# Business monthly

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March 2023

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# VIATRIS MARKS 60 YEARS OF MANUFACTURING IN EGYPT

Viatris Inc, a global healthcare company, celebrated 60 years of manufacturing at its Cairo, Egypt site, reaffirming on this occasion its commitment to empowering people worldwide to live healthier at every stage of life.
Viatris is proud to mark six decades of producing medicines in Egypt since the plant's establishment in 1962. Viatris acquired the plant in 2020 after the company was formed by the combination of Mylan and Upjohn, a legacy division of Pfizer, bringing together scientific, manufacturing, and distribution expertise with proven regulatory, medical, and commercial capabilities to deliver high-quality medicines to patients in more than 165 countries and territories.
Officials from the private and public sectors joined Viatris Egypt to celebrate this milestone, including Minister of Manpower Mr. Hassan Shehata, Minister of Public Enterprises Sector Mr. Mahmoud Esmat, United States Chargé d'Affaires, Ambassador Daniel Rubinstein, as well as representatives from the Ministry of Health and Population, the Egyptian Drug Authority, the Unified Procurement Authority, the World Health Organization, the American Chamber of Commerce Egypt, the Pharmaceutical Chamber, the Arab Hospitals Federation, and representatives from leading local healthcare institutions, associations, and private and public entities.


Since the plant's inception, Viatris' manufacturing site has served millions of patients in Egypt with continuous operations over six decades, including the challenging COVID-19 pandemic period. The site employs around 300 employees and applies the highest global manufacturing standards with strict adherence to safety, quality, and compliance. The Viatris Egypt plant is part of our global manufacturing network of approximately 40 manufacturing facilities that produce complex dosage forms, injectables, solid oral doses, and active pharmaceutical ingredients. In Egypt, Viatris makes treatments for many diseases and conditions, including cardiovascular diseases, mental health, pain, and more.


Suat Kumser, Head of Global Integrated Oral Solid Dosage and API manufacturing operations, said: "Six decades of operations and excellence in providing high-quality medicines to the people who need them in Egypt is a significant legacy. Marking it today is a testament to Viatris' commitment and unwavering support of Egypt's healthcare system. We continue to work closely with our partners in the public and private sectors as we develop sustainable and innovative solutions that improve patients' health across Egypt and the region and their access to high-quality medicines."

Mohamed Adel Sweilam, Country Manager Viatris Egypt, said: "Viatris aims to be a trusted partner, providing value across the healthcare value chain, to achieve Egypt's healthcare vision 2030. This celebration is significant to Viatris' team in Egypt as it reinforces our individual and collective passion for empowering people worldwide to live healthier at every stage of life – something we have accomplished so far in our communities. That remains a driving force for the future."

In his keynote during the event, United States Chargé d'Affaires, a.i Ambassador Daniel Rubinstein said: "I applaud this 60-year partnership between the U.S. private sector and Egypt to manufacture pharmaceutical products, advance the health of Egyptians, and help achieve the goal of universal health coverage."

Viatris Egypt has more than 400 employees in Egypt across its manufacturing and commercial operations. Viatris Egypt is at the forefront of significant healthcare events in the country. It has signed several public-private partnerships, memorandum of understanding, collaborations with the Egyptian Drug Authority, the Cairo University Faculty of Pharmacy, established in 1827, and professional medical entities.

In the community, Viatris is represented in the local association of Egypt manufacturers and the American Chamber of Commerce and has in its record several philanthropic initiatives. In addition, we seek to foster healthy communities by supporting education, health, and disease awareness efforts that, in particular, promote empowering patients and creating access to care.

VIATRIS™

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## American Impact

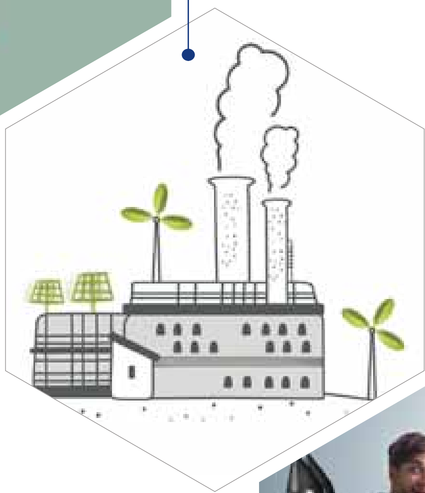


## Cover Story



## Special Topics





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# RABBIT HOLES

As per its literal translation, a "rabbit hole" is the seemingly endless network of underground tunnels where rabbits live. However, most people define it as "a bizarre, confusing or nonsensical situation or environment, typically one from which it is difficult to extricate oneself."

Indeed, it feels like the government is going deeper into several economic rabbit holes all at once. The more risky ones are inflation (food prices jumped from 17.6% to 48% in one year), debt to international creditors (the CBE says short-term external debt to total external debt went from 9.9% in fiscal year (FY) 2020/2021 to 17% in FY 2021/2022), and rising interest rates (9.25% to 16.25%). All that is weighing down businesses, consumers and GDP growth prospects.

Regardless of what caused those worrying figures, the key is getting out of those rabbit holes, as the longer we stay, the more complicated things get.

The steps to get out of these economic rabbit holes may seem straightforward. However, implementing them requires a significant commitment by the state.

One of the more popular solutions is the ARCH approach. The first step is "awareness," where one acknowledges they are going down a rabbit hole, or at least on the edge of one.

The second step is identifying the "root cause" or causes, essential for determining the factor (or combination of factors) that led to the predicament. Get that step right, and the following one comes naturally -- change.

The last step is to move on -- "heal" -- and push forward while remembering the lessons learned from that trip down the rabbit hole.

Given the extent and scale of the problems facing almost all aspects of Egypt's economy, the key will be to not give up at any of those stages, no matter how challenging it might be.

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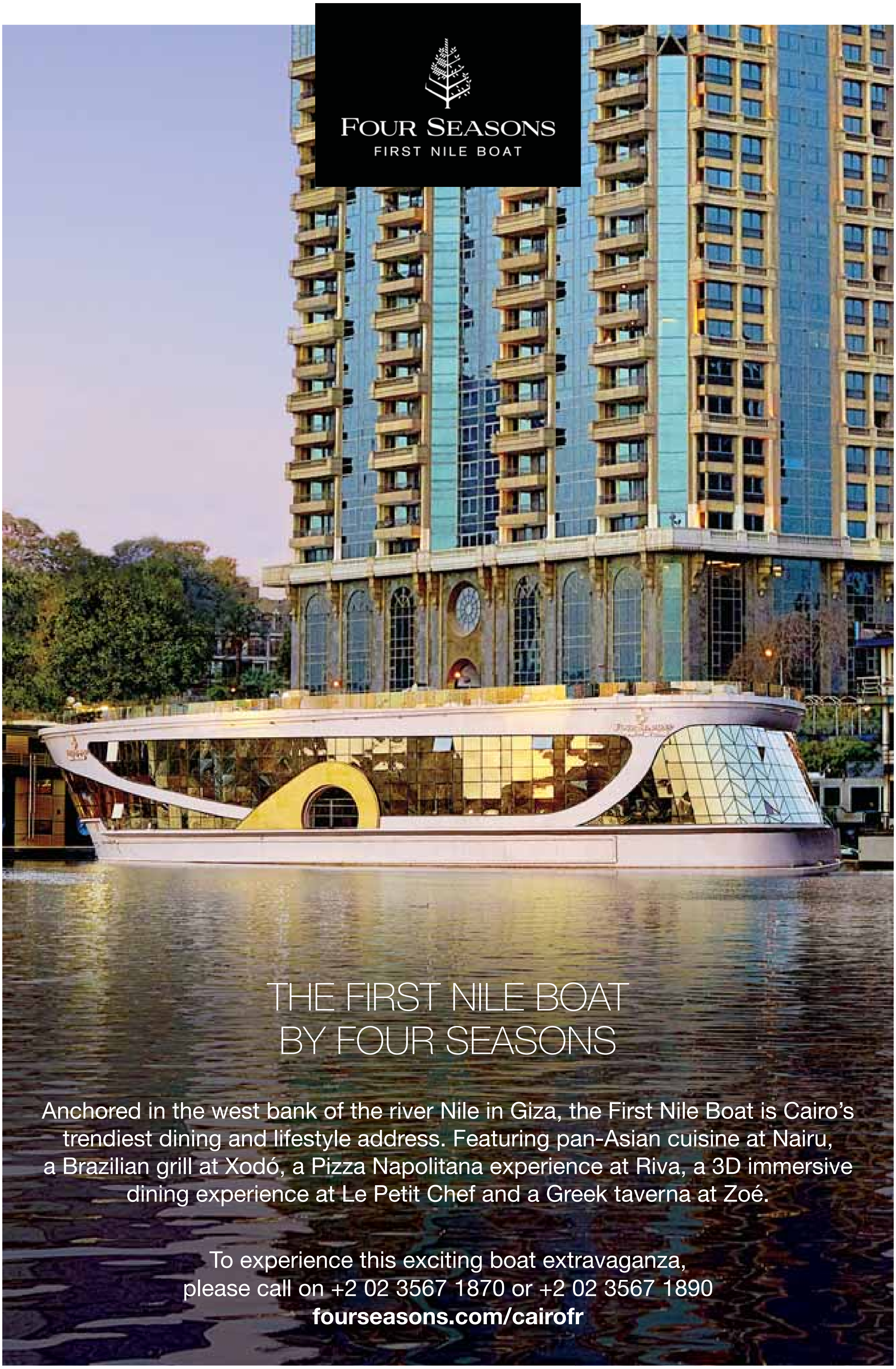
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# A TIME FOR ACTION

The economic narrative sounds perfect, and our checklist of priorities has all the right words: reforms, divestitures, scaled-back government, more exports, more FDI. At this point, our biggest obstacles to overcoming today's economic challenges are uncertainty and slow actions.

Our financial support partners are all on the same page, and for the first time they have a common message for a conditional plan of action. No more blank checks, no more free money. Delegations to the Gulf at the highest levels have yet to yield results. As I write this, the International Monetary Fund (IMF) mission is due in a few days for the periodic review of October's Extended Fund Facility, but it is hard to predict the outcome of that review.

The Egyptian pound is still under pressure from multiple directions. The backlog in the ports seems to be building up again after briefly easing. And the banking sector's net foreign assets are still solidly in negative territory, albeit in a better position than they were six months ago. Until both the imports backlog and foreign assets account stabilize to normal levels, the pressure on the pound will remain.

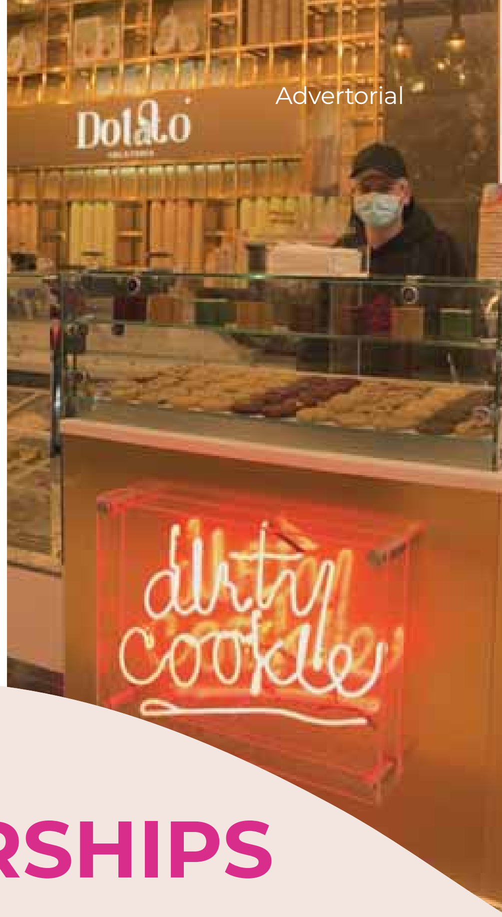
The magic formula for achieving economic and monetary stability is simple but at the same time hard: Build trust and confidence in our commitment to reform. It's time to move forward and move quickly. The divestiture of state-owned enterprises is still crawling at a pace that is not helpful. The more we wait, the more the pressure on the pound increases and the lower the value of these assets will be in USD terms.

Several actions must take place concurrently, as dealing with the solutions on a piecemeal basis will only exacerbate the situation. Another float without injections of fresh money in the market would only lead to further devaluation.

Whatever our woes, Egypt is still singled out among emerging markets as having what it takes for an economic recovery. That includes a large market, a skilled and trainable population, a diversified economy with multiple sources of foreign income, and a new IMF deal that is being interpreted as an admission of wrong policies ready to be rectified.

Pushing through the needed reforms will take determination and political will, assets I firmly believe we have. Our partners have heard all our words; now it is time to let our actions speak for themselves.

**TAREK TAWFIK**
President, AmCham Egypt


# IT'S TIME FOR **PARTNERSHIPS AND ALLIANCES**

## **Dolato & Dirty Cookie** raise the voice of collaboration amid economic crisis

"Collaborations" is a word we used to hear at our age. Still, today's collaboration is unique and rare in the Egyptian market, as it brings two competitors together as partners, sending a strong message to other companies about the power of partnership amid economic crises.

Dolato Gelateria and LA-SOURCED Dirty Cookie dropped a big sweet announcement of their recent collaboration during a ceremony to mark International Women's Day, highlighting the importance of such associations to mitigate the negative impacts of current economic crises, inviting other companies to adopt this approach.

Both companies provide customers with ice cream and cookies, but when they decided it was time for partnership and support, they agreed that each one would be providing its specialty, where Dolato delivers ice cream, and Dirty Cookie provides cookies in one of the exceptional collaborations of its kind in the Egyptian market.

Titled "The Power of Support And Collaboration," the event was an exclusive dinner organized to celebrate Women's Day.

Dolato is one of the pioneer companies that encourage this kind of collaboration between companies and entrepreneurs amid challenging economic conditions, believing that such partnerships will eventually benefit the market and help startups overcome the financial hurdles of expanding their businesses.

Both CEOs of Dolato Gelateria Mohamed Amin El-Hout and Dirty Cookie Shahira Marei decided to strike the collaboration in a short period after a coincidence meeting at the Forbes Middle East Under 30 Summit held in El Gouna last November.

"It became a reality in our life that we see day after day the importance of the role of strong and smart women in social and economic development, as we celebrate successful women every day," said CEO of Dolato Gelateria Mohamed Amin El-Hout.

CEO of Dolato added, "Today we are accompanied by the successful entrepreneur Shahira Marei, who has managed to turn challenges into brave achievements."

El-Hout said that the two parties decided on collaboration as they found mutual benefit in it, as he explained: "on the one hand, we, as Dolato, benefit from Shahira's distinguished experience, as it spares us the costs of research and development in addition to the costs of imported production lines, while on the other hand, Dirty Cookie benefits, as this relationship serves its expansion plans without the need to invest in opening new branches to deliver distinctive products to the end customer."

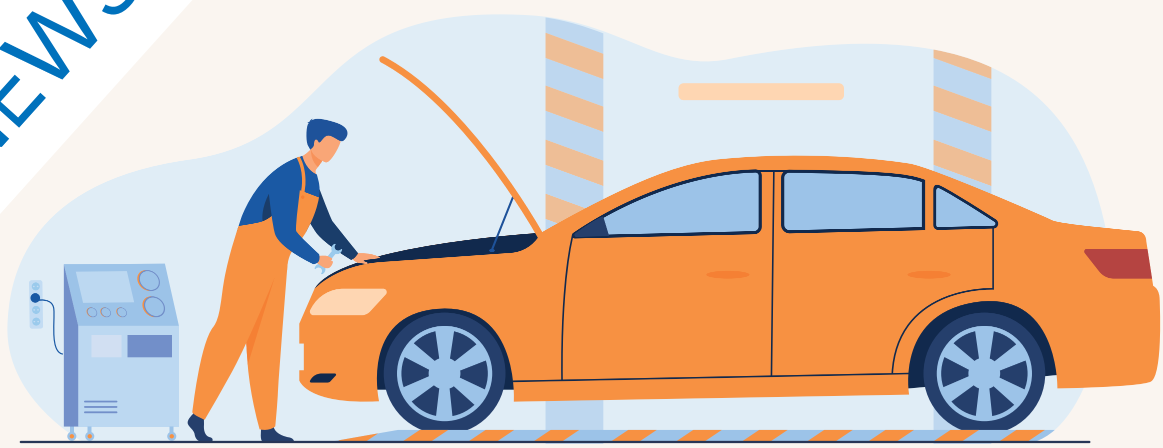
In his speech, El-Hout sent a message to all companies, saying that amid the current economic crisis affecting the world, "this time is not the time for competing with each other. It is the time for alliances and togetherness and for seeing opportunities to benefit each other, where we regard each other as indirect partners rather than competitors."

Dirty Cookie, a women-owned business, started in California 8 years ago and was brought to Egypt over the past two years, according to the founder and CEO Shahira Marei, who expressed her excitement for the collaboration with Dolato, describing it as "one of the most innovative companies in the market."

"I am very excited about [the collaboration], and it is going to be an amazing collaboration," she said.

Marie concluded her speech by saying that the world is abundant and that "we should all win together."

THE NEWSROOM



## AUTOMAKERS AGREE TO INVEST $145 MILLION

Nissan Egypt, Al Mansour Automotive (which assembles Chevrolets) and Stellantis Group (FIAT, Chrysler, Peugeot, and Citroen) signed "binding agreements" with the government to invest $145 million in the coming three years.

Prime Minister Mostafa Madbouly said those agreements would see each carmaker produce 60,000 to 70,000 vehicles, including EVs. The three carmakers would allocate a portion of production to meet domestic needs while the rest would be exported.

The government is still drafting the automotive strategy document dubbed "Automotive Industry Development Program." It should give additional facilitations to carmakers to help them increase production, become more competitive and sell abroad.

WORTH FOLLOWING

## PRIME MINISTER LEADS DELEGATION TO QATAR

Prime Minister Mostafa Madbouly traveled with several ministers and businessmen to Qatar to discuss investment opportunities in Egypt across multiple sectors. The delegation hopes to sign several memorandums of understanding and agreements to invest in numerous sectors.

The trip comes after the Cabinet announced net FDI jumped by 94% during the first quarter of the fiscal year 2022/2023 to $3.3 billion, Egypt Today reported.

There should be even more investment opportunities as the government's strategy is to localize various industries, particularly the automotive sector. In February, Madbouly announced listing up to 25% of shares in 30 state and two military-owned enterprises. That opens the door for foreign investors to put their money into successful and well-established local companies.

In December, the state started offering the "Golden License" for new and existing businesses. The license "grants investors approval to buy/rent land and operate projects without having to secure prior approval from multiple government bodies."

## THREE CONSORTIUMS BID FOR ALEX METRO

Orascom Construction. The third consortium comprises China Road and Bridge Corp., China Railway Signal & Communication Co., Concrete Plus, El Soadaa Group and Adler.

The government will likely assess the technical and financial bids in March.

The project is financed by the European Investment Bank and the European Bank for Reconstruction and Development (ERBD), which will pay 1 billion euros. The government would cover 15% of the cost.

## EBRD CUTS GDP GROWTH FORECAST

The European Bank for Reconstruction and Development (EBRD) predicts Egypt's GDP growth rate will be 4.6% in the calendar year 2023. That is one percentage point less than its 5.6% estimate in September, according to updated projections (pdf) out last week.

It added that the forecast for fiscal year (FY) 2022/2023, which ends in July, is 4.3%, down from a projected 4.7%. That should increase by the end of FY 2023/2024, as EBRD says Egypt's GDP would grow by 5%.

In its statement, the EBRD said it based its forecast on the "implementation of structural reforms, supported by the IMF program, and a shift to a durably flexible exchange rate regime that are expected to relieve pressure on external financing and accelerate reforms."

The bank is more optimistic than the IMF, which projected Egypt's FY 2022/2023 GDP growth at 4%. Meanwhile, a Reuters poll put the country's GDP growth rate at 4.8% by the end of this fiscal year, and the World Bank expects 4.5% growth, while Fitch predicted 4.4%.

WORTH FOLLOWING

## YUAN-DENOMINATED BOND ON THE WAY

Nevine Mansour, adviser to the vice finance minister for fiscal policies, told CNBC Arabia the government plans to issue bonds denominated in yuans (aka Panda bonds) during the first half of 2023.

Mansour declined to specify the amount of the bond issuance. However, reports from 2022 indicate the amount could be the equivalent of $500 million.

The idea that Egypt should diversify its foreign currency-denominated treasury debt goes back to 2019. However, COVID-19 and the difficulties that various economies faced in year two of the pandemic postponed the decision.

Talks about foreign currency treasury debt diversification resurfaced in 2022, adding yen-denominated (Samurai) bonds to Panda Bonds.

The signs are mixed for the upcoming Panda issuance. On the plus side, the government raised $1.5 billion in its first-ever Sukuk issuance in February, which oversubscribed fourfold. Its equivalent interest rate of 11%, which some experts said is a very high yield on the dollar.

# SEEKING THE GCC

Egypt sees GCC investments in the local economy as the most immediate source of FDI. The question is: Are GCC countries in a good financial position to invest outside their economies?

by Tamer Hafez

For Egypt, foreign currency inflows are critical to stabilizing the government's finances as the country faces rising inflation and the pound's devaluation to unprecedented levels against the dollar. In February, President Abdel Fattah El-Sisi said plugging the country's foreign currency deficit would require FDI worth "no less than" $100 billion over the next five to seven years.

To open the FDI "floodgates," the government announced on Feb. 8 it would list up to a 25% stake in 30 state-owned and two military-owned enterprises on the stock exchange (EGX). They operate in 18 sectors, including banking, energy, insurance and petrochemicals. Those listings should end by the first quarter of 2024. On Feb. 12, Prime Minister Mostafa Madbouly added seven hotels owned by the state's Holding Company for Tourism and Hotels. The target is to list between 20% and 30% of each on the EGX. CNN Arabia estimated those listings could raise $40 billion in four years.

Rania Yacoub, a member of the EGX board, told CNN Arabia that Gulf-based sovereign wealth funds and investors have always preferred government-owned companies that go public. She noted GCC-based interests accounted for most investments in government-owned companies listed on the EGX in 2021 and 2022.

Prominent examples include Abu Dhabi Developmental Holding Co. investing nearly $1.8 billion in April 2022 to buy shares in five listed government-owned firms. In August, Saudi Public Investment Fund acquired stocks in four listed government-owned companies worth $1.3 billion. Meanwhile, Qatari and U.A.E. investors are competing to buy 20% to 40% of state-owned Telecom Egypt's 43% stake in Vodafone Egypt.

The government hopes there will be a similarly healthy appetite for the companies it plans to list in the coming 12 months.

Those hopes hinge on GCC governments and companies continuing to invest outside their respective borders. An IMF report in November painted a cautiously optimistic economic picture for the Gulf. On the plus side, GCC countries are enjoying unprecedented profits from crude oil and natural gas. However, the document stressed they should increase spending to improve their own economic sustainability, as high hydrocarbon prices will not likely last very long.

## Riding out the storms

One major factor shaping all nations' economic outlooks and strategies is the U.S. Federal Reserve's (Fed) monetary tightening policy since March 2022. Interest rates have gone from 0.25% to 4.75% in an attempt to curb inflation, which increased from the Fed's 2% target in February 2021 to 6.4% at press time. That has forced central banks, particularly in emerging markets, to raise interest rates and devalue currencies against the dollar to prevent foreign currency outflows. The Dollar Index, which measures the greenback's value against a basket of foreign currencies, has increased by 7.5% since March 2022.

GCC countries were largely unaffected, as their currencies and central bank interest rates mirror those in the United States. "Pegging exchange regimes remain appropriate for GCC economies despite global economic volatility and shocks," said the IMF report. "It is a policy that has been serving GCC countries well by providing a credible monetary anchor."

Additionally, the real effective exchange rates, which compare the bloc's currencies to a basket of foreign currencies, "have held relatively steady, largely thanks to relatively lower inflation in the GCC countries." Accordingly, the dollar's appreciation has had a "limited impact ... on competitiveness." The IMF report added that GCC countries have "adequate buffers to maintain their pegs."

The Russian-Ukraine war is another global event shaping government policies and economic prospects. Supply chain disruptions and rich-nation sanctions on energy-exporting Russia caused global prices of hydrocarbons (oil, natural gas) to soar to unprecedented highs from March to May 2022, according to Trading Economics, a data curation portal.

The GCC has benefited dramatically. The World Bank estimates hydrocarbons and related industries accounted for 92% of the bloc's GDP in 2022. The World's Top Exports portal said the GCC accounted for 31.5% of global oil exports in 2021.

That percentage could increase in the coming years. "Demand for non-Russian gas [and oil] is likely to expand the role of GCC producers in global energy flows," said the IMF report. "Cumulative primary balances [in the GCC] are expected to average 25% of GDP during 2022-2026." It predicts further fortification of the bloc's foreign currency inflows as global oil demand is expected to jump this year.

The pick-up in hydrocarbon prices has somewhat improved prospects for debt sustainability, said the IMF. The debt-to-GDP ratio in the bloc was about 60% in 2021; the IMF expects that to drop to 46% in 2022 thanks to high oil revenue.

The Russia-Ukraine war has also disrupted food commodity supplies, raising prices worldwide. According to the Our World in Data portal, both nations together account for 64% of global sunflower exports, 23% of wheat, 19% of barley and 18% of maize (corn). Russia also is the biggest exporter of fertilizers: According to the World's Top Exports portal, it accounted for 15.1% of global exports in 2021. "Soaring food and fertilizer prices, combined with supply bottlenecks, have posed threats to food security globally," it said.

The bloc's nations should be highly vulnerable, as the IMF report estimated GCC countries import about 85% of their food.

Nonetheless, GCC nations are not suffering from food security issues. The IMF report credits government policies, such as "financial exemptions and credits to farmers and agribusiness, and subsidies or regulated prices." While some nations impose price controls, they also target consumer subsidies, subsidies for farmers and producers, and stockpiling. That has "helped preserve short-term food security and avoided some of the more extreme situations that other parts of the world face," the IMF report said. GCC countries also have an inter-bloc "food supply network ... and prudent policies of advance stocking," particularly of wheat."

They also invest in other countries' agriculture and agribusiness sectors, creating a direct supply channel to the bloc. One of the biggest players is the Saudi Agricultural and Livestock Investment Co (SALIC), founded in 2008 as a subsidiary of the country's sovereign wealth fund. SALIC has 10 subsidiaries investing in Australia, Asia and South America in 12 agricultural food commodities, poultry and meat. Per its website, the company's mission is "to ensure long-term food security."

GCC nations also are protected from food logistics disruptions because "Ukraine and Russia [are] not major trade partners," the IMF report said. "[They] accounted for about 2% and 1.4%, respectively, of total GCC agricultural and food imports in 2020." Moreover, the GCC has almost no FDI investments or banks in either country.

## Global risks

Despite the current positive outlook, the IMF report expressed concern for the future. "There are notable risks and uncertainties around the outlook for GCC countries ... in line with the global outlook."

Their first concern is "another COVID-19 surge, domestically or abroad," could significantly reduce oil prices due to declining demand from lockdowns. The other is "lower oil prices due to lower global activity if the war in Ukraine has lasting effects." A combination of both would mean "tighter-than-expected global financial conditions, pressures to spend oil windfalls, deviation from fiscal prudence ... and risks to the reform agenda due to inflationary pressures."

The IMF report also noted that persistent logistics bottlenecks in 2023 will "constrain the imports of capital equipment and thus hamper the rolling out of diversification and investment strategies."

The third set of risks relates to the inevitable transition to eco-friendly economies. "As the world moves to renewables in the longer term," said the IMF, "the demand for fossil fuels will eventually decline, creating a challenge for GCC countries." Until that transition happens, the GCC will face uncertain oil and gas revenue streams. "Imbalances between oil supply (currently constrained due to past underinvestment) and demand (which will decline more gradually) may lead to more volatility of oil prices."

## Non-oil GCC

Aligning with global efforts to decarbonize and move to renewable energy, all six Gulf nations are looking to diversify their economies. That requires significantly more investment and policy changes, as the GCC's non-oil sectors have so far underperformed. The IMF report said: "Financial data on ... GCC corporates ... between 2007 and 2021 suggests that corporate performance -- measured by revenue growth, profitability, leverage, liquidity and capital expenditure -- has deteriorated."

The return on equity of the "median firm in the GCC fell from 15.2% in 2007 to 4.1% in 2021," the IMF said. "The double shock of COVID-19 and [falling] oil prices in 2020" caused those non-oil companies to increase their leverage beyond the bloc's median of 40% of equity "due to the collapse in aggregate demand caused by COVID-19 and the easing of financial conditions."

The IMF report warned that GCC non-oil corporates are increasingly vulnerable when dealing with "tighter financial conditions." The bloc's banks "could potentially [witness] a deterioration in ... asset quality and ... risks to financial stability." The document explained that "with lower revenue, profitability and higher debt burdens, [investment] expenditure as a share of revenue has been declining in GCC countries."

The severity of those risks will depend on oil. "A sharp decline in oil prices or a prolonged period of low growth [could create] pockets of corporate distress. Predominantly flexible interest rates on corporate loans tightening financial conditions will also exert some pressure."

## Fiscal reforms

The IMF report stresses its "estimates suggest that [GCC economies] could deteriorate over the medium term if fiscal reforms are delayed, particularly given the challenges of adjusting to a low-carbon economy."

The first set of those reforms would likely see GCC governments invest more within their respective economies. "Higher hydrocarbon prices [would] provide momentum for enhancing fiscal buffers and pursuing fiscal structure," said the report. That would prove prudent, as another pandemic would invariably see oil prices crash, similar to what happened in 2020 when prices tanked in response to lockdowns.

The other direction GCC nations can take is to invest in growing their eco-friendly energy economies via projects to mitigate adverse climate effects. That could mean that providing support to countries needing fiscal help, such as Egypt, could take a backseat. "Some GCC countries [have developed] medium-term fiscal frameworks that clearly incorporate multiyear revenue initiatives and spending priorities," the IMF report said. "Qatar and Saudi Arabia [have introduced] performance-based budgeting."

The document also noted GCC sovereign wealth funds and state-owned enterprises would likely look to improve their sovereign asset-to-liability frameworks to generate more revenue with less exposure to risk. That means GCC investments and projects probably would be under more scrutiny from legislators.

Making the shift to inward-looking policies and investment priorities is inevitable. "Overall, financial sectors appear sound and able to support the recovery and structural transformation," said the IMF report. However, "legacy risks, current stress and emerging vulnerabilities need to be managed." Eliminating those risks could take as long as five years. The IMF document stressed that "medium-term policy priorities [in the GCC] should focus on securing sustainable fiscal positions, macro-financial stability, and strong inclusive and green growth." n

# IS FED'S ENDGAME NEARING?

The U.S. Federal Reserve's monetary tightening policy has so far wreaked havoc on other nations' currencies and economies. And it is unclear how the Fed will proceed.

By Rania Hassan

Currency exchange rates, lending and GDP growth prospects worldwide are affected by what the U.S. Federal Reserve (Fed) decides during the eight times it meets annually to determine interest rates. "Interest rates in the U.S. economy ... influence interest rates throughout the global economy as a whole," said Brian O'Connell, a contributor to Forbes, in February. "The [Fed's] mission is to keep the U.S. economy humming — not too hot, not too cold, but just right."

Interest rates in the United States increased from 0.5% in January 2022 to 4.5% by the end of the year to combat inflation, which cooled from 9.1% in June to 6.5% in December. "Our work is not yet done," said John C. Williams, president and CEO of the New York Fed, in a speech at the New York Bankers Association held on Feb. 14. "Inflation is still well above our 2% target, and it is critically important that we reach that goal."

"Most of the interest rate hikes [are] in the rearview mirror, but U.S. central bankers aren't yet done making it more expensive to borrow money," said Sarah Foster, U.S. economy reporter for Bankrate, a financial and news platform.

Rate increases will likely be "slower and more deliberate," said Foster. That was evident in the Fed's February meeting when they raised rates by 0.25%, the smallest increment since the first increase in March 2022 doubled the rates from 0.25% to 0.5%.

Two metrics remain a concern for 2023. First, the unemployment rate has dropped despite the monetary tightening intended to slow GDP growth. Unemployment decreased from 4% in January 2022 to 3.4% in January 2023 -- the lowest level since 1969. "The way the Fed policymakers are thinking about inflation is that it all emanates from the labor market," said Karl Smith, a Bloomberg columnist and former vice president for federal policy at the Tax Foundation, in a Feb. 14 op-ed.

The other worry is retail sales continue to rise despite higher prices and interest rates designed to encourage savings.

For Egypt, the impact of the Fed goes beyond simple monetary policy: It affects the government's fiscal health and foreign currency inflows from exports to the U.S. -- Egypt's biggest buyer of goods, according to the central bank (CBE).

## Running hot

Williams blamed the war in Ukraine and governments pushing for fast GDP growth after COVID-19 for the rise in prices worldwide and, ultimately, the Fed's monetary tightening. A further complication is the supply of goods from international markets has been unreliable as freight bottlenecks crippled international trade, decreasing supply in foreign markets just as demand ramped up.

That meant American businesses had to invest in upscaling operations and saw new opportunities to meet increasing demand, resulting in higher than expected employment levels. "Non-farm payrolls ... nearly doubled in January, with the U.S. economy adding more than half a million jobs -- up from 223,000 in December," Alexandra White, a Financial Times reporter, said in February.

That only fueled inflation in the United States. "To attract and retain employees, employers have boosted wages," according to a February research note from U.S. Bank Asset Management Group. "Recent reports show compensation costs for workers rose 5.1% in 2022."

In January, retail sales, including food and fuel, increased by 3% compared to December. That is a "sharp" increase, said White of the Financial Times. "American consumers have not pulled back spending on discretionary items despite high inflation."

## The 2023 Fed

Williams of the New York Fed stressed in his February speech at the New York Bankers Association that "when it comes to monetary policy, we must restore balance to the economy and bring inflation down to 2% on a sustained basis."

Foster of Bankrate believes "policymakers could raise interest rates 5% to 5.25% [up from the current 4.75%] before all is said and done." A Bankrate survey found "seven Fed officials [see] a scenario where rates could rise even higher than that, with the most aggressive forecasts penciling in a 5% [to] 5.75% target range, the highest since 2000."

Foster said those hikes likely would happen over the next two Fed meetings, each increasing rates by 0.25%. The Economist Intelligence Unit (EIU) said in its Global Monetary Policy Outlook 2023 that the Fed will reach its "peak target range of 5% to 5.25% [by] May."

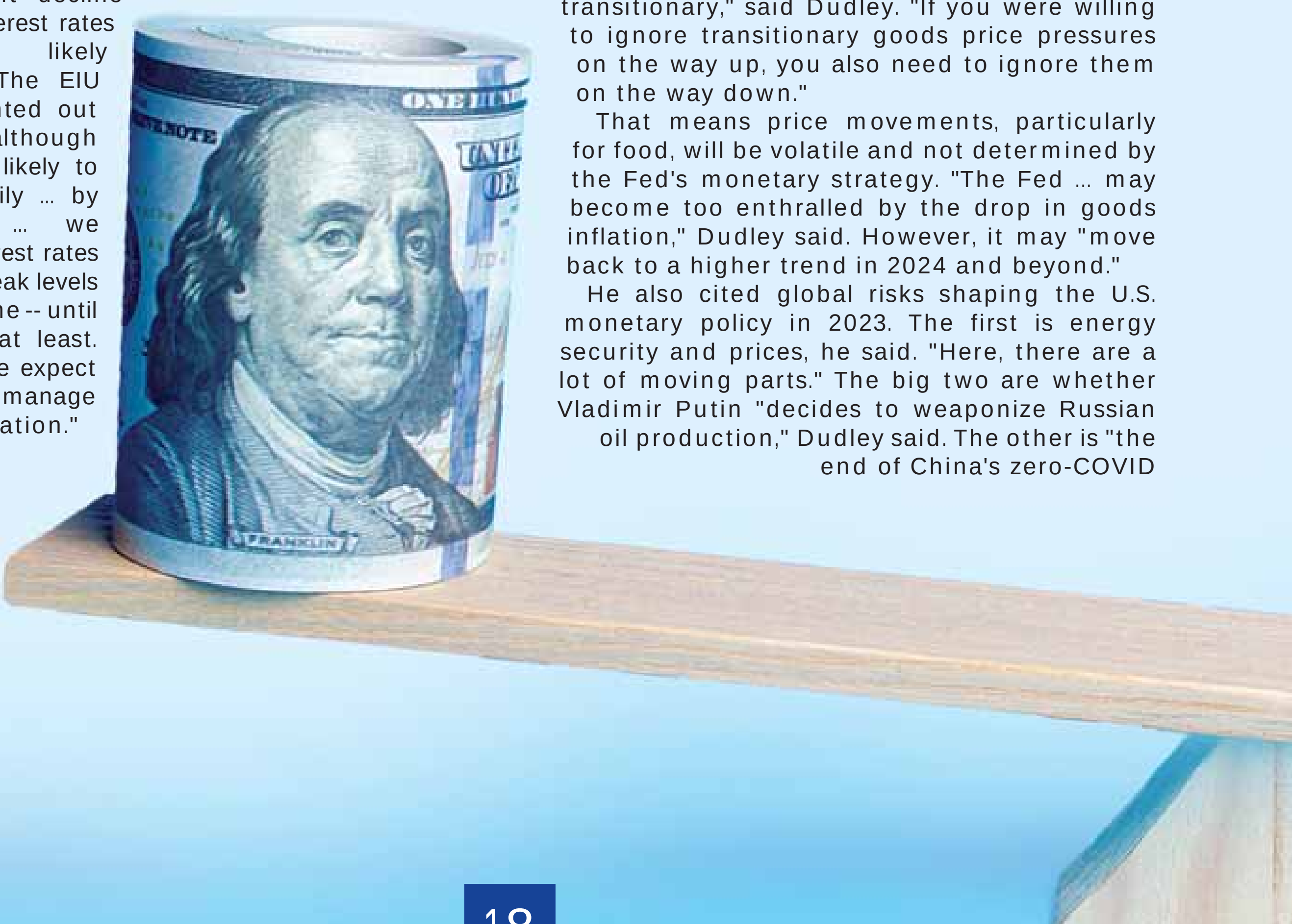
Economists aren't worried. Foster reported, "Even if the Fed's highest forecasts come to fruition. It shows that, at most, only 1 percentage point of rate hikes are on the table for the year."

Williams said the key to ending monetary tightening would likely be the decline in the prices of non-energy services. "It is influenced by supply and demand," said the Fed official, adding that during the second half of 2022 the non-oil services inflation rate was between 3% and 3.75%.

A second critical factor is the Fed's ability to "anchor inflation expectations," Williams said, which would provide a "North Star" for policy decisions. The Fed's most recent Survey of Consumer Expectations showed "three-year-ahead inflation expectations are now where they were before the sharp increase in inflation that started in 2021," said Williams. "One-year-ahead expectations have trended down since the middle of last year."

He stressed that future interest rate decisions "will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments."

Even if retail sales and employment decline in 2023, interest rates will not likely decrease. The EIU report pointed out that "although inflation is likely to ease steadily ... by mid-2023 ... we expect interest rates to stay at peak levels for some time -- until mid-2024, at least. For now, we expect the Fed ... to manage to tame inflation."



## Risks ahead

Manipulating GDP growth drivers to bring inflation down quickly comes with risks. Bill Dudley, a Bloomberg opinion columnist and senior adviser to Bloomberg Economics, points to several things that could go wrong for the Fed in 2023.

"Economic growth could prove more persistent than expected," Dudley wrote in a January analysis in the Washington Post. That would be a continuation of what happened last year. "The economy expanded much faster during the second half of 2022 than during the first," he said.

Dudley also noted Social Security and disability benefits increased by 8.7% for 2023, benefiting about 70 million recipients or a fifth of the U.S. population. Medicare Part B insurance premiums also declined a bit for 2023 "because hikes implemented in 2022 turned out to be considerably higher than needed."

That means more money in the pockets of Medicare and Social Security recipients, which might accelerate spending and employment as businesses invest to meet increasing demand.

Another risk is inflation levels might be due to temporary factors such as COVID-19 stimulus checks in 2020 and 2021 and the war in Ukraine. "Inflation was always likely to be largely transitionary," said Dudley. "If you were willing to ignore transitionary goods price pressures on the way up, you also need to ignore them on the way down."

That means price movements, particularly for food, will be volatile and not determined by the Fed's monetary strategy. "The Fed ... may become too enthralled by the drop in goods inflation," Dudley said. However, it may "move back to a higher trend in 2024 and beyond."

He also cited global risks shaping the U.S. monetary policy in 2023. The first is energy security and prices, he said. "Here, there are a lot of moving parts." The big two are whether Vladimir Putin "decides to weaponize Russian oil production," Dudley said. The other is "the end of China's zero-COVID policy [which] could depress, then spur, demand for energy."

## The fallout

With the Fed's ongoing monetary tightening policy, it is unlikely rates will decrease before mid-2024, according to the EIU. That would hurt the U.S. government and banks. "The squeeze on government finances [as the Fed's interest rates determine the yields on government borrowing] will be exacerbated by a sharp rise in the cost of the Fed's liabilities," said Dudley.

He said maintaining the Fed's interest rates "would cause the central bank's income to fall" from a profit in 2021 to a loss in 2023. "A fiscal crunch and bond market turbulence seems inevitable at some point."

The other talking point among U.S. economists is whether the country needs to go into recession (defined as two consecutive quarters of GDP contraction) to temper inflation. Brandywine Global's portfolio manager Bill Zox told CNBC in February the Fed isn't even trying to avoid a recession to decrease inflation. "While they would never say so, they might prefer the restorative aspects of a recession and a proper bear market," he said.

Williams of the New York Fed said in his February New York Bankers Association speech that he "expects real GDP growth to come in around 1% for 2023."

However, a U.S. Bank Asset Management Group research note said current policies likely would lead to a recession, estimating the odds at 64% in 2023. The Bankrate report noted, "two of the past three tightening cycles ended in recessions and the one that didn't was an economic slowdown, where they had to reverse course and start cutting rates. History is not on their side."

That would be problematic for most emerging markets that mirror the Fed's interest rate hikes to prevent foreign currency outflows to the United States. That applies to countries that want to preserve their local currencies' peg to the dollar (Gulf Cooperation Council members, for example) and those with floating or semi-floating exchange rate policies. Raising interest rates high enough in the United States to cause a recession would increase the likelihood of recession or stagnation in emerging economies.

## Egypt under pressure

In Egypt, the Central Bank (CBE) wants to avoid a recession scenario. In its February monetary policy meeting, the CBE decided not to follow the Fed's lead and raise rates. That didn't sit well with portfolio investors. Edwin Gutierrez, head of emerging-market sovereign debt at U.K.-based investment firm Abrdn, told Bloomberg: "We think it's a policy mistake and definitely has caused some investors to rethink."

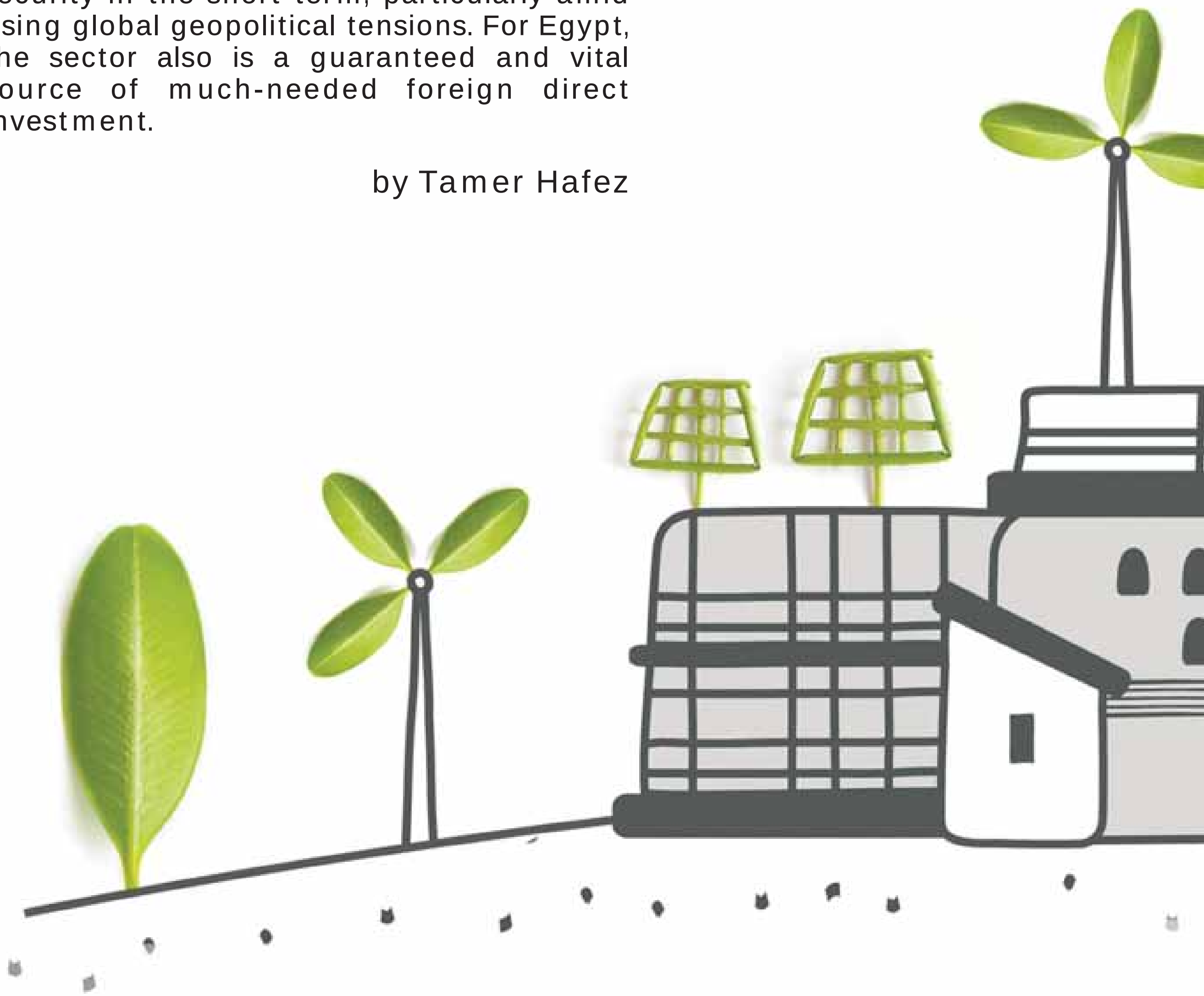
Goldman Sachs published an investor note saying the CBE's pause "may have interrupted the recent momentum of policy decisions, which have been tentatively recreating the conditions for an attractive carry trade [investors buying treasury debt or stocks for a short period] in the pound."

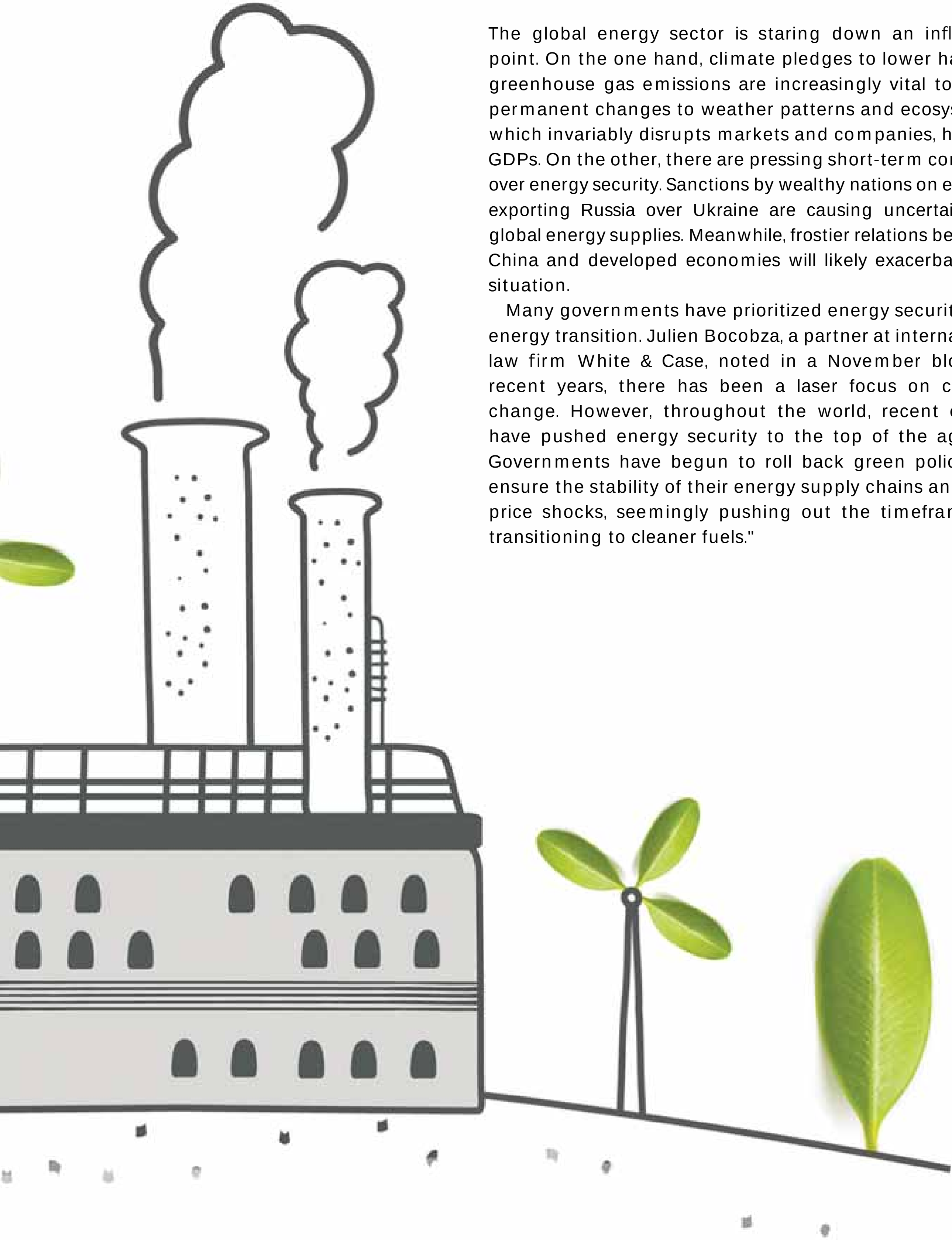
Perhaps more importantly, a recession in the United States would invariably hurt Egypt's exports as demand for goods declines in the world's biggest economy. The CBE says the United States was the number one country buying Egyptian goods in the fiscal years 2020/2021 and 2021/2022. It accounted for nearly 10% of all Egyptian exports each year. "The weakening growth of [U.S.] markets could [reduce emerging market] current account surpluses and forex reserves," Clarence Wong, chief economist at PeakRe, a think tank, wrote in July. "Financial stresses will be mainly manifested in increasing debt stresses on emerging markets, leading to more defaults and restructuring." n

# ENERGY **DILEMMA**

Egypt, like an increasing number of countries, is looking to reduce its carbon footprint. However, fossil fuels are essential for energy security in the short term, particularly amid rising global geopolitical tensions. For Egypt, the sector also is a guaranteed and vital source of much-needed foreign direct investment.

by Tamer Hafez





The global energy sector is staring down an inflection point. On the one hand, climate pledges to lower harmful greenhouse gas emissions are increasingly vital to avoid permanent changes to weather patterns and ecosystems, which invariably disrupts markets and companies, hurting GDPs. On the other, there are pressing short-term concerns over energy security. Sanctions by wealthy nations on energy-exporting Russia over Ukraine are causing uncertainty in global energy supplies. Meanwhile, frostier relations between China and developed economies will likely exacerbate the situation.

Many governments have prioritized energy security over energy transition. Julien Bocobza, a partner at international law firm White & Case, noted in a November blog: "In recent years, there has been a laser focus on climate change. However, throughout the world, recent events have pushed energy security to the top of the agenda. Governments have begun to roll back green policies to ensure the stability of their energy supply chains and limit price shocks, seemingly pushing out the timeframe for transitioning to cleaner fuels."

Egypt faces a similar dilemma. The government has ambitions to reduce the economy's carbon footprint, which should attract fresh eco-friendly FDI. However, oil and gas are vital to the economy. The Central Bank of Egypt reported that 41% of Egypt's exports came from fossil fuels and related industries in the last fiscal year. U.K.-based Lloyds Bank has said three-quarters of FDI in Egypt is concentrated in the oil and gas industry.

Elise Ring, head of export and infrastructure at Origin Energy, an Australia-based energy exploration, production, power generation and retailing company, stressed to White & Case that "energy transition cannot happen without a secure energy system." She said emerging markets, in particular, need to ensure uninterrupted and affordable access to energy. In the short term, that means prioritizing oil and gas over more advanced, expensive and small-scale solutions.

## Where Egypt stands

In December, McKinsey published an energy transition report laying out a region-by-region agenda for near-term action. It categorized Egypt as a "developing, at-risk" economy, classifying it as part of Africa, not the MENA region. (Arab countries in Asia -- are described as "affluent and energy secure.") Egypt is one of the regions with "the greatest exposure to climate risk, which could further exacerbate ... socioeconomic challenges."

Yet a speedy, unplanned energy transition could prove detrimental to the economy. "The resulting transition risks would threaten key economic pillars of African countries and could have adverse consequences for employment and fiscal health." The main reason is "African economies are more dependent on [fossil fuel] commodities than any other region in the world."

The report singled out Egypt, Algeria, Libya, Mozambique and Nigeria as having "economies that rely heavily on [oil, gas and coal] exports, and many jobs are tied to these carbon-intensive industries." It added that biofuels and fossil fuels currently dominate their domestic energy supply.

The report warned that "without action to mitigate transition risks, up to $150 billion of commodity revenue and more than 1 million jobs in Africa could be at risk."

Conversely, the continent has enormous potential to generate energy from clean and renewable sources. Egypt, in particular, has a bright outlook for solar energy. According to various sources, the southernmost part of the country has the most sunshine of any place on earth. Nationwide, the sun shines between nearly 4,000 to 3,500 hours a year, or an average of 11.2 to 9.5 hours per day, according to various stats.

McKinsey predicted that if solar and wind power were utilized to their full potential, the continent could "scale green manufacturing, build a green transportation sector and provide energy at a low cost." Those opportunities could generate revenue of $2 billion annually and create about 700,000 direct and indirect jobs by 2030.

African nations, including Egypt, could build an eco-friendly economy from scratch. "Almost half of the continent's potential [greenhouse gas]-producing industries have not been built yet. [That] creates an opportunity to build a thriving low-carbon manufacturing sector from the ground up," McKinsey said. "By doing so, Africa [and Egypt] could avoid the costly transition from fossil fuels to renewables and build a competitive and resilient economy that doesn't rely on fossil fuels.

In addition, the report said that Africa, including Egypt, "could contribute to the global energy transition with green exports ... used as feedstock in industries such as ammonia and steel. Exporting hydrogen and materials such as green steel could accelerate growth and diversify economies."

## Short-term first

On the ground, African nations are not likely to prioritize green energy investments anytime soon, as fossil fuels still power their economies. In its "Security of Clean Energy Transitions 2022" report, the International Energy Agency (IEA) said, "In the short term, there is a need to maintain energy security and rebalance supply ... and demand."

That would be done by "maximizing existing infrastructure while radically reducing emissions of oil, gas and coal," the IEA said. "This will help decrease pressure on global energy markets and prices." Crude oil prices stand at just under $76 a barrel as of the end of February, up nearly $10 since the start of 2022. That is down from March 2022's $120 a barrel, thanks to the IEA member states agreeing to "release oil from their strategic reserves" to stabilize supply, particularly for developing economies.

To improve Egypt's energy security in 2022, the Ministry of Petroleum and Mineral Resources was busy finding promising plots and selling concession agreements to international oil companies. Petroleum Minister Tarek El Molla told Egypt Oil & Gas in January, "We've been able to attract more investments in upstream activities ... especially exploration and development of natural gas." Natural gas is the least polluting fossil fuel and has been classified by the European Union as "sustainable."

Those investments helped meet domestic demand "for individuals, motorists, industries [and] households," said El Molla.

In addition, natural gas exports increased last year to 8 million tons, up from 7 million in 2021. El Molla said Egypt "for the first time [generated] $7.5 billion in revenue from exporting natural gas," adding that revenue from exports of petroleum products reached an all-time high of $18.2 billion, up from $12.9 billion in 2021. One reason the IMF approved Egypt's $3 billion extended fund facility in December was that it forecasts oil exports in the fiscal year 2022/2023 would increase by 30.6%.

The ministry has laid the necessary groundwork to achieve that growth. In December, Egypt Oil & Gas reported the ministry was launching a "new global bid to search for natural gas and crude oil in 12 areas." In February, the Cabinet approved 13 draft petroleum commitment agreements for Egyptian General Petroleum Corp., Egyptian Natural Gas Holding Co. and several international oil companies.

The flagship natural gas field in 2023 should be ENI's Nargis-1, an offshore discovery in the eastern Mediterranean announced in January. The government has yet to specify its production capacity, so it is unclear how it compares to the Zohr field, Egypt's largest natural gas discovery and the one that helped the country reach self-sufficiency and export to Europe. Nevertheless, the Nargis-1 field could prove to be a huge discovery, as ENI called it "significant."

Affirming the government's dependence on oil and gas in 2023, Prime Minister Mostafa Madbouly announced in January that the sector would be exempt from the decision to rationalize foreign currency spending. By contrast, the ministries of environment, and electricity and renewable energy, would be subject to that rationalization, requiring the finance minister's approval for foreign currency spending on new projects on a case-by-case basis.

## Environmental dimension

During his one-on-one interview with Egypt Oil & Gas in January, El Molla stressed that new exploration deals would be subject to more stringent emissions standards. The ministry would also work with Egypt-based oil and gas companies to improve their environmental track record. "I would like to see more and more improvement in energy efficiency," El Molla said. It "has been an important target for our sector, and an important KPI (key performance indicator) that I hold all ... companies accountable for achieving."

During November's Conference of the Parties (COP27) event, the Egyptian LNG Co. signed a feasibility study agreement with a Bechtel-led coalition that included Enppi, Petroject, Baker Hughes, GE Digital, HSBC and the National Bank of Egypt. The study would evaluate the feasibility of using zero-flaring systems to significantly reduce harmful emissions from natural gas rigs. The tests would be implemented at the Egyptian LNG Co.'s export terminal in Idku.

Also during COP27, the state-owned Egyptian Natural Gas Holding Co. (EGAS) signed six MoUs, mostly with multinational companies in Egypt, to decarbonize their domestic operations. The government also signed an MoU with the state-owned Egyptian General Petroleum Corp. (EGPC) and several international companies to evaluate the feasibility of carbon-removal solutions. Lastly, EGAS signed an agreement with Microsoft Egypt to "cooperate in developing [the former's] sustainability roadmap," the EGAS press release said.

## Trading carbon

Another way to attract new international oil companies to Egypt and entice existing ones to expand while still keeping a watchful eye on the environment would be creating a carbon credit market. The way it works is the government sets limits on the

amount of harmful emissions companies can release into the environment by giving them "carbon credits" every year. Companies that never reach those limits can "sell" their excess carbon credits to companies that exceed that threshold.

That allows companies with large carbon footprints to continue operating normally, albeit at a higher cost as they would have to buy carbon credits. Meanwhile, low-polluting companies would be rewarded with a regular revenue stream.

In November, the government announced that the Egyptian Exchange Holding Company for Capital Markets Development, the company managing the stock exchange; Agricultural Bank of Egypt; and Libra Capital, an investment management firm, would create the country's first company for issuing "carbon credits" to local firms. Eventually, that newly created entity would develop a market to trade those credits.

The government has yet to announce regulations forcing companies operating in Egypt to participate in a carbon-credit system. The decision to buy and sell carbon credits locally would be voluntary. Its primary benefit would be to raise the profile of trading companies, attracting eco-conscious investors. In the Middle East and Africa, only Saudi Arabia and Iran have active carbon credit markets. Hjalmer Soomer, a Denmark-based environmentalist and owner of a climate program project in Uganda, told Al-Monitor, "It is great that Egypt becomes the first mover into carbon credits in Africa."

Sarah Abdel Kader, an environmental and sustainability engineer at the Institute of Global Health and Human Ecology, believes carbon credit trading would work in Egypt despite the voluntary setup. "This step is important in boosting Egypt's efforts to reduce emissions without negatively affecting economic development," she told Al-Monitor in November.

## Transition still vital

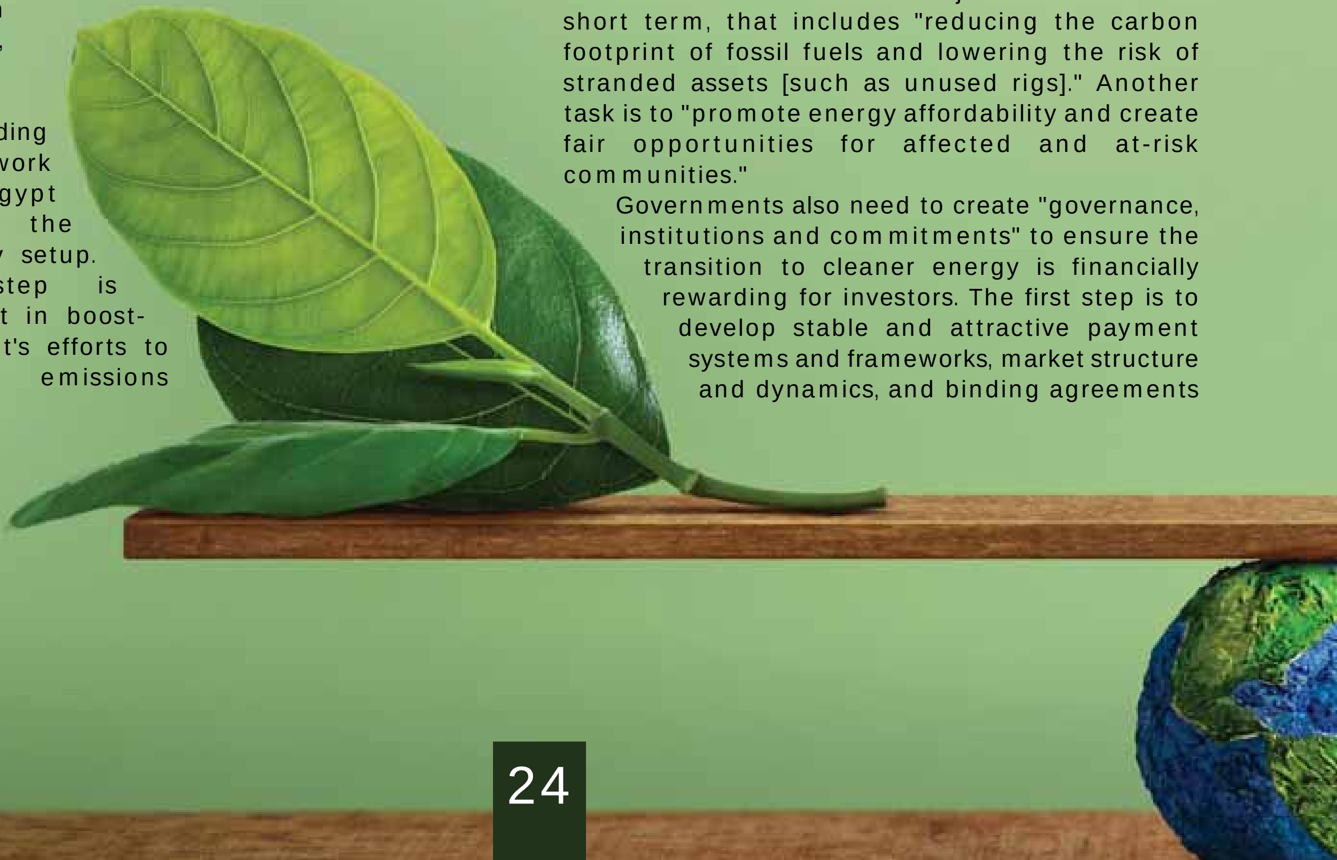
Regardless of the complexity or expense of transitioning from fossil fuels to clean renewable energy, governments must make that shift happen. Being left behind could prove detrimental in the long term. Emerging economies will have to significantly expedite their green energy investments to remain relevant to foreign investors as they become more environmentally aware and more countries offer them the opportunities they seek.

The McKinsey report outlined steps all governments need to take to lay the groundwork for an "orderly" energy transition. The first set of measures relates to the "physical building blocks" of eco-projects. The government needs to "streamline access to land, accelerate permits and simplify processes to accelerate the deployment of renewables and clean tech."

Subsequent "building blocks" include "modernizing and repurposing legacy infrastructure" to "accelerate the integration of renewables and cleantech into the energy system." Governments also need to invest heavily in supply chains "to secure critical raw materials ... and labor" for the transition. The state also should invest in decarbonizing the country's transportation ecosystem, as well as creating storage systems for carbon and clean energy.

Other factors necessary to ensure an orderly energy transition, according to McKinsey's report, are "economic and social adjustments." In the short term, that includes "reducing the carbon footprint of fossil fuels and lowering the risk of stranded assets [such as unused rigs]." Another task is to "promote energy affordability and create fair opportunities for affected and at-risk communities."

Governments also need to create "governance, institutions and commitments" to ensure the transition to cleaner energy is financially rewarding for investors. The first step is to develop stable and attractive payment systems and frameworks, market structure and dynamics, and binding agreements



to encourage investments in renewables and green tech.

The McKinsey report also noted the importance of "scaling frameworks and standards to measure carbon [emissions] of energy and final products [to] develop [a] new carbon economy." The key will be to make those statistics accurate and public, as they help identify energy transition opportunities, noted the report.

The document also highlighted issues threatening African nations' orderly energy transition. The list includes "limited capital deployment ... despite sufficient capital pools with investment appetite." According to a report from the Climate Policy Initiative, a U.S. independent nonprofit specialized research group, annual funding for eco-friendly projects in Africa is only $30 billion, of which 14% comes from the private sector.

The McKinsey report said, "about three out of four utilities in ... Africa fail to recover their operating and debt-service costs." That is mainly due to high generation and transmission costs and low or subsidized electricity bills, given "Africa has the largest share of extreme poverty globally," according to the Institute for Security Studies, a think tank. That makes additional investments into more expensive renewable energy grids increasingly unfeasible.

Other obstacles include the high cost of scaling up the renewable energy grid due to high upfront costs. That makes it less affordable for end users, particularly in countries with high poverty levels. Additionally, few governments, especially in Africa and the Middle East, offer financial incentives to scale up those grids, let alone reduce regulatory obstacles.

Those investing in clean and renewable energy projects would also have to "contend with limited infrastructure, [insufficient] government support, and [unfriendly] regulations," McKinsey said. Additionally, slow and inconsistent implementation of ESG standards in Africa "may impact the energy transition by potentially deterring investments."

McKinsey's report warned against massive expansions in natural gas. "It will ... be important to limit investments in [natural] gas to necessary assets needed to balance the grid," it said. "In many cases, expanding renewables will be a cheaper and more scalable way to expand electrification in Africa."

## Balancing act

In his White & Case blog post, Bocobza of Project Development Finance Group stressed the "future of energy is at a critical juncture ... energy transition and supply security are not mutually exclusive. These two goals can be brought together in a way that strengthens the resilience of the energy system."

Balancing short-term needs with long-term planning is essential, Bocobza said. The key will be to commit to building a "net-zero [emissions] future." That means investment decisions must not dismantle the current energy markets, yet they must reduce harmful emissions by gradually shifting consumption away from fossil fuels and toward clean, renewable sources.

The IEA noted that one effective way to find that balance is for "governments ... to take the lead in ensuring 'secure energy transitions' by tackling market distortions." The most notable are fossil fuel subsidies, which are the most common "market failures," particularly in emerging markets.

Finally, the state needs to encourage the private sector to increase the clean energy supply. "Transitions are unlikely to be efficient if they are managed on a top-down basis alone," noted the IEA document. "Governments need to harness the vast resources of the market and incentivize private actors to play their part. Some 70% of investments required in transitions need to come from private sources."

# ChatGPT: NEXT BIG **CHALLENGE?**

ChatGPT has dominated discussions on AI recently. But is it a friend or a foe?

By **Nada Naguib**

The conversation about the uses of artificial intelligence (AI) systems in business, art and media has taken a new turn since the free version of "ChatGPT" launched in November. The program is a language model that produces eerily human-like responses from text-based prompts input by a user. It can produce poetry, academic papers and even cover letters. That has presented new and accessible ways for everyone to use AI. For example, June Wan, an editor for ZDNET, a business technology news website, called ChatGPT "scary good" at writing product reviews, for example.

The "GPT" in its name stands for Generative Pre-trained Transformer, referencing the "deep learning technology that powers it," according to the website of Open AI, the company behind ChatGPT. Some experts describe it as a "breakthrough" in AI systems, citing its ability to "generate replies that are often more nuanced than those created by other AI systems," according to a January blog on the TrendInTech website.

In fact, ChatGPT is astoundingly self-aware of its own capabilities. When asked to describe itself, it responded that what makes it remarkable "is its ability to generate text that sounds like it was written by a human." That is because it has been "fine-tuned specifically for conversational interactions and can generate text with all the quirks, nuances and subtleties of natural language."

The sophistication of the system presents a long list of new possibilities for a wide range of users. Students can use it as a homework aid. Business owners can use it to write announcement emails or even advertising copy. However, as with any new system, many issues need to be fine-tuned. Veterinary aid website Daily Paws compared it to a toddler "that still has plenty to learn" when it comes to pet care.

## What can it do?

ChatGPT and other language model AIs work by feeding them a large amount of data and computing techniques that allow them to form coherent sentences explained by Sindhu Sundar of Business Insider. This allows it to recognize words in context and respond in a way that "mimics speech patterns while dispatching an encyclopedic knowledge," explained Sundar. That also differentiates it from a search engine like Google or Bing. While search engines browse the internet for web pages that might be relevant to a user's query, ChatGPT cannot search the internet, said Sabrina Ortiz of ZDNET. Instead, it uses data it has been trained on to generate responses. That includes specific books, articles, and websites.

ChatGPT opens the door to several possibilities. While interacting with ChatGPT can "evoke the experience of chatting online" for older millennials who grew up in online chat rooms, wrote Sundar, ChatGPT likely is capable of giving more in-depth answers. In addition to "answering simple questions, such as composing essays, describing art in great detail, creating AI art prompts and having philosophical conversations," wrote Ortiz, ChatGPT can perform other complex operations that might take humans years of study.

For instance, ChatGPT can code software. As a result, some "underground hacking communities" have been toying with ways to use ChatGPT to create malware and computer viruses, wrote Danny Palmer of ZDNET.

It can even produce articles, as Samantha Delouya of Business Insider found out. Delouya asked the program to write an article about a factory reducing production due to growing costs that she had already written. ChatGPT "spit out 200 words in less than 10 seconds, and the result was alarmingly convincing," she reported. At first glance, ChatGPT may have even done a better job than Delouya herself. The program "included additional details, like the city where the plant is located and a roughly accurate number of workers that would face layoffs."

However, Delouya quickly realized how unhuman-like ChatGPT is. Aside from some cliches of writing that she admitted she might be guilty of sometimes, Delouya called the piece "nearly pitch-perfect, except for one glaring issue." The program had faked quotes by the company's CEO in the article. While the quotes "sounded convincingly like what a CEO might say when faced with the difficult decision to lay off workers, it was all made up," she wrote.

While this is a significant breach of journalism ethics, it is only a small part of the problem. ChatGPT's purpose is to mimic, not to be truthful. "These models are trying to come up with text that is plausible according to their model. Something that seems like the kind of thing that would be written. They're not necessarily trying to be truthful," said Vincent Conitzer, a computer science and AI professor at Carnegie Mellon University.

This massive lapse is partly due to ChatGPT's knowledge cutoff date: 2021. However, the article Delouya asked the program to write was about events in December.

So journalists can breathe a sigh of relief knowing their jobs are likely secure, at least for now.

## How can I use it?

Despite its quirks and limitations, ChatGPT can still help streamline some operations, especially for small businesses. For enterprises, "chatbots such as ChatGPT have the potential to automate mundane tasks or enhance complex communications, such as creating email sales campaigns, fixing computer code or improving customer support," wrote Lucas Mearian of Computerworld, a business technology news website. However, "precautions are needed," he added.

For example, instead of giving ChatGPT free reign, businesses can use it to make adjustments. Management consulting company Gartner predicted in its 2022 report that enterprises might use ChatGPT to "augment or create content, manipulate text in emails to soften language or take a particular tone, and to summarize or simplify content." Another method is to use it to produce "draft texts" that "meet the length and style desired, which can then be reviewed by the user," said the report, noting the software could be a starting point for marketing descriptions, letters of recommendation, essays, manuals or instructions, training guides, social media or news posts.

One of the main ways ChatGPT and other language model software can help small businesses is by supplementing customer service. By using the model, companies can "generate responses for their own customer service chatbots, so they can automate many tasks typically done by humans and radically improve response time," wrote Bernard Marr of Forbes.

According to a 2018 Opus Research report, 35% of consumers want to see more companies using chatbots, and 48% of customers reported not caring about whether the response comes from a human or a chatbot. For companies still trying to make the switch to chatbots, ChatGPT can be a good tool to start training chatbots. The ability to use ChatGPT to train chatbots can be a double-edged sword, though, if "your competitors successfully leverage the technology and your company doesn't," warned Marr.

ChatGPT also is capable of generating insights on customer preferences based on its conversations, according to the LinkedIn newsletter Chat GPT for B2B Businesses. It can "collect data about customer preferences and behavior, providing valuable insights that can help inform your marketing and product development strategies," according to the newsletter.

In addition to content creation and customer service, ChatGPT can also help HR professionals sift through CVs and cover letters. Scot Chrisman of Entrepreneur magazine said recruiters could just copy and paste cover letters into ChatGPT and ask it to search for specific words and criteria. "It will comb through text to determine if candidates have relevant experience, possibly avoiding the need to hire outside recruiters and certainly saving time," he said.

While the possibilities may be tempting, it is crucial to recognize that ChatGPT is in its beta phase. Open AI "acknowledges the current limitations of the AI, including the potential to occasionally generate incorrect information or biased content," wrote Marr.

Additionally, there are privacy concerns. ChatGPT is susceptible to cybersecurity attacks and could be used to spread malicious content or viruses, according to Marr. He added that it could also be misused to "manipulate people into divulging personal information using the chatbot, then use that information for fraudulent purposes or for targeted phishing attacks."

## Is this ethical?

There's a long list of issues with the ethics of making and using such a program. "We're at the beginning of a broader societal transformation," said Brian Christian, a computer scientist and author of "The Alignment Problem," a book about ethical concerns surrounding AI systems.

For starters, as Delouya discovered, ChatGPT is concerned with sounding truthful, not necessarily being truthful. It is "essentially a more powerful, fancier version of the predictive text system on our phones," explained Brian Chen of The New York Times.

Additionally, ChatGPT is unaware of time and recent developments in technology or any other field. To illustrate this, Christian uses a programming example. He explained that if you ask ChatGPT to write a code, it will compile a code that looks like it was written years ago. Because code is constantly updated to address security vulnerabilities, the code written with a chatbot could be buggy or insecure, he said.

There also are data privacy concerns when using programs such as ChatGPT, ethicists warn. "The data that you enter into an AI app is potentially not at all entirely private to you and you alone," Lance Eliot, an expert on AI and machine learning, wrote for Forbes in January. That is because AI makers might use the information to continue to improve their AI services.

Indeed, AI software has been utilizing the work of humans for a while now, raising copyright concerns. That is a significant problem with Dall-E, for example, ChatGPT's visual arts cousin. With Dall-E, if you ask it to produce a painting of the pyramids in the style of Vincent van Gogh, it will come up with an alarmingly convincing result. That is also evident with ChatGPT when you ask it for poems or song lyrics. I asked ChatGPT to write a song about falafel in the style of Michael Jackson, for example, and the program delivered well.

That leads to an important question: "Who ultimately owns content generated by ChatGPT and other AI platforms?" asked Forbes' Joe McKendrick. When it comes to intellectual property, the model for ChatGPT "is trained on a corpus of created works and it is still unclear what the legal precedent may be for reuse of this content if it was derived from the intellectual property of others" noted Bern Elliot, an analyst at Gartner.

If the legality of the content is murky, the ethics of AI software is even murkier. Not only are copyright issues a factor, but so are the multitude of uses that continue to blur the lines between humans and machines. How can a teacher grade an assignment by a student that used ChatGPT? Can a company ethically use art by Dall-E for commercial purposes? To what extent can you utilize ChatGPT but remain ethical? The debates about these issues are very much ongoing, and there is no answer yet on how to use such systems wisely and ethically, as Eliot, Chen, McKendrick, and other experts agree. However, as the software improves and the conversation continues, we may start seeing some answers n

In partnership with

# FINANCING THE FX GAP, AND....

The IMF estimates an FX gap of USD 14 bn over the next four years over and above the USD 3 bn IMF loan and with foreign portfolio inflows doubtful in the short-term, the government has switched its focus highly towards foreign direct investments while announcing the planned sale of state-owned stakes in 32 companies until the end of March 2024 either through an IPO, block sale to strategic investor(s) or a combination of both. Additionally, diverse FX financing tools such as Sukuk, non-USD currency denominated bonds, and project-based loans from multilateral financial institutions are high on the government financing agenda in order to cover the FX gap. In this section we review the latest developments regarding foreign currency inflows and state privatization program.

## PLANNED FX FINANCING PROGRAMS


## EGYPT'S NEW SUKUK PROGRAM

On Feb 2023 ,14, Egypt registered in the London Stock Exchange a USD 5 bn Trust Certificate Issuance Program (Sukuk) by "The Egyptian Financial Company For Sovereign Taskeek" which is a joint stock company wholly-owned by Egypt's Ministry of Finance. The company has the sole purpose of issuing Sharia-compliant securities in any currency.

On Feb 2023 ,21, Egypt issued a three-year USD 1.5 bn as part of its sukuk international program. The initial interest was %11.625 but as the issuance was more than 4 times oversubscribed, the issuance ended at %11 annual interest. Importantly, the sukuk issuance will help Egypt repay USD 1.25 bn in five-year Eurobonds.

Proceeds from the sukuk issuance will be used by the Finance Ministry's subsidiary to purchase usufruct rights to eligible real estate assets from the government. The amounts subsequently received will be used to finance investment and development projects.

Both Moody's and S&P assigned preliminary ratings to the USD 5 bn Trust Certificate Issuance Program (Sukuk) similar to that of the Egyptian government: Moody's (B3) and S&P (B). That led the initial yield on the USD 1.5 bn issuance to be more than %7 higher than the three-year U.S. Treasuries.

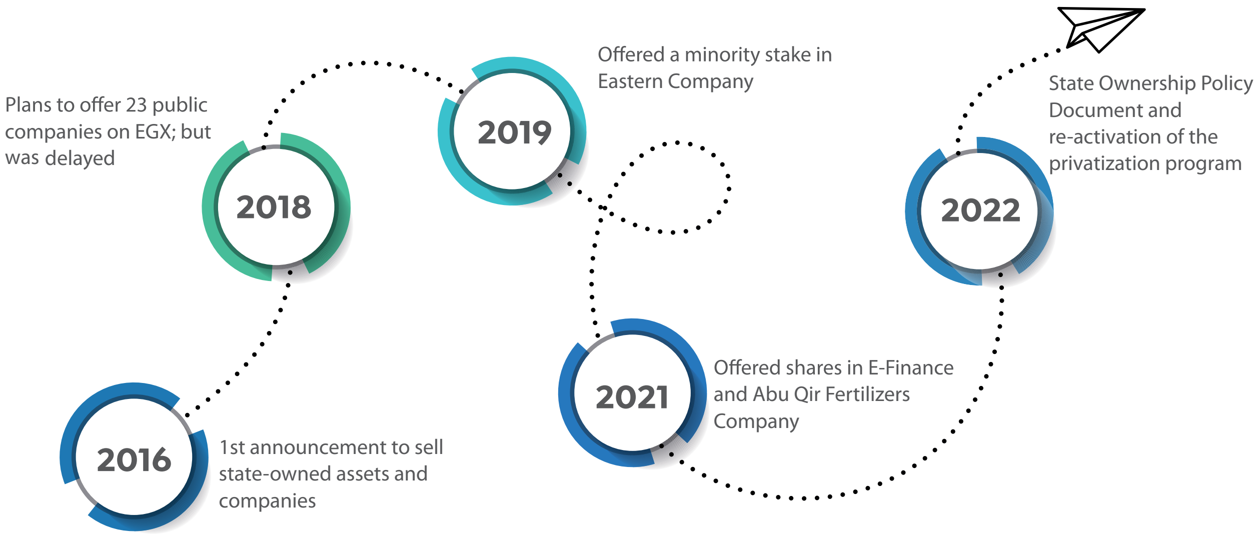
Finance Minister announced that the offers for the issuance were from more than 250 different investor/institution including banks and investment, insurance, and retirement funds from the GCC area, East Asia, Europe, and U.S. The Minister also added that the rest of the international sukuk program (USD 3.5 bn) could be issued over the next three to four years.

The sukuk offering is the first time Egypt has turned to the international debt market since a USD 500 mn private placement of its debut yen-denominated, or samurai, bonds in March 2022.

Sources: S&P, Moody's, Reuters, Bloomberg & IMF Egypt New Loan Staff Report

# .....THE GOVERNMENT'S PRIVATIZATION PROGRAM

In February 2023, Prime Minister Mostafa Madbouly announced the 32 companies from 18 industries that will be listed on the EGX or sold to strategic investors (or both). The offering starts in the current quarter, Q1 2023, and ends in Q1 2024. The sale of state-owned stakes is one of the exit strategies included in the State Ownership Policy Document and a main pillar in the new IMF program which will have its first review in March 2023. The IMF program demanded an increase to the private sector's participation in the economy while concurrently reducing the state's footprint. Hence, the nation's plan is to increase the share of the private sector from implemented investments to %65 within the next three years from around 30% currently. It is worth noting that the state privatization program was first announced in 2018 when Egypt named 23 state firms the government would exit from; however, the plan was delayed. Recently, the plan gained back new urgency as a main source of financing during the current FX crunch while opening more room for the private sector that has been under increasing competition from the state.




## LIST OF 32 COMPANIES IN THE CURRENT PROGRAM

**Oil & Gas**
- Jabal Al-Zait Wind Farm
- Zafarana Wind Farm
- Beni Suef Power Plant

**Banking**
- Banque du Caire
- United Bank of Egypt
- Arab African International Bank

**Insurance**
- Misr Life Insurance
- Misr Insurance

**Housing & Construction**
- Misr Concrete Development
- Maadi for Development & Reconstruction
- Mostakbal Urban Develop-ments Egypt
- El Nasr Housing & Develop-ment

**Mining**
- El Nasr Mining
- Egyptian Drilling Co.
- Sania Manganese Co.
- The Egyptian Ferrous Alloys Co.

**Logistics**
- Misr Technology Services
- Canal Company for Mooring and Lights
- Damietta Container & Cargo Handling Co.
- Port Said Container & Cargo Handling Co.

**Chemicals**
- ELAB
- Ethydco
- Pachin
- Misr Pharma
- Alamal Alsharif Plastics
- Helwan Fertilizers Co.
- Egyptian Propylene & Polypropylene
- Chemical Industries Development Co.

**Military Owned**
- National Service Projects Organization (Watanya)
- Safi Waters

**Others**
- Al Salhiya For Investment & Development
- Hotels owned by the Ministry of Public Business Sector

Sources: Egyptian Cabinet, Ahram Online & business today


# Market Watch

## Stock Analysis

## A fresh start

The Egyptian stock market is off to a positive start. Both the EGX 30 (12.6%) and EGX 70 EWI (5.8%) rose from Jan. 15 to Feb. 15, further extending their year-to-date gains to 20% and 7.2%, respectively. Advances outnumbered declines by a ratio of 3 to 2, led by small-cap stocks Ismailia National Food Industries (INFI, up 73%) and Arab Aluminum (ALUM, up 58.5%), which recently approved a 5-for-1 stock split followed by a 50% dividend.

The period marked the start of the earnings season, with many large-cap stocks reporting solid results, thanks in part to a strong U.S. dollar. Faisal Islamic Bank of Egypt (FAIT, up 10%) reported a 67% jump in earnings to EGP 4.5 billion in 2022, despite a 19% lower net interest income. As a result, the bank's board proposed distributing a dividend of EGP 1.98 per share, implying a 7% yield. CIRA Education (CIRA, up 2%) and other companies opted to retain their annual profits. In its first-quarter ending Nov. 30, CIRA reported 8% higher year-on-year earnings of EGP 107 million on a 47% rise in revenue to EGP 633 million, thanks to higher enrollments at Badr University in Cairo and Assiut.

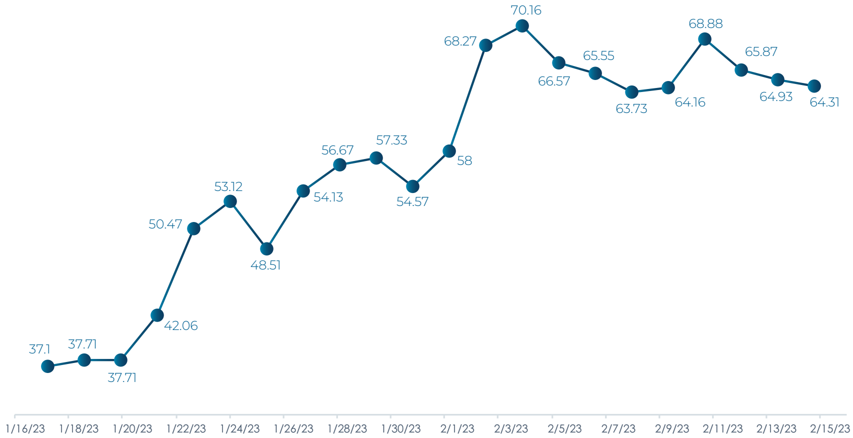
Obour Land Food Industries (OLFI, up 34%) reported better-than-expected earnings of EGP 462 million in 2022, an increase of 32% year-on-year on 52% higher revenues of EGP 4.6 billion. OLFI's board proposed a cash dividend of EGP 0.95 a share, implying a 9% yield. Other winners were companies that benefited from a strengthening U.S. dollar. Abu Qir Fertilizers (ABUK, down 7.5%) reported a 126% year-on-year earnings jump of EGP 7.2 billion in its first-half results on 80% higher revenues of EGP 11.2 billion. Similarly, Misr Chemical Industries (MICH, up 0.4%) reported first-half earnings of EGP 281 million, up 191% year-on-year on 68% higher revenues of EGP 456 million. Alexandria Containers Handling (ALCN, down 12%) reported 151% higher year-on-year earnings of EGP 1.8 billion in its first-half results on 78% higher revenues of EGP 2 billion.

It was not just earnings, as some M&A news made headlines. CIB (COMI, up 34%) said it would acquire the remaining 49% of Mayfair-CIB, turning the Kenyan bank into a wholly owned subsidiary. Sidi Kerir Petrochemicals (SKPC, up 26%) is considering fully acquiring its 20% owned subsidiary Ethydco.

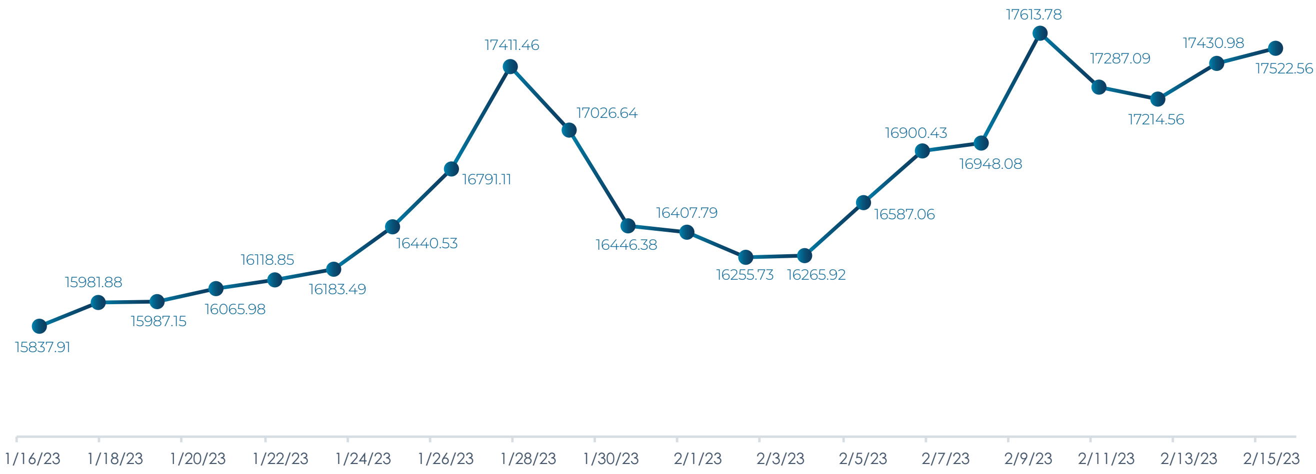
As for the macro picture, the Central Bank of Egypt kept its key policy rates unchanged in its first meeting of the year while reiterating its commitment to price stability over the medium term. However, Moody downgraded Egypt's credit rating from B2 to B3, changing its future outlook from negative to stable.

## Ismailia National Food Industries (INFI)

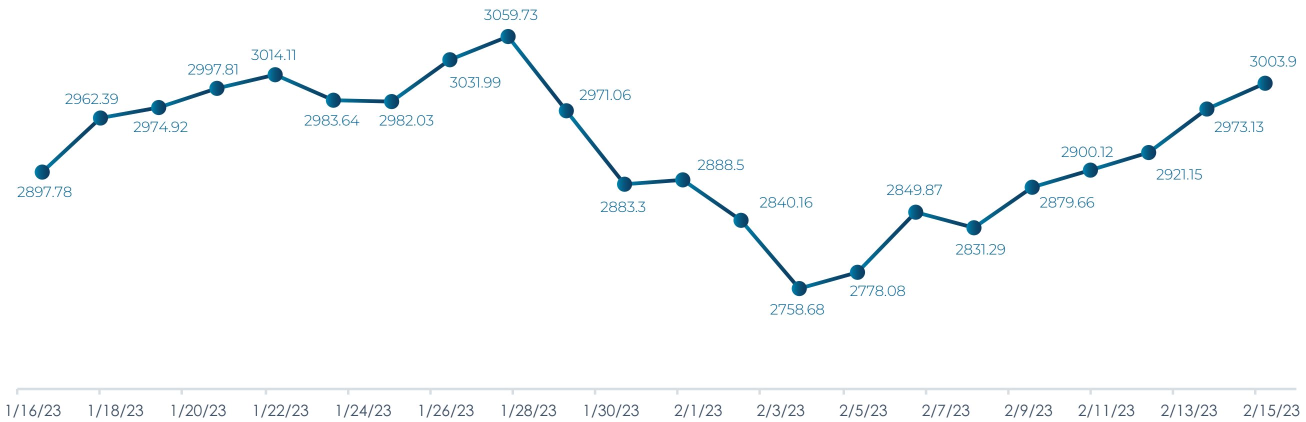
Ismailia National Food Industries (INFI), which rose 73% for the period, is up 92.7% on a year-to-date basis. While the company continued to report operating earnings (EGP 9.7 million in 2022 vs. EGP 9.5 million in 2021), its value has revolved around the 181 feddans it owns in Ismailia. Recently, the company disclosed it is negotiating with the Governorate of Ismailia to give up a portion of that land in return for the improvement fee (EGP 500 per square meter or a total of EGP 380 million) it owes.



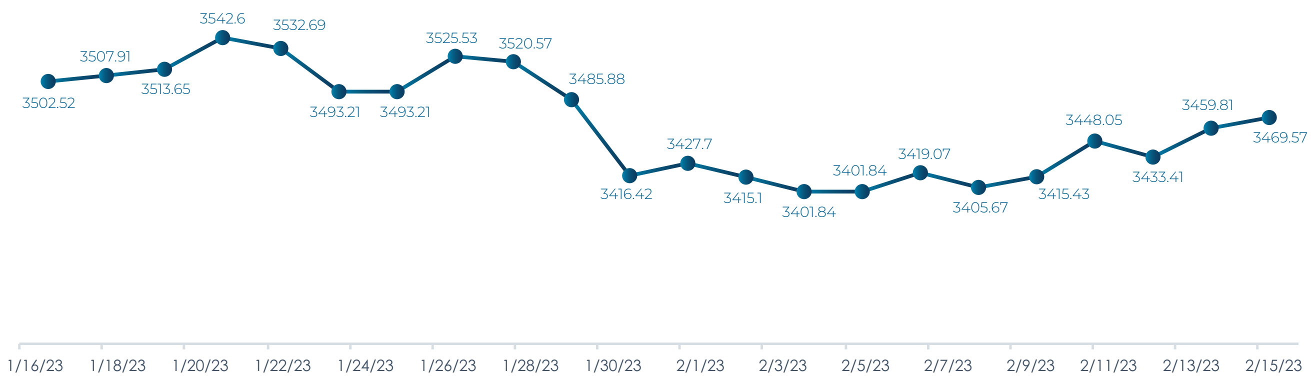
## EGX 30




## EGX 70




## Tamayuz




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

# THE UPSKILLING, RESKILLING AND CROSS-KILLING IMPERATIVE

Business leaders need to invest in upgrading the skills of their employees to make them more versatile and meet future challenges.

By **Rania Hassan**

With uncertain global economic forecasts, employees increasingly seek to improve their prospects of moving to better jobs or at least keeping their current ones. In January, WellRight, a provider of wellness programs to companies, said in its blog: "In 2023, a crucial must-have for candidates and employees alike will be the freedom to explore career advancement opportunities as the job market evolves."

That means seizing all opportunities to improve their skill sets and knowledge. A 2021 Boston Consulting Group (BCG) report found 65% of workers were spending more time than ever learning skills that can translate to various opportunities.

Attaining the latest skill sets is a must. "Gaining new-age skills and thus securing and growing in one's career with either a new job or by doing better in one's existing role are the most powerful motivators for professionals," Great Learning, an online education and upskilling platform, said in a February report.

Upgrading employee skills also benefits employers. It allows them to retain top talent, ensuring they never fall behind the competition. "As we move into [2023] with economic uncertainty on the horizon, upskilling opportunities for the workforce will become a prominent retention strategy," Robert Boersma, Talent.com vice president for operations in North America, wrote in the Fast Company publication in January. It "demonstrates an organization's desire to drive employee growth and development."

Selecting the correct strategies and approaches to improve employee skill sets is vital for everyone. It also would allow the company to automate functions and assign redundant employees to other roles.

## The three "skills"

WellRight highlighted three ways of upgrading skill sets. The first is upskilling, "the easiest and most commonly implemented [when] companies evaluate which types of learning opportunities make sense for their employees," the blog post noted. "Upskilling is more effective for employees who want to advance their career paths within their current field."

For employees, upskilling "increases the potential for promotions and enhances productivity," the post said. It also "facilitates the acquisition of valuable skill sets amid global and economic shifts." One of those shifts is the need for more automation. The World Economic Forum in 2020 projected that by 2025, "automation and a new division of labor between humans and machines will disrupt 85 million jobs globally in medium and large businesses across 15 industries and 26 economies."

That would create new functions within organizations, increasing job opportunities. Ankur Aggarwal, co-founder and managing director of LaunchMyCareer, a career advisory firm, wrote in a January blog on the education platform EdTechReview, that increased automation would likely create "97 million new jobs ... as a result of digital transformation and technological advancements."

The second way to upgrade employee skills is through reskilling. WellRight explains, "Instead of honing existing skills to further their careers, employees can also grow professionally by learning ... new skills for jobs in different fields or departments."

Reskilling is more effective than upskilling for "employees who need a change in pace." It can "reduce burnout and improve morale." The BCG report noted, "almost seven in 10 employees are open to reskilling ... This willingness is particularly high among young employees in the early and middle parts of their careers."

The third type of upgrade is cross-skilling, where employees "develop skills that translate to many different functions and departments," said the WellRight blog post. "It's particularly effective at mitigating lapses in operations by training more than one employee in an organizational task."

A main advantage is that it enables employees to "engage with different tasks [to give] their position value and further secure them as assets to organizational success," the blog said. Its most immediate benefit is that "an employee from a different department can be cross-trained to learn any necessary skills and fill in" for a colleague on vacation.

## New mindset

Rashmi Mandloi, a co-founder of Leadup Universe, a career advice firm in India, noted that since the 2020 lockdowns, companies have accelerated the pace of adopting technology. That resulted in business leaders permanently changing how their organizations operate.

Accordingly, companies and employees need to upgrade their skills in line with the organization's strategy and the changing business environment. With unfavorable economic conditions expected in 2023, the impact of upskilling, reskilling, and cross-skilling is more pronounced than ever. "Going forward, corporate learners will consider the [return on investment] of skilling," Mandloi wrote in the Telegraph India in December. "It will enable them to advance their roles and take advantage of fresh opportunities within the company."

During potentially game-changing events, business leaders may have to push employees to implement their newly acquired skills quickly. "Technology continues to rapidly change the way most organizations operate," said Mandloi. "In response, employees must consistently look out for knowledge requiring immediate deployment."

Mandloi recommends training in bite-size chunks. "It is a highly focused teaching strategy in which learners acquire subject matter through smaller inputs over shorter periods of time."

In December, Raluca Cristescu, a corporate trainer for 10 years, wrote in the executive education platform

Cypher Learning, "Bite-sized learning is ... a favorite and effective teaching method for busy corporate employees having to learn at the moment of need."

That bite-sized curriculum needs to use "data-driven learning [to] create personalized learning paths for each employee," said Cristescu. It "is a natural development that learning management systems have become increasingly proficient at collecting, analyzing and suggesting actions based on data."

Mandloi stressed the importance of such personalization: "Every professional learns in a unique way and at a unique speed." Accordingly, each employee taking the content receives a "lesson plan based on their learning style, prior knowledge, abilities and interests," added Mandloi. "It goes against the 'one size fits all' philosophy."

Companies should outsource their training content, looking at global trends and complementing them with local insights. Cristescu explained, "with the workforce becoming increasingly globalized and the need for just-in-time learning, companies must ensure they have quality content available at all times."

However, other employees should deliver those training courses, as participants "show more trust in the learning content when their colleagues create it," said Cristescu. "Employees may be less scared to acquire skills than they otherwise would be in a more traditional seminar-type setting," Mandloi added. "People learn best when they can communicate with their peers."

Technology also is vital in delivering training content, including "all immersive learning technologies, such as virtual reality, augmented reality, and mixed reality," said Cristescu. "All these make the employee experience more interactive and engaging."

Another benefit of using technology in upskilling, reskilling and cross-skilling programs is that it allows for learning on demand. Cristescu stressed this is "a must for any organization that wants to thrive in the hybrid environment,"

## Internal policies

The WellRight blog stressed that favorable internal policies are essential to fully benefit from upgrading employees' skill sets.

Business leaders need to ensure HR departments can "identify talent needs associated with the organization's future goals." Leaders can then establish a strategy to ensure the company has the right mix of talents, a process known as strategic workforce planning, according to Gartner, a consultancy for corporate education programs.

The WellRight post said companies should treat "strategic workforce planning as a toolkit that can be amended in real-time, especially as economic conditions and business circumstances change." It added the skills mix should be reviewed at least once a quarter.

Top executives sometimes need to instigate the upskilling, reskilling, and cross-skilling of their workforce. "People managers who encourage and reward employees for learning new skills are integral to identifying current and future skills gaps," said the WellRight blog.

Companies also need to allocate a separate budget to implement training programs. Accordingly, top executives need to carefully plan how to scale up the upskilling, reskilling and cross-skilling of the workforce. "Prioritizing skills learning in the workplace may seem simple," the WellRight blog noted, but "planning areas of focus often seem impossible to forecast."

To identify focus areas, managers should build "large-scale learning and development programs centered around continuous skills management," said WellRight. "It all starts by infusing a learning-journey mindset across all areas of the organization."

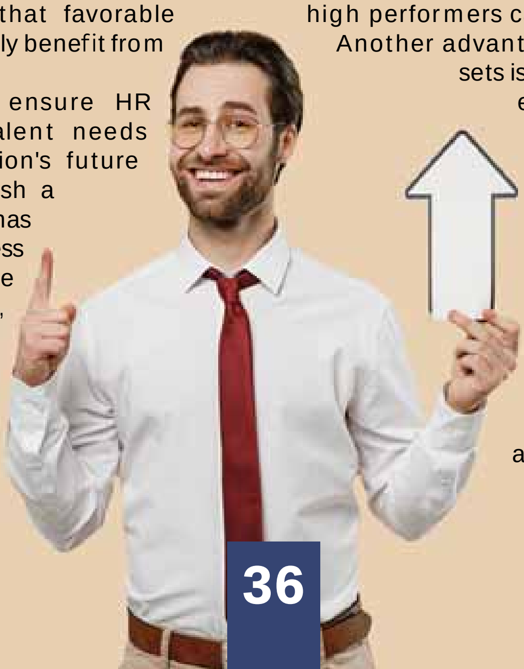
Correctly determining the best deployment of upskilling, reskilling and cross-skilling programs, plus the domains they would tackle, helps bring the organization's most valuable employees to the light. "Not only does it demonstrate the value and versatility of each employee to managers, but it also allows employees to own, monitor and evolve their learning journeys," noted WellRight. Also, it would help companies "determine [their] bottom line ... for a sufficient skills investment."

## For a better future

Investing in upskilling, reskilling, and cross-skilling significantly reduces business risk and cost in the short and long terms. "Upskilling not only fills in current gaps but helps businesses avoid recruitment costs," Kara Dennison, CEO of Optimized Career Solutions, a career consultancy, wrote on the Forbes website in January. "It can also create a more solid succession plan, increasing retention rates when high potential, high performers can see a path forward."

Another advantage of upgrading employees' skill sets is it "gives corporations a competitive edge in a strong labor market," noted Dennison.

Finally, Great Learning, the education and upskilling platform, noted that investing in upgrading employee skills "presents enterprises with significant opportunities for innovation and growth in a competitive landscape." It also helps businesses be "adaptive and readily respond to opportunities and challenges." n



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Entrepreneurship and Innovation Committee

24 Jan

## Meeting examines entrepreneurial ecosystem

On Jan. 24, AmCham's Entrepreneurship and Innovation Committee joined with MIT's Foundry Fellows to host a session titled "Building an Integrated and Connected Entrepreneurial Ecosystem in Africa." Guest speakers included Reem El Saady, principal regional manager for SME finance and development in Egypt at the European Bank for Reconstruction and Development (EBRD); Nada Shousha, vice chairman of the Egyptian-American Enterprise Fund; and Patrick Utomi, policy consultant at Afreximbank.

Access to finance and know-how is an issue for SMEs and startups in Egypt. The EBRD has been working with FRA to encourage innovative financing tools like crowdfunding and revenue-based finance — the EBRD's Star Venture program targets promising start-ups, accelerators and consultants. Star Venture helps young companies remove some systemic financing barriers by connecting them to a network of investors with a strategic interest in the early-stage space.

The Egyptian-American Enterprise Fund has invested in six funds, of which five are first-time fund managers. These funds were able to attract development finance institutions and mobilize good funds. An annual impact report evaluates the deployed funds.

Afreximbank launched the Creative Africa Nexus (CANEX) to support Africa's creative and cultural industries. Eligible applicants include digital innovators and fashion, film and music creators looking to monetize their content across the digital landscape.

The bank's export development arm supports SMEs through mentoring, capacity development and policy. The bank looks at sectors with a capacity for growth that usually differs from the profile of companies they would fund. It is trying to build a bridge between Africa and financial institutions and SMEs that generally are unbanked.

Talent Management

25 Jan

## Executives push learning and development

Organizations face many new challenges, from successfully incorporating new technologies to quickly adapting to ever-changing industry and market conditions. The HR (Talent Management) Committee held a Jan. 25 session on the "Corporate Learning and Development Landscape in Egypt" with guest speakers Ayman Elsayed, HR Director at Miraco; Maged Tadros, vice president for human resources and administration at Edita; Moawad Sultan, HR director at Unionaire; and Yasmine Khalil, program manager at the AUC School of Business Executive Education.

Corporate learning and development improve employee performance by increasing and enhancing skills, competency and knowledge. A structured training and development program helps to ensure employees have consistent experience and background knowledge.

Organizations must identify skill gaps among employees and teams before developing a training program. With adequate training, employees can meet their job's challenges and help achieve organizational goals, creating an exceptional long-term career path. According to Tadros, developing talent ensures employees will be ready to fill critical positions in the company.

Effective training depends on HR and managers developing a plan that best fits the organization. Typically, the best model is a mix of internal and external training, said Sultan

Companies need to treat training and development like any other investment. Measuring the ROI in training and development is always challenging, and the impact of learning programs can only be measured over time, added Khalil.

Organizations need to identify what their businesses need to achieve, make an effort to assess their potential facilitator capabilities and tools, measure the outcomes, and share their feedback, concluded Elsayed.

Marketing


29 Jan

## Session tackles consumer behavior, crisis strategies

The AmCham Marketing Committee hosted a Jan. 29 session at the Four Seasons Nile Plaza Hotel with guest speakers Amr El Kalaawy, managing director of FP7 McCann; Karim El Sherif, senior commercial director North Africa at Procter and Gamble, and Mira Kamal, director of consumer insights beverages and snacks at PepsiCo. The topic was "Consumer Behavior and Value Communication in Times of Uncertainty."

Kamal said consumers are apprehensive and anxious due to devaluation and inflation. That is evident from how much people post on social media pages about how expenses have increased to the extent that they have surpassed annual incomes.

She noted more than 70% of the people say the current economic situation has deteriorated compared to last year. About 83% admitted living costs have drastically increased; 55% said they would reduce spending on entertainment and luxuries. Market Research companies Kantar, Nielsen and Ipsos say 35% of those surveyed say they have cut back on grocery shopping.

El Sherif noted that costs change in line with trends or economic conditions, adding that advertising and promotions should stress the benefits of products rather than pricing.

El Kalaawy said there are three fundamental truths during a crisis. First, any crisis affects consumer buying habits and psychology. Some trends, such as sanitizers and face masks during the pandemic, start and end quickly. Others may be long-term, such as working from home.

But most crises do not last long, so businesses and consumers should learn to cope. Historically, 75% of recessions end within a year, and 30% last for only two quarters. Speakers stressed no crisis should affect long-term objectives because the best brands can last forever, but a crisis never will.

Roundtable Meeting

2 Feb

## AmCham members meet Denver delegation

AmCham Egypt hosted a special roundtable discussion on Feb. 2 with a delegation of members of the Denver business community, Denver International Airport (DIA) representatives, and Denver political leadership, including Mayor John B. Hancock and his senior staff. Representing AmCham Egypt were Travel & Tourism Committee members and the Board of Governors.

Hancock said the DIA formed the Africa Air Service Committee to support the development of air connectivity to Africa, with committee members present in the delegation. The delegation stressed tourist interest in the region is gaining traction in the greater Denver area.

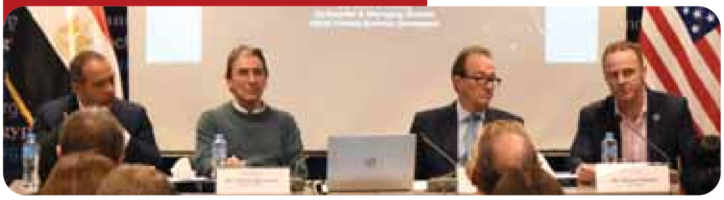
They also highlighted improvements in Egypt's bilateral relationship with the United States playing a role in viewing EgyptAir as a prime candidate for direct routes from Denver to Africa. The main factors the delegates considered during their assessment were entertainment, politics, tourism and business opportunities.

Travel & Tourism committee members emphasized the unique opportunity to partner with EgyptAir, given Egypt's strategic location and existing direct routes to Europe, with more than half of European airlines flying nonstop to Egypt.

Members of the Denver delegation raised concerns regarding Egypt's water security and bilateral relations with Ethiopia. AmCham Egypt President Tarek Tawfik addressed the issue by highlighting Egypt and Ethiopia's historical and religious ties, indicating that escalated conflict would be out of the question.

AmCham members and the delegation also touched upon the extensive development projects occurring in the country, discussing investment opportunities and the rapid growth in transportation infrastructure.

Agriculture and Food Security



## 12 Feb

## Carbon market: evolution to implementation

On Feb. 12, the Agriculture and Food Security Committee held a joint meeting with the Corporate Impact and Sustainability Committee, titled: "The Carbon Credit Market: From Evolution to Implementation," with guest speakers Helmy Abouleish, CEO of SEKEM Holding; and Sherif El Diwany, co-founder and managing director of MGM Climate Business Developers.

In line with Article 6 of the Paris Agreement, countries can transfer carbon credits earned by reducing greenhouse gas emissions to help other countries meet climate targets. El Diwany said there are two markets: the compliance carbon market involving the relationship between governments, and the voluntary carbon market, which functions on a national level.

El Diwany discussed the emerging landscape of creating a carbon market, highlighting efforts needed to grow such a market, including introducing a carbon tax and the role of the private sector in bringing all of these together.

"Human development is the core of sustainable development," said Abouleish, adding that following a holistic agricultural system has facilitated building a sustainable ecosystem and community. He said his vision for Egypt in 2057 is the nationwide application of sustainable agriculture practices.

As a practitioner of exchanging carbon credits, he described how the creation of this market has helped farmers benefit from implementing their ecosystem services, as they can earn higher profits without any additional costs. To create impact and share best practices, Abouleish's model has supported and enabled 2,000 small farmers to shift toward organic cultivation. In this context, exchanging carbon emissions from these small farms could save almost 50% of Egypt's CO2 emissions. Therefore, he said the contributions of small farmers could make them the climate heroes of Egypt.

Roundtable Meeting

## 15 Feb

## Members meet with DFC

AmCham Egypt hosted a special roundtable discussion on Feb. 15 with U.S. International Development Finance Corporation (DFC) representatives. Merryl Burpoe, senior adviser to the Office of the Chief Executive at the DFC, was part of the DFC delegation.

Burpoe talked about the primary function of the DFC, which focuses on developing private-sector enterprises worldwide. The DFC is a U.S. government agency that is mainly self-funded that ensures U.S. governmental processes do not impede business decisions. That makes the funding and investment in projects significantly more accessible than other government-funded development agencies.

Members asked whether the presence of Chinese investment or Chinese components would influence DFC decisions to fund private sector projects.

The delegation said the DFC would hesitate to work with companies or projects with heavy Chinese investments. However, they review each project on a case-by-case basis.

The DFC delegates indicated that a project's sustainability is a significant prerequisite of the funding process. Members delved deeper into the type of investment packages available and highlighted various projects in Egypt, from water desalination to agricultural exports. The delegation added that public-private ventures might be eligible for funding.

Lastly, the delegation encouraged AmCham members to include commercial banks in the funding process, as the DFC can act as a risk assurance agency in case of project default.

Customs and Taxation


**30** Jan

## Streamlining Customs Clearance Process

On Jan. 30, the AmCham Customs and Taxation Committee hosted a session titled: "Toward a Streamlined Customs Clearance Process." El Shahat Ghatwary, head of the Egyptian Customs Authority, was the featured speaker at the Conrad Hotel. Ghatwary discussed the efforts of the authority to enhance the customs clearance cycle; automate and link service points; accumulate cargo shipment developments; and the way forward.

Throughout the discussion, Ghatwary said customs clearance at Egyptian ports has returned to normal, amounting to $4.7 billion daily, with production requirements and strategic and medical goods considered priorities. He also pointed out that customs law enhanced the investment climate. In addition, he said cus¬toms tariff amendments encourage international companies to manufacture in Egypt.

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DHL Express is proud to offer all AmCham members an exclusive 30% discount on DHL published rates for outbound international shipping services, and a 15% discount on shipping cost with DHL MENA eShop (To be used with AmCham Promo Code from AmCham Cyberlink).

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## Egyptair

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This agreement entitles all AmCham members and their first degree family members to a special preferential reductions on Egyptair INTERNATIONAL flights ONLY.
Up to 16% Discount over Egyptair's special fares, depending on the booking class.
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**This deal is applicable on trips from and to Egypt.*
**All discounts are not applicable to Jeddah/ Al Madina during Hajj and Omra season during the months of Ragab, Shaaban & Ramadan.*

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-20% off at all ECCO stores
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-20% off at all INTERSPORT stores, except for treadmills and electric bikes (which are eligible for 10% off).
-20% off at SPORT AVENUE – B.GOAL stores.
-Outlet stores are excluded from this offer.
-This offer is not applicable in case of any other promotional offers for the above-mentioned brands.
-This discount is not valid during Black Friday.

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## United Sons Moving Services

United Sons is pleased to offer AmCham members the following exclusive benefits:
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- Priority booking for member companies' requests
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This offer is valid until December 31, 2023

# A Glance At The Press

Inflation

"He left you this kilogram of meat in his will to divide amongst yourself."

*Feb., 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.*

## Museum announces 'limited' tours

Egypt's highly anticipated Grand Egyptian Museum (GEM) is allowing visitors to book the tours through its website Tickets. For Egyptians, prices range from EGP 75 to EGP 150, depending on age. Tickets for foreigners start from EGP 1,000 for adults and EGP 500 for all other groups. Visitors can select to visit the museum during one of four time slots from 9 a.m. to 6 p.m.

Guided tours provide access to the Atrium (Grand Hall), where the colossal statue of Ramses II stands, the conference center, commercial area and exterior gardens. Businesses open in the museum include Beanos, Zooba and 30 North, and a few non-food enterprises such as Kahhal Looms Handmade Rugs.

"All other interior spaces, including access to the galleries and collections, are restricted until the official opening," according to the website.

Although the museum, set to have the most extensive archaeological collection in the world and the future home of Tutankhamun's entire collection, has yet to open, the past few months have seen increased activity and public engagement.

The GEM has been a much-anticipated and costly national project for over a decade. Egyptian officials asserted several times that the museum is reaching its final stages.

*Egyptian Streets, Feb. 22*

## U.S. band Backstreet Boys to perform in region

The Backstreet Boys will give a concert in Egypt, the U.A.E., Bahrain and Saudi Arabia as part of their DNA World Tour.

Arriving from the Iceland leg of their tour, the Backstreet Boys will stop in Egypt on May 1. The tour promoting their ninth studio album, DNA (2019), includes 150 shows in the Americas, Europe, Africa, the Middle East, Asia, and Australia. They announced the tour in 2019, but due to COVID-19 lockdowns, they postponed the events. In February, the Backstreet Boys embarked on the second of the tour's eight legs, which will continue until May.

The concert in Egypt will take place at ZED East, a luxury compound in New Cairo. ORA, the company organizing the event, said "tickets will be released soon" via the event's partner Ticketsmarche.

Formed in 1993, the Backstreet Boys became the highest-selling boy band of all time, with 130 million records sold. They reached the peak of their popularity during the 1990s and 2000s. Their last album from that period -- and their eighth studio album, "In a World Like This," was released in 2013. Their latest album, DNA, was released in 2019.

*Ahram Online, Feb. 23*

## National Museum of Egyptian Civilization launches initiative

The National Museum of Egyptian Civilization issued the "Tablia Misr" initiative to promote and document Egypt's traditional cuisine. Tablia is a circular traditional dining table serving the most famous dishes.

Ahmed Ghoneim, CEO of the Museum Authority, said the initiative aims to activate the museum's role in protecting and preserving the heritage and civilization of Egypt. He added the initiative comes in conjunction with the Tourism and Taste Festival organized by the Ministry of Tourism and Antiquities.

The initiative offers a series of lectures and workshops with the opportunity to taste and learn about traditional foods, such as koshary, besara, and Umm Ali desserts.

*Daily News Egypt, Feb. 18*


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