Views On News
رأي في أزمة
VIEWS ON CRISIS
ECES
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Views on the Crisis
Restaurants and Cafes

Introduction

While the whole world shares the broad outlines of the economic and social repercussions of the Coronavirus (COVID-19), which are unprecedented in its recent history, the implications thereof for each country are linked to the nature of each country's economic system, its ability to withstand the entailed repercussions and the speed of its recovery.

In light of the need to study the sectoral implications of these repercussions in order to address the crisis properly, the Egyptian Center for Economic Studies

(ECES), in its initiative, is producing a set of daily reports entitled "Views on Crisis". The reports aim to analyze the implications of the coronavirus crisis for Egypt in relation to a number of vital production and service sectors and to key macroeconomic variables. This ECES initiative comes from the belief that the current critical conditions require directing state’s efforts towards achieving two main goals: providing a decent life for Egyptians during the crisis and in the recovery phase, preserving the existing investments-especially domestic investments- and helping to overcome the crisis and prepare for a rapid launch with the gradual decline of the crisis and recovery of the global economy.

The methodology used in these reports is based on an analysis of the supply and demand shocks associated with the crisis cycle in its various stages. Given the lack of detailed data on the sectoral impact of the crisis, the sectoral analysis is based on logical assumptions related to the nature of each sector and the degree of sector vulnerability to previous sever crises that were certainly less severe than the current crisis and different in nature. However, it is a starting point for the urgently required scientific diligence at this stage.

The reports attempt to provide a detailed perception of the magnitude and direction of crisis impact on each sector at present and until the end of the crisis. They aim to propose quick solutions to reduce the adverse impacts of the crisis in a balanced and integrated means that complement the serious efforts made by the state in this regard, and to offer other longer-term solutions to the existing institutional flaws, clearly revealed by the crisis. It is high time that these flaws are radically removed, which will improve post-crisis development efforts.

"We are in uncharted waters: the industry has never seen this before, and all signs point to the likelihood that restaurants as we know them aren't coming back for a while. To move forward, we must start by examining what we would like to save about the industry, giving space to the things that nourish us and our communities, and discarding what we believe doesn't deserve to survive. After all, the real danger the restaurant industry faces aren't annihilation – the danger is that it comes back the same as it was before."

Jonathan Nunn

a food writer based in London.
He edits the food newsletter
Vittles

First: Brief description of the subject of the report

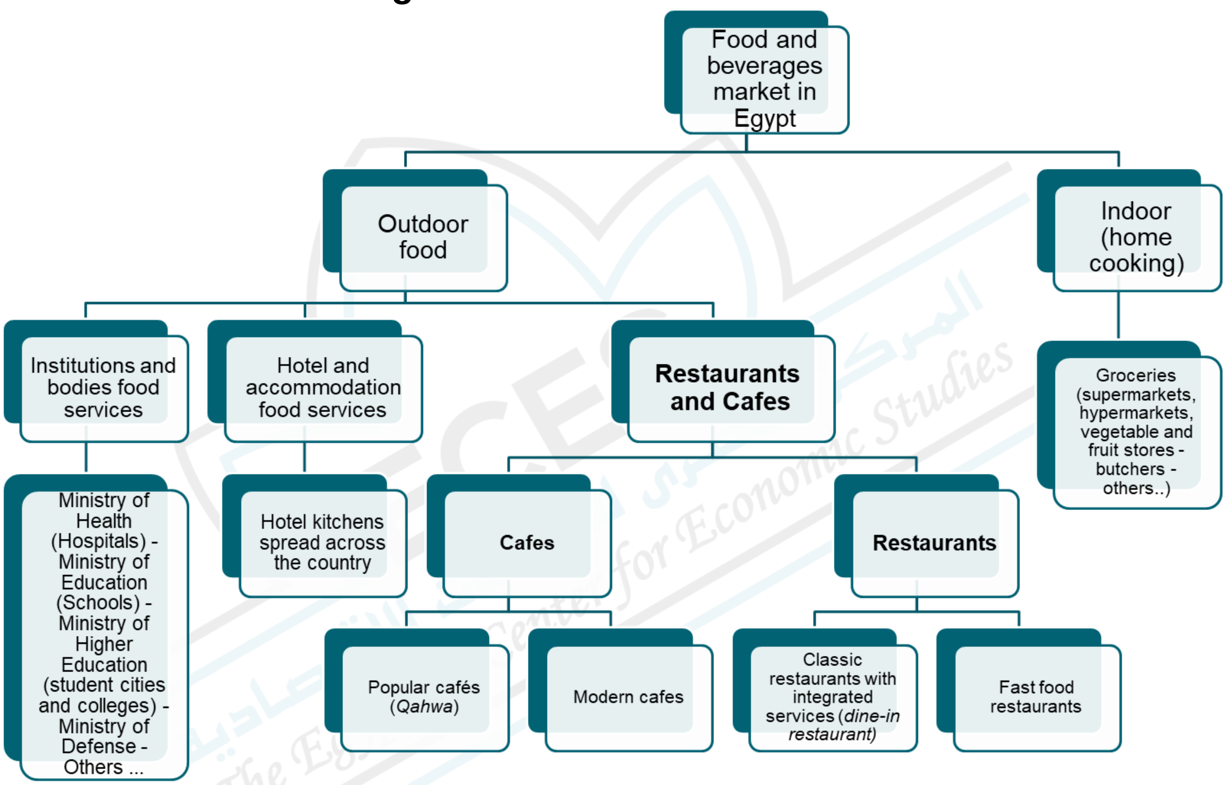
- Recent years have witnessed an increase in the economic importance of the service sector in providing ready-to-eat food and beverages. The rates of eating meals and drinking beverages outdoors increased, and so have the rates of eating ready-to-eat foods that are brought from restaurants. This was reflected on the volume of sales of that sector, which was valued at about $8 billion in 2018.[1]
- Household spending on outdoor food represents a large percentage of spending on food and beverages of all kinds, which

[1] The figure for sector sales in 2018 reflects the estimates of the Agricultural Affairs Office of the American Embassy in Cairo (Ibrahim El-Habbal: "Food service – Hotel Restaurant Institutional," US Embassy Cairo Agricultural Affairs Office, 2017).

is valued at EGP 200 billion annually,[2] up to 46 percent of the total expenditure of Egyptian families according to the 2017/2018 Income and Expenditure Survey data.

- There are various facilities for serving outdoor food and beverages, including fast food outlets, classic and popular restaurants, as well as cafes, cafe cars and others. Figure 1 below shows the structure of the food market in Egypt and the associated food services provided to families and citizens.

Figure 1. Food and Beverages Market Structure



Source: Prepared by the Egyptian Center for Economic Studies.

- The traditional sources of outdoor food and beverage services are mainly restaurants and hotels, in addition to the food services provided by institutions and bodies whose services are largely offered through chains of restaurants and cafes.

- Restaurants and cafes spread throughout the country account for the largest proportion of outdoor food services as a result of

[2] https://cutt.us/q7PC5.

structural developments in the Egyptian labor market[3] over the past decades. This was reflected in the volume of investments in that sector, and in a significant increase in the number of outlets throughout the country, with their total revenues amounting to about EGP 104 billion in 2017.[4] This sector will be covered in detail in the analysis.

- As for hotels and accommodation, the food services offered account for a large percentage of their revenues, ranging between 37 to 40 percent, and sometimes even exceed 75 percent, especially in some five-star hotels that provide high-quality mostly imported food and beverages. The amount of spending by hotels in that regard reached about $28 million during 2015,[5] with meat, poultry and fish accounting for up to 85 percent of the volume of that spending.
- There are also many institutions and bodies whose services include the provision of food services such as government and private hospitals that provide meals to patients. The armed forces are also another example. The food services provided vary from central kitchens through which food is distributed to all units, which are managed by private companies or famous restaurant chains through tenders, or kitchens operated by workers in the place. Despite the difficulty of obtaining detailed data for these institutions, the amount of spending on nutrition in the Ministry of Health was estimated at $28 million during FY 2017/2018. Also,

[3] These developments were linked to structural changes on the supply and demand sides. On the supply side, they include the increasing size of the informal sector, increasing unemployment rates, and irregular operations. As for the changes on the demand side, many citizens spend most of their time outdoors and the entry of many women into the job market.
[4] The 5th economic census issued by the Central Agency for Public Mobilization and Statistics, 2020.
[5] The US Embassy, Cairo Agricultural Affairs Office, Food Services Report, 2017.

the volume of investments of the Ministry of Education, the Ministry of Agriculture, and the Ministry of Social Solidarity in school feeding programs is estimated at $56.5 million.

<u>In what follows, we analyze in detail the food and beverage services offered by restaurants and cafes in the Egyptian market</u>

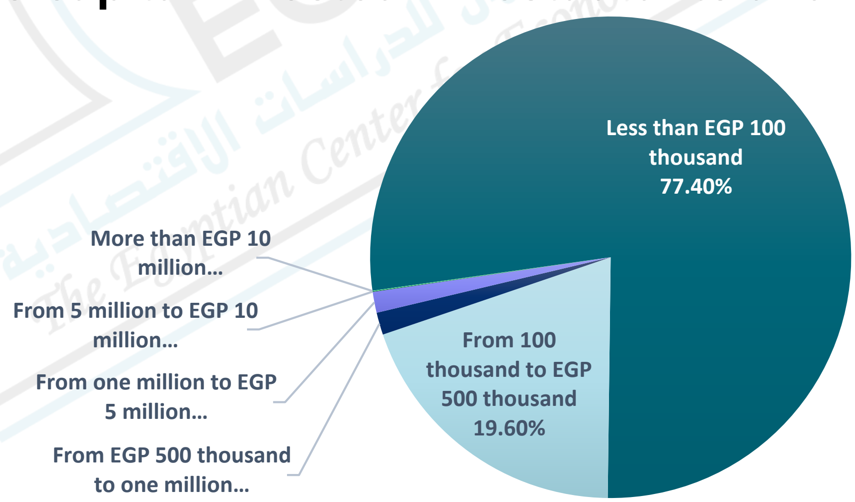
- Restaurants and cafes of all kinds account for up to 5 percent of total economic establishments in Egypt. They are considered second in size to the retail and wholesale sector, as their number is estimated at about 180 thousand establishments nationwide[6]. The private sector has complete control over that sector.
- By measuring the size of these facilities to the total inhabited area in Egypt (about 79 thousand km), **we find a dense spread of restaurants and cafes throughout the country, as there is a restaurant or a café in approximately every 400 meters.** The value of fixed assets of the sector amounted to about EGP 21 billion, including buildings, furniture, equipment, and others. Its net value added was estimated at about EGP 46 billion, according to the latest economic census published by the Central Agency for Public Mobilization and Statistics.[7]
- As for expenditures, they were estimated at more than EGP 60 billion. Commodity requirements such as key raw materials, goods, electricity, water, and others constitute up to 73 percent of the value of these expenditures, with about 3.4 percent for service

[6] The fifth economic census published by the Central Agency for Public Mobilization and Statistics, 2020.
[7] The fifth economic census published by the Central Agency for Public Mobilization and Statistics, 2020.

expenses, such as advertising, maintenance, transportation, etc., and 23 percent for other expenses such as rents, bank interest, taxes, and others.

- The sector is dominated by small and traditional enterprises, which account for 97 percent of all enterprises in terms of size nationwide. More than 75 percent of enterprises employ between one to four workers, and about 21 percent of enterprises has from 5 to 10 workers, while there are only 45 enterprises with the number of employees estimated at a hundred. Figure 2 shows the percentages of enterprises according to categories of invested capital, in light of the last economic census issued by the Central Agency for Public Mobilization and Statistics.

Figure 2. Percentage of the number of establishments according to capital invested in restaurants and cafes

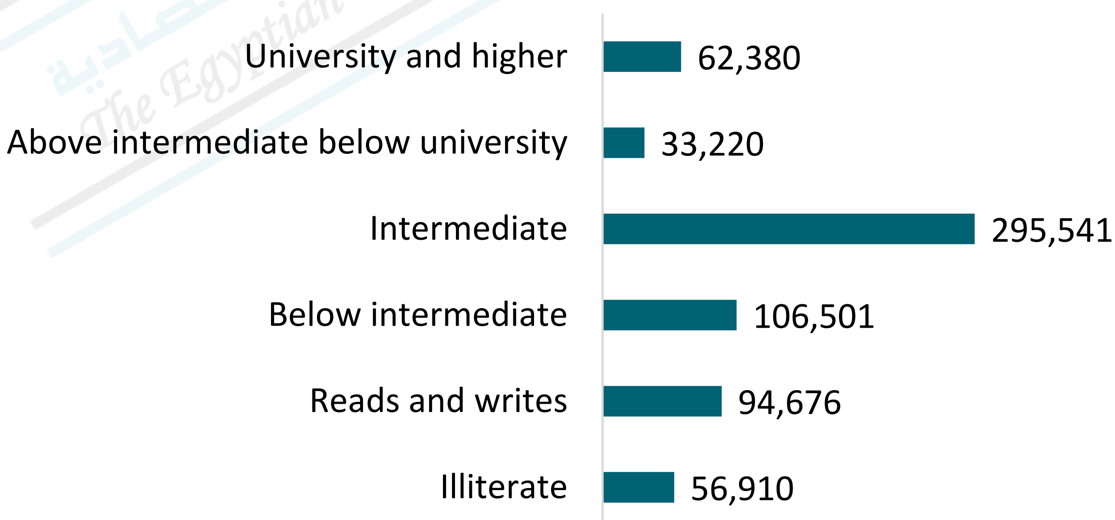


Source: Prepared by the Egyptian Center for Economic Studies based on data from the Central Agency for Public Mobilization and Statistics, Fifth Economic Census, 2017/2018.

- As for employment, it is noted that this sector is labor-intensive and relies on unskilled labor, especially technical and operating workers, who account for up to 70 percent of total workers in the sector,[8] estimated at about 700 thousand workers based on the last economic census, at a percentage exceeding 5 percent of total workers in economic activities in the country.

- But according to unofficial sources,[9] the number of workers has been estimated at about 2 million workers, i.e., up to 3 times the official figure. Perhaps these discrepant estimates are due to the nature of the sector being dominated by informal employment. In other words, those who work without contracts or insurance, as well as irregular and temporary employment such as delivery workers and others who find in restaurants and cafes an additional opportunity to increase their income.
- Workers also vary in terms of educational attainment. Intermediate and lower qualifications constitute the largest percentage of total educational attainment of workers by up to 62 percent. Figure 3 shows the numbers of workers according to educational attainment:

Figure 3. The number of workers according to educational attainment



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[8] Including operating workers, technical service workers, salespersons, and other operators.
[9] These sources vary between press reports and estimates of experts within the sector.

Source: Prepared by the Egyptian Center for Economic Studies based on data from the Central Agency for Public Mobilization and Statistics, Fifth Economic Census, 2017/2018.

- The restaurant and cafe market is divided into independent outlets, which have one or more branches, or those associated with global or local chains, which have many branches throughout the country. Table 1 shows the different sales percentages and growth rates in these outlets, as well as the most important characteristics. Independent restaurants and cafes constitute the largest percentage of the sector's sales, while growth rates of the chains remain higher than those of the independent restaurants.

Table 1. Differences between independent restaurants and chains

Type of restaurant and café	Percentage of restaurant sales during 2015 from total sales of the sector (in million $)	Growth rate 2011-2015	The most important characteristics
Independent restaurants and cafes	**%84**	**%29**	**Weak quality and management systems**
Restaurants and cafes with chains	**%16**	**%17**	**The strength of quality and management systems**

Source: The US Embassy Cairo Agricultural Affairs Office, Food Services Report, 2017.

- Table 2 also shows the most important restaurants and cafes inside the country, as well as their sales during 2016:

Table 2. The most important restaurant and café chains in Egypt in 2016

Chain type	The most famous restaurant chains and cafes	Sales (millions of dollars)	Numbers of branches and outlets
International restaurant chains	KFC	154	135
	Pizza Hut		64
	McDonald's	77	91
	Burger King	21	22
	Chili's	33	22
Regional restaurant chains	MO'MEN	54	40
	GAD	25	30
	Cook Door	21	66
	Tikka	19	21
	Fish Market		7
	Grand café		13
Local restaurant chains	Spectra	25	34
	Cilantro	28	60
	Abu El Sayed		8
	Abu Shakra	24	12
	......	....	....

Source: The US Embassy Cairo Agricultural Affairs Office, Food Services Report, 2017.

We note from the previous table that restaurants with international chains had the largest percentage of branches and sales. Their association with a huge value chain contributed greatly to upgrading their product in terms of quality and packaging, and to increasing the number of workers and suppliers in a way that surpasses local restaurants.

Despite the many types of restaurants and cafes and the different criteria for dividing them according to the nature of the service offered, we can divide them as follows:

- **First: Restaurants:**
  1- Fast food restaurants
  2- Classic restaurants with integrated services (*dine-in restaurant)*
- **Second: cafes**
  1- Modern cafes
  2- Popular cafés (*Qahwa*)

Table 3 shows those characteristics, and similarities and differences between them:

Table 3. Types of restaurants and cafes

Feature/outlet	Fast food restaurants	Classic restaurants	Modern cafes	Popular cafes
Definition	Restaurants in which meals are served quickly, whether through take away or delivery at relatively low prices.	Restaurants where the menu consists of interconnected meals, at fixed prices and an experienced chef usually manages the restaurant.	Places that specialize in providing drinks and some special foods, but they are not considered restaurants, such as breakfast, sandwiches, and meals that are prepared in advance. They are	Places that specialize in providing drinks and tobacco (hookah and others). They are characterized by low prices and non-compliance with the rules of "etiquette" in sitting.

			characterized by the privacy they provide in sitting and elegance in serving drinks.	
Sales (in millions of dollars in 2015)[10]	1099	823	1338	-
The size of the hall	Relatively small	Large	Large	Medium and relatively large
The size of the kitchen	Relatively large	Relatively large	Medium	Small
Closing rate	Weak	Weak	Medium	High
Concentration	Concentrated in urban areas and areas with a high population density, in shopping centers and malls, as well as areas of student concentration in universities.	Concentrated in the urban areas, especially upscale areas and inside the hotels .	They are concentrated in urban areas, commercial centers, and malls.	- Concentrated in urban and rural areas - Spread over most streets and roads.
Purchase cycle (For consumers)	Regular, semi-monthly or weekly (Many families and young people-	irregular	Almost weekly	Regular (daily)

[10] *Agricultural Affairs Office of the American Embassy in Cairo, Food Services Report, 2017.*

	especially workers) use fast food as their main source of food)			
Quality control	High and medium	High	High and medium	Weak
Storage capacity	Large	medium	medium	Weak
Supply and import chains	Most products are sourced from the point of origin (factories and direct imports) for major and international stores, while smaller shops source from wholesalers.	Some products are sourced from the point of origin as factories, some from wholesalers. Goods may also be imported via import companies.		Mostly from wholesalers and retailers.
Multiplicity of suppliers	Medium			Not multiple
Legal form (Formal, informal)[11]	Formal and informal	Formal	Formal	Formal and informal, road stalls and inside government buildings
Type of labor required	Trained and untrained labor, whether in the hall or the kitchen	Trained manpower inside the kitchen	Untrained, unskilled labor that is easy to lay off	Untrained, unskilled labor, easy to lay off

[11] Informality here means 3 main types: informal employment, informal enterprises, and informal transactions. ECES issued a detailed report on the informal sector on April 6, 2020 and it is available at the ECES website.

		(specialized chef)		
Nature of sales	Sales are divided among take away, delivery, and meals inside the restaurant (with percentages of approximately 35% for delivery, 35% take away, and 30% inside the restaurant)[12]	Sales are divided among eating meals inside the restaurant and delivery, with eating meals inside the restaurant representin g the largest percentage of sales (80% in the restaurant, 15% delivery, and 5% take away)[13].	Sales are divided between take away and meals and beverages inside the restaurant.	Mostly limited to drinking beverages only inside the cafe.
Buying online	The possibility of buying via the internet and food-related applications	The possibility of buying online	Difficulty buying online	

[12] Obtained through a webinar held by the Center for International Private Enterprise (CIPE) on April 30, 2020
[13] Ibid

	(ELmenus, Otlob, Tayari etc.)			
Delivery	Enabled and widely spread	Enabled and prevalent	Not widespread	Not enables and not prevalent
Bargaining power and profitability methods	High negotiating ability - modern profit methods, market studies, forecasts and offers from suppliers - advertising campaigns, especially for major fast food restaurants	Modern profit methods, market studies and offers from suppliers - advertising campaigns.	Traditional profit methods - advertising campaigns	Traditional profit methods (heavy reliance on tipping and hookah sales)
Facilities	Attractive offers on meal prices	Poor facilities and offers.		Poor facilities and special offers for drinks prices. Facility to pay through unofficial channels (on credit)
Outlet resilience (Ability to withstand shocks)	Relatively resilient due to the complexity of administrative structures, especially major restaurants, while	Relatively resilient due to the complexity of the administrative structures.		Very fragile

	small restaurants are fragile.			
The most important outlets in Egypt	- KFC - McDonald's - Hardee's - Cook Door - others	- Abu Shakra - Spectra - Vivo - LEXIE'S - Osmanli - Others	- Starbucks - Cilantro - Costa - Grand Cafe - Modern cafes spread throughout the country - Others	All cafes scattered throughout the country

Source: Prepared by the Egyptian Center for Economic Studies.

The sector has witnessed many developments over the past decades, which are necessary to mention, as follows:

1- There is an increase in the relative importance of online sales of foods and beverages in recent years. Had it not been for the Corona pandemic, it was expected that sales during 2020 would reach about $81 million,[14] according to the Statista website, while the number of users is about 3.5 million people.

2- The delivery of orders is divided between delivery to consumers directly through restaurants, which was expected to reach $56 million in 2020 and nearly 2.7 million users, or through various other platforms whose sales were expected to reach $26 million and with about 1.5 million users.

[14] https://www.statista.com/outlook/374/340/online-food-delivery/egypt

3- The restaurants and cafes sector and its various outlets are affected by the logistics related to the supply of goods to factories, as well as the distribution of products after their manufacture to wholesale and retail merchants, and the associated availability of transportation and mobility.
4- The consumption of narghile tobacco reached 50 thousand tons annually at a value of EGP 3 billion, and hookah smokers accounted for 19.9 percent of the number of smokers,[15] 17.2 percent among the age groups 15 to 29 years, 18.6 percent among the age group 30 to 44 years, and 23.4 percent among the age group 45 to 59 years, and 27.3 percent among the age group 60 to 69 years.[16]

The impact of previous crises on the restaurants and cafes sector in Egypt

The focus here is on two phases: the January 25 Revolution of 2011 and the beginning of economic reform, at the heart of which is the liberalization of the exchange rate in November 2016. The choice of each comes due to the impact it had on the food and beverage sector, as well as their association with individual incomes, the purchasing power of consumers, high inflation rates, and the logistics associated with obtaining food.

It is important here to point out the differences between the two crises. The 2011 Revolution was linked primarily to security problems and high rates of inflation, which had a rapid impact on the restaurants and cafes sector. The liberalization of the exchange rate

[15] Household spending on tobacco and alcoholic beverages constitute up to 4.7 percent of the total annual household spending according to the income and expenditure survey data.
[16] https://2u.pw/stW7C

was linked to multiple problems such as the high price of the US dollar, low purchasing power, and lower levels of individual income. Therefore, its impact was more profound and slower in recovery compared to the 2011 crisis, which probably continues to this day despite absence of sector data for the past 3 years.

- In spite of the rapid development of the food and fast food sector in Egypt as a result of various economic and social conditions, especially in major cities with high population density, it is noticeable that the sector slows and declines during periods of crisis. This is evident in Figures 4 and 5, where a decline is observed in the number of new facilities during 2011 and 2017 by approximately 26 percent during both crises.

Figure 4. Annual increase in the number of restaurants and cafes during 2010-2013

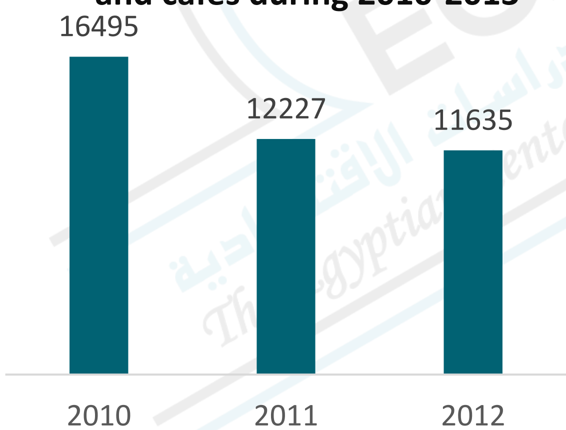
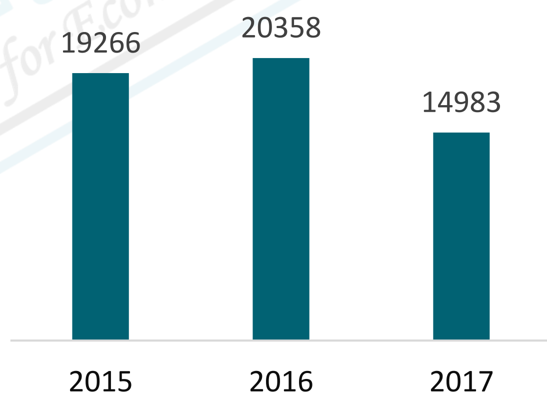


Figure 5. Annual increase in the number of restaurants and cafes during 2015-2017



Source: Prepared by the Egyptian Center for Economic Studies based on data of the Central Agency for Public Mobilization and Statistics, the fourth and fifth economic censuses for the years 2012/2013 .and 2017/2018

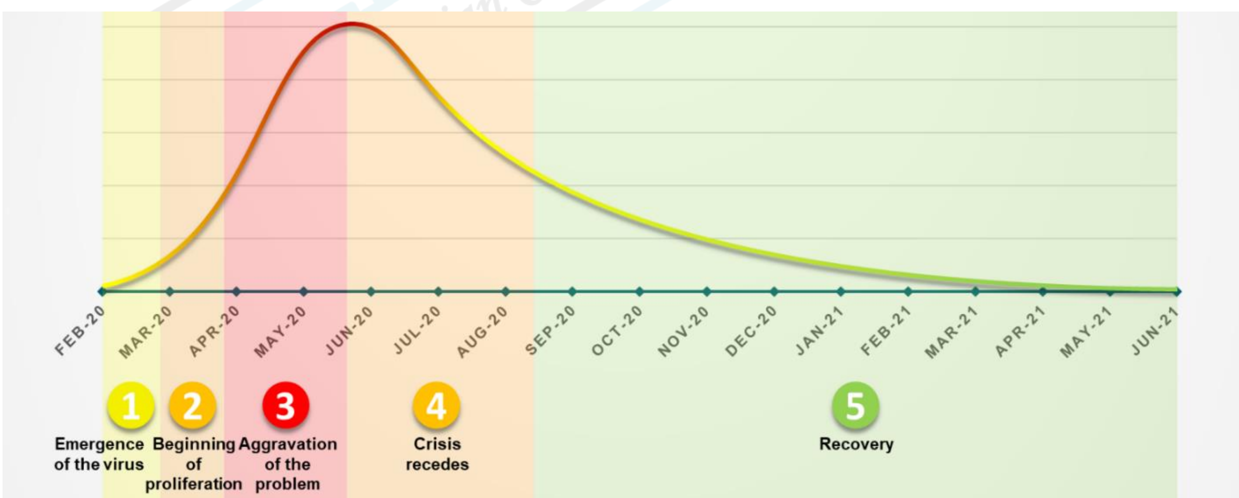
- These two crises also led to a decrease in the extent of job stability, due to the predominance of the informal sector that account for a large percent of the sector. This means the shift of informal employment from regular to irregular work, which proves the lack of fixed income.[17]

Second: Demand and supply shocks in the context of the crisis cycle

First of all, we would like to emphasize that the impact of the current crisis on the food and beverage sector is significantly different from previous crises, whether the January 2011 Revolution or the liberalization of the exchange rate in 2016. The reason is the nature of the precautionary measures and associated lockdown of most restaurants and cafes.

The expected effect on demand and supply also relates to the stage we are dealing with in the crisis cycle. If we assume the seasonality of the virus, we can track five stages according to the crisis cycle. The following figure summarizes these stages:

Figure 6. Stages of the Crisis



Below is a brief description of each stage:

[17] The Egyptian Center for Economic Studies, "The Informal Economy" report, the seventh issue of view on crisis, April 6, 2020.

The first stage: emergence of the virus

This stage marked the beginning of the crisis. The virus was unknown and only appeared in China. Arab countries, North America and European countries were not yet affected.

The second stage: Beginning of proliferation

Spread of the virus globally, and the Arab countries began to be affected at the end of February and initiated precautionary measures to prevent the spread of the virus. European countries are greatly affected.

The third stage: Exacerbation of the problem

The situation in the world worsened and strict measures in the Arab countries, especially Saudi Arabia, and the European Union, and a significant worsening of the crisis in Italy and beginnings of decline of the virus in China, and the beginning of its spread in the United States.

Fourth stage: Crisis recedes

Beginning of recovery from the virus globally, starting with China and then European countries, followed by Arab countries, while the United States still has a problem.

Fifth stage: Recovery

Full recovery gradually for all countries, with Arab countries being the last due to being strongly affected by the global economy and their weak influence on it.

As for the supply and demand shocks, they are defined as follows:

- **Demand shock**: Decrease in demand for food products sold in various outlets as a result of the crisis.
- **Supply shock**: Inability of different outlets to offer products and provide services as a result of the crisis and precautionary measures.

The different scenarios will be analyzed by studying the changes in the level of sales and the number of employees, according to the following concepts and assumptions:

1- The magnitude of the demand shock varies according to the stages of the crisis and the type of outlet.
2- With the curfew decision, there was a rush to purchase and store needs from grocery outlets, and a sharp decline in sales and demand in the case of restaurants and cafes, as a result of citizens' anxiety about the transmission of the disease.
3- The ability to provide delivery services and allow payment by bank cards represents a comparative advantage for the different restaurants that provide services.
4- Precautionary measures have an impact on the arrival time of citizens to restaurants and cafes, as well as the ability of outlets to provide goods.
5- The products offered are primarily related to the industrial productive value chain for each of them, and therefore any interruption in industrial production will affect sales of restaurants and various cafes.
6- The quantitative evaluation of the percentage of change in sales and employment will be estimated according to the following sources:

a. Limited survey of a number of restaurants and cafes nationwide.[18]

b. Percentages of change during the two aforementioned crisis periods.

It should be noted here that many of the hypermarket and supermarket outlets recently resorted to manufacturing and the provision of many ready-to-eat foods, making it a relative alternative to fast food restaurants during the crisis.

The following table shows the extent of the impact on the restaurants and cafes sector during the crisis cycle, by analyzing what has already occurred on the ground, offering a descriptive analysis of the current situation, as well as providing possible future scenarios in light of the assumptions mentioned:

Table 4. Different stages of the crisis cycle and impact on the restaurants and cafes sector

Stage	Demand and/or supply shock	Analysis	Impact
The first stage: Emergence of the virus (December 2019-January 2020)	No shocks to most restaurants and cafes, whether in demand or supply	This is due to the emergence of the virus in in China only, and Egypt has not been affected yet	There is no effect due to the fact that supply and demand have not changed
Stage 2: the start of the virus	Very limited shock in	A limited shock in demand appeared at the end of February,	A slight decrease in the volume of sales of some restaurants, with no

[18] Obtained from a survey conducted by the Egyptian Center for Economic Studies (ECES) of a limited number of restaurants and cafes in different governorates via the social media sites (Facebook), as well as through a webinar held by the Center for International Private Enterprise (CIPE) on April 30, 2020.

spreading (February - mid-March 2020)	demand and supply	when some citizens began to worry about the virus in Egypt. This was translated into a desire to buy and store needs from grocery stores and avoid eating outside, but the real pressure did not materialize until mid-March with the beginning of the precautionary measures.	noticeable change in anything else.
Stage 3: the problem worsening (mid-March to mid-May 2020)	• This period witnessed a great shock in demand, and a severe shock in supply, which became progressively difficult with the development of events	The beginning of the crisis, especially the first three weeks, has created a state of anxiety and fear among citizens, especially with the beginning of precautionary measures and the imposition of a curfew. This was followed by extreme fear of most citizens from eating outside, especially in light of the uncertainty surrounding the virus and its behavior and fear of transmission through food. This led most citizens to avoid buying food from outside, and many of them resorted to buying more basic commodities for storage from grocery stores. This resulted in an unprecedented demand for grocery outlets and avoidance of restaurants and cafes of all kinds, but with varying degrees according to the nature of the outlet.	
		Classic restaurants (with integrated services)	• Restaurants with integrated services have witnessed a decrease in their revenues estimated

		* These restaurants have witnessed a severe decline due to mostly relying on providing meals inside the restaurant.	at about 80% or more. Likewise, the numbers of employees have decreased by higher percentages than fast food restaurants, reaching 60% in some restaurants, as a result of the increase in the workers in the hall in those restaurants than in other restaurants.
		Modern Cafes and Popular Cafes The largest decline was related to cafes and popular cafes as a result of precautionary measures and related full lockdown of most of these outlets.	• The worst situation was related to cafes and popular cafes, where the loss rate reached 100. Many of their owners (especially popular cafes) resorted to changing their activities (by converting the outlet into a supermarket or grocery outlet) or closing it permanently and laying off workers.
		Fast food restaurants (providing delivery service) There has been a sharp decline in the volume of demand, but less than restaurants with integrated	• Fast food restaurants witnessed a decline that ranged from 50% to 65% of their daily revenue, especially during the first three weeks of the crisis, according to the nature of the outlet, its quality,

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<td>services as well as cafes, as these restaurants, have multiple sales methods such as delivery and take away. They also enjoy the ease of delivery and avail use of bank cards besides their proximity to citizens and the speed of delivery.</td>
<td>the level of health procedures available, and the ability to deliver orders faster.
• The period also witnessed a decline in the numbers of workers, especially kitchen and hall workers, with rates ranging between 20% and 40%. However, the percentage of delivery workers remained somewhat the same, although most of them are irregular labor with temporary contracts.</td>
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<td>Fourth stage: crisis recedes (Mid-May-August 2020)</td>
<td>Demand and supply shocks were related in that period to the continuity of precautionary measures and the curfew, as well as persistence of fear among citizens. Therefore, it can be divided into 3 stages:</td>
<td colspan="2">This stage relates to two scenarios, either a rapid recovery or further deterioration, mainly depending on the following:
1. End of the precautionary measures
2. The virus outbreak receding
3. Changing consumer trends and tastes, lower anxiety and fear, and return to the pre-crisis norm, which is mainly related to the decline of the virus.
Accordingly, the situation varies according to the three stages as follows:</td>
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	1. The first stage (from mid-May to June 27)	The first stage witnessed more loss for owners of restaurants and cafes due to peaking of the disease during that stage and increased rates of infection, which prompted citizens to be more cautious, and the government to tighten precautionary measures.	This stage witnessed the continuation of losses for all outlets, with a slight increase in the volume of sales of fast food and delivery restaurants, especially in the second half of Ramadan.
	2. The second stage (from June 27 to the end of July (now).	The second phase witnessed a partial reopening of activities since June 27, as the government allowed occupancy rates estimated at about 25%, with some precautionary measures in providing food and beverages, but still not allowing hookah.	During this stage, relative recovery started with more sales compared to the previous period, and a slight increase in the different rates of employment.
	3. The third stage (August)	For this stage, there are two scenarios: * **The first scenario**: the optimistic scenario in which the disease is expected to subside,	**In the case of the first scenario**: It is expected that there will be a gradual return to the sector's normal rates and a slight

		with further mitigation of precautionary measures and increased levels of reassurance among citizens.	increase in the volume of employment for restaurants, while popular cafés and modern cafés revenues will remain low due to the lack of permitting hookah[19], which constitutes a large percentage of the cafés revenue.
		* **The second scenario:** It is the pessimistic scenario in which the situation is expected to continue as is (the same scenario of the previous stage) with a continuation of the disease and anxiety.	**In the case of the second scenario:** In this case, sales are more likely not to increase compared to July, and similarly employees will not increase.
The fifth stage: Recovery (beginning September to June 2021)	The supply and demand shocks here are linked to the previous stage scenarios.	Continuity of the optimistic scenario relates to the return to normality, which occurs either with finding treatment or full acclimatization with the virus, and thus the return of normal rates.	**<u>In the case of an optimistic scenario:</u>** Annual growth rates return to normal and full recovery achieved during the second or third quarter of 2021.

[19] We would like to emphasize on the harm associated with smoking and hookahs in general, our analysis thereof is from an economic perspective only linked to the revenues of the activity.

		The pessimistic scenario is linked to the return of the virus,[20] and consequently the return of the precautionary measures.	**<u>In the case of a pessimistic scenario:</u>** The magnitude of problems for popular cafes and cafes will increase. These problems may affect some small popular restaurants as a result of increased obligations in light of reduced levels of income, increase in the numbers of unemployed, and realizing the rates of decline in the previous scenarios.

<u>Third: Interventions required to mitigate the effects of the crisis</u>

These measures are based on the fact that employment is now a national goal due to Corona being accountable for the loss of many jobs, as follows:

1- Providing financing packages that are commensurate with the nature of the restaurants and cafes activity, enabling them to increase their sales, as well as postponing the payment of sovereign obligations such as taxes and others without imposing fines for the delay.

2- Providing all kinds of support to the owners of restaurants and cafes, even if they are informal, such as providing one-off

[20] The World Health Organization warned of the return of the virus during the winter season.

financial support. This would encourage these establishments to join the formal sector, and making pledges of more support in the event the outlet shifts to the formal sector.

3- . The requirement that workers in these establishments be insured and linking this to facilitating control and paperwork procedures.
4- Encouraging various establishments to insure temporary employment, and encouraging the informal sector to formalize.
5- Linking facilities availed with the number of workers, and expanding employment.
6- Strengthening the e-commerce system so that online purchase rates increase more significantly.

<u>Fourth: Institutional weaknesses revealed by the crisis and proposals to overcome them</u>

1. Given that more than 90 percent of restaurants and cafes obtain their licenses from the local government, there is a need to develop such governments and adopt decentralization in order to facilitate activity procedures and practice, and to achieve governance in all dealings and eliminate corruption.
2. Unifying the legal and procedural form of restaurants and cafes, regardless of the entity that grants the license to practice the activity, so that the difference between the tourist and non-tourist outlets is in the quality of the product provided only.[21]
3. Establishing an accurate database on restaurants and cafes in Egypt and distributing it to rural and urban areas so that it can be

[21] Only the fast food outlet differs, as it is called a take-away outlet.

used to determine the required assistance or intervention, especially that many workers in that sector are informal employment.

4. Support the role of the Consumer Protection Authority, as well as NGOs working in the same area, to improve services.
5. Reconsidering the criteria for providing government subsidies to small and micro enterprises in the food and beverage sector, given that these standards are biased towards large entities.
6. Draw on the experiences of other countries in the strategy of supporting small enterprises in that sector.
7. Promote and strengthen e-commerce, and provide platforms to communicate directly between supply chains and outlets.