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Egypt

Food & Drink Report

Includes 5-year forecasts to 2026



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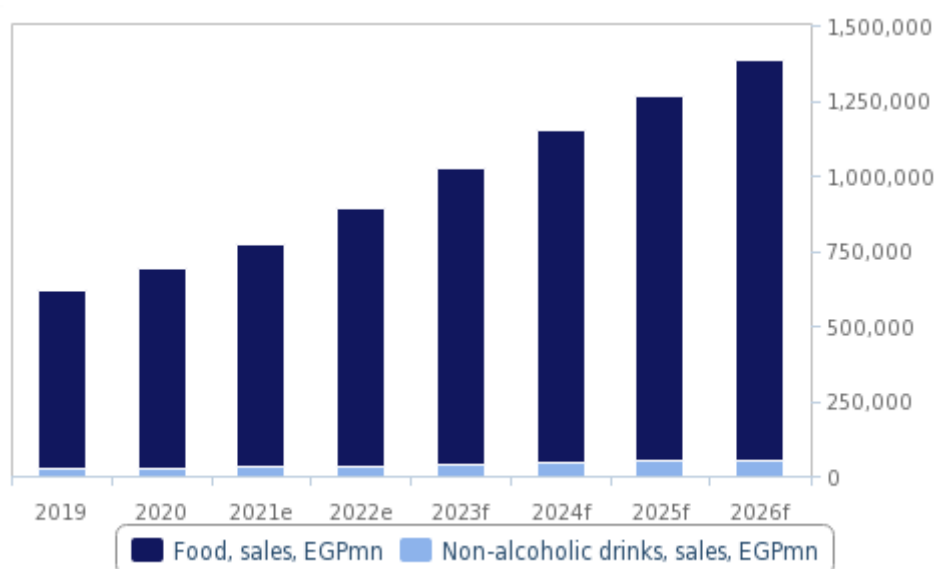
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Key View

Key View: In 2023, we forecast healthy growth across the Egyptian food and drinks sector over the forecast period until 2026. However, we note that the increase in spending will be due to inflation, which is being exacerbated the Russia-Ukraine war. Over our forecast period through to 2026, we project steady growth in spending on food, alcoholic drinks and non-alcoholic drinks, with growth in the latter sub-sector set to outperform.

Steady And Healthy Forecast Over Medium Term
 Egypt - Food & Non-Alcoholic Drinks Spending (2019-2026)



e/f = Fitch Solutions estimate/forecast. Source: National statistics, Fitch Solutions

Latest Updates And Industry Developments

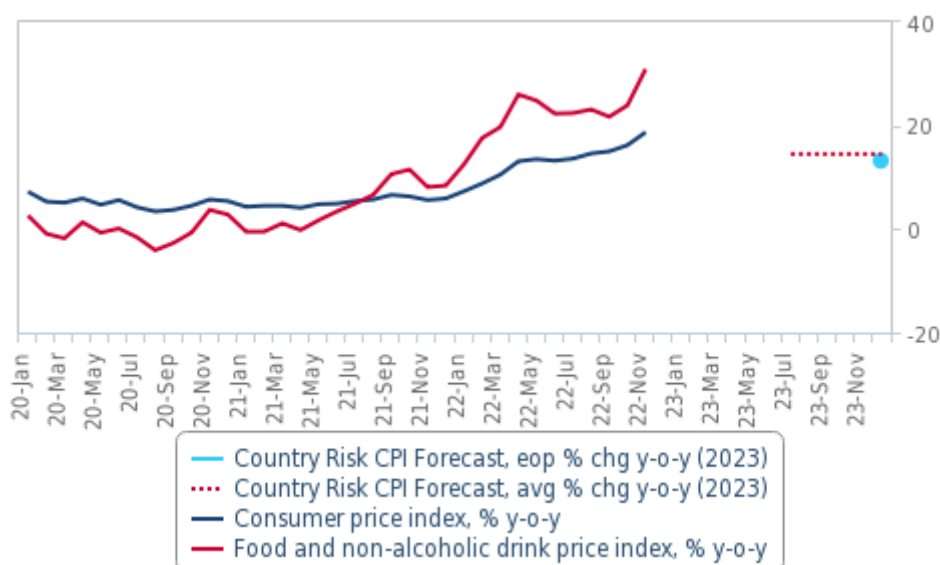
- Over the course of 2023, despite a deterioration in economic growth and a reduction in real consumer spending growth, we expect that food sales growth will hold its own in the Egypt, delivering 15.3% y-o-y growth and seeing spending grow to EGP987.7bn.
- Over the medium term through to 2026, we forecast food spending to expand by an average annual rate of around 11.8%, taking spending in nominal terms to EGP1.3trn by the end of our forecast period.
- We expect alcoholic drinks spending to grow by 17.2% y-o-y in 2023, a slight deceleration when compared to the estimated 17.6% y-o-y growth in 2022. We note the high growth rate will partially be driven by rising inflation.
- Over the medium term, we expect alcoholic drinks spending to grow by an average annual growth rate of 13.9% y-o-y to reach EGP160.2bn in 2026.
- We forecast alcoholic drinks consumption to grow by 5.4% y-o-y in 2023 to reach 145.4mn litres, an increase from the expected 138.0mn litres in 2022.
- Non-alcoholic drinks spending will grow by 16.0% y-o-y in 2023 to reach EGP40.5bn.

Inflation Outlook

Inflationary pressures are peaking in many markets, as central banks raise rates to rein in higher prices. However, inflation rates are still elevated, with high prices eroding purchasing power and shifting consumer spending away from discretionary spending. Additionally, several inflation drivers are on the supply side, meaning that contractionary monetary policy will have little effect. This is the economic reality for consumers in 2023. Inflationary pressure started to rise globally in 2021, as localised shortages were created by base effects, higher commodity prices and supply-chain challenges. The Ukraine-Russia war has significantly impacted the global supply prices of key commodities, such as oil and gas; fertiliser; wheat; corn; and barley. The commodity price increases are feeding through into higher consumer prices and this will continue over 2023.

In Egypt, consumer price inflation has been ticking higher in recent months due to rising food and fuel prices. In November 2022, inflation was recorded at 30.9% y-o-y, significantly above the central banks 5%-9% target range and the 5.4% y-o-y in July 2021. The prices of food staples, such as wheat and cooking oil, have increased in recent months, and this is negatively impacting the purchasing power of Egyptian households. Our Country Risk team forecasts Egypt's consumer price inflation to average 14.2% y-o-y in 2023. Consumer price inflation is projected to moderate to 13.2% y-o-y in 2023.

Inflation Ticking Higher In Egypt In 2023
Egypt - Consumer Price Inflation, % y-o-y (2020-2023)



Source: Central Bank of Egypt, Fitch Solutions

We attribute global inflation to several channels. Firstly, supply chain challenges and bottlenecks around economies reopening have created localised shortages, resulting in temporary price pressures for a number of goods. Secondly, factors such as droughts, floods and other natural disasters have impacted crops from markets including Europe, India, Pakistan and Mainland China. This has put upwards price pressure on key commodities in the global food production chain. This was exacerbated by the Russian invasion of Ukraine that was launched in February 2022, with the resulting sanctions threatening the global supply of key food commodities, such as wheat, corn, barley and fertilisers. Localised labour shortages have been created by employees reconsidering their pre-Covid jobs, as well as border restrictions limiting migrant labour, putting upward pressure on wage inflation. Finally, rising food protectionism puts additional pressure on the global food market, pushing up final prices.

Inflation Will Persist Over Short Term

Inflation Channels



Source: Fitch Solutions

SWOT

Food & Drink SWOT

Strengths	Weaknesses
• Egypt is becoming increasingly urbanised, supporting the rise of modern retail formats. • With a population of more than 100mn, Egypt has one of the largest consumer bases in the region, with long-term growth potential for food and drink companies. • Egypt's organised food retail industry is expanding rapidly and has the potential to be one of the region's largest by value. • Close links with Saudi Arabia and the UAE has resulted in the proliferation of regional brands.	• The majority of Egyptian households, especially in rural areas, are low-income consumers, with an average disposable income of less than USD10,000 annually. • A price-sensitive consumer base is exacerbated by wide income inequalities. There are low levels of per capita food consumption on an absolute basis. • Religious practices limit alcoholic drink spending. The sector is also particularly prone to tax increases. • The tariff on most processed food products ranges from 20.0%-30.0%, in addition to a 14.0% sales tax. • Little opportunity exists at the top-end of the income distribution, with the number of households having disposable incomes of more than USD10,000 currently only accounting for 6.1% of all households.
Opportunities	Threats
• The Covid-19 pandemic has resulted in increased demand for e-grocery services, which present new channels for food and drink manufacturers and retailers to reach consumers. • The retail property market is set to grow strongly, with supermarkets, hypermarkets, department and speciality stores and modern shopping malls transforming the retail formats available for domestic and international retailers. • Sustained economic and political stability should attract greater levels of investment in Egypt's food and drink industry. • Foreign companies looking to enter the market are likely to enjoy more success if they partner with local/regional players. • Consumption patterns in food and drink will become more diversified, as disposable incomes rise and health consciousness gains traction. • A large population with low incomes offers opportunities in the fast-moving consumer goods and mass retail space.	• Rising food prices could result in increased social and political instability in 2022. • An unfavourable regulatory environment is a significant deterrent to investment. • Any reforms to the food subsidy programme threaten social stability, as many households rely on it. • Competition is growing in the mass grocery retail sector, led by major Middle Eastern players MAF Retail (which holds franchise rights to Carrefour in the region) and Spinneys.

Industry Forecast

Food

Key View: We forecast food spending to post double-digit growth in 2023. We note that this growth will be driven by rising food inflation, which is exacerbated by the Russia-Ukraine war, particularly as Egypt is heavily dependent on wheat imports for its domestic bread production and consumption. We project food spending growth to decelerate in 2024, as inflationary pressures ease. Food spending growth will continue to increase over the medium term with robust spending on essentials in the bread, rice and cereals category. Fish and fish products will be the fastest growing food spending category.

Latest Updates

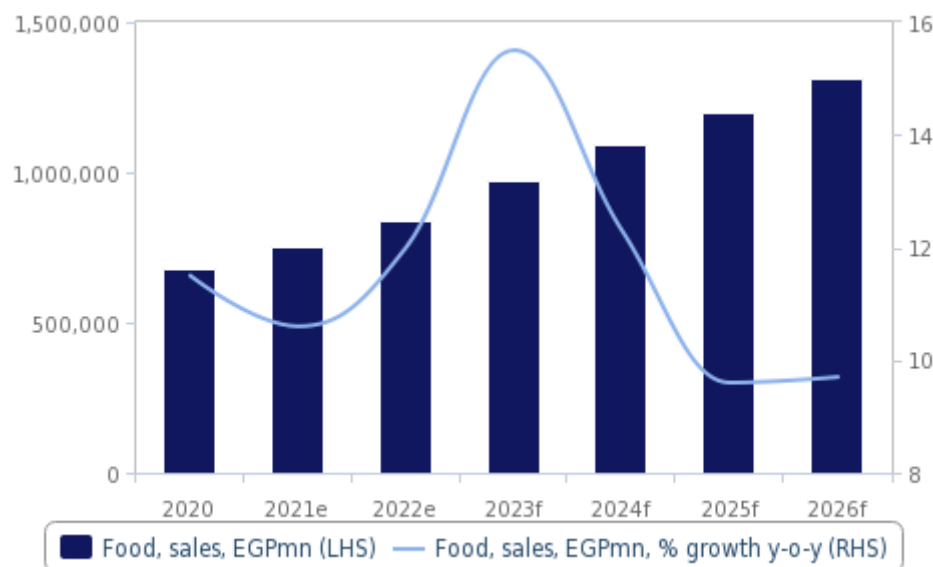
- Over the course of 2023, despite a deterioration in economic growth and a reduction in real consumer spending growth, we expect that food sales growth will hold its own in the Egypt, delivering 15.3% y-o-y growth and seeing spending grow to EGP987.7bn.
- Over the medium term through to 2026, we forecast food spending to expand by an average annual rate of around 11.8%, taking spending in nominal terms to EGP1.3trn by the end of our forecast period.
- Staples in the bread, rice and cereals category will remain a key part of food spending budgets with spending growing by an annual average 10.3% over the (2023-2026) period.
- Fish and fish products will be a spending growth outperformer, with spending averaging 15.3% y-o-y over the (2023-2026) period.

Structural Trends

2023 Food Outlook

We forecast food spending to grow by 15.3% in 2023. However, we note that much of the growth in food spending is due to rising inflation, particularly as the Russia-Ukraine war is negatively impacting vegetable oils and wheat supplies. In Egypt, a subsidised flatbread loaf sells for around USD0.01, allocating five loaves a day to people who are under the subsidy programme. It is estimated that around 70mn people in the country benefit from this programme. Egypt is heavily dependent on wheat imports, with Ukraine and Russia as its biggest suppliers. Egypt's authorities had announced plans to ration bread subsidies, which cost the government around USD3.0bn per year prior to the Russia-Ukraine war, which began in February 2022. However, these plans have been shelved due to recent developments. In 2023, we forecast food spending in nominal terms to reach EGP987.7bn (USD40.2bn), increasing from EGP856.7bn (USD44.2bn) in 2022.

Food Spending Rises, Inflation As Downside Risk
Egypt - Food Spending & Growth (2019-2026)



e/f = Fitch Solutions estimate/forecast. Source: National statistics, Fitch Solutions

Medium-Term Trends

Over the medium term (2022-2026), we forecast food spending to rise by an average of 9.7% y-o-y to reach EGP1.3trn in 2026. Our Country Risk team expects that the Egyptian household sector will perform better over the coming five years compared to the last decade, although Egypt's persistently high inflation poses a downside risk to our forecasts for food spending growth. Egypt's middle class will grow significantly over the coming years, with the share of households that have an annual disposable income of more than USD10,000.0 forecast to account for 5.7% of total households in 2026, up from only 3.0% in 2023. This means that there are significant opportunities for food manufacturers that focus on non-essential food products, including packaged food, confectionery and (packaged) meat. We note that low-income households will continue to dominate over the medium term, meaning that the majority of consumers in Egypt will remain highly price sensitive and focus on essential food items, such as bread, rice and cereals.

Egypt has a large and rapidly growing consumer base, with the largest population size across the Middle East and North Africa region, at a forecast 112.7mn in 2023. Food expenditure will be fuelled by continued economic growth, coupled with favourable demographics and the rapid expansion of the mass grocery retail sector.

Food and drink companies are currently presented with an opportunity to enter Egypt or to strengthen their existing presence in the country, in order to take advantage of the strong long-term growth prospects. Following years of high inflation, relative economic stability is a positive signal to domestic and foreign food investors. Reflecting the improvements in the economy, foreign investors have shown growing interest in mergers and acquisitions. We have already seen an uptick in investment over recent years, with food and drink majors such as **Kellogg's**, **Cargill**, **Pepsi**, **Coca-Cola** and **Kraft Heinz** announcing ambitious investment plans.

Staples in the bread, rice and cereals category will remain a key part of household food spending budgets over the medium term (2022-2026). We forecast bread, rice and cereals spending to grow by an annual average of 11.8%, increasing from EGP108.4bn (USD5.9bn) in 2022 to EGP160.3bn (USD5.8bn) in 2026.

Meat and poultry spending growth will be robust, expanding by an annual average of 13.0% over our 2022-2026 forecast period. This will result in meat and poultry spending increasing from EGP261.6bn (USD10.6bn) in 2023 to EGP364.8bn (USD13.7bn) in 2026. Similarly, fish and fish products spending growth will be strong, growing by an annual average of 14.0% with spending increasing from EGP73.8bn (USD4.0bn) in 2022 to EGP130.1bn (USD5.4bn) in 2026. The growth in both meat and poultry and fish

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and fish products spending will primarily be driven by a growing middle class.

Our forecast for dairy spending is an average annual growth rate of 10.7% over the 2022-2026 period, supported by a greater consumer focus on more value-added products (which are typically sold at a higher price point). Therefore, we project that milk will outperform over our forecast period. We believe that Egypt's strategic geographic location as an export hub and free trade access to the Gulf region and a number of Sub-Saharan African countries will be the key driver of growth in the domestic dairy industry.

FOOD SALES (EGYPT 2020-2027)							
Indicator	2020	2021e	2022e	2023f	2024f	2025f	2026f
Food, sales, EGPmn	680,655.6	752,828.0	842,858.5	973,290.6	1,092,543.9	1,197,814.4	1,313,551.7
Food, sales, EGPmn, % growth y-o-y	11.5	10.6	12.0	15.5	12.3	9.6	9.7
Bread, rice and cereals, sales, EGPmn	87,812.9	96,332.0	106,658.1	121,882.5	135,243.2	146,018.2	158,116.2
Bread, rice and cereals, sales, EGPmn, % growth y-o-y	10.9	9.7	10.7	14.3	11.0	8.0	8.3
Pasta products, sales, EGPmn	4,935.0	5,305.0	5,672.9	6,198.4	6,602.7	6,873.6	7,163.4
Pasta products, sales, EGPmn, % growth y-o-y	12.2	7.5	6.9	9.3	6.5	4.1	4.2
Baked goods, sales, EGPmn	8,249.5	9,342.8	10,688.4	12,631.3	14,482.0	16,149.0	18,060.3
Baked goods, sales, EGPmn, % growth y-o-y	10.3	13.3	14.4	18.2	14.7	11.5	11.8
Meat and Poultry, sales, EGPmn	175,581.7	194,713.8	220,396.9	257,017.3	291,671.4	325,203.9	359,599.9
Meat and Poultry, sales, EGPmn, % growth y-o-y	11.7	10.9	13.2	16.6	13.5	11.5	10.6
Fish and fish products, sales, EGPmn	54,511.0	62,097.7	71,589.2	86,526.4	100,231.0	112,239.3	126,049.7
Fish and fish products, sales, EGPmn, % growth y-o-y	10.8	13.9	15.3	20.9	15.8	12.0	12.3
Dairy, sales, EGPmn	114,996.2	126,526.5	139,889.8	158,456.7	175,511.2	190,581.4	207,840.4
Dairy, sales, EGPmn, % growth y-o-y	11.3	10.0	10.6	13.3	10.8	8.6	9.1
Oils and Fats, sales, EGPmn	63,057.2	69,794.3	78,093.6	90,515.8	101,649.7	110,839.3	121,252.1
Oils and Fats, sales, EGPmn, % growth y-o-y	11.4	10.7	11.9	15.9	12.3	9.0	9.4
Fresh and preserved fruit, sales, EGPmn	35,275.2	38,554.2	42,508.6	48,324.3	53,370.6	57,406.8	61,916.1
Fresh and preserved fruit, sales, EGPmn, % growth y-o-y	11.2	9.3	10.3	13.7	10.4	7.6	7.9
Fresh vegetables, sales, EGPmn	90,259.9	99,327.6	110,049.8	125,103.2	138,440.8	149,466.5	161,699.7
Fresh vegetables, sales, EGPmn, % growth y-o-y	11.8	10.0	10.8	13.7	10.7	8.0	8.2
Sugar and sugar products, sales, EGPmn	30,220.4	33,105.2	37,096.0	42,620.0	47,825.8	52,547.3	57,957.4
Sugar and sugar products, sales, EGPmn, % growth y-o-y	12.7	9.5	12.1	14.9	12.2	9.9	10.3
Other food products, sales, EGPmn	15,756.5	17,728.8	20,215.2	24,014.7	27,515.5	30,489.4	33,896.6
Other food products, sales, EGPmn, % growth y-o-y	13.5	12.5	14.0	18.8	14.6	10.8	11.2

e/f = Fitch Solutions estimate/forecast. Source: National statistics, Fitch Solutions

Drink

Key View: Egypt's alcoholic drinks sector will post positive growth over 2023 with alcoholic drinks spending and consumption increasing. We expect Egypt's alcoholic drinks spending and consumption to continue to increase over our forecast period to 2026, with the wine category being a key growth driver. We note that growth will primarily be driven by inflation. Non-alcoholic drinks spending will increase in 2023 and over the remainder of our forecast period 2026 as consumers maintain their focus on essentials. While our outlook for Egypt's drinks sector is positive, the country's persistently high inflation is a downside risk to our outlook as the majority of consumers in the country have relatively low disposable incomes, making them price sensitive. Nevertheless, the country's increasing economic activity and favourable demographics will support spending growth.

Latest Updates

- We expect alcoholic drinks spending to grow by 17.2% y-o-y in 2023, a slight deceleration when compared to the estimated 17.6% y-o-y growth in 2022. We note the high growth rate will partially be driven by rising inflation.
- We forecast alcoholic drinks consumption to grow by 5.4% y-o-y in 2023 to reach 145.4mn litres, an increase from the expected 138.0mn litres in 2022.
- Over the medium term, we expect alcoholic drinks spending to grow by an average annual growth rate of 13.9% y-o-y to reach EGP160.2bn in 2026.
- Non-alcoholic drinks spending will grow by 16.0% y-o-y in 2023 to reach EGP40.5bn.
- Over the medium term, we expect non-alcoholic drinks spending to expand by an annual average of 12.1% y-o-y and reach EGP55.0bn by 2026.

Structural Trends

Alcoholic Drinks

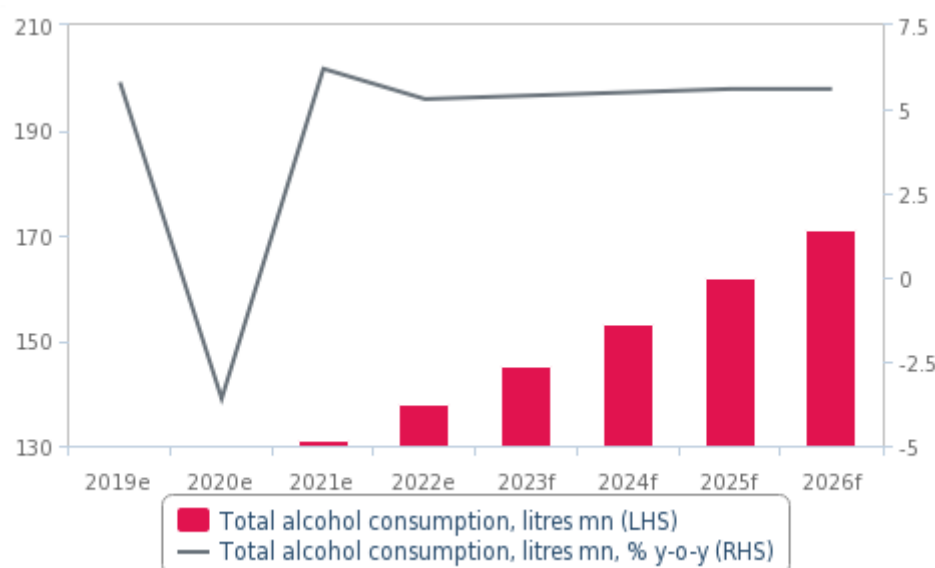
2023 Alcoholic Drinks Outlook

We expect alcoholic drinks spending and consumption growth to be positive in 2022, with the category benefitting from the easing of Covid-related restrictions. Alcoholic drinks spending will grow by a projected 17.6% y-o-y in 2022 to reach EGP98.6bn (USD5.4bn). This is an acceleration from the estimated 13.2% y-o-y growth in 2021. Alcoholic drinks spending will continue to increase in 2023, reaching a projected EGP115.6bn (USD4.6bn), representing growth of 17.2% y-o-y.

We project alcoholic drinks consumption to grow by 5.4% y-o-y to reach 145.4mn litres in 2022. This is a deceleration from the estimated 6.2% y-o-y consumption growth in 2021. But it was the 3.6% y-o-y contraction in consumption in 2020 which created a low base for consumption to grow from in 2021. In 2023, we forecast alcoholic drinks consumption to grow by 5.4% y-o-y to reach 145.4mn litres.

The alcoholic drinks segment was negatively impacted in 2020, as on-trade sales were restricted by the closure of restaurants, bars and hotels for a significant portion of the year, as part of measures to curb the spread of Covid-19 in the country. While consumers could still purchase alcohol through retail channels (such as **Drinkies**), restrictions on food service channels meant that consumers drank less alcohol in on-trade channels.

Consumption Will Grow In 2023
 Total Alcohol Consumption, litres mn (2019-2026)



e/f = Fitch Solutions estimate/forecast. Source: WHO, Fitch Solutions

Medium-Term Trends

Egypt's alcohol consumption in per capita terms will remain low by regional and global standards, standing at 2.3 litres in 2022 and rising to 2.7 litres by 2026. About 90% of Egypt's population is Muslim and, therefore, does not consume alcohol. As a result, the large majority of alcohol consumption comes from immigrants and tourists, as well as the Christian population.

Egypt's total population is forecast to reach 106.2mn in 2022. More than 56% of this population is above the legal drinking age of 21 years. Despite the country's predominantly Muslim population, Egypt's non-Muslim population still make up a sizeable consumer base for alcoholic drink producers, given the total size of the population. This, coupled with a recovery in the tourism sector, will support alcoholic drinks consumption growth over the medium term.

We forecast alcoholic drinks consumption to grow by an annual average of 5.5% between 2022 and 2026, reaching 171.1mn litres in 2026. By 2026, spending on alcoholic drinks is forecast to reach EGP160.2bn (USD5.8bn). This represents an average annual growth rate of 12.4% y-o-y over 2022-2026. The faster rise in value sales than in volume sales reflects that consumers will be trading up price points, seeking out higher quality and premium products rather than consuming greater volumes. This is likely to be driven by the immigrant population. Drinks producers playing into the premiumisation trend are likely to benefit.

We expect the wine category to witness the fastest growth in consumption over 2022-2026, expanding by an annual average of 12.1%. However, we note that this growth is coming from a low base. Beer accounts for the vast majority of alcohol consumed in Egypt. We forecast beer consumption growth to average 5.1% annually over the medium term. Growth in the segment will be driven by the already existing popularity of beer, favourable weather conditions and more Westernised consumption habits among younger segments of the Egyptian population.

TOTAL ALCOHOLIC DRINKS SPENDING AND CONSUMPTION (EGYPT 2019-2026)								
Indicator	2019e	2020e	2021e	2022e	2023f	2024f	2025f	2026f
Alcoholic drinks spending, EGPbn	65.26	74.03	83.82	98.60	115.57	131.20	144.96	160.15
Alcoholic drinks spending, EGP % y-o-y	11.25	13.44	13.22	17.64	17.20	13.52	10.49	10.48
Alcoholic drinks spending, EGP per household	2,446.84	2,707.35	2,984.08	3,442.58	3,957.69	4,406.34	4,774.78	5,175.06
Alcoholic drinks spending, EGP per capita	650.08	723.43	803.93	928.86	1,069.77	1,193.94	1,297.42	1,410.32
Total alcohol consumption, litres mn	127.9	123.3	131.0	138.0	145.4	153.4	161.9	171.1
Total alcohol consumption, litres mn, % y-o-y	5.8	-3.6	6.2	5.3	5.4	5.5	5.6	5.6
Total alcohol consumption, litres per capita	2.3	2.2	2.2	2.3	2.4	2.5	2.6	2.7
Beer, litres mn	111.1	108.3	114.2	120.2	126.5	132.9	139.6	146.4
Beer, litres mn, % y-o-y	5.6	-2.5	5.4	5.3	5.2	5.1	5.0	4.9
Beer, litres per capita	2.0	1.9	2.0	2.0	2.1	2.2	2.2	2.3
Wine, litres mn	7.5	7.1	7.9	8.8	9.8	11.0	12.3	13.9
Wine, litres mn, % y-o-y	10.1	-4.9	10.9	11.3	11.7	12.1	12.5	12.9
Wine, litres per capita	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Spirits, litres mn	9.4	7.9	9.0	9.0	9.2	9.5	10.0	10.7
Spirits, litres mn, % y-o-y	5.0	-15.8	13.5	0.3	2.0	3.7	5.4	7.1
Spirits, litres per capita	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2

e/f = Fitch Solutions estimate/forecast. Source: National statistics, Fitch Solutions

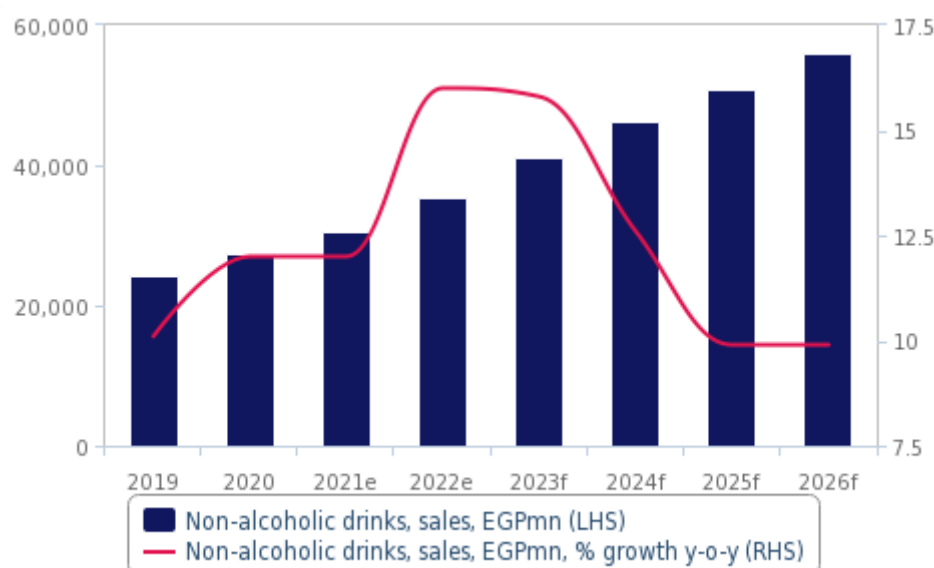
Non-Alcoholic Drinks

2023 Non-Alcoholic Drinks Outlook

Our 2022 forecast for non-alcoholic drinks spending growth is 12.4%, and this will take spending to EGP34.9bn (USD1.9bn). This is an acceleration in spending from the estimated 11.0% growth in 2021. However, we note that the increase in spending growth in 2022 will mainly be due to an increase in inflationary pressures. We expect non-alcoholic drinks spending growth to accelerate to 16.0% y-o-y in 2023, in line with easing inflationary pressures. In nominal terms, non-alcoholic drinks spending will amount to EGP40.5bn (USD2.0bn) in 2023.

The non-alcoholic drinks spending segment was mostly shielded from the negative impact of Covid-19 on consumer spending in 2020, as consumer purchasing patterns shifted towards essentials goods.

Non-Alcoholic Drinks Sales
 Egypt - Non-Alcoholic Drinks Sales (2019-2026)



e/f = Fitch Solutions estimate/forecast. Source: National statistics, Fitch Solutions

Medium-Term Trends

With the country's significant Islamic majority, non-alcoholic drinks benefit from the limited alcoholic drinks industry, along with the warm climate. Population growth and a rebounding economy will provide further growth impetus to the non-alcoholic drinks sector over the coming years. Over the medium term, we forecast non-alcoholic drinks spending to expand by an annual average of 12.1%, taking spending in nominal terms to EGP55.0bn (USD2.0bn) by 2026. We project the mineral and spring waters segment will outperform other categories through to 2026, with spending on these products rising by a strong average of 15.3% annually. The bottled water industry is well placed to grow, as incomes rise and demand for drinking water grows, driving up productive capacity and competition within the sector. Greater investment interest from Gulf-based producers over the next few years is likely to increase segmentation within the already fragmented potable water industry.

Coffee, tea and other hot drinks account for the majority of spending on non-alcoholic drinks in Egypt, and this segment is expected to witness the second-fastest growth in spending over the medium term (2023-2026), averaging 14.2% a year. Hot drinks are widely consumed in Egypt. Most consumption happens off-trade (for example, from grocery outlets) despite on-trade tea and coffee drinking being part of the traditional culture. Some market segments, such as black tea, are considerably more mature than others (such as green tea), which will impact their growth trajectory to 2026. Novel products associated with health benefits are expected to perform well over our forecast period. An important factor that is sustaining and driving the growth of coffee and tea sales in the Middle East is the traditional role that these drinks play in family and social occasions, which are of importance in the social structure of the Middle East. Given the integral role that tea plays in social traditions, it will continue to be an important part of everyday life, sustaining high levels of consumption.

The fruit and vegetable juices category is the second largest non-alcoholic drinks spending segment in Egypt. Juice is widely available in the country, with its popularity driven by most consumers avoiding alcohol for religious reasons. As a result, juice (either fresh or packaged) is often consumed with meals or consumed as a treat. Because these products are typically more expensive than mainstream carbonates and bottled water, we expect that medium-term spending growth will be much slower than the other categories, averaging 8.2% annually, as consumers remain price sensitive. Volume and, especially, value growth over the long term will be fuelled by disposable income growth, which will be necessary to make higher-priced drinks more widely consumed.

NON-ALCOHOLIC DRINKS SALES (EGYPT 2019-2026)								
Indicator	2019	2020	2021e	2022e	2023f	2024f	2025f	2026f
Non-alcoholic drinks, sales, EGPmn	24,980.0	27,978.1	31,064.9	34,915.6	40,494.3	45,594.8	50,097.3	55,047.4
Non-alcoholic drinks, sales, EGPmn, % growth y-o-y	10.0	12.0	11.0	12.4	16.0	12.6	9.9	9.9
Coffee, teas and other hot drinks, sales, EGPmn	15,100.2	16,543.4	18,471.0	21,175.8	25,038.6	28,724.1	32,133.2	35,925.1
Coffee, teas and other hot drinks, sales, EGPmn, % growth y-o-y	10.3	9.6	11.7	14.6	18.2	14.7	11.9	11.8
Soft drinks, sales, EGPmn	9,879.7	11,434.7	12,593.9	13,739.8	15,455.6	16,870.7	17,964.1	19,122.3
Soft drinks, sales, EGPmn, % growth y-o-y	9.6	15.7	10.1	9.1	12.5	9.2	6.5	6.4
Fruit and vegetable juices, sales, EGPmn	9,207.4	10,704.6	11,794.6	12,818.2	14,359.9	15,606.7	16,541.7	17,522.4
Fruit and vegetable juices, sales, EGPmn, % growth y-o-y	8.6	16.3	10.2	8.7	12.0	8.7	6.0	5.9
Mineral or spring waters, sales, EGPmn	398.5	444.8	495.0	577.2	693.8	809.0	920.0	1,045.6
Mineral or spring waters, sales, EGPmn, % growth y-o-y	42.5	11.6	11.3	16.6	20.2	16.6	13.7	13.7
Carbonated drinks, sales, EGPmn	273.8	285.2	304.2	344.4	401.9	455.0	502.4	554.3
Carbonated drinks, sales, EGPmn, % growth y-o-y	6.2	4.2	6.7	13.2	16.7	13.2	10.4	10.3

e/f = Fitch Solutions estimate/forecast. Source: National statistics, Fitch Solutions

Industry Trends And Developments

Key View

- As a proportion of total household budgets, the average Egyptian household is forecast to spend 30.2% on food by 2025, a significant decrease from 42.8% in 2005.
- While the share of food in household budgets remains relatively high by international standards, the proportional decline in food spending over the 20-year period is driven by economic growth, with real GDP per capita growing at a compound annual growth rate of 4.3%.
- As a result of the rise in incomes, consumers are able to purchase animal-based proteins more frequently, as these products typically are the most expensive food items. Thus, meat spending is projected to rise from 23.3% of total food budgets in 2005 to 40.3% in 2025, while fish spending is forecast to increase from 6.1% in 2005 to 8.3% in 2025.
- As consumers are financially able to buy and prepare meat, poultry and fish more frequently, the share of vegetable spending is on a downward trajectory. While fresh vegetable spending accounted for 15.6% of the total food budget in 2005, we forecast that its share will decline to 10.3% by 2025.
- Despite bread and rice being staples in almost every meal, the share of the bread, rice and cereal category will only reach 13.4% in 2025. This is driven by government subsidies keeping the prices of these products artificially low.
- The share of dairy spending within total food budgets has been on a downward trajectory, falling to 8.5% of total food spending in 2025, down from 15.6% in 2005. This proportional decline is mostly caused by a reduction in per capita dairy consumption, fuelled by dietary changes.

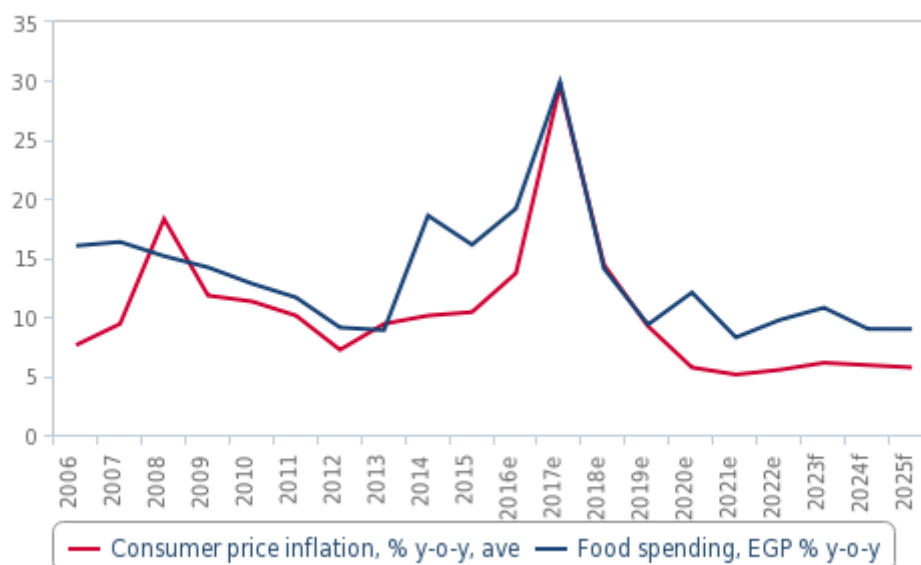
Dietary Spending Shift Overview

As a proportion of total household budgets, the average Egyptian household is forecast to spend 30.2% on food by 2025, a significant decrease from the 42.8% in 2005. While the share of food in household budgets remains relatively high by international standards, the proportional decrease in food spending over the 20-year period will be driven by economic growth, with real GDP per capita growing at a compound annual growth rate (CAGR) of 4.3%, to reach EGP2,076 (USD369) in 2025, up from EGP891 (USD159) in 2005. As a result, the middle class in Egypt has been gradually increasing, allowing more households to focus on non-essential spending (including consumer health, transport, and education), leading to a proportional decline of food within total household budgets. While the 2005-2025 period is characterised by economic growth and a rising middle class, we do note that there have been several years of economic hardship for Egyptian consumers, including the Egyptian Revolution (2011) and high inflation over 2016-2018, caused by the Central Bank of Egypt floating the Egyptian pound in November 2016 and subsidy reforms. These events slowed down headline economic growth over the 2005-2025 period.

We note that food spending growth will generally outpace consumer price inflation (CPI) in Egypt over 2005-2025, highlighting real gains for the country's food industry. We forecast household spending on food to expand at an average annual rate of 13.4% over this period, while CPI will average 10.1%. We project total food spending to reach EGP997.5bn (USD57.7bn) in 2025, making Egypt the third largest food market in the Middle East and North Africa region, after Iran and Saudi Arabia.

Food Spending Growth To Outpace Inflation In Coming Years

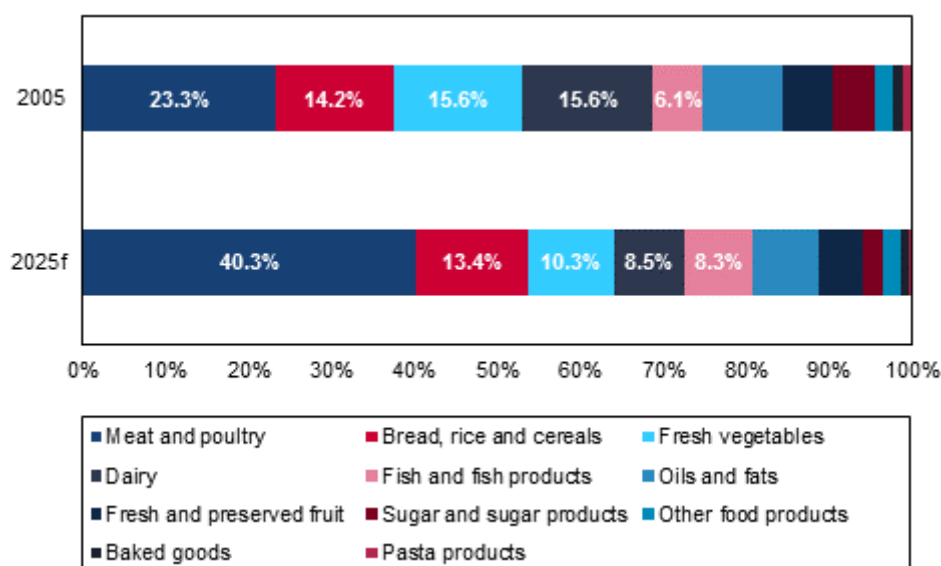
Egypt - Inflation Vs Food Sales, y-o-y (2006-2025)



e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Breaking down total food spending, the average Egyptian household will spend roughly two thirds (64.1%) of its food budget on only three categories in 2025. These categories are meat and poultry (40.3% of total food spending), bread, rice and cereals (13.4%) and fresh vegetables (10.3%), with these products forming the most important staples in the Egyptian cuisine. The remaining eight categories are projected to account for 35.9% of total spending. This suggests that food spending patterns are relatively uniform by global standards, which can be attributed to the average Egyptian consumer receiving limited exposure to international cuisines. This is driven by Egypt having a small migrant population (only 0.5% of the Egyptian population were migrants in 2019), and low incomes, preventing the majority of consumers from going to international restaurants and travelling internationally. The main source of protein in Egypt remains meat and poultry, with its share in food budgets rising rapidly over the 2005-2025 period. Consumer spending on meat and poultry is forecast to grow at 16.5% CAGR, outpacing headline food spending growth of 13.4% CAGR. While remaining relatively small, fish and fish products spending will also see its share within food budgets increase, going from 6.1% in 2005 to 8.3% in 2025.

Meat, Bread And Rice Most Important Staples In Egypt
Egypt - Food Spending Breakdown, % of total

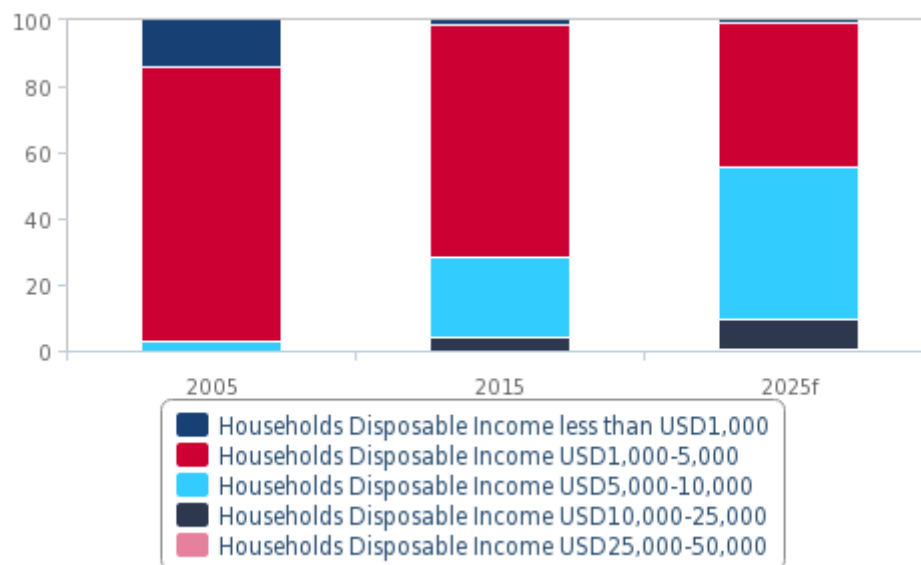


f = Fitch Solutions forecast. Source: National sources, Fitch Solutions

1. Consumers Shift Focus To Animal-Based Protein As Incomes Rise

As a result of economic growth over 2005-2025, as described above, the average annual disposable income per household in Egypt has increased significantly. We forecast the nominal average annual disposable income per household in Egypt to reach EGP105,750 (USD6,120) in 2025, up from EGP11,950 (USD2,070) in 2005. This marks a compound annual growth rate of 11.5% (in local currency terms), which is higher than the average CPI growth of 10.1% over this period, indicating real income gains for Egyptian households and resulting in stronger purchasing power. As such, the Egyptian middle class (households that have a yearly disposable income of USD10,000-USD25,000) has increased, going from only 0.3% of total households in 2005 to 9.5% in 2025. Low-to-mid-income households (household that earn USD5,000-USD10,000 per annum), however, are seeing the strongest increase, with this income bracket accounting for only 2.9% of total households in 2005, but rising to 45.6% by 2025.

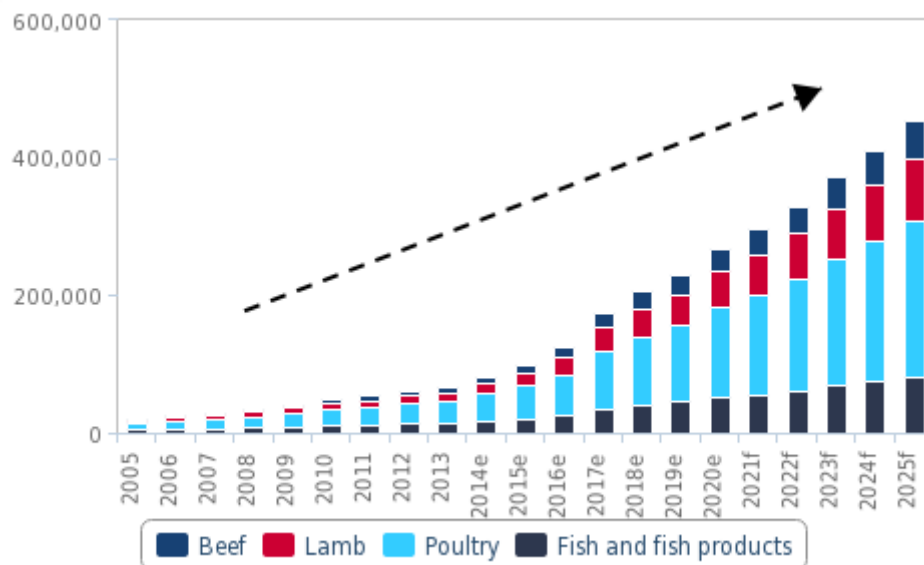
Rising Incomes Supports Meat And Fish Spending
Egypt - Income Brackets, % of total households



f = Fitch Solutions forecast. Source: National sources, Fitch Solutions

As a result of the rise in incomes over 2005-2025, consumers are able to purchase meat, poultry and fish more frequently, with these products typically being the most expensive food items. Meat spending is projected to rise from 23.3% of total food budgets in 2005 to 40.3% in 2025, while fish spending is forecast to increase from 6.1% in 2005 to 8.3% in 2025. Poultry will remain the most popular animal-based protein of choice in Egypt, mostly driven by its popularity amongst low- and mid-income households as it retails for lower unit prices compared to other popular meat products, such as beef and lamb. As such, the share of chicken spending will remain relatively stable over the 2005-2025 period, accounting for roughly 55% of total meat and poultry spending. Lamb will be the second most popular meat category in spending terms, accounting for 23% of total meat and poultry spending. Popular meat dishes in Egypt include Fattet Farakh (Chicken Fattah), Shawarma (mostly from lamb or chicken) and Hamam Mahshi (stuffed pigeon).

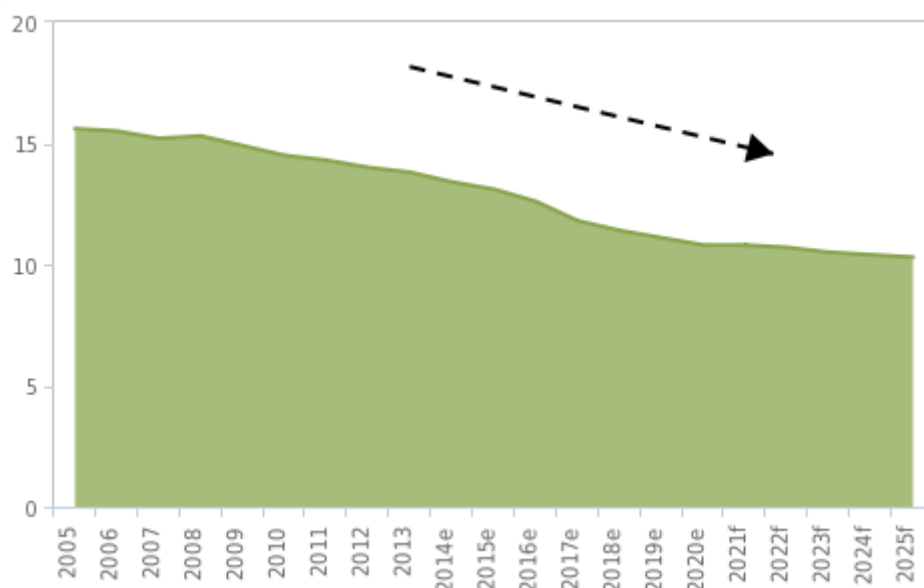
Meat Spending Grows Rapidly, Poultry Dominates
Egypt - Total Household Spending On Meat & Fish, EGPmn (2005-2025)



e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Traditionally, vegetables and legumes are widely used in Egyptian cuisine, as they are domestically grown in the Nile delta and because many households have historically been unable to purchase meat on a frequent basis due to their low disposable incomes. As such, vegetarian dishes, including *kushari* (dish made with rice and lentils), *ful medames* (made with fava beans), *molokhia* (green vegetable soup), and *falafel* (or locally known as *ta'amiya*, deep fried dish made with fava beans) are amongst Egypt's most popular foods. However, as consumers are financially able to buy and prepare meat, poultry and fish more frequently, the share of vegetable spending is on a downward trajectory. While fresh vegetable spending accounted for 15.6% of the total food budget in 2005, we forecast that its share will decline to 10.3% by 2025. That being said, however, vegetable spending will continue to increase by 5.1% CAGR over this period, mostly driven by population growth and inflationary pressures.

Share Of Vegetables In Food Budgets Declines
Egypt - Spending On Fresh Vegetables, % of total food spending (2005-2025)

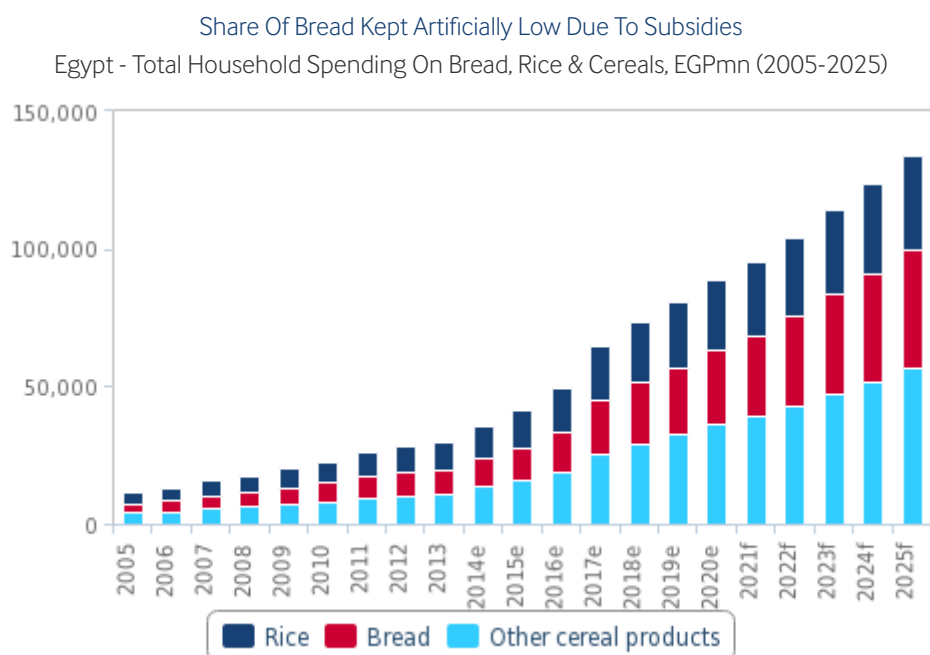


e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

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2. Bread, Rice And Cereals Remain Important Staples

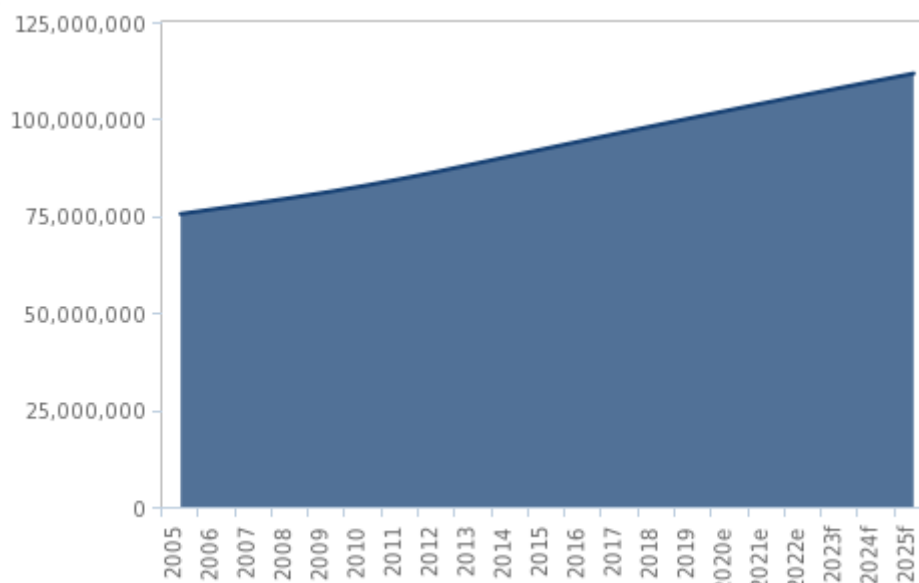
Bread, rice and cereals are widely popular among Egyptian consumers, and are traditionally eaten with every meal. Egyptians are some of the highest per capita consumers of wheat in the world, driven by the government subsidising the popular *baladi* flatbread in order to make bread accessible to even the poorest in society on a daily basis. As a result, despite bread being widely consumed in Egypt, it only accounts for about a third of the overall bread, rice and cereals category, as subsidies keep retail prices artificially low. As of 2021, subsidised bread costs about EGP0.05 (USD0.0031) and each individual is allocated five units per day on the subsidy programme. Nevertheless, as disposable incomes increase, more consumers opt to purchase bread from non-subsidy bakeries or do not qualify for the food programme. As such, we believe that the proportional share of bread within the bread, rice and cereals category will rise, reaching 32.0% in 2025, up from its low of 27.8% in 2013.



e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

In addition to consumers opting for non-subsidised bread, we highlight that population growth is a key driver of spending on bread, rice and cereals over 2005-2025. The Egyptian population is growing at 2.0% CAGR over 2005-2025, rising from 75.5mn in 2005 to 111.7mn in 2025. With the majority of consumers eating bread and rice on a daily basis, population growth underpins spending growth on these products.

Population Growth Underpins Spending On Bread, Rice And Cereals
Egypt - Total Population (2005-2025)

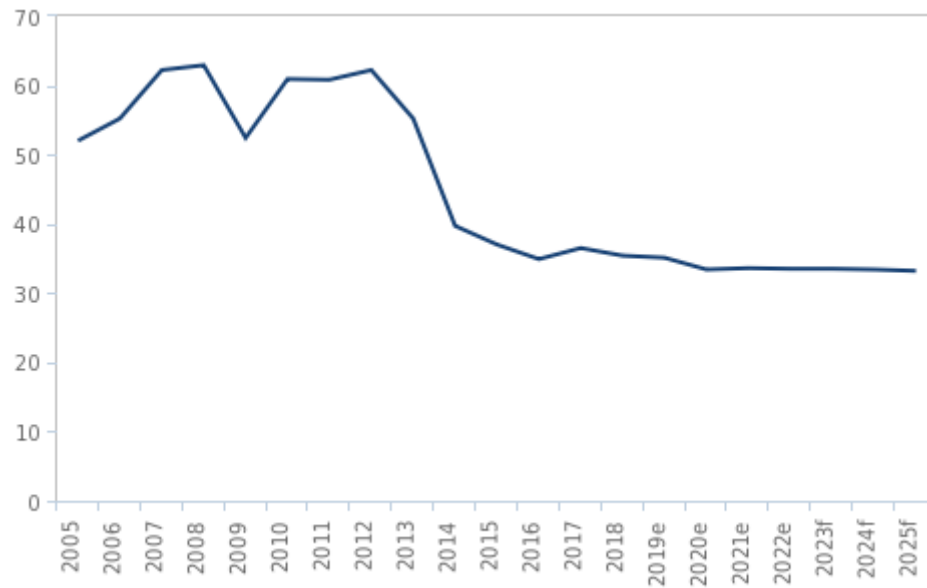


e/f = Fitch Solutions estimate/forecast. Source: UN, Fitch Solutions

3. Egyptians Consuming Less Dairy

The share of dairy spending within total food budgets has been on a downward trajectory, falling to 8.5% of total food spending in 2025, down from 15.6% in 2005. This proportional decline is mostly caused by a reduction in per capita dairy consumption, fuelled by dietary changes. For example, an increasing number of Egyptian consumers consider breakfast cereals a convenient and nutritious breakfast, weighing on the consumption of white and spreadable cheeses, which are traditionally served for breakfast. In addition, we expect that a growing number of consumers are becoming increasingly aware of lactose intolerance, which is relatively prevalent amongst people in Africa and the Middle East compared to people in (Northern) Europe. In addition, we note that Egyptians have increasingly been substituting liquid milk with powdered milk (which tends to be cheaper), driven by its longer shelf life and the fact that it does not need refrigeration. Taking the above factors into account, we project per capita liquid milk consumption to fall from 52.0kg per person per year in 2005, to 33.2kg in 2025.

Egyptians Consuming Less Liquid Milk
Egypt - Liquid Milk Consumption, kg per capita (2005-2025)



e/f = Fitch Solutions estimate/forecast. Source: FAO, national sources, Fitch Solutions

Industry Risk/Reward Index

Middle East And North Africa Food & Non-Alcoholic Drinks Risk/Reward Index: UAE Tops Region, Saudi Arabia Is Second

Key View: In the Q123 update of our Middle East and North Africa Food & Non-Alcoholic Drinks RRI, the region ranks fourth out of the six regions that we cover, with an RRI score of 47.7 out of 100. The region offers high Country Rewards, with a regional average of 53.8 out of 100, above the global average of 50.0. That said, the region's RRI score is weighed down by elevated country risks due to ongoing socioeconomic and political tensions, especially in Lebanon, Syria and Libya. The UAE retains its lead in the region, with Saudi Arabia and Iran coming in second and third. We highlight Iran this quarter, owing to underperformance in both Risks and Rewards scores.

GCC Stands Out In MENA Region
MENA - Food & Non-Alcoholic Drinks Risks & Rewards



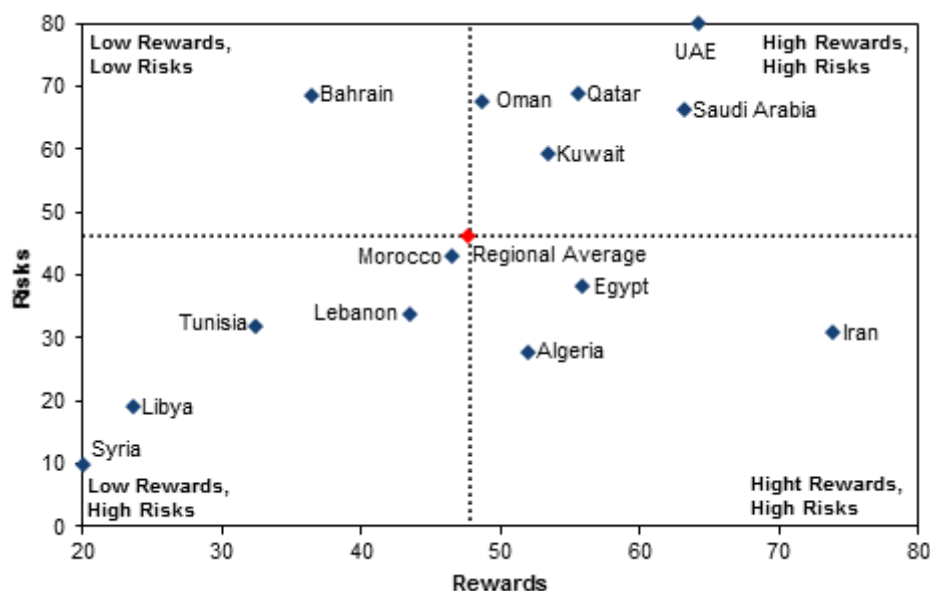
Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

Important Note: Our entire Food & Drink Risk/Reward Index includes two Food & Drink Risk/Reward indices: our Food & Non-Alcoholic Drinks Risk/Reward Index and our Alcoholic Drinks Risk/Reward Index. The first quantifies the risks and rewards associated with food and non-alcoholic drink sales in each market, while the other quantifies the risks and rewards associated with the alcoholic drinks sector.

Main Regional Features And Latest Updates

- The Middle East and North Africa (MENA) region is ranked fourth in our Food & Non-Alcoholic Drinks Risk/Reward Index (RRI) for Q123, with a score of 47.7 out of 100. This places the region above Latin America (with an RRI score of 43.1 out of 100), but below Central & Eastern Europe (48.1 out of 100).
- At 40.1 out of 100 in Q123, MENA's Country Risk pillar has improved from second lowest in Q422, to the third-lowest scoring in the Food & Non-Alcoholic Drinks RRI, highlighting the improvements but still present level of navigation investors must consider when operating in the region.
- The MENA region can be broken down into the Middle East, with an average overall RRI score of 53.8 out of 100, and North Africa, with a score of 39.1 out of 100. This is driven by riskier operating environments in North Africa when compared to other Middle Eastern markets.
- Seven countries in our MENA RRI score above the global average of 50.0 out of 100, namely the UAE (68.9), Saudi Arabia (64.2), Iran (61.0), Qatar (55.8), Kuwait (55.2), Oman (54.4) and Egypt (50.6). Only Iran and Egypt are not Gulf Cooperation Council (GCC) countries, highlighting the strength on the sub-region in MENA.
- In our Q123 update, the UAE is the most attractive market in the region for food and non-alcoholic drinks investors, with an overall score of 68.9 out of 100, ranking 13th globally. The country's favourable RRI score is underpinned by a large affluent class, a solid regulatory environment and minimal political and macroeconomic risks.
- We place the spotlight on Iran this quarter, with an overall score of 61.0 out of 100, ranking third in the region and 31st globally. Iran has the highest Industry Rewards score (76.5 out of 100) and the second-highest Country Rewards score (70 out of 100), behind the Saudi Arabia's 73.8, which combined, highlight the attractiveness of potential consumer market in the country. However, Iran's total score is weighed down by lower Country Risk and Industry Risk pillars, mostly stemming from heightened political instability and its impact on security.

MENA Region Offers Good Rewards Profiles
MENA - Food & Non-Alcoholic Drinks Risk/Reward Index



Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

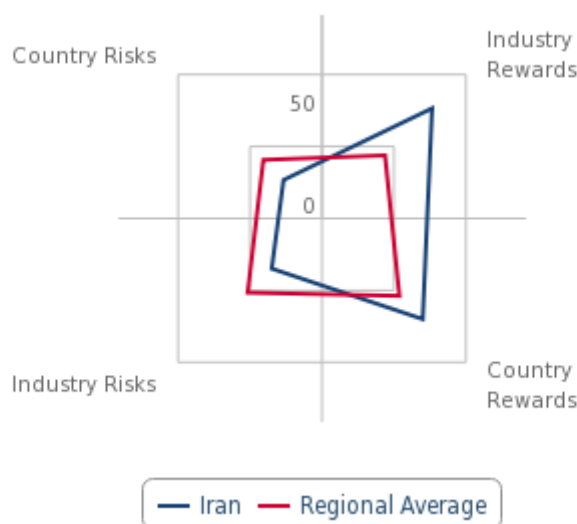
Iran Spotlight: High Reward Scored Undermined By High-Risk Environment

In our Q123 update, we highlight Iran's declines in its Rewards and Risk scores, despite its high Rewards score in the MENA region. The country scores 61.0 out of 100, ranking third out of the 14 countries in the MENA region but it has slipped three places in our global rankings to 31st.

Iran's Risks score (30.8 out of 100) puts it as the fourth lowest in the MENA region, just placing above Algeria, Libya and Syria. While Iran holds huge potential in the food and drinks market, the country has been isolated economically and politically by the larger international community, which, together with government-imposed restrictions on foreign investment and further US sanctions, presents significant regulatory challenges and reputation damage risks for businesses. We note the Long-Term Political Risk Index pillar for Q123 dropped a further 3.9 points, to 17.1 out of 100, as the ultra-conservative approach of the government in Iran sparked further social unrest at the end of September 2022.

Similarly, Iran's Short-Term Economic Risk Index pillar has fallen 2.8 points, to 36.2 out of 100, as soaring inflation erodes real disposable incomes as well as purchasing power of Iranian households. Our Country Risk team forecasts that inflation will have averaged 42.0% over 2022, before decelerating to a still high 14.0% over 2023. It has also impacted Iran's Mass Affluent Class pillar, which decreased significantly by 11.5 points, to 35.2 out of 100, owing to the elevated levels of inflation over the last few years eroding any nominal gains in incomes. We believe that the Iranian consumer will remain price conscious over 2023, which will lead to greater demand for offers, price promotions and cheaper food products. However, with food and non-alcoholic drinks being a dominant essential spending category (27.3% of total spending in 2023), we believe the segment will be relatively protected, as consumer spending shifts to focus on meeting their immediate needs.

Iran's Risks And Rewards Are Unbalanced
Iran & MENA - Average Food & Non-Alcoholic Drinks Risk/Reward Index Scores



Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

While the country faces significant levels of country risk in the short term, Iran still offers the highest Rewards score in the region (73.9 out of 100). The country's top-performing pillar is its Country Rewards, scoring 73.3 out of 100, the best in the region. At 87.0mn in 2023, the country has the largest population in MENA, giving it a population score of 85.7 out of 100. A large portion of the total population is also in the spending population age group (those between the ages of 20 and 39 years old), at 31.5% of the population in 2023. These aspects of the Reward pillars create bright spots for Iran's food and drinks market, should the sanctions

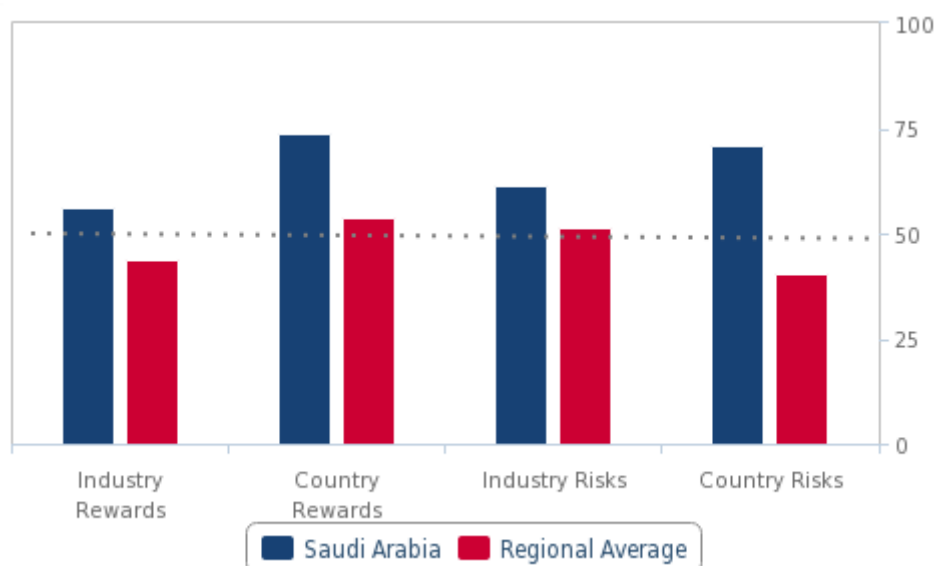
be lifted and the consumer market opens up.

Saudi Arabia Offers Balance Of Both Rewards And Risks

In our Q123 update, Saudi Arabia remains an attractive food and drinks market in the MENA region. The kingdom has an overall score of 64.2 out of 100, ranking second out of the 14 countries in the MENA region and 23rd globally. Saudi Arabia is one of the few markets in the region that offers a good balance of both Rewards (63.2 out of 100) and Risks (66.3 out of 100). The country's top-performing pillar is its Country Rewards, scoring 73.8 out of 100, the best in the region. At 36.3mn in 2023, the country has the second-largest population in MENA, behind only Iran (at 87.0mn in 2023). However, a significantly large portion of this is urban, at 85.0% of the population, or 30.9mn people. With a large portion of the total population being in the key spending population age group (those between the ages of 20 and 39 years old), at 33.0% of the population in 2023, and with 53.1% of households having a disposable income of more than USD25,000 in 2023, the Saudi Arabia consumer market is a very attractive target market for food and drinks retailers.

Saudi Arabia also stands out in the MENA region with its attractive Risk profile, scoring 61.6 out of 100 for our Industry Risk pillar (the fifth highest in the region) and 71.1 out of 100 for our Country Risk profile (the second highest in the region). Within the Industry Rewards pillar, Saudi Arabia scores particularly well in Food and Drink Formalisation (78.1 out of 100) and Logistics Risks (72.4 out of 100), while in the Country Risk pillar, the country does well in both its Short- and Long Term-Economic Risk scores, at 100 (the best score globally) and 78.1 out of 100 respectively. Combined with the 66.7 out of 100 in our Operational Risk score, food and drinks retailers operate in one of the more stable and low risk markets in the region.

Saudi Arabia Offers A Good Mix Across Risks And Rewards
 Saudi Arabia - Risk Rewards Indices



Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

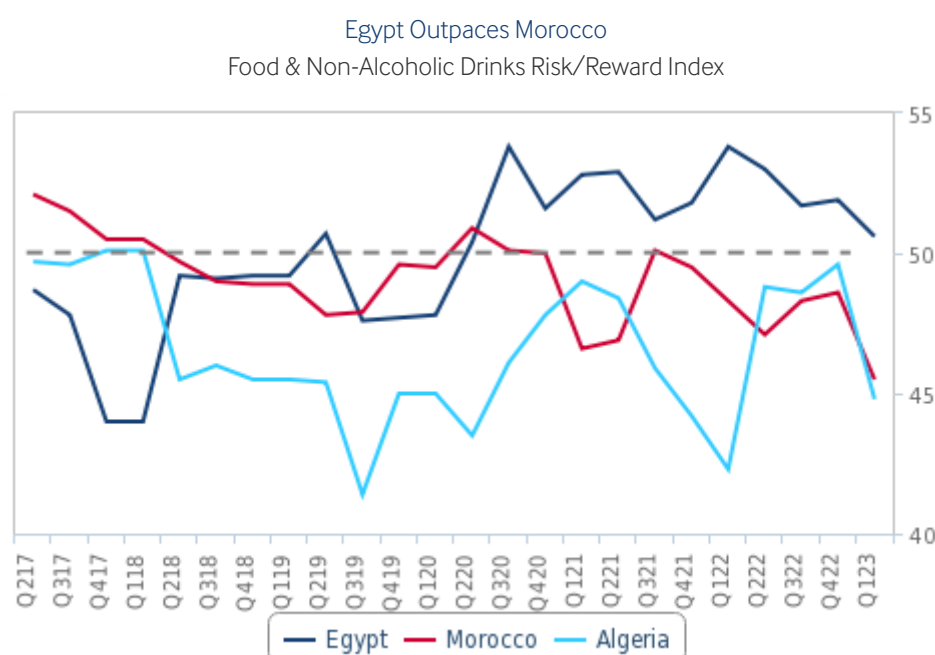
Within the Rewards pillar, we highlight weakness in the Real Household Spending Five-Year Growth indicator, scoring just 49.5 out of 100, compared to the regional average of 49.7 out of 100. However, this score has improved from our Q422 update, where it scored 43.8 in relation to a regional average of 50.1. This is a result of inflation becoming less of a key risk in 2023 for the Saudi consumer, particularly as disposable incomes outpace the rate of inflation. Our Country Risk team forecasts that inflation will average 1.8% over 2023, ending the year at 1.0% y-o-y. Meanwhile, disposable incomes per household are set to grow at 2.0%, before accelerating to an average of 4.3% a year, over the rest of the medium term. We believe that Saudi consumer spending will shift to focus on

consuming higher cost food items such as meat and poultry, fish and dairy. We also expect to see the return of premium product into consumers preferences, as they consume products with a higher price point in the same category.

Egypt Remains Most Attractive Market In North Africa, With Morocco And Algeria Following

In our Q123 update, Egypt remains the most attractive market for food and non-alcoholic drink investors in North Africa, followed by Morocco. Egypt's RRI score is 50.6 out of 100, above the MENA average of 47.2, while Morocco's score stands at 45.5. That said, we note rising food prices amid supply chain disruptions stemming from Russia's invasion of Ukraine as a short-term risk to our outlook for food spending in Egypt, particularly as lower wheat supplies will result in the price of flour and bread increasing.

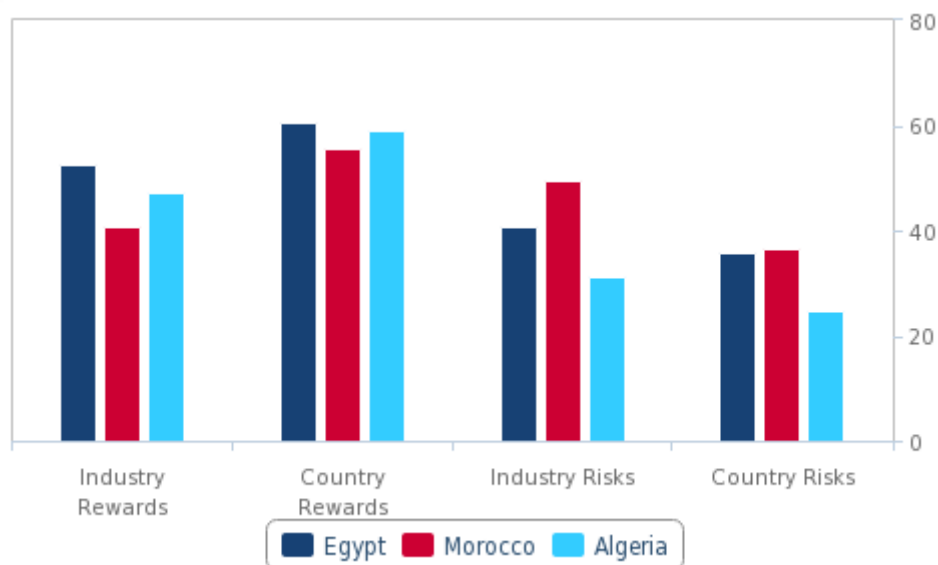
Morocco is the second most attractive market in North Africa in our food and non-alcoholic drinks RRI with a score of 45.5 out of 100 this quarter. This is followed by Algeria, with an RRI score of 44.8 out of 100. Our outlook for household spending in both Algeria and Morocco is positive and we expect it to grow by annual averages of 8.8% and 4.5% respectively over 2022-2026. As a result, Algeria outscores Morocco on the Industry Rewards pillar, with a value of 47.3 out of 100 compared to Morocco's score for this pillar of 40.6.



Note: Grey line refers the global average. Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

While Egypt and Algeria both have stronger Rewards portfolios compared to Morocco, driven by larger populations and stronger growth in real household spending, consumers in Morocco have the highest spending population (those between the ages of 19 and 39) in North Africa. While we project the spending population in Morocco to reach 30.2% in 2023, we forecast the spending population in Egypt to reach 30.2% and 29.1% in Algeria. In addition, we note that Morocco offers investors the safest Risk profile in North Africa, with a score of 43.0 out of 100 (compared to Egypt's 38.3 and Algeria's 27.9), with less volatile economic, political and business environments. Morocco's regulatory environment score of 71.4 is also the highest in the North African sub-region.

North Africa In Comparison
Egypt, Algeria & Morocco - Risks/Rewards Indicators



Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

MIDDLE EAST AND NORTH AFRICA FOOD & NON-ALCOHOLIC DRINKS RISK/REWARD INDEX									
	Industry Rewards	Country Rewards	Rewards	Industry Risks	Country Risks	Risks	RRI	Regional Rank	Global Rank
UAE	63.5	65.2	64.2	81.9	78.0	80.0	68.9	1	13
Saudi Arabia	56.2	73.8	63.2	61.6	71.1	66.3	64.2	2	23
Iran	76.5	70.0	73.9	34.9	26.7	30.8	61.0	3	31
Qatar	57.5	52.6	55.5	72.4	65.3	68.8	58.8	4	38
Kuwait	64.1	37.4	53.4	57.5	61.1	59.3	55.2	5	44
Oman	46.0	52.6	48.7	68.6	67.0	67.8	54.4	6	46
Egypt	52.7	60.7	55.9	40.6	36.0	38.3	50.6	7	55
Bahrain	29.5	46.7	36.4	83.5	54.0	68.7	46.1	8	65
Morocco	40.6	55.5	46.6	49.5	36.4	43.0	45.5	9	69
Algeria	47.3	59.0	52.0	31.1	24.6	27.9	44.8	10	71
Lebanon	39.4	49.5	43.4	55.9	11.7	33.8	40.5	11	76
Tunisia	26.3	41.4	32.4	43.2	20.6	31.9	32.2	12	91
Libya	13.0	39.5	23.6	25.7	12.2	19.0	22.2	13	100
Syria	1.0	48.8	20.1	15.6	4.3	9.9	17.0	14	104
Global Average	50.0	50.0	50.0	50.0	50.0	50.0	50.0	~	~
Regional Average	43.8	53.8	47.8	51.6	40.7	46.1	47.2	~	~

Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

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MIDDLE EAST AND NORTH AFRICA FOOD & NON-ALCOHOLIC DRINKS INDUSTRY REWARDS					
	F&D Spending Per Capita	Real HH Spend 5-Year Growth	Total F&D Expenditure	Industry Rewards	Rewards
UAE	69.5	69.5	51.4	63.5	64.2
Saudi Arabia	47.6	49.5	71.4	56.2	63.2
Iran	71.4	66.7	91.4	76.5	73.9
Qatar	73.3	71.4	27.6	57.5	55.5
Kuwait	77.1	76.2	39.0	64.1	53.4
Oman	51.4	58.1	28.6	46.0	48.7
Egypt	16.2	68.6	73.3	52.7	55.9
Bahrain	52.4	31.4	4.8	29.5	36.4
Morocco	23.8	44.8	53.3	40.6	46.6
Algeria	32.4	46.7	62.9	47.3	52.0
Lebanon	41.0	51.4	25.7	39.4	43.4
Tunisia	21.9	30.5	26.7	26.3	32.4
Libya	2.9	29.5	6.7	13.0	23.6
Syria	0.0	1.9	1.0	1.0	20.1
Global Average	50.0	50.0	50.0	50.0	50.0
Regional Average	41.5	49.7	40.3	43.8	47.8

Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

MIDDLE EAST AND NORTH AFRICA FOOD & NON-ALCOHOLIC DRINKS COUNTRY REWARDS						
	Population	Mass Affluent Class	Urban Population	Spending Population	Country Rewards	Rewards
UAE	39.0	76.2	45.7	100.0	65.2	64.2
Saudi Arabia	63.8	70.5	73.3	87.6	73.8	63.2
Iran	85.7	35.2	89.5	69.5	70.0	73.9
Qatar	12.4	82.9	16.2	99.0	52.6	55.5
Kuwait	16.2	61.9	21.9	49.5	37.4	53.4
Oman	21.0	65.7	25.7	98.1	52.6	48.7
Egypt	87.6	12.4	83.8	59.0	60.7	55.9
Bahrain	4.8	77.1	7.6	97.1	46.7	36.4
Morocco	66.7	26.7	66.7	61.9	55.5	46.6
Algeria	70.5	38.1	75.2	52.4	59.0	52.0
Lebanon	25.7	64.8	32.4	75.2	49.5	43.4
Tunisia	45.7	24.8	43.8	51.4	41.4	32.4
Libya	29.5	22.9	33.3	72.4	39.5	23.6
Syria	55.2	0.0	53.3	86.7	48.8	20.1
Global Average	50.0	50.0	50.0	50.0	50.0	50.0
Regional Average	44.6	47.1	47.8	75.7	53.8	47.8

Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

MIDDLE EAST AND NORTH AFRICA FOOD & NON-ALCOHOLIC DRINKS INDUSTRY RISKS

	Regulatory Environment	F&D Formalisation	Logistics Risk	Industry Risks	Risks
UAE	82.9	81.9	81.0	81.9	80.0
Saudi Arabia	34.3	78.1	72.4	61.6	66.3
Iran	7.6	57.1	40.0	34.9	30.8
Qatar	35.2	97.1	84.8	72.4	68.8
Kuwait	28.6	99.0	44.8	57.5	59.3
Oman	55.2	85.7	64.8	68.6	67.8
Egypt	49.5	15.2	57.1	40.6	38.3
Bahrain	85.7	88.6	76.2	83.5	68.7
Morocco	71.4	39.0	38.1	49.5	43.0
Algeria	9.5	54.3	29.5	31.1	27.9
Lebanon	51.4	87.6	28.6	55.9	33.8
Tunisia	58.1	46.7	24.8	43.2	31.9
Libya	6.7	68.6	1.9	25.7	19.0
Syria	17.1	28.6	1.0	15.6	9.9
Global Average	50.0	50.0	50.0	50.0	50.0
Regional Average	42.4	66.3	46.1	51.6	46.1

Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

MIDDLE EAST AND NORTH AFRICA FOOD & NON-ALCOHOLIC DRINKS COUNTRY RISKS							
	Long Term Economic Risk Index	Short Term Economic Risk Index	Long Term Political Risk Index	Short Term Political Risk Index	Operational Risk Index	Country Risks	Risks
UAE	61.0	62.4	77.1	96.2	85.7	78.0	80.0
Saudi Arabia	78.1	100.0	40.0	75.2	66.7	71.1	66.3
Iran	30.5	36.2	17.1	30.5	22.9	26.7	30.8
Qatar	42.9	49.0	61.0	94.3	72.4	65.3	68.8
Kuwait	51.4	72.4	55.2	81.0	53.3	61.1	59.3
Oman	43.8	68.1	65.7	89.0	67.6	67.0	67.8
Egypt	49.5	26.7	28.6	29.5	41.0	36.0	38.3
Bahrain	33.3	30.5	37.1	74.3	74.3	54.0	68.7
Morocco	17.1	14.3	59.0	36.7	45.7	36.4	43.0
Algeria	18.1	55.2	16.2	21.9	18.1	24.6	27.9
Lebanon	1.9	9.5	5.7	3.8	24.8	11.7	33.8
Tunisia	5.7	8.6	41.0	13.3	27.6	20.6	31.9
Libya	29.5	34.3	1.0	1.0	3.8	12.2	19.0
Syria	4.8	6.7	0.0	2.9	5.7	4.3	9.9
Global Average	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Regional Average	33.4	41.0	36.1	46.4	43.5	40.7	46.1

Note: Scores out of 100; higher score = more attractive market. Source: Fitch Solutions

Please Note: Our Risk/Reward Indices are updated frequently and, as a result, the scores in this section may not match the scores in the rest of the report.

Market Overview

Food

With an attractive demographics profile, combined with an improving economic environment, Egypt will increasingly attract more foreign investment, especially in the food delivery and fast-food segments. Both local and international majors, such as **Nestlé** and **Kraft Heinz**, are investing in expanding their production capacity in the country, with Egypt seen as a key hub for regional exports across the Middle East and Africa.

Recent Developments

- In February 2022, **Uber Inc's Careem** announced that it was investing an undisclosed sum in **elmenus**, a leading Egypt-based food delivery app. The partnership will help connect Careem with more than 12,000 eateries in five Egyptian cities and their customers. Careem stated that the investment is a crucial step in launching its Super App across the region.
- In January, UAE-based fast-food brand **Pickl** announced that it would enter the Egyptian market during the year. The chain plans to expand to 10 outlets in the country within five years.
- Also in January, Egypt-based baked goods manufacturer **Edita Food Industries** announced that it had failed to reach a deal to acquire local rival **Egyptian Belgian Company for Industrial Investments**, after they had signed a non-binding letter of intent over a possible deal in November 2021.

Market Drivers And Trends

We expect Egypt's food market to continue growing over our forecast period as the successful implementation of reforms draws foreign investment, boosting economic growth and job creation. Egypt introduced sweeping economic reforms at the end of 2016 as part of a three-year USD12.0bn IMF loan programme, floating its currency and cutting subsidies to attract foreign investment again after the 2011 uprising. While this led to high consumer price inflation, as the currency devaluation/foreign currency shortage impaired businesses' ability to import and so raised the prices of imported foodstuffs, we believe that these price increases have now filtered through.

In a bid to keep food prices low, the Egyptian government has also mandated the state grain buyer, the General Authority for Supply Commodities (GASC), to import essential food items and distribute these items to the public and private sectors. The GASC is working with Egypt's central bank to ensure that it has the required amount of foreign currency to fulfil this mandate. It continues to accept tenders for the import of meat, soybean and corn as part of this mandate. As recently as February 2021, the GASC still taps the market for wheat tenders, with 60,000 tonnes of France-origin wheat offered at USD293.75/tonne. In March 2021, it offered USD14/tonne for 360,000mn tonnes of Romania-origin wheat.

Food Processing

Egypt's processed food industry continues to develop steadily, attracting investment from a number of multinationals such as Nestlé and Kraft Heinz, which are predominantly attracted by the size of the Egyptian market. In 2020, Kraft Heinz announced it would inject nearly USD58mn (EGP920mn) worth of investments in Egypt over the coming five years, underscoring the commitment of international food processing companies to the Egyptian market. In December 2021, Nestlé Egypt announced plans to invest EGP700mn in new production lines, at its Sixth of October factory, between 2021 and 2025. The company has already invested EGP100.0mn of this amount in a new production line that was inaugurated on December 20.

A number of domestic and regional companies, such as the UAE-based **Agthia Group** (formerly the **Emirates Foodstuff and**

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Mineral Water Company) and Saudi Arabia-based **Halwani Brothers** and **Almarai**, are also present and aiming to capitalise on the growing demand for processed and packaged food products.

Unlike in most markets in the Middle East (particularly the Gulf Cooperation Council block), the majority of Egypt's population falls in the lower-income bracket and consumes a higher proportion of traditional food products purchased from independent grocery outlets. These products are cheaper and are also perceived to be healthier than packaged alternatives, which reinforces consumer scepticism regarding the merits of processed and packaged foods. As a result, such products are mainly consumed by middle- and higher-income consumers, who appreciate shopping in large and modern mass grocery retail outlets.

Although a number of major gains have been made by the food production industry, key challenges remain. Sector-wide certification for exports must be established, and small producers have a hard time keeping up with international standards, especially those of the EU, which are particularly stringent. The Egyptian Parliament set up the new National Food Safety Authority in January 2017. The authority is an independent organisation under the office of the Egyptian prime minister. Its goal is to protect consumer health, by ensuring that food products consumed, distributed, marketed or produced in Egypt meet the standards of food safety and hygiene. The agency is responsible for food safety regulation for domestic production, import and export through undertaking inspection, licensing and certification.

Trade

Egypt imports a significant amount of food and drink products, reaching USD11.0bn in 2020. Its most important trade partners are Russia, Brazil, Ukraine, Indonesia and Argentina, while the US and EU are also salient source markets. Egypt is especially dependent on imports of cereals, including wheat and maize, and meat, with these two categories accounting for 50%-60% of total food and drink-related imports. Higher-income consumers drive much of the demand for imported products, while low- and middle-income consumers substitute imports with domestic alternatives.

Egypt has ambitious plans to modernise its food processing sector, with the ultimate aim of increasing its exports across the Middle East and Africa in particular. Free trade agreements with neighbouring Middle Eastern markets are leading to an increase in export demand for Egyptian processed foods, such as frozen vegetables, dairy products, juice, herbs, spices and confectionery.

Many multinational companies have highlighted Egypt as a key hub for regional exports. Its geographic position between the Middle East and North Africa, as well as its regionally advanced transport infrastructure, makes it a natural choice if political stability prevails.

The Coca-Cola Company, for example, has highlighted Egypt in this regard.

Confectionery

The Egyptian confectionery market is dominated by chocolate sales. The market is supplied by a mix of local producers and importers. Multinational **Cadbury** (now part of **Mondelēz International**) is one of the leading players, partly on account of its heritage as a UK-based company. Its estimated value share of the chocolate segment is in the region of 50%.

One of the more prominent local players is Edita Food Industries, which offers baked snacks including cakes, wafers and biscuits under brands such as Molto, Bake Rolz and Todo. It also has the local rights to produce **Hostess Brands**'s HoHos product. More than 90% of its revenue is generated in Egypt, and in 2020, more than 42% of its revenue came from packaged cakes. Over 2021, Edita was in talks to acquire its rival Egyptian Belgian Company for Industrial Investments, the owner of cake, doughnut and croissant brand Ole. In November, the two companies signed a non-binding letter of intent over a possible deal. However, the parties failed to reach a deal and, in January 2022, talks were suspended.

El Rashidy El Mizan is one of the key players in the sugar confectionery segment. Its portfolio contains a popular halva product.

In July 2020, confectionery producer **Mars Wrigley** announced that the company had invested USD200.0mn in the Egyptian market and is looking to invest more in the country until 2022.

We highlight that in recent years, chocolate from Italy and confectionery from Turkiye have become popular in Egypt, with brands such as Nutella and Ulker widely available in the urban areas of the country. While chocolate and confectionery imports from Italy accounted for 10.3% of imports in 2010, they accounted for nearly 20% in 2020. Similarly, imports from Turkiye made up 5.4% of Egypt's total chocolate and confectionery imports in 2010, but this had expanded to 11.8% in 2020.

Dairy

Egypt's dairy industry, which has received considerable attention over the past few years, is relatively well developed, yet it is fragmented and shared among about 300 companies. One of the key players is **Juhayna Food Industries**, which is also a leading juice manufacturer. The conglomerate operates seven factories in Egypt. In June 2021, Abu Dhabi's investment fund **ADQ** was reported to be considering acquiring a stake in Juhayna, as it wants to increase its footprint in Egypt.

Egypt's largest dairy producer is **Dina Farms**, a subsidiary of agriculture and consumer goods conglomerate **Gozour**, which is owned by **Citadel Capital**. After a sizeable expansion in May 2013 at a cost of USD12.9mn, Dina Farms announced in August 2019 an EGP400.0mn (USD24.4mn) investment in its dairy farm and associated segments until 2022, to expand its production capacity, as part of the company's new phase of aggressive growth and restructuring. In June 2020, Dina Farms announced that it had doubled its yoghurt production capacity with an additional production line that can produce 10,000 cups of yoghurt per hour.

Saudi Arabia-based Almarai is also a leading dairy player in Egypt. Egypt is one of the company's core markets, after Saudi Arabia and the UAE. Almarai has production plants in Egypt and has indicated that it will continue to invest in the country over the coming years.

Another leading local dairy producer is **Beyti Food Industries**, which was acquired by **IDJ**, a joint venture (JV) between Almarai and **PepsiCo**. Beyti is estimated to hold a 20% market share in milk production and a slightly lower share in yoghurt production. In February 2022, Beyti confirmed that it had invested EGP204.0mn in the Egyptian market during 2021, primarily to establish new production and packaging lines. The company aims to invest a further EGP250.0mn in the country over 2022 to create additional production lines to join its current line-up of 24 lines for the production of juice, milk and yoghurt.

Western companies are also increasingly prominent in Egypt's dairy sector. In 2015, Denmark-based **Arla Foods** entered into a JV with Juhayna to establish **ARJU**. Juhayna owns a 51.0% stake in ARJU, while Arla holds the remaining 49.0% and is in charge of its daily management.

In January 2019, France-based **Lactalis** acquired 100% of **Greenland Group** in its aim to be a major producer of dairy products. Greenland has eight factories in Egypt producing cheese, ghee, milk, juices and other fresh dairy products. Greenland also owns and operates the only whey production facility in the Middle East region and exports its products to around 50 countries globally.

Halal Food

Egypt is the fourth largest halal food market globally, behind Indonesia, Turkiye and Pakistan. The importance of the halal food industry is continuing to grow in the Middle East and other Muslim-majority populations, driven by rising disposable incomes and consumption levels. Increasing health consciousness and interest in ethical consumption are also key drivers. Egypt is comfortably the largest market for halal foods in the North Africa region.

Income growth has benefitted the industry immensely, as meat consumption has increased, which has led to considerable product innovation. While consumers are traditionally partial to fresh meat, the demand for packaged and processed meat has picked up across the region. Health and hygiene scares have been a major driver in changing consumer habits and have ultimately benefitted the packaged-meat industry. Meat and halal products are now being imported from many markets, including Australia, New Zealand, Ireland, Brazil, Canada and the US. Most distributors of halal products are not from majority-Muslim countries; many international producers recognised the potential of the market and invested accordingly.

In January 2020, the government of Egypt issued a Prime Ministerial Decree establishing a new state entity in the form of a joint-stock company integrated by the Ministries of Islamic Affairs, Agriculture and Land Reclamation, and the General Organization for Export and Import Control. This joint-stock company **IS EG HALAL** is now the only official Egyptian entity responsible for issuing halal label certification for foreign products being imported into the country.

Food Services

Egypt's food services sector is relatively well developed; however, the sector remains highly fragmented, with independent local providers accounting for more than 80% of total sales. Political and economic turmoil in the country over 2011-2017 affected the industry, but greater stability in recent years has facilitated the rapid development of new food services concepts. The arrival of large shopping complexes, such as the Mall of Egypt, is also providing a boost to the food services sector.

Fast-food and full-service restaurants are the most popular formats, while the presence of self-serving cafeterias is limited, mostly due to the availability of cheap labour. Egypt has many major international food services brands, such as **KFC**, **Krispy Kreme** and **Pizza Hut**, all of which are managed by local franchisee **Egyptian Co for International Touristic Projects**, a subsidiary of Kuwait-based **Americana Group**. Krispy Kreme teamed up with its franchise partner Americana Group to open the doughnut chain's first location in Egypt in 2021. The new restaurant opened in Cairo in August, making Egypt the 31st market that Krispy Kreme operates in. **McDonald's**, consisting of more than 100 outlets, is operated by **Manfoods (Mansour Group)**. The most prominent domestic fast-food networks include **Cook Door**, **Mo'men**, **Smiley's Grill**, **Gad** and **El-Shabrawy**.

Talabat (formerly known as **Otlob**) is the market leader in the food ordering service segment in Egypt. The company was founded in 1999 and now offers more than 1,000 restaurant options across more than 25 cities in Egypt. In 2015, **Rocket Internet** acquired Otlob (now Talabat), which led to an app and online product redesign to provide a more user-friendly experience, and to increase the portfolio of outlets and to expand to more cities. In August 2020, Otlob was rebranded to Talabat.

Egypt-based food service platform **Ordera** enables users to order food from restaurants and cafés from its app and to collect their orders without waiting in line. The company has more than 150 food and drink partners on its platform (including **Burger King**, **Ted's** and **Caribous**) and charges these partners a commission for every successful order placed. In August 2020, it completed a six-figure funding round.

There have been numerous companies exiting the food delivery sector. In April 2019, the Spain-based home delivery start-up **Glovo** shut down its services in the country. In August 2019, the food delivery service **Carriage** closed its operations in Egypt, after opening in May 2019, citing strong competition from Talabat and **UberEats**. While UberEats added Cairo to its operations in January 2019, following launches in the UAE (where the food delivery app has more than 1,000 regular users), in June 2020, it announced plans to exit the Egyptian market and did so in February 2021. UberEats transferred its business to its subsidiary **Careem NOW**.

In February 2022, Careem announced that it was investing an undisclosed sum in elmenus, a leading Egyptian food delivery app. The partnership will help connect Careem with more than 12,000 eateries in five Egyptian cities and their customers. Careem stated that the investment is a crucial step in launching its Super App across the region. The food delivery service of elmenus is also offered in Saudi Arabia, Jordan, Qatar and Pakistan. In the UAE, elmenus offers 11 services, including ride-hailing, food and grocery delivery and payments.

Drink

Similar to most soft drinks industries in emerging markets, Egypt's carbonates category is dominated by **The Coca-Cola Company** and **PepsiCo**, both of which run extensive marketing campaigns. However, Gulf-based companies are increasingly active in Egypt. In some cases, such as the joint venture between **Almarai** and PepsiCo, Gulf and Western companies are combining forces to make headway in the Middle East and North Africa (MENA) region, with Egypt the standout market. Most notable among domestic companies represented in the soft drinks industry are **Faragalla** and **Juhayna Food Industries**.

Recent Developments

- In February 2022, **Beyti Food Industries** confirmed that it had invested EGP204.0mn in the Egyptian market during 2021, primarily to establish new production and packaging lines. The company aims to invest a further EGP250mn in the country over 2022, to create additional production lines to join its current line-up of 24 lines for the production of juice, milk and yoghurt.
- The Egyptian Cabinet announced in a statement on November 24 2021 that **Coca-Cola HBC** plans to invest USD1bn in the Egyptian market over the next five years, following the acquisition of **Coca-Cola Egypt** earlier in the year.
- In December 2021, **Nestlé Egypt** announced plans to invest EGP700.0mn in new production lines, at its Sixth of October factory, between 2021 and 2025. The company has already invested EGP100.0mn of this amount in a new production line that was inaugurated on December 20.

Market Drivers And Trends

Alcoholic Drinks

Al Ahram Beverages Company (owned by **Heineken**) continues to dominate the sector. Heineken became the leading company in Egypt's alcoholic drinks sector in 2003, following its purchase of a 97.8% stake in Al Ahram, which had a monopoly over alcoholic beverages in the country at that time.

Since Al Ahram was privatised in 1997, the sector has undergone strong growth and is still considered to have great potential for expansion. However, due to the country's predominantly Muslim population, beer sales rely on tourist consumption. While tourism continues to recover following the peak of the Arab Spring in 2011, numbers have still not returned to pre-crisis highs. Nevertheless, the alcoholic drinks industry continues to grow, albeit from a very low base.

As a result of such dynamics, Al Ahram is targeting its non-alcoholic beer offering. The company plans to use Heineken's worldwide distribution network to penetrate other Islamic markets, such as Indonesia, Morocco and Lebanon. The Fairouz brand is certified as halal by Al-Azhar University, Sunni Islam's most prestigious religious body. Certification gives the brand an enormous advantage in Islamic markets where practising Muslims do not consume alcoholic beverages. In June 2021, **Pepsi Cola Egypt** and Al Ahram announced a sale and resale agreement, aiming at scaling up the sales of non-alcoholic malt beverages in the Egyptian market. This agreement will increase the accessibility of the products and enable more consumers to purchase Al Ahram's non-alcoholic beverages, as it will leverage Pepsi Cola Egypt's distribution channels and capabilities across Egypt.

After a lengthy period of dominance, Al Ahram has recently been challenged by **Egyptian International Beverage Company** (EIBCO), which has set itself ambitious market-share targets and has initiated a process of rapid product development in an attempt to unseat Al Ahram. The reintroduction of competition in the sector, after years of Al Ahram's pre-eminence, is likely to benefit the industry considerably, providing a renewed growth spurt. EIBCO is therefore fuelling greater competition in the alcoholic drinks sector, boosting value and volume sales.

Soft Drinks

Similar to most soft drinks industries in emerging markets, Egypt's carbonates category is dominated by The Coca-Cola Company and PepsiCo, both of which run extensive marketing campaigns. However, Gulf-based companies are increasingly active in Egypt. In some cases, such as the joint venture between Almarai and PepsiCo, Gulf and Western companies are combining forces to make headway in the MENA region, with Egypt as the standout market. Both Coca-Cola and PepsiCo continue to invest heavily in Egypt. In February 2021, PepsiCo Egypt confirmed that it had added six new production lines and upgraded some existing ones over 2020, boosting output capacity by 10%-15%. The company planned to invest another USD100.0mn in the country over 2021, to add additional production lines, including a drinking water line with a capacity of 1,500 bottle packs and the opening of a new production facility. The investment formed part of the company's commitment to invest a total of USD515.0mn in the Egyptian market between 2018 and 2021.

In June 2020, Coca-Cola announced investments worth EGP5.0bn in Egypt over the following five years. In August 2021, Coca-Cola HBC announced that it was purchasing a majority stake in **Coca-Cola Bottling Company of Egypt** for USD427mn. A unit of HBC stated that it will buy about 98% of the Egyptian company from its major shareholders, including affiliates of The Coca-Cola Company and **MAC Beverages**. On November 24, Coca-Cola HBC stated that it would invest USD1.0bn in the Egyptian market over the next five years.

Egypt-based dairy and fruit juice producer Beyti, jointly owned by Gulf conglomerate Almarai (52.0%) and PepsiCo (48.0%), obtained a long-term loan of USD44.0mn from the European Bank for Reconstruction and Development in November 2017. The loan will go towards increasing production capacity, expanding logistical capabilities and delivering more points of sale. In February 2022, Beyti confirmed that it had invested EGP204.0mn in the Egyptian market during 2021, primarily to establish new production and packaging lines. The company aims to invest a further EGP250.0mn in the country over 2022 to create additional production lines to join its current 24 lines for the production of juice, milk and yoghurt.

Sales of carbonates are high in the country, particularly among younger consumers. Consumers are increasingly brand-conscious and are responding positively to new product launches targeting rising health-consciousness trends. **Mecca Cola** was previously a notable beneficiary of the boycott of US products, managing to significantly boost its market share as a result of its pledge to donate a percentage of profits to Palestinian and Egyptian causes. Most prominent among domestic companies represented in the soft drinks industry are Faragello and Juhayna Food Industries.

Unlike the carbonates sub-sector, the bottled water industry has a sizeable domestic presence. The **Mansour Group**-owned Hayat and **Sadat**-owned Aqua Siwa brands are among the most widely consumed products. In terms of multinational presence, Coca-Cola's Dasani and Nestlé's Pure Life are among the most popular brands. Pure Life was launched in Egypt in 2002 and now has a reported market share of around 15%, emerging as a challenger to major brands such as Evian and Volvic. While most brands are first developed in the West, then exported to emerging markets, Nestlé has been taking the opposite approach with Pure Life, launching it first in developing markets. The product is able to compete with local brands as it is affordable and benefits from the Nestlé brand name.

The fruit juice segment is more of a long-term opportunity for investors, given the low purchasing power of most of the population. However, given its higher-value profile, fruit juice will benefit from Egypt's economic development and will grow from a currently low base. That said, the category will remain underdeveloped in comparison with Middle Eastern markets for a number of years to come.

Hot Drinks

Traditional loose tea accounts for the vast majority of tea sales in Egypt. However, tea bags are growing in popularity as they are considered a higher-quality, premium product, owing to their greater convenience and better quality. Black tea is the traditional tea of choice in the region and continues to dominate the market. However, in recent years, other varieties such as green, fruit and herbal teas have also started to grow in popularity.

The leader in the tea segment is the domestic **Badawy & Sons Company**. Led by its Al Arosa brand, which accounts for more than half of the total market by value, the firm's product range appeals to the majority of Egypt's population.

In June 2020, the commercial and distribution arm of Juhayna, **Tiba for Trade and Distribution**, signed a partnership contract with **AMS Baeshen** to distribute Rabea Tea in the Egyptian market.

Egypt's fast-growing hot drinks industry has attracted investment from multinational giant Nestlé, which in early 2018 announced plans to acquire domestic instant coffee company **Caravan Marketing**. In January 2019, Nestlé inaugurated a new coffee factory in Egypt for its Bonjorno brand, following an investment of EGP250.0mn (USD14.0mn).

A sizeable youth population has been the key driver behind the rapid increase in the consumption of chocolate-based hot drinks, which are popular in on- and off-trade channels. Such flavoured powdered drinks are available both in the winter (hot) and summer (chilled), which has contributed to their popularity.

Mass Grocery Retail

The Egyptian mass grocer retail (MGR) sector is developing steadily as consumers trade up to formal grocery retailing, especially in major cities such as Cairo and Alexandria. Despite good progress, the market remains fragmented and continues to be dominated by small, family-run, independent stores in highly populated urban areas. We highlight e-grocery as an area that will record strong growth over the coming years, fuelled by solid internet access in urban areas and improving final-mile logistics.

Recent Developments

- On February 28 2022, **Spinneys** opened its newest store in Egypt, in Zahraa El Maadi, Cairo, bringing its store count in the country to 18. Five more Spinneys stores are scheduled to open in Egypt before the end of the year, with the next opening planned in Nasr City.
- In January 2022, Egypt-based online grocery startup **Tawfeer Market** raised USD500,000.0 in seed funding to help it expand beyond Alexandria. Launched in 2019, Tawfeer Market allows users to find and purchase groceries through an app, which are then delivered within an hour.
- LuLu Group International** is investing EGP8.0bn in Egypt between 2021 and 2024 to open 11 hypermarkets, four minimarkets and a distribution centre.

Major Players

Carrefour Majid Al Futtaim (MAF) is the market leader in the hypermarket category. Originally a joint venture between **Carrefour** and **MAF**, the business is now 100% owned by MAF, following a deal in 2013. MAF is the Middle East's sole franchisee of the Carrefour fascia. It is currently engaging in strong expansion plans in the Middle East, although it has particularly targeted Egypt.

Dubai-based Spinneys, which first opened in Egypt in 2007, has expanded rapidly in recent years, more than quadrupling the size of its store network since 2015. The grocery retailer now has 18 outlets in Egypt, including hypermarkets and supermarkets, after opening two new stores over 2021 and another in February 2022. Spinneys plans to reach 23 outlets in the country by the end of 2022. In July 2019, Spinneys was acquired by South Africa-based **Investec Asset Management** (now **Ninety One**) for an undisclosed sum.

Mansour Group-owned **Metro** (not to be confused with the Germany-based **Metro Group**, which ceased operations in Egypt) is a large domestic retailer in Egypt. The supermarket has stores in Cairo, Alexandria, Giza, Mansoura and Iasmaillia. Most of its outlets are open 24 hours a day in order to meet the growing demand for convenience. Metro's strategy has also been to diversify its store formats. Carrefour MAF sought a takeover of Metro in Egypt in 2013, but the deal fell through. Metro now has 48 outlets in its network of stores across the country.

Saudi Arabia-based **Panda Retail** entered the Egyptian market in 2015, focusing on the cities of Cairo, Alexandria, Mansoura and Assiut. Panda opened its first hypermarket in Upper Egypt in Q417 and plans to open a further 15 branches in the region.

LuLu Group International is also becoming an increasingly important player on the Egyptian MGR market. While LuLu is one of the most important grocery retail chains in the countries of the Gulf Cooperation Council (together with Carrefour), it currently only operates three stores in Egypt. However, the **Abu Dhabi Developmental Holding Company** (ADQ) entered into a non-binding agreement with LuLu, to facilitate investment and support LuLu's expansion in Egypt of up to USD1bn. In February 2021, LuLu Group opened its third hypermarket in Egypt, in New Cairo. At the same time, the retailer announced that it would open 11 hypermarkets, four minimarkets and a distribution centre in Egypt in the next three years, with an investment of EGP8.0bn.

We are seeing the aggressive expansion of discount stores, as the middle class increasingly seeks lower prices. **Kazyon** (450-plus stores) and Turkiye-based **BIM** (320-plus stores) are the most successful hard discounters in Egypt, opening small supermarket outlets that are conveniently located in urban neighbourhoods. Both retailers are planning on further expansion. In November 2014, Turkish supermarket retailer BIM entered the Egyptian market, opening its first 46 outlets in the country. Kazyon also entered the Egyptian market in 2014 and is one of the fastest-growing retailers in Egypt. The retailer has plans to grow its network to more than 1,000 stores in the coming years, to double its warehouse capacity and to serve all regions of Egypt via its own fleet of vans and trucks.

Market Drivers And Trends

Egypt's MGR sector is poised for robust growth over our forecast period on the back of growing investment, rising incomes and a favourable demographic profile (a large young adult population). Investment activity continues to step up, enabling consumers to trade up to formal grocery retailing, especially in major cities such as Cairo and Alexandria.

Despite good progress in recent years, the market remains fragmented and continues to be dominated by small, family-run, independent stores in highly populated urban areas. These informal grocers and traditional wet markets make up an estimated 70% of total grocery spending. However, the market share of such outlets has declined in recent years as the sector has begun to develop steadily. While the estimated 65,000 family-run shops and traditional markets still account for the majority of food sales in the country, this figure is declining - a trend that can be attributed to the increasing presence of foreign retailers. Regional MGR operators are showing greater interest in Egypt, and as store openings increase across the country, formal food retail's share of total food and drink sales will grow.

Sales via supermarkets and hypermarkets remain relatively small as a total proportion of grocery sales, hindered by the fact that the majority of Egyptians do not have transport to travel to the out-of-town malls that usually house these modern outlets. However, the hypermarket model is gradually emerging in Egypt and will continue to grow over our forecast period, due to the value-added services offered. Poor infrastructure also makes journey times slow, meaning shoppers often only want to make one journey for groceries, and large formats fulfil this purpose. The rising number of discount stores appeal to the large number of low-income consumers in Egypt. However, small, independent stores will retain significant market influence for the time being, since they cater for higher- and lower-income consumers.

Egypt's large and youthful population will yield considerable demographic dividends for players in the organised retail sector over the medium term. With a population of more than 100mn, of which roughly 58% are younger than 30, retailers stand to benefit from a large and diverse consumer market. An expanding young adult population (20-39 years) will drive sales in the formal food retailing sector as this cohort tends to embrace modern consumption patterns and is willing to make higher-value purchases. We forecast the young adult population to make up around 30% of the total population over our five-year forecast period.

Rising incomes will support food and non-alcoholic drink sales in the organised retail sector. We expect private labels and affordable mass market offerings to perform well as the majority of Egyptian households fall into low-income brackets. While consumer purchasing power came under pressure in 2017 due to elevated inflation following sharp currency devaluation, we forecast a strong recovery in household incomes over our medium term. As a result, quality and shifting preferences towards branded packaged goods will increasingly determine purchasing decisions, thus driving demand for formalisation even beyond our five-year outlook.

An area of significant growth over the coming years will be grocery delivery, fuelled by rising incomes, the country's young population, solid internet access in urban areas and improving final-mile logistics. Cairo is home to many e-grocery start-ups that we expect to expand significantly in response to growing demand. Two of the most salient e-grocery start-ups from Egypt are **Appetito** and **GoodsMart**. In July 2021, Cairo-based grocery delivery platform GoodsMart raised USD3.6mn in funds in a round led by **Sawari Ventures**. The company aimed to launch in East Cairo in the next few months.

Competitive Landscape

KEY PLAYERS IN EGYPT'S FOOD SECTOR

Company	Ownership	Market Of Origin	Sub-Sector
AJWA Food Industries	Ajwa Group For Food Industries Holding	Saudi Arabia, Egypt	Food - edible oils, frozen fruit and vegetables, baked goods
Arab Dairy	Pioneers Holding	Egypt	Food - dairy
Cadbury (BimBim)	Mondelēz International	Egypt	Food - confectionery
Cairo Poultry Company (Kuwait Food Company) (Americana)	Kuwait Food Company (al-Americana) KSCP	Egypt (Kuwait)	Food - meat processing
Coca-Cola Bottling Company of Egypt	Coca-Cola HBC AG	US	Food - snacks
			Beverages - soft
Faragalla Group	na	Egypt	Food - meat, and fruit and vegetable processing
			Beverages - soft and hot
Hana Foods	Hana Foods Kk	Egypt	Food - pasta
International Company for Agro-Industrial Projects (International Dairy and Juice)	Almarai - Joint Stock Company	Egypt	Food - dairy
Ismailia Misr Poultry	Ismailia Misr Poultry Co SAE	Egypt	Food - meat processing
Juhayna Food Industries	Juhayna Food Industries SAE	Egypt	Food and beverages - dairy and fruit juice
Kraft Foods Egypt	Mondelēz International	US	Food - convenience, cereals and dairy
			Beverages - hot and soft
Mars Egypt	Mars, Incorporated	US	Food - confectionery
Nestlé Egypt	Nestlé SA	Switzerland	Food - confectionery
			Beverages - hot and soft
Sima Group	na	Egypt	Food - confectionery

na = not applicable. Source: Company reports, trade press, Fitch Solutions

KEY PLAYERS IN EGYPT'S DRINK SECTOR

Company	Ownership	Market Of Origin	Sub-Sector
Al Ahram Beverages Company (Heineken)	Heineken International	Egypt	Beverages - alcoholic and soft
Coca-Cola Bottling Company of Egypt	Coca-Cola HBC AG	US	Beverages - soft Food - snacks
Egypt Bottling Company (Pepsi)	PepsiCo	US	Beverages - soft
Faragalla Group	na	Egypt	Beverages - soft and hot Food - meat, and fruit and vegetable processing
Juwayna Food Industries	Juwayna Food Industries	Egypt	Beverages - fruit juice Food - dairy
Kraft Foods Egypt	Mondelēz International	US	Beverages - hot and soft Food - convenience, cereals and dairy
Nestlé Egypt	Nestlé SA	Switzerland	Beverages - hot and soft Food - confectionery

na = not applicable. Source: Company reports, trade press, Fitch Solutions

KEY PLAYERS IN EGYPT'S MASS GROCERY RETAIL SECTOR

Company	Market Of Origin	Fascia	Format
BIM	Turkiye	BIM	Supermarket/discount store
Metro (Mansour Group)	Egypt	Metro/Kheir Zaman	Supermarket/discount store
Carrefour MAF*	France/UAE	Carrefour	Hypermarket
		Carrefour Market	Supermarket
Ragab Sons	Egypt	Ragab Sons	Supermarket
Spinneys Group	Lebanon	Spinneys	Hypermarket
Awlad Ragab	Egypt	Awlad Ragab	Discount store
El Mahrid (joint venture)	Egypt	El Mahrid	Discount store
Fathalla Gomla	Egypt	Fathalla	Supermarket, wholesaler
Zahran	Egypt	Zahran	Supermarket
Abu Zekri	Egypt	Abu Zekri	Discount store
El Hawary	Egypt	El Hawary	Supermarket
Oscar	Egypt	Oscar	Supermarket
Metro	Germany	Makro	Cash-and-carry

*Carrefour's stake in the joint venture was sold to its partner MAF in mid-2013. Source: Company reports, trade press, Fitch Solutions

Company Profile

Al Ahram Beverages

Strengths	Weaknesses
- With its dominant market position, Al Ahram Beverage Company (ABC) is one of Egypt's most profitable beverage companies. According to company data, ABC holds an 11% share of the soft drinks market and more than an 85% share of the beer market. - The company benefits from Heineken's reputation and financial strength. - Its Stella brand is popular, accounting for more than 40% of its beer sales. - The long-term export outlook is favourable. Egypt has free trade access to the EU, the Middle East and Sub-Saharan Africa.	- ABC will have to invest heavily if its soft drinks division is to grow significantly, particularly as competition from Gulf companies intensifies. Competition is provided by the Egyptian International Beverage Company. - Alcohol consumption levels are low in Egypt, as in the majority of Muslim countries.
Opportunities	Threats
- The firm is active in the non-alcoholic beer segment, widening its target market in Egypt. - Free trade access to COMESA markets and preferential market access to the EU is likely to boost export sales.	- Egypt's low vaccination rate could result in the periodic tightening of Covid-19 measures and weigh on growth opportunities over the coming quarters. - Unaddressed political and security issues have impacted the bottom line for many companies, due to disrupted trading hours and damaged shopping outlets. - The company states that 50% of its revenues comes from tourists, meaning that ABC is heavily exposed to tourist arrivals fluctuations, which have been significant in recent years. - Alcoholic drinks are subject to high tax and strict regulations in Egypt.

Company Overview

Al Ahram Beverages Company (ABC) is owned by Netherlands-based brewing major Heineken, which acquired the firm in a deal worth USD280.0mn in 2002. The company is estimated to have at least an 85% market share of the beer sector in Egypt. It distributes 27 brands, including Guinness, Stella, Carlsberg and Heineken. It also produces a soft drink range that includes RC Cola and RC Orange, as well as ready-to-drink alcoholic beverages such as carbonated vodka drink ID Edge.

The company has several facilities: breweries in Gouna, Badr, Sharkia and El Obour; a distillery and a winery in Gianacelis; and a malting plant focused on exports. Its United Distillery Group subsidiary is a prominent spirits producer, offering products such as ID vodka, Cubana rum and Butler's gin. The company also has alcohol-free beverages. Brands within this range include Amstel Zero, Birell and Fayrouz.

Strategy

ABC's strategic objective is to position itself as a beverage company, rather than an alcoholic beverage specialist, in spite of its affiliation with Heineken. To this end, the company intends to continue promoting its Fayrouz non-alcoholic brand and to revamp its underperforming RC Cola brand. The brewer is also likely to focus on growing export volumes to compensate for Egypt's low demand for beer. Currently, it exports to around 20 markets, mainly in Sub-Saharan Africa, the Middle East and Asia.

Since 2016, ABC has invested more than EGP1bn (in new production lines, line extensions and production improvements) in Egypt. More than 90% of ABC's spending is done with local suppliers, in addition to an estimated annual EGP2bn spent with local partners.

Recent Developments

2021

In June, Pepsi Cola Egypt and ABC confirmed their sale and resale agreement, aiming at scaling up the sales of non-alcoholic malt beverages in the Egyptian market. This agreement will increase the accessibility of their products and enable more consumers to purchase ABC's non-alcoholic beverages, Fayrouz, Birell and Amstel Zero, as it will leverage Pepsi Cola Egypt's distribution channels and capabilities across Egypt.

2019

In its FY2018 results released in February, Heineken highlighted Egypt (along with South Africa, Ethiopia and Rwanda) as an outperforming market in Africa, reporting strong volume growth in the country. Overall, beer volume growth rose by 5.0% organically in Africa, the Middle East and Eastern Europe regions in FY2018, with regional operating profit up by 16.2% y-o-y.

Financial Data

Financial year ending December 31

Global Revenue (Heineken)

- 2021: EUR26.5bn
- 2020: EUR19.7bn
- 2019: EUR24.0bn

Global Net Profit (Heineken)

- 2021: EUR3.3bn
- 2020: (EUR204.0mn)
- 2019: EUR2.2bn

Cairo Poultry Company

Strengths - Cairo Poultry Company (CPC) is the exclusive supplier to fast-food restaurants such as KFC, Pizza Hut, McDonald's and Burger King, and to a range of high-end hotels, such as Marriott. - It is one of Egypt's leading poultry companies by sales. - There is promising export exposure to the wider Middle East region. - Vertical integration allows for lower operational costs.	Weaknesses - Consumer purchasing power remains low. - The mass grocery retail network is underdeveloped. - CPC has had to invest considerably in recent years in a new processing plant and in a print and television media campaign to convince consumers that eating frozen chicken poses no health risk.
Opportunities - The government lifted a 14-year-old ban on poultry exports from Egypt in 2020. - The demand for processed meat is expected to continue rising steadily on the back of rising incomes and wider exposure to Western consumption habits. - Continued growth in Egypt's and the region's food services industry will increase the demand for CPC's poultry range.	Threats - Restrictions could be re-implemented in Covid-19 hotspots within Egypt, as the uptake of vaccines has been slow. - Many consumers remain cautious of processed meats. - Egypt's weak regulatory environment could affect the pace of expansion. - Bird flu is an ongoing threat.

Company Overview

Established in 1977, Cairo Poultry Co SAE is a subsidiary of Kuwait Food Company. It is an Egypt-based company that operates in the farming and food processing sectors. It is Egypt's leading poultry producer and specialises in two main areas: poultry operations and poultry feed. The company is listed on the Cairo stock exchange. It is involved in the production of poultry compound feed and concentrates, the production of broilers (chickens for roasting), chicken processing (including slaughtering and freezing) and other value-added processed product ranges. It currently has two large slaughtering facilities, three main feed production facilities and seven farms, hatcheries and production facilities in the country, as well as a network of 11 retail outlets. Its export markets include the UAE, Kuwait, Bahrain, Qatar, Oman and Saudi Arabia.

Strategy

The company has invested in the expansion of its production facilities. In October 2012, CPC approved the creation of a new poultry feed plant in Nubaria (northern Egypt). The investment of EGP170.0mn will reportedly lead to annual production volumes of around 650,000 tonnes.

Recent Developments

2021

In December, the company announced that its Nubaria plant had been certified with ISO 9001 and ISO 22000, the certifications for food safety and quality of management system.

2020

In October, CPC launched its new Koki Gold product range, its first new product launch since 2017. The new range consists of seven products, including chicken and beef, as well as some seafood products for the first time.

In April, the board of directors of CPC approved the final offer submitted by Cairo 3A for International Industries to buy the company's stake in Egyptian Starch & Glucose Company. The deal was completed in May.

Financial Data

Fiscal year ending December 31

Total Revenue

- 2021: EGP4.99bn
- 2020: EGP4.17bn
- 2019: EGP4.41bn

Net Profit

- 2021: EGP182.2mn
- 2020: EGP103.3mn
- 2019: EGP116.9mn

Coca-Cola Egypt

Strengths • Coca-Cola is one of the two leading soft drinks companies in Egypt. • Its product portfolio is strong and supported by extensive marketing campaigns. • The company has successfully targeted younger generations. • It is backed by a powerful parent company. • Soft drinks benefit from the weak alcoholic drinks sector in Egypt.	Weaknesses • Much of the population has low purchasing power. • Non-carbonates are disadvantaged by their relatively high prices. • The underdeveloped mass grocery retail network hinders access to novel products. • PepsiCo is still the dominant force in Egyptian soft drinks.
Opportunities • There is an increased interest in healthier alternatives to sugary carbonates. • Economic development will increase consumer purchasing power. • Consumers are increasingly brand-conscious. • Significant recent investment will improve production facilities for both domestic consumption and exports.	Threats • Restrictions could be re-implemented in virus hotspots within Egypt, as the vaccination roll-out has been slow by international standards. • PepsiCo provides strong competition and invests heavily in marketing and promotion. • Coca-Cola's name was tarnished by a court case over property ownership and expropriation. • Traditional carbonates face increasing pressure over their negative impact on health. • Political instability could continue to weaken consumer and investor sentiment.

Company Overview

Coca-Cola is one of the two key players in the Egyptian soft drinks sub-sector, alongside PepsiCo. Both have strong brands and portfolios, supported by targeted advertising campaigns. Cola-Cola has a long history of operations in Egypt, which particularly expanded in the 1950s through an increased collaboration with the local licensed bottler. In 1994, ENBC was acquired by Coca-Cola for USD142.0mn, which was subsequently renamed Coca-Cola Bottling Company of Egypt (CCBCE). In 2021, Coca-Cola HBC announced that it was purchasing a 94.7% stake in CCBCE for USD427.0mn.

Strategy

The company aims to maintain and strengthen its portfolio, as well as to cut costs. Coca-Cola has increased its focus on healthier alternatives, through the launch of products such as Coke Zero. It is also present in the mineral water industry in Egypt, which is expected to provide a longer-term boost to its revenues and brand awareness.

Recent Developments

2021

The Egyptian Cabinet announced in a statement on November 24 that Coca-Cola HBC plans to invest USD1.0bn in the Egyptian market over the next five years, following the acquisition of Coca-Cola Egypt earlier in the same year.

In August, Coca-Cola HBC announced that it was purchasing a majority stake in CCBCE for USD427mn. A unit of HBC stated that it will buy about 94.7% of the Egyptian company from its major shareholders, including affiliates of The Coca-Cola Company and MAC Beverages.

2020

In June, the company announced investments worth EGP5.0bn in the local market over the following five years, with EGP1.0bn of this to be spent during 2020.

Coca-Cola funded the distribution of more than 1mn bottles of water, at a cost of EGP3.7mn, to hospitals dedicated to treating Covid-19 patients.

In February, Orange Egypt renewed its contract with Coca-Cola Egypt to provide mobile services, smart and digital applications through Orange's network and tracking services for the Coca-Cola fleet, in addition to joint advertising.

2019

In May, Coca-Cola revealed plans to add new beverages to its Egyptian portfolio, such as tea, coffee and juices.

Faragalla

Strengths	Weaknesses
- Faragalla is one of Egypt's largest food and beverage companies. - Its wide product portfolio covers the meat processing, dairy and fruit juice industries. - Faragalla operates its own trading and distribution arm, Egyptco. - The company's production facilities have received international certification. - It is one of the main suppliers to international restaurants in Egypt, including McDonald's. - Its export geography is wide.	- Faragalla will have to invest heavily to grow its brands as competition stiffens. - Fresh foods are traditionally considered healthier than processed foods. - Political unrest has been disturbing the growth of retail and grocery sales.
Opportunities	Threats
- Its dairy and fruit juice segments should benefit from wider industry growth. - The company has the ability to innovate. - The continued growth of the mass grocery retail industry is likely to improve Faragalla's routes to market. - Opportunities for export growth could strengthen over the coming years, with additional capacity already in place. - Financial backing from the European Bank for Reconstruction and Development will enable the company to pursue expansion plans.	- Restrictions could be re-implemented in virus hotspots within the country, due to the slow uptake of vaccines. - It faces increasing competition from ambitious domestic and regional rivals intent on capitalising on the size of the Egyptian market. - Many Egyptian consumers live below the poverty line and cannot afford the company's products.

Company Overview

Faragalla is one of the leading food companies in Egypt and the Middle East. It began operations as a bakery and meat manufacturer in 1974, but has since expanded into frozen vegetables, instant meals and canned produce. Currently, three separate food processing companies operate under the Faragalla group, encompassing 28 ISO-certified production lines. Faragalla operates 15 factories which supply more than 1,000 products and carry out exports to more than 90 markets. The company has manufacturing agreements with multinationals, such as Del Monte (juice production) and France-based Danone (dairy products), and has sought to increase and to modernise its production lines over the years.

Three separate food processing companies operate under the Faragalla group, encompassing 28 ISO-certified production lines. According to local sources, Faragalla is estimated to hold a 28.0% share of the country's juice and milk market, a position it is seeking to strengthen with additional homogenised and sterilised products, in collaboration with TetraPak. Faragalla's leading juice brands include Faragello, Faragello Gold, Yahoo! and Sabaho.

Strategy

The company has sought to maintain its market position by constantly re-evaluating and updating its product range and extending its production capacity whenever suitable opportunities arise. It has differentiated itself from potential multinational market entrants by showing a high degree of sensitivity to the needs of Egypt's consumers. It rebranded its entire Faragello range, while keeping the company name of Faragalla, in order to appease consumers who felt uneasy disposing of packages branded with the word 'alla'. Faragalla was among the first manufacturers to respond to consumer concerns about the nutritional content of packaged foods, by emphasising the health benefits of its food on its packaging. This is likely to remain the company's best tactic, with food health and hygiene at the top of consumers' minds, owing to bird flu outbreaks.

According to an announcement made by Faragalla's chairman Mohamed Farag Amer in June 2015, the group's total investments in Egypt were worth USD1.3bn. He noted that the group was seeking to increase market share by providing new products to the local market. This led to investments worth EGP2bn over 2016/17 to establish three new factories, including a factory for the production of sauce in metal containers and a juice factory in glass containers, besides a new factory for packaging (Tetra Pak) and the development of a frozen vegetable factory. Faragalla also continues to expand outside Egypt, with the company announcing that it would set up two production plants in Sudan in 2021.

Juhayna Food Industries

Strengths - Juhayna Food Industries is one of the leading dairy companies in Egypt and is also a major juice manufacturer. - There is steadily rising demand for dairy products. - Considerable investment in capacity expansion has been made in recent years. - The company benefits from a strong brand following.	Weaknesses - Consumers have low purchasing power. - The mass grocery retail network is underdeveloped. - There is strong competition from Gulf companies in the dairy and juice industries.
Opportunities - The demand for dairy and non-traditional soft drinks is expected to continue rising steadily on the back of rising incomes and wider exposure to Western consumption habits. - Continued growth in Egypt's, and the region's, food services industry will increase the demand for the company's dairy and juice products. - Expanding and more aspirational middle classes are providing a solid growth platform. - The joint venture with Arla Foods could strengthen the company's market position.	Threats - Restrictions could be re-implemented in Covid-19 hotspots within the country, due to a slow vaccination rollout. - Egypt's weak regulatory environment could affect the pace at which the company is able to expand. - The uneasy political situation negatively impacts the company's bottom line. - Multinationals show strong interest in Egypt's food and drink sector. - Fluctuations in raw material costs could affect the company's profits.

Company Overview

Juhayna Food Industries, also a leading juice manufacturer, is a key player in Egypt's dairy industry. The conglomerate operates seven facilities in Egypt and has more than 30 distribution centres, delivering products to more than 136,000 retail outlets nationwide. It also owns a dairy farm with capacity for 7,000 milking cows.

Strategy

Consumption of juice and dairy is likely to increase over the next few years. Juhayna is strongly placed in both sectors. It has a wide and segmented product range, which will allow it to be one of the domestic companies playing a lead role in the development of the food and drink industry. Juhayna holds a particularly strong position in packaged dairy. Recent market studies indicate that Juhayna has a level of brand awareness that is more pronounced than its leading competitors on the Egyptian market. Fears over food safety and industry modernisation have boosted the development of the packaged food sector in Egypt, which is expected to continue to grow in the coming years.

Recent Developments

2022

In December, Juhayna announced the company's revenues increased to EGP8.2bn in 9M22, compared to EGP6.5bn a year ago over the same period in 2021.

2021

In December, Juhayna announced that it had recorded consolidated net profit of EGP490.0mn in 9M21, up by 27.7% from EGP383.6mn a year prior. The company's revenues increased to EGP6.5bn in 9M21, compared to EGP5.6bn over the same period in 2020.

In June, Bloomberg reported that Emirate state-owned ADQ was considering buying a stake in Juhayna. However, Juhayna Food Industries said that it had not received a formal offer from ADQ in this regard.

Over H121, the company added plant-based milk to the more than 200 products it exports to European, Arab and African markets.

Juhayna Food Industries announced its consolidated results for 2020, reporting revenues of EGP7.6bn, with flat growth. The company said that growth in the dairy and fermented segments had been offset by declines in its juice, concentrates and agriculture segments. Juhayna's net profit amounted to EGP428.4mn, up by 30.3% y-o-y. The firm stated that during the year, it had maintained its market leadership in the milk segment and grown its market share in the plain yoghurt, juice and flavoured milk sub-segments.

2020

In June, the commercial and distribution arm of Juhayna, Tiba for Trade and Distribution, signed a partnership contract with AMS Baeshen to distribute Rabea Tea in the Egyptian market.

In March, Juhayna announced that it plans to add new high-margin product segments over the medium term. Its new Greek yoghurt and lactose-free milk products have exceeded expectations. These segments will see a ramping-up in production and an increased allocation of related raw materials.

Juhayna decided to downsize its workforce and discontinue unprofitable production lines and sales routes as part of efforts to lower costs.

Financial Data

Fiscal year ending December 31

Total Revenue

- 2021: EGP8.8bn
- 2020: EGP7.6bn
- 2019: EGP7.6bn
- 2018: EGP7.1bn

Net Profit

- 2021: EGP526.2mn
- 2020: EGP428.4mn
- 2019: EGP328.7mn
- 2018: EGP405.7mn

Majid Al Futtaim (Carrefour)

Strengths • Majid Al Futtaim (MAF) has a strong brand name in the Carrefour franchise. • It is the sole franchisee of the Carrefour brand, with a contract until 2025. • The company's operations in 17 markets across the Middle East and North Africa mean that the company is relatively well diversified. • MAF stocks more than 500,000 products and has many in-store value-added offerings.	Weaknesses • Significant capital expenditure will be required for MAF to realise the potential of Egypt's fledgling mass grocery retail industry. • Recent political unrest is disturbing the development of retail. • Many customers are unable to access modern mass grocery retail outlets. • Densely populated urban areas limit hypermarket expansion in key cities.
Opportunities • Increased demand for e-shopping due to Covid-19 pandemic offers an area for growth. • Retailers can partner with food delivery companies to take advantage of more consumers staying at home. • Hypermarket and supermarket sales are forecast to grow dynamically over the coming years. • MAF's renowned private-label range is popular with price-conscious consumers. • Recent health and hygiene scares have led more Egyptians to convert to modern retail formats. • Significant investment in expansion could further strengthen the company's position in Egypt.	Threats • Restrictions could be re-implemented in Covid-19 hotspots within the country, due to slow vaccine uptake. • Car ownership in Egypt is still quite low, meaning that hypermarkets remain inaccessible to many consumers. • The potential of the Egyptian mass grocery retail sector means that multinationals are likely to enter in the near future. • Although it is improving, Egypt's bureaucratic regulatory environment has the potential to slow expansion. • The expansion of the LuLu retail group in Egypt will increase competition in the mass grocery retail sector.

Company Overview

Originally conceived of as a joint venture, Carrefour's partnership with Majid Al Futtaim (MAF) was aimed at expanding its presence across the high-growth Middle East and North Africa (MENA) region. MAF is now the sole owner of the Carrefour franchise in the Middle Eastern region, having bought the France-based company's 25.0% stake for EUR530.0mn. MAF Carrefour has grown to 300 stores across the region.

Strategy

MAF Carrefour has fundamentally altered Egypt's mass grocery retail landscape by introducing its 'one-stop shop' hypermarket model. MAF's strategy for the Middle East region has been to drive modernisation and create demand for its brand, rather than to delay market entry until modernisation occurs.

The company has tapped into a small but constantly expanding middle class, which has been enough to sustain it. As this middle class and the overall demand for Western goods has grown, Carrefour has been able to expand its store network. Carrefour's strategy is also to diversify its in-store offering, providing toy corners, games areas and a wider variety of international products in order to set itself apart from local rivals.

Carrefour's 2021 foray into scan-and-go shopping in Egypt also demonstrates that the retailer is focusing on innovation, convenience and customer service in order to set itself apart.

Recent Developments

2021

In March, Carrefour Egypt launched Scan&Go Mobile, a feature allowing customers to use their smartphones to scan items, check out and pay on their own, without the need to wait in a checkout queue. Using the MAF Carrefour mobile app, customers can scan the barcode of each product as they shop, before making their way to a dedicated Scan&Go checkout area, scanning their QR code and making a contactless payment via a debit or credit card. The service is now available at stores including Maadi City Center, Carrefour Cairo Festival City Mall, Madinaty and Shorouk, with plans to roll it out to more stores.

2020

Carrefour announced in September its plans to invest EGP200mn in Egypt before the end of the year. The investment will mostly focus on opening new branches in different governorates. About 39 Carrefour branches are expected to open over a period of five years.

In July, MAF Carrefour announced the opening of its 53rd outlet in Egypt, located in the Zaki Ragab neighbourhood of Alexandria. A further three outlets are expected to open in Egypt in the last three months of the year. The four new outlets will add up to an investment of EGP37.0mn.

Carrefour Egypt has expanded its online shopping team to meet the higher demand witnessed since the Covid-19 outbreak. This step came after demand volume through online channels grew six times above the average rate. Carrefour Egypt has appointed more employees to the e-shopping services team, in addition to adding a whole team for offering services via mobile phones. The e-shopping team now operates 24 hours a day, in two shifts.

In March, Carrefour Egypt said that it had sufficient stock of products for the coming weeks and months, after urging shoppers not to hoard goods and calling for compliance with preventive safety measures amid fears over the Covid-19 outbreak.

2019

In July 2019, MAF announced plans to open four new Carrefour branches across Egypt. The four branches include two supermarkets and two hypermarkets, with total investments worth EGP230.0mn. The company plans to reach 60 operating stores in Egypt by the end of 2019, compared with the operating 46 of the time.

In April, MAF announced plans to invest EGP700.0mn in the country over 2019 to open 20 new Carrefour stores. Four of these had already been opened in Q1 19. Among the remaining 16, locations would include a hypermarket in City Centre Almaza and 14 supermarkets across locations in Alexandria, Damanhur, Mansura and Beni Suef.

Financial Data

Fiscal year ending December 31

Total Revenue (Egypt)

- 2020: AED3.23bn
- 2019: AED3.08bn
- 2018: AED2.42bn

Mondelēz Egypt

Strengths - Chocolate accounts for the vast majority of confectionery consumption in Egypt, and sales are forecast to record solid growth to 2026. - Improvement of logistics and refrigeration is supporting stronger confectionery sales. - The company has a strong marketing network. - It boasts a wide product portfolio that includes soft drinks. - Egypt is an export hub for the company.	Weaknesses - Chocolate is still an unaffordable luxury for many Egyptian consumers. - Significant investment in marketing and distribution will be required to extend the firm's reach to a wider proportion of the consumer base. - A poor operational and regulatory environment hinders the company's activities.
Opportunities - Demand for confectionery, especially chocolate, is expected to continue increasing steadily on the back of rising incomes, a young population and wider exposure to Western consumption habits. - Local consumers are very receptive to marketing and branding. - It is now part of the second largest global confectionery player, US-based Kraft.	Threats - Restrictions could be re-implemented in Covid-19 hotspots within the country, due to a relatively slow vaccine rollout. - Egypt's weak regulatory environment could affect the pace at which the company is able to expand. - Increased interest in Egypt from large Middle Eastern players will heighten competition. - Rising raw material (sugar) prices could erode profitability.

Company Overview

Mondelēz, which owns Cadbury, first entered Egypt in 1991 with the launch of three products. BimBim is the local subsidiary of the multinational parent company, which acquired the largest Egypt-based chocolate maker in 1997. At the time of the purchase, BimBim held a 26.0% share of the local confectionery market and an extensive regional reach across the Middle East and North Africa, holding around 13.0% of the market by value. At present, Mondelēz is the market leader in the Egyptian chocolate and jelly confectionery markets, with brands such as Cadbury Dairy Milk and Jelly Cola.

Mondelēz Egypt owns three plants for the production of chocolate, biscuits and chewing gum, in 10th of Ramadan City and in Alexandria. The company has a number of international brands in Egypt: Cadbury Dairy Milk, Flake, Milka, Tang, Oreo, Tuc, Trident, Clorets, Eclairs and Halls. It also has local brands such as Mandolin, Gersy, Rasco and Jelly Cola.

Strategy

In February 2022, Mondelēz International launched a new long-term growth strategy for the Asia Pacific, Middle East and Africa (AMEA) region. The company claims that it is the leader in packaged snacks across the region, and highlighted its many localised brands as growth engines. It stated that 90% of its AMEA revenue comes from global focus brands, such as Oreo and Cadbury Dairy Milk, as well as local brands, such as Bournvita and Kinh Do. The firm plans to accelerate revenue and market share gains in the region by:

- Increasing brand penetration and expanding its portfolio in the core snacking categories of chocolate and biscuits.
- Growing distribution and channel exposure.
- Entering white spaces and adjacencies.

Financial Results

Financial year ending December 31

AMEA Region Revenue

- 2021: USD6,465mn
- 2020: USD5,740mn
- 2019: USD5,770mn

AMEA Region Operating Income

- 2021: USD1,054mn
- 2020: USD821mn
- 2019: USD691mn

PepsiCo Egypt

Strengths • PepsiCo is one of Egypt's leading soft drinks companies. • It has a wide product portfolio, with carbonates as the top sellers. • The company has successfully targeted younger generations. • It is backed by a powerful parent company. • Soft drinks benefit from the weak alcoholic drinks industry in Egypt.	Weaknesses • Much of the population has low purchasing power. • Non-carbonates are disadvantaged by their relatively high prices. • The underdeveloped mass grocery retail network hinders access to novel products.
Opportunities • There is an increased interest in healthier alternatives to sugary carbonates. • Economic development will increase consumer purchasing power. • Targeted marketing campaigns will ensure that new PepsiCo products will place well. • The company's expansion in the promising dairy market should prove profitable.	Threats • Restrictions could be re-implemented in Covid-19 hotspots within Egypt, due the slow uptake of vaccines. • Coca-Cola provides strong competition and has a much stronger regional presence than in the past. • Political instability could negatively impact consumer sentiment and profitability, due to disruptions to trading and logistical operations.

Company Overview

PepsiCo has a strong reputation and presence in Egypt and is one of the leaders in establishing global-level food safety standards. The company is associated with youth; its partnership with Vodafone and its sponsorship of football form part of its focused advertising to this demographic group. PepsiCo's local operations bottle Mirinda, 7Up and Mountain Dew across eight plants in the country. Distribution is undertaken through a network of 34 warehouses.

Strategy

PepsiCo is likely to continue focusing on new product development and advertising, especially to selected demographic groups. Rising health consciousness has led the company to launch a zero-calorie Pepsi Max product.

To demonstrate the importance the company attaches to Egypt, Pepsi revealed that the Asia, Middle East and North Africa region brings in 10.0% of global revenues, which equates to around USD6.3bn. Of these regions, Egypt was cited as one of the top seven focus markets, along with India, Mainland China, Egypt, Saudi Arabia, Australia and Pakistan.

Recent Developments

2021

In June, Pepsi Cola Egypt and Al Ahram Beverages Company announced a sale and resale agreement for non-alcoholic malt beverages. The agreement will allow Al Ahram to leverage PepsiCo's distribution channels for its non-alcoholic beverages, including Fayrouz, Birell and Amstel Zero.

In February, PepsiCo Egypt confirmed that it had added six new production lines and upgraded some existing ones over 2020, boosting output capacity by 10%-15%. The company plans to invest another USD100.0mn in the country over 2021 to add additional production lines. This includes a drinking water line with a capacity of 1,500 bottle packs, with the new production facility set to open in H121.

2020

In June, PepsiCo announced plans to invest nearly USD100mn in Egypt over the course of 2020. The investment formed part of the company's commitment to invest a total of USD515.0mn in the Egyptian market between 2018 and 2021. As part of its investment, the company planned to expand the production lines of two of its subsidiaries, Pepsi Cola Egypt and Chipsy for Food Industries. In addition, PepsiCo would invest in the latest technologies, sustainable development and community development projects.

2019

In July, PepsiCo Egypt signed a memorandum of understanding with the United States Agency for International Development (USAID) to expand cooperation between USAID and PepsiCo's subsidiary, Chipsy for Food Industries, to improve farmer livelihoods. PepsiCo Egypt aimed to produce 100% locally-sourced chips, which contributes to the reduction of import costs, while positively impacting Egypt's farming communities, ensuring higher quality potatoes and better agronomy.

In April, the company announced that it intended to invest USD500.0mn over the following three years to increase production lines and to introduce more technology, and the company was to start exporting for the first time in 2019.

Financial Data

Fiscal year ending December 31

Revenue (Asia, Middle East and North Africa)

- 2021: USD6,078mn
- 2020: USD4,573mn
- 2019: USD3,651mn
- 2018: USD3,657mn

Operating Profit

- 2021: USD858mn
- 2020: USD600mn
- 2019: USD671mn
- 2018: USD661mn

Spinneys Group

Strengths - Spinneys is one of the leading mass grocery retail operators in Egypt and regionally. - A wide range of products is on offer, including private-label goods. - The company is expected to remain committed to Egypt. - It has focused marketing and advertising campaigns.	Weaknesses - Significant capital expenditure is required for expansion. - Its premium nature may impact its growth in the medium term, as the majority of Egypt's consumers will not be able to afford purchasing from Spinneys on a frequent basis. - Many customers are unable to access modern mass grocery retail outlets.
Opportunities - Retailers such as Spinneys can partner with food delivery companies to take advantage of more consumers avoiding public places due to residual pandemic-related fears. - Hypermarket and supermarket sales are growing on the back of changing economic and demographic conditions. - Recent health and hygiene scares have led to more Egypt-based businesses to convert to modern retail formats, which offer safer shopping environments.	Threats - Restrictions could be re-implemented in Covid-19 hotspots within the country due to a slow vaccination rollout. - Car ownership in Egypt is still quite low, so hypermarkets remain inaccessible to many consumers. - Although it is improving, Egypt's bureaucratic regulatory environment has the potential to slow expansion. - Majid Al Futtaim in particular continues to pose a major competitive threat. - The company could sell assets in certain non-core markets. - The expansion of the LuLu retail group in Egypt will increase competition in the mass grocery retail sector.

Company Overview

Spinneys is the leading premium supermarket retailer in the Middle East, having entered the Egyptian market in 2007. The business is one of the leading grocery retail players in Egypt, having expanded to a current footprint of 18 outlets. The supermarket has an impressive range of own-label products, encompassing grocery (including rice and sugar) and non-grocery items. In July 2019, Spinneys was acquired by the South Africa-based Investec Asset Management. Since Investec Asset Management has spun out from Investec in March 2020, it rebranded as Ninety One and is still the parent of Spinneys.

Strategy

The company's growth strategy in Egypt is focused on reaching shoppers in urban areas with new, smaller formats, such as supermarkets, while also offering innovations in its core hypermarket stores. There remains potential for new store openings, although the retailer is likely to focus on its existing stores and product ranges in the short term. The private label offering (under Spinneys and Spinneys Basic brands) is expected to be boosted by rising food prices, which may lead Spinneys to expand its already extensive range of products. Spinneys has said that it is actively seeking new development opportunities throughout the Levant and Southern Asia.

Recent Developments

2022

On February 28, the retailer opened its newest store in Zahraa El Maadi in Cairo, bringing its store count in the country to 18. Five more Spinneys stores are scheduled to open in Egypt before the end of the year, with the next opening planned in Nasr City.

2021

In December, a new Spinneys outlet opened in New Cairo.

In February, Spinneys opened its first store in the Maadi neighbourhood of Cairo. The opening marks Spinneys's 16th store opening in the Egyptian market as it continues its expansion drive across the country.

2020

In January, local press reports suggested that Spinneys would open a new store in Nasr City's Mercato Mall in April at a cost of EGP40mn. The opening was part of a plan to launch six new stores during 2020.

2019

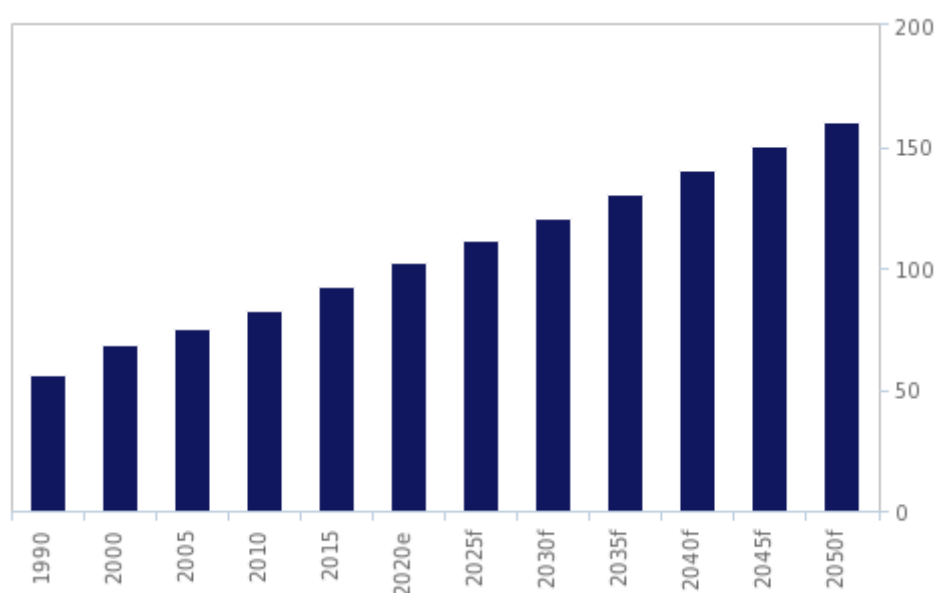
In July, Spinneys was acquired by the South African player Investec Asset Management for an undisclosed sum. This was Investec's first investment in Egypt.

Egypt Demographic Outlook

Demographic analysis is a key pillar of our macroeconomic and industry forecasting model. The total population is a key variable in consumer demand, and an understanding of the demographic profile is essential to understanding issues ranging from future population trends to productivity growth and government spending requirements.

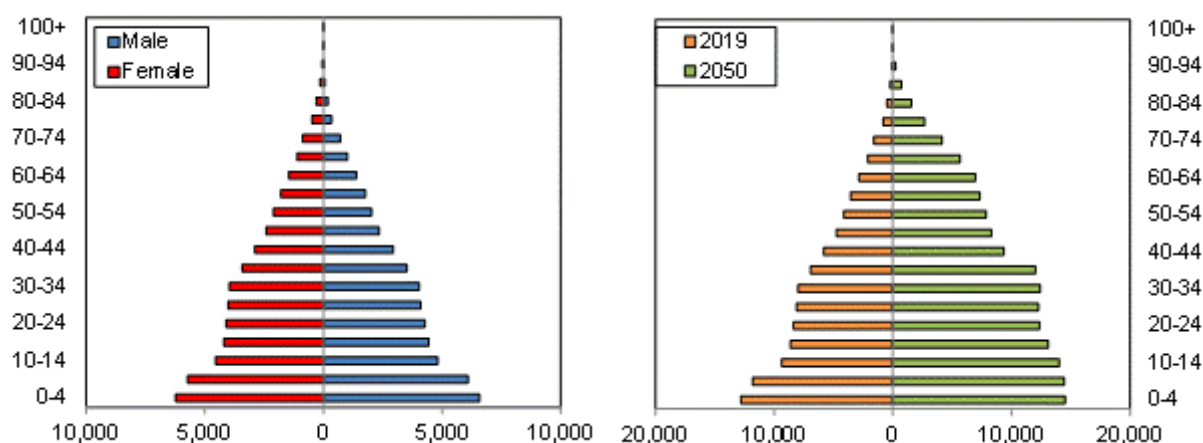
The accompanying charts detail the population pyramid for 2019, the change in the structure of the population between 2019 and 2050 and the total population between 1990 and 2050. The tables show indicators from all of these charts, in addition to key metrics such as population ratios, the urban/rural split and life expectancy.

Population
Egypt - Population, mn (1990-2050)



e/f = Fitch Solutions estimate/forecast. Source: World Bank, UN, Fitch Solutions

Population Pyramid
Egypt - 2019 Male vs Female Population, '000 (LHS) & 2019 vs 2050 Population, '000 (RHS)



Source: World Bank, UN, Fitch Solutions

POPULATION HEADLINE INDICATORS (EGYPT 1990-2025)							
Indicator	1990	2000	2005	2010	2015	2020e	2025f
Population, % y-o-y		1.95	1.82	2.00	2.23	1.94	1.68
Population, total, male, '000	28,206.6	34,650.4	38,097.6	41,806.2	46,717.7	51,702.9	56,435.4
Population, total, female, '000	27,927.9	34,181.1	37,425.9	40,955.0	45,724.9	50,631.5	55,292.4
Population, total, '000	56,134.5	68,831.6	75,523.6	82,761.2	92,442.5	102,334.4	111,727.8
Population ratio, male/female	1.01	1.01	1.02	1.02	1.02	1.02	1.02

e/f = Fitch Solutions estimate/forecast. Source: World Bank, UN, Fitch Solutions

KEY POPULATION RATIOS (EGYPT 1990-2025)							
Indicator	1990	2000	2005	2010	2015	2020e	2025f
Dependent ratio, % of total working age	83.0	71.7	63.2	59.6	62.4	64.6	64.8
Dependent population, total, '000	25,461.7	28,753.3	29,257.6	30,910.6	35,512.4	40,169.0	43,914.6
Active population, % of total population	54.6	58.2	61.3	62.7	61.6	60.7	60.7
Active population, total, '000	30,672.8	40,078.2	46,265.9	51,850.6	56,930.1	62,165.4	67,813.2
Youth population, % of total working age	74.6	63.3	55.2	52.0	54.1	55.8	55.2
Youth population, total, '000	22,879.0	25,369.6	25,560.7	26,943.9	30,795.8	34,712.9	37,411.8
Pensionable population, % of total working age	8.4	8.4	8.0	7.7	8.3	8.8	9.6
Pensionable population, '000	2,582.7	3,383.7	3,696.9	3,966.7	4,716.6	5,456.1	6,502.9

e/f = Fitch Solutions estimate/forecast. Source: World Bank, UN, Fitch Solutions

URBAN/RURAL POPULATION AND LIFE EXPECTANCY (EGYPT 1990-2025)							
Indicator	1990	2000	2005	2010	2015	2020e	2025f
Urban population, % of total	43.5	42.8	43.0	43.0	42.8	42.8	43.4
Rural population, % of total	56.5	57.2	57.0	57.0	57.2	57.2	56.6
Urban population, '000	24,406.1	29,457.8	32,495.5	35,603.1	39,551.5	43,781.7	48,539.0
Rural population, '000	31,728.3	39,373.7	43,028.0	47,158.2	52,891.0	58,552.7	63,188.8
Life expectancy at birth, male, years	62.2	66.2	67.1	68.2	69.1	69.9	70.6
Life expectancy at birth, female, years	67.0	71.1	71.8	72.6	73.6	74.5	75.4
Life expectancy at birth, average, years	64.6	68.6	69.4	70.3	71.3	72.2	72.9

e/f = Fitch Solutions estimate/forecast. Source: World Bank, UN, Fitch Solutions

POPULATION BY AGE GROUP (EGYPT 1990-2025)							
Indicator	1990	2000	2005	2010	2015	2020e	2025f
Population, 0-4 yrs, total, '000	8,689.4	8,557.3	8,797.2	9,744.4	12,375.1	12,697.2	12,455.6
Population, 5-9 yrs, total, '000	7,683.0	8,301.9	8,491.7	8,737.6	9,702.3	12,331.3	12,649.8
Population, 10-14 yrs, total, '000	6,506.6	8,510.4	8,271.8	8,461.9	8,718.4	9,684.3	12,306.4
Population, 15-19 yrs, total, '000	5,465.7	7,610.0	8,478.9	8,234.6	8,442.3	8,701.1	9,653.9
Population, 20-24 yrs, total, '000	4,769.1	6,344.0	7,559.3	8,354.3	8,160.4	8,416.6	8,646.3
Population, 25-29 yrs, total, '000	4,111.5	5,123.7	6,266.8	7,381.2	8,196.2	8,094.5	8,346.9
Population, 30-34 yrs, total, '000	3,567.1	4,470.7	5,064.3	6,166.1	7,242.8	8,065.2	8,023.3
Population, 35-39 yrs, total, '000	2,990.1	4,024.2	4,448.4	5,035.0	6,100.0	7,133.2	7,993.3
Population, 40-44 yrs, total, '000	2,823.4	3,534.4	4,003.3	4,426.1	4,987.3	6,040.5	7,059.9
Population, 45-49 yrs, total, '000	2,023.0	2,911.9	3,484.8	3,951.6	4,350.1	4,908.1	5,939.7

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Indicator	1990	2000	2005	2010	2015	2020e	2025f
Population, 50-54 yrs, total, '000	1,852.6	2,661.9	2,803.7	3,366.9	3,818.0	4,213.2	4,755.7
Population, 55-59 yrs, total, '000	1,680.5	1,814.9	2,496.7	2,640.9	3,193.0	3,631.7	4,015.3
Population, 60-64 yrs, total, '000	1,389.8	1,582.6	1,659.6	2,294.0	2,439.9	2,961.3	3,378.8
Population, 65-69 yrs, total, '000	1,059.9	1,341.3	1,382.5	1,455.4	2,022.4	2,161.3	2,638.0
Population, 70-74 yrs, total, '000	731.5	980.9	1,085.5	1,122.6	1,190.4	1,665.6	1,794.8
Population, 75-79 yrs, total, '000	452.5	607.2	697.0	773.4	805.9	865.4	1,226.8
Population, 80-84 yrs, total, '000	231.5	301.5	355.2	408.0	456.3	484.0	530.9
Population, 85-89 yrs, total, '000	84.3	116.2	134.0	157.9	182.9	209.6	228.4
Population, 90-94 yrs, total, '000	20.0	31.2	36.0	41.6	49.6	59.0	70.0
Population, 95-99 yrs, total, '000	2.9	5.0	6.1	7.1	8.4	10.3	12.7
Population, 100+ yrs, total, '000	0.2	0.4	0.5	0.7	0.8	1.0	1.2

e/f = Fitch Solutions estimate/forecast. Source: World Bank, UN, Fitch Solutions

POPULATION BY AGE GROUP % (EGYPT 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020e	2025f
Population, 0-4 yrs, % total	15.48	12.43	11.65	11.77	13.39	12.41	11.15
Population, 5-9 yrs, % total	13.69	12.06	11.24	10.56	10.50	12.05	11.32
Population, 10-14 yrs, % total	11.59	12.36	10.95	10.22	9.43	9.46	11.01
Population, 15-19 yrs, % total	9.74	11.06	11.23	9.95	9.13	8.50	8.64
Population, 20-24 yrs, % total	8.50	9.22	10.01	10.09	8.83	8.22	7.74
Population, 25-29 yrs, % total	7.32	7.44	8.30	8.92	8.87	7.91	7.47
Population, 30-34 yrs, % total	6.35	6.50	6.71	7.45	7.83	7.88	7.18
Population, 35-39 yrs, % total	5.33	5.85	5.89	6.08	6.60	6.97	7.15
Population, 40-44 yrs, % total	5.03	5.13	5.30	5.35	5.39	5.90	6.32
Population, 45-49 yrs, % total	3.60	4.23	4.61	4.77	4.71	4.80	5.32
Population, 50-54 yrs, % total	3.30	3.87	3.71	4.07	4.13	4.12	4.26
Population, 55-59 yrs, % total	2.99	2.64	3.31	3.19	3.45	3.55	3.59
Population, 60-64 yrs, % total	2.48	2.30	2.20	2.77	2.64	2.89	3.02
Population, 65-69 yrs, % total	1.89	1.95	1.83	1.76	2.19	2.11	2.36
Population, 70-74 yrs, % total	1.30	1.43	1.44	1.36	1.29	1.63	1.61
Population, 75-79 yrs, % total	0.81	0.88	0.92	0.93	0.87	0.85	1.10
Population, 80-84 yrs, % total	0.41	0.44	0.47	0.49	0.49	0.47	0.48
Population, 85-89 yrs, % total	0.15	0.17	0.18	0.19	0.20	0.20	0.20
Population, 90-94 yrs, % total	0.04	0.05	0.05	0.05	0.05	0.06	0.06
Population, 95-99 yrs, % total	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Population, 100+ yrs, % total	0.00	0.00	0.00	0.00	0.00	0.00	0.00

e/f = Fitch Solutions estimate/forecast. Source: World Bank, UN, Fitch Solutions

Food & Drink Glossary

Food & Drink

Food Consumption: All four food consumption indicators (food consumption in local currency, food consumption in US dollar terms, per capita food consumption and food consumption as a percentage of GDP) relate to off-trade food and non-alcoholic drinks consumption, unless stated in the relevant table/section.

Off-trade: Relates to an item consumed away from the premises on which it was purchased. For example, a bottle of water bought in a supermarket would count as off-trade, while a bottle of water purchased as part of a meal in a restaurant would count as on-trade.

Canned Food: Relates to the sale of food products preserved by canning. This is inclusive of canned meat and fish, canned ready meals, canned desserts and canned fruits and vegetables. Volume sales are measured in tonnes as opposed to on a unit basis to allow for cross-market comparisons.

Confectionery: Refers to retail sales of chocolate, sugar confectionery and gum products. Chocolate sales include chocolate bars and boxed chocolates; gum sales incorporate both bubble gum and chewing gum; and sugar confectionery sales include hard-boiled sweets, mints, jellies and medicated sweets.

Trade: In the majority of Fitch Solutions' Food & Drink reports, we use the UN Standard International Trade Classification, using categories Food and Live Animals, Beverages and Tobacco, Animal and Vegetable Oils, Fats and Waxes and Oil-seeds and Oleaginous Fruits. Where an alternative classification is used due to data availability, this is clearly stated.

Drinks Sales: Soft drinks sales (including carbonates, fruit juices, energy drinks, bottled water, functional beverages and ready-to-drink tea and coffee), alcoholic drinks sales (including beer, wine and spirits) and tea and coffee sales (excluding ready-to-drink tea and coffee products that are incorporated under Fitch Solutions' soft drinks banner) are all off-trade only, unless stated.

Mass Grocery Retail

Mass Grocery Retail: Fitch Solutions classifies mass grocery retail (MGR) as organised retail, performed by companies with a network of modern grocery retail stores and modern distribution networks. MGR differs from independent or traditional retail, which relates to informal, independent-owned grocery stores or traditional market retailing. MGR incorporates hypermarket, supermarket, convenience and discount retailing, and in unique cases cooperative retailing. Where supermarkets are independently owned and not classified as MGR, Fitch Solutions will state so clearly within the relevant report.

Hypermarket: Fitch Solutions classifies hypermarkets as retail outlets selling both groceries and a large range of general merchandise goods (non-food items) and typically more than 2,500sq m in size. Traditionally only found on the outskirts of towns, hypermarkets are increasingly appearing in urban locations.

Supermarket: Supermarkets are the original and still most globally prevalent form of self-service grocery retail outlet. Fitch Solutions classifies supermarkets as more than 300sq m, up to the size of a hypermarket. The typical supermarket carries both fresh and processed food and will stock a range of non-food items, most commonly household and beauty goods. The average supermarket will increasingly offer some added-value services, such as dry cleaning or in-store ATMs.

Discount Stores: Although most commonly between 500sq m and 1,500sq m in size, similar to supermarkets, discount stores will typically have a smaller floor space than their supermarket counterparts. Other distinguishing features include the prevalence of low-priced and private label goods, an absence of added-value services, often called a no-frills environment, and a high product

turnover rate.

Convenience Stores: Fitch Solutions' classification of convenience stores includes small outlets typically less than 300sq m in size, with long opening hours and located in high footfall areas. These stores mainly sell fast-moving food and drink products (such as confectionery, beverages and snack foods) and non-food items, typically stocking only two or three brand choices per item and often carrying higher prices than other forms of grocery store.

Cooperatives: Fitch Solutions classifies cooperatives as retail stores that are independently owned but club together to form buying groups under a cooperative arrangement, trading under the same banner, although each is privately owned. The arrangement is similar to a franchise system, although all profits are returned to members. The term is becoming more archaic, with fewer cooperatives remaining that conform to this model. Most cooperative groups now have a more centralised management structure, operate more like normal supermarkets, and are thus classified as such in Fitch Solutions' reports.

Food & Drink Methodology

Connected Thinking

We use a simple and transparent forecasting model as a base for our industry forecasts, but rely heavily on our analysts' expert judgement to ensure our forecasts capture all of the insights we derive using our unique Connected Thinking approach. We believe analyst expertise and judgement are the best ways to provide the most accurate, up-to-date and comprehensive insight to our customers.

Our Connected Thinking approach to forecasting and analysis integrates macroeconomic variables from Fitch Solutions Country Risk to provide our customers with unique and valuable insight on all relevant macroeconomic, political and industry risk factors that will impact their operations and revenue-generating potential in the industry/industries they operate in.

Food & Drink Methodology

Fitch Solutions Food & Drink Forecasting & Sourcing

For the Food & Drink industry we have historical data and five-year forecasts for 85 market-level core industry variables.

We use household spending figures that show spending on food and drink, for consumption at home. We divide food and drink into two categories: (i) spending on food & non-alcoholic drinks, and (ii) alcoholic drinks.

For the alcoholic drinks sub-categories we use volume (in litres) consumption by household and per capita in each market.

Our forecasts are a combination of regression modelling and analyst expert judgement.

Our Food & Drink analysts interact with other analytical teams in Fitch Solutions, including Country Risk, Agribusiness and Consumer & Retail. This is to ensure they have a comprehensive understanding of external factors that may impact the food and drink industry outlook either on a market, regional or global level.

There is a constant rolling cycle of data monitoring, with databases being updated on a quarterly basis. Analysts will use their expert judgement outside of these cycles to implement forecasts changes when necessary.

Food & Non-Alcoholic Drinks

Spending on food & non-alcoholic drinks is expressed in nominal terms.

We define spending on food & non-alcoholic drinks as the amount households spend on food for domestic consumption only. This reflects items bought through all sales channels, based on the UN classification of individual consumption by purpose (COICOP).

Historical figures for spending on food & non-alcoholic drinks are based on household survey data, following the UN COICOP classification.

Where spending data is not readily allocated into the COICOP format, Fitch Solutions applies a rigorous and logical approach in allocating data to align with these categories, and if needed, applies aggregation methods or other techniques to achieve category level data.

Our food & non-alcoholic drinks forecasts are based on a regression model, using a market's own historical time series and key macroeconomic explanatory variables from Fitch Solutions Country Risk and Consumer & Retail services. In addition, we also apply analyst expert judgement to refine and finalise the food & non-alcoholic drinks spending forecast based on exogenous and endogenous variables or events, not captured by our regression model.

Alcoholic Drinks

Spending on alcoholic drinks is expressed in nominal terms and volume terms.

We define spending on alcoholic drinks as the amount households spend on alcohol for domestic consumption only. This reflects items bought through all sales channels, based on the UN classification of individual consumption by purpose (COICOP).

Historical figures for spending on alcoholic drinks are based on household survey data, following the UN COICOP classification.

Alcoholic drink consumption is defined as the total recorded volume of alcohol drinks consumed in a market. Data is presented in volumes consumed as opposed to pure alcoholic volume. Refers to consumption by people aged 15 and older and all sales channels of consumption, including out-of-home consumption, such as bars, restaurants etc.

We divide the alcoholic drinks category into beer, wine and spirits, as well as further breakdowns, where data is available, into sub-categories of these segments.

Our alcoholic drinks forecasts are based on a regression model, using a market's own historical time series. In addition, we also apply analyst expert judgement to refine and finalise the alcoholic drinks spending forecast based on exogenous and endogenous variables or events, not captured by our regression model.

Food & Drink (Non-Alcoholic Drinks) Risk/Reward Index

Our Food & Drink (Non-Alcoholic Drinks) Risk/Reward Index (RRI) quantifies and ranks a market's attractiveness within the context of the food & non-alcoholic drinks industry, based on the balance between the **Risks** and **Rewards** of entering and operating in different markets.

We combine industry-specific characteristics with broader economic, political and operational market characteristics. We weight these inputs in terms of their importance to investor decision-making in a given industry. The result is a nuanced and accurate reflection of the realities facing investors in terms of:

- 1) the balance between opportunities and risk; and
- 2) between sector-specific and broader market traits.

This enables users of the index to assess a market's attractiveness in a regional and global context.

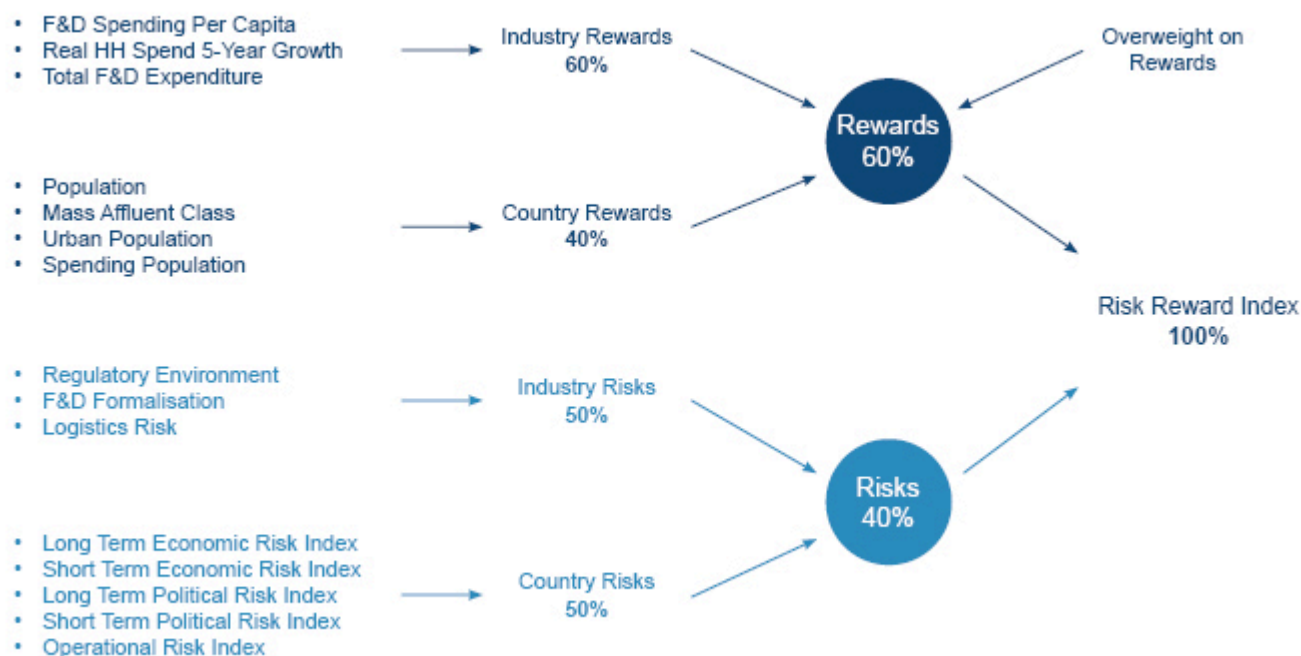
The index uses a combination of our proprietary forecasts and analyst assessments of the regulatory climate. As regulations evolve and forecasts change, so the index scores change providing a highly dynamic and forward-looking result.

The Food & Drink (Non-Alcoholic Drinks) RRI universe comprises **106 markets**.

Benefits Of Using Fitch Solutions' Food & Drink (Non-Alcoholic Drinks) RRI

- **Global Rankings:** One global table, ranking all the markets in Fitch Solutions' universe for food & drink (non-alcoholic drinks) from least (closest to zero) to most attractive (closest to 100).
- **Accessibility:** Easily accessible, top-down view of the global, regional or sub-regional risk/reward profiles.
- **Comparability:** Identical methodology across 106 markets for food & drink (non-alcoholic drinks) allows users to build lists of markets they wish to compare, beyond the confines of a global or regional grouping.
- **Scoring:** Scores out of 100 with a wide distribution, provide nuanced investment comparisons. The higher the score, the more favourable the profile.
- **Quantifiable:** Quantifies the rewards and risks of doing business in the food & drink (non-alcoholic drinks) industry in different markets around the world and helps identify specific flashpoints in the overall business environment.
- **Comprehensive:** Comprehensive set of indicators, assessing industry-specific risks and rewards alongside political, economic and operating risks.
- **Entry Point:** A starting point to assess the outlook for the food & drink (non-alcoholic drinks) sector, from which users can dive into more granular forecasts and analyses to gain a deeper understanding of the market.
- **Balanced:** Multi-indicator structure prevents outliers and extremes from distorting final scores and rankings.
- Methodology is a combination of proprietary Fitch Solutions forecasts, analyst insights and globally acceptable benchmark indicators (for example, Transparency International's Corruption Perceptions Index).

Weightings Of Categories And Indicators Food & Drink (Non-Alcoholic Drinks) Risk/Reward Index



Source: Fitch Solutions

The RRI matrix is divided into two distinct categories:

Rewards

Evaluation of an industry's size and growth potential (**Industry Rewards**), and macro industry and/or market characteristics that directly impact the size of business opportunities in a specific industry (**Country Rewards**).

Risks

Evaluation of micro, industry-specific characteristics, crucial for an industry to develop to its potential (**Industry Risks**) and a quantifiable assessment of the political, economic and operational profile (**Country Risks**).

Assessing Our Weightings

Our matrix is deliberately overweight on Rewards (60% of the final RRI score for a market) and within that, the Industry Rewards segment (60% of the final Rewards score). This is to reflect the fact that when it comes to long-term investment potential, industry size and growth potential carry the most weight in indicating opportunities, with other structural factors (demographic, labour statistics and infrastructure availability) weighing in, but to a slightly lesser extent. In addition, our focus and expertise in emerging and frontier markets has dictated this bias towards industry size and growth to ensure we are able to identify opportunities in markets where regulatory frameworks are not as developed and industry sizes are not as big (in USD terms) as in developed markets, but where we know there is a strong desire to invest.

FOOD & DRINK (NON-ALCOHOLIC DRINKS) RRI INDICATORS - EXPLANATION AND SOURCES

	Source	Rationale
Rewards		
<i>Industry Rewards</i>		
F&D Spending Per Capita	Fitch Solutions Forecast	Denotes per capita spending on food & non-alcoholic drinks in USD. Wealthier populations spend more on F&D products.
F&D Five-Year Growth Rate	Fitch Solutions Forecast	Denotes food & non-alcoholic drinks sector dynamism as a percentage. Scores based on annual average growth over our five-year forecast period.
Total F&D Expenditure	Fitch Solutions Forecast	Denotes total household spending on food & non-alcoholic drinks in USDbn. Large markets score higher than smaller ones.
<i>Country Rewards</i>		
Population	Fitch Solutions Forecast	Size of the population in millions as a measure for the total addressable market.
Mass Affluent Class	Fitch Solutions Forecast	Proportion of households with an income that exceeds USD10,000. Excludes those in poverty but demonstrates potential demand for branded products.
Urban Population	Fitch Solutions Forecast	Size of the urban population in millions. Higher urban population size is a positive for distribution, higher economic development and accessing products through a network of retailers.
Spending Population	Fitch Solutions Forecast	Proportion of the population between 20-39 years old as a percentage. This is typically the range that companies target as a high spending/trendsetting generation.
Risks		
<i>Industry Risks</i>		
Regulatory Environment	Fitch Solutions Operational Risk Index	Uses Operational Risk's Economic Openness as a proxy for determining the ease of entering and doing business in a market.
F&D Formalisation	Fitch Solutions Forecast	Uses our urban/rural split (%) data as a proxy for determining the level of retail/hospitality formalisation in the market. Highly urbanised markets allow companies to easily serve more consumers.
Logistics Risk	Fitch Solutions Operational Risk Index	Uses Operational Risk's Logistics Risk to determine the risks and costs associated with moving products around a market. Higher scores indicate quality transport, cheap fuel/electricity and high levels of tech adoption
<i>Country Risks</i>		
Long-Term Economic Risk Index	Fitch Solutions Country Risk Index	Takes into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability and the sustainability of the balance of payments, as well as fiscal and external debt outlooks for the coming decade.
Short-Term Economic Risk Index	Fitch Solutions Country Risk Index	Seeks to define current vulnerabilities and assess real GDP growth, inflation, unemployment, exchange rate fluctuation, balance of payments dynamics, as well as fiscal and external debt credentials over the coming two years
Long-Term Political Risk	Fitch Solutions Country Risk	Assesses structural political characteristics based on our assumption that

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	Source	Rationale
Index	Index	liberal, democratic markets with no sectarian tensions and broad-based income equality exhibit the strongest characteristics in favour of political stability, over a multi-year time frame.
Short-Term Political Risk Index	Fitch Solutions Country Risk Index	Assesses pertinent political risks to investment climate stability over a shorter time frame, up to 24 months forward.
Operational Risk Index	Fitch Solutions Operational Risk Index	Focuses on existing conditions relating to four main risk areas: Labour Market, Trade & Investment, Logistics, and Crime & Security.

Source: Fitch Solutions

Food & Drink (Alcoholic Drinks) Risk/Reward Index

Our Food & Drink (Alcoholic Drinks) Risk/Reward Index (RRI) quantifies and ranks a market's attractiveness within the context of the food & drink (alcoholic drinks) industry, based on the balance between the **Risks** and **Rewards** of entering and operating in different markets.

We combine industry-specific characteristics with broader economic, political and operational market characteristics. We weight these inputs in terms of their importance to investor decision-making in a given industry. The result is a nuanced and accurate reflection of the realities facing investors in terms of:

- 1) the balance between opportunities and risk; and
- 2) between sector-specific and broader market traits.

This enables users of the index to assess a market's attractiveness in a regional and global context.

The index uses a combination of our proprietary forecasts and analyst assessments of the regulatory climate. As regulations evolve and forecasts change, so the index scores change providing a highly dynamic and forward-looking result.

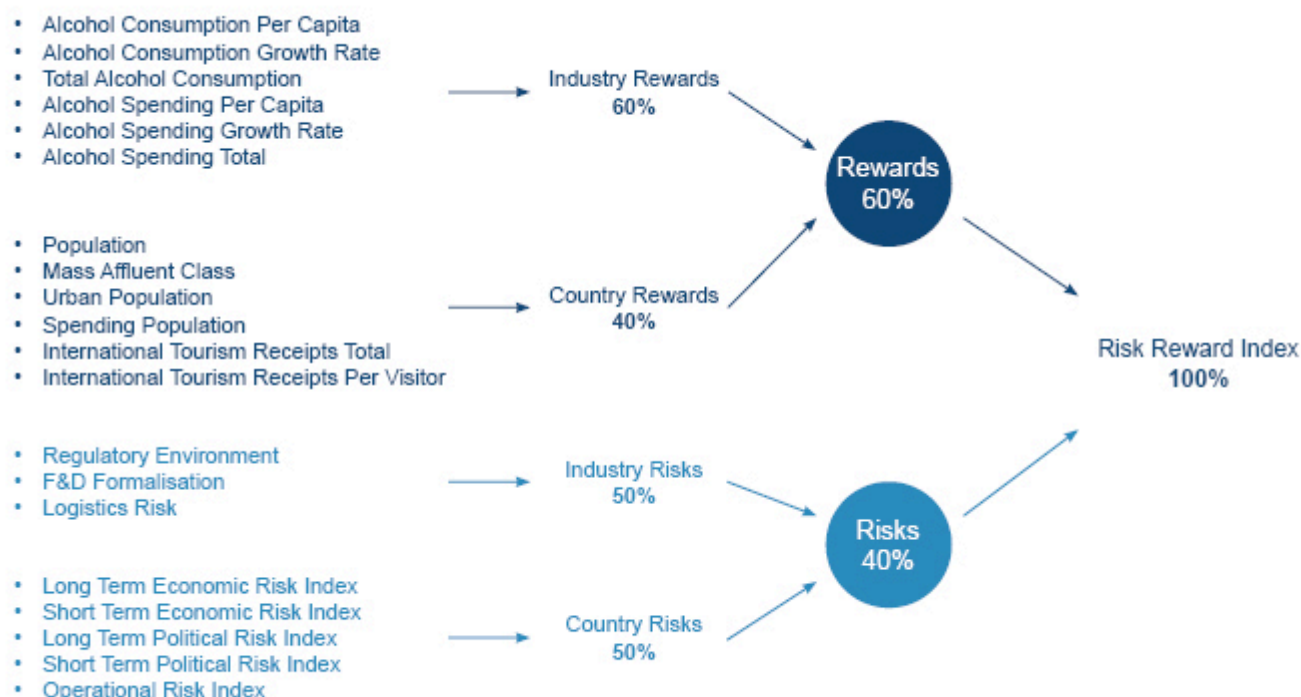
The Food & Drink (Alcoholic Drinks) RRI universe comprises **96 markets**.

Benefits Of Using Fitch Solutions' Food & Drink (Alcoholic Drinks) RRI

- **Global Rankings:** One global table, ranking all the markets in Fitch Solutions' universe for food & drink (alcoholic drinks) from least (closest to zero) to most attractive (closest to 100).
- **Accessibility:** Easily accessible, top-down view of the global, regional or sub-regional risk/reward profiles.
- **Comparability:** Identical methodology across 96 markets for food & drink (alcoholic drinks) allows users to build lists of markets they wish to compare, beyond the confines of a global or regional grouping.
- **Scoring:** Scores out of 100 with a wide distribution, provide nuanced investment comparisons. The higher the score, the more favourable the profile.
- **Quantifiable:** Quantifies the rewards and risks of doing business in the food & drink (alcoholic drinks) industry in different markets around the world and helps identify specific flashpoints in the overall business environment.
- **Comprehensive:** Comprehensive set of indicators, assessing industry-specific risks and rewards alongside political, economic and operating risks.
- **Entry Point:** A starting point to assess the outlook for the food & drink (alcoholic drinks) sector, from which users can dive into more granular forecasts and analysis to gain a deeper understanding of the market.
- **Balanced:** Multi-indicator structure prevents outliers and extremes from distorting final scores and rankings.
- Methodology is a combination of proprietary Fitch Solutions forecasts, analyst insights and globally acceptable benchmark

indicators (for example, Transparency International's Corruption Perceptions Index).

Weightings Of Categories And Indicators
Food & Drink (Alcoholic Drinks) Risk/Reward Index



Source: Fitch Solutions

The RRI matrix is divided into two distinct categories:

Rewards

Evaluation of an industry's size and growth potential (**Industry Rewards**), and macro industry and/or market characteristics that directly impact the size of business opportunities in a specific industry (**Country Rewards**).

Risks

Evaluation of micro, industry-specific characteristics, crucial for an industry to develop to its potential (**Industry Risks**) and a quantifiable assessment of the political, economic and operational profile (**Country Risks**).

Assessing Our Weightings

Our matrix is deliberately overweight on Rewards (60% of the final RRI score for a market) and within that, the Industry Rewards segment (60% of the final Rewards score). This is to reflect the fact that when it comes to long-term investment potential, industry size and growth potential carry the most weight in indicating opportunities, with other structural factors (demographic, labour statistics and infrastructure availability) weighing in, but to a slightly lesser extent. In addition, our focus and expertise in emerging and frontier markets has dictated this bias towards industry size and growth to ensure we are able to identify opportunities in markets where regulatory frameworks are not as developed and industry sizes are not as big (in USD terms) as in developed markets, but where we know there is a strong desire to invest.

FOOD & DRINK (ALCOHOLIC DRINKS) RRI INDICATORS - EXPLANATION AND SOURCES

	Source	Rationale
Rewards		
<i>Industry Rewards</i>		
Alcohol Consumption Per Capita	Fitch Solutions Forecast	Denotes per capita consumption of alcoholic drinks in litres. Measures which populations consume more on alcohol products at the individual level rather than total size.
Alcohol 5-Year Growth Rate	Fitch Solutions Forecast	Denotes alcoholic drinks sector dynamism as a percentage. Scores based on annual average growth over our five-year forecast period.
Total Alcohol Consumption	Fitch Solutions Forecast	Denotes total consumption of alcoholic drinks in millions of litres. Large markets score higher than smaller ones.
Alcohol Spending Per Capita	Fitch Solutions Forecast	Denotes per capita spending of alcoholic drinks in USD. Measures which populations spend more on alcohol products at the individual level rather than total size.
Alcohol Spending Growth Rate	Fitch Solutions Forecast	Denotes alcoholic drinks spending dynamism as a %. Scores based on annual average growth over our five-year forecast period.
Alcohol Spending Total	Fitch Solutions Forecast	Denotes total spending of alcoholic drinks in USD. Large markets score higher than smaller ones.
<i>Country Rewards</i>		
Population	Fitch Solutions Forecast	Size of the population in millions as a measure for the total addressable market.
Mass Affluent Class	Fitch Solutions Forecast	Proportion of households with an income that exceeds USD10,000. Excludes those in poverty but demonstrates potential demand for branded alcohol products.
Urban Population	Fitch Solutions Forecast	Size of the urban population in millions. Higher urban population size is a positive for distribution, higher economic development and accessing products through a network of retailers.
Spending Population	Fitch Solutions Forecast	Proportion of the population between 20-39 years old as a percentage. This is typically the range that companies target as a high spending/trendsetting generation and are generally over the legal drinking age.
International Tourism Receipts Total	Fitch Solutions Tourism Index	Represents the total spend of international visitors. Provides another potential market opportunity for the alcoholic drinks sector.
International Tourism Receipts Per Visitor	Fitch Solutions Tourism Index	Represents the total spend of international visitors on a per capita basis. Measures economic potential of the alcohol drinks market at the individual level rather than total size.

	Source	Rationale
Risks		
<i>Industry Risks</i>		
Regulatory Environment	Fitch Solutions Operational Risk Index	Uses Operational Risk's Economic Openness as a proxy for determining the ease of entering and doing business in a market.
F&D Formalisation	Fitch Solutions Forecast	Uses our urban/rural split (%) data as a proxy for determining the level of retail/hospitality formalisation in the market. Highly urbanised markets allow companies to easily serve more consumers.
Logistics Risk	Fitch Solutions Operational Risk Index	Uses Operational Risk's Logistics Risk to determine the risks and costs associated with moving products around a market. Higher scores indicate quality transport, cheap fuel/electricity and high levels of tech adoption
<i>Country Risks</i>		
Long-Term Economic Risk Index	Fitch Solutions Country Risk Index	Takes into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability and the sustainability of the balance of payments, as well as fiscal and external debt outlooks for the coming decade.
Short-Term Economic Risk Index	Fitch Solutions Country Risk Index	Seeks to define current vulnerabilities and assess real GDP growth, inflation, unemployment, exchange rate fluctuation, balance of payments dynamics, as well as fiscal and external debt credentials over the coming two years
Long-Term Political Risk Index	Fitch Solutions Country Risk Index	Assesses structural political characteristics based on our assumption that liberal, democratic markets with no sectarian tensions and broad-based income equality exhibit the strongest characteristics in favour of political stability, over a multi-year time frame.
Short-Term Political Risk Index	Fitch Solutions Country Risk Index	Assesses pertinent political risks to investment climate stability over a shorter time frame, up to 24 months forward.
Operational Risk Index	Fitch Solutions Operational Risk Index	Focuses on existing conditions relating to four main risk areas: Labour Market, Trade & Investment, Logistics, and Crime & Security.

Source: Fitch Solutions



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