

Navigator 2020

Egypt



Together we thrive

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Introduction

When COVID-19 struck Egypt, the economy was in a relatively good place: a three-year reform programme had reduced its deficits and inflation while raising its reserves. The government's cautious fiscal response to the virus has helped maintain that stability – a policy that's unlikely to change after autumn's parliamentary elections. The country still faces lasting headwinds, including a struggling tourism sector. But we believe this buffer will allow it to avoid a COVID-19-driven recession and return to pre-crisis levels of growth by 2021/22.

1. Overview

Our 2020 Navigator survey reflects **cautious optimism** in Egypt and a willingness to adapt

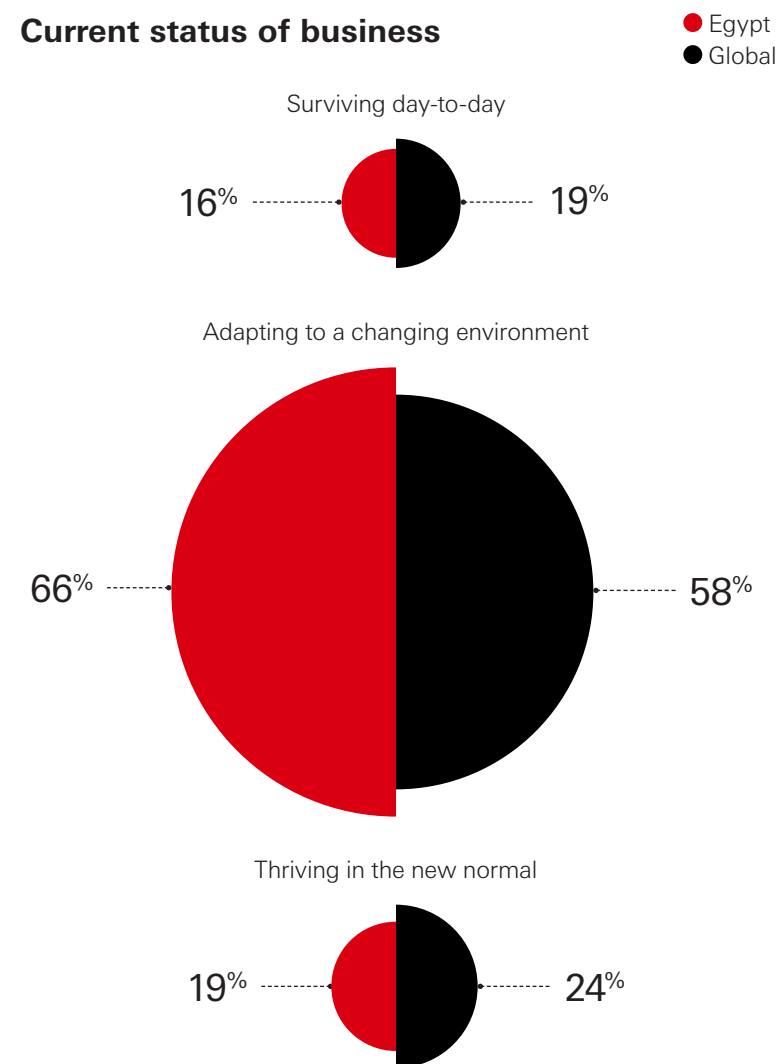
Although less upbeat than their peers in the MENAT region, a third of Egypt's businesses are more optimistic about the future than last year. Looking ahead to 2021, the large majority anticipate revenue growth.

Two-thirds are adapting to the changing environment brought on by the pandemic, compared with 61% in MENAT and 58% globally. Close to eight in ten businesses expect to return to pre-COVID levels of profitability by the end of 2022.

Despite difficult international trading conditions, which about half of businesses expect to carry on into 2021, almost nine in ten have a positive outlook on their international trade prospects over the next 1-2 years.

Nearly all show concerns about supply chains and have made changes. Sustainability is important for Egyptian businesses, with the majority having planned or set targets around environmental, social and governance issues.

Current status of business



2. Business outlook



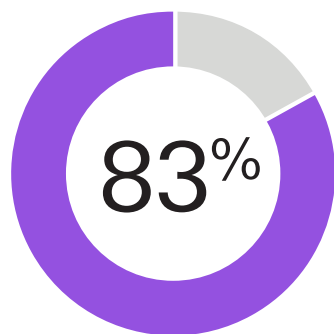
Expectations of revenue growth in 2021 are **higher** among Egyptian businesses than globally

One-third of Egyptian businesses (34%) are more optimistic than they were a year ago. This is above the global average of 29%, but below MENAT at 46%.

A very high proportion (89%) anticipate revenue growth in the next year, compared with 64% globally. Around two-thirds (67%) anticipate growth of more than 5%. International and mainly online businesses expect higher growth.

Eight in ten (82%) think internal factors, such as technology-driven efficiencies and new products and services, are more influential growth drivers than external factors. That's compared with seven in ten (72%) globally.

The majority of Egyptian businesses (83%), just below the global average (85%), cite external factors such as a resurgence of COVID-19 and an uncertain political environment as hindrances to growth or recovery.



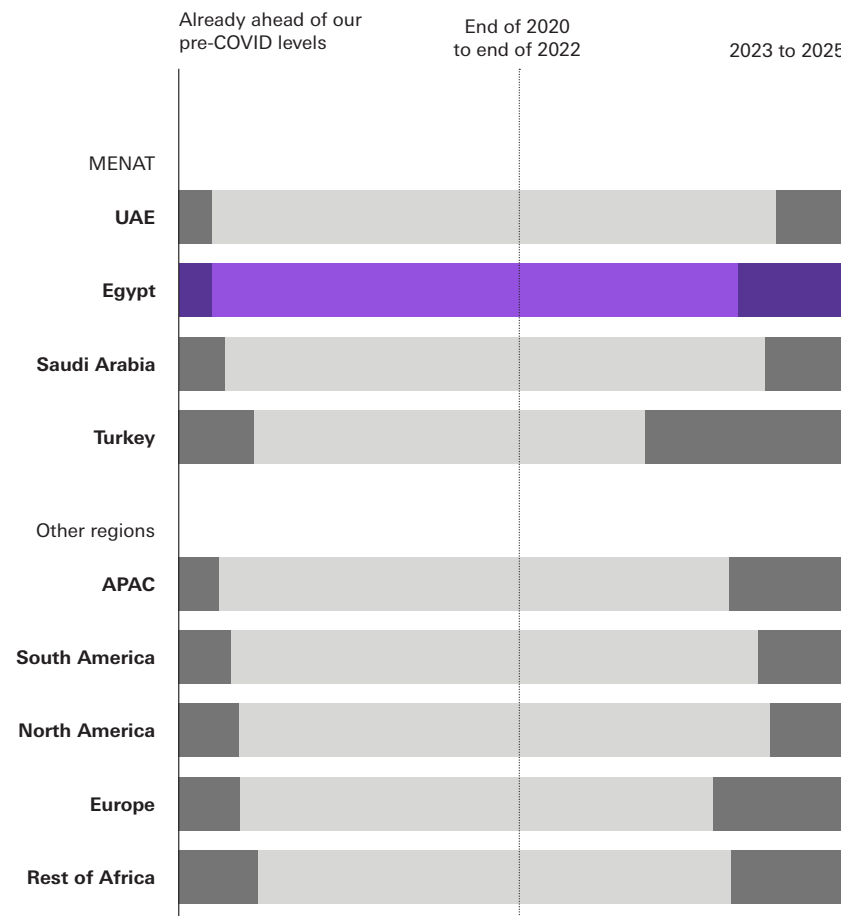
of businesses expect to return to pre-COVID profitability levels by the end of 2022 or are already ahead

Top 3 drivers of business growth



When businesses expect to return to pre-COVID levels of profitability

%

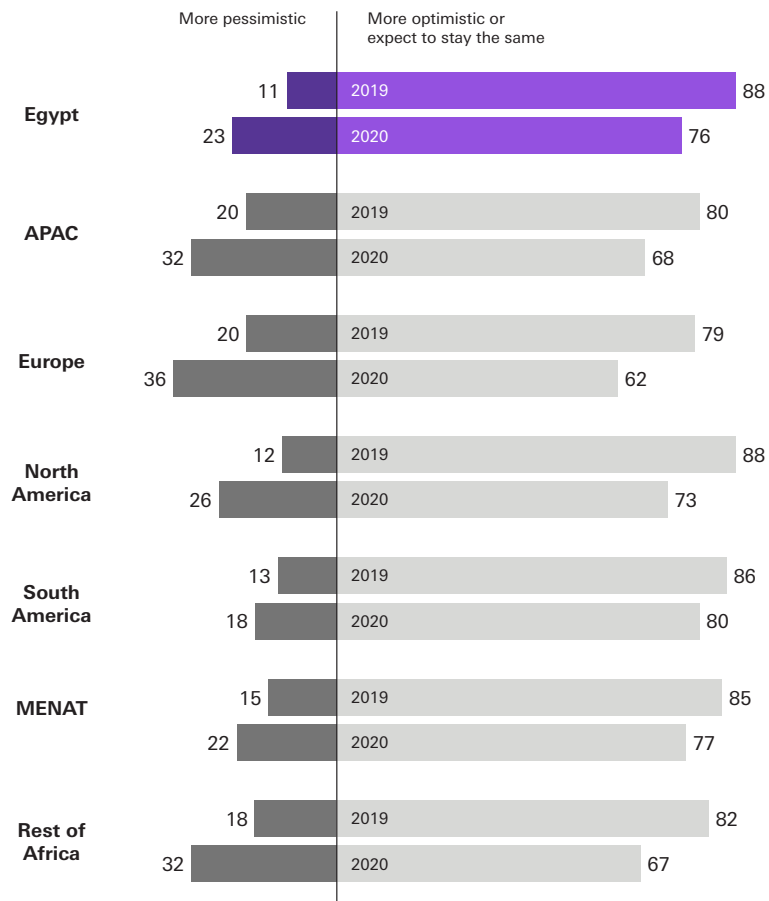


2. Business outlook (continued)



How business outlook has changed in the last 12 months*

%



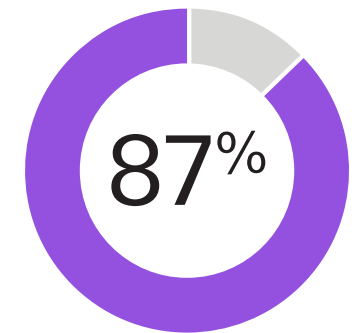
*Excludes businesses answering 'Don't know'

Egypt is looking to invest

Confidence among Egyptian businesses is reflected in the high proportion – nearly nine in ten – that plan to increase financial investment to secure growth.

This level is similar across MENAT (83%), and more positive than globally (67%). Around half of businesses are planning to increase investment by 5%-20% and a further quarter by more than 20%. This shows that, despite the events of 2020, businesses in Egypt recognise the need to invest for future growth.

The investment plans of Egyptian companies are wide-ranging. Their top three priorities are marketing, expansion into new markets and product innovation. Nearly all businesses plan to maintain or increase investment in key technologies.



of Egyptian businesses intend to increase investment in their business in the next year, despite the challenging environment

Strategies of Egyptian businesses to benefit from growth drivers and address threats



3. Future strategy



Companies in Egypt view **innovation** as the secret of future business success

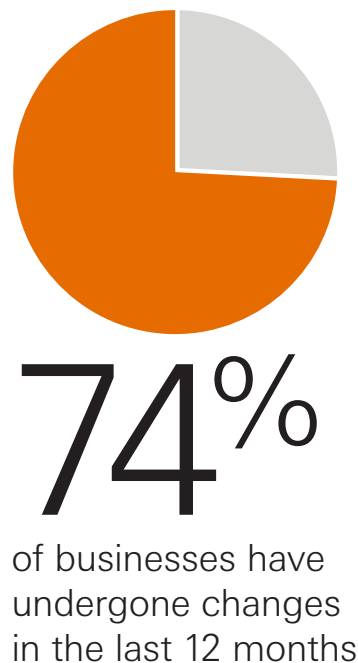
In line with globally, three-quarters of Egypt's businesses have undergone changes in the past year.

More than half (57%) expect these changes to be short-term. Just 14% expect them to be permanent, compared with 21% globally.

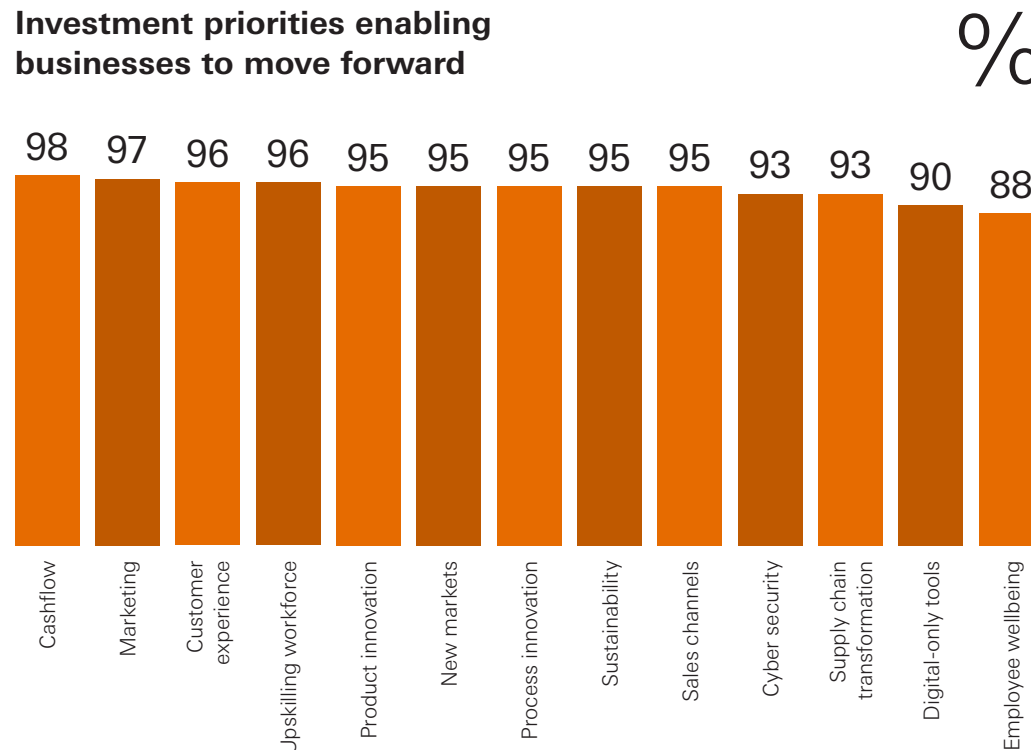
The primary drivers of change were slightly different in Egypt from globally – the top three were the need to reduce costs, along with changes in demand at home and abroad.

Egyptian companies are in sync with the global average (44%) in citing innovation as an important characteristic of a successful future business. More than a third identify reputation and resilience to market changes/shocks as being key to success.

When it comes to becoming a successful entrepreneurial business, factors such as technical innovation, speed to market and agility are expected to be increasingly important.



Investment priorities enabling businesses to move forward



Top 5 facets of a successful entrepreneurial business



4. International trade



Global trade has toughened, but Egypt looks to the future with **optimism**

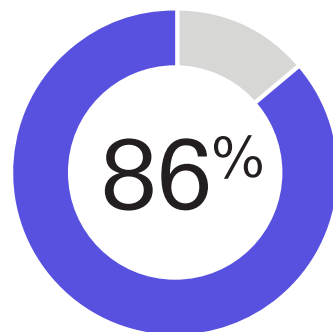
Around two-thirds (67%) of Egyptian companies think international trade has become more difficult in 2020, and half (51%) think that it will still be difficult in the next year.

Despite this, like their peers in MENAT, almost nine in ten of Egypt's businesses feel positive about their prospects for international trade, considerably above the global average of 72%.

In addition, nine in ten companies are looking to expand their international business in the next 3-5 years.

Intra-regional trade within MENAT and trade with Europe are equally important and they will continue to be the dominant trading regions for Egypt.

The importance of both North America and APAC as trading markets has increased from a year ago.

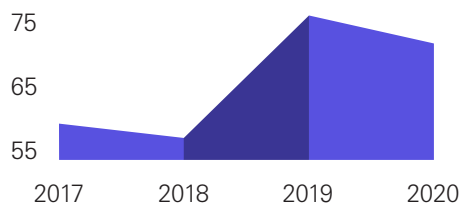


of companies expect their international trade prospects over the next 1-2 years to be positive

Protectionism

Percentage of businesses that think that countries/territories/governments are becoming more protective of their domestic businesses

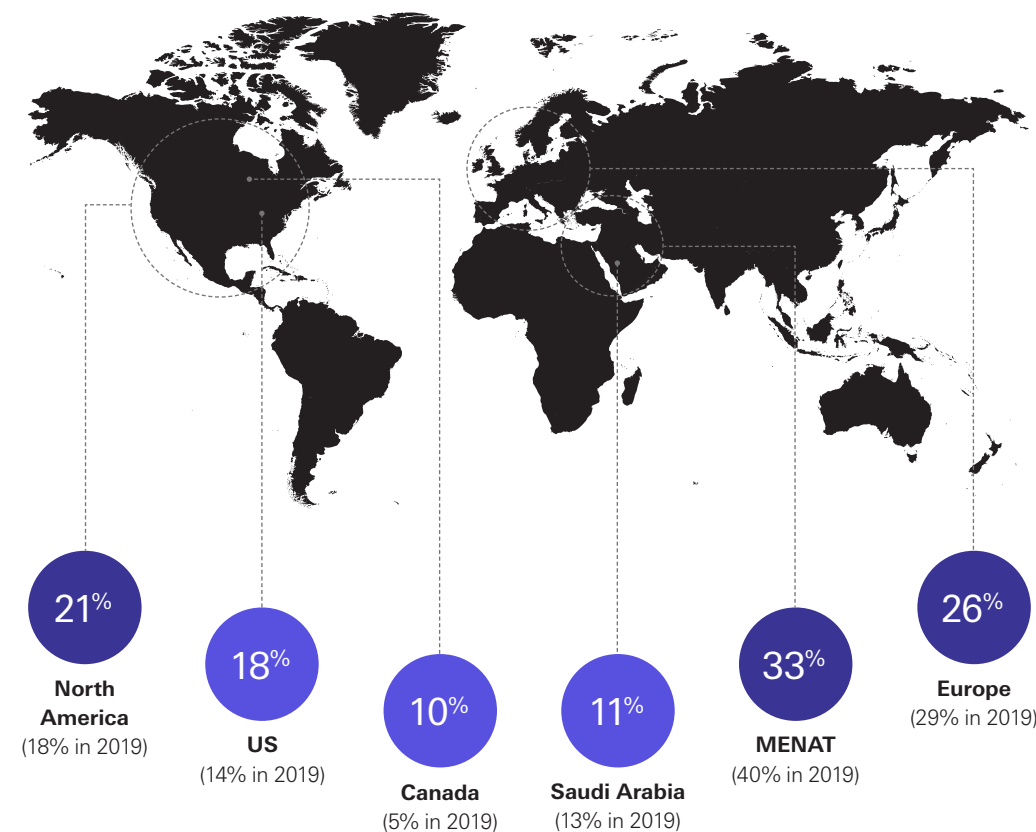
Data gathered for Navigator surveys, Egypt, 2017-2020.
2017 - 59%, 2018 - 57%, 2019 - 76%, 2020 - 72%



Priorities for expansion in the next 3-5 years

Top regions, markets and territories in which Egyptian businesses are looking to expand

● Markets & territories ● Regions



5. Reshaping supply chains



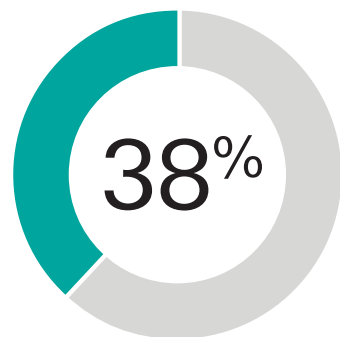
More Egyptian businesses have **diversified** than reduced their supply chain partners

Nearly all Egyptian businesses have concerns about their supply chain. Increasing cost is the main worry, followed by insufficiently agile suppliers.

Concerns about increasing costs are more prominent among domestic operators, where half say they worry, compared with 39% of international businesses.

To tackle this, almost all Egyptian companies have made changes – including using more digital/technology, diversifying their suppliers and selecting suppliers based on their market's control of COVID-19. The first two are also immediate priorities for 2021, along with selecting suppliers based on their sustainability practices (53% compared with 36% globally).

Compared with globally, relatively more Egyptian businesses have diversified rather than reduced their supply chain partners (Egypt 32% versus 19%; global 28% versus 20%). Companies expect the adjustments they make to give them access to international customers and reduce costs. They also expect to have more and better-quality information.



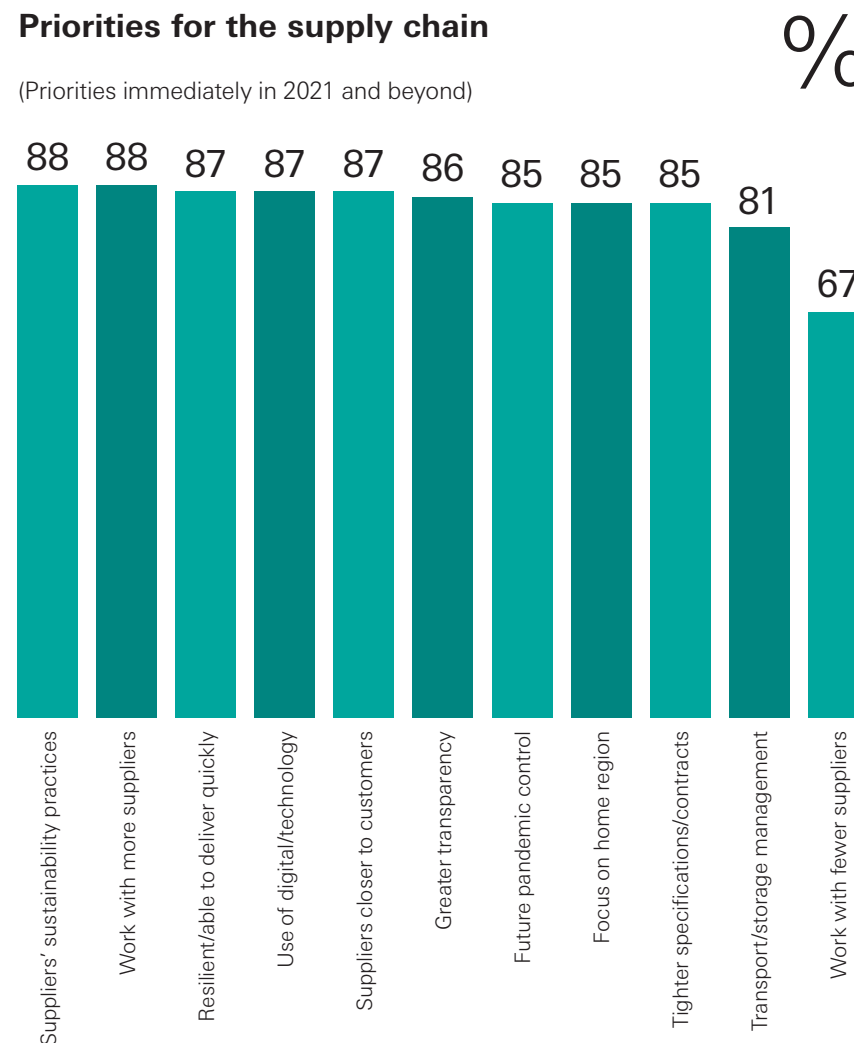
of businesses expect that reshaping their supply chain will give them access to international customers

Top 3 benefits of reshaping the supply chain



Priorities for the supply chain

(Priorities immediately in 2021 and beyond)



6. Sustainability



Egyptian businesses see greater focus on sustainability as a **driver for growth**

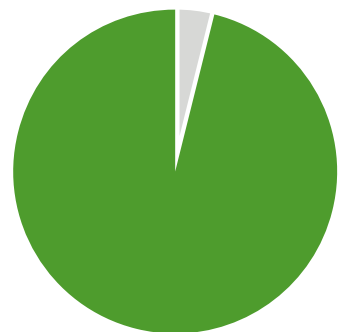
Sustainability is very high on the agenda of Egyptian businesses.

More than eight in ten have plans or set targets for a broad range of environmental, social and governance (ESG) issues, higher than globally.

Businesses in Egypt see multiple opportunities from improving sustainability. The main ones are enhancing reputation, attracting investment and increasing demand. Almost all (98%) expect it to lead to sales growth, and two fifths (41%) anticipate revenue will grow by more than 10%. That's more than double the global average (17%).

Around a quarter of companies think that the pressure coming from various groups to become sustainable will increase.

Collaboration with adjacent businesses and suppliers; investors committing cost and resources; and government incentives are seen as crucial to help businesses become more sustainable.



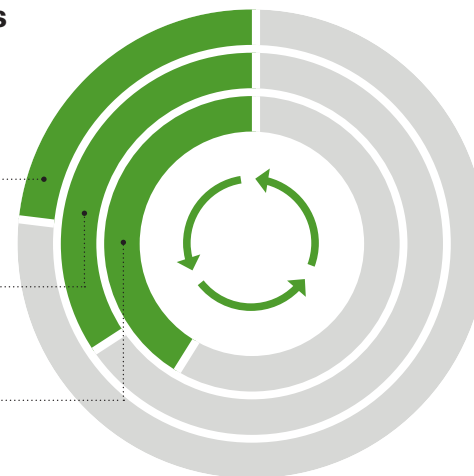
96%
of Egyptian companies think there are multiple opportunities for their business from improving its environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

23% expect modest growth of up to 5%

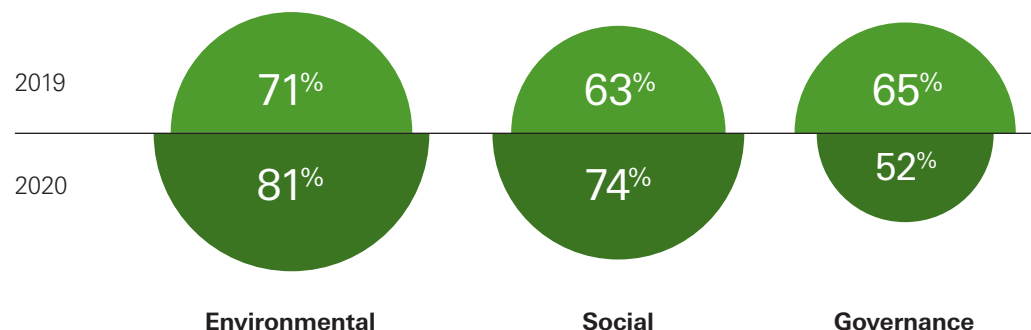
34% expect growth of between 6% and 10%

41% expect growth of 10% or more



Measuring sustainability

More companies have been measuring environmental and social aspects compared with 2019



About HSBC Navigator Egypt

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 209 businesses surveyed in Egypt. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how COVID-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

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www.business.hsbc.com/navigator

Note

There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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