

# Navigator

Now, next and how for business

Egypt



Together we thrive

# Overview

## Optimism abounds

Fuelled by government-led economic reforms aimed at stabilising the economy and restoring confidence,<sup>1</sup> Egyptian businesses' growth outlook has strengthened over the past 12 months and continues to rise. They are the most confident in the Middle East and North Africa (MENA) region and while challenges remain, firms are responding by improving the quality of products and services and expanding to new markets.

# State of play

## Tech, new market access and productivity

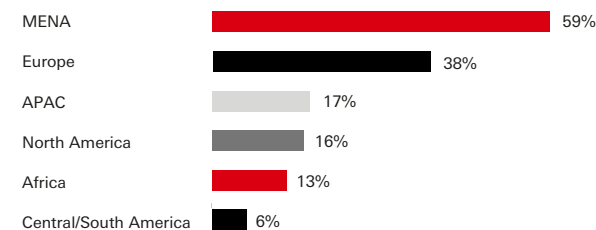
Egyptian businesses are very confident about future growth – with levels of optimism exceeding the global average. Nine out of 10 businesses say they expect growth in the next year, with two in five (40%) of high-growth firms predicting growth of 15% or above, exceeding the global average (22%) and that of MENA (33%).

Businesses' optimism is being fuelled by the opening up of access to new markets, increases in the quality and availability of suppliers and raw materials, and improving business productivity. Other factors, such as introducing new products or services and investment in technology, are also driving the positive outlook.

### Changes in business outlook over the last 12 months



### Current top trading partners



## What you need to know

- 1 88% of Egyptian businesses expect to see growth in the next year – ahead of the global average (79%).
- 2 89% of firms expect to see growth over the next five years – with half projecting growth of 15% or more.
- 3 Growth is driven by new markets opening up (47%), improving business productivity (37%) and introducing new products/services (34%).

## What your business can do



Invest in improving the quality of products and services. 44% of Egyptian firms say this is part of their strategy.



Look to new markets for expansion. 33% of businesses are considering expansion into markets they haven't traded in before.



Invest in higher-quality raw materials and suppliers. More than a quarter of Egyptian firms are focused on this, versus 16% globally.

<sup>1</sup><https://www.worldbank.org/en/country/egypt/publication/egypt-economic-monitor-july-2019>



# Trade outlook

## Appeal of new markets and new partners drives international focus

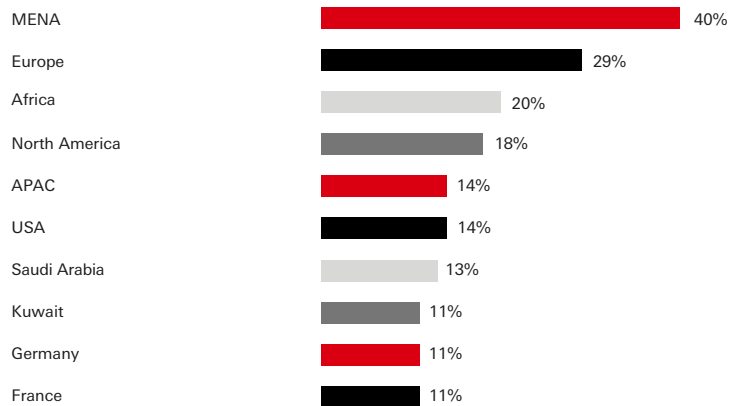
The outlook for international trade among those businesses already trading across borders is similar to companies' overall trading outlook – with 87% projecting international growth. This is consistent with the average for MENA as a whole. Driven by a desire to enter new markets ahead of competitors and proven customer demand, almost a third of businesses expect international trade to grow by 15% or more.

However, trading within MENA – 59% name the region as a top trading partner – remains fundamental for businesses in Egypt, and will continue to be so over the next five years. Saudi Arabia and the UAE are the top two individual markets for Egyptian companies, with proven customer demand and favourable local partnerships and as a gateway into the rest of the MENA region.

In terms of trading with other regions, Europe (up to 38% from 31% in 2018) and North America (up to 16% from 9% in 2018) have increased in importance as trading partners.

Businesses see international trade as a force for good, saying that it will drive innovation (Egypt: 83%, global: 80%), improve efficiency (Egypt: 80%, global: 78%) and provide new business opportunities (Egypt: 78%, global: 79%).

### Future trading expansion markets in the next three to five years



## What you need to know

- 1 Over the next five years, MENA, the rest of Africa, Europe and North America will be the top trading regions for Egyptian businesses.
- 2 MENA remains the top region for trade and more Egyptian firms are intending to expand here in the next three to five years (40%) than when asked last year (32%).
- 3 Proven customer demand, favourable local partnerships and a culture of innovation are the top reasons businesses choose to trade with Egyptian companies.

## What your business can do



Invest in innovation to improve speed of activities and quality of products. 28% of Egyptian businesses plan to do this.



Focus on strategic suppliers to cut complexity, reduce costs, increase speed to market and gain access to international customers.



Think beyond traditional markets. One third of businesses expect international trade to grow by 15% or more in the next two years.

# Protectionism and geopolitics

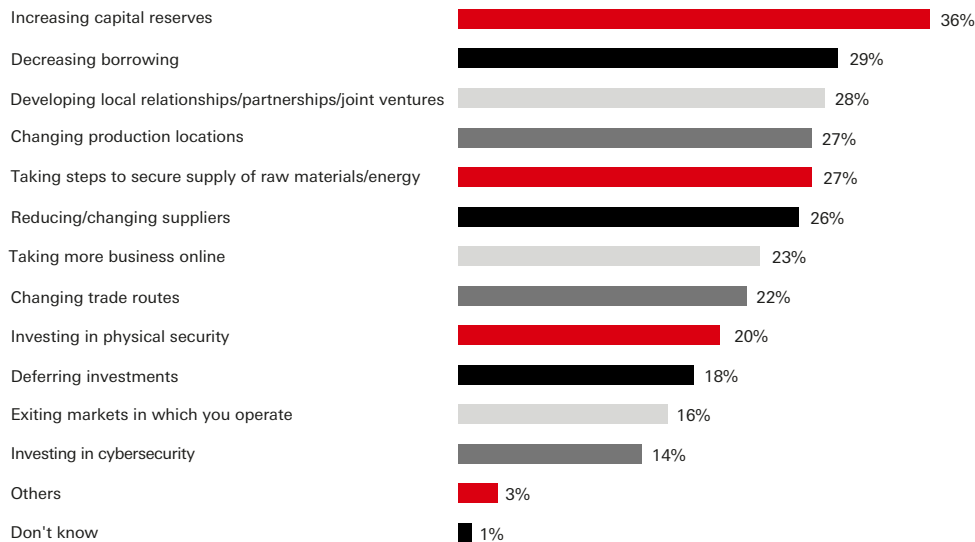
## Gains outweigh losses as protectionism grows

Nearly three quarters of companies feel that protectionism is increasing in their key trading markets. However, most businesses view this as a positive development, believing they have more to gain than to lose from it.

As governments around the world become more protective of their economies, firms in Egypt say this is leading to an increase in the competitiveness of their businesses. This, they say, outweighs the negative impacts of increased controls over the moving of money out of the market, restrictions on foreign ownership and tariffs adding to the cost of doing business.

The impact of geopolitics is also being felt strongly by businesses in Egypt. More than 80% of firms say that geopolitical changes are causing them to adapt their operations. Strategies being deployed to cope with geopolitical changes include increasing capital reserves (36%), decreasing borrowing (29%) and developing local relationships, partnerships and joint ventures (28%).

### Ways in which businesses are coping with geopolitics



### What you need to know



76% of Egyptian businesses feel protectionism is increasing in key trading markets, compared with a global average of 65%.



Understanding and planning for risks is crucial for operating in international markets.



81% of firms in Egypt say they are feeling the impact of geopolitics, versus 64% globally.

### What your business can do



Increase capital reserves and reduce borrowing. This strategy is being adopted by 36% and 29% of Egyptian businesses respectively.



Consider opening more physical premises in markets where protectionism is increasing. Egypt is one of the top three markets that will open more premises.



Develop more local relationships, partnerships and joint ventures.

# The sustainable future

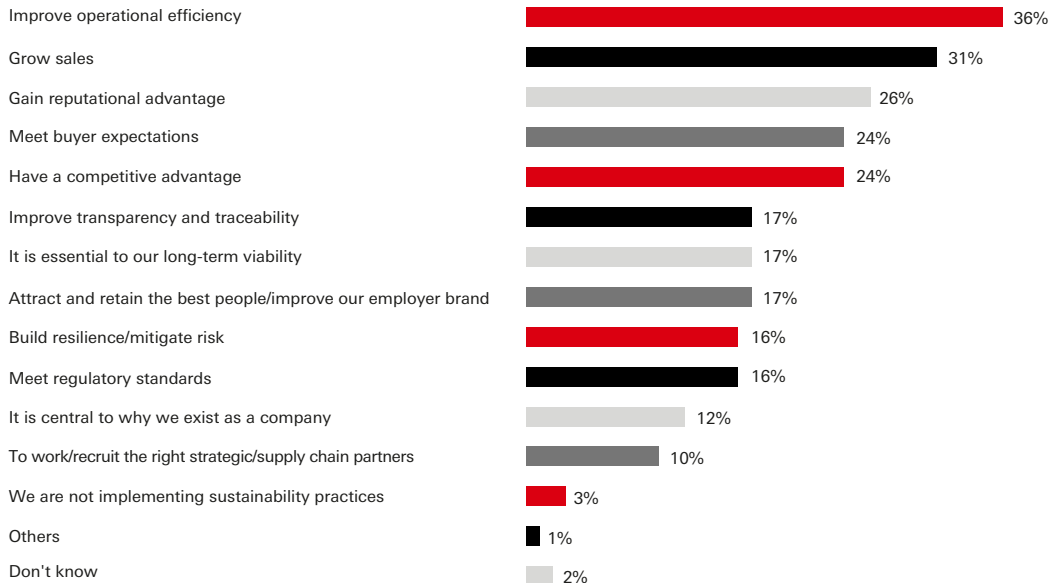
## Bottom line feels the benefit of sustainability

Egyptian businesses are under pressure from competitors, investors and governments alike to become more sustainable over the next five years. In response, firms are expecting to invest more in energy efficiency, technology, innovation and infrastructure, and workplace diversity and equality.

Improving operational efficiency, growing sales and gaining reputational advantage are the key motivations for Egyptian businesses to become more sustainable. However, many lack understanding and knowledge around implementing these practices, while other challenges over the next five years include the need for extra finance and a lack of flexibility.

Most businesses also feel they have a role to play in delivering the UN's Sustainable Development Goals (SDGs) – with one third saying their role is 'significant'. Affordable clean energy (relevant for 34%, have a role 18%), no poverty (relevant for 33%, have a role 17%) and decent work and economic growth (relevant for 31%, have a role 20%) are the most relevant SDG goals for businesses and where businesses feel they can contribute the most.

### Motivations for implementing sustainable practices



### What you need to know

- 1 33% of Egyptian businesses feel they have a significant role in delivering the UN's SDGs – considerably above the global average (25%).
- 2 Improving operational efficiency (36%), growing sales (31%) and gaining reputational advantage (26%) are the key motivations to become more sustainable.
- 3 Only businesses in Bangladesh and UAE are feeling greater pressure from investors to address sustainability issues in the next five years.

### What your business can do



Invest in a healthier workforce, transformative technology and energy efficiencies.



Educate your workforce on sustainable practices. 31% of businesses say they are lacking knowledge on this subject.



Remember that sustainability isn't just about the environment. Egyptian firms highlighted executive salary and compensation as a metric that was relevant to 37% of them.

# Breakthrough tech

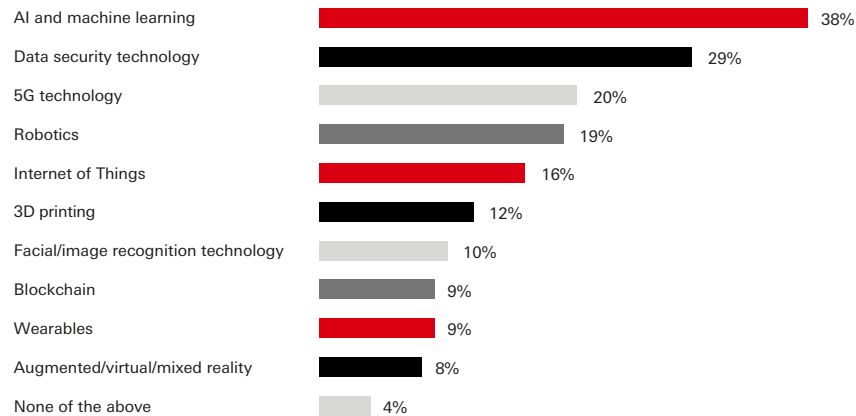
## Next-gen digital promises big benefits

While the debate over the impact of new technologies is ever-evolving, businesses in Egypt are clear in their views on the innovations that will have the greatest impact on their organisations over the next five years – more than a third identify artificial intelligence (AI) as being important, 29% say data security technology and 20% say 5G.

AI is identified by more than a third of Egyptian businesses as being the most important technology over the next five years – with the key benefits expected cited as reduced costs, improved product and service quality, and improved productivity. Data security is expected to improve speed to market and business transparency, while 5G technology is also expected to improve speed to market, product/service quality, as well as improving customer experience.

North America, Europe and APAC are seen to be the regions where new technologies are at their most advanced, meaning that businesses in Egypt will need to look outside the region, primarily to APAC, for technological innovations.

### Technologies businesses think will be important over the next five years



### What you need to know

- 1 AI is identified by 38% of Egyptian businesses as the most important technology in the next five years.
- 2 Reducing costs (56%), improving product/service quality (55%) and improving productivity (53%) are expected to be the key benefits of AI.
- 3 5G technology is expected to increase speed to market and improve customer service.

### What your business can do



Consider where your business needs to improve. Use this as the starting point for choosing technology investments.



Tech innovation needs to be backed up by strong data strategy and cybersecurity.



If your business provides services, turn your attention to 5G and the Internet of Things, both technologies that are predicted to have a bigger influence on services than goods.

## About HSBC Navigator Egypt

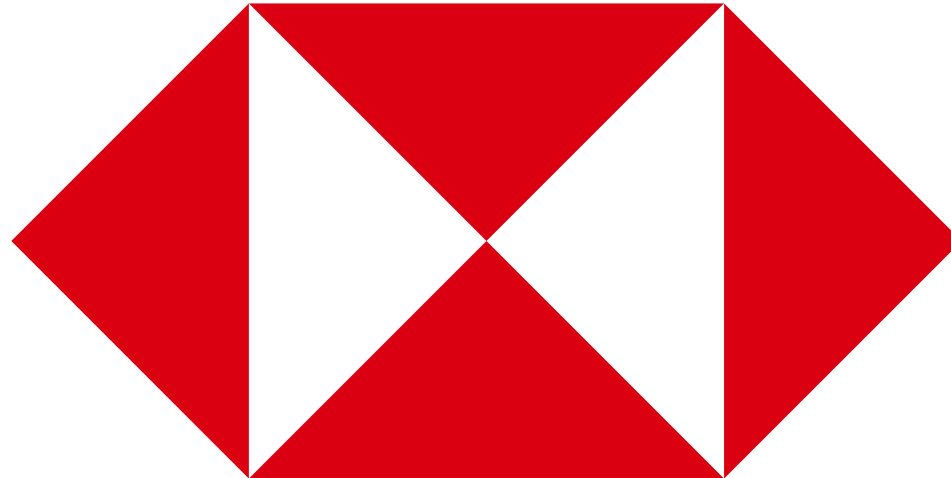
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 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 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. 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.

Data visualisations based on the following:

Page 2: all companies (left), international operators (right).  
n=200/9131 (left); n=126 (right)

Page 3, 5 & 6: all companies. n=200

Page 4: companies who are impacted by geopolitics. n=194



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