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THE JOURNAL OF THE AMERICAN CHAMBER OF COMMERCE IN EGYPT

January 2023

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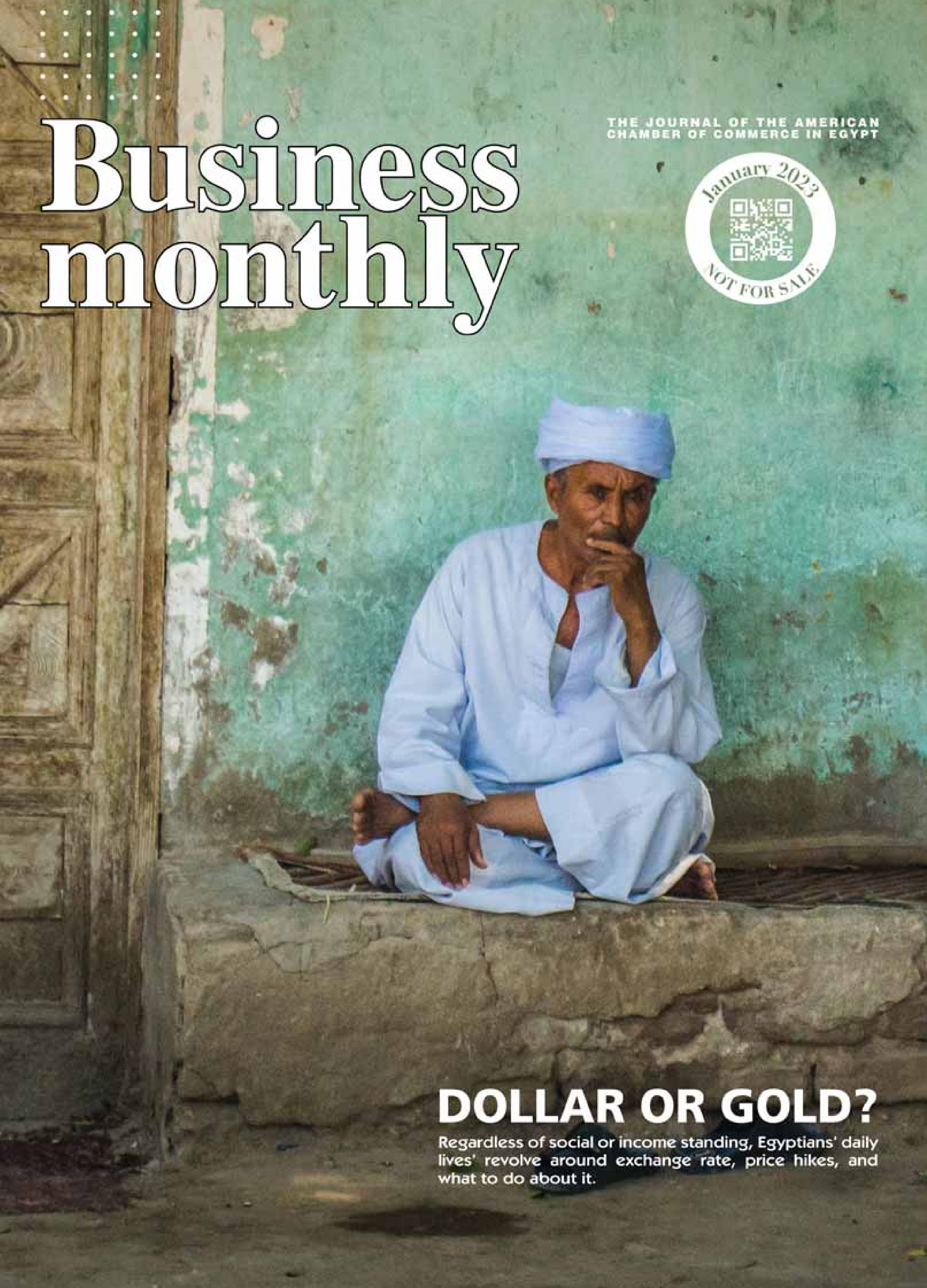

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Regardless of social or income standing, Egyptians' daily lives' revolve around exchange rate, price hikes, and what to do about it.

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VOLUME **40** | ISSUE **1**

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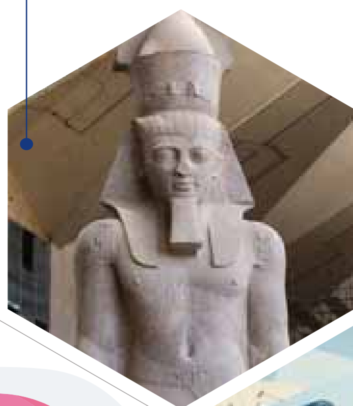

A CULINARY TOUR AT ROYAL MAXIM PALACE KEMPINSKI

Presenting authentic and innovative cuisines spanning different continents, Royal Maxim Palace Kempinski invites guests to dine at Yana, Lucca, Bab Al Qasr, and Romanov.

YANA

Yana offers a fun and inventive authentic Asian cuisine with a menu that features familiar and classic dishes that have been elevated with the finest ingredients. Ranging from dumplings to noodles, special sushis, makis and sashimis, to entrees with influences and inspirations of different flavours all designed to be shared and most importantly, enjoyed.

LUCCA

Lucca adapts the flavours of Italian classics into a range of home-style recipes, cooked with the best ingredients of the Mediterranean combined with the passion of our Italian chef to present you with the essence of the Italian cuisine in Cairo. Experience the enchanting Italian ambience with a touch of art, where Italian scenic wall paintings offer you a laid-back casual daytime lunch by the pool or an intimate romantic dinner.

ROMANOV

Romanov- grill house, is known for its romantic ambiance above the glistening pool making date night and special occasions more memorable. Try the savory tender and juicy meat, or fresh grilled seafood such as lobster tail, or salmon to devour your senses, all prepared with bursting flavours on and off the grill.

BAB AL QASR

Reflecting Arabian hospitality, Bab Al Qasr invites you to sample a variety of your favourites of all time from Middle Eastern cuisine. Dine and luxuriate with special belly dance performances, and oriental band every weekend, while our chefs create your favorite mezzes and scrumptious grills. In addition, enjoy different shisha flavors for the perfect Arabian ambiance.

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A luxury oasis for the 21 st century cigar lover, 1897 Bar is perfectly located on the first floor of Royal Maxim Palace. Its elegant interior features luxuriously comfortable leather chairs and couches, and cabinets to accommodate guests' humidors. Equipped with a state-of-the art ventilation system, ideal for smokers and non-smokers alike, the bar is the perfect place for a get-together with friends during a night out in town, to relax and unwind with your favourite drink.

WELCOME 2023

Another year, another opportunity to forecast and anticipate the significant factors, events and decisions affecting Egypt's economy.

The list is formidable. "The 2023 Files" cover story looks at forecasts affecting the cost of oil and gas, food commodities, construction materials and renewable energy.

We also review the government's plans for 2023 and beyond based on a recommendations paper published at the end of the October Economic Conference in the New Capital. It offers a clear, comprehensive strategy that should put Egypt on the right track to economic recovery.

The government also hopes historical tourism will bounce back in 2023. The expected opening of the Grand Egyptian Museum sometime this year and the recently opened National Museum of Egyptian Civilization are the foundations of the state's strategy. Accordingly, we explore the potential impact on tourism if a significant portion of the Egyptian artifacts in international museums can be retrieved.

The government also hopes to revive the manufacturing sector in 2023, and we focus on how the United States is trying to do just that. Hint: A clear manufacturing policy that effectively balances corporate protections and free market dynamics is necessary.

Lastly, we highlight how artificial intelligence will become an integral part of business decision-making and how it can be integrated into corporate processes and culture.

Overall, 2023 could prove to be a make-or-break year for Egypt's economy. It begins with all-time high foreign currency debts, interest rates and a pound that lost almost half its value in 2022.

On the other hand, Egypt enters 2023 with a seal of approval from the IMF and a clear vision of what is going wrong and what is going right in the economy. So government and business decisions this year must be both practical and flexible enough to deal with the unexpected.

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Business monthly

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STEADY HANDS TO STEER THE ECONOMY

Egypt is witnessing accelerated activity in the economic arena. In a situation that would have been unimaginable a few months ago, the official rate for the U.S. dollar hit the EGP 32 mark. Is this truly a free float or another regulated float? Does the Central Bank of Egypt (CBE) have the cash cover to manage the float? We'll see in the coming weeks.

In any case, without clearing the backlog at the ports and allowing the free exchange of currencies, speculation will continue. The message from the prime minister is that the backlog is being reduced on daily basis, and the goal is to have it fully cleared out sooner rather than later. Over the past few days, we've seen a positive response from banks in availing currency to clear goods. We certainly hope it will be sustained. The official message we've heard behind closed doors is that the currency will be fully liberalized within 10 days. Seeing is believing.

Meanwhile, the state-owned enterprise (SOE) divestiture plan has been officially sanctioned by the president, a big step forward. It has more clarity now, but the devil is in the details. As we understand, a detailed work plan will be announced soon, earmarking individual public companies and enterprises set for the market. The document also identified The Sovereign Fund of Egypt as a major player in the execution of the plan -- a welcome initiative, given the sovereign wealth fund's proven competence in execution.

The recent controversy accompanying the rumor of securitization of the Suez Canal's future proceeds, along with the austerity requirements of the International Monetary Fund (IMF) agreement, raises a very important question: Where will the proceeds of SOE sales or any form of securitization go? Is it going to beef up the CBE's reserves or will it be spent on more nonproductive projects?

It is time for fiscal and monetary discipline. If we hope to ever pull the economy together, we need to be serious about tightening our belts. We need to reduce our national debt and address inflation. We need to streamline our expenditures through one -- and I mean only one -- fiscal budget. We need to let go of parallel formal economies.

We don't seem to ever learn from our mistakes. It is like we are addicted to this vicious monetary loop. But the economy is exhausted and so is the nation. It is time to give the steering wheel of the economy to those who have what it takes to pull us out of this situation. When and if we rely on sound economic policies and expertise, the country's potential is limitless.

TAREK TAWFIK
President, AmCham Egypt

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THE NEWSROOM

IMPORTERS NO LONGER NEED LETTERS OF CREDIT

The Central Bank of Egypt (CBE) said that starting in 2023, importers won't be required to submit letters of credit to finance their imports. Instead, they can go back to using documentary collection papers to pay for their foreign-made products in foreign currency.

The CBE switched to letters of credit in February to the outflow of dollars from Egypt due to the economic fallout after Russia invaded Ukraine. At the time, commodity prices were soaring due to disrupted trade routes from Ukrainian and Russian ports via the Black Sea to North Africa and the U.S. Federal Reserve's relentless raising of interest rates meant the U.S. was becoming a savings haven for dollar investors around the world. That strengthened the dollar against all non-pegged currencies. Meanwhile, Egypt saw about $20 billion in portfolio investments leave the country amid fears of regional instability. Those factors complicated ongoing supply chain bottlenecks, which appeared as countries were coming out of COVID-19 lockdowns at staggered times.

The switch to more restrictive Letters of Credit resulted in a $16 billion backlog of imports at Egypt's ports, according to most estimates. That significantly hurt businesses that had to reduce production and raise prices. It also created a black market for dollars. At one point, the dollar was selling at EGP 33 compared to the official rate of just under EGP 25, according to one CFO at a small company that imports from China.

OIL AND GAS MINISTRY OPENS BIDDING FOR EXPLORATION BLOCKS

The Egyptian Natural Gas Holding Co. has announced it would open bidding for 12 oil and gas exploration blocks in the Mediterranean Sea. The bidding process started in mid-December and will take five months.

Egypt's last tender was on Jan. 4, 2022, when seven companies won eight of the 24 oil and gas blocks up for bidding. Four were in the Western Desert, two in the Gulf and Suez and two in the Mediterranean. Those firms' initial investments reached $250 million, drilling more than 33 exploration wells.

Meanwhile, the remaining 16 blocks are still untapped. Twelve of them are in the Mediterranean. Yet it is unclear whether those are the same as the ones up for bidding. The remaining three are in the Gulf of Suez.

FINANCE MINISTER HINTS AT FY 2023/2024 BUDGET

The Cabinet's Facebook page released a statement highlighting the government's budget for fiscal year (FY) 2023/2024. According to Mohamed Maait, the finance minister, next year's underlying target of the national budget will be to protect the neediest Egyptians from the global and local economic fallout.

He noted that by the end of this fiscal year, GDP growth would reach 5.5% with a primary surplus of 2%. Maait also said the Hayat Karima (Dignified Life) social protection plans would target 60% of people who live in rural and impoverished areas.

Maait said that would require an unspecified increase in spending on health and education.

He also said the government would continue to alleviate inflationary pressures on citizens while achieving the GDP growth targets through more prudent spending, increasing competitiveness, and promoting investments and exports.

The main challenge for Egypt in 2023 is to quickly increase foreign currency inflows by securing assistance, loans or foreign investments. The other challenge is ensuring that dollars are available from formal channels, as most international think tanks and media focus on the availability of foreign currency and the gap between the official and black market exchange rates.

THREE CONSORTIUMS BID FOR THE ALEXANDRIA METRO

Three consortiums of local and international companies have qualified to bid for Alexandria's Abu Qir railway project. This 1.6 billion-euro project would convert the railway network in Abu Qir into an underground metro.

The competing companies are Orascom Construction and U.K. rail infrastructure firm Colas Rail, an Alstom-Arab Contractors alliance and a group of unidentified Chinese companies.

The European Investment Bank will co-finance the project and the European Bank for Reconstruction and Development will contribute $1 billion. The government will cover 15% of the 1.6 billion euros, with the rest coming from the winning consortium.

In other news, Hyundai, CAF, Norinco, Hitachi Rail and Metrowagonmash will compete to supply train cars.

WORTH FOLLOWING

GOVERNMENT CONSIDERS PRICE CONTROLS

In a statement, Minister of Supply Ali Moselhy said they are assembling a committee to enforce a compulsory price ceiling on rice. There also will be recommended "fair prices" on 10 to 15 other strategic commodities. Moselhy noted those recommended fair prices would fluctuate based on the cost of production and inputs.

He stressed that inspection teams would pose as buyers in small shops and distribution hubs outside major cities to ensure they follow the government-set price.

The decision comes after CAPMAS reported food inflation increased from 12.5% in January 2022 to EGP 30.9% in November. That outpaced general inflation rates of 7.3% in January 2022 to 18.7% in November.

The higher food prices come despite the Central Bank nearly doubling interest rates from 8.25% to 16.25% to suck liquidity from the market, thereby reducing demand as individuals prefer to save.

PLANNING OUT 2023

After the first Egypt Economic Conference held in October in the New Administrative Capital, the government published a recommendations document -- a blueprint to boost the economy.

Translated and compiled by Tamer Hafez

Egypt enters 2023 with an economy riddled by challenges that will likely surpass those arising from the 2016 float of the pound. That was when the pound lost half of its value against the dollar, causing inflation to exceed 30% for the first time in Egypt's recorded history.

In 2023, domestic factors haunting Egypt's economy include the pound depreciated nearly 56% against the dollar in the official market, record high foreign debt and inflation more than doubling in 2022 despite rising interest rates. Those higher rates stifle the economy further, threatening GDP growth. The Central Bank's (CBE) decision in December to end all low-interest loan initiatives amplifies that gloomy outlook.

Internationally, the Russia-Ukraine war continues to cause uncertainty regarding prices and the supply of goods in the global market, particularly energy and food. In November, retired Major General Mick Ryan told Newshub that Moscow will "prolong the Russia-Ukraine war into and through 2023."

That puts pressure on the government to implement a sound investment plan in 2023 to stabilize its finances, attract FDI and increase exports, even as Egypt's major trade partners face their own economic challenges. During the Egypt Economic Conference in October, the government highlighted its vision of what needs to happen this year to create a better business environment.

Macroeconomic targets

The first point the government addressed in its recommendations document was macroeconomic policies to "improve and upgrade the quality of economic growth." The government said it would rely more on investments and exports rather than consumption.

The document stressed the private sector would have a central role in the government's "umbrella" strategy. That is why the government needs to boost maximum production capacity, particularly in feeding industries. The paper added that new jobs should create inclusive growth and sustainable employment opportunities.

Another point of importance is the Central Bank of Egypt's (CBE) role in ensuring fiscal and monetary policies don't conflict while stressing the latter's independence. The recommendations document said there must be "coordination" between fiscal and monetary policies to stabilize the economy, raise GDP growth and clearly understand how policies affect each other.

Throughout 2023, the CBE will tackle inflation. However, the paper said there would be new, higher targets from the current 9% plus-or-minus 2%. The government said reaching those new benchmarks would happen in the "medium term."

The third point was the need for a "flexible" foreign exchange rate to absorb external shocks. The paper also stressed the pound exchange rate needs to be measured against a basket of currencies and not solely on the dollar. That is a significant shift in long-standing policies.

The recommendation paper said Egypt needs to publish an index that calculates the pound's value against major currencies and gold. There also would be a currency derivatives market to curb exchange risks. It said this would be ideal for FDI and foreign portfolio investors.

Another macroeconomic concern is government spending. The recommendation document noted the national budget must include allocations for sustainable investments, which should strengthen oversight of government spending.

The document stressed the need to rely on domestic financing of "strategic projects." Local financial institutions, therefore, should create sound and sustainable financing solutions for the private sector that compete with foreign-currency-denominated funding, which the government must repay in hard currency.

The government also wants to reform the country's tax system by increasing collections, digitizing Egyptian Tax Authority operations and broadening the taxpayer base by including the informal sector. Additionally, the government aims to integrate the tax and customs systems.

Regulating exits also is vital for investor confidence. The recommendations document said laws governing foreign capital exits should be similar to those of other countries. That would also protect Egypt from a sudden outflow in foreign currencies, such as what happened after the Russia-Ukraine war began in February when $20 billion left Egypt.

Building capacity

The second pillar of government recommendations is to promote and support the local private sector, particularly SMEs, via various "direct incentives." The target is for the private sector to account for 65% of Egypt's GDP within three years (2025).

Increasing the number of privately held companies is one way to raise GDP. The document said the state will always prefer to exit from enterprises by listing them on the stock exchange or selling them to "strategic" investors. The criteria for deciding the exit strategy would be the amount of foreign currency inflow from the sale, technology transferred to Egypt due to the exit and incoming investors' ability to export.

However, the document noted the government would partially exit Egypt's economy. In the sectors it invests in, the government can have a "dominating, limited or impactful presence." The primary determinant would be the market share of government-owned companies and their local economic and social implications. Accordingly, the government should review the role of the Ministry of Public Enterprises in light of this strategy.

The recommendations paper also noted the need to create a database of government assets and identify and capitalize on underutilized ones. That would require funds likely to be contributed through the Ministry of Finance, The Sovereign Fund of Egypt (TSFE) and the CBE.

In light of its ongoing economic presence, the government must affirm a level playing field for all Egypt-based companies in terms of taxes, regulations, laws and preventing monopolies.

The recommendations paper said there needs to be a center for investors to voice grievances and problems involving state-owned firms. The competition authority and an anti-monopoly government body would process those complaints. The paper also stressed the need to create a High Council for Fair Competition that provides public reports about investment in Egypt.

Introducing incentives

The document tackled the need to evolve and expand the role of the General Authority for Investment and Free Zones (GAFI). The paper said GAFI needs to contribute more by introducing investor-friendly legislation and tackling bureaucratic obstacles.

The priority is revising fees investors pay to become legal entities in Egypt with the right to open offices and factories. The recommendations paper said that would require a meeting of the ministries of finance, planning and economic development, and GAFI to agree on those new fees. The report said no other agency could introduce additional costs without Cabinet authorization.

It also recommended creating another inter-governmental agency comprising GAFI and the ministers of planning and justice. It would work with Parliament's Economic Committee to develop, modify and annul laws and regulations and agree on private-sector incentives.

Problematic legislation cited in the document includes the various enterprise laws published during the 1900s, the limited and joint stock law (Law 59 for 1981), and bankruptcy and liquidation laws. Updates also will cover how legal authorities deal with companies charged with crimes or violating labor laws and regulations related to training and upskilling.

The third committee that the paper recommends involves the Ministry of Trade and Industry, Ministry of Planning and Economic Development, and the Micro & SME Development Authority. It would quickly respond to complaints from startups and small and medium-sized enterprises.

The committee's work would be complemented by creating a TSFE sub-fund to finance startups. That aligns with the paper's recommendation of increasing dependence on local sources to fund businesses and projects.

Another central point to tackle is bureaucracy. The recommendations paper said government agencies must publish the documents they need to process investors' requests and the deadlines for approving or rejecting them.

The recommendations document stressed ongoing communication with local and foreign investors to ensure the government is continually updated with what investors want and need. The paper also recommended relying more on information from embassies, international trade bureaus and other foreign resources on the ground to identify how the government might improve Egypt's business environment.

Finally, it discusses creating a marketing campaign to raise awareness of government incentives for businesses. It also talks about establishing more economic and industrial free zones across the country.

Export incentives

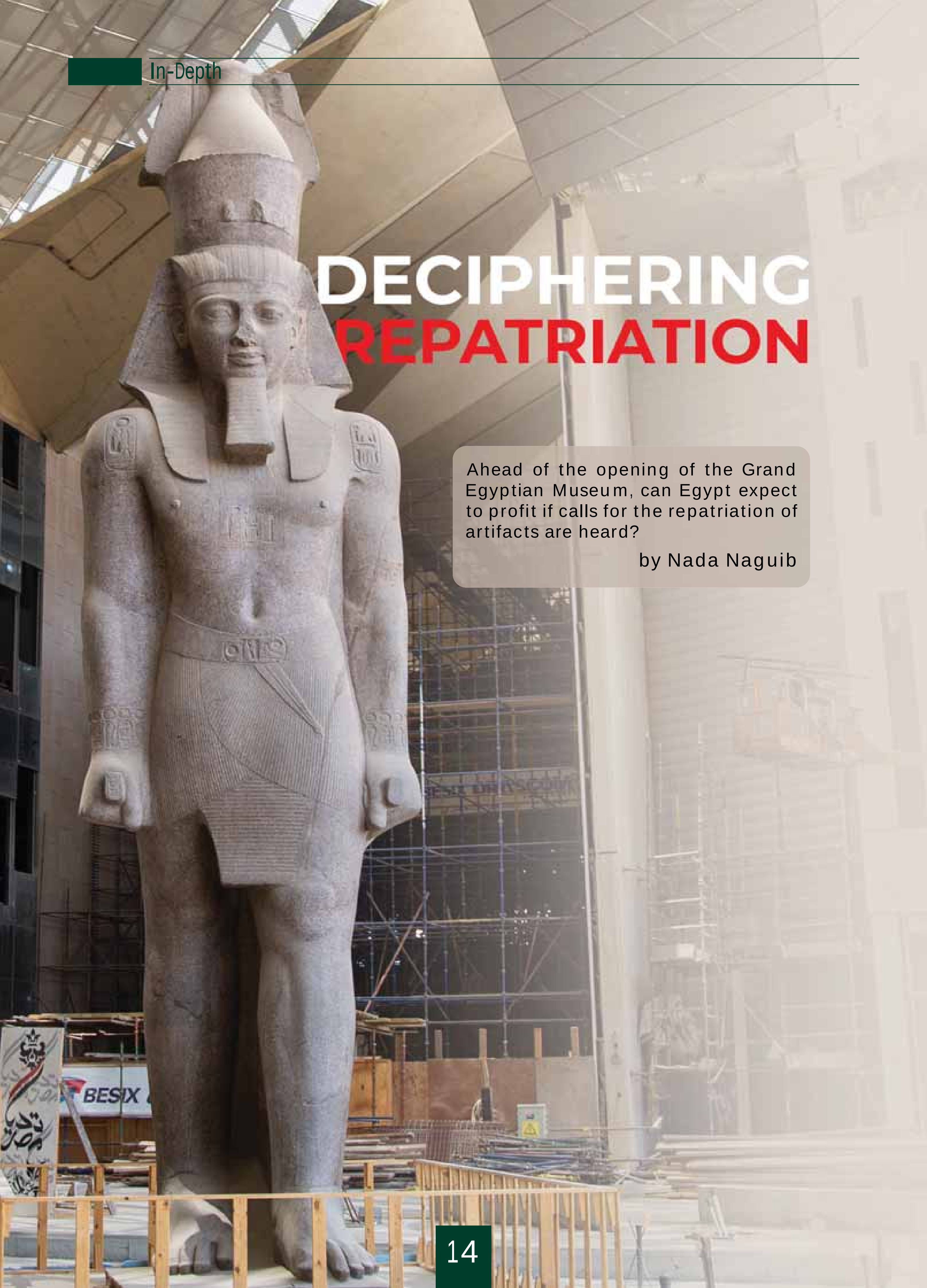
The Economic Conference's recommendations emphasized that Egypt-based manufacturers that import equipment and machinery for their factories must be exempt from restrictions introduced after the start of the war in Ukraine. The report said that would ultimately help them export, increasing Egypt's foreign currency inflows.

The recommendations also aim to upgrade the Export Support Program (ESP) by ensuring immediate payments to importers, making the ESP an effective tool for companies, building government credibility and supporting the economy.

The document said the annual ESP budget should be part of the national budget and updated yearly in line with government export targets. Also, reimbursements should not be taxed.

The paper added that the government should focus on promoting exports to stable foreign markets and industries where Egypt has a competitive advantage. It should launch an overseas marketing campaign similar to the one promoting tourism. Priority target markets should be European, African and Arab countries.

The document also noted the importance of upgrading sea, land and air freight routes, with the government transporting export-bound perishable goods to seaports as quickly as possible. Lastly, the paper recommends that Egypt integrate into global supply chains to reduce delays in reaching target destinations.



DECIPHERING REPATRIATION

Ahead of the opening of the Grand Egyptian Museum, can Egypt expect to profit if calls for the repatriation of artifacts are heard?

by Nada Naguib

Ancient historic sites have long been a staple of Egyptian tourism. With the Grand Pyramids of Giza, more than 120,000 artifacts in the Museum of Egyptian Antiquities and several temples in Luxor and Aswan, it was perhaps only natural. Atef Abdullatif, president of the Travelers Association for Tourism and Travel, told Egypt Independent in 2017 that "visiting Luxor and Aswan is a dream for many foreign tourists."

That year, CAPMAS reported that 8.36 million foreign tourists visited Egypt. That figure includes those who spent their time at seaside resorts, such as Sharm El Sheikh and Hurghada, as well as historical sites, such as temples and pyramids. The government doesn't have a breakdown of who visited which parts of the country. However, according to online independent travel guide Addison Lee and Giza Pyramid Tickets, over 14 million people visited the Pyramids in 2017. That figure likely includes domestic visitors and repeat visits during a single trip.

That momentum carried on to 2018. Abdullatif says hotels in Luxor saw between 80% and 90% occupancy rates during the end-of-year holiday season.

With the travel restrictions and lockdowns of the COVID-19 pandemic, the tourism revenue in Egypt hit. Revenues fell 70%, from $13 billion to $3.5 to $4 billion in the first half of 2020, Ghada Shalaby, deputy minister of tourism, told Reuters at the time. By 2021, tourism looked to be back on track with $13 billion in revenue, according to the Ministry of Tourism. By FY 2021/2022, the CBE recorded that tourism revenues had reached $8.2 billion.

The opening of the National Museum of Egyptian Civilization in 2021 boosted the tourism sector. In May 2021, the museum, which houses 22 royal mummies, reported 12,000 visitors over one weekend.

Now, the anticipated opening of the Grand Egyptian Museum (GEM) in 2023 has renewed calls for the repatriation of Egyptian artifacts on display at European museums. A significant voice is that of former Minister of State for Antiquities Affairs Zahi Hawass, who started a petition on change.org calling for the return of the Rosetta Stone and Dendera Zodiac. As of press time, the petition was signed by over 143 thousand people.

"Borrowed" history

Hawass launched the petition to "make sure museums stop the unethical practice of purchasing stolen objects." When Egypt was under French and then British control in the 18th and 19th centuries, he explained, "the country was plundered, and many of its antiquities were illegally exported."

The Rosetta Stone, whose inscriptions were the key to deciphering Pharaonic hieroglyphs, was found in the city of Rosetta (now called Rashid), east of Alexandria, in 1799 by the occupying French army. Two years later, the artifact was captured by the British, who sent it to England the following year. It is currently housed in the British Museum. "Egypt never had a say in the matter," Hawass said.

In the Louvre in Paris since 1922, the Dendera Zodiac was initially seized by the French in the 1820s. It was "ripped from its position in the ceiling of a chapel in the Temple of Dendera," according to the petition.

Hawass noted in the petition that there is a distinction between legitimately acquired artifacts and looted ones. The Luxor Obelisk in the center of the Place de la Concorde in Paris, for example, was a gift from Ottoman Egypt ruler Muhammad Ali Pasha in 1830, according to French Egyptologist Luc Gabolde in the Journal of the Louvre.

Egypt is not the only country calling for the return of artifacts, wrote Nicole Daniels of The New York Times. She cites former Dutch colonies, such as Indonesia, Suriname and several Caribbean nations. In the United States, indigenous people use legal routes known as "restorative justice" to reclaim stolen objects. A Congolese activist took matters into his own hands in October 2020 by removing a 19th-century wooden post from a display in the Quai Branly Museum in Paris, which houses artifacts from former French colonies.

Hawass described the repatriation of iconic Egyptian artifacts as a "first step toward the decolonization of foreign museums." In his petition, he said, "It seems absurd that the British Museum would continue to hold on to such a blatant symbol of its colonial past."

Foreign profits

Along with the cultural aspect of artifact repatriation, there is an economic side. Egypt's tourism sector has missed out on several decades of revenue generated by visitors who wanted to see the Rosetta Stone and Dendera Zodiac, which is still on display in the UK.

Before the pandemic limited travel and tourism, the Louvre drew 9.6 million visitors in 2019 and 10.2 million in 2018, "an unprecedented figure for an international museum," according to management. In its 2018/2019 annual review, the British Museum reported it had 6 million visitors, for a total of 350 million since it opened in 1759.

A 2018 CAPMAS report estimated the total number of visitors (local and foreign) to all 72 museums in Egypt in 2016 was 9.6 million. The 24 museums in Cairo were visited by a total of 5 million, followed by the nine Giza museums, which drew 3.4 million.

The CAPMAS 2018 report estimated total revenues of archaeological, historical, and regional museums totaled EGP 169 million ($6.8 million), a 70% increase over the EGP 99 million in 2017.

It might be impossible to determine the extent to which the Rosetta Stone or Dendera Zodiac contribute to the visitors and profits of the British Museum and Louvre. However, experts speculate the desire to retain these artifacts has a financial motive. "It's about money, maintaining relevance and a fear that in returning certain items, people will stop coming," said Nigel Hetherington, an archaeologist and CEO of the online academic forum Past Preservers.

With the opening of the GEM, these two iconic artifacts might increase visitors and revenue. The GEM can house more than 100,000 artifacts. They are from the Pharaonic, Greek, and Roman eras, with the complete tomb collection of the boy king Tutankhamun as the star attraction. Worth $1 billion, it will be the largest museum dedicated to one civilization. National Geographic's Tom Muller described it as a "museum fit for a pharaoh." The Ministry of Tourism estimated the GEM would draw over 5 million visitors annually.

Coming home?

The path to repatriation had been in the process for several years now. Since the 1970s, UNESCO has tightened guidelines on what artifacts museums can accept. "If an artifact doesn't have a spotless history, a museum won't touch it," wrote Forbes contributor and archaeologist Kristina Killgrove. In other words, artifacts have to have been legitimately acquired with the paper trail to prove it. In 2007, the UN introduced Article 11 of its Declaration on the Rights of Indigenous Peoples.

There have been several successful repatriations of artifacts. In January, AP reported that Egypt received an ancient wooden sarcophagus on display at the Houston Museum of Natural Sciences. Mostafa Waziri, the head of the Supreme Council of Antiquities, said it dates to ancient Egypt's Late Dynastic Period. It spans the last Pharaonic rulers from 664 BC until Alexander the Great's campaign in 332 BC.

In September, the US sent Egypt 16 stolen artifacts valued at over

$4 million, according to Alvin L. Bragg Jr., Manhattan District Attorney, during the repatriation ceremony. The returned items included a painted coffin, a limestone plaque with hieroglyphic engravings, five illustrative linen fragments that allude to biblical beliefs, a bronze statue of a famed ancient Egyptian musician known as Kemes, and a Roman-era portrait of a lady in Fayoum. "These are priceless pieces of history and culture," said Bragg during the repatriation ceremony. "They were seized [after] a wide-ranging investigation into illegal traffickers and looters."

In June 2022, five other looted ancient Egyptian artifacts worth $3 million were found in the museum and returned to Egypt. According to an Ahram report, "the artifacts include a group of painted linen fragments that date ... to between 250 and 450 BC depicting a scene from the Book of Exodus."

Earlier in 2019, a 2,100-year-old golden coffin of a priest called Nedjemankh, looted during the 2011 Revolution, was recovered from the Metropolitan Museum of Art in New York City. "Thus far, our investigation has determined that this coffin is just one of hundreds of antiquities stolen by the same multinational trafficking ring," Manhattan District Attorney Cyrus Vance said during the repatriation ceremony. Also that year, Egypt recovered a looted artifact on auction in the UK. It was a cartouche of King Amenhotep I.

There is hope that Egypt could recover many of its most prominent artifacts as country leaders have publicly denounced the looting of artifacts from one nation to benefit another. In a striking address in Burkina Faso in 2017, French President Emmanuel Macron said he "cannot accept that a large part of cultural heritage from several African countries is in France ... Within five years, I want the conditions to exist for temporary or permanent returns of African heritage to Africa." Shortly after this address, Elysée Palace made the poetic clarification that "African heritage can no longer be the prisoner of European museums."

For Egypt, the crowning achievement would be the repatriation of the Rosetta Stone and Dendera Zodiac. Those are likely the two most important and famous artifacts symbolizing Egypt's history. "The Rosetta Stone is the icon of Egyptian identity," said Hawass.

The 2023 Files

This year brings about a lot of changes and uncertainty as global disruptions from COVID-19 to the ongoing Russia-Ukraine conflict will cause commodity prices and supplies to fluctuate. Therefore, the government and companies need flexible policies, strategies, and a keen eye for opportunities that hide behind challenges and risks.

by **Tamer Hafez**

FOOD FOR THOUGHT

Food prices are a matter of national security and a significant driver of inflation in Egypt. International experts are unsure whether they will increase, stabilize or taper off in 2023.

Egypt is constantly under pressure to secure essential food commodities, such as wheat, edible oils and maize, to feed its people. The U.S. Development Authority estimates the country imports "more than 50% of its food and agriculture product needs." Egypt also is the world's largest wheat importer, meaning the cost of food is significantly affected by the pound's foreign exchange rate, international prices and supply.

In 2022, the news was worrying. CAPMAS reported food inflation reached 30.9% in November, up from 8.4% a year earlier. That outpaces headline inflation rates, which went from 5.9% (2.5 percentage points less than food inflation) to 18.7% (12 percentage points less) during the same period.

International experts are divided over how the price of food will develop throughout 2023. The main problems are how long the geopolitical fallout from the war in Ukraine will continue, supply chain bottlenecks and how the weather affects yields in large food-growing nations.

Food in 2022

Fitch Ratings traced the beginning of the current global food-price inflation and shortages to "supply concerns ... at the start of the Ukraine war" in February. Those worries revolved around grain, as Russia and Ukraine are the world's top suppliers of agricultural commodities.

By November, the U.S. Department of Agriculture (USDA) forecasted that food prices in the United States for 2022 would increase between 8.5% and 9.5% compared to 2021. That compares to between 2% and 3% before Russia invaded Ukraine. "Eggs, fats and oils, and poultry are making the biggest gains," according to the USDA.

Specialized news portal Food Ingredients First reported in October that food prices jumped 20% in South Asia in the first three quarters of 2022. In Latin America, the Caribbean, MENA, Sub-Saharan Africa, Eastern Europe and Central Asia, food costs were 12% to 15% higher for the same time frame.

Those price hikes are tapering off but are unlikely to return to 2021 levels. The World Bank's Food Price Index reached an all-time high in April. During the third quarter of 2022, it dropped 12%. That is still 20% higher than in 2021.

Pablo Saavedra, World Bank vice president for equitable growth, finance and institutions, told Food Ingredients First that "although many commodities have retreated from their peaks, they are still high compared to their average level over the past five years."

"In domestic currency terms ... food prices remain elevated due to currency depreciations [throughout 2022]," John Baffes, a senior agriculture economist at the Development Economics Prospects Group, wrote in a World Bank blog in November.

Going down in 2023?

Baffes expects food prices to drop by 5% by the end of 2023 and stabilize in 2024. Fitch Ratings also sees food prices declining in 2023. For one, geopolitical risks won't be as significant in 2023 as in 2022. In July, Ukraine shipped 20 million tonnes of grain into the global supply chain. The rating agency says that is a "significant share" of the 45 million tonnes the country exported last year.

In 2023, wheat should see a "marginal" increase in supply, Baffes said. Fitch Ratings cited "another bumper wheat harvest this year [in Australia]," coupled with declining geopolitical tensions between Russia and Ukraine. Edible oil supply should also increase by 4% in 2023 thanks to higher production from "palm, rapeseed, and soybean oil," noted Baffes.

However, not all food commodities will increase in supply in 2023. "Maize and rice [yields are expected] to decline by 5% and 2%, respectively," said Baffes. The drop is because of a decrease in maize yields in the U.S. and European Union and rice in China and India. That may cause the prices of those commodities to increase in 2023. However, they shouldn't be enough to flip the forecasts.

Meanwhile, Fitch Ratings said price jumps from unprecedented inflation in wealthy nations would be countered by their central banks' tight monetary policies. The rating agency said, "hawkish policy tightening ... by the [Federal Reserve] has raised fears of recession and a marked global economic slowdown next year." That ultimately means a drop in consumption of those food commodities.

Baffes also noted that slow GDP growth rates would suppress price hikes caused by a decrease in global food inventories in 2023. He said that stocks-to-use for food commodities should reach 27% in 2023, compared to an all-time high of 30.6% in 2017. The all-time low was 17.2% in 2006 and 2007.

However, he stressed in his World Bank blog, "Despite expected declines [in 2023], most food prices will remain high by historical norms."

Going up in 2023?

The primary risk to food prices in 2023 is fertilizer costs, mainly due to a rise in natural gas prices, the main component in producing fertilizers. More expensive fossil fuels will also increase production and shipping costs.

Baffes noted that increases in food prices in emerging markets in 2023 could result from further appreciation of the dollar against almost all other currencies.

"Economy-wide factors, including ongoing supply chain issues and higher energy, transportation and labor costs, [will also] contribute to increases in prices across all food categories."

Meanwhile, adverse weather conditions for top food commodity growers could hurt yields in 2023. Lastly, geopolitical developments, such as unfavorable trade policies, and the resumption of food exports via the Black Sea, will play a vital role in food prices in 2023.

Navigating uncertainty

The primary tool indicating how food prices will move will be the U.N.'s Food and Agriculture Organization food price index. Fitch explained: "If we assume that the U.N. index remains unchanged at its June level and project this into [2023], the resulting slowdown in U.N. food inflation would be consistent with a sharp fallback in annual food CPI in inflation."

Egypt will be under pressure to balance fiscal and monetary policies. "Policymakers in emerging markets and developing economies have limited room to manage the most pronounced global inflation cycle in decades," Ayhan Kose, director of the World Bank's Prospects Group, told Food Ingredients First in October. "They need to carefully calibrate monetary and fiscal policies, clearly communicate their plans, and get ready for a period of even higher volatility in global ... commodity markets."

BUILDING EGYPT'S FUTURE

Egypt plans to build cities from scratch to accommodate future population growth. What happens to construction material costs in 2023 could determine the feasibility of those plans.

The government's long-term plan is to build 50 cities by 2050. Those metropolises would include multiple neighborhoods, gated complexes, commercial property, entertainment, offices and public spaces.

The New Administrative Capital, for example, can house between 6 and 6.5 million people. It will have some of the tallest and largest office spaces and entertainment facilities in Africa, plus other amenities to make this metropolis Egypt's flagship city.

That will invariably create heavy demand for construction materials for years to come, weighing on the government's budget. According to the General Organization for Export and Import Control, the government has been running a building materials deficit ranging from $4.2 billion to $6.9 billion between 2017 and 2021. In 2021, Egypt imported 62% of its construction material needs.

In 2023, there will be a lot of pressure on the government to import enough construction materials as Egypt faces a foreign currency crunch. Additionally, the pound's ongoing devaluation means the cost of construction materials will likely increase quickly and dramatically.

For Egypt, a cooling off in global construction material prices in 2023 could be a slight reprieve for local developers. Alternatively, if international prices jump on supply fears or a surge in demand, that could be problematic for the sector.

International market experts are unsure what will happen in 2023. Larry Bernstein, a journalist for Asite, a construction platform, likened construction material prices to a "carnival barker spinning a wheel with the adage 'where it stops, nobody knows.'"

The problem's roots

Supply shortages and price instability of building materials started with COVID-19 lockdowns in 2020 amid rising demand for real estate. The problem extended into 2021 as China's "Zero COVID-19" policy locked down cities much more frequently than in other countries, causing supply bottlenecks and further volatility.

Original forecasts for 2022 were that construction material prices would stabilize. But Bernstein said, "Unexpected events, including the lockdowns in China in the spring and the war in Ukraine, continued to rattle the supply chain." The fallout from the latter added consistent pressure on supply chains. The lockdowns in China were" sporadic" events adding to stressing supply and raising prices until the government lifted lockdowns.

The Producer Price Index for September 2022 shows that "inputs of construction" increased by 40.5% compared to February 2020. The materials with the highest jumps were natural gas (497.6%), unprocessed energy materials (193.3%), steel mill products (91.3%), crude oil (84.2%), iron and steel (69.2%), and fabricated structural metal products (54.2%).

An unpredictable 2023

The factors destabilizing construction material prices in 2022 are expected to continue in 2023. For one, China, the world's top manufacturer, abandoned its "zero-COVID" policy in early December, which means past flash lockdowns when a handful of COVID-19 cases appears is no longer. However, the country is witnessing a surge in cases and possibly new sub-variants of Omicron. Meanwhile, Europe is facing severe economic and energy crises as supply chain disruptions that surfaced in 2021 persist.

Two opposing market forces also could add volatility. On the one hand, there is a need for new homes to accommodate robust, increasing demand. On the other is a demand slowdown due to recessions caused by inflation. In October, CNN business reporter Alison Morrow said, "Markets are flashing warning signs that the global economy is teetering on a cliff's edge. The question of a recession is no longer if, but when." That invariably means people would postpone home purchases until their economies recover.

Robert Dietz, a chief economist for the U.S. National Association of Home Builders, said the shortage in the supply of homes would continue to drive demand. He noted in October that in the United States, the number of "new single-family and multifamily housing [permits] is up by a third since 2019."

On balance, prices of raw materials could increase in 2023. Micheal Hardman, vice president of Turner & Townsend, a U.K.-based consultancy, expects prices to increase by 7% in 2023 compared to the end of 2022. Accordingly, construction materials will likely be 25% to 28% higher than in 2020, he noted.

However, these materials will not all increase at the same rate, said Rob Cantando, national director of strategic supply chains at Skanska, a Sweden-based contractor. "We see the [global construction materials] market going into different directions," he told Construction Dive, a specialized publication. "Some are starting to recover, and you've got other ones that aren't going to recover for a long time and [will] probably face even more challenges over the next year or two."

Contando noted that cement, concrete, and drywall prices in 2023 would rise due to higher production costs. A report by Linesight, an Ireland-based global construction consultant, estimated cement and concrete production costs were 14% higher in the third quarter of 2022. Meanwhile, Gordian, a construction think tank, said drywall prices were up 8% during the same period for the seventh consecutive quarter.

Other construction materials will likely cool off in 2023, having peaked in 2022. "In [2022], we saw some extreme increases, such as copper prices increasing 44%," said Hardman. "For some products, such as iron and steel, we saw prices [at the end of 2022] reduce slightly, in this case by 5%, but the cost still sits well above pre-pandemic levels."

The other influential factor determining the price of construction materials in 2023 is supply chains. An October report by U.S. construction company Mortenson said, "construction supply chains ... will be 'unpredictable.'"

The report said the primary factor is transportation costs amid rising fuel prices in 2022 and whether they would stabilize in 2023. The other aspect is weather conditions, which can disrupt long-distance freight services and construction material producers.

The Mortenson report also noted unexpected world events and how far the geopolitical disruptions in Ukraine and Russia would extend, as both are "major exporters of metals and other raw materials."

Clark Taylor, a vice president at Mortenson, said that as "kinks in the supply chain sort themselves out," the hikes in building material prices should be 3% to 5% in 2023. However, he stressed companies "should plan for 6%."

A report from Construction Risk Management predicted "overall cost inflation for material is expected to be cooling by the end of 2022 and largely return to typical levels by mid-2023. However, given the large number of construction inputs -- many of which [are] subject to geopolitical risks such as tariffs and sanctions -- costs for some materials may remain volatile."

THE KNIFE EDGE

Fossil fuel prices will be volatile in 2023 as nations juggle economic and geopolitical factors.

By international standards, the Egyptian government tightly controls fossil fuel prices for consumers. Since July 2018, the state has reviewed oil and gas prices every three months, raising them a nominal EGP 0.25 per liter each time. The exception was in July when the increases ranged from EGP 0.5 to EGP 1 per liter.

In 2023, oil and gas prices could change significantly. The weather, energy strategies and economic outlooks of oil producers and developed countries are likely to result in volatile demand and costs throughout the year. In its Dec. 6 "Short-Term Energy Outlook," the U.S. Energy Information Administration (EIA) said global production should stabilize this year, though price volatility will "remain high."

Oil

As the fuel most Egyptian commercial and private vehicle owners rely on, the price of oil is critical. CEIC Data, an aggregator portal, said the number of vehicles on Egyptian roads reached 7.35 million in 2021, with CAPMAS noting that nearly 51,000 used natural gas.

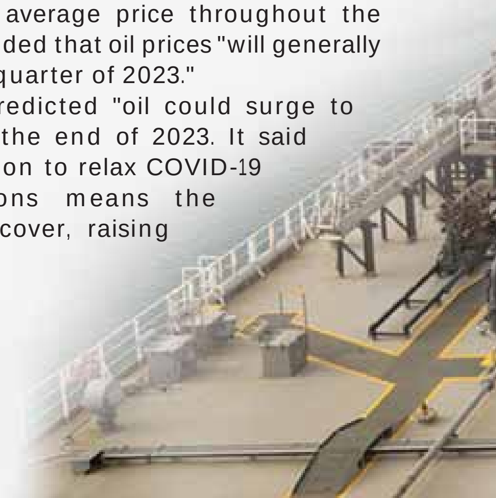
The EIA bases its oil price forecasts on global inventory levels, calculating they would drop by 200,000 barrels a day in the first half of 2023 before increasing by almost 700,000 in the second half. The report said that is "slightly more crude oil production ... than we previously forecasted." The EIA's "Brent crude oil forecast average [is] $92.36 per barrel in 2023, $3 less than ... forecasted" in November. By the end of 2022, oil prices were just under $81 per barrel compared to estimates of just over $101. A significant contributor to the drop in 2023 will likely be the United States, where the EIA expects production to reach 12.95 million barrels daily compared with 12.01 million in 2022.

Fitch Ratings estimated in a Dec. 5 note that oil will drop to $95 per barrel in 2023. "Oil price assumptions remain unchanged: we continue to expect price moderation due to lower economic growth, which will reduce demand in the short term. ... Easing geopolitical pressures in the longer term will lead to further price declines." The note said OPEC+, a cartel of the biggest oil producers, will continue to "target a broad balance ... by changing production quotas and available crude supplies."

Holger Schmieding, a chief economist at Berenberg, a privately owned bank, sees consumer sentiment depressing oil prices in 2023. He told CNBC in November, "Consumer confidence has plunged so badly that the recession will likely not be shallow."

Other financial institutions forecast a rise in oil prices. In its December note, Bank of America said Brent crude prices could reach $110 per barrel in 2023, estimating an average price throughout the year of over $100. It added that oil prices "will generally be lower in the first quarter of 2023."

Goldman Sachs predicted "oil could surge to $125 per barrel" by the end of 2023. It said China's recent decision to relax COVID-19 lockdown restrictions means the economy should recover, raising



the country's demand for oil. David Reese, a senior emerging market economist at Schroders, said in December that China's GDP would grow by 5% in 2023 compared to 3% in 2022.

An unquantified factor affecting oil prices in 2023 is G7 nations and Australia agreeing not to buy Russian crude oil for more than $60 per barrel. The decision extends to national companies buying, selling and transporting Russian crude. Analysts talking to Business Insider expect Russia's oil exports to drop by 1 million barrels a day as a result.

That decision will make it "increasingly difficult to achieve a consensus on oil price targets within OPEC+," said Fitch Ratings. The cartel's most influential members are the GCC nations and Russia, and it doesn't include the United States or European countries.

Natural gas

The Egyptian government sees natural gas as the country's fuel of the future. Egypt is a net exporter, with rising prospects to ship liquified natural gas (LNG) to Europe as an alternative to Russian gas. Additionally, the government wants to increase the number of cars using natural gas now that most factories and public transportation rely on it.

The EIA predicts natural gas prices will increase in 2023, likely topping $6 per million British thermal units (MMBtu) during the first quarter, up from November's average of $5.50 MMBtu. However, it "will begin declining as U.S. storage levels move closer to their five-year average thanks to rising production." The EIA noted the United States is expected to increase production by 1% in 2023, but global output may be limited early in the year by pipeline capacity.

Fitch Ratings forecasts natural gas prices will taper off in Europe and the United States, with "reduced gas demand in Europe primarily due to lower industrial consumption." The European Commission expects the bloc's GDP growth to reach 0.3% in 2023. Its November press release said, "The outlook for 2023 is significantly weaker for growth and higher for inflation compared to the European Commission's Summer interim forecast."

Fitch Ratings also cited forecasts of a warmer-than-normal winter, meaning homes will use less fuel for heating. Meanwhile, EU storage levels are at as much as 95% of capacity, so there is no rush to import natural gas at inflated prices. That is "better than we previously anticipated and should help ease supply-demand pressures."

Capital.com, an online financial company, said in a December paper that storage is "near 10-year highs." However, it is unclear how much natural gas reserves will remain when winter ends. "The bullish [natural gas] market phase may occur after the first months of [2023] when gas reserves in Western economies begin to dwindle and demand for refilling stocks resumes its cyclical comeback," said Piero Cingari, a market specialist at Capital.com.

By that time, several other factors would have impacted natural gas and oil prices. They include China's success in recovering its economy, the status of the war in Ukraine and whether the United States enters a recession. Another factor is whether secondary fossil fuel producers (like Egypt with natural gas) increase production to meet rising global demand.

THE RISE OF ‘ECO-NOMIC’ POWER

Relying on fossil fuels to generate power is becoming increasingly less feasible with the rise in global prices. The solution will likely be an accelerated transition to renewables starting in 2023.

Despite not having specific targets to lower emissions, the government is prioritizing eco-friendly and sustainable projects. On its official Facebook page, the government announced in November that 40% of its investments in fiscal year (FY) 2022/2023 have eco-friendly and sustainable elements.

It published an infographic showing that transportation accounts for 63.1% of the budget allocated for green and sustainable projects. Sustainable sanitation accounts for 9.2%, while clean energy investment takes up 6.1%. The rest is divided among sustainable clean water projects, environmental improvement and sustainable agriculture.

In 2023, Egypt should find it easier to attract eco-friendly FDI. The pound’s ongoing devaluation against the dollar means projects using foreign financing are becoming less expensive. In addition, eco-friendly technologies are getting cheaper every year.

The critical factor in 2023 will be the cost of raw materials, including copper, iron, cobalt, and other rare earth materials. They are used extensively in batteries, solar panels and electric motors. Another major driver will be soaring global demand as more countries target ambitious emission cuts by 2030.

Cost of green

In a July press release, the intergovernmental International Renewable Energy Agency (IRENA) said there had been a “seismic shift in … renewable power generation options since 2010.” Between 2010 and 2021, the levelized cost of electricity (LCOE) dropped 88% for new solar projects and 68% for wind power development. The United Nations estimated solar power project costs decreased 85% over the same period and wind power project costs dropped between 48% and 56%. The U.N. noted in a statement on its website that “renewable energy actually is the cheapest power option for most parts of the world.”

Less expensive solar and wind energy will invariably lower the cost of producing hydrogen fuel from clean sources (aka green hydrogen). That zero-emissions fuel can power heavy-duty trucks, planes and factories. Green hydrogen costs should fall further as more projects come online. “Once green hydrogen facilities are operational, the cost of producing it will be less than the cost of diesel fuel,” said Arnes Biogradlija, director of content at Energy News Biz, a specialized news portal.

That is good news for Egypt, as the government is heavily promoting green hydrogen projects. In December 2021, Mohamed Shaker, minister of electricity and renewable energy, called 2022 the “Year of Green Hydrogen.”

A new factor that surfaced in 2022 was the rising price of iron, cobalt, lithium, copper and other rare earth materials used extensively in batteries, solar panels and electric motors. Driving those increases were a mix of supply chain disruptions, rising demand, energy costs and an increasingly strong dollar.

Such price hikes should not immediately affect production costs at up-and-running factories producing eco-friendly energy equipment. “Rising commodity and renewable equipment prices are passed through into project costs with a lag,” noted Francesco La Camera, IRENA’s director-general, in July. That is mainly due to the “time difference between a financial investment decision and the commissioning of a project.”

Forecast in 2023

Deloitte’s 2023 Renewable Energy Industry Outlook report published in October said demand for clean energy will only increase. The main drivers include “cost competitiveness,” despite ongoing supply chain disruptions making it unnecessarily expensive. “Wind and solar will likely remain the cheapest energy sources,” the report said.

Deloitte’s report also showed that green economy initiatives, such as the Inflation Reduction Act and RE100 initiative, by the United States and other nations would further encourage multinational enterprises to increase their environmental commitments. That is complemented by a projected general rise in residential demand, which the Deloitte report said will “grow faster than ever” in 2023.

However, those projected price hikes will come with risks. As the 2023 Renewable Energy Industry Outlook noted, “Growing demand in 2023 could exacerbate supply chain constraints … further boosting prices and extending project timelines.”

The second risk is rising demand for finite minerals. “The price of raw materials used in solar panels and wind turbines has gone up over the past year, as rising energy prices have caused some manufacturers of commodities to curtail or stop production,” noted Patrick Gilly, global director of energy transition at Ramboll, a Danish consultancy, in April.

A report by Fitch Solutions noted, “High capital costs for solar and wind energy projects as experienced in 2022 are likely to continue, though the impact will depend on the technology used and materials needed.” The added cost would “alter project economics … as some developers feel the pinch more acutely.”

Gilly also predicted “these added investments [in renewable energy will lead] to a shortage of qualified workers and skilled engineers.” That will mean higher labor costs, as more projects compete for a small pool of qualified workers. “It’s not just the price of raw materials,” said Gilly. It is “also the ability to transport and to install … foundations for wind or solar panels.”

The mix of positive and negative indicators makes forecasting clean energy prices tricky. “It is hard to assess if we are going at [the] right pace,” Gilly said. “But we also have to remember the energy infrastructure we enjoy today took 70 years to build. We are trying to build an alternative in 30 years or less.”

BUILDING BACK INDUSTRY

Egypt, like the United States, wants manufacturing to contribute more to GDP. What might the government learn from American efforts?

by Kate Durham
analysis by Tamer Hafez

One of the most important aims of any government is to build a resilient economy capable of navigating domestic and foreign shocks and force majeure situations. Robustness comes from having a solid manufacturing base that satisfies both local needs and exports, creating a stable inflow of foreign currency.

The United States, the world's largest economy, has become increasingly less resilient, importing more than it exports since the 1980s. The Trump administration's efforts to promote domestic manufacturing largely focused on trade policy. During this period, the U.S. renegotiated the North American Free Trade Act, backed away from the Trans-Pacific Partnership trade agreement and introduced new tariffs and other barriers on imports, especially from China.

In contrast, the Biden administration takes a holistic approach to attract manufacturing investment, using initiatives, executive orders and new laws to strengthen supply chains, promote local manufacturing and create quality jobs.

"This pandemic exposed economic vulnerabilities that we have yet to fully grapple with: Empty store shelves, shortage of basic medicines, supply chain bottlenecks from computer chips to advanced medical equipment," said Brian Deese, White House Director of the National Economic Council, to the Atlantic Council in June 2021. Up to that point, he noted, America's private sector and public policy approaches to domestic production "prioritized short-term cost savings over security, sustainability, and resilience ... In short, this was a wake-up call."

However, some worry that policies protecting domestic manufacturers could stifle competition from abroad. That could stall innovation and negatively affect quality at home.

Emerging economies like Egypt's share similar goals and similar challenges in building a manufacturing-driven economy. The U.S. government's strategy for a supply chain-focused recovery may hold lessons adaptable to the Egyptian experience.

A 21st-century strategy

In February 2021, a month after taking office, U.S. President Joe Biden signed Executive Order 14017, directing a multi-agency review to assess vulnerabilities and ways to strengthen the resilience of critical supply chains. "Resilient American supply chains will revitalize and rebuild domestic manufacturing capacity, maintain America's competitive edge in research and development, and create well-paying jobs," the order noted.

From that assessment emerged what Deese described as a "twenty-first-century American industrial strategy ... to strengthen our supply chains [and] rebuild our industrial base across sectors, technologies, and regions of this country." He explained, "This strategy needs to be built on five core pillars: supply-chain resilience, targeted public investment, public procurement, climate resilience, and equity."

In June 2021, the White House convened the Supply Chain Disruptions Task Force to develop a national strategy to strengthen supply chains, focusing on six main sectors: energy, transportation, agriculture commodities and food products, public health and biological preparedness, information communications technology, and defense. That strategy has guided the administration's legislative and regulatory agenda for the past two years.

The Bipartisan Infrastructure Law passed in November 2021 includes $550 billion in new federal investments in ports and all modes of transportation and core infrastructure, including power and broadband networks, clean water, and environmental resiliency. A February 2022 White House briefing document noted that these investments will help "move critical goods from ships to shelves faster and more affordably."

The government is also directing $1 billion from the Small Business Opportunity Fund to expand independent meat processing capacity. Meanwhile, the U.S. Department of Agriculture (USDA) provides technical assistance for micro, small and medium enterprises. The American Rescue Plan (ARP) authorized that fund in March 2021 to provide cash grants and loans to stimulate the economy during COVID-19 lockdowns.

The federal government has made domestically produced critical minerals - including copper, nickel, lithium and other rare earth minerals used in many tech-based products - a priority. In February 2022, the administration announced plans to update mining regulations to reflect sustainability and called for a comprehensive reform of the 150-year-old mining law overseeing the sector.

That same month, the Department of Energy announced $44 million in funding for the Mining Innovations for Negative Emissions Resources (MINER) Program to fund "technology research that increases the mineral yield while decreasing the required energy, and subsequent emissions, to mine and extract these energy-relevant minerals."

Other laws passed in the last two years focus on high-tech manufacturing. Biden signed the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act into law in August 2022, which earmarks $52 billion in subsidies to promote microchip manufacturing in the United States. According to a presidential executive order to implement the new law, the CHIPS Act "will make transformative investments [to] bolster United States technology leadership and reduce our dependence on critical technologies from China and other vulnerable or overly concentrated foreign supply chains."

The Inflation Reduction Act, also passed in August 2022, includes tax incentives for U.S.-made components for clean energy products, such as windmill blades and electric vehicle batteries. "The act aims to catalyze investments in domestic manufacturing capacity [and] encourage procurement of critical supplies domestically," said Justin Badlam, market intelligence leader at McKinsey & Company.

Trade officials for the European Union immediately raised concerns about those tax incentives and other parts of the Inflation Reduction Act, suggesting they violate international trade rules. France's Finance Minister Bruno Le Maire told CNBC in November, "The level playing field is at the core of the trade relationship between the two continents and we don't want to see any kind of decision that could harm this level playing field."

The Buy American Act of 1933 requires the federal government to prefer domestic products in its purchasing processes. "The federal government is the largest buyer in the world, spending over $600 billion in contracts annually," Deese said. "We need to think about how to leverage this purchasing power strategically to shape markets.

In March 2022, the administration announced new procurement rules to boost federal procurement of U.S.-made goods. Manufacturers that want to use the "Made in America" label

must increase the percentage of domestic content to 60% in 2022, 65% in 2024, and 75% in 2029. A White House paper in March said the gradual rise will "allow businesses to onshore manufacturing and adjust their supply chains to increase the use of American-made components."

Another new rule allows the government to apply enhanced price preferences to select critical products and components, noted the March White House paper. If the lowest offer is not from a domestic supplier, the price preference mechanism marks up the foreign offer by a percentage for the bid comparison - making local products look more favorable. The enhanced price preference would increase that percentage for eligible contracts.

The Biden administration also wants to include more small disadvantaged businesses in the procurement system. In 2020, less than 10% of all contracting dollars went to minority-owned businesses. The administration wants to increase that to 15% by 2025.

In his speech introducing the new industrial strategy, Deese anticipated the concerns of international trade partners: "Resilience does not mean closing ourselves to the rest of the world. Partnerships with our allies that promote more stable access to key inputs while improving environmental sustainability and workers' rights is essential."

Access to financing is a vital part of growing the manufacturing sector, particularly for small businesses. "Too many American manufacturers -- especially small and medium ones -- struggle to obtain the financing they need to expand their operations and compete for global sales," noted the White House February briefing document.

According to the White House, the ARP's $10 billion Small Business Opportunity Fund, established to expand small business credit initiatives, can be "leveraged into more than $70 billion in additional lending and investment for small businesses, including small manufacturers."

The Department of the Treasury and Small Business Administration (SBA) are also activating programs to "unlock tens of billions of dollars for small manufacturers." The SBA also will "promote and prioritize licenses for Small Business Investment Companies (SBICs)." The February White House paper said SBICs invested $14 billion since 2012 to encourage manufacturing. Meanwhile, the SBA hosted a Seed Fund Start-up Expo in 2021 to financially support Small Business Innovation Research winners.

Manufacturing 4.0

For industry policy to be effective, it must address increasingly pressing topics. "Any reinvigoration of ... manufacturing will ... require reinvention," said Tyler Carr of McKinsey's Detroit office in an August paper. "Around the world, companies are taking a fresh look at the paradigms that have dominated industry's evolution for decades."

Carr said industrial policies should not support industries that use fossil fuels. "The energy transition ... offers significant opportunities for U.S. manufacturers. Demand for new renewable-energy generation equipment is set to skyrocket ... by 2050." The Bipartisan Infrastructure Law, for example, has the potential to "trigger $5 billion in investment in new charging infrastructure for electric vehicles."

Another consideration is manufacturers' expanding their use of digital technologies. "Around the world, manufacturers are ramping up their investment in key technology areas, seeking to overcome existing pain points in their operations," wrote Carr. Those technologies include "artificial intelligence, machine learning, and [other] advanced technologies."

Industry policies also should prioritize the creation of a more skilled workforce. "Solutions from the past aren't likely to work [as] digital processes have changed profoundly ... Manufacturers will need a sharp focus on their employees' skills," said Carr. "Digitization often creates new roles faster than workforce training has historically been able to keep up."

The final dimension of industrial policy is ensuring resilience. That puts traditional manufacturing destinations under pressure. "Automation, digitization, and the drive for greater sustainability are changing how manufacturers produce their products," said Carr. "These factors are also encouraging CEOs to take a fresh look at where manufacturing is done."

Win-win?

Having a strong domestic industry is always a sign of a sustainable economy. The authors of "Producing Prosperity: Why America Needs a Manufacturing Renaissance" explain how "offshoring production hinders the ... ability to innovate, as manufacturing know-how is lost."

A robust manufacturing ecosystem can be a matter of national security. Edward Alden, a senior fellow at Bernard L. Schwartz Communication Institute in New York, explained in a blog on the Council on Foreign Relations (CFR) website, "A country could determine that it needs to domestically produce critical goods, such as medical supplies or military equipment, for national security reasons."

Strong manufacturing can stabilize a society, said Oren Cass, executive director of American Compass, a think tank. "Manufacturing industries provide broad societal benefits, such as stable, well-paid employment," he said on the CFR site.

On the flip side, protecting local industry can backfire. Having an industrial policy "inevitably distorts the free market and rewards companies, not for the quality of their products and services, but for their skill at lobbying lawmakers," said Anshu Siripurapu, an economics writer and editor for the CFR, in November. "It gets to the heart of a deeper, long-standing controversy over the role of free markets and the role of the government in the economy."

The result might be weaker companies and a more fragile, less investor-friendly economy. Scott Lincicome, director of general economics at Cato Institute, told CFR, "The government is worse at identifying successful firms than the free market." It also "leads to crony capitalism, where politically well-connected companies benefit at the expense of their competitors."

Another concern is the rise of monopolies. Matt Stoller, director of research at the American Economic Liberties Project, wrote in a 2020 blog on ProMarket, a University of Chicago-based publication, noted that this "greater concentration of corporate power ... would stifle innovation and harm national security."

Making it work

For industrial policies to work, there are prerequisites. The first is untangling existing regulations to simplify compliance and make loopholes easier to detect. Malanga, the George M. Yeager Fellow, noted, "For years, manufacturers have argued that a thickening regulatory tangle makes it more expensive to hire workers, delays the opening of projects ... and requires considerable outlays to comply with government mandates."

Smart industrial policy also is a factor. Robert Atkinson, president of the Information Technology and Innovation Foundation, told CFR that policy "should focus on high-value industries that compete internationally ... and are difficult to retrieve once lost." He cited the semiconductor industry.

Finally, industrial policies work when incentives and protections are "complemented by measures to link productivity improvements with incomes," the ILO said. "Continued slow growth of median incomes relative to productivity is a recipe for further financial crises and a lost decade or two." n

Market Watch

Stock Analysis

Green all over

Another 20-plus positive performance from Nov. 15 to Dec. 15 was enough for the EGX 30 index (up 24.8%) to extend its year-to-date gain into its year high. However, this time the EGX70 EWI (+24.7%) tagged along. Both the EGX 30 (26.7%) and EGX 70 EWI (30.1%) were up on a year-to-date basis. During the period, advances outnumbered declines by 6 to 1, with the market primarily painted green.

That reflects the breadth of the market's upward trend that started following the second devaluation of the year of the Egyptian pound on Oct. 27. The EGX 30 jumped 43% since then, extending its long-term trend that started Jul. 5 to a whopping 75% return in just over five months. Granted, a weaker pound makes Egyptian assets cheaper, as in November 2016, the EGX 30 hit an all-time intraday high of 18,414.11 on Apr. 29, 2018.

Stocks that benefited from a stronger U.S. dollar spanned different sectors, from banks and exporters to logistics and commodity-linked shares.

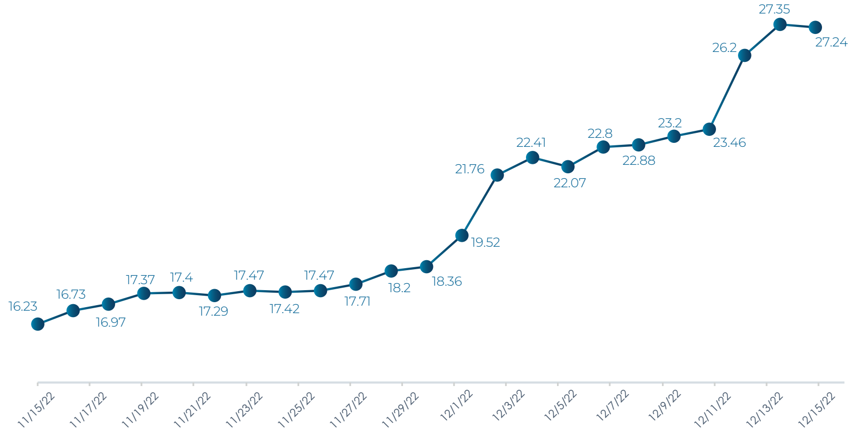
Faisal Islamic Bank of Egypt (FAIT, up 68%) and Commercial International Bank (COMI, up 27%) should benefit; the former would revalue its dollar-based capital and the latter would revalue its net foreign currency position. Other companies that conduct a sizable portion of their business outside Egypt also should benefit, like Elsewedy Electric (SWDY, up 45%) and Orascom Construction (OCIC, up 30%). Also, exporters such as Oriental Weavers Carpet (ORWE, up 44%) and Dice Sport & Casual Wear (DSCW, up 48%) eventually would see higher cash flows.

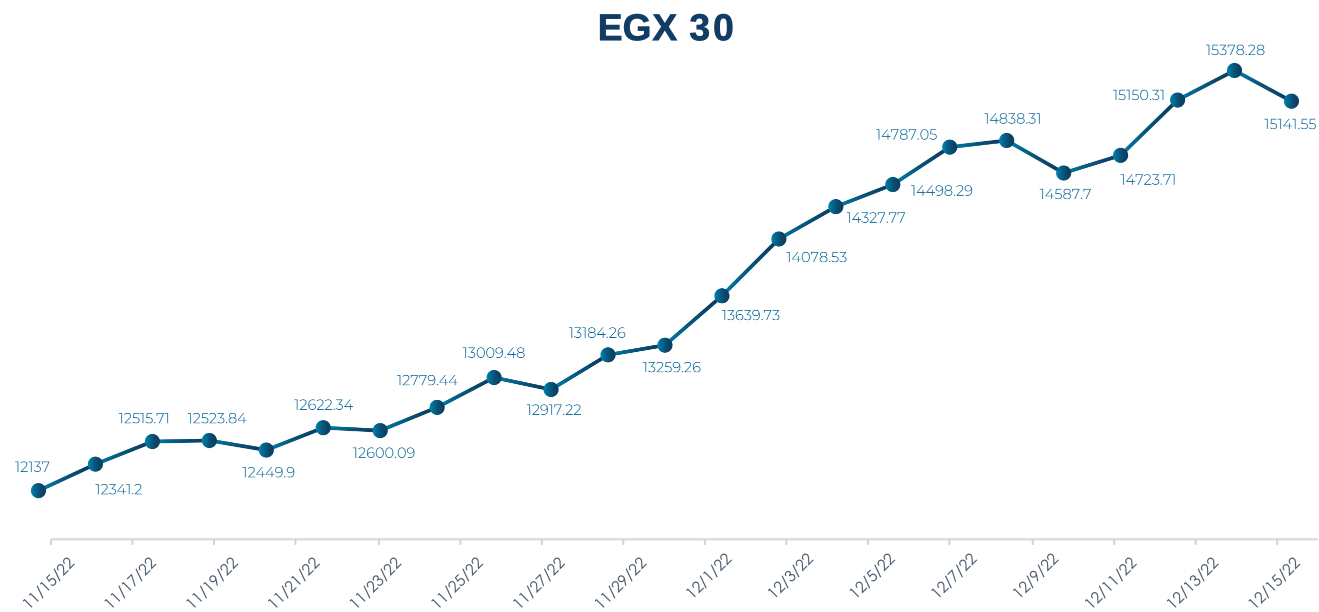
In logistics, companies that price their services in dollar terms should report higher revenues. Hence, Alexandria Container Handling Co. (ALCN, up 41%) should see its already high profitability margins expand further. Similarly, Canal Shipping Agencies (CSAG, up 40%), which owns 20% stakes in two other container handling companies, would benefit. Meanwhile, commodity-linked stocks will be able to reprice their products higher. This list includes Alexandria Mineral Oils (AMOC, up 52%), Delta Sugar (SUGR, up 40%), Misr Chemical Industries (MICH, up 34%), Abu Qir Fertilizers (ABUK, up 32%), and MOPCO (MFPC, up 25%).

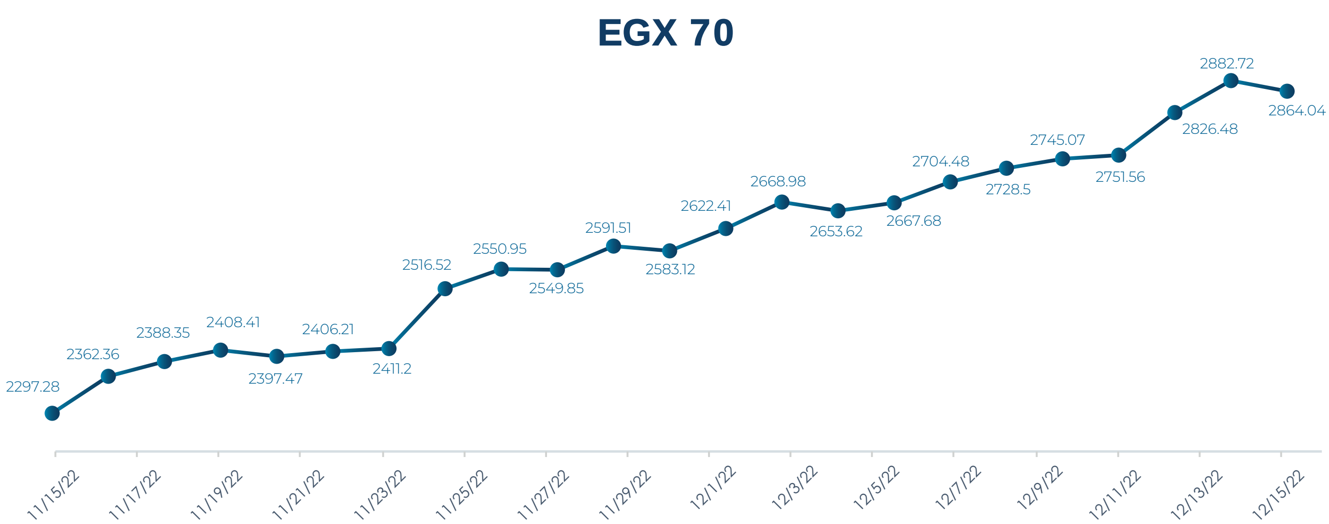
More recently, the Central Bank of Egypt surprised the market by hiking interest rates by 3% at its Dec. 22 meeting. With 8% in total hikes in 2022, the market will weigh its options. Companies likely will see earnings pressured, given higher financing costs. On the other hand, the EGX 30 is still 18% below its all-time high and down 40% in U.S. dollar terms, which means stocks haven't recouped their losses in nearly five years. The result may mean short-term weakness along with a long-term upward trend.

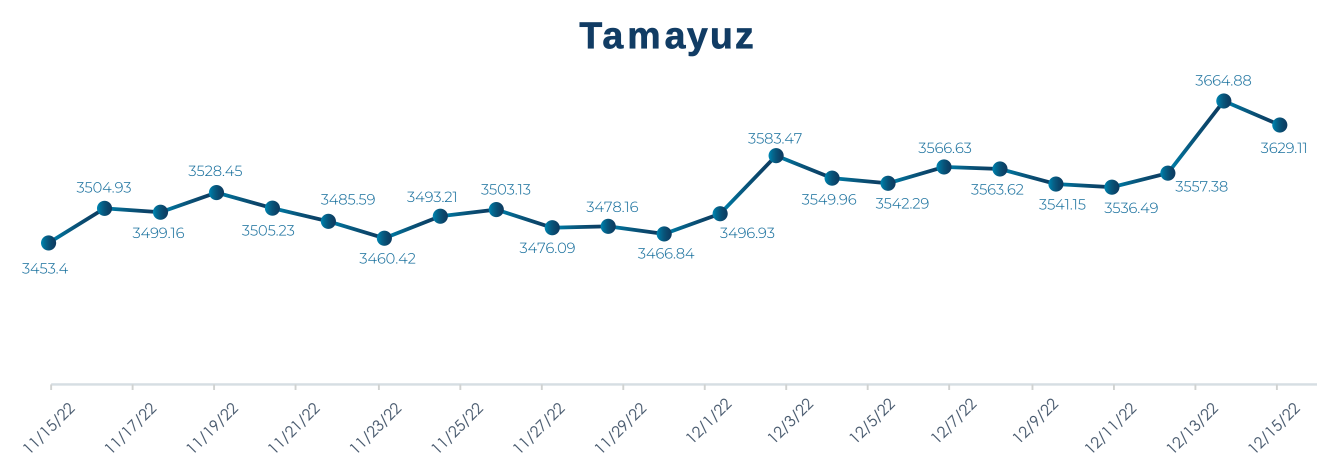
Faisal Islamic Bank of Egypt (FAIT)

One of three EGX-listed Islamic banks, Faisal Islamic Bank of Egypt (FAIT), is always a vital beneficiary of a stronger U.S. dollar. Part of the bank's capital is in dollars, so any strength in the greenback against the Egyptian pound eventually shows up on the bank's income statement as a foreign exchange gain. Following the second EGP devaluation in 2022, FAIT's stock skyrocketed 68% after closing higher in 18 of the 22 trading sessions, with more than 3 million shares worth EGP 70 million changing hands.



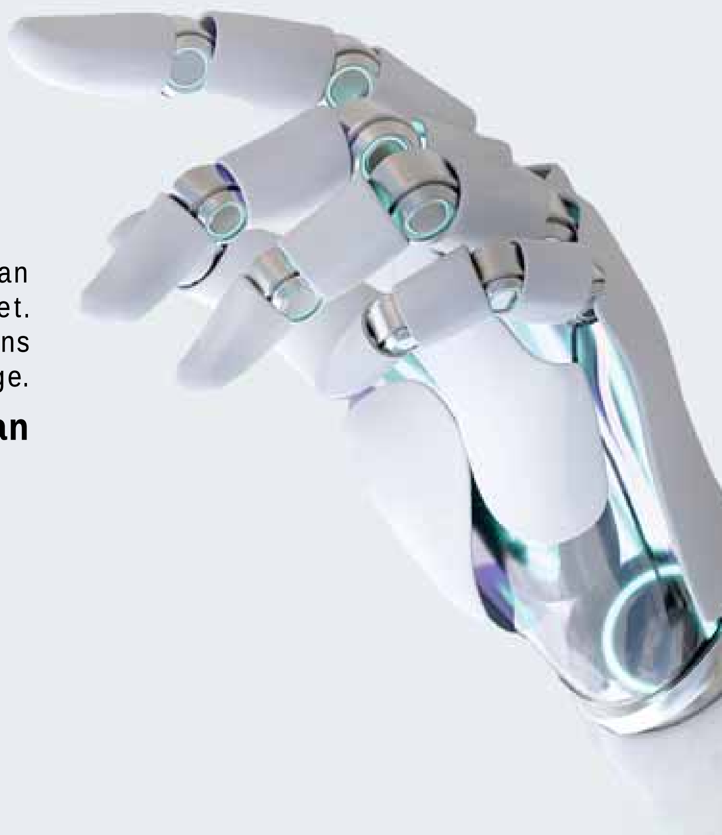






Tamayuz index is an all-new weighted index, launched on June 23rd. It comprises companies with high free cash flows from operations. EGX stresses that this is not an endorsement of those stocks.

THE ROAD TO AI



Artificial intelligence is the future in an increasingly overcrowded market. Integrating it into company operations gives it a distinct competitive advantage.

By **Rania Hassan**

Be it smartphones, automobiles, computers, laptops, smartwatches or white goods connected to the internet, artificial intelligence (AI) is all around. "AI touches almost every aspect of our lives," said a 2017 PwC report titled Sizing the prize: What's the real value of AI for your business and how can you capitalize. "And it's only just getting started."

Companies should increasingly rely on it to improve their operations if they want to compete against established names at home and abroad. "While some markets, sectors and individual businesses are more advanced than others, AI is still at a very early stage of development," according to a McKinsey study in December 2022. "There are ... opportunities for emerging markets to leapfrog more developed counterparts."

The Egyptian market has two ingredients vital for successfully implementing AI solutions. The country has a population of over 100 million, the second-largest in Africa. And the adoption of technology is rising fast, fueled by government policies. The Ministry of Communication and Information Technology estimated in October that mobile penetration had reached 94% of the population. Internet penetration in the fiscal year 2021/2022 hit 72.2%.

That gives companies with the correct AI systems, expert employees, culture, and policies the ability to accurately "understand and forecast" how the market might behave. That helps managers make better decisions.

What is AI?

The PwC report defined AI as a "collective term for computer systems that can sense their environment, think, learn and take action in response to what they are sensing and their objectives."

Globally, digital assistants such as Android's Google Assistant, iOS's Siri and Amazon's Alexa are some of the most common interactive applications that use AI extensively. Those systems use past requests and instructions to calculate probable future results.

AI-powered conversation starters (Chatbots) are present on many portals. SWVL, Careem and Elves are a few examples in Egypt that rely on that technology to assist and direct customers.

The third popular application of AI is "machine learning," where AI-powered equipment can change how they behave and react to volatile environments without explicit instructions.

AI systems can automate factory tasks or deal with customers directly. They also can provide "assisted intelligence," said the PwC report, that helps "people to perform tasks faster and better." The third level of AI is "automated intelligence, [which] helps people ... make better decisions." Then there is "autonomous intelligence," where the AI system can make some decisions while collaborating with humans on others.

AI in 2022

In its December review of AI, McKinsey found that half of the survey respondents said they had adopted AI, compared with 20% in 2017.

The most popular application is natural language generation, where the AI system converses with users in real-time. The other is computer vision, where an AI system identifies images using an attached camera or sensors, acting or presenting recommendations based on its findings. The McKinsey report said the adoption rate of these two technologies doubled from 1.9% to 3.8% between 2008 and 2022.

The functions that relied the most on AI in 2022 were "service operations optimization, creation of new AI-based products, customer service analytics, and customer segmentation," the report noted. In the survey, 24% of respondents said they adopted AI to optimize their service operations (the most popular use). The 10th most popular use -- predictive service and intervention -- saw 14% of respondents say they benefited from it in 2022.

That adoption pace means a growing number of companies have increased their AI investments. "Five years ago, 40% of respondents at organizations using AI reported more than 5% of their digital budgets went to AI, while more than half of respondents report that level of investment today."

Adopting correct and effective AI systems can reduce costs and increase revenues. Nearly 32% of those surveyed across all sectors said they saw a cost drop thanks to AI, while 63% reported more revenue.

McKinsey noted that by the end of 2022, service providers saw the most gains -- 45% of respondents said their costs dropped, while 57% reported a jump in profits. Manufacturers reported similar progress, with 42% saying their costs declined, while revenues went up by 61% when integrating AI. Supply chain management saw 52% reporting lower costs, while 59% saw greater revenue. Other functions that benefited include human resources, marketing and sales, risk assessment and management, product and service development, and strategy and corporate finance.

Integration

The PwC report said AI affects everyone. "No sector or business is in any way immune from the impact of AI," it noted. "The potential for innovation and differentiation could be all the greater because fewer market players are currently focusing on AI."

One of the biggest challenges facing organizations is AI's ultimate purpose: "Doing things that have never been done before, rather than simply automating or accelerating existing capabilities. Some ... strategic options that emerge won't match past experience or gut feelings. As a business leader, you may therefore have to take a leap of faith."

The PwC report recommends leaders "work out what AI means" for their businesses. They need to start by scanning technological developments, forecasting competitive pressures within their sector and target market, and determining how quickly AI solutions will arrive and how to respond. Next, "identify the operational pain points that automation and other AI techniques could address."

The second question is to determine which course would be best. "Do you want to be an early adopter, a fast follower or a follower?" said the PwC report. The objective of implementing such systems is also vital: Is it to "transform [the] business or to disrupt [the] sector?"

The next step is to determine whether sufficient data is collected and categorized from the company and sector to make the system effective, as well as planning to deal with potential challenges.

Managers need to "map the key process flows to be automated, and decision flows to be augmented," noted PwC. That would be based on which "functions contain high potential processes that could drive near-term savings." Ultimately that feeds into how much investment must go into assembling the AI system and how to design it to collect more data and use it more effectively.

To manage such profound changes, business leaders need to "secure the talent, technology, and access to data to make the most" of AI. That could prove challenging, as the PwC report says employees who can operate and interpret results from AI systems are "in short supply, especially in less developed markets ... long-term training and development" is essential. Having the right corporate culture is vital. The ideal culture would be "data-driven that blends intuition and analytical insights with a focus on practical and actionable decisions."

The report said companies that want to integrate AI must also "build ... governance and control ... Trust and transparency are critical." The higher a company's profile and the more extensively it uses AI, the more "a malfunction ... is headline news," PwC said. "This reputational risk applies to all forms of AI." Another challenge is to ensure the AI system treats everyone equally. "Customer engagement robots have been known to acquire biases through training or even manipulation," noted the report.

To avoid getting things wrong with AI systems, the PwC report says business leaders need to consider the system's societal and ethical implications. They also need to "build stakeholder trust." In addition, companies need to develop new communication plans to explain those advanced "thinking" solutions to customers. Lastly, companies should use consistent monitoring and reprogramming to ensure the AI system is not biased. "Transparency is not only important in guarding against biases within the AI but also helps to increase human understanding of what the AI can do and how to use it more effectively," the PwC report said.

New organization

Despite the potential implementation risks, AI is critical for a company's long-term success. "It's easy to dismiss a lot of what's said about AI as hype," said the PwC report. "Yet, our analysis underlines that without decisive response, many well-established enterprises and even whole business models are at risk of being rendered obsolete."

AI systems could benefit companies in dire straits. Egypt faces rising inflation rates (over 20%, up from around 7% in January 2022), strict import controls and delayed cargo at ports. Meanwhile, consumption patterns are affected by a mix of sentiment and the Central Bank's monetary tightening, evident in rising interest rates and restrictions on foreign currency spending abroad. Those factors make increasing productivity and efficiency while reducing costs vital in the short term.

In the long term, operating an AI-powered organization will be necessary to survive and thrive. Fast adoption can "capitalize on openings and ensure [the] business doesn't lose out to faster-moving and more cost-efficient competitors." Accelerated adoption by existing companies could suppress the impact of new types of companies in the same target market. Tech companies are moving powerfully into mass transport companies (SWVL), non-bank financial services (Fawry) and retail (e-commerce portals).

The report said business leaders need to ask: Can the company move ahead of the competition? What are the openings for manufacturers, technology companies and others to make inroads in the market? Could the business be at risk of becoming obsolete if it doesn't move quickly enough?

The PwC report said getting the correct answers would result in a company that is far more capable in a far more appropriate way than would be without the infinite possibilities of AI. n

Chamber News

AmCham Committee Leadership
for August 2022 to June 2023
have yet to be announced

Entrepreneurship and Innovation

23 Nov

Roundtable targets bank-startup collaboration

On Nov. 23, the AmCham Entrepreneurship and Innovation Committee hosted a roundtable discussion titled: "How Are Banks Building Collaboration Platforms With Startups?" Speakers were Habiba Helmy, innovation lead at Arab Bank; Mohamed Hamza, fintech and open innovation program manager at Banque Misr; Nelly Mahmoud, chief communication officer and head of youth beyond banking and financial Inclusions at EGbank; and Sally Asad, director of fintech and technology-enabled partnerships at CIB Egypt.

In Egypt, startups must collaborate with banks for regulatory reasons. Commercial International Bank (CIB) is trying to represent startups more favorably than large corporations, given their limited resources. CIB also organizes events like Hackathons to showcase businesses to potential financiers.

Banque Misr has been undergoing an enterprise-wide digital transformation. It established a "transformation office" that aggregates the needs of the bank's business departments and units.

Banque Misr built a new pillar called the "digital factory," comprised of an agile team of nonbanking developers and designers. It was created to serve SMEs and mobile banking but now works across different sectors. The bank uses an open Innovation framework to support startups, the first layer of which is in partnership with Global Ventures, where they founded Nclude, a fund dedicated to fintech startups. The second layer is a corporate accelerator that invests in startups with a ticket size of $125,000.

There are three methods banks can use to collaborate with fintechs. The first works under the Central Bank of Egypt's "sandbox" framework. Another is through acquisitions, where nonbank financial institutions and funds acquired stakes. The third is partnerships with commercial banks, which engage with promising startups at Hackathons and NilePreneurs events.

Marketing Committee

29 Nov

P&G executive examines media strategy trends

On Nov. 29, the AmCham Marketing Committee hosted an "Evolution of Media Strategy" session with special guest speaker Nobuhiko Honma, senior media director for Asia, the Middle East and Africa at P&G.

Egypt has limited TV data and measurement systems with limited reach. Some indicators show the country has the longest TV Ad break duration in the world: up to 40 minutes in an hour for popular series during Ramadan.

P&G's growth model has three main components: attracting more users, increasing consumption, and showcasing the brand.

Reaching consumers with affordable prices is a major target. Honma said P&G is active all year round, including posting videos, as it is one of the most effective ways to reach out to customers. That gives reliable data to analytics teams working with media.

To position themselves in a competitive environment, companies need to make advertising integrative. "Make advertising integrative and engaging, not Interruptive," Honma said.

Industry and Trade

6 Dec

Tackling the Water Crisis in Egypt

On December 6, the AmCham Industry and Trade Committee organized a session on "Disrupting Water Scarcity: The Role of Industries in Curbing the Water Crisis in Egypt" with guest speakers Ahmed Moawad, Vice Chairman, Holding Company for Water and Wastewater (HCWW); Dalia Wahba, CEO, Hassan Allam Utilities; Emilio Tenuta, Senior VP of Corporate Sustainability and Chief Sustainability Officer, Ecolab; and Passant Fouad, Head of External Communications, Juhayna Food Industries.

Organizations are making a bold pledge within the water resilience coalition towards a net positive water impact because 150 of the largest companies can impact a third of the freshwater use on the planet.

Egypt is now producing more than 1.5 million meters of cubes per day of water with an optimistic plan to reach 10.5 million meters per day in the next 30 years. The second challenge is the commercial losses reflect the theft of water. An intelligent network is needed to connect the commercial aspect with the physical part to locate the leaks. Egypt is currently below the poverty line regarding water scarcity. The increase in population and the development of new cities have put a strain on the nation's water source.

Many companies have stepped up to tackle the issues of climate change. Hassan Allam Utilities established an investment and development arm for Hassan Allam Holding to address service and availability gaps in water, energy, social infrastructure, transport, and logistics in Egypt and MEA. The projects include desalination, wastewater treatment, and closed community water management solutions.

Juhayna invested 100 million in establishing wastewater treatment plants across their three factories. Industrial waste is reused to clean the factories and for irrigation. In addition, Juhanya installed water sensors and hoses across their factories and utilized condensed water for fruit washing.

Talent Management (HR)

30 Nov

State of the economy, 2023 dominate session

On Nov. 30, the AmCham Human Resources Committee hosted a session with guest speakers Hany Genena, adjunct professor in the management department at American University in Cairo, and Mohamed Faisal, country manager for Mercer. The subject was "Reflections on Current Economic Conditions: Forecasting HR Trends."

Through 2010, Egypt had an "acceptable" deficit of $5 billion, said Genena. However, since the floating of the pound in 2016, the deficit has skyrocketed to $22.4 billion.

In 2021, government figures showed that CPI inflation reached 16.2% and the Core CPI inflation rate 18.2%. The CPI inflation rate includes all goods and services, whereas core Inflation excludes fruits, vegetables, administrative goods and services.

The Central Bank of Egypt has been tightening monetary policy, especially after the cancellation of various industry initiatives, where interest rates were 8%, to help companies during the COVID-19 pandemic. Genena said the CBE would likely charge businesses 16% or higher, depending on the interbank rates it announces in the coming months.

He expects that during the first half of 2023, transportation costs are expected to rise because of more expensive diesel and gasoline. And by the end of June, the government will likely raise electricity prices.

Special Briefing and Discussion

14 Dec

Suez zone leads logistics, renewable energy

The Suez Canal Economic Zone (SCZone) promises to be Egypt's premiere investment hub to cement the country as a logistics and manufacturing hub in the region. Walid Gamal El Dien, the chairperson of the zone, told AmCham members on Dec. 14 that "its importance can't be overstated."

The SCZone stretches over 455 square kilometers, with 100,000 direct and indirect jobs created to date. It consists of six main ports, four industrial zones, 14 industrial developers, 90 port operators, and 300 operational establishments.

"The standout advantage of the SCZone is it offers direct connections between the industrial zones and ports," said El Dien. "That is significant, as 12% of international trade passes through the Suez Canal."

The SCZone authority has invested $2.8 billion in utilities and infrastructure, including roads, and tunnels from east to west, to "make it more investor friendly," he said. "It is very straightforward to send goods from the south to the north of the Suez Canal via roads passing through the SCZone." The Cairo Cape Town highway would further enhance the SCZone's importance, which El Dien believes will be completed in two years.

Gamal also pointed to legislative changes allowing all products made in the SCZone to be locally produced. That means they can access the local market without paying customs and have customs-free access to countries with an FTA with Egypt.

Lastly, he highlighted some incentives for operating in the SCZone, including 0% customs on imports for the factories, 0% VAT, and 50% corporate tax refund for the first seven years of operation. Additionally, 100% foreign ownership of assets and a five-year residency visa for foreigners working there are allowed. The government also pledges to fully or partially cover running costs, including energy and insurance of the workforce.

Customs and Taxation

14 Dec

New ETA committee to prioritize businesses

The AmCham Customs and Taxation Committee, on Dec. 14, discussed tax-related issues facing member companies with Mokhtar Tawfik, head of the Egyptian Tax Authority.

One outcome of the session was the creation of a committee composed of ETA department heads. Its task is identifying challenges that face member companies and encouraging recommendations and solutions as a matter of priority.

The most pressing challenges highlighted among AmCham member companies include the e-invoicing portal, tax examination delays, and double taxation treaties.

One executive explained that the e-invoicing portal does not allow the collective withdrawal and review of invoices for company audits. As a result, accumulating unsettled invoices resulted in unnecessary extended delays, especially for large corporations and multinationals.

Additionally, a direct communication channel is needed between companies and the Tax Authority, as the portal occasionally requires updating that shuts it down for two or three days. Companies asked to be informed before this process to prevent further delays in uploading invoices, as multinationals log about 3,000 invoices daily.

However, ETA Sector Head Sayed Saqr said the authority is looking into upgrading its portals with the latest technology. He also has announced the establishment of the committee led by Ragab Mahrous, adviser to the ETA chief.

Talent Management (HR)

18 Dec

Committee discusses salary, reward outlook

On Dec. 18, the Talent Management Committee hosted a session on "Insights on Salaries and Rewards: Preparing for 2023" with guest speakers Mohamed Faisal Al Nizami, principal consultant and Egypt country manager at Mercer, and Samah El Saghier, chief people and culture officer at AXA Egypt.

Al Nizami showcased his findings from a salary survey featuring 296 participants. The survey addressed three main topics: Is paying salaries in USD becoming a trend?; How did the market respond to economic events of 2022?; and What are the intentions for 2023?

The survey found 95% of companies said they pay their salaries in pounds. It also highlighted how companies reacted to the currency devaluation in 2022, with 48% saying they implemented action plans. Additionally, 23% of companies have suggested they are working on one.

Nearly 37% of companies that implemented action plans said an off-cycle salary increase was optimal for their company structure. Meanwhile, 34% provided a lump sum, with 29% of survey participants seeking other forms of compensation.

The survey indicated companies had difficulties paying for multiple off-cycle salary increases, with 91% providing only one in 2022.

Al Nizami emphasized developing a work plan that focuses on attracting talent and understanding the company's indirect and direct competitors for talent.

He also pointed out the importance of flexibility and developing more robust benefit packages that could entice and retain talented employees. Lastly, creating a solid workforce plan highlighting employees' essential roles, tasks and duties can help companies ensure they are adequately staffed.

Power and Renewables

20 Dec

Closed Roundtable Meeting

The Power and Renewables Committee hosted a closed roundtable meeting on Dec. 20 to discuss the pre-requisites and the specific actions that the government needs to take in the coming months to ensure that these MoUs signed during the 27th Conference of the Parties meeting in Sharm El Sheikh become Framework Agreements.

Those agreements mainly focused on renewable energy, including green hydrogen projects and solar power farms. Attendees also discussed key business environment enhancers that should exist to attract new and pipeline investments.

Global energy consumption should grow by 50% between now and 2050. North Africa has considerable potential to produce green hydrogen and either export it or develop local industries to use it.

Countries including Egypt, Algeria, and Libya are all major natural gas producers. They also lead the region's renewable energy transformation with substantial natural resources such as the sun and wind. For example, Egypt signed nine MoUs with different companies to implement projects to establish industrial complexes to produce green hydrogen. The first phase of the strategy would see the country export the output mainly to Europe and other nations that will require green hydrogen to fuel their economies.

The companies that signed with Egypt are Scatec, Enaara – Total, EDF – Zero Waste, Amea Power, Al Fanar, Gloealec, Al Cazar, Fortescue Future Industries – FFI, Renew Power – ELSEWEDY, among others.

After the roundtable meeting, attendees signed off on a white paper on their recommendations to the government to translate the agreements into bankable investment opportunities.

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A Glance At The Press

Prices

The government
"We want to manage prices!"

Dec. 27, Al-Masry Al-Youm

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

Movie revenues top $22 million in 2022

The Egyptian film industry released 24 films, with revenues of more than half a billion Egyptian pounds.

"Kira W Gen'," a period action film starring Ahmed Ezz and Karim Abd El Aziz, stood out as the highest-grossing Egyptian ever at EGP 120 million, collecting EGP 100 million within five weeks of its debut.

Meanwhile, "Wahid Tani," featuring comedian Ahmed Helmy came in second place with EGP 63 million. "El Ankaboot," a thriller with a cast including Ahmed El Sakka, Mona Zaki, Dhafer Al Abdine and Reem Moustafa, was third at EGP 36 million.

Cairo Scene, Dec. 25

Said, Abbassi to perform at Grand Egyptian Museum

Award-winning Egyptian soprano Fatma Said and acclaimed Conductor Nader Abbassi will perform at the Grand Egyptian Museum (GEM) on Jan. 20, 2023, marking the first public event at the venue. It is organized by RMC Worldwide.

"I feel so honored and proud to be the first artist ever to perform in the Grand Egyptian Museum," Said said on her official Instagram account.

Located at the edge of the Giza Plateau, GEM will be the world's most significant archaeological museum dedicated to a single civilization. The date of the museum's inauguration has not been announced.

Said is the first opera singer to win Egypt's Innovation Award. She has performed at opera houses and concert halls worldwide, including Teatro San Carlo in Naples, Wexford Opera in Ireland, Konzerthaus in Berlin, and Mozarteum in Salzburg.

As founder, artistic director, and principal conductor of the United Philharmonic Orchestra & Choir, Abbassi's compositions are performed by orchestras in Egypt, France, the United States, Germany, Switzerland and Slovenia.

Tickets to the event will range from EGP 1,500 ($61) to EGP 3,500 ($142).

Egyptian Streets, Dec. 20

'Shark Tank' coming to Egypt

Shark Tank - the global hit TV show that sees aspiring entrepreneurs pitch their business models to persuade a panel of superstar executives to invest in their ideas is coming to Egypt.

The sharks are Abdallah Sallam, CEO of real estate company MNHD; Hilda Louca, founder & CEO of fashion e-commerce platform MATCHA; Mohamed Farouk, chairman and CEO of Mobica Designs; Ayman Abbas, chairman of leading oil and gas drilling and production services provider ADES International Holding; Ahmed El Sewedy, president and CEO of El Sewedy Electric; and Mohamed Ismail, co-founder and chairman of Infinity Group.

Egypt will be the 47th country to host its own edition of Shark Tank, courtesy of Innovative Media Productions (IMP). The show should air on CBC in January 2023. Aspiring entrepreneurs on the hunt for some sharp-toothed investors can apply through the Innovative Media Productions website.

Cairo Scene, Dec. 18


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