGX 30 rose only 2.5% to 10,679.6, while EGX 70 EWI slipped 2.3% to 1,776.2. Still, both market indices were negative on a year-to-date basis, down 10.6 percent and 19.3%, respectively. During the period, declines continued to outnumber advances, albeit 3 to 2.

The Egyptian stock market seems to have become a playground for mergers and acquisitions (M&A), given its deep discount. Other companies were subject to M&A activity, such as Juhayna Food Industries (JUFO) (up 30.7% during the period), B Investments (BINV) (up 24.1%), and Domty (DOMT) (up 28.7%). Interest came from both GCC and local investors. Qatari Baladna Food Industries, a consumer company listed on Qatar Exchange, revealed it had acquired a 5% stake in JUFO for a total value of EGP285.8 million before raising it to 7.5% later on. Also, on April 4, KSA-based Solutions—a subsidiary of STC—agreed to acquire the entire stake that BINV owns in Giza Systems, valuing the latter at an enterprise value of $145 million. Meanwhile, a day before, DOMT received an offer for up to 90% of its shares at EGP 5.0 a share, a 27% premium

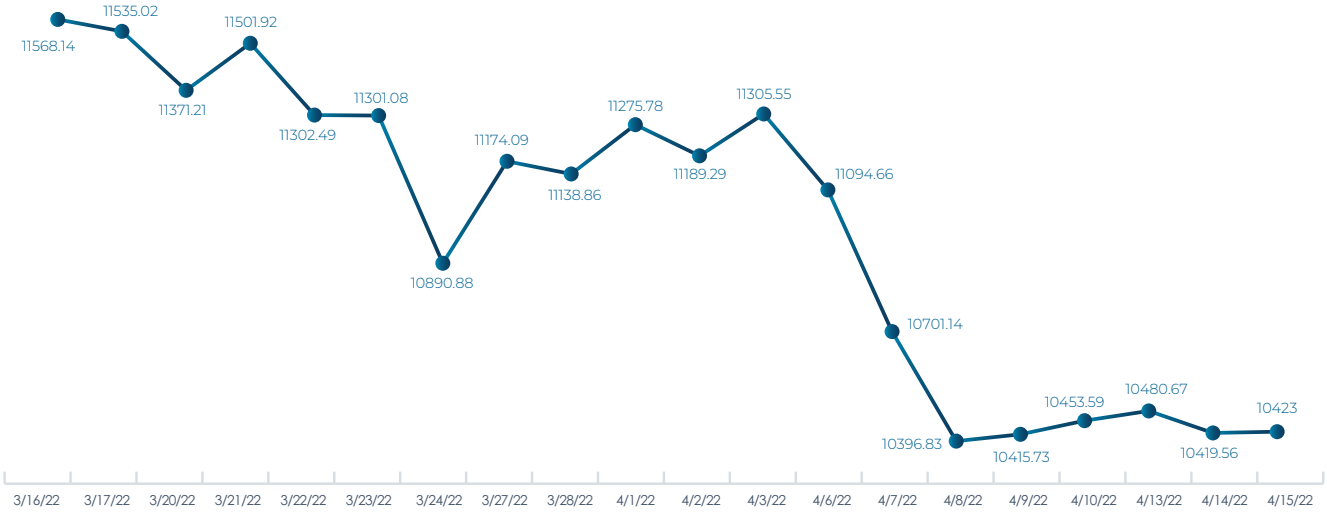
At such low valuation levels, Egyptian stocks seem to provide both strategic and financial investors with high return on investment. Thus, investors are forced to reconsider their game plans altogether in view of what seems to be a paradigm shift.

Arabian Food Industries "Domty" (DOMT)

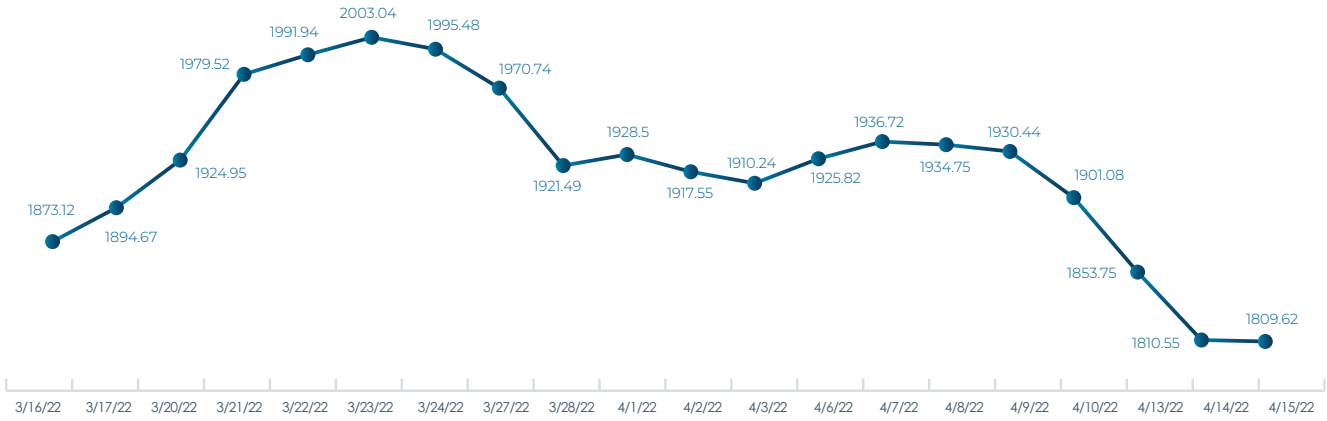
On April 3, Arabian Food Industries "Domty" (DOMT) received an offer from Expedition Investments to acquire up to 90% of its shares at EGP 5.0 a share. This implied a 27% premium to the prior day's closing price. It turned out that DOMT's chairman and managing director was among the consortium interested in the company. Recently, DOMT's board of directors cleared the way for Expedition Investments to conduct financial and legal due diligence. DOMT's share rose 28.7% to close at EGP 4.49.



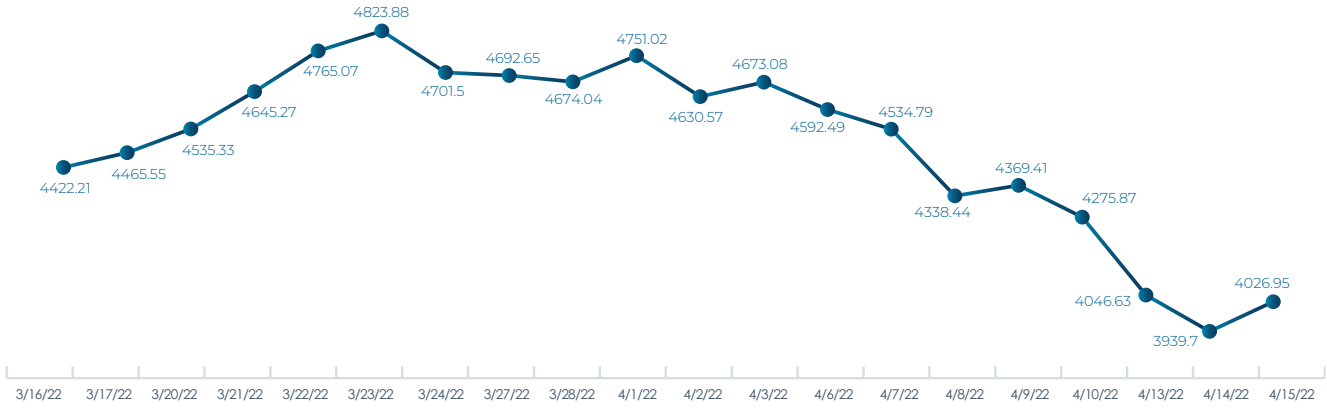
EGX 30



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.

RETAIL'S *NEW* OPPORTUNITIES

This year should be an intriguing year for retail as the sector shakes off obstacles of the previous two years and takes a big leap toward what future shopping will look like, with new technology paving the way for a more inviting online experience.

Brands are rethinking their strategies quickly, blending their presence both online and offline by leveraging an established approach — omnichannel. Adopting an omnichannel strategy requires creating a coordinated, seamless shopping experience across multiple channels, re-envisioning the role of physical stores in the process.

Spinneys Egypt is a successful case in point, bringing their products to consumers the way they need them, even during challenging inflationary pressures. In a one-on-one interview, CEO Mohanad Adly of Spinneys Egypt talks about current consumer behavior, the market outlook and his company's investment plans.

By **Ola Noureldin**

Mohanad Adly
CEO of Spinneys Egypt

How do you view the current performance of the grocery retail sector in regard to investment and demand?

The grocery sector in Egypt is quite substantial in size, but largely underdeveloped and fragmented. Organized retail represents only 25% of the market, with the remainder dominated by smaller mom-and-pop stores and traditional souks. Some may view this as a weakness, but it also represents a huge opportunity for local, regional and multinational retailers to invest in our local market.

The grocery retail market in Egypt is estimated at more than EGP 900 billion, and it continues to increase with the overall growth of the population, which currently stands at approximately 105 million. So Egypt is by far the biggest market by population in the MENA region, and everyone has to eat and drink. This combination of a big consumer market and an underdeveloped retail sector makes Egypt one of the most lucrative markets for retail investment in the region, in spite of the operational challenges retailers may sometimes face.

What is Spinneys' competitive edge?

One of our important differentiators is our ability to operate multiple store formats. Our store portfolio includes both hypermarkets and supermarkets with a presence in eight governorates across Egypt. Most of the other retailers operate either hypermarkets or supermarkets, while we operate both and this allows for greater adaptability to local market needs and faster expansion. More recently, we also introduced online shopping, which has become our fastest-growing revenue channel over the past two years. Another area of strength is a wide and diverse Spinneys-branded range of products in all three of our main categories: fresh food, fast moving consumer goods and general merchandise. Our Spinneys range provides customers with high-quality products at more affordable prices than general market brands. One of our key differentiators also is a very popular loyalty program among our customers. The scheme allows Spinneys customers to earn and redeem points with every purchase, whether in a store or online. We also provide loyalty club members with exclusive offers and discounts in addition to the regular offers available for all other customers.

What are the general challenges the retail industry is going through?
A longstanding obstacle facing all retail investors in the Egyptian market is red tape. Laws governing the industry are, unfortunately, excessive and redundant. As a result, some regional and multinational retailers have exited the market in the past. Others that still have a presence find it difficult to grow because of the obstructive bureaucracy they are confronted with. The government has made some efforts recently to reform laws and institutions governing retail in an attempt to encourage more investment in the sector. I believe it's a step in the right direction, but more improvement is still needed for the investment process to be as efficient as it is in some of the more developed markets in the region.

What are some significant challenges Spinneys is currently facing?
We have a very ambitious expansion plan for the Egyptian market. We want to introduce the Spinneys shopping experience to as many new geographic locations as we possibly can to be closer to our customers. So the main challenge for us is an internal one that we have taken upon ourselves. We have done well to expand our store network nationally since the launch of our first store in Cairo in 2006, but we want to grow at an even faster pace over the next three years. We recognize the importance of growing profitably. So it's not just about adding new stores, but we also have to be selective in the locations we choose and the terms we agree to. All our existing stores create value and we want to keep it that way as we expand. Our team, therefore, has to work hard to screen and select prime location stores in the geographic areas we've identified for expansion and be able to negotiate reasonable commercial terms with landlords.

How has consumption changed since the pandemic?
We saw an accelerated shift to e-commerce with the onset of the pandemic and the ensuing lockdowns that were imposed. Online shopping was already becoming increasingly popular before 2020, but the pandemic brought exponential growth in e-commerce activity. Delivery has been our fastest-growing sales channel over the past two years and the ramp-up continues even after life has now returned to normal. In terms of consumption, consumers initially resorted to stocking up on essential items at the start of the pandemic as they feared supplies could be disrupted. As time passed, they gradually went back to normal consumption levels, but the focus remained on essential groceries and hygiene-related products like sanitizers and face masks. However, the biggest change in buying behavior was felt in the general merchandise category, as consumers did not spend on high ticket items like electronics and heavy household products.

How do you think consumption will change given the recent surge in prices?
As prices increase, consumers naturally tend to reduce consumption. But they also change their shopping behavior. Consumers are becoming more price-driven in their choices. Promotions are more popular now than they have been traditionally, and discounts represent a bigger share of overall sales than they did before inflation accelerated. Generally speaking, retailers tend to favor reasonable inflation levels because it usually means there's healthy demand. However, when it reaches double-digit levels like we saw in March, it adversely affects consumer buying power. This is unfortunately the case right now. The recent surge in prices is caused by a rise in production and transportation costs and supply chain bottlenecks, rather than strong consumer demand.

How might Spinneys' strategy change?
We are listening to our customers carefully and trying to identify their changing needs. We also are stepping up our promotional activities with vendor partners in an effort to try to present our customers with more affordable choices. Our mission is to always try to meet and exceed our customers' expectations, and we recognize that challenging times like these are when consumers will be looking for our support more than at any other time.

Spinneys produces many original products. How did the increase in commodity prices affect your production?
As I mentioned earlier, our own label products are priced more competitively than mainstream brands. The price gap between Spinneys products and generic brands is usually no less than 20% to 25% in any given category. Sometimes our own products would be more than 40% lower than market-leading brands, which is a huge plus at times of high inflation. Of course, like everyone else we are affected by the increase in production and transportation costs, and some of that increase still has to be passed on to customers. However, the general strategy remains that Spinneys-branded products have to be more affordable than any other brand.

Spinneys' branches are mostly in major cities. Do you see potential in expanding to smaller ones?
We already operate stores in several smaller cities. Currently, we have a store presence in eight different governorates/cities in Egypt including Cairo, Giza, Alexandria, Hurghada, Tanta, the North Coast, Minya and Sadat City. Our plan is to continue to expand our network of stores nationally wherever there is demand, and we will not be restricted to only major cities. In many cases, prospective stores in the smaller cities are just as commercially viable as ones in the big cities because the areas are densely populated and underserved. It also is true that commercial real estate in provincial areas is much cheaper than in major cities, and this can make the business case for a new store more compelling.

What are your investment plans? Are they affected by global inflationary pressures?
Our investment plans are long-term, and we recognize that whatever economic challenges facing the market now can only be short-term. So our investment plans are largely unchanged, and our commitment to the Egyptian market is steadfast. We will continue to invest not only in physical store expansion but also in technology and innovation to keep up with the ever-changing market trends. We already opened two new stores this year, and we have three more stores currently under construction. Our next planned store opening will be in Nasr City before the end of Ramadan, and two other stores will open before the end of June. One of them will be in New Alamein, and this will mark our second store opening on the North Coast after the successful launch and operation of our Rivette mall store three years ago.

Will this period influence your marketing efforts?
Our marketing campaigns are always designed with our customers in mind. As we try to identify our customers' evolving needs in changing times, we always customize our campaigns accordingly. Overall, we usually step up our marketing efforts during challenging times to try to deliver the message to customers that we understand their concerns and are here for them in their time of need. Our focus these days is to highlight the local alternatives to some of the items that are no longer available due to the recently imposed import restrictions.

How can the government spur further investment in the retail sector?
The demand for grocery retail is there, and the market size is huge compared to other MENA markets. So the investment case for local and international retailers will always be quite compelling. All the government needs to do is iron out some of the obstacles facing retailers when they decide to invest. Cutting red tape is key, and moving to a one-stop approach for the licensing of new stores will definitely help spur future investments.

How do you compare the performance of the retail industry in Egypt versus neighboring countries?
The GCC markets have a relatively developed retail sector compared to the rest of the MENA region. The sector is more organized, and modern trade commands a much bigger share of the overall grocery market than we have here locally. Consumer buying power is also stronger in the GCC, but our main advantage is that we have a much bigger population here in Egypt. ■

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Pre-Annual General Meeting

19 Apr

The future of Egyptian healthcare

The healthcare system in Egypt has successfully battled a pandemic and is now back on track for growth and investment.

Minister of Higher Education and Scientific Research and Acting Minister of Health and Population Khaled Abdel Ghafar spoke about the current state of the healthcare sector and goals to improve existing services in Egypt at an April 19 AmCham event. He also talked about the role and importance of the private sector in healthcare and private sector investment.

Abdel Ghafar said Egypt passed through difficult times with the COVID-19 pandemic, but he believes "we have perfectly managed this unprecedented global crisis so far." That was possible by balancing the health and safety of the people with maintaining a decent economy. The state gave the crisis committee "unlimited support to overcome" the crisis. They work with various ministries, including the Ministry of Health and the Ministry of Higher Education.

The first step was vaccinating the population. Abdel Ghafar said the vaccination campaign had reached nearly 80 million as of April. There are almost 34 million fully vaccinated people in Egypt. That is 54.8% of the targeted population over 18 years old and 48% of the target population over 12 years old. However, he said almost 65 million doses remain, enough to vaccinate nearly 40 million more people.

"The healthcare system in Egypt is quite difficult and quite diverse," Abdel Ghafar said, adding it is a mixed bag. "It's good because it's resilient enough," the pandemic proved. It's also diverse, including public hospitals, university hospitals, addiction treatment centers, and private sector medical facilities.

However, the future of healthcare in Egypt, he said, is universal health insurance. In 2018, Egypt enacted a law regulating the universal healthcare system. The minister noted that Egypt Vision 2030 and Sustainable Development Goals set by the United Nations would shape the national healthcare landscape. Universal health coverage started in seven governorates. But they "are planning to capitalize on that and expand within the next 10 years to cover most governorates," he said.

Abdel Ghafar said other priorities include improving quality "through capacity building of healthcare workers." The ministry is also enhancing non-communicable disease services, "improving citizens' nutrition and capitalizing on advanced technology," as well as developing the pharmaceutical sector.

Several presidential initiatives support the healthcare system's future in Egypt, said Abdel Ghafar. These include a flagship healthcare campaign that aims to eliminate waitlists, detect genetic diseases in newborns early and improve senior care. In almost four years since the start of the campaign, "we have succeeded in reaching more than 86 million Egyptian citizens."

Abdel Ghafar said one of the campaign's first and central targets is eliminating the Hepatitis C virus. At one point, Egypt had one of the highest rates of Hepatitis C cases in the world. Now, it has fully mitigated the virus. This "great achievement from the Ministry of Health" is an excellent example of the future of healthcare in Egypt.

Women in Business

28 Mar

Toward Building Inclusive Communities

On March 28, the AmCham Women in Business Committee organized an event titled "Toward Building Inclusive and Sustainable Communities for Women." Keynote speakers included Nevine El Kabbaj, minister of social solidarity, and Maya Morsi, president of the National Council of Women

The conference highlighted two topics that emphasize the inclusion of women: the gendered cause of green economics and financial inclusion. The first session was titled "An Inclusive COP27: Closing the Gender Gap." Speakers included Ghada Hammouda, chief sustainability and marketing officer, Qalaa Holdings; Sarah El Battouty, founder and chairwoman, ECOnsult; and Simone Oluoch-Olunya, Arab states political participation adviser and COP adviser, UN Women.

The second session addressed "Financial Inclusion: The Critical Role of Open Banking." Speakers included Amr Abou El Azm, executive vice-chairman and CEO of Tamweely Micro Finance; Bassel El Tokhy, valU's COO; Gielan El-Messiri, deputy representative at UN Women; and Mervat Sultan, chairman of Egyptian Export Development Bank.

With Egypt hosting COP27 in November in Sharm El-Sheikh, women's inclusion is a vital topic of discussion in talks preceding and during the climate summit itself. Unfortunately, COP26 was far from inclusive. The average balance of delegations has been 75% men to 25% women across all COPs. History has shown that policies without women's participation exacerbate existing inequalities and hinder innovation.

Despite the pandemic, Egypt made progress on UN Sustainable Development Goals in 2021 related to quality education, clean water, industry, innovation, and infrastructure.

The National Council of Women presented "Egypt's Global Perspective: Women, Environment and Climate Change," promoting gender-sensitive perspectives; strengthening women's voices and their participation in environmental governance; leveraging opportunities for women in the transition to a green economy and green consumption; and within the blue economy in the context of achieving sustainable development.

Regarding women's financial inclusion, Egypt has undergone many policy-related changes and economic advances that have facilitated women's engagement in the private sector and ensured their financial independence. Egypt has put financial inclusion among its top priorities as part of the 2030 Vision goals to support small and medium enterprises (SMEs), formalize the informal sector, raise employment rates and achieve sustainable economic growth.

Additionally, recognizing the importance of digital transformation to advocate for financial inclusion in rural communities and developing a cashless economy, Egypt offered technology-based policies even before the COVID-19 outbreak. These included regulations for mobile payments and e-wallets by the Central Bank of Egypt and the launching of the National e-Commerce Strategy in December 2017. Also, 32 of Egypt's 38 banks have started to provide internet banking services, such as e-wallets.

Human Resources

19 Apr

AI's role in human resources

On April 19, the AmCham Human Resources (Talent Management) Committee hosted a Webinar titled "How Technology Is Changing the Face of HR." Speakers included Engy Mahmoud, HR operations and digital transformation senior lead at Vodafone Egypt; and Pranav Sharma, Go-To-Market Strategy and Partnerships at impress.ai.

Speakers discussed leveraging robotic process automation (RPA), artificial intelligence (AI), and other technologies in the employee lifecycle. They also took a deep dive into AI's place in recruitment, learning and development.

Mahmoud clarified the importance of technology in the recruitment and retention of employees, highlighting how the COVID-19 pandemic accelerated the need for digitization. As a result, employees have grown used to flexible hours and working remotely. She predicted flexible work strategies would become the norm by 2030.

With the prevalence of remote work, technology is essential in HR functions. That is most apparent in recruitment, efficient processes throughout the employee lifecycle, and a better employee experience. AI is an excellent example of how technology can improve HR functions and ensure effectiveness.

Sharma emphasized the role AI has in the recruitment process. It uses software to gather, sort and sift through data, making decisions based on these calculations the way a person would make decisions, at least on a focused range of matters. AI streamlines the application process for candidates and recruiters through its various integrations to achieve significant reductions in shortlisting time.

In addition, AI can significantly reduce bias toward job applicants, both during interviews and during candidate evaluation. That results from AI's ability to generate reports summarizing applicants' skill sets, previous job experience and educational background.

Customs and Taxation

29 Mar

The latest taxation updates

For several years, the Egyptian Tax Authority (ETA) has modified and digitized its tax administration and regulations. Those updates mainly focused on increasing trust between the ETA and taxpayers, dealing with multinationals in Egypt where their country of residence is different from the country where they make their profits, and trying to tax digital-only foreign businesses making a profit in Egypt.

On March 29, AmCham's Customs and Taxation Committee organized an event titled "Corporate Tax Filing and Unified Tax Procedures Law: Updates, Requirements and Challenges" to discuss those crucial topics.

Ahmed El Sayed, Ernst & Young tax partner, highlighted the changing philosophy of ETA's recent regulatory reforms. "Tax declaration forms have become very important now," he said. That is because they have become "self-assessment" forms where the ETA deals with payers based on how the latter assessed their taxable profits.

Ramy Minia, a tax partner at Saleh, Barsoum & Abdel Aziz – Deloitte, explained how multilateral instruments prevent double taxation in multinationals. "Those companies have a country of residence and different countries where they make their profits," he said. Those laws eventually led multinationals to start tax planning to ensure they pay the least tax possible, which required modifications to prevent treaty abuse.

Lastly, Sherif Shawki, Senior Tax Partner at PricewaterhouseCoopers, stressed the importance of developing and upgrading laws to deal with digital-only businesses such as Netflix, Careem, and Uber. "The exchange of information and transparency are essential to cope with those changes," he said.

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A Glance At The Press

"How can I get to the station, please?"

"After Eid...after Eid."

April 30, Al-Masry Al-Youm

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.

Diab directs three 'Moon Knight' episodes

Filmmaker Mohamed Diab has directed three episodes of Moon Knight, a TV mini-series produced by Disney, which premiered on Mar. 30 on Disney+. He directed episodes one, three, and five and was co-executive producer of the series.

"Moon Knight" is the first collaboration by the Egyptian director and Marvel Studios and Disney Plus.

Egyptian actor Ahmed Dash portrayed Young Punk, who loses a fight against Marc Spector (Moon Knight) in episode three titled "The Friendly Type."

The six-episode series focuses on the titular character, who becomes the human avatar of the ancient Egyptian moon god Khonshu. The series trailer was released in January and has garnered 33 million views.

Diab spoke about his eagerness to include Egyptian identity as a critical component of the show. Too often, he said, Egyptian culture is "exoticized and dehumanized." He also said he managed to infuse some Egyptian humor into Moon Knight, despite the serious tone of the series, with the support of Oscar Isaac, an American who plays Spector.

Isaac's multilayered role includes shifting between characters. As mercenary Spector, he harnesses the power of the ancient Egyptian gods, then becomes Steven Grant.

Bahraini-born actress May Calamawy also appears in the series.

Born in 2000, Dash began acting in television commercials, then had his big breakthrough in Amr Salama's "Excuse My French," followed by roles in more than 20 films and television series. Other parts include "Photocopy" (2017), which Tamer Ashri directed, staring Mahmoud Hemeida and Sherine Reda, and Peter Mimi's "Casablanca" (2019), starring Amir Karara.

Diab's directorial debut was "Cairo 6,7,8" (2010), released weeks before the Egyptian revolution. It won a Silver Hugo for Best Feature Film and Best International Feature at the Chicago International Film Festival 2011.

Diab's breakthrough came with "Clash" in 2016, which he directed and co-wrote with Khaled Diab. The drama, which takes place during the Jan. 25 revolution, was Egypt's submission in the Oscars foreign-language film category in 2017. Dash also starred in Clash.

Ahram Online, Apr. 14

ISESCO recognizes Cairo as an Islamic culture capital

Minister of Culture Inas Abdel Dayem and Salem bin Muhammad Al-Malik, director of the Islamic World Educational, Scientific, and Cultural Organisation (ISESCO), kicked off celebrations after selecting Cairo as 2022's cultural capital of the Islamic world on Apr. 11.

Abdel Dayem said Cairo deserves to be a beacon of culture and enlightenment because the city represents human civilizations' cultural and artistic diversity throughout history. She stressed that celebrations would include 149 creative activities that embody Egyptian identity.

The culture minister presented Al-Malik with a commemorative shield and the flag of the historical event.

The launch also included opening a permanent exhibition titled "Cairo, Capital of Culture in the Islamic World in Egyptian Documents," which was prepared by the General Authority of the National Library, and exhibitions of books, plastic arts, and Arabic calligraphy. It is present on King Faisal Street in Giza Governorate

The celebration also included a performance by the Hadra Sufi Chanting Troupe at the Egyptian Opera House.

Daily News Egypt, Apr. 11


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