

AFRICA RISK CONSULTING

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Egypt Summary 15 July 2024

President Abdel Fattah El-Sisi (2014-present) swears in a heavily reshuffled 30-member cabinet on 3 July that includes 20 fresh faces and notable changes in the finance, defence and foreign ministries. The Central Agency for Public Mobilization and Statistics (CAPMAS) announces on 10 July that annual inflation slowed for a fourth consecutive month to 27.5% in June, down from 28.1% in May. Mohamed Ismail Mansour, chairman of Infinity Power, a joint venture between Egypt's Infinity and United Arab Emirates (UAE)-owned renewables giant Masdar, announces on 27 June that construction of one of the world's largest wind farms will start in Egypt by March 2026. The German government awards a tender on 11 July to local foundation, H2Global, to import green ammonia, the carrier for hydrogen, from Egypt from 2027 to 2033 in a bid to accelerate Europe's energy transition.

New cabinet sworn in

President **Abdel Fattah El-Sisi** (2014-present) on 3 July swore in a heavily reshuffled 30-member cabinet that includes 20 fresh faces and notable changes in the finance, defence and foreign ministries in a government facing major challenges, including economic woes, daily power cuts and the **Gaza** war on its borders.¹ The new cabinet comes a month after Sisi reappointed prime minister **Mostafa Madbouly** on 3 June, shortly after the premier submitted his cabinet's resignation on the same day.² Sisi has tasked the government to focus on lowering inflation and boosting investment.

The cabinet, which includes two deputy prime ministers, reflects Sisi's effort to bring in officials with solid private sector experience or strong economic and analytical credentials.³ The most notable appointment was that of **Ahmed Kouchouk**, the investor-friendly, former lead negotiator with the **International Monetary Fund (IMF)** and ex-**World Bank** economist, as the new finance minister.⁴ Kouchouk, who is responsible for navigating the country through its worst economic crisis in decades, takes over from **Mohamed Maait**, who held the position from 2018. Kouchouk, who was Maait's deputy from 2016, is an established figure who is known to investors and seen as a safe pair of hands, having frequently discussed Egypt's economy on overseas trips and bond roadshows.⁵

Another prominent appointment is that of **Karim Badawi**, who previously worked with the **United States (US)** oil service giant **Schlumberger NV**, as energy minister.⁶ Badawi's role will involve boosting Egypt's production of oil and natural gas, both to help end crippling power cuts domestically and increase exports to **Europe**.⁷ The electricity ministry, which has become a major target of Egyptians' anger for the past year due to punishing blackouts, will be led former public enterprise minister, **Mahmoud Esmat**. Following his appointment, Badawi said providing fuel to power stations would be a priority.⁸

The investment ministry, which has also been revived, will include the trade portfolio after the industry and trade ministry was split, with the industry component being merged with the transport

¹ Ahram Online, 3 Jul 2024

² Al Jazeera, 3 Jun 2024

³ AP, 3 Jul 2024

⁴ Ahram Online, 3 Jul 2024; AP, 3 Jul 2024

⁵ Bloomberg, 3 Jul 2024

⁶ Ahram Online, 3 Jul 2024; Bloomberg, 3 Jul 2024

⁷ Ahram Online, 3 Jul 2024; Bloomberg, 3 Jul 2024

⁸ Reuters, 3 Jul 2024

ministry.⁹ The new investment ministry will be led by **Hassan El-Khatib**, who held senior posts at the **European Bank for Reconstruction and Development (ERCB)** between 2012 and 2023, including as managing director.¹⁰

Veteran career diplomat **Badr Abdelatty** was also appointed as foreign affairs minister, replacing **Sameh Shoukry**, who had held the post for 12 years.¹¹ Abdelatty will take charge of two merged ministries - foreign affairs and emigration and Egyptian expatriate affairs ministry. He previously served as Egypt's ambassador to **Germany, Belgium, the European Union (EU)** and the **North Atlantic Treaty Organisation (NATO)**.¹² Abdelatty's appointment will also be key in the context of the **Israel-Gaza (Palestine)** conflict, particularly since he also served as the director of Palestinian affairs between 2007 and 2008.¹³ Abdelatty will play a significant role in managing Egypt's international relations at a crucial time as the country seeks to strengthen its international partnerships and navigate complex regional dynamics.

Another key appointment in the context of Israel-Gaza, particularly if hostilities with Israel or between Israel and other **Middle Eastern** countries increase, is that of the new defence and military production minister, General **Abdel Maguid Saqr**.¹⁴ Saqr previously served as the governor of Suez, assistant to the defence minister, chief of military police, and head of the morale affairs department.¹⁵ Saqr is also the recipient of numerous awards and medals including the Military Duty Decoration (First Class) and the Long Service and Good Conduct Medal.¹⁶

Global markets reacted positively to the new cabinet. Egypt's sovereign dollar bonds rallied earlier on 3 July and posted some of the greatest gains in emerging markets after news of the appointments was leaked.¹⁷ However, the new government faces a daunting task in managing the country as it pushes ahead with wide-ranging economic reforms after securing more than \$57 billion in aid and investments. Officials have said that the key priorities of their incoming government will be to curb inflation, cut spending, boost private sector growth and lay deeper foundations for sustainable development.¹⁸ This is expected to include more funding for health and education and increasing efforts to expand the urban footprint of the country where the majority of Egyptians live in the **Nile Delta** region and along the river's banks.¹⁹

Inflation drops for fourth month to 27.5% despite bread price hikes

The **Central Agency for Public Mobilization and Statistics (CAPMAS)** announced on 10 July that annual inflation slowed for a fourth consecutive month to 27.5% in June, down from 28.1% in May, 32.5% in April and 33.3% in March.²⁰ Inflation slowed despite the government's historic decision in May to increase the cost of subsidised bread that feeds a majority of Egypt's 111 million population. Consumer prices also grew at the slowest pace since the beginning of 2023, with prices gaining 1.6% month-on-month.²¹ Food and beverage prices, the largest single component of Egypt's inflation basket, increased by an annual 31.9% from 31% in May.²² On a monthly basis, food and beverage prices increased by 2.6%.

June's drop in inflation extended the downward shift from a record 38% in September as authorities have shifted to an inflation-targeting model and a flexible exchange rate.²³ The slowdown continued

⁹ Bloomberg, 3 Jul 2024

¹⁰ Ahram Online, 3 Jul 2024

¹¹ Middle East Eye, 6 Jul 2024

¹² Middle East Eye, 6 Jul 2024

¹³ The National, 3 Jul 2024

¹⁴ Ahram Online, 3 Jul 2024

¹⁵ Ahram Online, 3 Jul 2024

¹⁶ Ahram Online, 3 Jul 2024

¹⁷ Reuters, 3 Jul 2024

¹⁸ Bloomberg, 3 Jul 2024

¹⁹ Bloomberg, 3 Jul 2024

²⁰ CAPMAS, 10 Jul 2024

²¹ CAPMAS, 10 Jul 2024

²² CAPMAS, 10 Jun 2024

²³ Reuters, 10 Jul 2024

despite the devaluation of the pound in the first quarter, causing it to plunge by more than 40% against the US dollar after the country secured more than \$57 billion in foreign investments and aid from the **United Arab Emirates (UAE)**, IMF, **European Union** (\$8.1 billion) and World Bank (\$6 billion). What is particularly striking about the latest deceleration is that inflation cooled to its slowest pace recorded in a year and a half, even after the historic move by authorities in May to enact a 300% hike on the cost of subsidised bread effective 1 June.²⁴ For decades authorities have steered clear of raising bread prices, as a similar move ignited riots in the late 1970s and forced then-president **Anwar Sadat** (1970-1981) to reverse course.²⁵ However, the impact of the bread price hike was limited by the tiny percentage bread occupies in CAPMAS' consumer baskets used for calculations, only accounting for 1%.²⁶ Inflation was also offset by the disinflation of other food items and a favourable base effect.

Egyptian financial services company **EFG Hermes** head of research **Mohamed Abu Basha** predicts that consumer costs will continue to cool for the rest of the year.²⁷ He also noted that the bread price hike, along with the gradual phasing-out of fuel-product subsidies and a possible rise in power tariffs, will have a “*relatively small effect*” on inflation, predicting that inflation will continue to cool this year. However, one wildcard could be the recent shortages in domestic gas supplies, which are causing gruelling power blackouts. CAPMAS and local analysts are monitoring any follow-through effect on food prices.

Egypt's \$10 billion wind farm poised to break ground in 2026...

Mohamed Ismail Mansour, chairman of **Infinity Power**, a joint venture between Egypt's **Infinity** and UAE-owned renewables giant **Masdar**, said on 27 June that construction of one of the world's largest wind farms will start in Egypt by March 2026.²⁸ According to Mansour, the onshore megaproject, which is expected to cost more than \$10 billion, will start generating power from 2032.²⁹ Construction of the 10-gigawatt project was expected to begin this year; however, it was delayed due to the process of acquiring the land in the Upper Egyptian region of **West Sohag**.³⁰ Securing new sources has become a pressing issue for the country, which has for a year been impacted by scheduled power outages as soaring temperatures and other challenges have left authorities struggling to meet electricity demand for its 111 million people.³¹ While Egypt has significant offshore gas fields and has been a key exporter to Europe, it has this year again become a key energy importer, with liquefied natural gas (LNG) imports set to be the highest since 2018.³²

Traders with knowledge of the matter say that state-run **Egyptian Natural Gas Holding Company (EGAS)** is seeking to purchase at least 17 shipments of LNG fuel for delivery over the next three months. Prime minister Madbouly said on 25 June that the government has allocated \$1.2 billion for extra energy imports, including heavy fuel, in an aim to end power cuts this summer.³³ In early April, Egypt had already begun buying LNG cargoes, unusually early in the year, to potentially avoid chronic power interruptions this year (*see ARC Briefing Egypt Apr 2024*).³⁴ EGAS had initially planned to buy about five LNG cargoes for the upcoming summer but has now increased that to 17 shipments due to soaring energy demand. The gas imports are used to produce electricity for air conditioning that millions of Egyptians use to escape extreme heat. In addition to meeting the demand for cooling, gas is also required for energy-intensive industries such as fertiliser producers. A consecutive summer of

²⁴ CAPMAS, 10 Jun 2024

²⁵ Reuters, 6 Jun 2024

²⁶ Reuters, 10 Jul 2024

²⁷ Bloomberg, 10 Jul 2024

²⁸ Infinity Power, 27 Jun 2024; Bloomberg, 27 Jun 2024

²⁹ Infinity Power, 27 Jun 2024; Bloomberg, 27 Jun 2024

³⁰ Bloomberg, 27 Jun 2024; Energy Central, 27 Jun 2024

³¹ Energy Central, 27 Jun 2024; Bloomberg, 27 Jun 2024

³² Bloomberg, 27 Jun 2024; Energy Central, 27 Jun 2024

³³ Bloomberg, 27 Jun 2024; Energy Central, 27 Jun 2024

³⁴ BNN Bloomberg, 8 Apr 2024

massive rolling power cuts would add further pressure on the Egyptian population and businesses that are operating in a tough environment.³⁵

The acquisition of the 17 LNG cargoes threatens to drain Egypt's foreign currency reserves received from its recent bailouts.³⁶ In addition to securing energy, Egyptian officials also need to use their dollars to settle arrears with international companies, clear an import backlog and ease capital restrictions. Prices are also expected to rise as summer in Egypt coincides with the start of winter in **South America**, where countries including **Argentina** import LNG, pushing up demand.³⁷ However, in the long term, the power to be generated by the Sohag wind farm will be a boon for Egypt, which has plans to decommission some of its gas-powered plants as its renewable output grows. The **North African** country has an ambitious target to increase its share of renewables in its energy mix to 42% by 2030.

... as Germany agrees to buy hydrogen from Egypt as of 2027

The **German** government on 11 July awarded a tender to local foundation **H2Global** to import green ammonia, the carrier for hydrogen, from Egypt from 2027 to 2033 in a bid to accelerate Europe's energy transition.³⁸ The company will buy at least 259,000 tons of green ammonia from a production site in Egypt owned by the UAE's **Fertiglobe Plc**. Germany's economy ministry published a statement on 11 July, saying that H2Global will sell the ammonia at a cheaper price in the **European Union (EU)**.³⁹ The partnership between Egypt and H2Global is seen as a crucial first step toward establishing a hydrogen market for the European region, which wants to use the clean energy to wean itself off fossil fuels in the coming decades.⁴⁰ However, there are presently few buyers for hydrogen as it is expensive to produce and requires infrastructure investments to make its use more viable.⁴¹ Germany, which is one of the largest polluters in Europe, is hoping that the grants it has provided will offset the difference between the buying and the selling price for hydrogen products under H2Global.⁴² This was confirmed by H2Global co-founder **Timo Bollerhey** who said on 11 July that,

*"What we are doing is providing liquidity by sending price signals to the market. There are a lot of projects and hardly any of them have taken off because they are faced with a very high uncertainty."*⁴³

H2Global's tender to buy green ammonia from Egypt also marks the first round of global tenders issued by Germany to import hydrogen derivatives needed for decarbonisation.⁴⁴ Germany is seeking to expand the use of green hydrogen fuel, made from water using wind or solar power, to reduce dependency on fossil fuel imports and cut emissions from industrial sectors that are difficult to electrify, such as chemicals and steel.⁴⁵ For Egypt, the partnership with H2Global to export hydrogen to Europe presents it with a significant opportunity to generate significant foreign exchange earnings, boost economic growth, improve technological advancement and advance environmental sustainability.

Planner

2024 **Cairo (Egypt)** Further subsidy reductions expected;

Jul 2024 **Cairo (Egypt) Monetary Policy Committee (MPC)** of the **Central Bank of Egypt** to meet;

³⁵ Bloomberg, 8 Apr 2024; Akhbar, 8 Apr 2024

³⁶ Akhbar, 8 Apr 2024; Bloomberg, 8 Apr 2024

³⁷ Bloomberg, 10 Apr 2024

³⁸ Germany economy ministry, 11 Jul 2024

³⁹ Germany economy ministry, 11 Jul 2024

⁴⁰ CNBC Africa, 11 Jul 2024

⁴¹ CNBC Africa, 11 Jul 2024

⁴² Bloomberg, 11 Jul 2024

⁴³ H2Global, 11 Jul 2024

⁴⁴ Reuters, 11 Jul 2024; CNBC Africa, 11 Jul 2024

⁴⁵ Reuters, 11 Jul 2024; CNBC Africa, 11 Jul 2024

Jul -Oct 2024 **Cairo (Egypt)** Egypt to purchase 17 liquefied natural gas (LNG) cargoes;
 2025 **Ras El-Hekma (Egypt)** Construction to begin on the \$35 billion Ras El-Hekma project;

Chronology

13 Jul 2024 **Cairo (Egypt)** *Anadolu Agency*. President **Abdel Fattah El-Sisi** warns against using **Gaza**'s southern **Rafah** border crossing to tighten the blockade on the besieged Gaza Strip;

12 Jul 2024 **Cairo (Egypt)** *Middle East Monitor*. **Israeli** and Egyptian ceasefire negotiators are in talks about an electronic surveillance system along the border between **Gaza** and Egypt that could allow Israel to pull back its troops from the area;

11 Jul 2024 **Cairo (Egypt)** *Middle East Monitor*. Egyptian officials say talks on ending the **Gaza** conflict have made progress on the issues of hostage releases and withdrawal of **Israeli** forces, but security arrangements and ceasefire guarantees are still being worked;

10 Jul 2024 **Cairo (Egypt)** *OGV Energy*. The cabinet has approved several petroleum commitment agreements involving the **Egyptian Natural Gas Holding Company (EGAS)**, the **Egyptian General Petroleum Corporation (EGPC)**, and several international and national companies, with investments totaling \$200m;

8 Jul 2024 **Cairo (Egypt)** *Reuters*. Hundreds of trucks loaded with food and water have been stranded in Egypt, some for nearly two months, awaiting permission to deliver the much-needed humanitarian supplies to war-torn **Gaza**;

6 Jul 2024 **Algiers (Algeria)** *Arab News*. Foreign minister **Ahmed Attaf** discusses the **Israel-Gaza** conflict with recently appointed **Egyptian** foreign affairs minister **Badr Abdelatty**;

6 Jul 2024 **Cairo (Egypt)** *Anadolu Agency*. Egypt hosts the **Sudanese Political and Civil Forces Conference** to discuss the cessation of military operations;

3 Jul 2024 **Cairo (Egypt)** *AP News*. The new cabinet is sworn in with key changes to the defence, foreign affairs and economic ministries;

30 Jun 2024 **Cairo (Egypt)** *Anadolu Agency*. High-level sources deny that Egypt has deployed soldiers into the **Gaza Strip**;

30 Jun 2024 **Cairo (Egypt)** *Daily News Egypt*. Prime minister **Mostafa Madbouly** announces that Egypt has signed 35 agreements and memoranda of understanding worth \$72.4 billion with **European** companies and institutions during the **Egyptian-European Investment Conference**;

28 Jun 2024 **Cairo (Egypt)** *Bloomberg*. The foreign assets of Egypt's lenders and the **Central Bank of Egypt** registered a surplus for the first time since early 2022;

23 Jun 2024 **Cairo (Egypt)** *North Africa Post*. Officials express concern over **Ethiopia**'s upcoming fifth filling of the **Grand Ethiopian Renaissance Dam (GERD)** without coordination with downstream countries Egypt and **Sudan**;

23 Jun 2024 **Cairo (Egypt)** *SABC News*. Authorities withdraw the operating licences of 16 tourism companies and refer them to the public prosecutor, alleging they are responsible for the deaths of 530 Egyptian pilgrims in **Mecca (Saudi Arabia)**, as they did not provide appropriate accommodation and medical services;

19 Jun 2024 **Cairo (Egypt)** *The Africa Report*. **United Kingdom**-headquartered **Amnesty International** alleges that Egypt has unlawfully deported hundreds of **Sudanese** refugees back to their country without due process or opportunity to claim asylum;

15 Jun 2024 **Cairo (Egypt)** *Jurist*. A coalition of human rights organisations, including **United Kingdom**-headquartered **Amnesty International**, releases a joint statement calling on the government to stop recent targeting of and retaliation against human rights lawyers;

13 Jun 2024 **Cairo (Egypt)** *US Embassy*. **United States Agency for International Development (USAID)** announces bilateral funding agreements worth \$130m for Egypt;

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