

AFRICA RISK CONSULTING

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Egypt Summary 17 August 2021

President Abdel-Fattah El-Sisi (2014-present) says in a public speech that bread subsidies in place for 44 years should soon be removed, citing inefficiency and a skyrocketing population growth. Sisi is the first leader since former president Anwar Sadat (1970-1981) to attempt price hikes on the key staple in the diets of millions of Egyptians living below the poverty line. The state-owned Administrative Capital for Urban Development (ACUD) company behind Egypt's new capital city could go public on the Egyptian Stock Exchange by 2022, making it the largest ever local public offering for the country. Amid a slight upsurge in Covid-19, the government says it aims to administer at least one dose of Covid vaccine to more than a third of the population in the coming three months. Under the new plan, some 35 million people would receive a Covid vaccine in just 88 days.

Sisi says controversial bread subsidies must go

In a public speech on 3 August, President **Abdel Fattah al-Sisi** (2014-present) said **Egypt's** government should remove subsidies on bread, making it the first time in 44 years that bread prices would be raised.¹ Former president **Anwar Sadat** (1970-1981) attempted to hike prices in 1977, triggering widespread riots.² Bread, which also means "life" in **Arabic**, is a flashpoint political issue in Egypt and was one of three main demands – along with freedom and social justice – that Egyptians chanted during the 2011 revolution that led to the ouster of Sisi's predecessor, **Hosni Mubarak** (1981-2011).

More than a quarter of Egyptians fall beneath the poverty line, with incomes below 857 Egyptian pounds (EGP) (\$54.73) a month.³ The minimum monthly wage for public sector workers is EGP 2,400 (\$153). However, roughly two-thirds of Egyptians work in the informal sector and earn much less.⁴ Egyptians consume daily between 250 million and 275 million subsidised loaves of local bread, which currently costs the consumer 5 piaster (\$0.32). Egypt is the largest importer of wheat in the world, which is mainly for the production of bread.⁵

Sisi has in recent years repeatedly called attention to the link between Egypt's development and curbing population growth, and once again noted the impact of the country's exploding birth rate, with the population already at over 104 million:

"Continuing this situation is not possible in light of the noticeable increase in the population. There is a problem related to the fact that the subsidy that was provided to about 30 million citizens 30 years ago is currently being provided to about 70 million citizens, which means that there is a significant increase in the volume of beneficiaries and the value of the commodity."⁶

Critics say it is unfair to blame an already impoverished population for high birth rates, given that the government's efforts to encourage citizens to have fewer children have done little to target widely held cultural and religious beliefs that result in people continuing to have large families. Economic reforms including subsidy reduction have been a key part of the government's agenda since it

¹ Associated Press, 3 Aug 2021.

² Associated Press, 3 Aug 2021.

³ Reuters, 3 Aug 2021.

⁴ Reuters, 3 Aug 2021.

⁵ Reuters, 3 Aug 2021.

⁶ Reuters, 3 Aug 2021.

devalued the currency and took multiple bailout loans from the **International Monetary Fund (IMF)** since 2016. The government budgeted bread subsidies at nearly EGP 45 billion (\$2.9 billion), just over half of the food subsidy bill, for the financial year ending in June. This amounts to roughly 1.8% of overall government spending.⁷

Sisi's government has provided no further details on how it will approach the subsidy reduction or when it will implement it. While business leaders like Egyptian billionaire **Naguib Sawiris** have praised the move as "*bold*", Egypt watchers have been quick to point out that unless the bread subsidy programme is carefully studied and managed, the removal or lowering of the subsidy could result not just in popular unrest, but less food for the most vulnerable, who have already suffered considerably in recent years with price hikes on food, electricity, water and gas.

Government plans to float company with main stake in New Capital

Egypt's state-owned **Administrative Capital for Urban Development (ACUD)** company behind the new capital city could go public on the **Egyptian Stock Exchange (EGX)** by 2022, making it the largest ever local public offering for the country.⁸ The company, a joint venture between the military and the housing ministry, created to oversee the multi-billion-dollar project, is said to own EGP 100 billion (\$150m) worth of liquid assets, holding between EGP 3-4 trillion (\$190-254 billion) in assets under management, according to comments made by President Sisi.⁹ An ACUD spokesperson said the organisation is currently in the planning stage, and "*can start the procedures of choosing advisers and deciding the size of the offering early next year*".¹⁰

The **New Administrative Capital** is one of several mega-projects launched by Sisi since he came to power in 2014.¹¹ The 700 square-kilometre plot of desert will be turned into a hub for government buildings, foreign embassies, and major companies and will feature **Africa's** tallest tower. The government is preparing to move as many as 50,000 employees to the new capital in December (see *ARC Briefing Egypt June 2021*).¹²

Telecom Egypt staged Egypt's largest IPO in 2015 when it raised EGP 5.1 billion (\$318.6m).¹³

Covid Update

Egypt's single-day toll of Covid-19 infections and deaths has been on a downward trend since early June, as the country has passed the peak of the third wave of infection. However, a recent increase in cases is being attributed to **Eid** gatherings and crowding at beaches and parks. Egypt has reported a total of 284,966 coronavirus infections, with 16,597 deaths in its population of 104.3 million since the outbreak of the pandemic in March 2020.¹⁴

The government said on 16 August that it aims to administer at least one dose of a Covid vaccine to more than a third of the population during the coming three months.¹⁵ Under the new plan, it will vaccinate roughly 35 million people against Covid in just 88 days. Prime minister **Moustafa Madbouly** said in July that the government aims to inoculate 40% of the population by the end of the year. Egypt is currently waiting for delayed doses of the **Chinese**-manufactured **Sinovac** vaccine and **United States (US)**-manufactured **Pfizer** to arrive in August. This is in addition to a second 700,000-dose batch of US-headquartered pharmaceutical company **Johnson & Johnson's Janssen** vaccine.¹⁶ Egypt has imported almost 9 million vaccine doses to date. State-owned vaccine maker **Vacsera** has

⁷ Reuters, 3 Aug 2021.

⁸ Waya Media, 16 Aug 2021.

⁹ Al Mal, 16 Aug 2021.

¹⁰ Al Mal, 16 Aug 2021.

¹¹ Al Mal, 16 Aug 2021.

¹² Waya Media, 16 Aug 2021.

¹³ Waya Media, 16 Aug 2021.

¹⁴ Press update, 15 Aug 2021.

¹⁵ Press release, 16 Aug 2021.

¹⁶ Sky News Arabia, 11 Aug 2021

also produced some 10 million Sinovac vaccine doses, and aims to manufacture 15 million per month starting in August.

As of early August, some 6 million people had received at least one dose of a Covid vaccine, up from 4.5 million at the beginning of July. The government had initially hoped to vaccinate 20% of the population by August but there have been a series of supply delays. Meanwhile presidential health advisor **Mohamed Awad Tag El-Din** has said in television interviews that the **Delta** variant of the coronavirus has not appeared in Egypt so far, but the emergence of mutations to the virus is “expected”.¹⁷

As of 1 June, there are no longer any Covid restrictions in place in Egypt, after the government decided to end early closure times for restaurants and sports clubs that it imposed in mid-May for several weeks.¹⁸

Planner

30 Sep 2021 **Cairo (Egypt)** *Press release*. Closing of 2021’s first oil and gas tender in the **Gulf of Suez, Western Desert, and the Mediterranean**;

Nov 2021 **Suez (Egypt)** *Enterprise*. The **French-Egyptian Business Forum** is set to take place in the **Suez Canal Economic Zone**;

Nov 2021 **Cairo (Egypt)** *Al Mal*. Egypt will host another round of talks to reach a potential Egyptian-Eurasian trade agreement, which can significantly contribute to increasing the volume of Egyptian exports to the **Russia-led bloc** that includes **Armenia, Belarus, Kazakhstan and Kyrgyzstan**;

13-17 Dec 2021 **Sharm El Sheikh (Egypt)** *UN*. **United Nations** Convention against Corruption meeting;

2020-2021 **Cairo (Egypt)** *Al Mal*. Government-led initial public offering programme;

Chronology

16 Aug 2021 **Cairo (Egypt)** *Al Ahram*. President **Abdel Fattah al-Sisi** orders quick formulation of plan to vaccinate university and school staff and students against **Covid-19**;

15 Aug 2021 **Cairo (Egypt)** *Reuters*. London-listed **Coca-Cola Hellenic Bottling Company (HBC)** has agreed to purchase a majority stake in **Coca-Cola Bottling Company of Egypt (CCBCE)** in a transaction valued at \$427m; **Coca-Cola HBC Holdings** will acquire approximately 94.7% of CCBCE from existing shareholders the Coca-Cola Company and **MAC Beverages**;

15 Aug 2021 **Cairo (Egypt)** *Al Ahram*. President **Abdel Fattah al-Sisi** meets with **United States Central Intelligence Agency** director **William Burns** in Cairo;

15 Aug 2021 **Cairo (Egypt)** *Enterprise*. Egypt has unlocked the second tranche of a \$639m loan from the **Arab Monetary Fund (AMF)** approved in July 2020 to help the country improve its fiscal position;

13 Aug 2021 **Cairo (Egypt)** *Hapi Journal*. State-owned **Administrative Capital for Urban Development (ACUD)** could go public on the **Egyptian Stock Exchange (EGX)** in a record IPO within two years;

12 Aug 2021 **Cairo (Egypt)** *Sky News Arabia*. Presidential health advisor says **Covid-19 Delta** variant has not appeared in Egypt so far, but mutations of the virus are expected;

¹⁷ Sky News Arabia, 11 Aug 2021

¹⁸ AhramGate, 2 Jun 2021.

10 Aug 2021 **Cairo (Egypt)** *CNBC*. Egyptian billionaire and chair of **Orascom Investment Holding**, **Naguib Sawiris**, says gold is a good investment at a time when the world is concerned about inflation;

10 Aug 2021 **Cairo (Egypt)** State-owned **Telecom Egypt (ETEL.CA)** posted net profit of 3.9 billion Egyptian pounds (\$249.2m) for the first half of 2021, up 88% from the same period last year;

5 Aug 2021 **North Sinai (Egypt)** *Amnesty International*. **United Kingdom**-headquartered human rights organisation **Amnesty International** calls on **Egyptian** public prosecutor to investigate “*what appear to be extrajudicial executions by members of the military in North Sinai*”;

4 Aug 2021 **Algiers (Algeria)** *Daily Sabah*. **United Arab Emirates** extradites former state-owned oil and gas company **Sonatrach** head **Abdelmoumene Ould Kaddour** to face trial over alleged involvement in corruption cases;

3 Aug 2021 **Cairo (Egypt)** *Mining Weekly*. **Australia**-based mining royalty generator **Altus Strategies** appoints **Mark Campbell** as non-executive chairperson of its 100%-owned **Egypt**-based subsidiary **Akh Gold**;

3 Aug 2021 **Cairo (Egypt)** *AP*. **President Abdel Fattah al-Sisi** said it was time to increase the price of Egypt’s subsidised bread, revisiting the issue for the first time since 1977 when then president **Anwar Sadat** reversed a price rise in the face of riots;

28 Jul 2021 **Cairo (Egypt)** *Waya Media*. Egypt transport start-up **Swvl** to list on the **United States (US)**-based **Nasdaq** stock exchange after merging with US special purpose acquisition company **Queen's Gambit Growth Capital**;

27 Jul 2021 **Cairo (Egypt)** *Reuters*. **Reuters** survey predicts Egypt's economy will grow 5% in 2021-22 as rebound continues;

27 Jul 2021 **Eastern Desert (Egypt)** *Mining Weekly*. Petroleum and mineral resources ministry signs four gold exploration contracts with **Canada**-based **Barrick Gold** in the **Eastern Desert**;

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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