



Location Spotlight – Egypt

Locations Insider™ (LI)

Market Report – September 2019: Complimentary Abstract / Table of Contents

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

This report provides perspectives on key aspects of the global sourcing market in Egypt

Egypt | At a glance



Leading MEA location leveraged for multi-lingual BPS delivery with an attractive cost proposition

KEY FACTOIDS

- Annual tertiary graduates 575,000-585,000
- Annual operating cost per FTE, offers 75-85% savings over London and 40-50% savings over South Africa

Current overview

- Leveraged extensively by both service providers and Global In-house Centers (GICs) for multi-lingual voice-based business process service delivery
- Multiple instances of players leveraging Egypt for R&D; some evidence of IT services with major focus on application development, support, and maintenance is also witnessed
- The size of Egypt's global services market is ~US\$1,900 million, with the majority of players concentrated in Cairo
- Opportunity to become a leading location for providing complex business process and IT services, given the presence of a large talent pool

Key drivers

- Offers an attractive cost arbitrage of 75-85% over source markets (such as Manchester, the UK) and 40-50% savings over South African cities
- Availability of large entry-level graduate pool suitable for BPS delivery
- Overlapping time zones with European locations including France, Germany, Spain, etc.
- Presence of sizable experienced talent pool with multi-lingual capabilities (i.e., French, Arabic, and English)

Key challenges

- High inflation rates owing to significant currency devaluation post Egypt's Central Bank's decision to float the currency
- Low availability of talent for other European languages (e.g., German) and judgment-intensive work (e.g., analytics)
- Low willingness of talent to work in a back-office environment, which results in high attrition rates
- Some concerns related to country's infrastructure owing to poor broadband internet connectivity impacting IT-BP service delivery

KEY PLAYERS: CONVERGYS, DELL EMC, HSBC, IBM, Microsoft, Business Services, SYKES, vodafone



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Egypt | Risk profile (page 1 of 2)

Improving macroeconomic environment makes Egypt an attractive low-cost destination for global services delivery

Parameter	Everest Group rating	Comments
Geopolitical	Least favorable	<ul style="list-style-type: none"> Egypt ranked 127th out of 167 countries in the Democracy Index 2018 compiled by the Economist Intelligence Unit (EIU) and was labeled an "authoritarian regime" Political concerns owing to repressive and restrictive policies of the government and the possibility of extension of the existing regime until 2030 Geopolitical risk evidenced by the rise of insurgent activities and potential political instability from members of the banned Muslim Brotherhood Party
Macroeconomic	Favorable, some concerns	<ul style="list-style-type: none"> The Egyptian economy is recovering following measures taken to ease inflation and a move to float the currency under a three-year plan by the IMF; Egyptian pound has strengthened against the dollar after the presidential elections <ul style="list-style-type: none"> However, fiscal imbalances continue to restrain economic potential; high inflation is a cause for concern owing to the country's dependence on food and fuel imports Moody's raised the credit outlook for Egypt from stable to positive, citing progress in the implementation of the IMF reform aimed to improve its economy and public finances Egypt has made progress in implementing economic and fiscal reforms and subsequently Fitch Ratings has upgraded Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) to "B+" from "B" and certified its outlook as stable Egypt is ranked 70th in the Inclusive Development Index¹ 2018 among emerging economies of the world, owing to high labor productivity and declining poverty
Infrastructure	Favorable, some concerns	<ul style="list-style-type: none"> Egypt is ranked 71st among 137 countries, in terms of infrastructure, in the Global Competitiveness Index 2017-2018 (World Economic Forum) The Global Information Technology Report 2016 ranked Egypt 94th among 139 countries for the readiness of its infrastructure

¹ Inclusive Development Index measures nation's performance across a variety of categories of economic progress (GDP, GDP per capita, labor productivity, etc.) Source: Everest Group (2019), EIU, World Bank, WEF Global Competitiveness Report, Moody's, interviews with market participants



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Research calendar – Locations Insider™

■ Published ■ Planned ▭ Current release

Flagship Locations Insider reports

Release date

"Next-wave" Location Profiles – Tampa, Florida, the United States	March 2019
Location Spotlight – The Philippines	March 2019
Location Spotlight – Guadalajara, Mexico	May 2019
Location Spotlight – Hyderabad, India	May 2019
Location Spotlight – San Jose, Costa Rica	May 2019
Location Spotlight – India	June 2019
"Next-wave" Location Profiles – Chennai	June 2019
Location Spotlight – Egypt	September 2019
Location Spotlight – The Czech Republic	Q3 2019

Thematic Locations Insider reports

Talent Hotspots for Risk Analytics in BFSI	May 2019
Regional Handbook: Focus on Digital Services Talent in Europe	June 2019
Global Handbook – Focus on Language Skills Availability Across the World	Q3 2019
Changing Fortunes of Delivery Locations – How Macroeconomic Factors Impact Delivery Locations?	Q4 2019
Global Handbook – Focus on Next-generation Skills Across the World	Q4 2019
What is the Role of Global Delivery Model in an Agile Construct?	Q4 2019
Regional Handbook – Focus on FinTech Talent in the US	Q4 2019

Note: For a list of all of our published Locations Insider™ reports, please refer to our [website page](#).

Additional GS research references

The following documents are recommended for additional insight into the topics covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World** ([EGR-2018-37-R-2646](#)); 2018. The Global Locations Annual Report 2018 is a unique and comprehensive guide to understand the nuances of the global services locations' landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – key trends shaping the landscape, risk watch, and locations PEAK Matrix. It presents insights into the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions
2. **Europe: Global Services Trends in Q2 2018** ([EGR-2018-35-R-2672](#)); 2018. Everest Group's Buyer Geography Trends report provides data, developments, and insights on outsourcing and offshoring trends for a particular buyer geography/region. These reports provide the research and analysis that enable users to navigate through complexity and make clear, effective decisions suited to their focus region
3. **Next-wave Location Profile – Manchester, the United Kingdom** ([EGR-2018-37-R-2553](#)); 2018. This report analyzes Manchester and offers perspectives on the global sourcing profile of the city, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
4. **Next-wave Location Profile – Johannesburg, South Africa** ([EGR-2018-37-R-2754](#)); 2018. This report analyzes Johannesburg and offers perspectives on global sourcing profile of the country, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

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