



PPRO Payments & E-commerce Report



Egypt

The Egyptian government's economic reform programme seems to be paying off. The country has had a tough few years. In the wake of the Arab Spring, foreign investment – which peaked in 2007 at a value of over €15 billion – fell to just €5 billion in 2011¹. By 2016, direct foreign investment in Egypt was still only worth around €8 billion a year². Tourism, one of the country's main industries, has suffered because of repeated security scares.

In 2016 alone, tourism revenue fell to \$3.8 billion, from \$7.4 billion in the previous year³. From 2012 to 2017, unemployment has hovered at just under 12%⁴. Inflation hit a high of 33% in July 2017⁵. In response the Egyptian authorities increased interest rates by 2% and by April 2018, inflation had fallen to 11.59%⁶. That's the lowest in two years but still leaves Egypt with high inflation by global standards. And in May 2018, Egypt's central bank expressed concerns that rising oil prices could fuel a renewed rise in inflation, despite its best efforts at mitigation⁷. Despite ongoing concerns about prices and unemployment, particularly youth unemployment, 2018 has so far brought Egypt at least some good economic news. The government's economic reforms – including floating the Egyptian pound in November 2016 – have begun to pay dividends. By late 2017, investors once more started buying Egyptian government debt, purchasing \$3.3bn by mid-March⁸. In 2017, the economy grew at a rate of 4.5%⁹,

	Egypt	Africa	World
Population	91,508,084	1,225,080,510	7,515,284,153
Population (15+)	61,163,747	727,697,823	5,561,310,273
GDP (\$USD millions)	\$330,778.55	\$2,152,534.09	\$74,292,303.73
GDP per capita (\$USD)	\$3,614.75	\$2,058.24	\$10,112.33
Online population	34,607,793	382,225,119	3,464,545,995
B2C E-commerce (\$USD Billion)	\$5.00	\$14.20	\$2,495.70
Average online spend (\$USD)	\$282.00	N/A	\$1,042.00

compared to 4.3% in the previous year⁹. For 2018, the World Bank forecasts a growth rate of 5% in 2018 rising to 5.8% by 2020¹⁰.

In May this year, Neilson reported a rise in Egyptian consumer confidence to 84 points. That's a six-point quarter-on-quarter rise but, more significantly, a 20-point rise on the same period two years ago¹¹. Consumer spending rose from 722 billion Egyptian pounds in the first quarter of 2017 to 1,026 billion the last quarter¹². More significantly still, spending in the first quarter of 2018 was 37% higher than in the first quarter of 2017¹².



Skyline of Cairo

The Egyptian e-commerce market

The Egyptian e-commerce market is worth US\$5 billion¹³. But in April 2018, Egypt's government announced its intention to double the size of the country's online retail sector by 2020¹⁴. This is a tall order. Currently the sector is growing at 22% a year¹³. If this continues, the Egyptian e-commerce sector will have grown 81% by 2020; impressive but short of the government's target.

The average Egyptian online shopper spends \$282 a year with e-commerce merchants¹³. Around 40% of all online purchases are completed on a mobile device¹³. And e-commerce only accounts for 0.7% of all retail sales¹³. But there are signs that the relatively under-developed online retail sector in Egypt may soon come in for a boost. In May this year, African online retail giant Jumia announced that Egypt was its next market for expansion. The Egyptian government is also paying more attention than ever to online retail, as it seeks new ways to promote economic development.

To boost growth, the government has worked with United Nations Conference on Trade and Development (UNCTAD) and private-sector interests to develop a new national e-commerce strategy. Among other things, this envisages the extension of Internet connectivity to rural areas, the adoption of a wider range of payment methods, and construction of a national online marketplace¹⁵.



Top e-commerce segments

AIRLINES & HOTELS

1ST

ELECTRICAL GOODS

2ND

ENTERTAINMENT

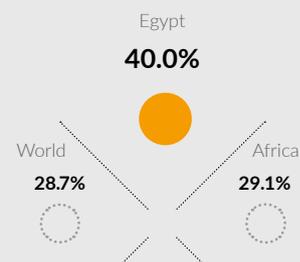
3RD



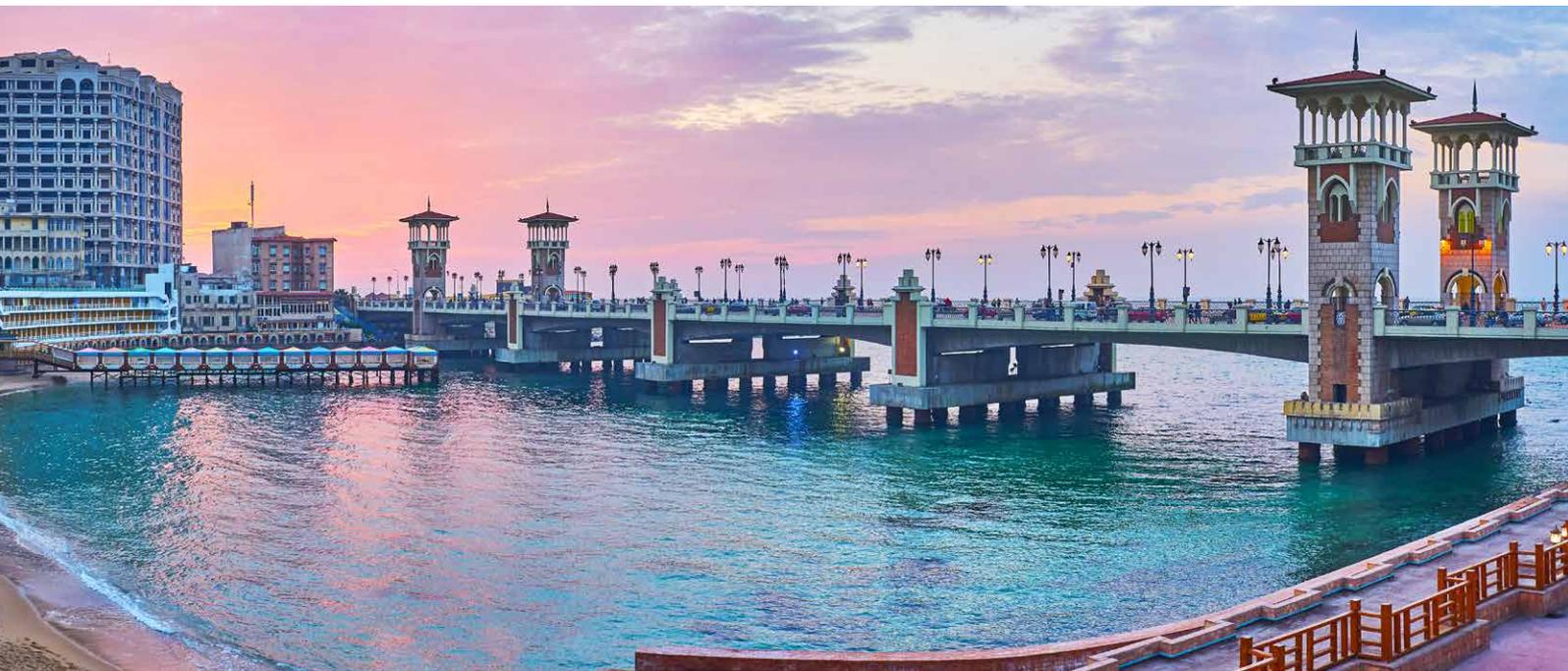
B2C e-commerce growth



E-commerce % of total retail



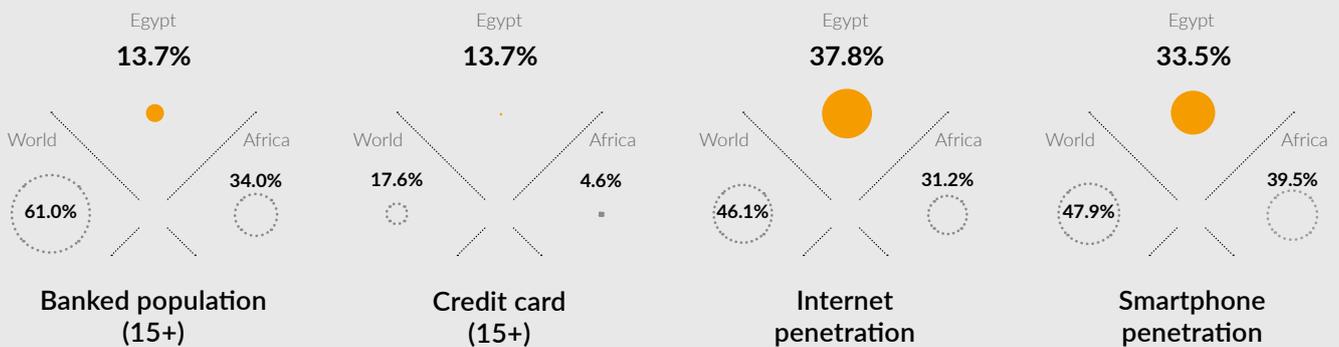
E-commerce completed on a mobile device



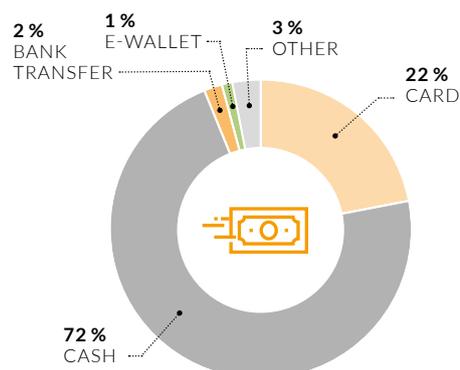
Stanley bridge in Alexandria

The local payment culture

The most common way to pay for e-commerce purchases in Egypt is by cash, which has a 72% market share¹³. Only 22% pay with a card (of whom 29% use Visa, 35% Mastercard and 36% a card issued by a local scheme). Only 2% of online purchases are paid for using bank transfer, and just 1% with an e-wallet¹³. The remaining 3% of online purchases are paid for with a variety of minor payment schemes. Any entrant to the Egyptian market must support local payment methods. The most important are local cash-payment schemes. But even in the more familiar card market, just relying on internationally known brands is not an option.



The Egyptian payment split





Important local payment methods

BEE CARD
FAWRY
ONECARD
JUMIAPAY
ORANGE MONEY

Enabling and limiting factors

Just 13.7% of adult Egyptians have a bank account¹³. And fewer than 2% have a credit card¹³. The Egyptian government has been actively encouraging the move to digital payments, as part of its financial inclusion policy. By 2017, as part of a government-sponsored initiative, 5 million state employees were being paid directly into their bank accounts, rather than in cash¹⁶.

Since January 2016, the government has directed banks to issue at least 20% of business loans to small and medium-sized businesses, a measure designed to increase financial

inclusion in the commercial sector¹⁷. Broadband penetration in Egypt is patchy. 38% of the population has Internet access and just 33% has an Internet-enabled smartphone¹³. Taken as a percentage of the adult population, that means over 23 million people with an Internet connection. But it's important to keep in mind, that there are only 4.5 million DSL users in Egypt. Most Internet users have some kind of mobile connection. Any e-commerce strategy for Egypt must take this into account.

Egypt ranks 128th out of 190 countries on the World Bank's Ease of Doing Business Index. According to the GAN anti-corruption portal, despite the Arab Spring (inspired in part by anger at dishonesty in public life) bribery, embezzlement, tampering with official documents and extortion are still more common than either the domestic or international business community would like.

Egypt ranks 49th out of 160 countries on the World Bank's Global Logistics Performance Index.



Sidi Yaqut al-Arshi mosque in Alexandria

Conclusion

Egypt is a tricky market. If oil prices bite and inflation rises again, this could seriously dent consumer confidence and spending. On the other hand, the e-commerce sector is growing at an impressive rate, the government is increasingly interested in backing online retail (particularly if it helps Egyptian companies get online) and there is clearly demand for a wider variety of consumer goods among Egyptian shoppers. For companies able to adapt to local market conditions, there is a healthy profit to be made. But localisation and a keen eye on market indicators are a must.

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