

## Country Market Profile: Egypt

### Market Overview

Euromonitor reports that Egypt's economy grew in 2022, driven by increased exports, growth in manufacturing and construction, as well as strong Suez Canal activity. Nevertheless, Russia's invasion of Ukraine and Israel Palestinian crisis has induced uncertainty over tourist arrivals, while weakening currency and high dependence on food and energy commodity imports triggered inflation. As a result, economic growth is set to slow down over the medium term, with worsening budget deficit and higher government indebtedness.

- Following real growth of 6.6% in 2022, Egypt's economy is expected to expand at a gross domestic product (GDP) rate of 4.8% in 2023 and 3.1% in 2024.
- Inflation in Egypt is forecast to slow down to 12% in 2023 from 13.4% in 2022, only slightly below the Middle East and North Africa average.
- While Egypt's merchandise exports increased by 20.1% and imports rose by 13.2% during 2022, the country remained a net importer of goods.
- Gross fixed capital formation (GFCF) started to increase over 2022, accounting for 16.9% of GDP.
- The public debt-to-GDP ratio in Egypt fell to 88.2% in 2022, standing above the regional average of 46.7%.

In 2022, the global economic outlook took a considerable hit due to the war in Ukraine, which exacerbated the existing energy and food supply issues, as well as the price spike triggered by the COVID-19 pandemic. Despite these challenges, Egypt's real GDP growth accelerated to 6.6%, exceeding the average growth rate of 5.3% in the Middle East and North Africa. The country's economic growth was driven by elevated private spending, growing exports and gross fixed capital formation, along with a strong expansion in manufacturing and construction activities. Moreover, the country benefited from rising freight costs due to supply chain disruptions, due to its strategic location as the shortest sea link between Asia and Europe. The Suez Canal, one of Egypt's key assets, generated record-breaking revenues of US\$7.9 billion in 2022, contributing almost 2% to the country's GDP for the year.

Egypt's population in 2023 was 109.5 million (CIA World Factbook Est.). Egypt is the most populous country in the Arab world and the third-most-populous country in Africa, behind Nigeria and Ethiopia. Most of the country is desert, so about 95% of the population is concentrated in a narrow strip of fertile land along the Nile River, which represents only about 5% of Egypt's land area. Egypt's rapid population growth – 46% between 1994 and 2014 – stresses limited natural resources, jobs, housing, sanitation, education, and health care. The median age was 24.1 and 5.4% of the population is over 65 years old, or about 5.8 million people.

USDA's Office of Agricultural Affairs in Cairo, or FAS Post Cairo, reports that Egypt imported roughly US\$3.9 billion of consumer-oriented products in 2022. The U.S was

the fifth largest exporter to Egypt (by value) with approximately US\$211 million in exports. However, U.S. origin food exports to Egypt face competition from European, Middle Eastern, and increasingly African origin exports.

Free trade agreements, shipping proximity, and lower production costs for some regional competitors provide exporters in those countries an advantage over U.S. suppliers. The main suppliers of foreign consumer-oriented products were the European Union, India, Brazil, Thailand, New Zealand, and the U.S.

## **Market Opportunities and Key Issues for U.S. Processed Food Exporters in Egypt**

### **Market Opportunities:**

- U.S. origin products continue to enjoy acceptance in the Egyptian market.
- U.S. products are associated with high quality.
- Companies seek new ingredients, especially affordable unprocessed commodities.
- There is growing demand for high-value, highly processed ingredients.
- Egyptian food processing is growing; it requires more imported food ingredients.
- Egypt's food processors and manufactures are exporting to the region. Within 500 kilometers, Egypt has access to 339 million consumers.

### **Key Issues:**

- Egypt's economic challenges have led to a considerable slowdown in imports as importers struggle to access foreign currency to make payments and consumers increasingly spend their monies on essentials.
- U.S. exporters face competition from geographically advantaged European Union (EU) Member States. Egypt has a free trade agreement with the EU, which sometimes places U.S.-origin products at a disadvantage.
- Geographic proximity favors competing suppliers due higher shipping costs from the United States.
- Egypt often refers to EU standards, which do not coincide with U.S. or Codex standards.
- Importers often indicate a lack of U.S. supplier interest in or awareness of Egyptian market opportunities.
- Import regulations are, at times, complex and non-transparent.

Egypt is the largest U.S. export market for processed foods in North Africa. U.S. exports of processed foods to Egypt reached an all-time high of US\$161.2 million in 2021. In 2022 those exports dropped 53% to US\$71.4 million, a loss of US\$89.8 million which adds to the U.S. trade deficit in food and agricultural products. By year to date (YTD) October 2023, U.S. processed food exports dropped again, 44% to US\$37.3 million. That equates to US\$28.9 million, a total of US\$118.7 million added to the U.S. trade deficit.

Top U.S. processed food exports to Egypt in 2023 included:

- Processed/Prepared Dairy Products – down 63%.
- Food Preparations and Ingredients – up 21%.

- Fats and Oils – down 23%.
- Processed Vegetables and Pulses – down 83%.
- Chocolate and Confectionery – down 71%.
- Condiments, Sauces, Jams and Jellies – up 29%.
- Syrups and Sweeteners – up 29%.

### **Retail Sector Highlights:**

According to Euromonitor, retail sales in the packaged food market in Egypt reached US\$12.7 billion in 2023. That represents a growth rate of 87.7% or US\$5.9 billion since 2019. By the year 2028 the retail sales in the packaged food market in Egypt is expected to reach US\$23.6 billion, a growth rate of 35.6% and US\$5 billion from 2024.

High growth products in the forecast include:

- Edible Oils
- Sweet Spreads
- Rice, Pasta, and Noodles
- Ready Meals
- Savory Snacks

FAS Post Cairo reports that Egypt's retail sector observed some success in 2022 as leading retailers continued to invest in digital technology and e-commerce. Continued urbanization helped give retailers a wider platform through which to reach a growing number of shoppers and sales were up, in part due to higher food costs. Online shopping also continued to evolve due to increased internet penetration. While many retailers are taking advantage of these opportunities, the Egyptian economy has been severely impacted by increased food prices and a myriad of economic challenges.

In 2021, the food retail sector grew by about 3.4% from 2020. The sector recorded sales of US\$31.3 billion in 2021 compared to US\$30.2 billion (estimates). Modern retail channels – such as supermarkets, hypermarkets, and convenience stores – have a combined 4,041 outlets and represent around 27.1% of total sales. Traditional grocery retailers have 116,578 outlets and represent 72.9% of total sales. Small traditional grocers remain the dominant retail outlet in Egypt.

Consumer-oriented products from the U.S. face heavy competition from both domestic and imported products. Egyptian-produced substitutes have gained ground following the currency devaluation in 2017, and now fill much of the domestic demand for chips, crackers, and cookies. Though domestic production has grown, imported products are perceived as being of higher quality and often offer greater variety. Higher income consumers continue to purchase imported retail products. Egypt's import of consumer-ready products in 2021 was around US\$3.8 billion. The U.S. share of imports was around 6% or US\$243 million.

### **Best Product Prospects:**

FAS Post Cairo reports that primary consumer-oriented products imported into Egypt were beef and beef products, fruit (apples), dairy products, fish/seafood, spices, fresh

fruits, tea, chocolate and cocoa products, tree nuts, soups and other food preparations, fresh vegetables, and poultry meat and products (ex. eggs).

### **Foodservice Sector Highlights:**

Euromonitor reports that the Egyptian consumer foodservice market registered healthy growth in value sales and in terms of the opening of new establishments. This was despite difficult economic fundamentals. High inflation caused by increased energy prices due to the war in Ukraine, as well as currency devaluation of the Egyptian pound, led to steep price rises. Despite this, demand for eating out was high, particularly for Friday family lunches and celebratory dinners for special occasions. With fears about the pandemic having abated, Egyptians were eager to eat out again.

Consumer foodservice competition between local brands and global chains is fierce, although local consumers increasingly seek to support local brands in what is a fragmented competitive landscape. These local brands – often trendy start-ups with new, creative concepts such as burger food trucks – are increasingly forming a threat to global chains such as McDonald's. Local brands often offer items at lower prices, as well as offering menus that are easily adaptable depending on consumer preferences.

The major global chains lead the competitive landscape, with McDonald's being the largest player, followed by KFC, with local player, Koshary Abu Tarek, in third position. In 2022, consumer foodservice continued vibrant, with many new openings. New arrivals included the American chain IHOP and McDonald's also launched McCafé in 2022. In 2023, Taiwanese bubble tea chain, Sharetea, was set to open.

The outlook is positive for consumer foodservice over the forecast period. Population growth, as well as the return of inbound tourists should boost value sales. In particular, the long-awaited opening of the world's largest archaeological museum complex, the Grand Egyptian Museum, which plans to finally launch to the public in 2024, could attract many overseas visitors. But if inflation rises at pace, price margins will be squeezed, and independent foodservice players will find it hard to survive.

### **Food Processing Sector Highlights:**

FAS Post Cairo reports that because of shortages in foreign currency, Egypt's retail industry has faced challenges in importing products in 2022. Fewer imported brands are available in retail stores, providing the domestic food processing sector with some advantages (as lower-priced local brands have increasingly replaced imported goods, where possible).

Despite a slow-down in 2020 due to the COVID-19 pandemic, the impact of the pandemic on the sector was not substantial. The food processing sector did not undergo closures throughout the pandemic's first and second waves. The sector quickly rebounded in 2021. Egypt's exports of processed food and beverage reached US\$32.1 billion in 2021 (about 26%) increase compared to US\$25 billion in 2020. Egypt imported about US\$7.3 billion worth of food and beverage ingredients and additives in 2021. This is a 19% increase from the 2020 import value of US\$6 billion. The U.S. was Egypt's fifth

largest supplier with US\$433 million in sales accounting for about 6% of total market share. This is about a 92% increase from 2020 exports value of about US\$225 million.

Egypt's market structure is straightforward. Importers are food processors, manufacturers, and/or agents/distributors. Large companies will source food as ingredients and products directly to lower prices, guarantee product flow, and ensure quality. Agents/distributors service the food processing and manufacturing sectors, comprised of numerous fragmented small- and medium-size companies. Smaller manufacturers purchase reduced quantities, do not import directly, pay in Egyptian pounds, and maintain small inventories.