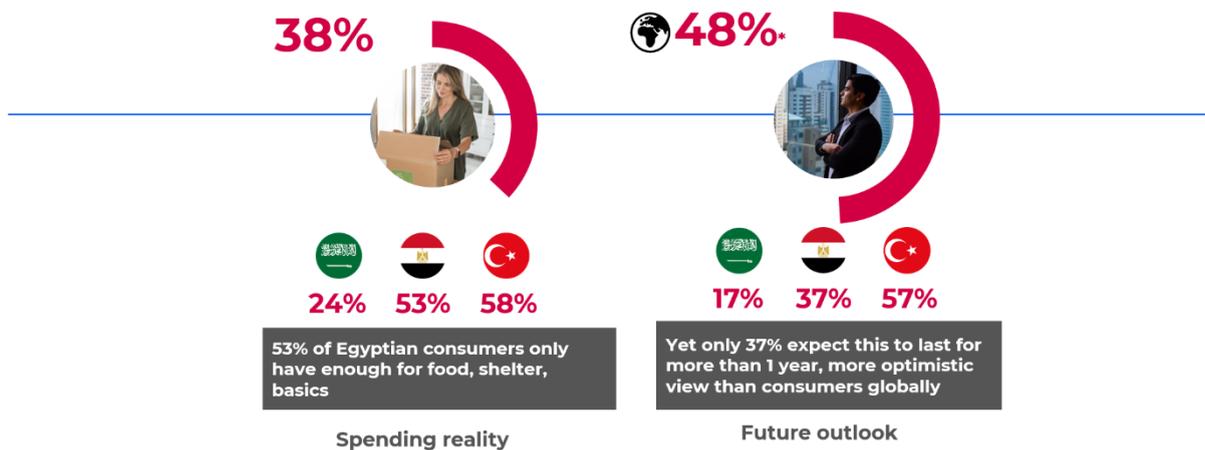


EGYPTIAN CONSUMERS SUCCESSFULLY NAVIGATE A SEA OF INFLATIONARY PRESSURES

Cairo, X June 2023 - Despite an onslaught of inflationary pressures and economic challenges, Egyptian consumers are showcasing resilience and adaptability, according to the latest *NielsenIQ State of the Retail Nation* analysis for the first quarter of 2023. While the impact of the economic slowdown and increased cost of living is undeniable, one of the biggest outtakes of the research is that Egyptian consumers continue to find ways to navigate these circumstances and make strategic choices.

Recessionary mindset:



In total, the Egyptian FMCG market has experienced a sales value growth of 45.3%, with volume unit growth of 1.2% (compared to 8.7% in Q4'22). Within this context, it's vital to understand the effects of inflation and the current overarching role of inflation as a driver of growth in the market as opposed to an increase in unit sales. In

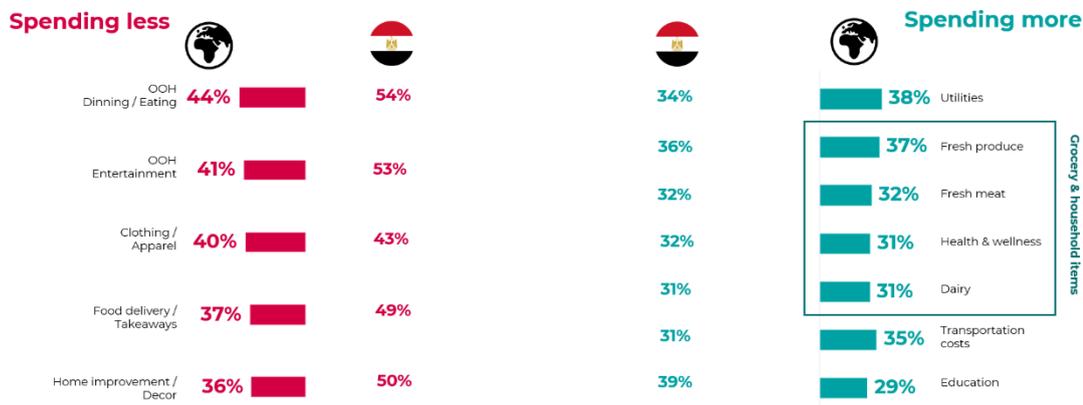
reality, this equates to consumers paying more but acquiring almost the same volume of products as they did a year ago.

Against this backdrop, while certain categories, such as Dairy and Snacking, have experienced volume decline, others like Ambient food and Beverages have shown slight volume increases despite price hikes. This shift aligns with the population's focus on essential spending and a preference for in-home consumption.

NielsenIQ North Africa & Levant MD **Nihal Elkoussi** highlights the significant implications of this consumer mindset on spending patterns. "We are observing a prevailing cautiousness among Egyptian consumers, which is heavily influencing their wallet spending. While discretionary spending on activities such as holidays, food take-away, and out-of-home entertainment in general are affected, consumers continue to prioritize spending on consumer goods."

She adds that despite these challenges, consumers are demonstrating agility in adapting to these changes. "Whether it's trading off across price tiers, size tiers, or adjusting the frequency of shopping trips versus bulk buying, the Egyptian consumer is becoming nimbler in their choices."

How Egyptian consumer plans to rationalize their spent vs average global consumer



Focused on food

Given that Egyptian consumers are facing buffeting effects of FMCG inflation, the *State of the Retail Nation* analysis identified increasing food and grocery prices as the top concern for **over 50%** of Egyptian consumers, followed by utility costs, the economic downturn, and fuel and transportation expenses. However, despite these concerns, FMCG volumes remain stable and in certain categories are increasing which points to the resilience of the industry.

Food and grocery items continue to constitute the largest portion of Egyptian consumers' expenditure but interestingly, within this category, there has been a shift towards prioritising essential items over home and personal care products.

Analysing consumer spending intentions, NielsenIQ research reveals that product categories such as utilities, fresh produce, fresh meat, health and wellness, and dairy are among the areas where consumers plan to increase their spending.

Conversely, consumers plan to reduce spending on out-of-home dining and entertainment, clothing and apparel, food deliveries and takeaways, and home improvement and décor.

The study also highlights a shift towards smaller pack sizes driven by declining out-of-pocket expenses. Local products have become more appealing to consumers and within 43% of categories, consumption is moving towards local manufacturers specifically within categories like detergents, noodles, biscuits, skincare, cheese and ice cream. In addition, the cost competitiveness of Egyptian manufacturers is evident with 58% being cheaper, compared to their global counterparts.

Modern trade wins at price

When it comes to shopping channels, modern trade has seen increased appeal due to its relatively lower prices compared to other channels. E-commerce penetration has reached 6%, and discounters have witnessed a doubling of shopper frequency compared to the previous year.

Elkoussi says that overall, Egyptians are relatively more optimistic compared to other countries about how the economic situation will unfold and are demonstrating agile adaptation to counter the current inflationary pressures they face.

"As such, they will continue their tactical moves of focusing on essentials, seeking affordable shopping channels, and showing a preference for local brands as well as shopping only when needed and increasing at home consumption. All of which are designed to gain the most effective control of when, where and how they spend their highly constrained cash reserves," she concludes.

About NIQ: NIQ, the world's leading consumer intelligence company, reveals new pathways to growth for retailers and consumer goods manufacturers. With operations in more than 100

countries, NielsenIQ delivers the most complete and clear understanding of consumer buying behaviour through an advanced business intelligence platform with integrated predictive analytics. NIQ delivers the Full View(TM).

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