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STUDY OF EGYPTIAN TRADITIONAL SECTORS

WP3 Design a value-driven traditional sectors cross-border framework

OUTPUT3.1: Framework for development of local and transnational value chains to ignite matchmaking

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Introduction and Credits

- Mediterranean territories in Egypt
- Aims of study

Traditional sectors structure

- Introduction to sectors
- Performance of each sector
- Companies structure
- Companies localization
- Distribution size
- The effects of COVID-19

Themes in focus

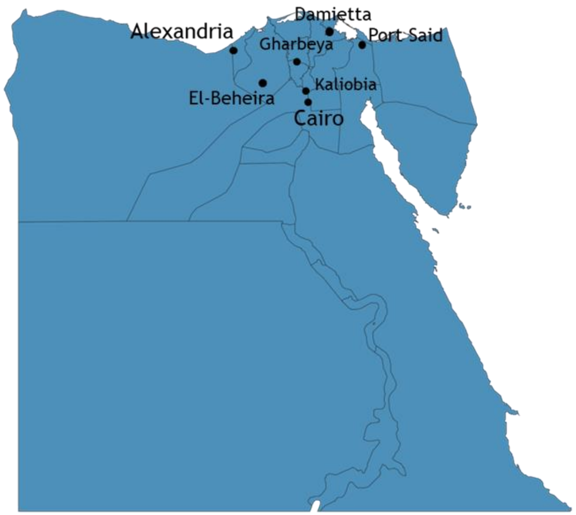
- Financial indicators
- External trade
- Performance indicators

Introduction and Credits

Introduction and Credits

Mediterranean territories in Egypt

- Total number of employees: 500,000 – 1,200,000
- Localization:
  - Cairo
  - Alexandria
  - El Mahala Al Kubra (Gharbeya)
  - Kaliobia
  - El-Beheira



Introduction and Credits

Aim of the study

To identify the competencies, capacities, challenges and needs in the textile, footwear and leather sectors in Egypt in order to create a framework that'll help improve value chains and strengthen innovation in the territories bathed by the Mediterranean Sea.

Traditional Sectors Structure

Traditional Sectors Structure

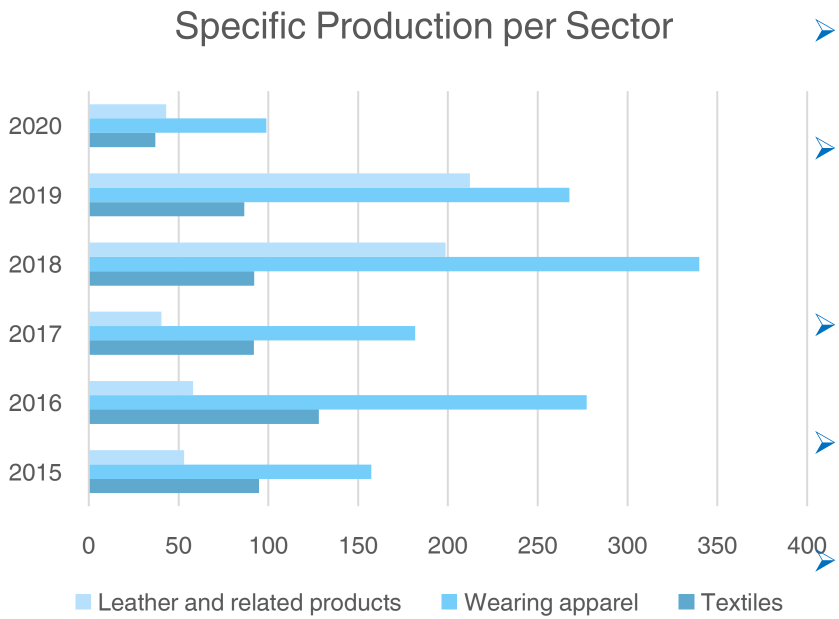
Introduction to Sectors

The traditional sectors of Textile & Clothing, Leather & Footwear play a very important role in Egypt's economy contributing:

- 36% to the country's industrial output
- 5.5% to the country's GDP
- 14% to Egypt's exports
- And employing nearly 2 Mio. workers

Traditional Sectors Structure

Performance of each sector



- T&C sector is Egypt's 2nd biggest non-oil industrial sector. It contributes 34% of industrial output , 4-5 % to GDP (MOTI 2019)
- Clothing counts 3% of GDP and 27% of Industrial output
- Value of Egyptian textile exports is 2.6 Bn. USD or 15% of non-oil exports (Oxfordbusinessgroup Report Egypt 2020)
- Production value of Textile fell from 2018/2019 to 2019/2020 by 18 Mio. USD to 345 Mio. USD
- Leather sector contributes 0.4% to GDP (Haddad 2018)
- Value of manufacturing of Egyptian leather and its products in 2015/2016 is 196.88 Mio. EGP
- Footwear covers 85% of all leather products (Haddad 2018)
- In 2017, value sales of footwear rose by 30% to reach 10.8 Bn. EGP

Traditional Sectors Structure

Companies Structure: Textile & Clothing

- Egypt has between 3,500 and 6,500 companies in total
- 500-600 companies export
- The majority of companies supply the domestic market, many in the informal sector
- Ginning, spinning and weaving companies are still dominated by large state-owned companies (50-60% are state-owned)
- 90% of all clothing factories are private-owned (RMG Export Council 2019 and Egypt Textile Industry 2021)

Traditional Sectors Structure

Company Localization: Textile & Clothing

	Number of establishments			
	Spinning	Weaving	Processing	RMG/T
Cairo	104	156	59	4900
Alexandria	63	74	33	2084
Port Said	8	0	2	152
Suez	1	1	0	124
Damietta	4	7	1	303
Dakahlia	138	65	6	1600
Sharqia	94	93	12	5254
Qaliobeya	222	623	66	2415
Kafr el Sheikh	66	183	5	771
Gharbia	231	1284	79	2416
Monoufia	118	185	3	2491
Behaira	164	184	2	3249
Ismailia	3	8	1	278
Giza	56	86	54	4004
Beni Suif	3	4	3	360
Fayoum	12	2	3	650
Menia	6	6	2	675
Asyut	5	11	3	312
Sohag	16	174	8	416
Others	2	3	4	895

- RMG and Tricot manufacturers are mainly located in Cairo & Alexandria
- Spinning and weaving is centered in Gharbeya, mainly public sector companies

Traditional Sectors Structure

Company Localization: Textile & Clothing

Governorate	No. of factories	No. of workers
Gharbeya	1,011	66,329
Alexandria	736	74,201
Sharkiya	512	84,392
Kaliobia	1,008	72,007
Beheira	187	23,916
Cairo	1,980	69,375
Dakahleya	243	12,065
Damietta	55	3,648
Giza	476	39,739
El Monufiya	213	22,593
Al Menia	15	1,806
Kafr El Sheikh	85	2,629
Qena	4	1,024
Asyut	37	1,410
Suhag	23	715
El Fayoum	12	2,090
Port Said	68	26,296
Ismailia	40	14,002
Suez	20	4,642
Luxor	2	17
Beni Seweif	14	3,234
Wady El Gedeed	1	20
North Sinai	0	0
Aswan	0	0
Total	6,742	526,150

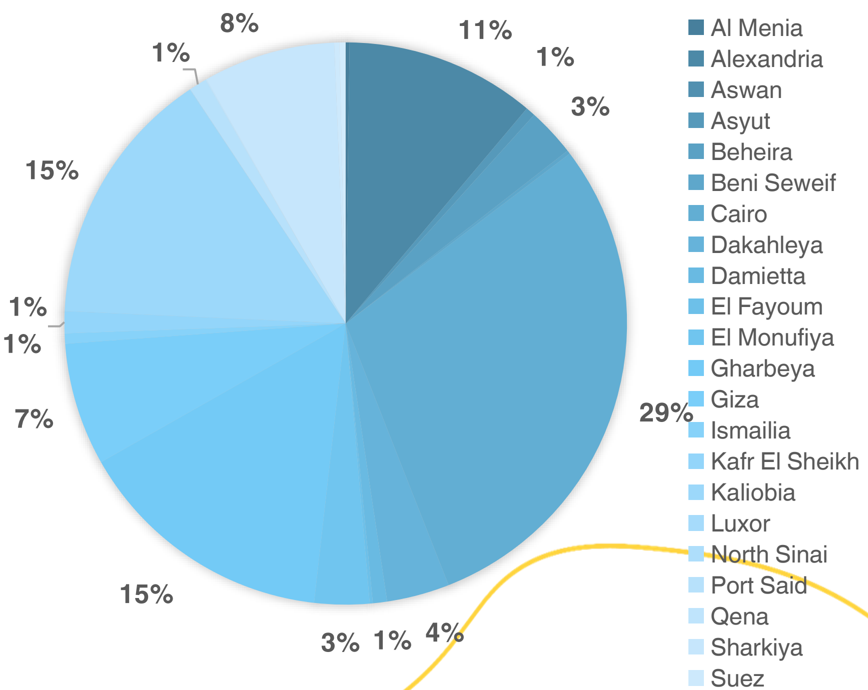
- Overall, in the total 24 governorates there are roughly 6,742 firms and 526,150 workers in the formal sector (2021, Egypt Textile Industry)

- The T&C industry is highly concentrated in Cairo, Gharbeya and Kaliobia.

Traditional Sectors Structure

Company Localization: Textile & Clothing

The chart below shows the cluster of T&C based on the previous table (the highest are Cairo, Kaliobia, Gharbeya and Alexandria)

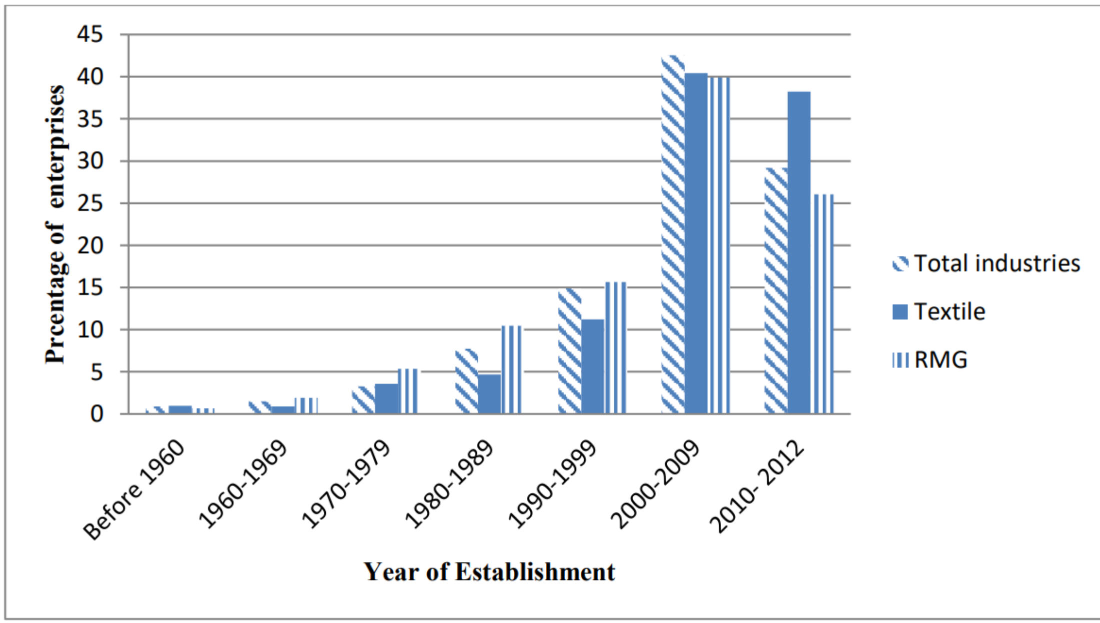


The map shows the current opportunities for FDI and ongoing projects in the T&C sector (mostly in Gharbeya for the Al Mahala complex)

Traditional Sectors Structure

Distribution of Size Company: Textile & RMG

- Percentage of enterprises per year of establishment (CAPMAS, 2014)



- Textile industry is relatively newer than RMG
- 80% of the textile enterprises were established from 2000-2012 (UNIDO, 2018)

Traditional Sectors Structure

Company Structure: Leather & Footwear

3,500 leather production SMEs

150 – 200 factories of leather production

17,000 leather micro workshops

60 export oriented shoe factories

19,000 micro footwear workshops

20 shoe insole factories

550 tanneries

15 wooden mold workshops (GAGE, 2017)

Traditional Sectors Structure

Company Localization: Leather & Footwear

- Cairo has been the centre for Egypt's leather industry including tanneries and manufacturers of Leather products.
- Tanneries were located in Old Cairo's Magra El-Oyoun and were run by 8,000 workers
- The Egyptian Ministry of Trade and Industry established industrial leather hubs for a total of 550 registered and unregistered tanneries that were set to be relocated to a new leather industrial city in Robbiki. 300 tanneries have moved to the new complex.
- Not all tanneries that were located in Old Cairo's Magra El-Oyoun workshops have been relocated yet due to lack of finalized infrastructure in the new location and lack of capital to finance the move for many workshops/tanneries
- A second leather hub in 10th of Ramadan city comprises 100 small and medium sized factories.

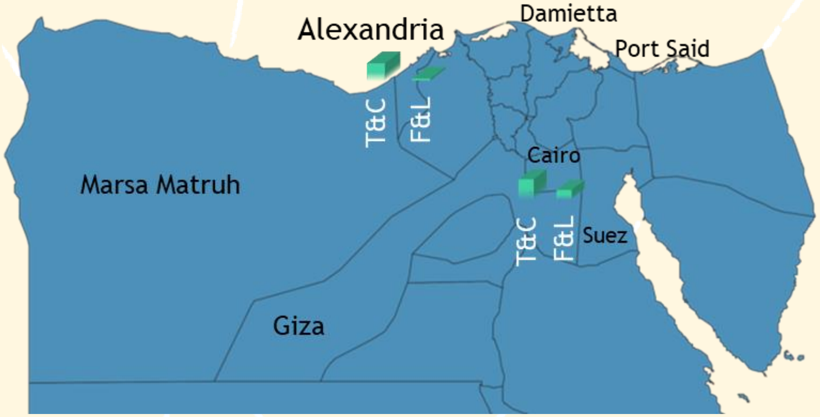
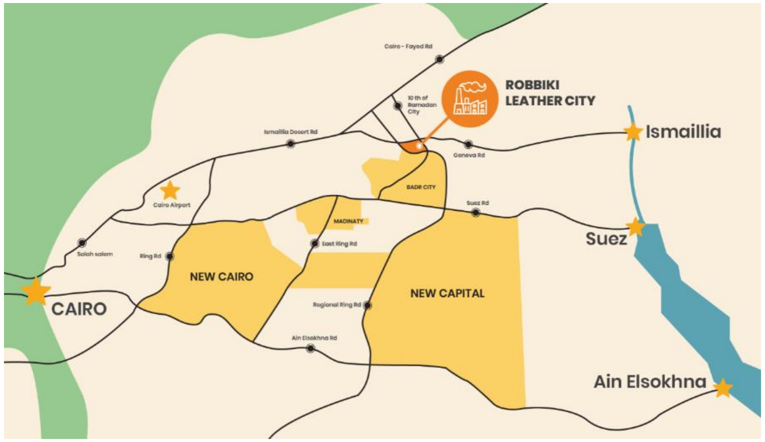
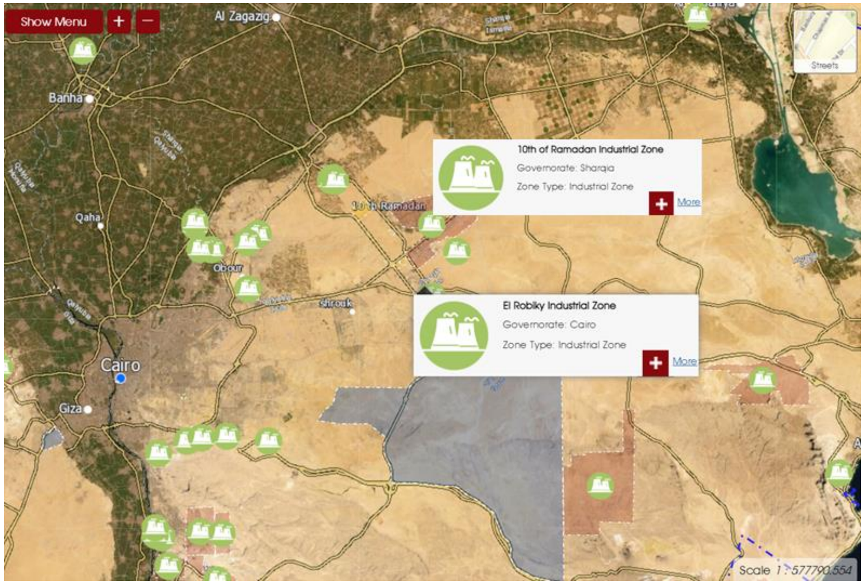


Chart shows number of T&C and L&F companies in Alexandria and Cairo (Robbiki and 10th of Ramadan is located in the suburbs of Cairo)

Traditional Sectors Structure

Company Localization: Leather & Footwear





*The maps of Robbiki and 10th of Ramadan Industrial Cities (GAFI, 2021)
*Robbiki Industrial city factory (CID,2019)

Traditional Sectors Structure

Remunerations/ Salary

Average monthly salaries in the T&C and F&L sectors

- 2,778 – 5,907 EGP
- Min monthly wage: 122 USD

Monthly salary in an Egyptian textile company (Bayt,2021)

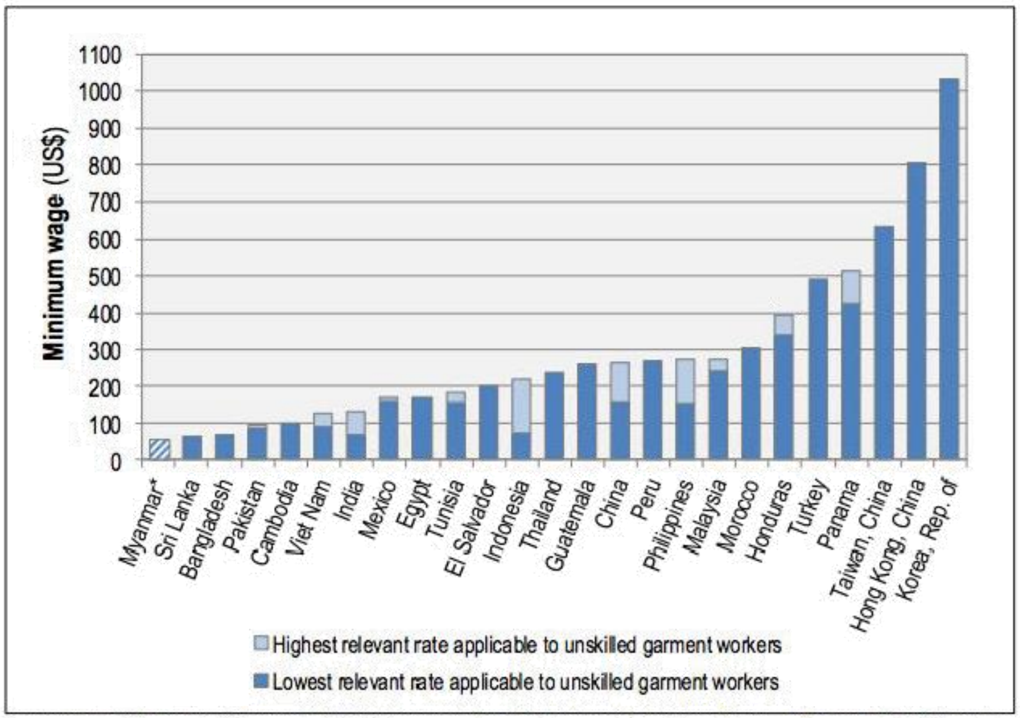
Delta Textile Egypt — Salaries

Job Title	Monthly Avg
Assistant Merchandiser	EGP 2,500
Senior Knitting Planner	EGP 5,000
Logistics Coordinator	EGP 6,000
Chief Accountant	EGP 15,950

Traditional Sectors Structure

Remunerations/ Salary

Minimum monthly wages in the Garments Industry in Egypt



* Temporary rate for industrial zones, currently under review. Source: ILO compilation based on national sources. ILO Regional Office for Asia and the Pacific/Regional Economic and Social Analysis Unit, 10 Feb. 2014.

Source: ILO 2014

- Salary costs for unskilled labor are among the lowest worldwide (ILO, 2014)
- Women only receive 72% of their male equivalents salary

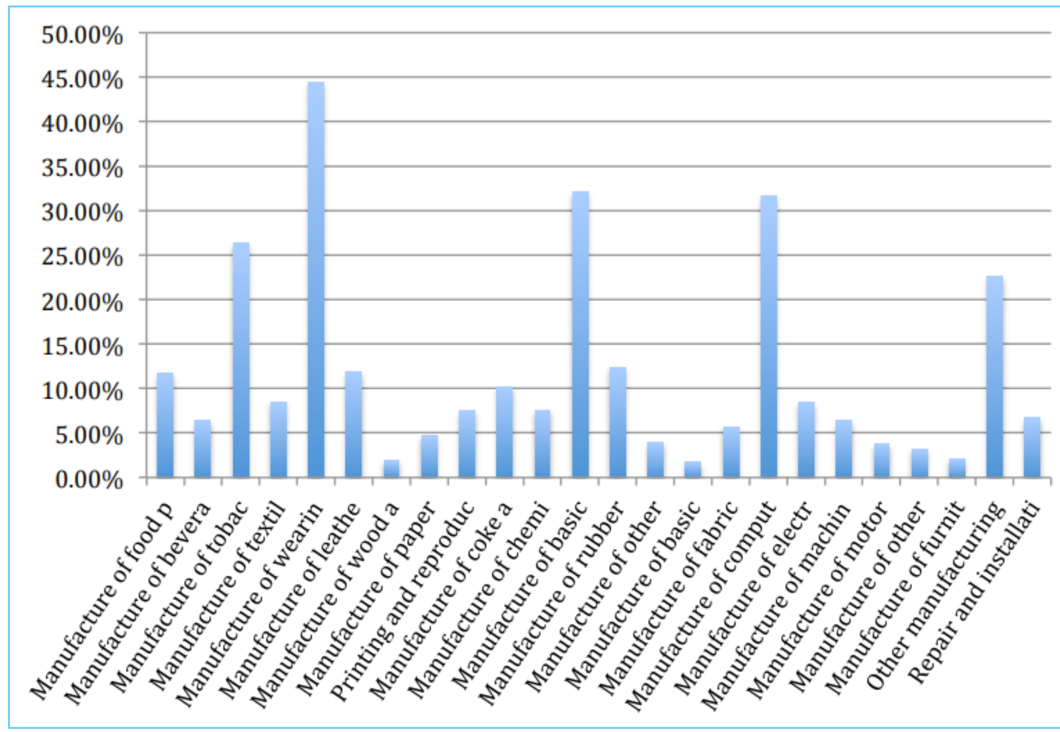
(ILO, 2014)

Traditional Sectors Structure

Employment in Traditional Sectors

- **Employees per sector**
  - T&A: 526,150
  - Leather: 250,000
  - Footwear: 42,000
- **Female/Young participation rate**
  - Apparel: 40-50% of workforce
  - Textile: 7%* estimated
  - Leather and footwear: 12%* Estimated

Percent of female workers by industry from total industry workers, Source (ERF, 2018)



Traditional Sectors Structure

The Effects of COVID-19 Pandemic on the Traditional Sectors

- Due to the significant drop in domestic and foreign demand, many factories have stopped production
- Others are utilizing only 50 percent of their productive capacity
- Apparel exports, which represent 44 percent of the sub-sector’s total output, are likely to decrease due to a decline in global orders (ECES, 2020)
- 30% decline in the productive capacity of this sector (MoPED, 2020)
- Egyptian Garments unemployment rate increased to 9.6% due to closure of 30% of textile factories (Kohane Textile Journal, 2021)

Themes in focus

Themes in focus

Financial Indicators: EBITDA

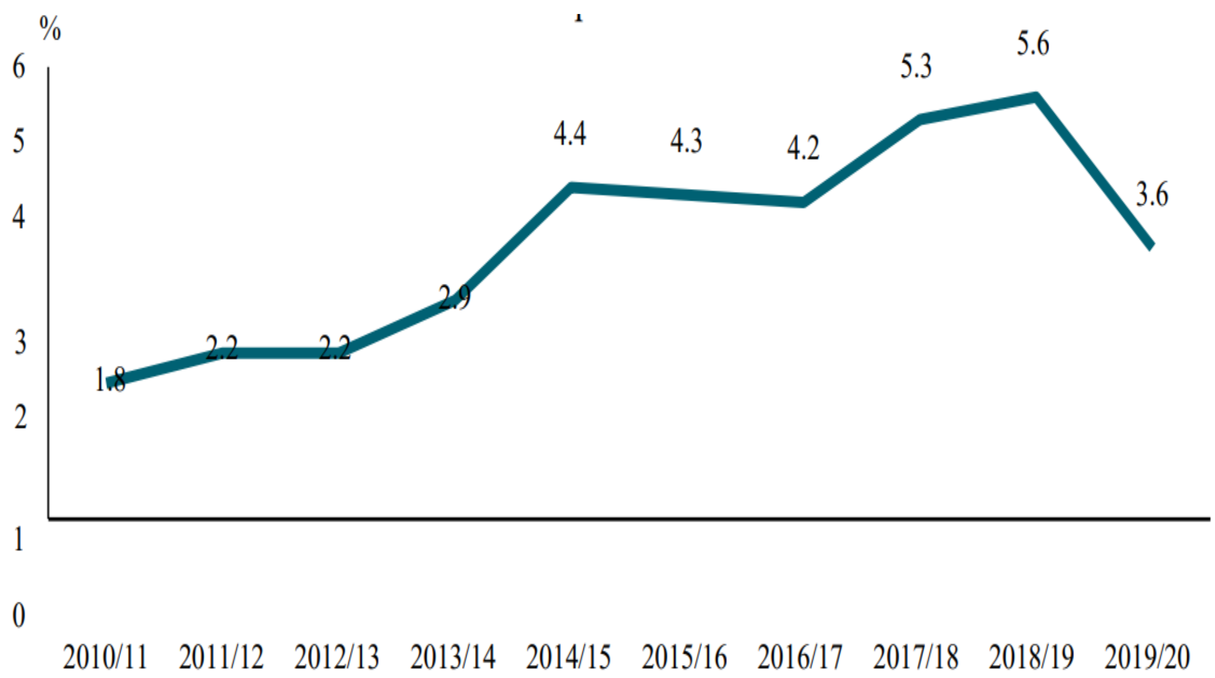
- The retail sectors in Egypt were negatively affected by the closure of malls and shops due to Covid19 pandemic
- The manufacturing sector was affected by fall back in export sales due to lockdowns all over the world resulting in many clients cancelling their orders and some of them declaring their bankruptcy

Arafa Holdings the first 9 months in 2019/2020		
Income statements	**9M 2019**	**9M 2020**
Net revenues	159914	85884
% change	-8.20%	-46.30%
Gross profit	56528	25939
Gross profit margin	35.30%	30.20%
EBITDA	6631	7251
EBITDA margin	4%	8.40%
Operating profits (EBIT)	3025	3027
EBIT margin	1.90%	3.50%
Net profit after tax	10849	1487
Net profit margin	6.80%	1.70%

Themes in focus

Financial Indicators: GDP

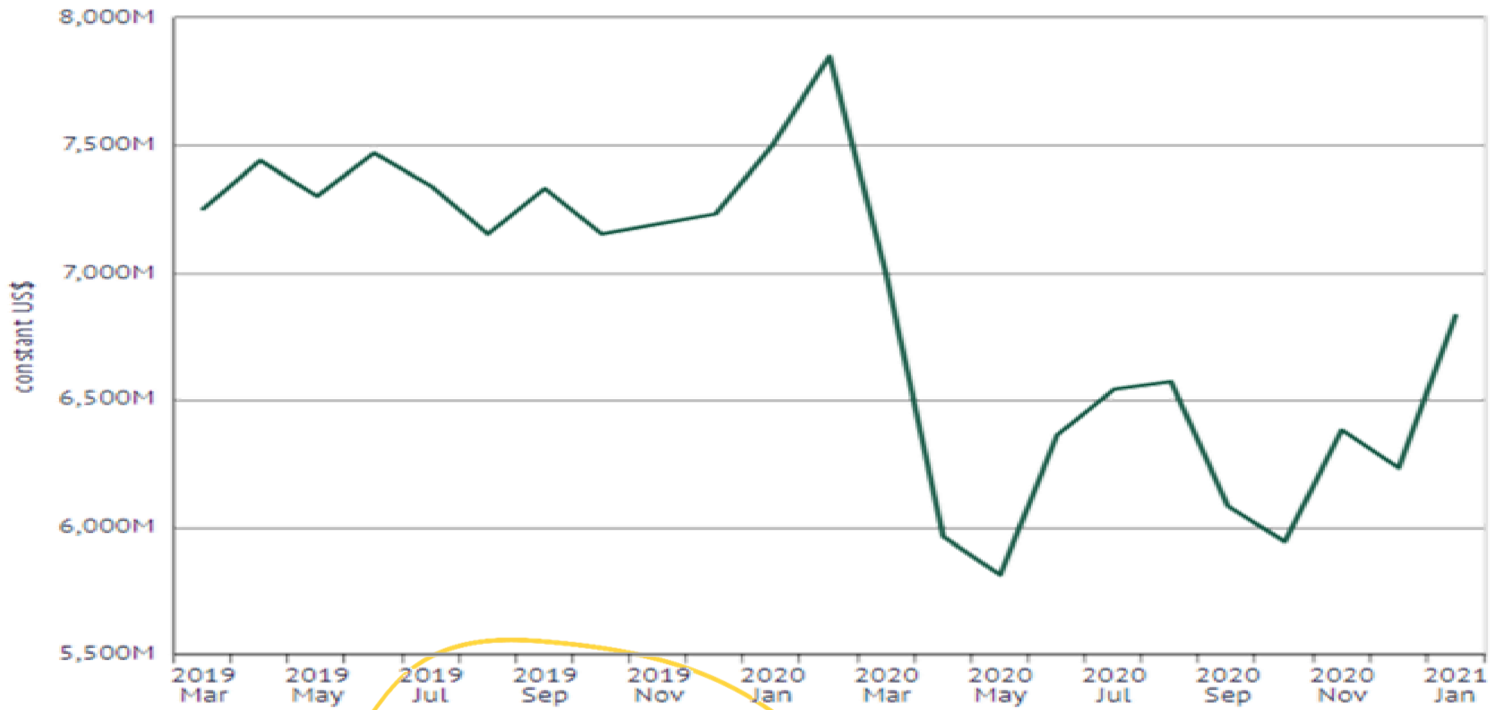
- GDP decreased in 2019/2020 due to the impact of Covid-19.
- Household consumption remains the main growth driver in the last 10 years. A slight increase in the contribution of investment to GDP is noticeable, however, it dropped significantly in FY2019/20 due to the effects of the pandemic (ECES,2021)



Themes in focus

Financial Indicators: Industrial Production Index

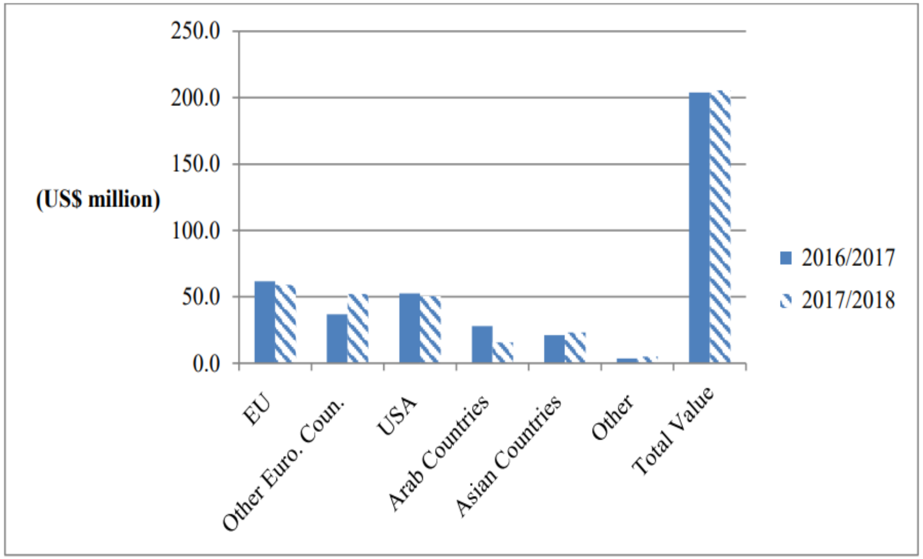
- In December 2020, industrial production for Egypt totaled 6.200 Mio. USD
- Due to the Covid-19 pandemic the IPI decreased hitting the lowest point in May with value of 5,810 USD and change of -2.52%.



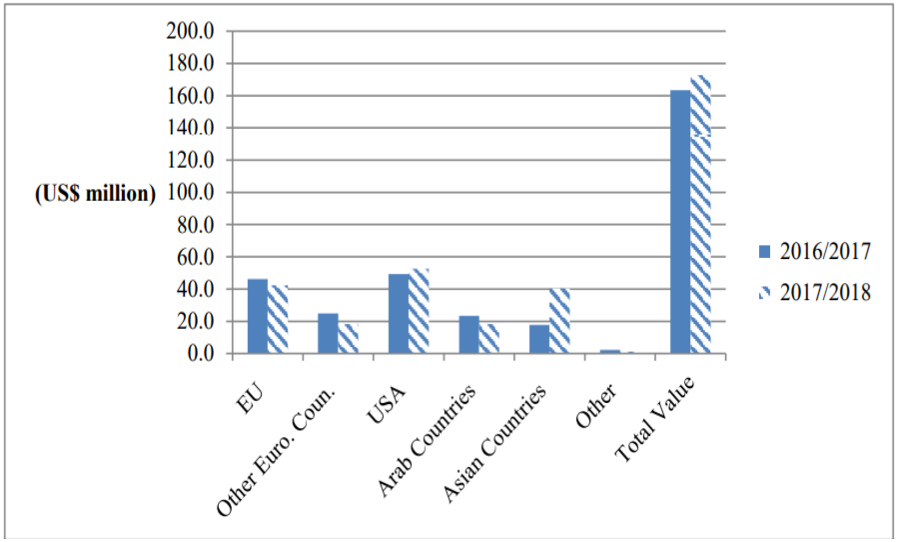
Themes in focus

External Trade: Export-Import T&C

Textile fabrics Exports Geographical Distribution During 2016/2017 and 2017/2018



Main Export market: Readymade clothes Exports Geographical Distribution During 2016/2017 and 2017/2018



Most of Egyptian RMG/T exports are directed to the United States, the European Union and other European countries

(UNIDO, 2018)

Themes in focus

External Trade: Export-Import T&C

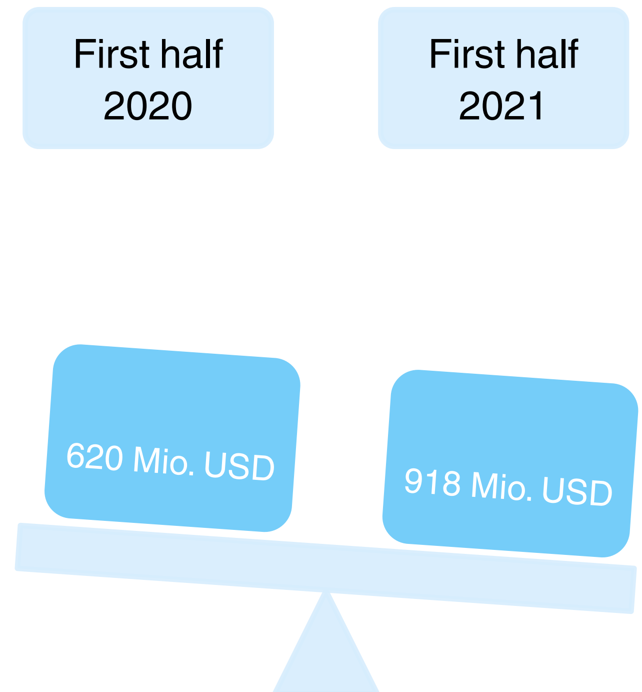
	Main Merchandise Balances in (USD million)					
	July/Sep 2019/2020			July/Sep 2020/2021		
	Exports	Imports	Surplus/Deficit	Exports	Imports	Surplus/Deficit
Merchandise Balance:	637.7	948	-310.3	554.2	831.2	-277
Apparel and clothing accessories	235.8	207.2	28.6	225.1	209.5	15.6
Cotton textiles	264.7	134.8	129.9	148.6	93.9	54.7
Synthetic fibers	14.4	412.9	-398.5	37.1	300.5	-263.4
Carpets and other floor coverings	56.9	18.9	38	82	18.9	63.1
Cotton yarn	9.3	35	-25.7	7.9	28.4	-20.5
Raw cotton	21.1	23.5	-2.4	20.9	21.7	-0.8

The T&C exports of Egypt declined 29% to 2,313.38 Mio. USD in 2020

Themes in focus

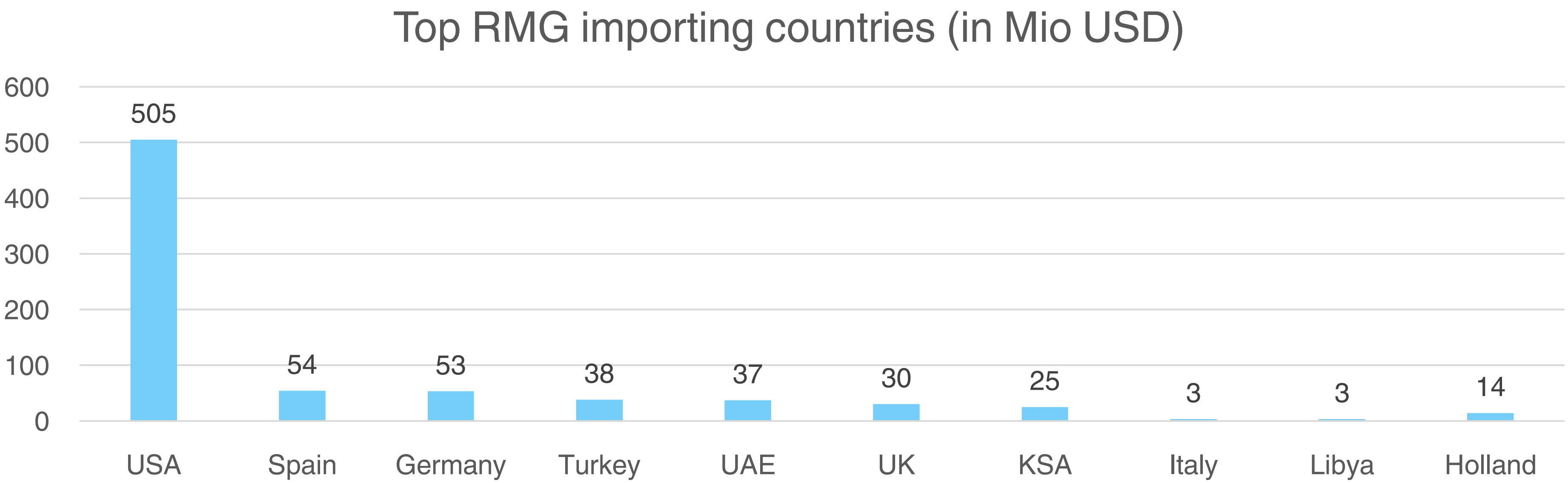
External Trade: Export-Import RMG

- Ready made garments sector increased by 48% during the first half of 2021 compared to the first half of 2020
- Top Egyptian RMG importing countries according to international groups:
    - USA – 505 Mio. USD
    - EU – 213 Mio. USD
    - Arabian countries – 128 Mio. USD
    - African countries – 101 Mio. USD
    - Rest of the world – 70 Mio. USD



Themes in focus

External Trade: Export-Import RMG



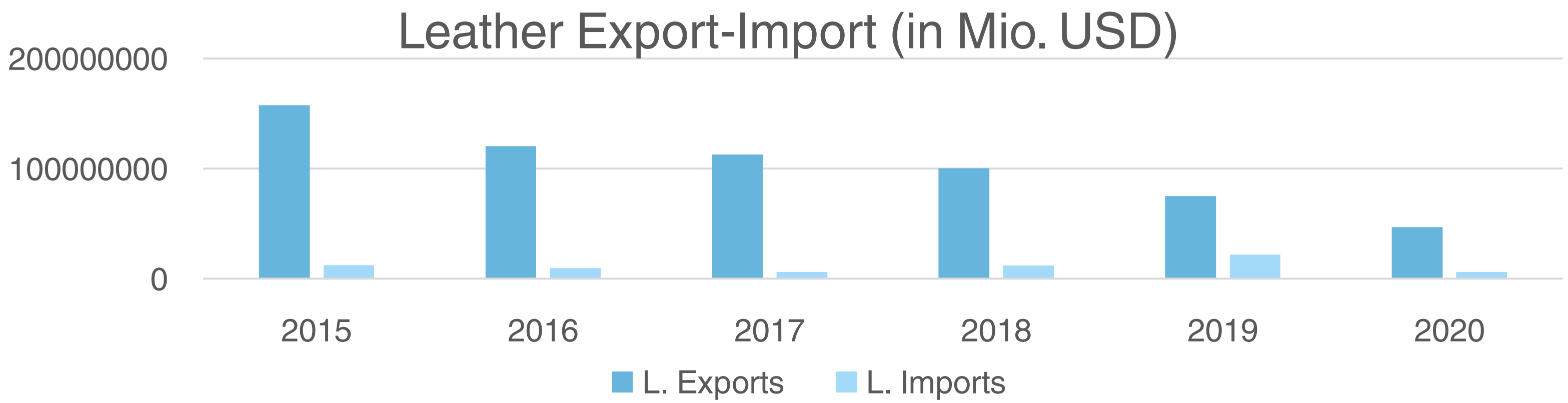
Themes in focus

External Trade: Export-Import RMG

Themes in focus

External Trade: Export-Import L&F

- Egypt's exports of leather, footwear hit 62.9 Mio. USD in 2019
- Spain, Portugal, India, China, and Italy were the leading importing nations, recording $13.96 Mio, $9.083 Mio, $9.082 Mio, $7.807 Mio and $7.204 Mio, respectively
- Leather exports constituted 93.9% of the sector's total exports during the above-mentioned period, registering $52.1 Mio. (ahram, 2019)



(Trend Economy, 2021)

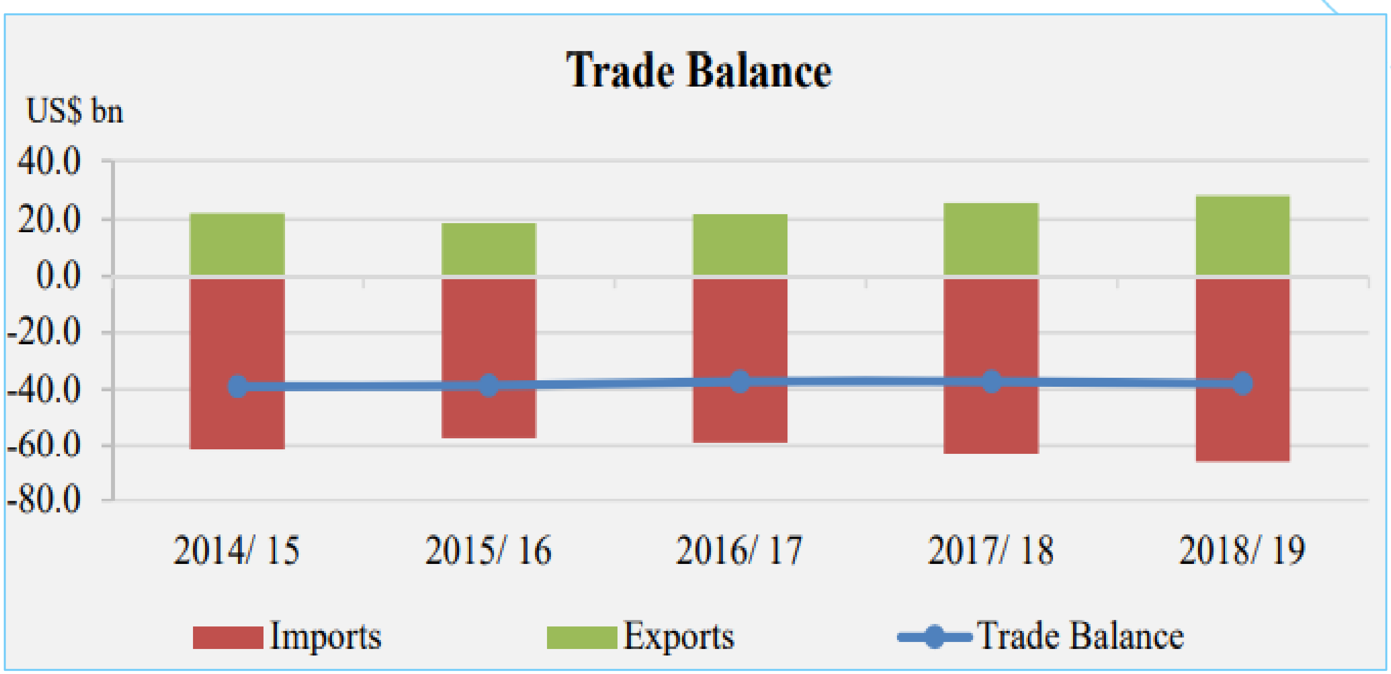
Themes in focus

External Trade: Export-Import L&F

(Trend Economy, 2021)

- Egypt's exports of leather, leather products and footwear declined by 21.9% for the period between January and September, registering $62.9 million, compared to $80.6 million for the same period last year.
- However, the sector's exports witnessed a 15.2% increase in September to reach $6.02 million, against $5.23 million for the same month in 2018, according to a monthly report issued by the Leather Export Council of Egypt (ahram, 2019)

External Trade: Trade Balance



Trade deficit rose to US$ 38.0 billion (from US$ 37.3 billion), due largely to the pickup of US$ 3.4 billion in merchandise imports and of US$ 2.7 billion in merchandise exports.

Themes in focus

Performance Indicators: Energy Efficiency

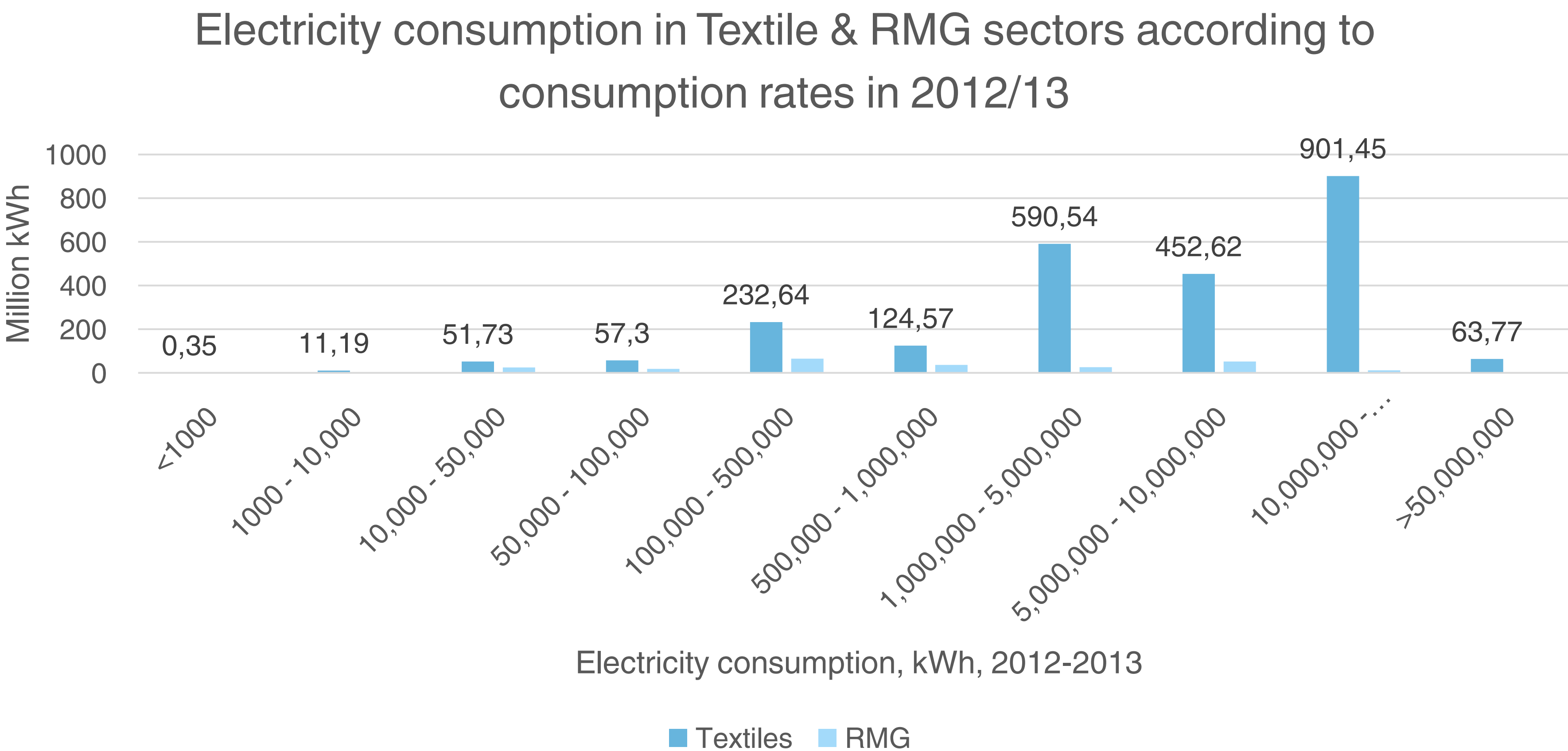
- The age of an establishment affects its EE (older establishments = Lower EE)
- Relatively newer enterprises don't necessarily use modern technology
- The textile industry comes in 5^{th} place in energy consumption among Egyptian industries in 2012/13, consuming 2486.16 Mio kWh and 1.77% of total electrical energy consumed in all purposes in Egypt (IEE, 20118)

	Energy cost % of total value added		
	Fuel	Electricity	Total
Textile	4.91	7.17	12.08
RMG	0.54	1.38	1.92

(CAPMAS, 2014)

Themes in focus

Performance Indicators: Energy Efficiency



Themes in focus

Performance Indicators: Energy Efficiency

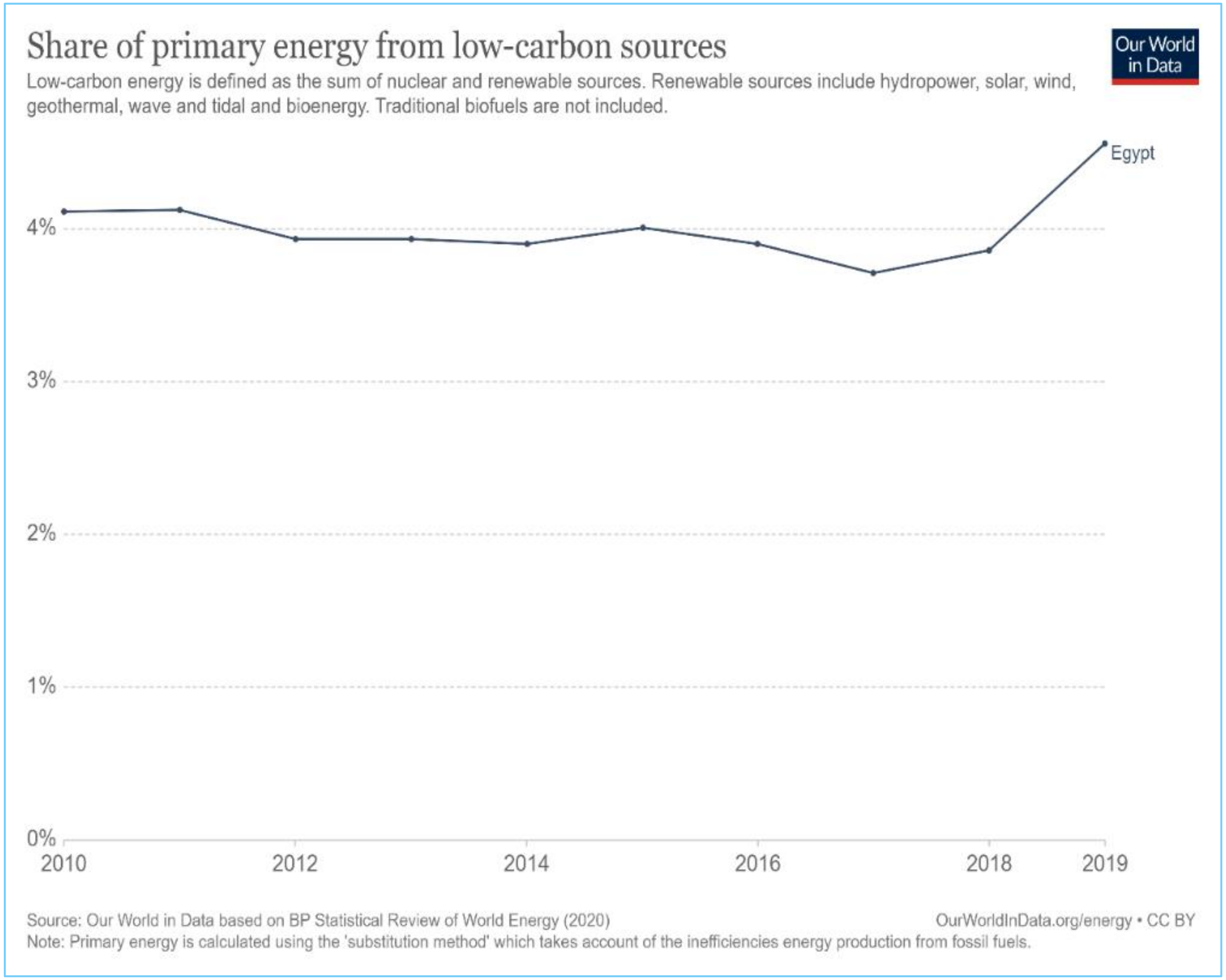
- Textiles consume more energy than RMG despite the large numbers of RMG enterprises
- Energy consumption across the Textile value chain:
    - 34% in spinning
    - 23% in weaving
    - 38% in wet processing
    - 5% for miscellaneous
    - (IEE, 2018)

Performance Indicators: Energy Efficiency

- Successful cases of EE:
    - El Nasr for Spinning and Weaving Co., located in Mahalla El-Kobra which achieved Savings in steam (16%) and electricity (22%)
    - Dakahleya Spinning and Weaving Co., located in Mansoura reduced costs of steam, water and electricity by 38- 39%
    - Misr for Spinning & Weaving Co., located In Mahalla, and Giza Spinning, Weaving, Dyeing & Garments Co., achieved 14% savings in steam consumption each
    - Alexandria Fiber Company In 2013, the company implemented EE measures. The savings were about 400,000 EGP/year and the maximum payback period was two years
    - El Shehab Company for dyeing and finishing located in 10th of Ramadan industrial zone, achieved compliance with the environmental law and reduced electricity consumption by 40%. The payback period for this replacement was 35 months (IEE, 2018)

Themes in focus

Performance Indicator: R&D

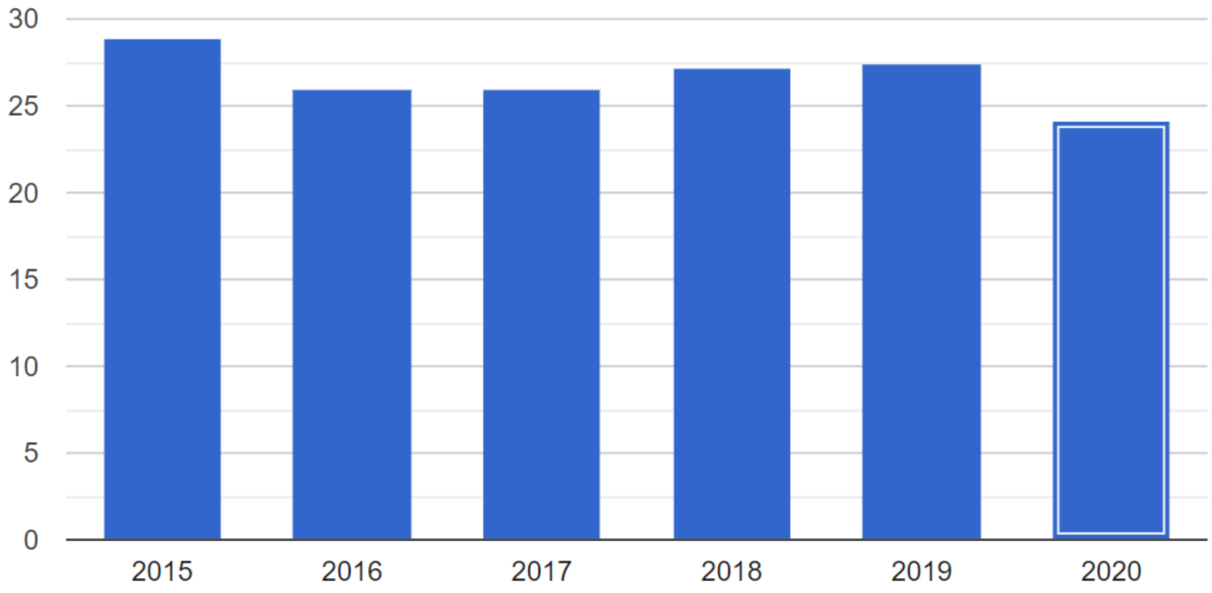


- Environmental Outlook: Energy Efficiency
- In 2019 Energy Efficiency increased to 4.56% from 3.86% in 2018.
- Egypt ranks low on EE globally (Our world in data, 2020)

Themes in focus

Performance Indicator: Innovation Intensity

- Innovation intensity index (0 – 100) point value.
- Egypt scores 24.2 in comparison to Switzerland, the highest value globally with 66.10 in 2020 (Global Economy, 2020)



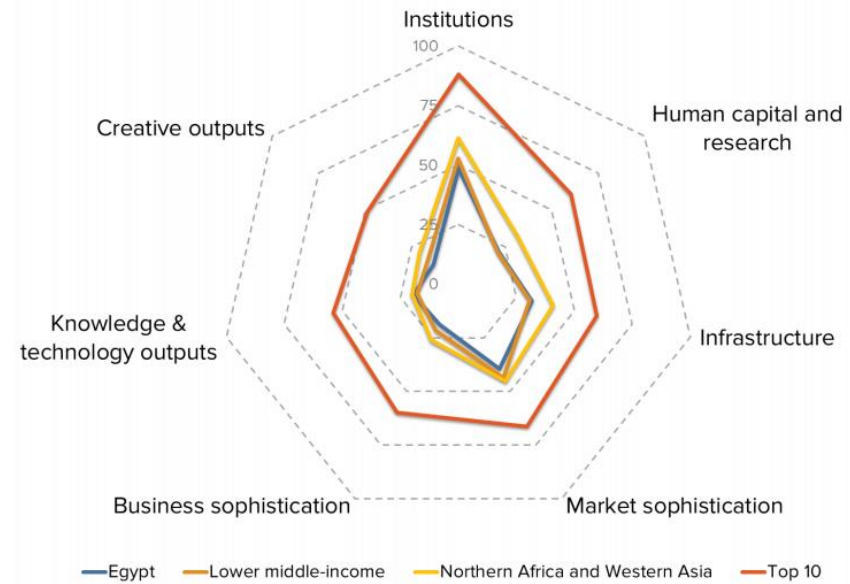
Themes in focus

Performance Indicator: R&D Activity

- Egypt ranks 96th in GII 2020
- Egypt scores high on:
  - Human capital & research
  - Infrastructure & knowledge
  - Technology outputs
- Egypt scores low on:
  - Institutions
  - Market sophistication
  - Business sophistication
  - Creative outputs

BENCHMARKING EGYPT AGAINST OTHER LOWER MIDDLE-INCOME GROUP ECONOMIES AND NORTHERN AFRICA AND WESTERN ASIA

Egypt's scores in the seven GII pillars



(GII, 2020)

Themes in focus

Performance Indicator: R&D Activity

Strengths

Code	Indicator name	Rank
2.3.4	QS university ranking, average score top 3*	48
3.3.1	GDP/unit of energy use	45
4.3.3	Domestic market scale, bn PPP$	19
5.1.1	Knowledge-intensive employment, %	45
5.2.2	State of cluster development†	22
5.3.2	High-tech imports, % total trade	45
6.1.5	Citable documents H-index	47
6.2	Knowledge impact	36
6.2.1	Growth rate of PPP$ GDP/worker, %	20
6.2.3	Computer software spending, % GDP	21
7.2.5	Creative goods exports, % total trade	45

Weaknesses

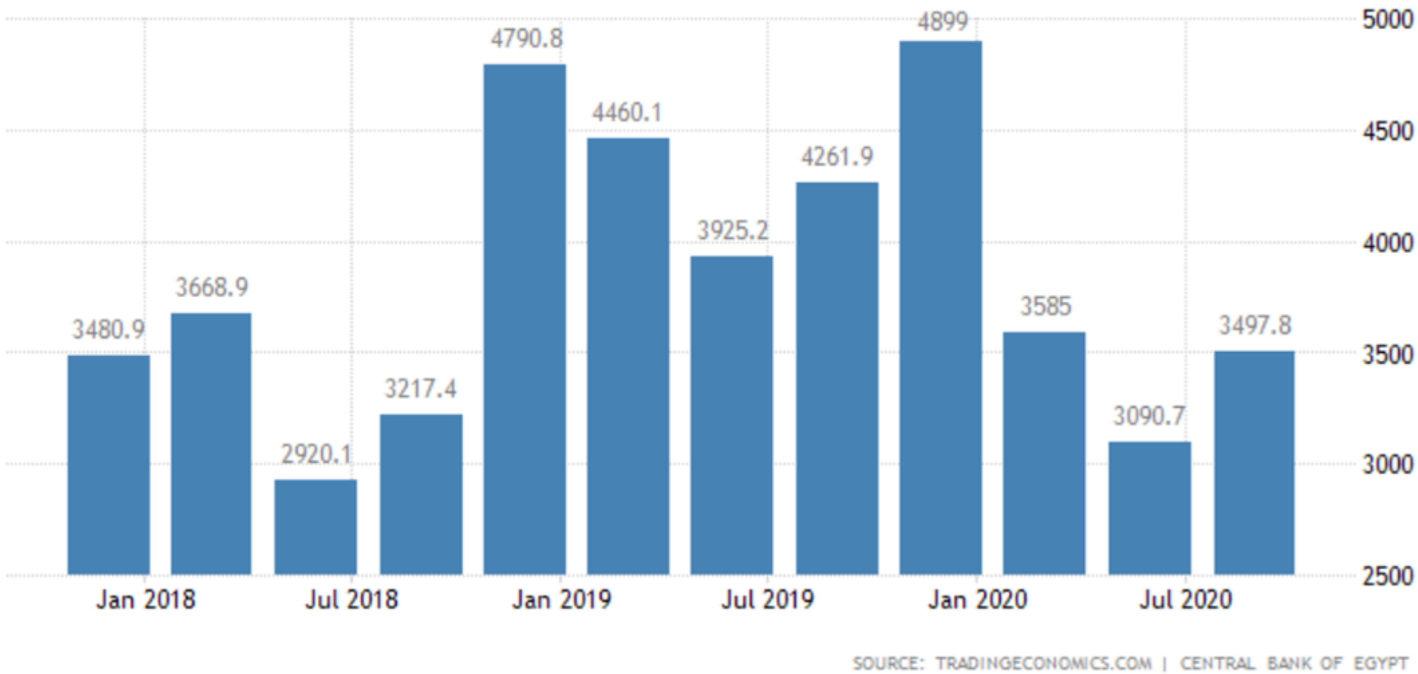
Code	Indicator name	Rank
1	Institutions	115
1.2	Regulatory environment	124
1.2.1	Regulatory quality*	121
1.2.3	Cost of redundancy dismissal, salary weeks	124
2.2.2	Graduates in science & engineering, %	102
2.3.3	Global R&D companies, top 3, mn US$	42
3.2	General infrastructure	116
3.2.3	Gross capital formation, % GDP	114
4.2	Investment	119
4.2.3	Venture capital deals/bn PPP$ GDP	70
5.1.2	Firms offering formal training, %	93
7.2.2	National feature films/mn pop. 15–69	96
7.2.3	Entertainment & Media market/th pop. 15–69	61
7.3.2	Country-code TLDs/th pop. 15–69	123

(GII, 2020)

Themes in focus

Performance Indicator: Investment Rate

- Investment rate decreased due to Covid-19 (trading economics, 2020)
- Expected to increase 10% in 2021/22



Sources

Variables	Sources
GDP, Performance per sector	Egyptian Centre for Economic Statistics (ECES) – (2020)
Export-imports, Trade balance, Investment rate	Central Bank of Egypt (CBE) – (2020)
KPIs, Market structures, Number of employees per sector	General Authority for Free zones and Investments (GAFI) – (2019)
Export-import, Innovation intensity, Textile sector structure	International Finance Corporation (IFC) – (2020)
Number of employees per sector, Minimum wages, Number of companies	The Centre for the Promotion of Imports from Developing Countries (CBI) – (2020)
Leather and Footwear market structure, number of leather companies	International Trade Centre (ITC) - Promoting international and intra-African trade in leather study (2011)
Innovation and R&D, innovation intensity	Global Innovation Index (GII) - (2020)
T&A Market structure, Investment rate in T&A, % of female employees in Apparel sector, Number of apparel firms	Kohan textile journal (2020)
Average and minimum monthly wages in sectors	Paylab & Shenglufashion (2020)
Company localization, export-import products & competition	UNIDO (2018)
IPI	Knoema (2020)
EBITDA	Arafa Holding (2020)
Innovation intensity graph	Global Economy (2020)
Energy efficiency	Our World in Data (2020)
Women participation % in workforce	Female Labor in Egyptian Manufacturing Sector (2018) – Economic Research Forum (ERF)
No. of factories/employees	Egypt Textile Industry (2021)
L&T import-export chart	Trend Economy (2021)