Business monthly

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January 2025

NOT FOR SALE

Despite inflation

EGYPTIANS are buying what makes them happy, even if it costs more.

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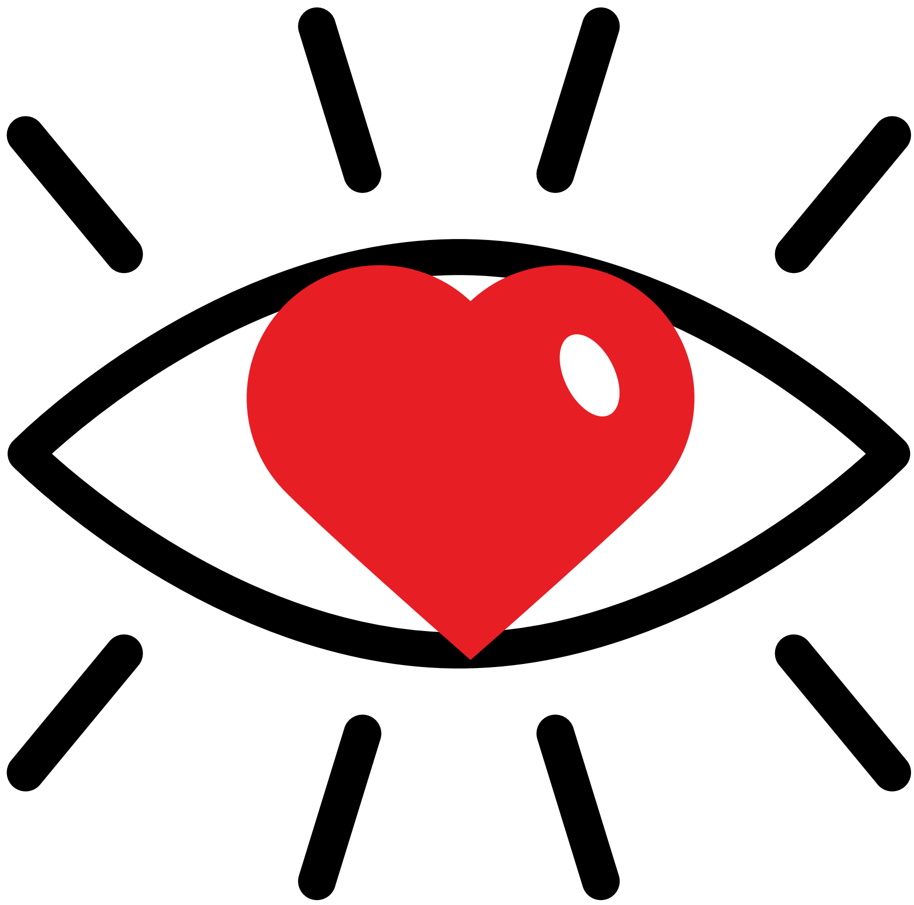

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Update

HAPPY 2025!

As we await a new year of opportunities, uncertainties and surprises, it is imperative business decision-makers take a step back to better understand their markets and the ways forces will shape them.

This issue first examines Egypt's consumer market, which has seen unprecedented inflation and currency devaluations. Prices on the ground surpass all official figures. Understanding how prices, devaluations, and the local and global markets will change will be increasingly essential.

In response, consumer behavior and perception have dramatically shifted over the past two years, only to suddenly reverse themselves in a surprising turn of events. Few saw the massive change ahead of time and even fewer know whether today's sentiment will continue or change to completely different and unexpected in the coming 12 months.

High prices will have a long-term impact on consumer segmentation, as many fall out of the middle class, essential for consumer-driven GDP growth.

The saving grace will likely be a boost in local manufacturing, something the government has been enthusiastic about growing, but policies have hindered.

Elsewhere in the issue, we look at how South Africa's leadership of the G20 and the presence of the African Union in that coalition could benefit the continent.

We also compile outcomes from the latest U.N. Conference of the Parties meeting in Azerbaijan and offer a brief update on the latest forecasts for 2025 from the World Trade Organization.

Lastly, we examine how the government is combating rising poverty via expanding microfinance.

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Business monthly

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NEW YEAR, NEW POTENTIAL

It's 2025, a new year ahead of us full of expectation, uncertainty, and unpredictability. We are entrenched in a global ecosystem and by no means can we afford to be isolated. We're facing a rerun of a Trump administration with new players on the scene, including Elon Musk as a MAGA disrupter. The events in Syria have implications for not just the region but also Egypt's national security concerns. Gaza is still burning with no end game in sight, to say nothing of the disruptions in the Red Sea, Sudan, and Libya, among others. All of these in one way or another will impact our regional and national wellbeing.

Having said that, we are witnessing some subtle changes in our local political and economic landscape that suggest great potential. The economic narrative in Egypt is changing, to what effect is yet to be seen. A number of progressive ministers are taking the lead in structural reforms, though I would characterize them as individual initiatives digging into the red tape rather than a strategic collective effort by the government of Egypt. Coincidentally, a number of ministers are on the same reform page, operating with a similar mindset that is in some ways gaining traction despite resistance from the deep state. Who will have the final say? I suspect we will find out during the course of 2025.

It brings some fresh air to see and listen to Cabinet members like the ministers of finance, investment, and industry, who are backing up their message with actionable reform measures, unlike their predecessors who were solo players with no vision for our economy. Yet the challenges are daunting, and a breakthrough requires empowerment and political will. It is an opportunity we cannot afford to miss.

On another note, the change in the leadership of the state-owned United Media Services company and the media council could signal more space for opinion sharing and constructive criticism. Having Tarek Nour at the helm of UMS is a positive sign. I doubt that a media icon like Nour would risk tarnishing his image as a yes man after years of building his credibility. And we might already be seeing some fruits, with Lamis Hadidi back on air and her candid interview with the Minister of Finance — a real welcome comeback. We expect more to come, along with another candid podcast with former Minister of State for Information Affairs Osama Heikal, hosted by Rabab El Mahdi, another welcome change. Will this be an ongoing trend or a one-off? We will see.

We need more candid discussions like these, more checks and balances, and the media can be a formidable change agent. There are numerous opaque files that still need to be addressed. For example, more transparency is needed regarding the performance of state-owned enterprises and their impact on the fiscal budget, as well as concessionary finance to different agencies and whether that has ended yet. These are just a few items on a long list of discrepancies and anomalies in our governance structure that need to be rectified if we ever aspire to get out of our economic and political state of malaise. If we do it right, we'll have a lot of positive potential to look forward to in 2025.

Happy New Year.

TAREK TAWFIK
President, AmCham Egypt

American Chamber of Commerce in Egypt

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THE NEWSROOM

RAIL COMPANY PLANS FACTORY IN EAST PORT SAID

National Egyptian Railway Industries Co. (NERIC) Project Manager Ahmed El-Mofty has revealed the company's plans to open a factory in the East Port Said Industrial Zone by mid-2025. The project's total investment value is EGP 4.2 billion ($82.6 million) for the first phase, a Cabinet statement said.

According to Minister of Industry and Transport Kamel El-Wazir, the project will be divided into three phases, each covering 100,000 square meters.

El-Wazir said the first phase, currently under construction, will manufacture railway and metro cars.

The second phase will produce rolling stock for monorails and high-speed and light electric trains. In the third phase, the project will focus on rehabilitating old metro and railway vehicles.

The NERIC factory is expected to manufacture metro trains in partnership with South Korea's Hyundai Rotem, he said, with 320 air-conditioned cars vehicles for Greater Cairo Metro's second and third lines.

The statement said contracts are being finalized to supply 500 railway vehicles in cooperation with the Ministry of Industry and Transport and an unnamed global transport company.

FIRST SHIP-SCRAPPING PROJECT SET FOR DAMIETTA PORT

The Holding Company for Maritime and Land Transport and the Industrial Development Group (IDG) have signed a memorandum of understanding to launch a company that will develop a ship-scrapping project at Damietta Port, a first for the region and Africa, according to a Cabinet statement.

The project will involve ship recycling, new ship construction, and planned and emergency repairs for vessels up to 400 meters (437 yards) long and with a displacement of up to 40,000 tons.

The facility will cover 2 million square meters (nearly 500 acres) west of Damietta Port and serve as a regional hub for ship recycling. The statement said the project would bring international vessels to Egypt for recycling, "turning them into scrap metal that can be traded worldwide in accordance with international standards."

The project is expected to produce 1.5 million tons of scrap steel annually within five years of operation. This outcome should meet 66% of the domestic scrap demand for rebar production.

It also will reduce dependence on imported scrap and save foreign currency. The project is anticipated to create 4,000 direct and indirect jobs.

CENTRAL BANK LAUNCHES PAYMENT CARD TOKENIZATION, APPLE PAY

The Central Bank (CBE) has announced the first phase of tokenization of payment cards on mobile applications and Apple Pay service, according to an official statement. That is part of the CBE's efforts to transform Egypt into a less-cash society by adopting various e-payment applications.

The tokenization service is in partnership with leading digital payment providers VISA and Mastercard, national payment scheme "Meeza" and smartphone manufacturer Apple Inc.

"The new service highlights the CBE's commitment to strengthening the infrastructure of digital financial services and providing advanced and secure e-payments while offering various opportunities to deliver innovative financial solutions that meet customer needs and align with the latest global standards," said Rami Aboulnaga, CBE deputy governor.

The National Cards Tokenization Platform will offer a digital version of the electronic payment card on mobile applications, enabling customers to perform contactless purchases through point-of-sale (POS) terminals or e-commerce websites and applications.

By the end of 2024, the value of POS transactions was expected to reach approximately EGP 640 billion, compared to EGP 169 billion in 2021.

In addition, the value of e-commerce transactions was expected to surpass EGP 180 billion by the end of 2024, compared to EGP 29 billion at the end of 2021

FOOD INDUSTRY, TEXTILE CONTRACTS WORTH $38 MILLION

Waleed Gamal El-Din, the Suez Canal Economic Zone (SCZone) chairman, signed two agreements for food industries and textile projects in the West Qantara Industrial Area. The projects are valued at $38 million and will cover 137,000 square meters (34 acres) and generate 1,450 job opportunities, according to a SCZone statement. The projects are set to begin operations in the fourth quarter of 2025.

The first contract was signed with Turkish company Saray Bisküvi ve Gıda San. A.Ş., a snack producer. This $8 million project will cover 45,000 square meters and generate 450 job opportunities.

The second contract was signed with Chinese Kelida, a company with over 30 years of experience producing fabrics and home textiles. Kelida will inject $30 million into the project, covering 92,000 square meters and creating 1,000 jobs.

Gamal El-Din emphasized that with these two contracts, SCZone has completed eight project agreements in the initial phase of the Qantara West Industrial Zone. The projects represent a total investment of $309 million, span 751,000 square meters, and are expected to create 14,200 jobs.

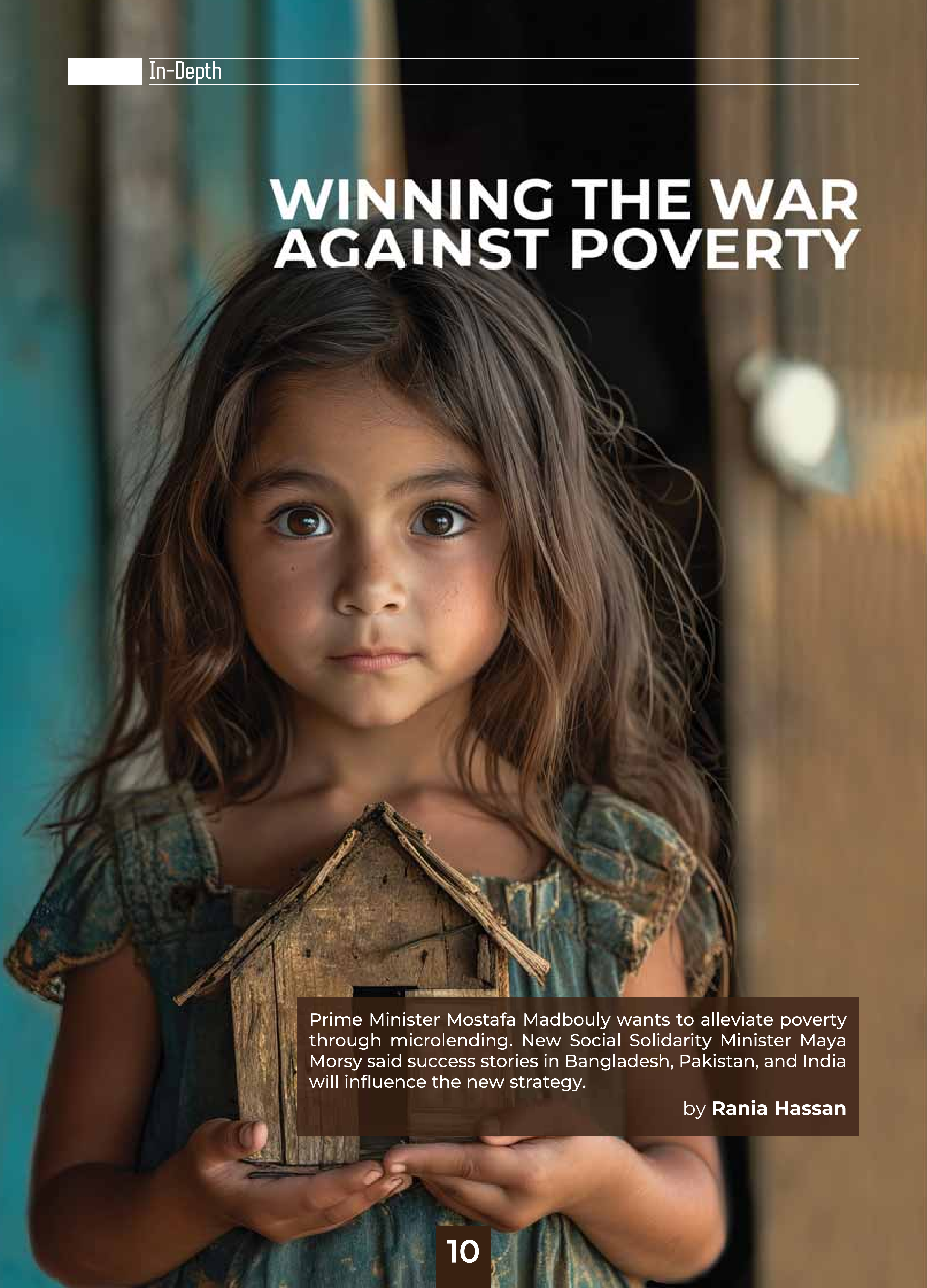
OPEC FUND APPROVES $40 MILLION LOAN FOR WIND FARMS

The OPEC Fund for International Development has granted Egypt a $40 million loan to build two wind farms with a combined generating capacity of 1.1 gigawatts in the Gulf of Suez, according to OPEC's website.

This project will deliver clean energy to more than 1.3 million households and contribute to Egypt's target of getting 42% of its electricity from renewables by 2035.

The cost of developing the two wind farms is estimated at $1.1 billion. The project also has secured substantial financial backing, including $200 million from the European Bank for Reconstruction and Development (EBRD) and $170 million from the African Development Bank (AfDB).

The project covers design, construction, operation, and maintenance, with work schedules to begin in January 2025 and end in August 2027.



WINNING THE WAR AGAINST POVERTY

Prime Minister Mostafa Madbouly wants to alleviate poverty through microlending. New Social Solidarity Minister Maya Morsy said success stories in Bangladesh, Pakistan, and India will influence the new strategy.

by **Rania Hassan**

With the pound's foreign exchange rate continuing to devaluate toward record levels and annual inflation above 25% since January 2023, according to official data, effectively and quickly reducing Egypt's poverty is increasingly vital.

Data aggregator Statistica reported poverty levels in Egypt have dropped by only 0.6% to 27.3% in 2023 versus 2022, continuing a slow downward trend since 2018, when it reached 32.7%.

In October, the Cabinet met to discuss the next phase of tackling poverty, with Prime Minister Mostafa Madbouly saying microlending is essential, as it encourages the least fortunate members of society to start small businesses. Minister of Social Solidarity Maya Morsy will spearhead the development of that new strategy, he said.

The plan will likely draw inspiration from Bangladesh, India, and Pakistan, as Morsy highlighted the success of those nations during the meeting.

Local microlending

Egypt's regulations cap microloans at EGP 242,000 ($4,874) to fund companies and startups, not private consumption.

At a January press conference, Mohamed Farid, chairman of the Egyptian Financial Regulatory Authority, which governs microlenders, said the maximum lending limit is regularly modified based on inflation rates to ensure the amount is sufficient to start a business.

Data published in October from the Egyptian Federation for Funding Medium, Small and Micro-Enterprises shows microlending increased 19% in June compared to a year earlier. The number of subscribers rose by just 100,000, reaching 1.9 million in the same period. Those new potential borrowers accounted for 36.3% of lending.

Individuals and micro-enterprises can secure funding from NGOs, microfinance companies, and commercial banks via special programs. They also can opt for Sharia-compliant loans.

In 2022, Egyptian Microfinance Co. (Maksab) became the first, and so far only, Sharia-compliant microlender. Banque Misr and some Islamic banks also offer Sharia loans but with different limitations than conventional microfinance.

Alternatively, the Central Bank has its flagship NilePreneurs initiative, launched in 2019. It has microfinanced nearly 9,000 small entrepreneurs and helped 292 startups through pre-incubation, incubation, and accelerator programs.

Vibrant sector

Microlending is a low-risk business in Egypt. In August, Mona Zulficar, chair of the Egyptian Microfinance Federation, told state-owned Daily News Egypt that its latest study "found that 97.1% of project owners (clients of NGOs and companies) reported profitability, with 80% reinvesting their profits."

That has enticed commercial banks to continue giving credit facilities to microlenders, such as Al Tadamun Microfinance, which has signed four deals worth a combined EGP 820 million this year.

The low-risk nature also enticed local business associations to secure money for microlending from commercial banks. In October, Emirates NBD announced it signed an EGP 400 million "new loan contract" with Alexandria Business Association "to expend … the latter's microfinance services," the press release said.

International financing institutions are also interested in microlending Egyptian businesses and individuals. In addition to the 2019 funding agreement signed between The International Finance Corporation (IFC) and Tanmmya, one of Egypt's biggest microfinance providers, the European Bank for Reconstruction and Development (EBRD) and a consortium of investors announced in September they had acquired government-owned Tamweely Microfinance. "The acquisition will support Tamweely's domestic growth strategy and boost its competitiveness and resilience," said the EBRD press release. The new owners will focus on "promoting women-led micro, small and medium-sized enterprises."

EBRD also gives credit facilities to individual microlenders, such as Reefy Microfinance (EGP 80 million) and Tasaheel Microfinance (EGP 700 million).

Lessons from Bangladesh

During the October Cabinet meeting, Morsy said Bangladesh has been uncommonly successful at combating poverty in the past few years. According to data aggregator Macro Trends, the country's poverty rate declined nearly 13 percentage points between 2015 and the latest government figures in 2022.

Morsy recognized Bangladesh's Grameen Bank, a private microfinance bank, during her keynote address. The bank "is known for its diverse range of microloans that are not only directed to startups, but also to improve the lives of the borrowers, including saving and credit services," she said.

Established in 1976, Grameen Bank started in a small village in Bangladesh, eventually growing into a national financing institution supporting 10 million poor Bangladeshis, the website said.

In 2006, it won the Nobel Peace Prize for offering "self-support for the very poorest people by means of loans on easy terms," the Nobel Prize website said. The bank is positioning itself as the "bank of the poor."

"No collateral is required to get ... credit," said the bank. Grameen representatives also travel to potential micro-borrowers' "comfort zones" to offer loan services. "All banking transactions, except loan disbursement, are done in meetings of borrowers at the village level centers organized by center managers."

Grameen Bank's lending includes education loans, new entrepreneurship loans, and scholarships for borrowers' children. The bank also has the Struggling Members Program, which offers interest-free loans "to help beggars build financial capacity so they don't have to beg anymore," the website said. As of October, "21,383 members have given up begging and become self-sufficient."

The Borgen Project, a nonprofit NGO, noted Grameen Bank's success is because "its model focuses not only on providing financial resources but also on creating long-lasting, sustainable change by addressing systemic issues such as gender and power dynamics."

Grameen Bank also works "closely with local partners to dismantle traditional gender roles and enable household dialogues where it challenges male-dominated financial decision-making."

The Borgen Project calculated "repayment rates [at Grameen Bank are] as high as 98%." That reflects "not only the bank's successful lending model, but also how committed the borrowers are to improving their livelihoods."

MicroSave Consulting, a specialized consultancy, also highlighted the role of Bangladesh Rehabilitation Assistance Committee (BRAC), an international development organization, in improving Bangladesh's microlending landscape.

BRAC has a "unique 'credit-plus' approach, addressing the special needs of various target populations such as rural women, youth and adolescents, the landless poor, marginal farmers, migrant workers, and small entrepreneurs," according to its website. Like Grameen Bank, BRAC brings "collateral-free credit and savings services to the doorsteps."

BRAC also has "village organizations" comprising "15 to 40 women from local communities that come together, share information, raise awareness on issues concerning their daily lives, while receiving support on health, social and legal issues."

BRAC has four categories of microloans, starting with its "targeting the ultra-poor program" to helping secure "SME loans from mainstream banks."

Another microlending institution that MicroSave Consulting highlighted is ASA, which won The Financial Times "Banking at the Bottom of the Pyramid Award" in 2008. It has only two types of microloans: "general microcredit" for individuals and "micro-entrepreneur credit."

ASA also offers savings options, where customers pledge to pay installments to replenish a savings account, which accrues interest and can be used to issue payment cards. The microlender also has a "loan security and risk fund [in case of] premature death of borrowers [to guarantee] the unpaid debts [do not] fall on the heirs of deceased."

Lessons from India

Morsy also pointed to the Indian government-supported Micro Units Development & Refinance Agency (MUDRA), launched in 2015, as another success story.

According to data aggregator Macro Trends, since MUDRA's inception, poverty in the country has dropped yearly, except in 2020 when COVID-19 forced companies to cut employees and salaries. During those nine years, the country's poverty rate decreased 7.1 percentage points.

MUDRA lends to "non-farm income generating enterprises in manufacturing, trading, and services whose credit needs are below nearly $10,000," said a paper published by Jammu and Kashmir Bank, a public-sector Indian bank.

Microloans are dispersed by "all of [India's] public sector banks, regional rural banks, state cooperative banks and urban cooperative banks." The Indian regulations also allow non-bank financial corporations and monetary financial institutions to offer microloans.

MUDRA offers 10 types of microloans, ranging from conventional credit for individuals to specialized loans for businesses based on their sector or specific purposes."

MUDRA's microloans focus on startups in land transport; community, social and personal service; food products; and textiles sectors.

Lessons from Pakistan

Mosry praised Pakistan's efforts to reduce its poverty rate. According to Macro Trends, poverty levels dropped consistently from 2001 to 2023, going from 64.3% to 37.2%.

The International Growth Center (IGC), which operates under the London School of Economics and Political Science, said Pakistan has long and storied success in reducing poverty. In the "World Bank ... poverty indices, Pakistan was among the top 15 that showed the largest annual average percentage point decline between 2000 and 2015."

The government followed that up by pledging to "reduce poverty by six percentage points between 2019 and 2023" in its Implementation of the 2030 Agenda for Sustainable Development Voluntary National Review document.

In 2019, Pakistan's government "integrated more than 134 fragmented and insufficiently managed social protection programs, and [those] prone to political manipulation under [a unified program] Ehsaas," the IGC said.

Ehsaas works with Asia's largest cash transfer program — the Benazir Income Support Programme — helping the Pakistan government target "ultra-poor families via unconditional cash transfers to women," the IGC said.

Ehsaas also launched an "emergency program" when COVID-19 hit "under which low-income households gained access to financial assistance through text messages."

Morsy highlighted Karandaaz, a Pakistan-based microlending nonprofit established in 2014, as a successful case study. Its focus is mainly on digital solutions developed by women targeting women.

In addition to lending, Karandaaz conducts and publishes surveys and contributions from local researchers about less fortunate women in Pakistan. It also organizes competitions for women entrepreneurs, giving them national exposure and recognition.

Key to success

Educating microborrowers is the cornerstone to realizing government efforts to alleviate poverty via microlending. "Education ... empowers [borrowers] to use their funds wisely, and [entice them to offer] an education for their own children," wrote Zar Wardak, vice president of Business and Consumer Strategy at FINCA Impact Finance, a nonprofit microlender. "Education in all its forms is part of a holistic approach ... so [micro borrowers] can make informed choices that help them realize their potential."

The straightforward solution to the education problem is to make it more affordable via government financial support or legislation. The next step is to ensure "access to quality education ... for low-income families," Wardak stressed, adding that this is the crux of the challenge governments must overcome.


MARKET

TRIAL BY CONSUMPTION

With over 100 million people, 60% of whom were under 30 in 2024, according to the World Population Review, Egypt's economy largely relies on consumption. According to the CIA Factbook, nearly 86.8% of Egypt's GDP growth rate in 2019 triggered by household purchases.

However, three years of unprecedented high inflation and multiple devaluations of the local currency are testing the limits of consumer spending.

In 2025, the fate of the middle class in Egypt, inflation and the pound's exchange rate forecasts, and how consumer behavior will change (and how much of that will be permanent) will dictate how companies should navigate the coming 12 months.

Meanwhile, whether local producers can capitalize on the emerging opportunities — mainly that imports have never been more expensive or had as many restrictions — will remain the critical factor determining whether Egypt's economy can recover and sustainably increase foreign currency inflows in 2025.

By **Tamer Hafez**

EGYPT FACES A TRIPLE THREAT

Egypt faces a trifecta of problems: Rising inflation, pound devaluation and wage growth that cannot keep up with either. Forecasting their trajectories in 2025 will prove essential.

Egypt's finances have been in the spotlight since the first major floating of the pound in late 2016 in exchange for a $12 billion extended fund facility from the IMF. The country has seen little reprieve since, as geopolitical fallout in Ukraine and the Middle East, and Red Sea freight disruptions increasingly pressure national finances.

In 2023, the government received significant support from abroad. According to Masaaki Yoshimori, an economist and professor at Georgetown University, the "IMF, EU and GCC countries [pledged] over $50 billion in financial commitments in 2023 alone, [allowing] Egypt to implement short-term critical measures," he wrote in Fair Observer in November. Those include devaluing the pound, reducing subsidies on staples, and raising interest rates to cut inflation, which had reached record highs.

As the country enters 2025, inflation and interest rates, the pound's exchange rate, and the need for wages to catch up will be critical to economic prospects.

Inflation and interest

According to the Central Bank (CBE), annual inflation rates (consumer price index — CPI) have been over 25% since January 2023, peaking at 38% in September 2023. Since February 2024, rates have been consistently declining, going from 35.7% to 25.6% in July. They have since inched up, reaching 25.5% in November.

Core inflation, which excludes food and energy, plateaued at 39% between February 2023 and September 2023, noticeably higher than CPI and lasting longer. Since February, core inflation has been decreasing, dropping below CPI in October at 24.4%.

In 2025, the IMF's Regional Economic Outlook said inflation rates will be "attributed primarily to the unwinding of base effects [as they compare to 2024's high inflation rates], coupled with the expected implementation of policy tightening measures."

The report forecasts the CPI will end FY2024/2025 at 16% (June 2025). In July 2024, the IMF said the average annual inflation rate this fiscal year should reach 21.2%, dropping to 10.2% in FY 2026/2027. In its October Growth in the Middle East and North Africa report, the World Bank said Egypt's inflation should "taper off to a manageable 17.2%" by the end of calendar year 2025.

Also in October, Fitch said 2025 will start with inflation rates at 28% due to fuel and electricity price increases" throughout 2024. By February 2025, inflation should fall to 16% year-on-year thanks to the high base effect from February 2024, Fitch said. In November, when the rating agency upgraded Egypt's score from B- to B with a stable outlook, it said inflation should be 12.5% by the end of FY 2024/2025.

Morgan Stanley noted Egypt's inflation would "drop to around 15% in early 2025 with month-on-month inflation returning to levels seen before 2022, [eventually] stabilizing at around 14%." Data aggregator Statista used its AI algorithm to forecast inflation rates falling from 33.3% in 2024 to 21.9% in 2025 en route to 5.29% by 2029.

In November, the CBE was vague about 2025, saying inflation will "ease appreciably … as the cumulative impact of monetary policy tightening and favorable base effect materializes."

The bank stressed no drop in interest rates before the second quarter of 2025. In October, Fitch said it expects rates to decline by 900 basis points throughout 2025, down from 1,200 in an earlier forecast, blaming "prolonged geopolitical risks." The rating agency added the CBE is unlikely to cut rates until national inflation drops below 20%.

Going up

A strong pound has always been central to Egypt's economic health, as the nation's import bill has almost always been twice that of exports, including during the first nine months of FY 2023/2024, according to CBE.

Accordingly, with the local currency losing over 200% of its value against the dollar since 2022, consumers, companies, and the government have seen costs rise almost exponentially.

Those high foreign exchange rates will continue in 2025. Dutch financial institution ING predicts the exchange rate will stabilize at EGP 50 to the dollar throughout the year. However, it believes this will be a government-managed rate, noting "a gradual transition to a more free-floating exchange rate [will] materialize [a different rate]."

Oxford Economics predicts the pound's exchange rate will be "somewhere between EGP 55 and EGP 60 per dollar [in 2025] if regulators switch to a flexible exchange rate regime."

Meanwhile, Capital Economics forecast “an initial fall” between EGP 60 and EGP 65 to the dollar immediately after the next significant devaluation. It did not predict a stable rate for 2025, citing “tightened fiscal policy with price hikes and an announced 15% cut to investment spending this year.”

Trading Economics' AI algorithm expects the pound’s exchange rate to be EGP 51.52 in early 2025, rising to EGP 58 to the dollar at the tail end of the calendar year.

Factors expected to impact the exchange rate in 2025 include what, how much, and when Egypt will import. Another is Suez Canal revenue, which Goldman Sachs predicts will decrease to $6.7 billion in FY 2024/2025 from $6.9 billion in FY 2023/2024. Those figures are way below the all-time high of $9.4 billion recorded in FY 2022/2023.

In August, Fitch presented two scenarios for 2025. The first is “optimistic, marked by a rapid de-escalation of conflicts, [which] could see the pound strengthen to a range of EGP 46.5 to EGP 48.5 per dollar.” The second would see “tensions escalate [weakening the pound] to around EGP 49.5, potentially reaching EGP 55 against the dollar in the short term.”

The people factor

Double-digit percentage increases in inflation and a depreciating pound mean the cost of living will continue to rise in 2025. If wages cannot cope, people will cut their buying, potentially crippling GDP growth. Mohamed Youssef, CEO of Dcode, a research firm, said at a November AmCham Egypt event that Dcode’s calculations show inflation is higher than official figures, which he attributed to different components and weights of each versus the government’s basket.

He noted that from November 2022 to May 2024, Dcode calculated inflation between 32.4% and 58.1%. CAPMAS, the government’s think tank, estimated it between 18.7% and 35%. “A breakdown shows prices across all [our] categories were rising except for 'recreation and culture' and 'alcoholic beverages and tobacco,'” he said.

Wages have struggled to keep pace. At the November AmCham Egypt event, Mohamed Al Nizami, Egypt country manager at Mercer, a global consultancy, stressed, “[Egypt-based] companies can’t cope with giving 25% salary jumps [to employees] every year in 2023, 2024, and 2025.”

As a result, “real increases in income [after taking inflation into account] have been negative,” Youssef said. In 2022, real wages were down 4.7%, indicating salaries decreased when accounting for inflation. The following year was worse, at nearly 32%.

Continuing those negative wages into 2025 will make economic growth recovery tricky. “The delay in the response of wages to inflation … runs the risk of declining standards of living and pulling more and more people down to poverty,” a paper from the Egyptian Center for Economic Studies (ECES) said.

On the other hand, increasing salaries “may exert some inflationary pressures on prices,” the ECES said. That would undo the government’s work over the past three years to reverse inflation’s trajectory. Accordingly, the CBE believes “a wise monetary policy is needed to contain inflation without impeding economic growth.”

REBUILDING THE MIDDLE CLASS

Economists mostly agree a vibrant middle class would improve a nation's economic prospects. Egypt needs to pay attention to that segment to achieve its ambitions.

For decades, emerging economies, in particular, have subscribed to the idea that making the rich richer will trickle wealth to the lower classes. "Elected officials fall back on it because they can understand the simplistic logic of cutting taxes and regulations to provide incentives to workers, businesses, and investors to be more productive," David Madland, a senior fellow at the Center for American Progress, wrote in Democracy, a Journal for Ideas.

However,, IMF calculations show "trickle-down" economics do not benefit GDP growth in the long term. "Making the rich richer by one percentage point lowers GDP growth in a country over the next five years by 0.08 percentage point," the IMF said. "Making the ... middle class one percentage point richer can raise GDP growth by as much as 0.38 percentage point [annually]."

That class will be critical as Egypt Vision 2030 aims to "achieve an average constant ... GDP growth of 6% to 8% [annually]." This fiscal year, GDP growth projections from the World Bank, IMF, and EBRD range from 2.5% to 2.7%, rising to between 3.5% and 4% in the following year.

Why the middle?

A standout feature of members of the middle class is they "tend to consume a higher fraction of their income than the rich," the IMF paper said. "If more money flows to these segments of society, they will consume rather than save, raising demand and spurring aggregate growth in the short run." Alternatively, the "wealthy save more than the middle class and ... consume less," John Keynes, author of the "General Theory of Employment, Interest and Money," said.

Accordingly, a growing and vibrant middle class is essential as "consumption needs to be sufficient to dispose of the current output of industry in order to make new investments profitable," Keynes explained. "This is why during a recession policymakers seek to stimulate demand in the hopes of raising consumption." Throughout the COVID-19 pandemic, the U.S. government disbursed over $800 billion to support the country's middle-class households, divided across 476 million payments, according to the U.S. Pandemic Oversight portal.

A thriving middle class also would boost free-market dynamics, attracting investments. "Having adequate financial resources and stability, but not enough to allow for a life of leisure, fosters attitudes and behaviors that are essential to building a healthy capitalist system," Madland said.

Those benefits are sustainable, creating a positive domino effect over time. "If families move out of poverty, their future perspectives change," Amadani said. That would invariably lead to "higher levels of education [as] parents who attended elementary school ... may aim to have their [children] complete high school or even university."

That means the next generation would contribute more to society than if their parents had stayed poor. When they graduate, Amadani noted they will likely receive higher salaries than their parents, increasing their consumption and allowing them to improve their own kids' education prospects, ultimately creating "a more skilled workforce."

Having a sizable middle class also means less brain drain. "If workers find benefits that improve their living conditions close to home, they will typically remain in that area," Amadani said. They can "support their families [while] keeping the household together, thereby providing children a healthier environment." Lastly, middle-class families tend to "look for ways to help [others] who live in poverty."

Confusing prospects

An October white paper by Oxford Economics, a global advisory firm, said, "Much of the excitement about the middle class in emerging markets used to be focused on consumers in Africa, where a strong population and GDP growth supported rising numbers of consumers opting for Western goods for the first time."

That perception proved incorrect as "volatility in economic performance across the region has meant that projections for long-term growth in the addressable market have not always delivered consistently," it said. That resulted in a "very small … addressable" middle class despite metrics indicating otherwise. For companies that "made it challenging to invest resources on a large scale into any individual country and achieve a guaranteed return on investment."

The white paper highlighted Egypt, noting "several reversals in middle-class growth due to the pound devaluations and high inflation." That movement has been exacerbated by the huge discrepancy between economic "boom and bust cycles" due to massive changes in exchange rates every time the government "floats" the pound.

Egypt is currently in a "bust cycle" from ongoing structural reforms and quadrupling of foreign debt since 2015, according to official data, taking a toll on the country's middle class. "The middle class has already eroded as a result of the continuous decline in the value of the pound and the deterioration of economic conditions in general," noted an investigative report in The Arab Weekly in July. "Members of the middle class [are] set to worsen with future devaluations of the pound."

The report stressed that while rising prices of staples, such as bread, which tripled in 2024, mainly hurt lower-income classes, they are "now seeping into the middle class, which faces hardships" from hikes in discretionary items. Al Monitor's Haitha El-Tabei reported that the rising cost of living is "turning … necessities … into luxuries" for middle-class families.

Despite those troubling indicators, "steadfast implementation of the reform package underlying the program is critical to restoring macroeconomic stability and investor confidence," the IMF said in its FAQ section about Egypt. Those reforms would ultimately "bring down inflation."

Oxford Economics is optimistic, saying Egypt, relative to Africa, as "solid productivity levels, currency stabilization [even if artificial] and relatively strong GDP growth [would] support growth in middle-class households" despite the economy's mismanagement.

However, as it stands, multinationals should "either moderate expectations about the size and growth of the addressable opportunity in the market or [strategize to] capture the low-income segment of the population," Oxford Economics advised.

Downward spiral?

Egypt's shrinking middle class will eventually hurt local top-tier private-sector education. Patrick Jack, a journalist for Times Higher Education, a specialized news portal, explained in April that "if the depreciation of the Egyptian pound persists, it will increasingly challenge … Egypt's middle-upper class … families' ability to afford sending their children [to attain top-tier] education."

Fueling higher fees is the fact top schools' payroll and equipment expenses are likely to be denominated in a foreign currency, Jack said.

Accordingly, some education facilities may downsize, merge, or close. The ones that survive would have a more challenging time "participating in research on a world stage," Jack said. "The cost of equipment when converted to Egyptian pounds and [other relevant] costs [make] it more difficult for local faculty members here to continue conducting research and disseminating it."

In the long term, that decline in quality education will make it increasingly harder for any country to recover its middle class, and with it sustainable GDP growth.

Government push

Realizing the need to support Egypt's "middle class," the government announced in February 2024 that civil servants and other public workers would receive a minimum salary bump between EGP 1,000 and EGP 1,200. In April, the state increased the national minimum monthly wage 50% to EGP 6,000.

However, Madland of the Center for American Progress stressed those measures are insufficient to grow the middle class. "Politicians typically see the middle class as something to create with the gains of economic growth," said Madland. "But in fact, the opposite is the case: The middle class is the source of economic growth."

EGYPT'S EVOLVING CONSUMER

For the past four or five years, inflation and currency devaluations have significantly changed consumer priorities in different ways.

To manage my family-of-four household budget amid soaring prices, we started buying our essentials from three supermarkets within 5 kilometers of each other. The reason is that their deli, bakery, fresh produce, and meat prices vary significantly despite targeting more or less the same consumers.

According to the government, monthly annualized inflation rates have stayed above 25% since January 2023. On the ground, households are paying even more. "Prices in the market are always higher than official numbers," Nihal El Kousi, NielsonIQ managing director for North Africa and the Levant, said during a November AmCham Egypt event. "What we bought [for] EGP 100 two years ago is now more than double."

As a result, consumers are rethinking strategies and priorities to balance their budgets, which can result in significant changes to purchase patterns. Sometimes, they are the opposite of expert predictions as perception, as much as cost-cutting, often influences Egyptian consumer behavior, El Kousi said.

In addition, reaching local consumers is becoming increasingly complicated. "Our world has been redefined in the past five years, and last year in particular," said Baheya Obeid, PepsiCo Egypt's director of Insights for the beverages sector in Africa, the Middle East and South Asia. "Gen Z and Gen Alpha [born from 1996 to date] are becoming extremely challenging" as they are increasingly impatient and peers, rather than professionals, influence their purchase decisions.

Consumer landscape

From November 2021 to September 2023, annual inflation rates rose consistently from 5.6% to 38%. They dropped to just over 25% by November 2024. The Central Bank's target is between 5% and 9%.

Sustained high inflation helped many consumer goods companies achieve a 40% increase in revenue in the first three quarters of 2024 versus a year earlier, El Kousi said, adding, "39% of that revenue [boost] came from significant price jumps. Volume growth accounted for 1% versus 2023."

That revenue-volume gap should shrink in 2025 with declining inflation. "The market reflects this, with the pace of revenue growth dropping," El Kousi said.

Throughout 2023 and 2024, rising prices affected consumers differently. "'Thrivers' saved money and felt more financially secure, while 'unchanged' felt no impact and continued to spend the same," according to research by NielsonIQ, a global marketing research firm.

"Cautious consumers" think twice about purchases. Meanwhile, "'rebounders' experienced income or job loss but now feel they are back on track," El Kousi said.

Least fortunate are "strugglers, who suffered financial insecurity and continue to do so today," NielsonIQ noted. El Kousi said that category grew from 17% of those surveyed in 2022 to 24% in the latest report.

Yoyoing priorities

Since 2023, Egyptian consumers have altered their purchase priorities significantly. During peak inflation that year, locals told NielsonIQ they planned to cut down on out-of-home entertainment, holidays, home decor and snacking.

In 2024, that sentiment flipped. Consumers feel current price levels are their "new way of life," El Kousi said. "Therefore, they are willing to pay more for items they vowed not to spend more money on. They prioritize products that make them feel happier and better."

Those products include personal care items and other luxury or nonessential items. A breakdown shows a rise in sales of premium brands and niche non-edible products, El Kousi said.

In edibles, "healthy and tasty" food consumption grew in Egypt throughout 2024. El Kousi said sales of beverages labeled "light" or "diet" jumped 114%, versus a 5% decline in traditional sodas. Energy drink sales more than doubled, replacing soda among select local demographics.

Snacks' sales grew 8% in 2024. Top choices were baked crisps and those labeled "high in protein," which jumped 31% to 1,136%, while sales of traditional snacks stagnated or declined. "There is [also] indulgence in trying new flavors and combinations to see which ones are tasty," El Kousi said.

To balance household budgets, El Kousi said, consumers are cutting spending on food and home care products as well as essential personal care products like deodorant, shampoo and toothbrushes.

Conditional growth

Aside from a product's taste, market positioning, branding and other unique attributes, common factors are influencing local consumption. "Value-seeking is omnipresent," Obeid of PepsiCo told AmCham Egypt members. Consumers constantly search for large packs for the lowest price per serving or smaller, affordable packs. Accordingly, consumers have "strong affiliation to brands that represent value and abandon those that don't," Obeid said.

Additionally, "In Egypt, 73% [of surveyed consumers] now follow planned purchases," significantly reducing the potential for impulse buying.

Convenient access to products is another condition for consumption. "In Egypt, 55% [of those surveyed] choose easy [and] quick options to prepare food [because of their] hectic lives and increasing desire for shortcuts," Obeid said. "Developments in [artificial intelligence] and [augmented reality] will provide consumers with practical, timesaving, affordable tools for meal planning and cooking."

Obeid also noted MENA consumers spend more if brands they trust branch out into other business lines through collaborations and new product offerings. However, she did not give percentages for Egypt.

Lastly, local consumers are increasingly unwilling to buy lower quality products, regardless of price. "They may cut their purchases of high-quality products or seek better deals on them, but they will not replace them," El Kousi stressed.

Reaching consumers

In November, Leena Faheid, media analytics and insights head at Procter & Gamble, told AmCham Egypt that while consumers are historically attracted to TV ads and billboards, the internet is a close third.

Nearly 72% of Egyptians surveyed by Procter & Gamble use search engines like Google or social media platforms like Facebook to find, research and compare prices and features of products or brands.

A detailed look reveals social media platforms replacing traditional search engines. Within social media, while most locals still use conventional platforms like Facebook, YouTube and Instagram, the fastest growing are TikTok and Snapchat, especially among Gen Z and Gen Alpha, Faheid said. "It is a sign they want short videos to tell them about the products over text and images."

Within each social media platform, local consumers buy products if authentic users, influencers or celebrities endorse them, not experts or established figures, Faheid said. Her research found four of the five most followed accounts are those of friends and family members; sports icons and teams; restaurants, chefs and food bloggers; and influencers.

Advertising products in games is another growing sales channel with "87% of the survey sample playing games," Faheid said. Nearly 72% of Egyptians play games on phones with computers a distant second and consoles third.

Locals also are attracted to real-world benefits, such as free delivery, cash-on-delivery, discounts, customer service and a reward system. However, Faheid stressed that "good product quality" is still the cornerstone of Egyptians' purchase decisions.

Looking ahead, consumption patterns will continue changing. "Local consumers' motivations, needs and behavior are impacted by different factors every year," Obeid said. A case in point is young consumers preferring brands associated with influencers they follow over established brands.

To adapt, Faheid stressed companies need flexible budgets and quick reallocation of funds to emerging channels that are attracting consumers. "There are a lot of global changes that will happen in 2025 in AI and gamification of interactions, influence and choice, and learning and discovery of products," El Kousi said. "Companies in Egypt need to be ready when those trends proliferate in Egypt."

INDUSTRY REVIVAL?

The government wants local industry to thrive. Can it resolve domestic and global challenges manufacturers will face in 2025?

The link between industry and sustained economic growth goes back to the First Industrial Revolution in the 1780s. “Industry has always been a cornerstone of economic prosperity [and] a key driver of productivity and innovation,” a paper from the EU Commission said.

Throughout 2024, the Egyptian government talked up the importance of industrial development to revive the country’s economy. “The state [is] keen on exerting all efforts to stimulate the various industrial sectors with the view of localizing industries, particularly in developing specialized technological industries,” Prime Minister Mostafa Madbouly said at a December press event.

According to government officials, the plan is to increase the industrial sector’s contribution to national output from between 17% and 18% in fiscal year FY 2023/2024 to 31% in FY 2026/2027.

The private sector will play a significant role. “Currently, there are strong [moves] from [Egypt's] political leadership and the government to enhance the private sector's contribution to production and increase the industrial sector,” Ahmed El Zayat, CEO of Engineering Management Systems, a UAE-based general contractor, told Ahram Online in September. “Expectations [are] that 2025 will be very positive for industry.”

A manufacturing boom should mean lower prices and increasing consumption as more products become increasingly affordable, boosting Egypt’s GDP. However, the state needs to ensure its strategy is effective against a backdrop of restricted imports, rising global energy prices and the need for structural reforms to lower the national budget deficit.

Building local industry

The government’s strategy to revive industry comes amid the worst foreign currency crunch in Egypt’s history — the exchange rate has been recording unprecedented weakness against the dollar since 2021. Meanwhile, the country’s import bill is nearly twice that of exports. Semi-finished goods and raw material imports, which manufacturers need, account for 31.5% of total imports, according to the Central Bank.

To cut the outflow of foreign currency, the government wants to replace imported finished and semi-finished goods with locally made alternatives. The Ministry of Industry and Transport announced in December it plans to localize 23 high-priority industries as part of a broader strategy to enhance industrial development and reduce reliance on imports.

Those sectors include consumer products like tires, infant food, water pump motors and generators. Feeder industries include solar and energy components, water desalination and treatment systems, soda ash and automotive glass. “These industries represent a significant portion of Egypt’s imports, offering substantial opportunities for localization to strengthen the economy, create jobs, and improve trade balance,” SIS reported.

The government will “offer incentives and streamline investment procedures for stakeholders,” the state information services (SIS) portal said. In August, Minister of Industry and Transport Kamel el-Wasir announced that as an “exceptional measure,” the government “will not ask for any property tax from anyone building a factory.”

Several Egypt-based industrialists told state-owned Ahram English they “hope this measure becomes permanent, as property tax is usually applied to residential areas, not to … industrial, agricultural or even automotive” facilities.

Another decision from el-Wasir would “prevent the closure of any industrial facility without a decision from the minister.” He also said the General Authority for Industrial Development would lead a cross-agency committee to organize factory inspection visits.

Lastly, the government announced in November that manufacturers could secure loans at 15% interest (versus the Central Bank’s overnight 27.25% rate) if the money goes toward buying equipment and production supplies. "With the launch of [that] initiative … many factories are expected to be encouraged to obtain financing and expand production," El Zayat stressed.

Ultimately, the government aims to “establish a self-sufficient industrial ecosystem that utilizes Egypt’s natural resources, supports the creation of new factories and bolsters local production to meet domestic and international demand,” el-Wasir told the media.

Forced opportunities?

Just as the government announced incentives, it has been aggressive with some import-heavy sectors. In October, the Ministry of Investment and Foreign Trade announced it would reduce the number of imported cars allowed from 10,000 units a month in 2024 to 8,000 in 2025. That move will invariably raise prices and complicate businesses that prioritize selling foreign-made vehicles.

Meanwhile, mobile phone imports have been nearly wiped out. In November, state-owned Ahram Online reported the official mobile phone import bill dropped “a staggering 99.9%” in the first half of 2024 due to the government’s clampdown the previous two years.

That fueled informal imports to satisfy unmet demand. CAPMAS reported overall mobile phone imports increased 6.4% in the first seven months of 2024 compared to 2023. That prompted the eight local mobile phone producers to “issue complaints to the government over not being able to compete due to both [higher demand for] imports and issues related to smuggling,” news aggregator Enterprise said.

Addressing the smuggling concern, the government announced in November that starting in 2025, mobile phones won’t work inside Egypt if individuals or companies — other than the locally registered dealership — import them and don’t pay 37.5% of their devices’ price in customs and taxes.

Part of that is increasing drilling for oil and gas. In September, the government awarded four exploration blocks to ENI, BP, Qatar Energy and Zarubezhneft. It also is running exploration bids in 23 blocks with a submission deadline set for February 2025.

The state also is investing in renewable power stations to supply the national electricity grid. According to Solar Quarter, a specialized news portal, the government has attracted $4.4 billion in investments to build renewable energy stations to generate 10,000 megawatts in 2025. The state’s long-term plan is to raise renewables’ contribution to the national grid from the current 20% to 42% by 2030 and 60% by 2040.

Ultimately, despite the government’s best efforts to create an ideal business environment for local and foreign manufacturers, realizing ambitious long-term manufacturing plans relies on how regional geopolitical threats develop in 2025. The World Bank stressed, “The uncertainty of the conflicts looms large over ... investments, heightening investors’ apprehension.”

Power to GDP

Supplying enough affordable natural gas and other fuels to new factories and expansions is essential for realizing the government's local manufacturing ambitions.

An S&P Global report in October said “Egyptian [liquid natural gas] LNG Q1 2025 procurement could tighten [the] European LNG market [as the country] will definitely look to buy more cargoes.”

That would invariably cause global energy prices to increase significantly throughout the year versus 2024. Further fueling that rise will be the premium Egypt pays to secure those LNG shipments. “The supply impact is still uncertain, given the premiums Egypt is paying for cargoes,” S&P Global said. “Europe may see strong bidding activity to remain competitive globally versus Egypt, Latin America and Asia over the full course of winter.”

Geopolitics also plays a role in LNG supply and, therefore, prices. “Israel is exporting 8 million cu m/d [cubic meters a day] of gas to Jordan and 30 million to Egypt,” Alija Bajramovic, senior research analyst for European and Russian LNG at Commodity Insights, told S&P Global. “Any disruption in Israeli production/exports would disrupt spot LNG markets without doubt.”

To reduce its dependence on imported fuel, the Egyptian government has been “working on alternatives that might help to diversify the country’s energy” suppliers,” noted research from the Tahrir Institute for Middle East Policy published in February.

LEADING THE PACK

South Africa has assumed the presidency of the G20, the first time an African nation has held the position. What might that mean for the continent?

by **Fatma Fouad**

Despite an increasingly fragmented world — both economically through trade barriers and politically through sanctions — there is a growing need for international cooperation and coalitions to drive investment and global economic growth.

"It is absolutely imperative that we strengthen global cooperation, and the multilateral trading system, reform development finance, address debt challenges, and scale up climate financing to help vulnerable countries accelerate towards a path of sustainable and inclusive growth," said Li Junhua, U.N. under-secretary-general for economic and social affairs, in January.

In December, South Africa became the first African country to lead the Group of 20 (G20), a coalition of the biggest developed and developing economies. Notably, South Africa is the fourth emerging market to assume the G20 presidency, which rotates annually. Its predecessors are Indonesia (2022), India (2023), and Brazil (2024).

"South Africa's presidency of the G20 in 2025 is a pivotal moment for the nation and the continent," said a November article by Africa Renewal, a UN publication. With the African Union's (AU) inclusion in the G20 in 2023, South Africa has "a historic opportunity to reshape global governance in a way that reflects the aspirations and challenges of the Global South," it said.

However, tt will be challenging for South Africa to introduce an agenda that caters to all interests. "Achieving consensus will be a diplomatic challenge for the first African country to hold the rotating G20 leadership position," David McNair, executive director for global policy at ONE, an advocacy, said in a December article published on Africa Policy Research Institute, a think tank.

The Big 20

In 1999, following the Asian financial crisis, the G20 was created as an informal forum for finance ministers and central bank governors of the most important industrialized and developing economies "to discuss international economic and financial stability," according to the G20 website.

The coalition includes 19 of the world's largest economies and two regional blocs: the European Union (EU) and the African Union (AU). Together, G20 members represent 85% of global GDP, 75% of international trade, and two-thirds of the world's population.

Every year, the Group's members meet for a two-day summit, trying "to solve the world's pressing economic problems" by getting members to reach an agreement, said the World Economic Forum in November.

A November article in Africa Policy Research Private Institute by Magalie Masamba, a law and policy adviser, stressed the G20's presiding country has the upper hand in setting the agenda, steering discussions, and pushing forward reforms that reflect global priorities.

Leadership benefits

Similar to the past two presidencies of Brazil and India, South Africa's leadership "again presents an opportunity for greater representation of developing countries in international financial decision-making processes," said Masamba.

Brazil and India "have sought to highlight the needs of emerging markets and developing economies through their agenda-setting role at the G20," said a February article by the Atlantic Council, an American think tank. Their agendas focused on food insecurity in developing economies.

This priority is crucial as 783 million people worldwide "faced chronic hunger in 2023, and most are in emerging markets and developing economies," according to the UN World Food Programme.

Brazil's term, which ended December 2024, prioritized several of the country's key concerns, including social inclusion and combating hunger and poverty; sustainable development; energy transitions; and climate action.

The G20 Rio de Janeiro leaders' declaration stressed G20 nations "share a collective responsibility for the effective stewardship of the global economy, fostering the conditions for sustainable, resilient and inclusive global growth."

South Africa has a massive opportunity to capitalize on its G20 leadership role in 2025 to achieve sustainable economic gains for itself and the whole continent. "South Africa's presidency is poised to have significant implications for the broader African region, particularly within the Southern African Development Community (SADC)," said Chrispin Phiri, spokesperson for the Minister of International Relations and Cooperation in South Africa.

He added that "The nation's strategic position within the G20 will enable it to lobby for policy gains that benefit South Africa, the SADC, and the entire continent."

South Africa already has strong ties with G20 members, which it can further bolster in 2025 to advance its agenda. "Trade with G20 nations already represents a significant portion of South Africa's economic engagement," said Sonja Boshoff, a Delegate to the South African National Council of Province in December. In 2023, agricultural trade between South Africa and the G20 market amounted to 55% of the former's total agricultural exports.

Boshoff noted that as a leader in producing minerals essential for eco-friendly (green) technologies, South Africa "should attract investment from G20 nations to modernize its mining sector." According to data aggregator Statista, in 2023, the domestic mining industry contributed approximately $11 billion to the country's GDP.

African debt

South Africa also has the opportunity to address issues across the continent. Danny Bradlow, senior research fellow at the Centre for Advancement of Scholarship at the University of Pretoria, highlighted in November that South Africa's presidency of the G20 "provides an opportunity to address some longstanding bottlenecks facing regional integration in Africa."

Addressing Africa's debt would be a crucial strategy for South Africa, Bradlow said. Notably, African countries' total external debt exceeded $1.1 trillion by the end of 2023. According to the African Development Bank Group (AfDB), African countries had to pay $163 billion to service those debts in 2024, compared to $61 billion in 2010.

Africa's debt has surged 183% since 2010, a rate nearly four times faster than the continent's GDP growth in dollar terms, according to the UN Conference on Trade and Development (UNCTAD)

Masamba said Africa's debt crisis threatens economic stability, growth and development. She noted that in 2023, over half of the low-income countries in Africa were experiencing debt distress or were at high risk of encountering it.

That signals the urgent need for comprehensive inclusive solutions the G20 could introduce to help ease debt pressures on African nations. An example could be the Debt Service Suspension Initiative (DSSI), established by the G20 under Saudi Arabia's leadership in May 2020, to help countries concentrate their resources on fighting the pandemic.

Masamba said South Africa will get to address Africa's sovereign debt crisis within the G20 agenda in a way that "promotes long-term economic stability and equity while pushing for innovative financing solutions."

African climate

Climate change is another topic South Africa and the AU could focus on in 2025 with the G20. According to the AfDB in October, "Although all continents are affected by climate change, the puzzling paradox is that Africa is disproportionately impacted despite being the least polluting region of the world, emitting just about 4% of total global greenhouse gas emissions."

Masamba said climate financing requirements "are projected to increase from $8.1 trillion to $9 trillion each year by 2030," stressing the need for financing solutions that consider debt sustainability and climate resilience.

Echoing the same concern, a press release by the AU in June said, "Africa only receives 3% of total climate finance." Thus, there is an urgent need to improve and streamline climate finance instruments and mechanisms to be more responsive and adaptable to better support African nations in their green growth ambitions, it added.

In 2017, the G20 showed interest in bolstering partnerships with Africa during Germany's presidency. At the time, the Compact With Africa (CwA) initiative was established to increase private investment through substantial improvements to macro, business, and financing frameworks, according to the World Bank.

The CwA brings together 13 African nations with the aim of improving economic conditions in member countries.

Consequently, Boshoff showed that leveraging G20 mechanisms such as the CwA "can secure financing for infrastructure projects essential for trade, such as modernizing ports, railways, and logistics networks."

Welcome, AU

Including the AU in the G20 in 2023 was a significant step, given that it represents 55 states with a combined GDP of $3 trillion and a population of 1.4 billion.

Accordingly, it has a significant opportunity to shape the summit's agenda. Elizabeth Sidiropoulos, chief executive of the South African Institute of International Affairs, said in an interview with CNBC, "South Africa's hosting of the G20 in 2025 amplifies the AU's influence in prioritizing Africa's needs, including poverty reduction and sustainable development.

The collaboration between South Africa and the AU should magnify the African continent's participation in discussions and agenda-setting. "Together, they can craft a G20 agenda focused on addressing the most pressing challenges facing Africa," said an August policy brief released by the Policy Center for the New South.

"Africa's G20 partners can and should be more innovative in their funding approaches to match Africa's infrastructure finance needs," reported African Business in December.

U.S. next in line

With the United States assuming the presidency in 2026 under a protectionist-leaning administration, "it will be important for South Africa to ensure that it consolidates positions of the Global South and hands over to the U.S. a solid legacy on issues to avoid the US and Global North diluting or undermining the whole agenda of the Global South," said David Monyae, director of the Centre for Africa-China Studies at the University of Johannesburg, in November.

In November, Brazilian President Luiz Inácio Lula da Silva told Deutsche Welle, a German media platform, that developing countries "cannot expect too much from the United States, especially under the next Donald Trump administration. The same applies to Europe."

Cyril Ramaphosa, South Africa's president, told the media in December that under Trump, who is likely to adopt an America First policy at the expense of international cooperation, the G20 should have sufficient "shock absorbers" to function effectively.

Ramaphosa stressed that he would elevate the impact of climate change on developing countries during South Africa's G20 presidency. That is primarily because "Trump has shown his disdain for international cooperation on climate issues."

Egypt-G20 relations

In 2025, South Africa's presidency of the G20 should bolster Egypt's efforts to strengthen favorable international relations. In November, Egyptian President Abdel Fattah el-Sisi underscored the significance of "joint work to put African development priorities on the international agenda and to achieve optimal benefits from the new African Union membership in the G20."

Egypt already has good relations with most G20 members. Trade volume between Egypt and G20 countries surged to $61 billion in the first nine months of 2024, compared to $55.6 billion during the same period in 2023, according to the Central Agency for Public Mobilization and Statistics (CAPMAS).

Italy is the largest importer of Egyptian goods, amounting to $2.9 billion in 2023, followed by Saudi Arabia ($2.4 billion), Turkey ($2.3 billion), the United States ($1.7 billion) and United Kingdom ($1.2 billion).

In addition, foreign investment in Egypt by G20 surged to $12 billion in FY 2022/2023, up from $8.7 billion in FY 2021/2022. The CAPMAS report also indicated that Egyptian investment in G20 countries reached $8.2 billion, compared to $7.9 billion the previous year.

Ultimately, Egypt's priority with the G20 in 2025 is to tackle the "challenges faced by developing countries in their endeavors to achieve the Sustainable Development Goals, particularly amidst the ongoing international political and economic fluctuations," Sisi said in November. "[It is of] critical importance to [achieve] solidarity and enhance cooperation to address these challenges."

BOREDOM **CREEPING IN?**

Do the outcomes from this year's UN Conference of the Parties meeting indicate world leaders are losing interest in committing to ambitious climate targets?

Compiled by **Tamer Hafez**

As benchmarks go, few match "1.5 degrees Celsius above pre-industrial levels." In 2015, the UN said that is the limit above which climate damage would be permanent. "1.5 degrees is not a target, it is not a goal, it is a physical limit," UN Secretary-General Antonio Guterres wrote in June.

In November, nearly 200 countries met in Azerbaijan for another U.N.-led Conference of the Parties (COP29) to discuss ways to keep that benchmark within reach. "The battle to keep global warming within 1.5 degrees Celsius has been a rallying cry for climate action for nearly a decade," Zahra Hirji, climate reporter at Bloomberg, wrote in November.

This time, governments are at an inflection point as "using a new technique for measuring the rise in temperatures suggests the world was already 1.49C hotter at the end of 2023," Hirji noted. If nothing changes, "the world is on track to warm roughly 3.1C before the end of the century."

Money for environmentally friendly projects continues to be touted as the silver bullet to maintain global warming under 1.5 degrees. Negotiators at COP29 agreed the world's top polluters should commit $300 billion annually until 2035 to protect low-polluting nations from climate change. That is triple the amount agreed to at COP27 in Egypt and COP28 in the U.A.E.

Yet, the new commitment is $1 trillion short of what emerging markets actually need annually, according to the World Resources Institute (WRI), a think tank. "Countries [should] explore ways to build on the $300 billion goal, including working with international financial institutions on further reforms, using innovative finance and capital enhancements, and … exploring feasible options for climate levies.

Even more worrisome, almost all COP29's other main talking points ended in disagreement, with this COP's presidency pushing topics to the 2025 conference and the multinational meetings held between now and then.

Egypt at COP29

At this year's COP, Prime Minister Mostafa Madbouly's keynote address highlighted Egypt's "environmental goals until 2050 alongside [the country's] sustainable development roadmap targeting 2030 and ongoing investments directed toward green transformation projects," SIS reported.

Egypt's flagship target is to generate 42% of the country's electricity needs from renewables by 2030. That would more than double the percentage in 2023.

Madbouly also highlighted government financing for public and private climate projects in water, food and energy under Egypt Vision 2030, announced in 2016, and the National Climate Strategy 2050, announced in 2022.

He stressed the importance of the Nouwfi Fund, created by the ministries of international cooperation and environment in 2022 to secure financing for local eco-friendly projects. As of November, "nine projects were selected in … water, food and energy, with estimated investments of about $14.7 billion," local media reported. Those projects are in "partnership with the European Bank for Reconstruction and Development, African Development Bank and International Fund for Agricultural Development."

They use "innovative financing mechanisms, whether debt swaps, grants or concessional financing for the private sector," a statement from the Nowafi Fund said.

Madbouly also criticized the lack of eagerness by wealthy nations to support COP27's Loss and Damages Fund, which "advances the global climate agenda" by offering money to less fortunate countries damaged by extreme climate events.

"African nations [had to] allocate up to 5% of their gross domestic product to address climate change," said Madbouly. That is not sustainable as it puts those less wealthy and fragile economies in a precarious financial position. "Developed countries must play the primary role of funding … fulfilling their pledges under the [UN Framework Convention on Climate Change (UNFCCC)] and Paris Agreement."

Lastly, he warned that "insufficient international financial and technical support [from wealthy nations] is hindering [the country's] ability to upgrade its energy infrastructure and meet its climate targets. Without increased backing, Egypt's Nationally Determined Contribution [a five-year progress report voluntarily submitted to the UN highlighting efforts to reduce greenhouse emissions] could be at risk."

All about money?

The highlight of almost all COP meetings is announcing a single dollar figure that wealthy nations would commit yearly to less fortunate countries. It is always "the center of attention," said the WRI. "The stakes [are] high, given how crucial external finance is for enabling … developing countries to transition to a low-carbon and climate-resilient path."

At COP29, the agreed amount was $300 billion annually by 2035, up from $100 billion paid yearly by wealthy countries from 2020 until 2025. "While $300 billion is triple the previous target, it is below [what] could have been reached," said the WRI. Its research estimates that based on multilateral development banks' future capabilities and expected capital injections, "this could potentially lift total climate finance … to $340 billion to $450 billion a year."

Yet, even in that best-case scenario, the amount falls significantly short of what developing nations need. Research from the High Level Expert Group on Climate Finance, a body announced at COP26, estimated that developing countries need $1 trillion by 2030 and $1.3 trillion annually by 2035 in climate finance.

The WRI explained that "within the [extra] trillion … around $500 billion needs to be public finance and around $500 billion private finance. A substantial amount of that private finance would need to be mobilized by public finance through instruments like guarantees or co-investments, which make investing in emerging markets and technologies less risky."

The WRI also stressed, "Much work is needed to ensure … countries' own resources and national development banks scale and align their financial flows with the goals of the Paris Agreement."

Looking to COP30 in Brazil, the WRI said, "countries must continue to follow through on [the $300 billion] commitment," as it will be effective starting 2026.

For Egypt, a low-middle-income nation by UN classification, the next COP could provide unprecedented green funding opportunities. COP30 will likely "offer opportunities to deepen discussions on debt in low and middle-income countries," the WRI said. That is a change from the focus on nations classified as "Least Developed Countries" or "Island Developing States" since COP26.

Global Stocktake & NDCs

Launched during COP28, the Global Stocktake "assesses collective [climate] progress against the Paris Agreement and lays out the next steps for implementation," the WRI said. It acts as a base point for countries that submit their five-year voluntary NDC progress reports and plans.

At COP28, the Global Stocktake focused on making a "historic call for countries to transition away from fossil fuels [and] scale renewable energy [by] cutting transport emissions and protecting forests."

COP29 should have focused on "how to take these groundbreaking outcomes forward," the WRI said. Yet countries were divided. Some saw no need to explicitly commit further to reducing their national carbon emissions, instead pledging to further scale their green finance. Other "countries argued that omitting explicit references to fossil fuels would be a troubling setback."

Accordingly, WRI believes the UNFCCC meeting in Germany in June, ahead of COP30, would "resume [those] discussions … with the aim of reaching a resolution by COP30."

Such agreement is vital as COP30 is when countries, including Egypt, submit their NDCs, which cover "economy-wide emissions reductions … transitioning away from fossil fuels and … significant action on renewable energy, transport, and forests."

The WRI believes COP30 negotiators may discuss adding "elaborating features for countries' new NDCs."

Carbon markets

COP29 saw progress in trading carbon credits, where eco-friendly companies and nations with low carbon footprints receive payments from top polluters in exchange for the latter operating as usual.

The updates involved how governments buy and sell carbon credits among themselves and with individual entities like corporations. The main change is that "trades cannot be retroactively changed," the WRI said. "If inconsistencies are found between the information provided about credits and a review by a technical body, then countries cannot use those credits toward achievement of their NDCs."

For COP30, negotiators should "iron out … a few issues" and clarify some standards that remained vague at COP29. "Despite the scope for further work, … countries can begin taking steps to trade [carbon] credits," the WRI said.

Those developments are good news for Egypt. In August, the Ministry of Investment announced the start of trading carbon credit on the country's first "monitored" voluntary carbon market — buying and selling carbon certificates and bonds. "This trading will create a compulsory market in the future with an increasing depth of demand and supply," Hassan El Khatib, minister of investment, told the media.

Adaptation

COP29 negotiators also discussed the often overlooked "Global Goal on Adaptation (GGA)." It "still hasn't been [fully] implemented," the WRI said. "COP28 yielded some results when countries agreed to a framework for global climate resilience that included a range of targets."

However, there was disagreement at COP29.

Developing nations want to include "means of implementation," including capacity building, and technology and knowledge transfer from wealthy to less fortunate countries, in the GGA goals. "Developed nations argue against it," the WRI said. "Ultimately, a compromise was reached to develop 'enablers of implementation' for adaption, which are not quantifiable."

At COP30, negotiations will likely set "no more than 100 globally and nationally applicable indicators [to] minimize reporting burdens and accommodate diverse national contexts," WRI said.

Working together

Negotiation progress regarding the Loss and Damages Fund, first introduced at COP26 and coming into the spotlight at COP27, stagnated at COP29. "Countries [could not] agree on key issues, … such as voluntary guidelines on incorporating loss and damage in NDCs or details of a proposed 'state of loss and damage' report," WRI said.

In the end, six nations pledged a combined $85 million to add to the $674.4 million already promised to the fund. "[That] is still a far cry from the $580 billion in yearly losses and damages anticipated in 2030," WRI said. "It will be important [in COP30] to verify that these pledges represent new and additional finance, rather than repackaging previous commitments."

Alternatively, "the last few years have seen a rise in 'cooperative initiatives' launched during COPs," WRI said. Those provide "opportunities outside the formal negotiations for governments, the private sector, cities, and others to work together to fight climate change."

COP29 saw the launch of the Declaration on Reducing Methane from Organic Waste, where over 30 countries "representing nearly 50% of all methane emissions from organic waste" joined.

Another is the "continuity coalition," which invites past COP presidencies and other international organizations to "ensure that sectoral pledges build upon one another and do not duplicate efforts," WRI said. They include work by UN-Habitat on urban climate change, the World Health Organization, and the UN Food and Agriculture Organization.

Like every year, much hangs in the balance until the next COP. This year will "test countries' willingness to rapidly slash emissions and build climate resilience," WRI said. In 2025, "global emissions need to be cut 60% below 2019 levels by 2035," it noted. "These steps are essential to accelerating progress toward a safe, more prosperous future for all."

To achieve that, WRI stressed, "Countries should rise to this level ambition, … backed by sectoral commitments, strong and effective policies, investment signals, and society-wide efforts to combat climate change and protect people from its impacts." ■

Market Watch
Stock Analysis

A multi-year winning streak

From Nov. 15 to Dec. 15 showed mixed performance of both market's leading indices, with EGX 30 falling 2.2% while EGX 70 EWI rising 2.5%. Regardless of the direction, the Egyptian stock market was on its way to delivering yet another year of strong performance across its major indices. By ending 2024 in the black, EGX 30, EGX 70 EWI, and EGX 100 EWI would be marking their 4th, 5th, and 6th positive years in a row.

There are two versions of this story, given the pound has fallen nearly 38% in 2024. For one, the market indices have, so far, reported positive double-digit returns in terms of Egyptian pounds. EGX 30 rose 24%, EGX 70 EWI rose 57%, and EGX 100 EWI rose 49.5%. Alternatively, in dollars all recorded losses (-23%, -2%, and -7%, respectively). In the last 4 years, the cumulative performance of EGX 70 EWI (up 302%) has dwarfed that of EGX 30 (up only 184%).

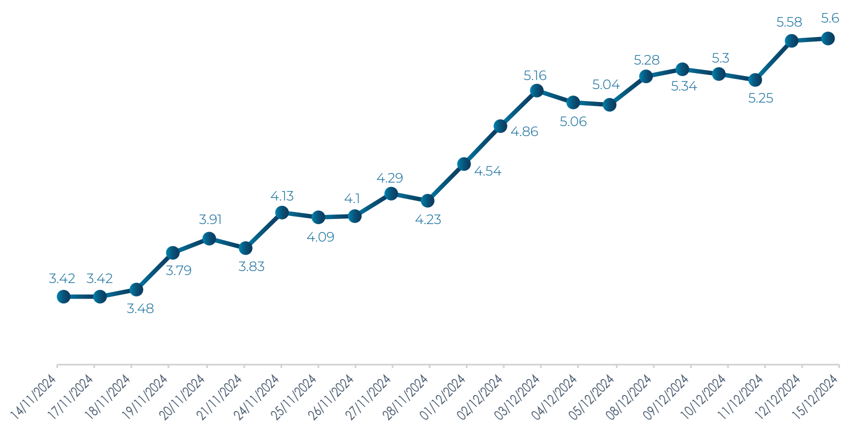
Stock performance during the period was led mainly by small caps, such as pharma, exporters, and banks. Within pharma, as companies start to benefit from higher medicine prices, stocks such as Arab Drugs (ADCI, up 32%), Minapharm (MIPHm, up 21%), and Cairo Pharma (CPCI, up 17%) registered double-digit rates of return. Meanwhile, exporters like KABO (KABO, up 33%), Dice Sport & Casual Wear (DSCW, up 18%), and Arab Dairy Products (ADPC, up 17%) may have been buoyed by a stronger U.S. dollar versus the Egyptian pound, rising 2.5% in December.

Other gainers included banks, such as Suez Canal Bank (CANA, up 19.5%), that may have been brought back into the limelight because of the latest initial public offering (IPO) of The United Bank (UBEE). Marking EGX's second and last major IPO in 2024, the Central Bank of Egypt (CBE) sold 30% of its stake in UBEE for EGP13.85 a share. By the end of the period the stock was up 3.7% at EGP14.36, having hit an intraday high of EGP15.23 (10% above IPO price) on its first day of trading on Dec. 10.

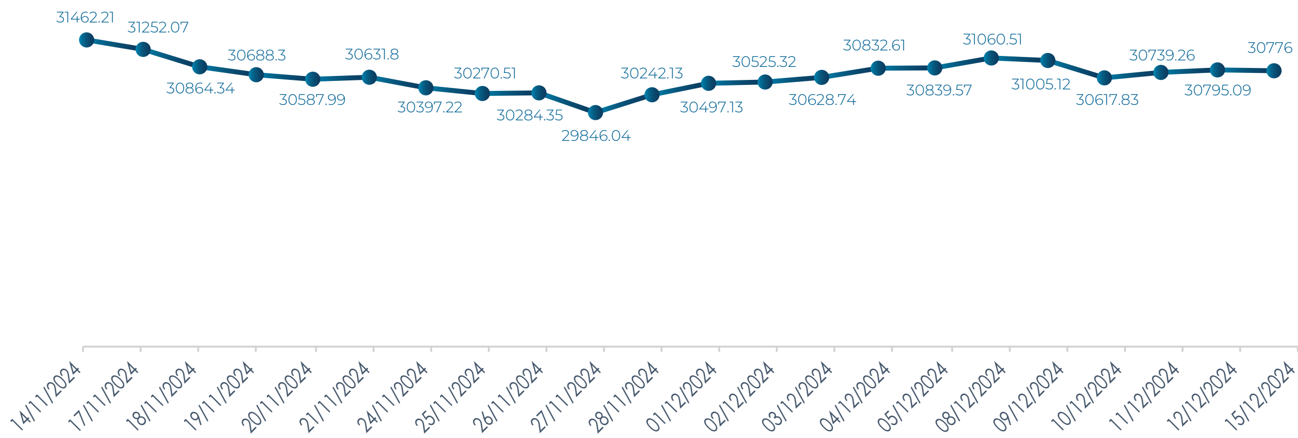
This leaves investors looking forward to new IPOs in 2025, especially after the Egyptian government slated at least 10 companies to be floated in the new year. Elsewhere, the CBE continued to stay put and hold on to interest rates through the end of 2024, leaving room for a more dovish monetary policy in 2025 as inflation pressures ease.

Sharkia National Co. for Food Security (SNFC)

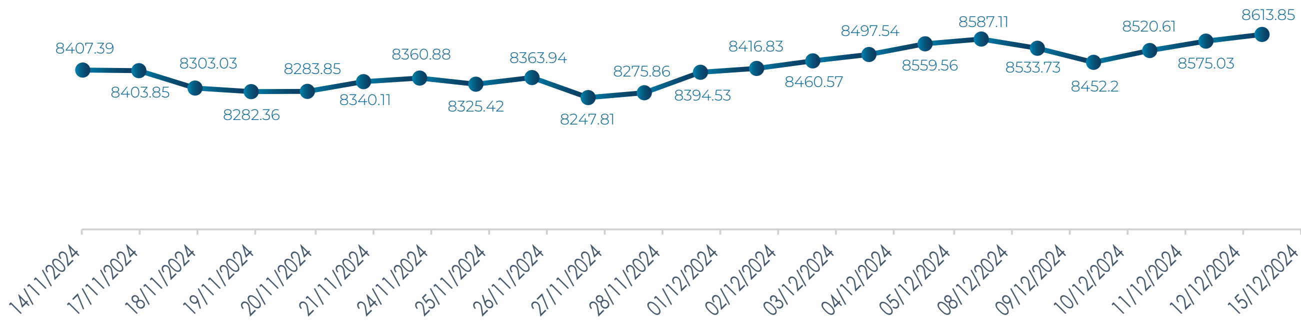
Shares of Sharkia National Co. for Food Security (SNFC) delivered a stellar performance during the period (up 64%), year-to-date (up 705%). SNFC manufactures and sells poultry and animal feed, rents its refrigerators, and operates a Petromin gas station. It expanded, adding a protein powder production center from poultry slaughterhouse waste, a dry port for storing containers, and a frozen fruits and vegetables production line. Nasser Social Bank is its major shareholder with a 10.8% stake, but an individual shareholder has raised his stake from 7.6% to 9.5% recently. The company reported a 76% lower net loss in its 9-month period of EGP1.5 million. The company denies material events.



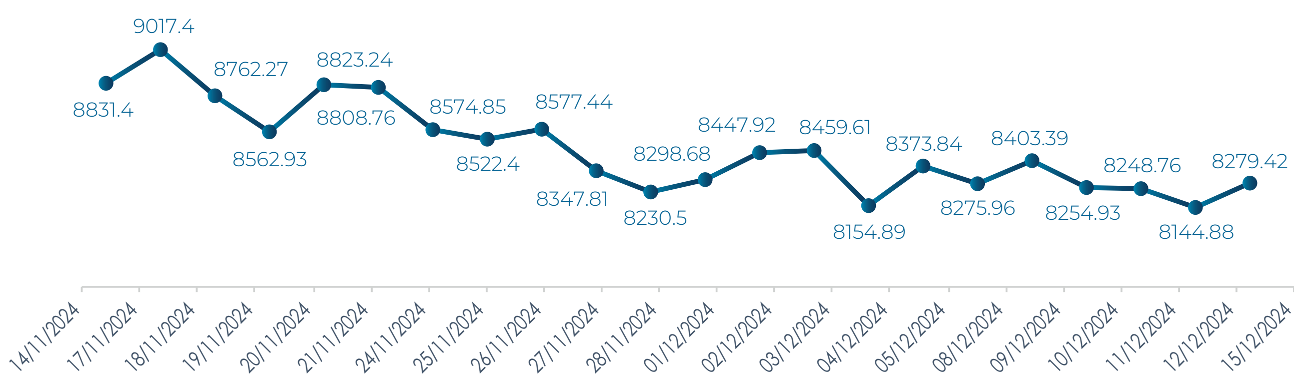
EGX 30



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.

INVESTING, AMID UNCERTAINTY

Trade is essential for Egypt's economic security. A World Trade Organization report forecasts global trends, flows and routes in 2025.

by **Rania Hassan**

It seems like everything that can hurt global trade started after COVID-19 forced many countries to shut their borders for most of 2020 and early 2021. In the three years following their reopening, international trade has witnessed mounting risks from wars in the Middle East, Ukraine and countries seeking to expand their influence over the Red Sea and Gulf of Aden.

The World Trade Organization (WTO) Global Trade Outlook said threats in 2025 will be diverse and intertwined, ranging from "regional conflicts, geopolitical tensions and rising protectionism" to inflation, consumption and countries' monetary policy strategies.

"There is a high degree of uncertainty associated with the current forecast due to the large number of risk factors present in the global economy," said the WTO.

That has not stopped Egypt from investing heavily in upgrading its trade infrastructure and announcing plans to reform laws and regulations. The ultimate goal is to "reinforce Egypt's standing as a regional and global investment and trade hub," Hassan El Khatib, the Minister of Investment, told Parliament in December.

Building local capability

Accounting for over 40% of GDP, according to the World Bank, trade is essential to Egypt's economy. The benefits are not limited to imports and exports, but extend to collecting passage fees from cargo freighters using the Suez Canal, which ranks among the top four sources of dollars, along with exports, remittances, and tourism.

Throughout 2024, the government invested in upgrading Egypt's trade-related infrastructure. In February, it announced a list of 11 cities to build "public free zones" where any qualified business can operate. "The list includes land plots in 10th of Ramadan, New Alamein, Sadat City, New Borg El Arab, New October, New Obour, New Sohag, New Beni Suef, New Aswan, New Tiba and Capital Garden City," the Cabinet's Facebook page said.

In April, the Ministry of Transport and Industry said it is building seven logistics corridors to connect industry-heavy regions with seaports on the Red Sea and Mediterranean. Those new routes include adding trade corridors connecting Cairo, Alexandria, and Aswan. There also will be connections among Red Sea ports in Ain Sokhna, Safaga and Taba with ports along the Mediterranean as well as industrial zones in remote areas of the Eastern Desert.

In addition, the government announced it wants to increase the country's road network by 50% by 2030. Those roads would include "constructing 34 new corridors across the Nile River, up from 13 currently in use. Currently, over 95% of domestic cargo movement uses roads.

In November, the government announced a "roll-on/roll-off" line, where cargo shipments use Egypt as a transit station, moving inland without any stoppages from one port to another. "The launch of this service marks a pivotal moment in Egypt's strategy to become a regional logistics and transportation hub linking Europe and Africa," said a Cabinet statement.

In December, Hassan El-Khatib, minister of investment and foreign trade, announced reforms that aim to "reduce customs clearance time to just two days ... to streamline trade processes and facilitate smoother operations for businesses," reported the State Information Service.

El-Khatib added he plans to "enact legislative reforms to customs, and import and export control laws to simplify trade regulations" and would "soon implement the refund of export burdens to eligible businesses," a move meant to enhance productivity and competitiveness].

"These reforms are expected to improve Egypt's position in global trade indices," said a report from Naeem Brokerage. "The integration of the investment and foreign trade portfolios into a single ministry reflects the government's commitment to fostering synergies between investment and trade for sustainable economic growth."

Uncertain times

Egypt's investments to bolster trade competitiveness come amid worrisome global trends and forecasts. Rising prices of goods and services have hurt global trade flows since 2020. "Macroeconomic conditions and the war in Ukraine dictate that inflationary pressures would constrain real wages and incomes ... particularly in advanced economies," the WTO report said.

Further suppressing global trade is the fact that central banks are combating inflation by raising interest rates to encourage saving over consumption, the report said.

Geopolitical tensions also have influenced trade. The war between Russia, a top grain and oil exporter, and Ukraine, known as "the world's bread basket," has caused wealthy Western superpowers to prohibit trade with Russia and impose strict limitations on its allies.

Meanwhile, the Middle East is on the brink of regional discord, fueling fears the Red Sea is no longer a safe route for cargo freighters. That is further compounded by brewing tensions in Egypt, Eritrea and Somalia versus landlocked Ethiopia, which has allied with Somaliland, a breakout region of Somalia, and established permanent ports in Djibouti to control cargo movement in the Gulf of Aden and Red Sea.

The WTO said those geopolitical tensions cause "fragmentation in trade flows, with exports and imports reorienting along geopolitical lines, [increasing] trade policy uncertainty."

That trend was evident when the WTO report divided countries into hypothetical blocs based on voting patterns in the U.N. General Assembly. Results show trading across blocs has slowed by 4% compared to trade within the blocs, the WTO said.

Currently, this "fragmentation" is not geographic as "data do not show any increasing trend toward regionalization or near-shoring of trade," the report said.

Costlier trade

The WTO report singled out disruptions in the Red Sea as likely to have the biggest impact on global trade in 2025, as it accounts for 15% of international cargo. Those disruptions affect freighters traveling between Asia and Europe the most, as the Suez Canal accounts for 12% of global trade and a third of the two continents' container shipping.

The WTO estimated that since attacks on ships started in October 2023, the average number of weekly passages along the Red Sea declined 45% in February. Meanwhile, monthly volume of shipments through the Suez Canal has fallen 54%.

Freighters abandoning the Red Sea route are taking the longer Cape of Good Hope journey around the southern tip of Africa. "Rerouting increases the average distance of voyages between Asia and Europe by more than 55%." That causes delays of six to 25 days, with 17 on average, the WTO said.

The longer route means higher shipping costs. The WTO said carriers abandoning the Red Sea have seen costs increase 270%. However, the report stressed those hikes are "contained" as once the initial shock was over, shipping prices stabilized at higher thresholds.

The new shipping rates are not exceptionally high, "less than one-third those seen after the Ever Given grounding or during the post-COVID-19 recession."

However, a breakdown shows divergence. Freighters carrying dry containerized bulks, such as grains and solid nonperishable products, have seen shipping costs “remain 40% lower than costs observed after the Suez Canal grounding.” However, tankers carrying perishables and liquid shipments like fuel and liquified natural gas “remain more than twice as high as the levels observed during the grounding.”

The WTO partly attributed the overall limited increase in maritime freight costs to some companies temporarily switching to rail or air transport.

That switch didn’t impact land and air freight costs for long, either. “Air cargo freight experienced a brief but significant increase in December 2023, followed by a substantial reduction in January 2024, reaching a slightly lower level than the costs observed in October 2023 before the attacks.”

Also curbing overall maritime freight cost hikes in 2023 and 2024 was “weak consumer demand and existing ... stocks,” the report said.

Stable energy prices were another factor that kept shipping cost hikes in check. “Despite the rerouting of some petroleum tankers ... crude oil prices have remained relatively stable in the weeks following the attacks in the Red Sea,” the WTO report said. “Similarly, the global price of natural gas has not shown any impact, as prices have actually decreased following the attacks in the Red Sea.”

Meanwhile, global ship production increased 8% in 2023 in response to more cargo ships staying longer at sea — taking the longer routes — potentially causing bottlenecks at ports. “This surplus should help mitigate potential bottlenecks in the availability of container ships,” the WTO said.

Uncertain forecast

The WTO’s headline forecast is that global trade volumes will grow 2.6% and 3.3% in 2024 and 2025 after shrinking by 1.2% in 2023. That uptick is because global inflation should “gradually abate, allowing real incomes to grow again ... boosting consumption of manufactured goods.”

The biggest uncertainty in the forecast is “unclear long-term consequences” of ongoing disruptions in the Red Sea. “Although the frequency of attacks on commercial ships in the Red Sea and the Gulf of Aden has fallen significantly ... an increasing number of shipping operators have suspended transit in the region,” said the WTO.

Those decisions will affect global industries and economies differently in 2025. “While the economic impact of the Red Sea crisis has so far been relatively limited, some sectors, such as the automotive industry, fertilizers, and retail, have already been affected by delays and freight cost hikes.”

The WTO said forecasting what will happen next in the Red Sea “will depend on the duration and severity of the attacks." That will be hard to predict, as they are linked to political and ideological decisions, not economic ones.

Board members of shipping companies also will influence global trade in 2025 like never before. “The decisions made by the shipping companies regarding the risks and costs associated with traveling via the Red Sea or diverting their vessels” will be another unpredictable factor.

Nevertheless, next year will likely witness significant changes to global trade flows and routes. “Shipping operators may choose to optimize their routing schedules by minimizing the time spent at sea,” the report said. “This could involve reducing the number of voyage combinations or adopting new route models.”

Meanwhile, the WTO report said countries benefiting from the current rerouting would likely “enhance the capacity of [their] alternative modes of transportation, addressing current limitations and offering more competitive freight costs” to ensure freight carriers continue to use them even after disruptions around the Red Sea subside. ■

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Customs & Taxation

25 November

Trade facilitation: developments and updates

On Nov. 25, the AmCham Customs and Taxation Committee hosted a session addressing "GOEIC: Trade Facilitation Latest Developments and Updates" with guest speaker Essam El-Naggar, chairman of the General Organization for Export and Import Control (GOEIC).

During his remarks, El-Naggar said GOEIC streamlines trade processes, encourage Egyptian industries, and improves the competitiveness of Egyptian exports in global markets.

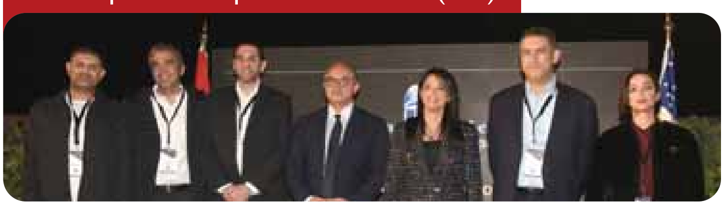
He emphasized the authority's commitment to consumer protection and safeguarding Egypt's status by ensuring rigorous inspection of imports and exports through its network of internationally accredited laboratories. These labs include industrial, food and chemical facilities strategically located near major seaports and operate to the highest global inspection and sample analysis standards.

El-Naggar also highlighted GOEIC's efforts to align with Egypt's digital transformation agenda by enhancing efficiency and accelerating procedures. That includes supporting Egypt's shift to a green economy and reducing carbon emissions. Key initiatives are the Carbon Measurement Certification Unit, biodegradation laboratories, and energy efficiency testing labs, which align with Egypt's National Climate Change Strategy 2050 and the Vision 2030 Sustainable Development Strategy.

Furthermore, El-Naggar announced GOEIC's upcoming comprehensive risk management system implementation. The project will focus on digitizing current processes, incorporating artificial intelligence and machine learning technologies, and enabling real-time product tracking.

He also discussed integrating GOEIC's laboratory systems through a laboratory information management system (LIMS) to ensure connectivity and data-driven efficiency.

Entrepreneurship and Innovation (EIC)



27 November

Celebrating the relaunch of EIC

On Nov. 27, the AmCham Entrepreneurship and Innovation Committee successfully launched its inaugural “networking reception,” a significant milestone in the mission to enhance collaboration between corporations and startups. The event welcomed esteemed figures from the business community, including Rania El Mashat, minister of planning, economic development, and international cooperation, and Mohamed Farid, chairman of the Financial Regulatory Authority.

The objective was to officially relaunch the Entrepreneurship and Innovation Committee. During the reception, the committee’s goals were presented to the attendees. The committee will advocate for supportive policies by engaging with policymakers to create an environment conducive to entrepreneurship and investment in Egypt.

Additionally, the committee aims to build strategic connections among entrepreneurs, corporations, investors, and regulators, ensuring innovative ideas receive the support they need to flourish. The committee will provide a platform for scale-ups and venture capitalists to connect with industry leaders across various sectors through events, including networking opportunities, knowledge-sharing sessions, and roundtable discussions.

This reception marked a vital step in building a robust network supporting entrepreneurial initiative growth, emphasizing the committee's role in fostering collaboration and attracting investment.

Marketing

28 November

Understanding markets and customers

AmCham's Marketing Committee sponsored a Nov. 28 session titled "Decoding Human Behavior in Egypt: Understanding Markets and Customers. Speakers were Nihal El Koussi, managing director of North Africa and the Levant, NielsenIQ; Baheya Obeid, AMESA beverages sector insights director, PepsiCo; and Leena Faheid, media, analytics, and insights head, Procter & Gamble.

They agreed inflation continues to fuel FMCG revenue growth, while volume increases were modest in the third quarter of 2024. However, El Koussi said prolonged inflation created a dilemma for consumers — indulgence and excitement vs. affordability.

Top concerns setting the spending tone for 2025 include food prices, economic downturns, global conflict/crisis escalation, and utility bills —- 39% stopped buying non-essentials, 35% shopped more often at discount/value/lower-priced stores, and 34% chose lower-priced options.

Nevertheless, they seek new tasty and healthy foods, small luxuries, and discounted products. El Koussi said global trends influencing locals include nutritious products, value packaging, social media spending behaviors, and acceptance of AI.

Obeid said inflation, geopolitical crises, and climate change have redefined "value" to include emotional fulfillment. She forecasts strong affiliation with brands representing value and abandonment of those who don't.

Convenience dominates — 55% of Egyptians prefer easy-to-prepare food, she said, adding Generation Z redefines competition through digital platforms, with influencers and social media as critical engagement points.

Faheid said Egyptians rely heavily on TV (97%) and the internet (72%) for information, with Snapchat and TikTok usage rising among younger audiences. Social media plays a significant role in purchase decisions, with 60% of online users researching these platforms. Podcasts are rising, and TikTok is becoming a preferred platform for product reviews. Gaming is a significant trend, with 87% of Egyptian internet users engaging in video games. As key purchase drivers, consumers prioritize free delivery, cash-on-delivery options, and discounts.

Human Resources

5 December

Transforming communication, engagement

The HR Committee hosted a session Dec. 5 titled "Unlocking HR Potential: Transforming HR Communication and Engagement," with guest speaker Heba Selim, senior strategic communication consultant and trainer. The discussion highlighted the importance of persuasion and relevant topics, including stakeholder mapping.

Selim began by explaining the significance of identifying key company stakeholders, assessing whether they can help or hinder the organization, and determining how they can contribute to achieving the HR goals. There are three categories of stakeholders. The primary stakeholders are the employees, the CEO, and the government. Secondary or intervening stakeholders, such as unions, can influence primary stakeholders. Tertiary stakeholders are organized groups such as associations and councils.

Selim also analyzed stakeholders based on their level of power and interest. She emphasized that influencing stakeholders requires persuasion through exposure to the public, media, public officials, leaders, and activists.

The second half of the session introduced methods of exposure and persuasion to convince the different stakeholder categories of HR goals, navigate the challenges that may arise, and play a role in setting bigger goals and the agenda. Positive exposure is directed toward primary and secondary stakeholders. As for persuasion, Selim introduced the persuasion toolbox, including WIFM (what is in it for me), creating a "we-ness" rapport, logical numbers, projected passion/energy, competency, trustworthiness, shock factors, case studies, and motivation.

Selim defined persuasion as "the process of guiding people toward adopting a belief, an attitude, or a behavior." She highlighted the importance of using logic and emotions to appeal to values, beginning with identifying stakeholders and then proactively persuading them.

Digital Transformation

8 December

AI strategies and cybersecurity regulations

The Digital Transformation Committee hosted a session Dec. 8 addressing "Accelerating Digital Transformation: AI Strategies and Cybersecurity Regulations." Guest speaker was Pastora Valero, senior vice president for international government affairs at Cisco.

Valero highlighted Cisco's efforts to support Egypt's digital transformation, including investments in infrastructure, partnerships with government and private entities, and initiatives like the Country Digitization Accelerator program. The discussion delved into Egypt's readiness for AI adoption, pointing to progress in areas such as broadband expansion, the push toward 5G, and initiatives to improve connectivity.

He said challenges include infrastructure gaps, policy frameworks, data privacy, and sovereignty regulation. Valero highlighted the importance of partnerships, stressing collaboration between industry and government to scale up AI use cases, particularly government, healthcare and education services.

The global context of AI regulation and governance was also discussed, including implications of the EU's AI Act and how Egypt can position itself as a competitive player in the region.

He also shared insights from other countries like Saudi Arabia and the U.A.E., showcasing how regulatory frameworks, investments, and incentives can attract AI startups and foster innovation. Valero emphasized that Egypt has the potential to lead in the region but must continue to address gaps to attract global investment and fully realize the benefits of AI and digital transformation.

The session concluded with a call for greater collaboration and scaling up workforce training to bridge gaps in AI literacy and readiness across sectors.

Customs and Taxation

9 December

Navigating recent tax reforms

On Dec. 9, the AmCham Customs and Taxation Committee hosted a Special Breakfast Briefing on “Navigating Recent Tax Reforms and Their Impact on Business” with guest speaker Sherif El Kilany, vice minister of finance for Tax Policies.

The session underscored the government’s focus on tax reform and addressing challenges investors face as part of a broader national agenda to encourage investment and stimulate economic growth.

El Kilany announced the release of a comprehensive tax policy document for public consultation.

This initiative ensures inclusive and transparent policymaking by incorporating diverse stakeholder perspectives. Reflecting on extensive field studies, the Egyptian Tax Authority has launched its first wave of tax facilitation measures to alleviate burdens on taxpayers. Community dialogues have complemented these efforts to align these measures with the unique needs of various sectors.

The vice minister emphasized the upcoming tax facilitation package is tailored to address the diverse needs of the taxpayer base. Key features include simplified electronic filing of tax returns, revised penalties for struggling taxpayers and streamlined tax audit procedures.

Another significant initiative targets businesses with annual revenues below EGP 15 million, introducing an integrated tax framework encompassing income tax, VAT, stamp duties and development fees. This system offers incentives and exemptions to enhance clarity, define obligations, and encourage compliance.

Looking ahead, El Kilany assured attendees that additional incentive packages are under development and will be shaped by ongoing dialogue with the business community. These measures aim to balance upholding state revenues and supporting taxpayers and investors.

The session highlighted the Ministry of Finance’s dedication to fostering a robust and transparent tax system, aligning with Egypt’s Vision 2030 and the country’s strategic goals of economic modernization and investment attraction.

Marketing

15 December

Revolutionizing the client-agency dynamic

The Marketing Committee hosted a Dec. 15 session addressing "AI-Powered Creativity & Productivity in Marketing: Revolutionizing the Client-Agency Dynamic" with guest speakers Moataz Kotb, managing partner, Cultark, and Mohamed Salah, regional head of digital marketing, Microsoft. The session focused on the transformative potential of AI in reshaping marketing practices, improving operational efficiency, and redefining collaboration between clients and agencies.

Speakers highlighted how AI tools like Microsoft CoPilot, LAILA, and Leonardo drive creativity and productivity by automating complex tasks, such as generating campaign briefs, creating visual assets, and producing content for various platforms.

Salah shared examples of AI tools reducing production timelines and increasing cost efficiency, such as making a "winter wonderland" campaign for Egypt using AI-generated content. These tools enable marketers to focus on strategic decision-making while AI handles operational execution.

The session also explored AI in market and consumer research. By transitioning from traditional research methods to AI-driven tools, businesses can access real-time insights, define target personas, and tailor campaigns more effectively. The integration of AI in operations was also discussed, with case studies on its use in the aviation, healthcare, and energy industries.

Collier and Khan said LAILA facilitates the rapid development of functional prototypes by capturing real-time market insights and consumer feedback. This tool exemplifies how businesses can move from concept to execution with unprecedented speed, helping organizations of all sizes launch products and services effectively.

CIS

15 December

The path to green transition

The CIS Committee hosted a session Dec. 15, titled, "The Path to Green Transition," with guest speakers Dalia Abdel Kader, chief sustainability officer at CIB, and Saad Sabrah, country head for Egypt at the IFC. The discussion highlighted the importance of sustainability and green finance.

Abdel Kader began by explaining the significance of sustainable finance and value creation, emphasizing that sustainability is not merely about compliance. Sustainability is a “megatrend” representing fundamental change, bringing opportunities and challenges.

For industries and corporations, it is about internalizing the concept of ESG (environmental, social and governance) and understanding its impact on their sectors. Abdel Kader illustrated CIB’s sustainable finance strategy as an example of leveraging ESG dimensions to achieve compliance for value preservation, growth for value creation, and trendsetting/future-proofing for value acceleration.

Sabrah presented the perspective of the IFC, outlining how Egypt can implement greening both horizontally and vertically. He discussed where green initiatives are headed in Egypt from the perspective of a development finance institution. The answer is divided into three layers: policy, market (identifying the key sectors that will drive the green transition) and companies.

The discussion highlighted the importance of an interdisciplinary approach, such as integrating environmental experts within financial institutions. It emphasized the role of innovative financial instruments like green bonds and capacity-building efforts.

The discussion also advocated ecosystem-based approaches, combining the efforts of academia, policymakers, financial institutions, and the private sector to de-risk and scale projects. Additionally, it addressed challenges such as cost, cultural shifts, and the need for new business models to adapt to climate-related risks effectively.

Special Roundtable Meeting

18 December

Vaccine Manufacturers Alliance offers update

On Dec. 18, AmCham Egypt and the Egyptian Vaccine Manufacturers Alliance (EVMA) hosted a special roundtable meeting to raise awareness about EVMA's efforts to advance vaccine manufacturing and availability and enhance export capabilities. The meeting brought together key stakeholders, including Dr. Ayman Khatib, vice president of the Egyptian Drug Authority, and Dr. Hesham Badr, vice chairman of the Unified Procurement Authority, along with representatives from the International Finance Corporation (IFC) and African Export-Import Bank.

EVMA is a strategic initiative to boost vaccine production and support public health across Africa. It involves partnerships with the Unified Procurement Authority, the Ministry of Health and Population, the Egyptian Drug Authority, local manufacturers, and international organizations. The Alliance's Economic Partnership Contracts Program is a legislative effort to localize vaccine manufacturing.

The economic participation concept focuses on several key areas. It assesses companies for government contracts based on their potential to enhance local manufacturing by encouraging investments in new facilities, advanced technologies, and improved infrastructure. It emphasizes workforce development, urging companies to invest in training programs to empower the local workforce and reduce reliance on foreign skills.

Additionally, it promotes exports, incentivizing companies to pursue export opportunities and positioning Egypt as a regional vaccine production hub. Finally, it aims to ensure the long-term sustainability of the vaccine manufacturing industry by aligning private sector goals with national interests, creating a resilient production sector capable of meeting Egypt's and the continent's needs for years to come.

The discussion also highlighted the importance of human resources, technology transfer, and research and development (R&D) as essential pillars for the growth and localization of the vaccine industry.

Closed Roundtable Meeting

19 December

Meeting the Waste Management Regulatory Authority

AmCham hosted a closed roundtable meeting with the Egyptian Waste Management Regulatory Authority (WMRA) to deliberate on the draft law for implementing Extended Producer Responsibility (EPR) in Egypt. The meeting is part of ongoing discussions between the WMRA and the private sector to design a practical framework that aligns with global sustainability mandates.

EPR extends producers' responsibility to end-of-life management of their products, creating a more sustainable waste management system. Since 2019, the WMRA has been mapping waste categorization and recycling infrastructure, setting the stage for the EPR framework. The draft law prioritizes packaging, tires and electronic waste due to their significant environmental impact.

A phased approach is planned, beginning with prepackaged goods, followed by service packaging. The decree, expected in January 2025, will require producers to register their waste data for 2024 and pay a registration fee to fund data analysis and infrastructure development. The system will be managed by a third party, with oversight from an advisory board comprising government, private sector and operator representatives.

The roundtable underscored the importance of public-private collaboration to address systemic challenges in waste management. By incorporating stakeholder feedback, Egypt's EPR framework can drive sustainability while fostering economic growth. The discussions reflect AmCham's commitment to supporting its members in navigating regulatory developments and contributing to Egypt's environmental goals.

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ALDAU Development is pleased to offer AmCham Members a 15% discount on the hotels listed below.
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AmCham members can claim these discounts by presenting their AmCham 2025 membership card.

For more offers, please visit AmCham Cyberlink on www.amcham.org.eg

A Glance At The Press

I don't have toys, wait until the end of the month when I receive my salary

Al Masry Al Youm, Dec. 22

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.

The Tale of Daye's Family' entered Berlin Film Festival

Egyptian film "The Tale of Daye's Family" (Daye: Seret Ahl El Daye) will compete at the 75th Berlin International Film Festival scheduled for Feb. 13-23.

The film will be shown in the Berlinale's Generation category. The Egyptian-Saudi co-produced effort is among 15 international films in the segment announced Dec. 17.

It premiered as the opening film for the fourth edition of the Red Sea International Film Festival in December.

Directed by Egyptian filmmaker Karim El-Shenawy and written by Haitham Dabbour, "The Tale of Daye's Family" tells the story of an 11-year-old albino Nubian boy who wants to embark on a magical journey from southern to northern Egypt with a dream of becoming a singer.

The film stars Saudi actress Aseel Omran, Sudanese actress Islam Mubarak, and Egyptian actors Haneen Said and Badr Mohamed.

Ahram Online, Dec. 18

Ancient artifacts recovered from Ireland

Egypt successfully repatriated a collection of ancient artifacts from Ireland in December, following the recent visit of President Abdel Fattah el-Sisi to Dublin.

The artifacts had been stored at University College Cork since the 1920s. They include a painted wood coffin containing the remains of a mummy, a set of limestone canopic jars and pieces of cartonnage.

This return marks the culmination of more than a year and a half of negotiations and cooperation between Egyptian and Irish authorities.

"The return of these priceless artifacts not only restores a part of Egypt's legacy but also reinforces the shared respect for cultural heritage between Egypt and Ireland," said Minister of Tourism and Antiquities Sherif Fathy.

Mohamed Ismail Khaled, secretary-general of the Supreme Council of Antiquities, said the recovered items have been taken to the Egyptian Museum in Cairo for restoration, adding they will be featured along with other repatriated artifacts in a special temporary exhibition.

Ahram Online, Dec. 13

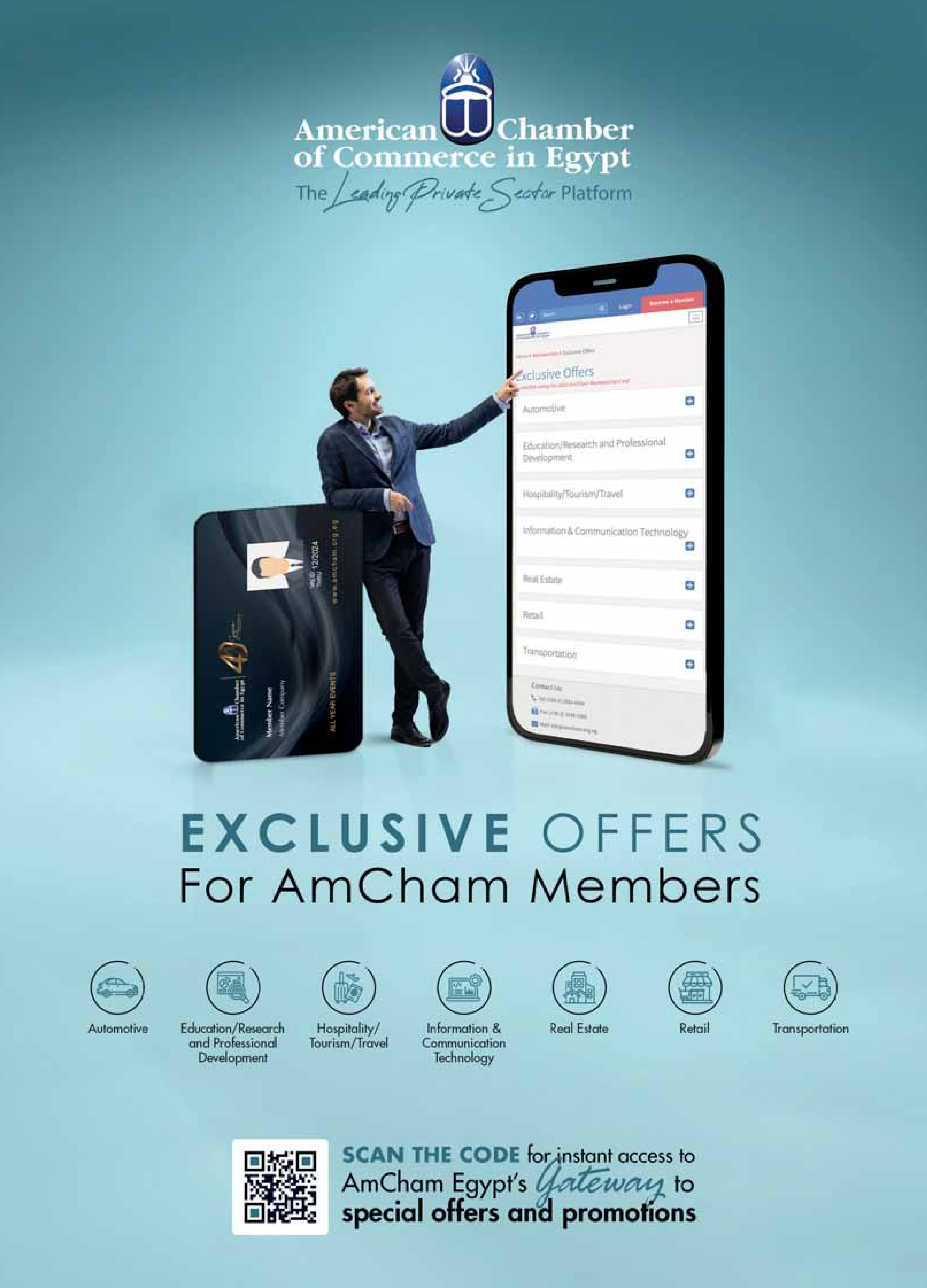
Student discount startup secures funding

Student Malak El Leithy has secured EGP 1 million ($19,600) to support Youth, Egypt's first student discount platform. The app offers students exclusive discounts across various sectors, including fitness, dining, shopping, and entertainment. The platform has more than 60 brand partnerships.

This funding came on the sidelines of the Egyptian student entrepreneurship show Gen-Z, to which 25,000 students from 39 universities applied to showcase their innovative ideas.

After traveling to the U.K. and Netherlands, El Leithy wanted to localize the idea of student discount applications in Egypt. "I found myself using these apps for almost everything I bought," she said. "I kept wondering why it didn't exist in Egypt - so I decided to do something about it."

Cairo Scene, Dec. 6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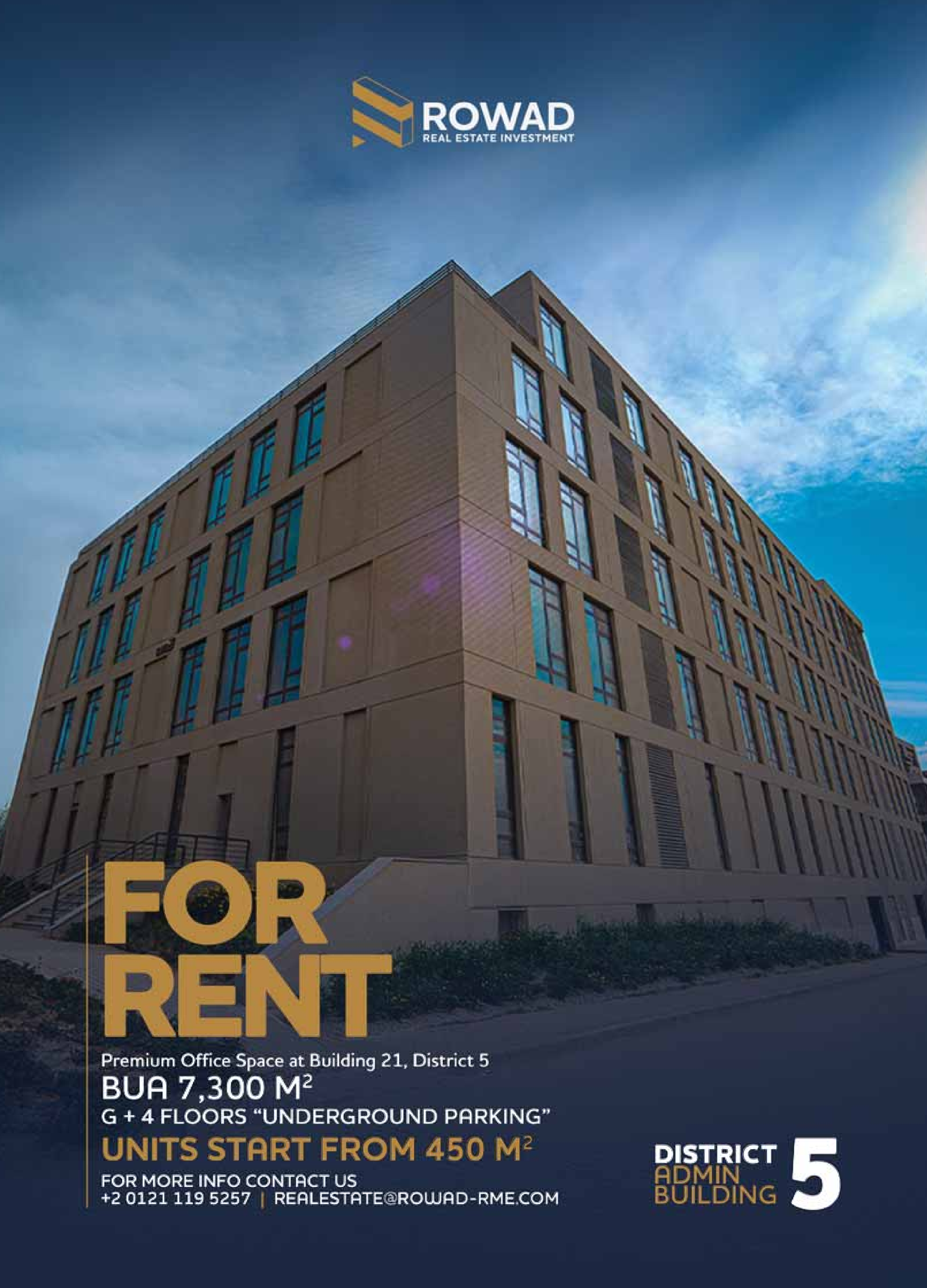
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