

Navigator

Now, next and how for business

Egypt



Egypt

Egyptian firms focus on regional growth opportunities

The economic outlook for Egypt is supported by an ambitious domestic reform programme that is attracting growing inflows of foreign direct investment. Consumer confidence has improved with the moderation of inflation, while the exchange rate remains stable and supportive of trade. Reflecting these trends, the HSBC Navigator survey reveals that three quarters of Egyptian firms are optimistic that their company will succeed in the current international trade environment.

What is happening now

Egyptian businesses are slightly less optimistic than the global average

The Egyptian economy has maintained its upward momentum so far this year, as the government's reform programme has attracted renewed foreign investment and helped to reinvigorate growth in exports. Natural gas extractions have also grown strongly due to a number of discoveries over the past few years and the sector's ongoing development represents an upside risk to the outlook. But the economy also faces a number of challenges, including high unemployment and the need to improve education levels.

Egyptian businesses are slightly less optimistic in terms of the global trade environment than internationally: 63% of Egyptian respondents have a positive outlook on international trade compared to the global average of 78%. Nevertheless, three quarters of Egyptian firms are optimistic that their company will succeed in the current international trade environment. Focussing on markets where businesses are looking to expand (Fig. 1), Saudi Arabia and the UAE were most frequently identified, which likely reflects both Egypt's geographic proximity and the lucrative opportunities available within these markets.

Fig. 1: Which are the top 3 markets where your business will look to expand in the next 3-5 years? (Share of respondents identifying each market)



Source: TNS Kantar

How your business can respond

- ◆ Ensure your business strategy takes account of the potentially volatile market environment for EM currencies.
- ◆ Keep in mind that the recent increase in capital inflows could be undermined by tightening global liquidity and increased geopolitical uncertainty.

Policy Developments

Respondents have a favourable view of free-trade agreements

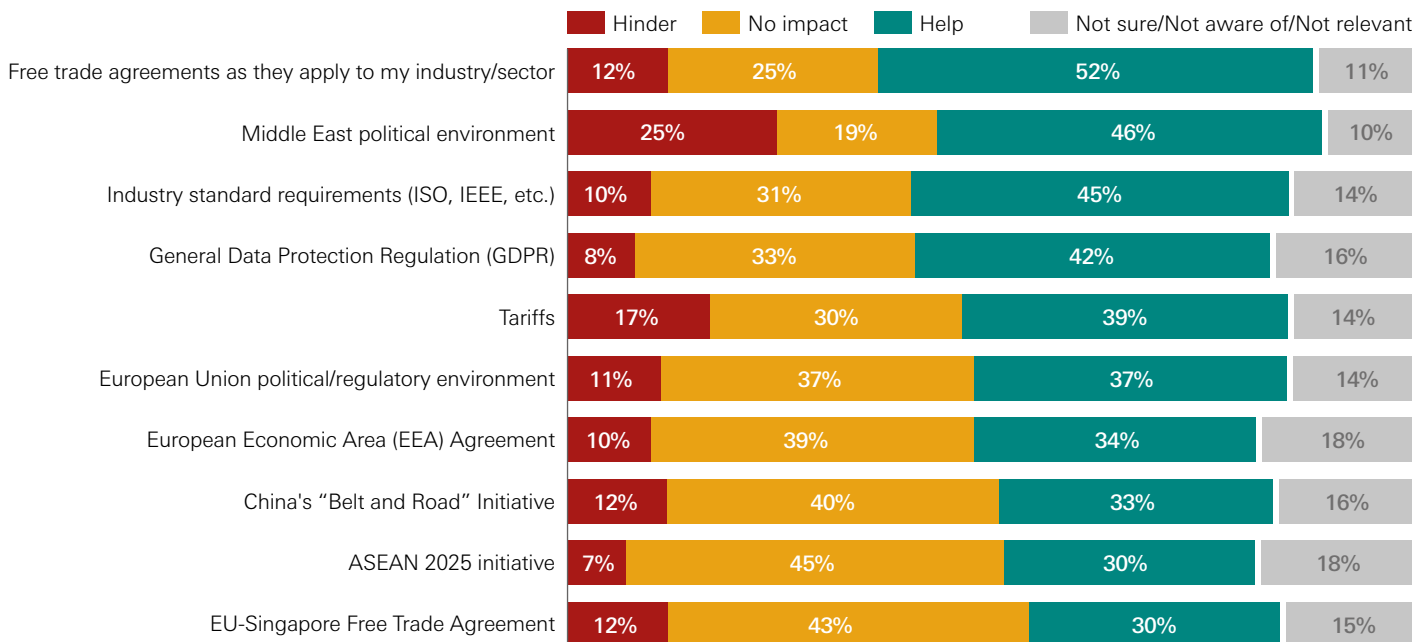
Over half (57%) of Egyptian businesses consider foreign governments are becoming more protective of domestic firms, somewhat lower than the global average (63%). This may reflect that the majority of Egyptian exports are destined for countries in the European Union or MENA regions. Views on the impact of regulation are more mixed, with a quarter of respondents believing that they support competitiveness, while a third of Egyptian firms believe that regulations increase the cost of doing business.

The HSBC Navigator survey shows that over half (52%) of Egyptian firms believe that free trade agreements related to their industries are helpful (Fig. 2). In terms of the Middle East political environment, 46% of respondents see it as having a positive impact, but 25% see it as having a negative impact. Industry standard requirements were viewed favourably by 45% of respondents, implying that they appreciate the role of these standards in facilitating trade through the removal of uncertainty in the selection of products and services.

How your business can respond

- ◆ Is your firm moving forward with appropriate technological investments to improve efficiency and reach new markets?
- ◆ Do you have sufficient oversight of your complete value chain to manage risks at every stage?

Fig. 2: Relevance and impact of policy developments in the next 3 years



Source: TNS Kantar

*May not total 100% due to rounding

What is happening next for business strategy

Regional growth opportunities come into focus

Growing market share was most frequently identified as a key focus of business strategy by 34% of respondents, while an increased emphasis on productivity and skills development was also common. Increased emphasis on local/regional markets was also commonly cited, perhaps reflecting the upturn in Middle East growth prospects that has accompanied the rising oil price (Fig. 3).

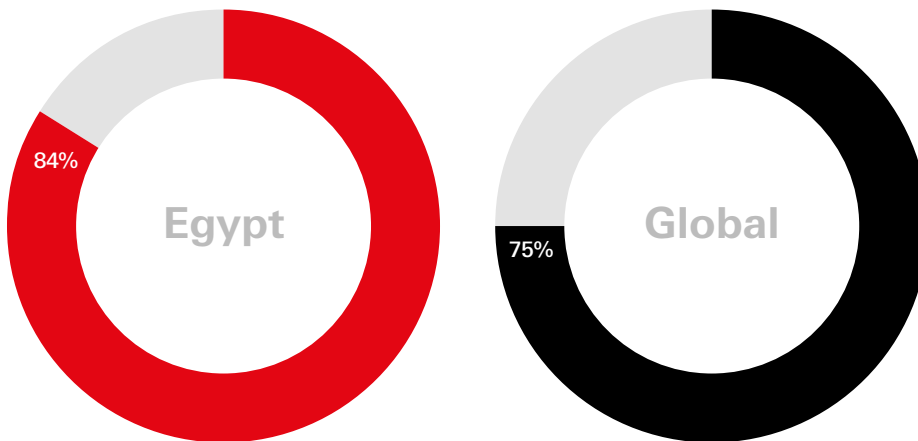
Data and analytics are commonly employed by Egyptian firms, with four out of five respondents (84%) using this to optimise performance (Fig. 4). The use of sales and transactional data was most common amongst Egyptian firms, followed by the use of customer personal data and operational data. Notably, older companies (established 10 years or more) were making greater use of operational data than companies less than 5 years old (47% of respondents, compared to 21%), likely reflecting increased capacity to invest in technology amongst more established firms. Focussing on data innovations, the most frequently identified opportunity was the 'Internet of Things' (70% of respondents).

Fig. 3: Top 3 actions for future company direction



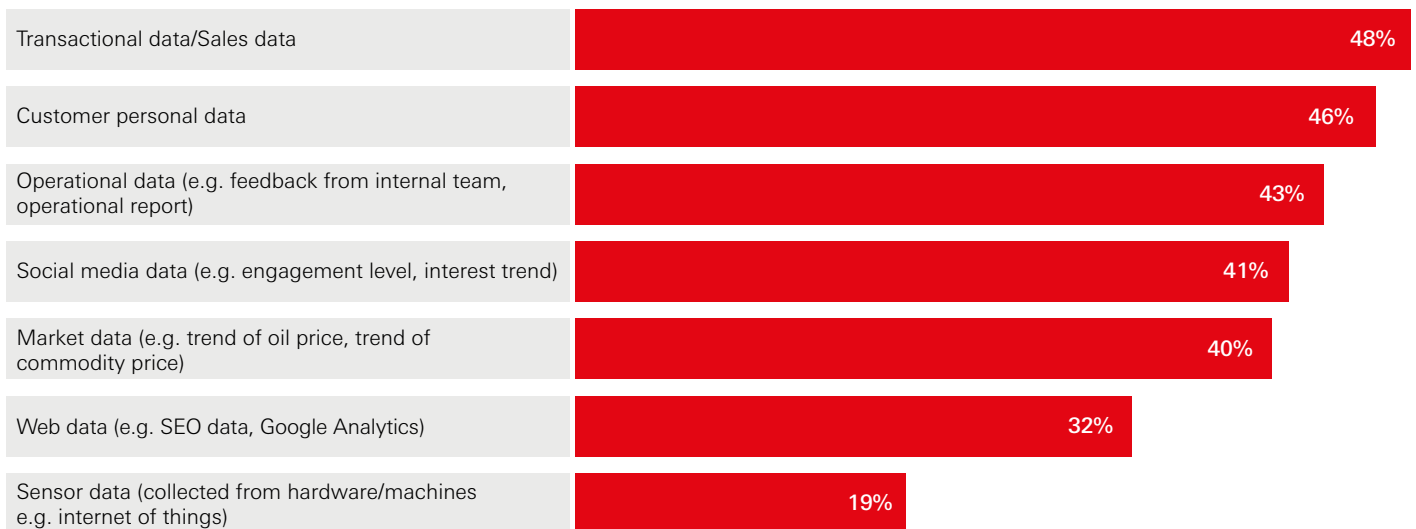
Fig. 4: Using data in business

Share of respondent firms using data to optimise performance



Source: TNS Kantar

Data sets currently being used



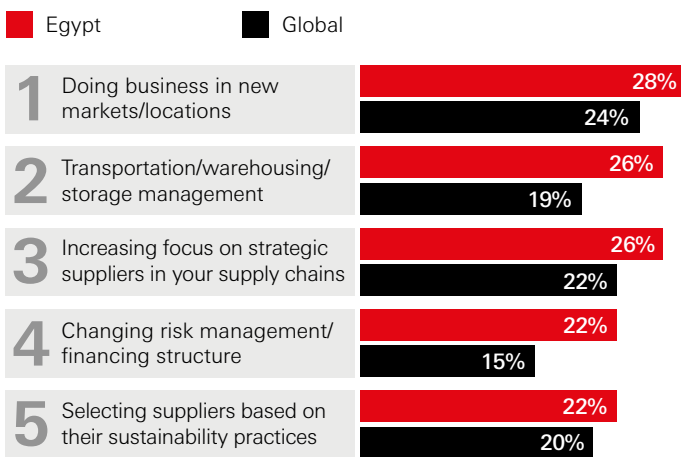
Source: TNS Kantar

A strong focus on reducing production costs

Conducting businesses in new markets is the key change that 28% of Egyptian firms within the goods sector plan to make in their supply chain over the next three years (Fig. 5), with an increased focus on strategic supplies, the next most frequently identified change (26% of respondents). The key objectives of these planned changes are reducing cost and improving profits. It is also notable that almost a quarter (22%) of respondents in the goods sector are planning to select suppliers based on their sustainability practices and the majority (87%) claim that being perceived as being ethically and environmentally sustainable is important.

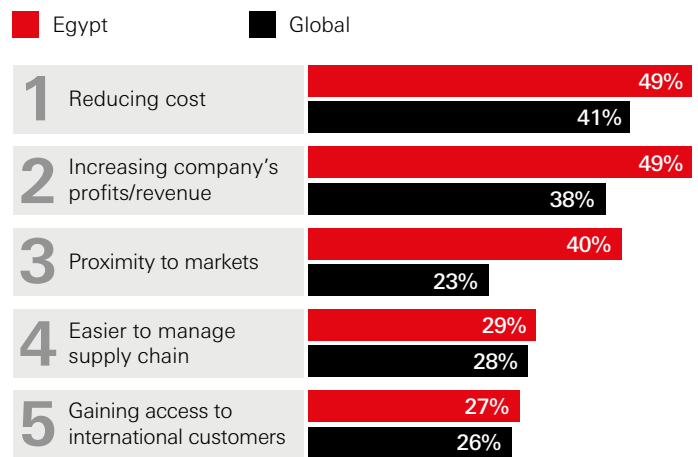
Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

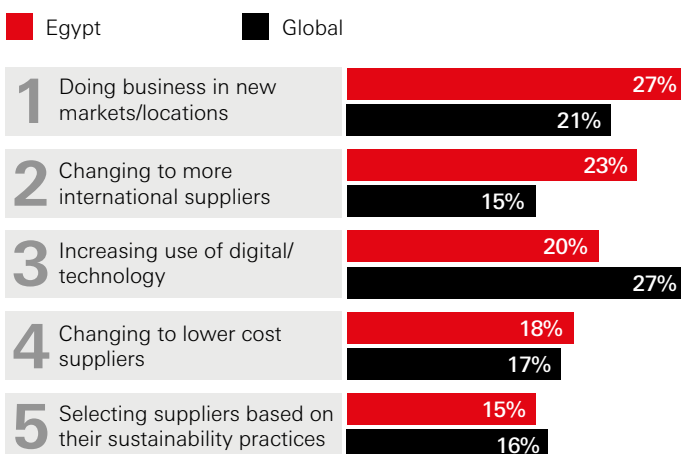
Top 5 objectives behind the changes



In the services sector (Fig. 6), the supply-chain changes most frequently identified by respondents included doing business in new markets (27%) and changing to more international suppliers (23%). Similar to respondents in the goods sector, cost reduction and increased profits were the main objectives of these changes. A somewhat lower proportion of respondents in the services sector are planning to select suppliers based on their sustainability practices (15%), although a similar proportion agreed on the importance of these values (86%).

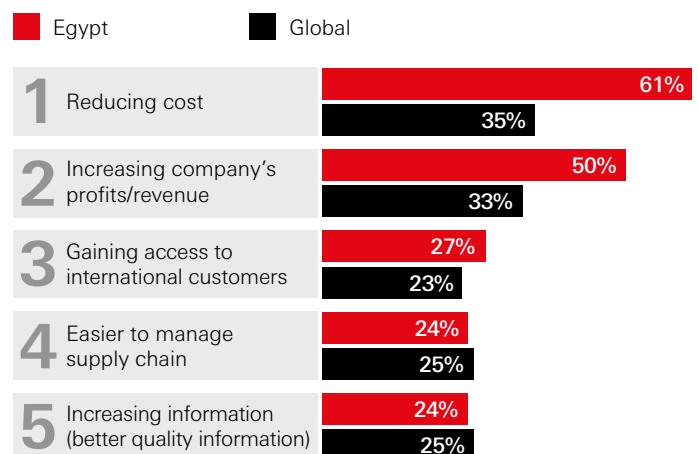
Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes



About HSBC Navigator Egypt

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 8,650 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 34 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Egypt. Global results are based on an average of the 34 markets (using weights based on each market's share of world trade). The survey was conducted over a six-week period from July to September 2018.

Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

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Issued by HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

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