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Views on The Crisis

Manufacturing industries ... continued Struggling industries: Readymade Garments and Home Textiles



Introduction to detailed reports on manufacturing

Further to the first report on the impact of the current crisis on manufacturing industries as a whole, detailed reports aim to provide an in-depth analysis of the various types of industries. Accordingly, the manufacturing sector was divided into three

sections according to the impact of the crisis on it in its early stages, as follows:

1-Industries that benefited from the crisis

2-Industries that moved out of the spotlight

3-Industries that are struggling to survive

For each group of industries, the report will provide an assessment of the situation, based on a detailed economic analysis of the current situation in an example from each group that answers the following questions:

- 1- What are the details of the sudden change in the value chain?
- 2- How is the industry affected during the crisis cycle by external and internal supply and demand shocks?
- 3- What are the measures required to reduce the negative impact or increase the comparative advantage during the time of the crisis?

“COVID-19 is undermining the basic tenets of global manufacturing, Companies will now rethink and shrink the multistep, multicounty supply chains that dominate production today.”

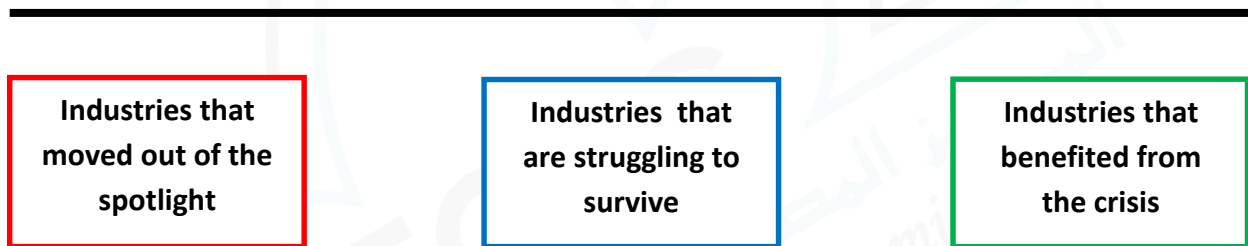
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First: What is meant by industries struggling to survive

This represents the vast majority of industries that fall between the group of industries that benefited from the product boom at the time of the crisis, at least in the short term such as food industries, disinfectants, medicines, and other industries that moved out the spotlight as a result of tending to be luxury items like automotive and engineering and electronic industries, as shown in Figure 1.

Figure 1. Types of manufacturing industries according to the impact of the crisis



This group of industries varies in the size of employment, export capacity, degree of linkage with other sectors and importance in the economy such as ready-made garments and textiles industries in general, plastics and other intermediate industries.

Second: Why was the garment and home textile industry chosen to represent this group?

The readymade garments and home textiles industries have been subject to a severe shock not only locally but also globally, according to international reports such as a report by the United Nations Conference on Trade and Development (UNCTAD) and a report by Moody's, the ready-made garments and home textiles industries are one of the sectors most affected by the crisis.

In addition, these two industries are of special importance to the Egyptian economy, as follows:

- 1 - **The second largest employer** among the manufacturing industries,¹ employing about 15 percent of total employment in the manufacturing industry.
- 2 - **The largest employer of women**, as female workers in these two industries constituted 42 percent of total female workers in the manufacturing industry in 2016.²
- 3 - **The Two are mainly exporting industries**, where 44 percent of total production was exported in 2016.³ The exports of these two industries amounted to \$3.3 billion dollars in 2019,⁴ representing 13 percent of total manufacturing exports, and this percentage will increase significantly if fertilizers are excluded.
- 4 - **Generates the cheapest job opportunity in Egypt**, whose cost does not exceed EGP 15 thousand on average in the ready-made garments industry.

Third: An outline of the value chain in the garment and home textile industries

The value chain consists of upstream activities as in the textile industry and downstream activities as in ready-made garments, home textile, medical cotton and other woven and non-woven products. The value chain is complemented by a huge group of industries and services such as accessories, designs, packaging, transportation and logistics and others, in addition to huge internal and external commercial activity.

¹ Total employment in the readymade garments and home textile industries.

² Latest data available from the Central Agency for Public Mobilization and Statistics - Annual Industrial Statistics: Private Sector (2016). The garment and home textile industries include ISIC codes: 1392,1393,1399,1410,1430

³ Latest data available from the Central Agency for Public Mobilization and Statistics - Annual Industrial Statistics: Private Sector, 2016

⁴ HS codes: 57, 61,62,63,65.

Although the value chain of the textile and garment industries in general is present in Egypt from the cultivation of cotton through to the final product, many production requirements are imported from abroad, namely, fabrics, dyes, and thick yarns, hence, the impact on the industry by external developments, especially during the crisis.

Fourth: How was the value chain of ready-made garments and home textiles affected by the crisis?

As already mentioned, the garments and home textiles industries in Egypt are closely related to the outside world. To know how the value chain of ready-made garments and home textiles has been affected by the crisis, we must refer to the geographical distribution of Egyptian imports of production requirements and exports of final products, shown in Tables 1 and 2.

Table 1. The five largest countries from which Egypt imports yarn and fabrics*

Country	Share in Egypt's imports of yarn and fabrics
China	50%
India	11%
Turkey	9%
Indonesia	4%
United States of America	3%

Source: Calculated from Trade Map data, 2020 A.

*Yarn and fabrics account for 60 percent of the value of the product.

Table 2. The five largest countries to which Egypt exports ready-made garments and home textiles

Country	Share in Egyptian exports of ready-made garments and home textiles
United States of America	44%
Spain	8%
Germany	7%
United Kingdom	7%
Turkey	6%

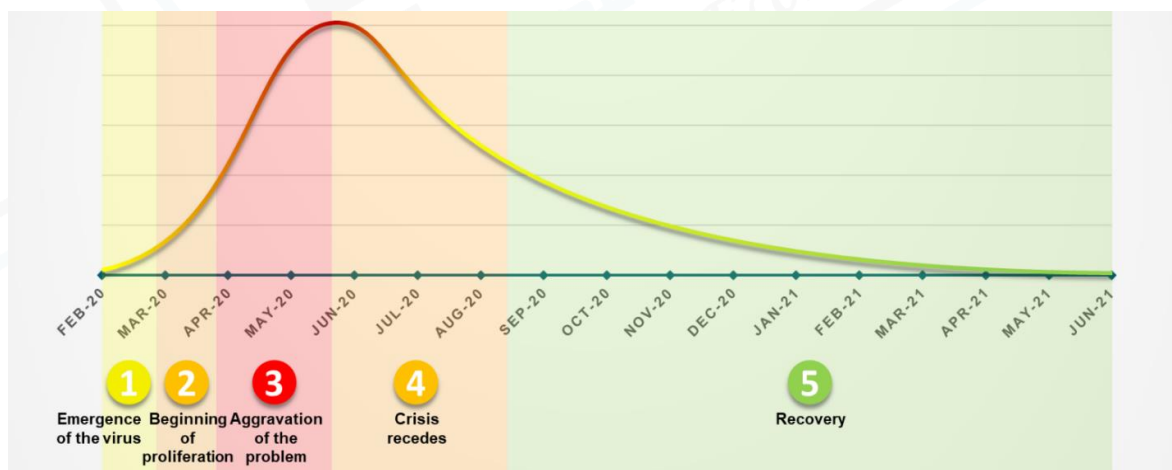
Source: Calculated from Trade Map data, 2020 A.

From these two tables, we find that the Corona virus crisis has violently affected both production requirements and export markets for the ready-made and home textiles industries in Egypt. In an attempt to identify the possibility of finding alternative countries for China wherefrom to import production requirements, ECES conducted a detailed analysis of the top 20 countries exporting synthetic yarn and fabrics by dividing those countries according to the rate of growth of their yarn and fabric exports and the rate of growth of their market share at a detailed level (four digit). The analysis concluded that although there may be promising alternatives for China in the future, as these countries are characterized by a high rate of growth in their exports and high growth of market share compared to China such as Belgium and Vietnam [in the case of synthetic filaments (HS-5402) as shown in Figure 1 in the Appendix], their export capacity does not rise to the

size of China, and therefore cannot fulfill the requirements of Egypt's production requirements. Also, they cannot be relied on as a source of raw materials on an immediate basis, and hence cannot be used at the time of the crisis. This is supported by the fact that China is the main actor in the global markets for the production requirements of ready-made garments and home textiles as shown in Table 1 in the appendix. This means that the role of China will continue as is even after the crisis.

Fifth: How the garment and home textiles industries were affected by the external and internal supply and demand shocks in the context of the crisis cycle

The expected impact on the demand and supply sides depends on the relevant stage in the crisis cycle. We can trace five stages of the crisis cycle, as shown in the figure below:



Below is a brief description of each stage:

The first stage: Emergence of the virus

The crisis began and aggravated in China only. The rest of the world, including Arab and European countries, were not yet affected by the crisis.

The second stage: Beginning of proliferation

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

The third stage: Aggravation of the problem

The situation in the world has worsened, tougher measures in the Arab countries, especially in Saudi Arabia and European countries, a major worsening of the crisis in Italy, beginning of the virus's receding in China, and the beginning of its spread in the US.

Fourth stage: Crisis recedes

The beginning of recovery from the virus globally, starting from China, which is expected to be followed by European countries, and finally, Arab countries and the US.

Fifth stage: Recovery

Gradual recovery for all countries, including Arab countries, although the latter's recovery is expected to be delayed due to being strongly impacted by the global economy and its weak impact on it.

Below we present possible scenarios⁵ for the development of indicators of the ready-made garments and home textiles industries in the context of the crisis cycle in light of the following concepts and assumptions:

⁵ These estimates should be read with caution, as expectations may require further revision due to the evolving nature of the virus outbreak day by day, and its duration and scope are still unknown.

- Global demand shock: Low demand for Egyptian products of ready-made garments and home textiles from various countries of the world.
- Global supply shock: Low ability of different countries to supply products that Egypt imports as production requirements and final goods of ready-made garments and home textiles.
- Egyptian export supply shock: Low ability to export ready-made garments and home textiles.
- Domestic demand shock: low domestic consumption of ready-made products and home textiles.
- Domestic supply shock: low production capacity of ready-made garments and home textiles factories to cover domestic market demand.

Assumptions of the analysis

Estimates presented in Table 3 are based on the following assumptions:

- The size of the local market is EGP 240 billion, of which 20 percent is imported products, most of which are low-priced and low-quality products.
- A change in the nature of demand for different products of ready-made garments and home textiles due to the shift towards home-based work that is expected to continue in the future as a result of the health crisis.

Estimates for each quarter in 2020 are calculated on the basis of the value of exports and imports in the corresponding time frame in 2019, based on mirror data.⁶

The dynamics analysis of the interconnection mechanism between the elements of the value chain was based on a

⁶ 2019 data is only available as mirror data.

specialized study of the Egyptian Center for Economic Studies on the two industries.⁷

Finally, the analysis bears in mind the characteristics of the capital, production and export cycle, in the ready-made garments and home textiles in particular.

Table 3. Possible scenarios for the development of indicators of the ready-made garments and home textiles industries during the crisis cycle

Stage	Demand and / or supply shock	Analysis	Impact
1- Emergence of the virus (December 2019 to January 2020)	Global supply shock in imports from China (requirements and finished products)	<ul style="list-style-type: none"> ▪ Although more than 50% of imported inputs for the garment and home textiles industries mainly comes from China (including fabrics, yarns and garment accessories), the factories were not affected by the supply shock because production currently serves the spring and summer 	<ul style="list-style-type: none"> ▪ There is no shortage of production requirements in this period ▪ Egyptian imports of finished products of ready-made garments and home textiles from China decrease by \$81.4 million during the first quarter of 2020.

⁷ The Egyptian Center for Economic Studies, Readymade Garments and Home textiles in Egypt: Specific proposals to counter industry problems in light of the global competitive situation, Working Paper No. 210, forthcoming.

		<p>season, whose supplies have been provided six months earlier.</p> <ul style="list-style-type: none"> ▪ Import of final products from China are affected. These represent 20% of local market needs. 	
<p>2-The beginning of proliferation (February through mid-March 2020)</p>	<ul style="list-style-type: none"> ▪ Shocks continue in China and spread to India ▪ The start of a demand shock in European and Arab countries 	<ul style="list-style-type: none"> ▪ No change in the situation of production inputs, but the beginning of a future problem because India is also a major source of imports of production inputs for both industries of cotton products. ▪ Violent demand shock due to cancellation of 80% -85% of 	<ul style="list-style-type: none"> ▪ Since production inputs represent about 60% of the value of the final product, the cancellation of export contracts that are currently underway by a percentage of 15% translates into a loss of approximately at least \$77 million in the first quarter of 2020. ▪ Demand for summer clothing decreased this season by 70% compared to last season.⁸

⁸ <https://www.youm7.com/story/2020/4/14698545/غرفة-الملابس-توقف-المبيعات-خلال-مارس-و30-تراجم-على-الشتوي>

		<p>future export contracts, and the start of cancellation of many production contracts that are underway (15%)</p> <ul style="list-style-type: none">▪ Continued supply shock of imported products in the local market due to the absence of products of China, in addition to Turkey and other Asian countries (most of which are in markets of low priced products)▪ Demand shock appears in the local market (low domestic demand as a result of precautionary measures in	
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		<p>Egypt, though still far from well-known seasons in the local market for buying clothing (festive seasons and schools)</p>	
<p>3- Aggravation of the problem (From mid-March to mid-May 2020)</p>	<ul style="list-style-type: none"> ▪ Continued shock in global demand and its spread to Arab countries and the United States ▪ Demand and supply shocks continue in the domestic market 	<ul style="list-style-type: none"> ▪ The emergence of a problem of accumulation of inventory of final products that have not been exported and the impact thereof on liquidity in the factories that are trying to continue. ▪ By the end of March, China started production again, which means factories should be preparing to buy the fall and winter 	<ul style="list-style-type: none"> ▪ 50% of the factories stopped operation completely at different points in time (including free zone factories from which most exports originate). The rest operate at lower productivity (Table 2 in the appendix shows a sample of the problems that factories suffer from and their geographical distribution). ▪ About 800,000 workers stopped working from a total of one million two hundred thousand workers (67%) as a result of shutdown of factories. ▪ Given that female employment represents approximately 47% of total employed in these two industries today, women who are unemployed are not less than 376 thousand. This is not only related to the shutdown of factories, but to women not

		<p>production inputs, but they have no liquidity for the above reasons.</p> <ul style="list-style-type: none"> ▪ This is in addition to factories suffering from a shortage of production inputs coming from India due to continued crisis there. ▪ Accordingly, the timing of purchasing production inputs coincided with a reduced ability to import supplies. This impact is compounded by buyers extending the payment period from 90 to 120 days. The problem is mitigated 	<p>working due to the suspension of schools.</p> <ul style="list-style-type: none"> ▪ It is likely that formal workers in these factories receive no more than 65% of their usual wages (i.e., basic wage only) because allowances associated with working on production lines and regularity of attendance are discontinued. ▪ A loss of approximately \$809 million in export earnings in the second quarter of 2020, as a result of cancellation of 85% of export contracts and approximately \$782 million during the period March - May 2020. ▪ The liquidity crisis from the cancellation of export contracts resulted in factories inability to import the inputs they need for production, estimated at \$900 million for the fall and winter seasons. ▪ The festive season is not expected to lead to a significant improvement in domestic sales due to the continued curfew and the low incomes of individuals, though some indicators of improvement may start to appear in markets for low
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		<p>partly by the fact that global demand is in itself low.</p> <ul style="list-style-type: none"> ▪ There is a problem in international trade movement as a result of slow shipping and transportation due to the slow recovery of China while India has not recovered yet.⁹ ▪ China's return to production means the return of supply of imported clothing to the domestic market. ▪ The emergence of the virus in the Arab countries does not affect the exports of ready-made 	<p>priced products where compliance with the curfew is less and sales are not related to stores.</p>
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⁹ Usually ships are loaded with the products of these countries and return with export products.

		<p>garments and home textiles, given that the Arab markets are not essential export markets for Egypt in such products.</p> <ul style="list-style-type: none"> ▪ The local market may be somewhat active due to the festive season. 								
<p>4. The crisis recedes (Mid-May-August 2020)</p>	<ul style="list-style-type: none"> ▪ The Chinese economy recovers and the European and American markets begin to recover ▪ Egypt's late recovery due to its late entry to the crisis, unless levels of virus spread differ with the heat or the validity of 	<ul style="list-style-type: none"> ▪ The relative return of demand in European countries and the US due to the nature of the product (the necessity of clothing) but not to the same extent in the case of home textiles (considered less important by citizens, in addition to facing a problem even 	<p>The first scenario: optimistic</p> <table border="1" data-bbox="948 1093 1549 2101"> <tr> <td data-bbox="948 1093 1225 1317">Closed factories</td> <td data-bbox="1225 1093 1549 1317">75% of factories return to operation at full capacity</td> </tr> <tr> <td data-bbox="948 1317 1225 1487">Employment</td> <td data-bbox="1225 1317 1549 1487">Return of 75% discontinued workers</td> </tr> <tr> <td data-bbox="948 1487 1225 2101">Exports</td> <td data-bbox="1225 1487 1549 2101"> <ul style="list-style-type: none"> ▪ \$585 million in the third quarter of 2020, which represents 75% of the value of exports in the third quarter of 2019 </td> </tr> </table>		Closed factories	75% of factories return to operation at full capacity	Employment	Return of 75% discontinued workers	Exports	<ul style="list-style-type: none"> ▪ \$585 million in the third quarter of 2020, which represents 75% of the value of exports in the third quarter of 2019
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	<p>some theories regarding the different Egyptian conditions.¹⁰</p>	<p>before the virus crisis).</p> <ul style="list-style-type: none"> ▪ The re-import of low-priced clothing from China, other Asian countries, Turkey, etc. Thus, gradual return of the domestic market to its normal sales volume, especially because of its association with the activity of the informal sector.¹¹ which easily responds to changing demand patterns. But the current market activity in general is related to the logistics and 	Domestic sales	<ul style="list-style-type: none"> ▪ 80% of domestic sales return to normal in the same period
			Medium Scenario	
			Closed factories	50% of closed factories are back to full operation
			Employment	Return of 50% of discontinued workers
			Exports	<ul style="list-style-type: none"> ▪ \$390 million in the third quarter of 2020, which represents 50% of the value of exports in the third quarter of 2019
Domestic sales	<ul style="list-style-type: none"> ▪ Domestic sales continue as in the previous period (the 			

¹⁰ There is a detailed discussion of the health sector in issue No. 10 of Views on Crisis, the health sector (www.eces.org.eg/PublicationsDetails).

¹¹ Views on Crisis, No. 7- The Informal Sector (www.eces.org.eg/PublicationsDetails).

		<p>transportation system. Without such system, it is not possible to obtain imported products, and the return of factories to meet needs of the local market. This is still linked to the size of available liquidity and its ability to continue in the previous period.</p>		<p>second stage of the crisis)</p>
Pessimistic scenario				
			<p>Closed factories</p>	<p>30% of factories are back to full operation</p>
			<p>Employment</p>	<p>Return of 30% of discontinued workers</p>
			<p>Exports</p>	<ul style="list-style-type: none"> ▪ 234 million in the third quarter of 2020, which represents 30% of the value of exports in the third quarter of 2019
			<p>Domestic sales</p>	<ul style="list-style-type: none"> ▪ Decline in domestic sales after the festive season

<p>5. Recovery (As of September 2020)</p>	<ul style="list-style-type: none"> ▪ No global supply and demand shocks ▪ Egyptian factories continue their slow response to demand 	<ul style="list-style-type: none"> ▪ Demand for ready-made garments will return due to the necessity of the product. Its nature, however, will differ, so it will tend to favor basics and production lines that are inspired by the crisis due to the gradual recovery of economies and low per capita income in all countries in general, in addition to decrease in demand for specific products (such as suits) ▪ Egyptian factories, at best, will be able to fully return to the export market in March-April 	<ul style="list-style-type: none"> ▪ Increasing volume of e-commerce in home textiles and ready-made garments, especially basic products of typical size such as underwear and children's clothing. <p style="text-align: center;">Optimistic scenario</p> <table border="1" data-bbox="949 672 1548 2105"> <tr> <td data-bbox="949 672 1236 929">Closed factories</td> <td data-bbox="1236 672 1548 929">All factories return to operating at full capacity</td> </tr> <tr> <td data-bbox="949 929 1236 1120">Employment</td> <td data-bbox="1236 929 1548 1120">The return of all workers to their jobs</td> </tr> <tr> <td data-bbox="949 1120 1236 1881">Exports</td> <td data-bbox="1236 1120 1548 1881"> <ul style="list-style-type: none"> ▪ \$551 million in the fourth quarter of 2020, which represents 75% of the value of exports in the fourth quarter of 2019 </td> </tr> <tr> <td data-bbox="949 1881 1236 2105">Domestic sales</td> <td data-bbox="1236 1881 1548 2105"> <ul style="list-style-type: none"> ▪ Domestic sales returned to normal in </td> </tr> </table>	Closed factories	All factories return to operating at full capacity	Employment	The return of all workers to their jobs	Exports	<ul style="list-style-type: none"> ▪ \$551 million in the fourth quarter of 2020, which represents 75% of the value of exports in the fourth quarter of 2019 	Domestic sales	<ul style="list-style-type: none"> ▪ Domestic sales returned to normal in
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		<p>2021 if they have sufficient liquidity to source inputs in a timely manner. (nine months before).¹²</p>		<p>the same period</p>
Medium Scenario				
			Closed factories	<p>It is assumed that 75% of the remaining factories will return to operating at full capacity</p>
			Employment	<p>75% of discontinued workers return to their jobs</p>
			Exports	<ul style="list-style-type: none"> ▪ \$ 367 million in the fourth quarter of 2020, which represents 50% of the value of exports in the fourth quarter of 2019
			Domestic sales	<ul style="list-style-type: none"> ▪ Return of 80% of domestic

¹² Including three months for maritime transport to Western markets.

				sales in the same period
			Pessimistic scenario	
			Closed factories	50% of the remaining factories are back to operating at full capacity
			Employment	Return of 50% of the remaining suspended workers
			Exports	<ul style="list-style-type: none"> ▪ \$220 million in the fourth quarter of 2020, which represents 30% of the value of exports in the fourth quarter of 2019
			Domestic sales	<ul style="list-style-type: none"> ▪ 30% of domestic sales return to normal in

We conclude from the above analysis that:

- The ready-made garments and home textiles industries have been severely affected by the crisis. This effect applies also to the rest of the value chain due to the interlinkages between its components. This effect also extends to employment. For example, every \$10 million decrease in ready-made garment exports means depriving labor of \$1.3 million, as its share represents 13 percent of the value of the product.
- The export sector recovery is linked to the recovery of demand in the US and European countries (Egypt's export markets).
- China's dominance of production requirements also means the export system is linked to recovery in China. However, this is more related to the financing capacity and availability of liquidity to the factories.
- Canceling export contracts and forced postponement to the next spring 2021 until the sector recovers does not necessarily mean stopping production lines, shutting down factories and laying off workers because it is possible - and it is truly a global trend - to redirect these factories to producing masks, medical clothing and hospital supplies.
- The current global lockdown gives factories a greater opportunity to direct their production to the local market to fill the import gap from China (equivalent to EGP 48 billion) if they are keen now, and in the future, to reduce the prices of their products. However, this opportunity is limited because China will not remain long outside the global market in this Industries, as explained.

Sixth: Measures required to mitigate the negative impact during the time of the crisis¹³

Here we distinguish three sets of procedures:

- 1-General procedures that benefit the industry as a whole, including the garments and home textiles industries
- 2-Specific procedures for the garment and home textiles industries
- 3-Proposals to redirect production lines proportionate to the crisis (this has already started but needs further promotion)

a. First set: general procedures

By studying the general procedures that have been applied by various countries, especially countries that are pioneers in this regard, such as England, France, Turkey and the US, and others, we find that these measures vary, including postponing and canceling government dues. This is in addition to a set of financial measures, such as grants and subsidies or debt facilities and special measures to maintain employment by providing wage subsidies.

Comparing what has been applied in various countries of the world with the measures applied by Egypt, it is clear that Egypt has taken many important positive measures gradually, but there is a need to complement them as follows:

1. Paying all export subsidy arrears due to exporters, as 30 percent is not enough to provide liquidity to exporters.

¹³ Some of these proposals have been submitted to the official authorities through the Readymade Garments and Textiles Chamber.

2. The speedy refund of the value-added tax on goods exported and the return of tax amounts withheld, without linking them to the payment of tax dues, government procedures and requirements followed in usual circumstances.
3. The Ministry of Finance reverting to the old system of maintaining the temporary admission period of two years, and extending it for a similar period for shipments received from abroad for the purpose of manufacturing and re-export, with payment in installments of the value of customs duties on imported production requirements.
4. Implementing an urgent executive mechanism to activate the emergency fund of the Ministry of Manpower, to which factories contribute 1 percent per month. These funds are intended to be used in cases of emergency to cover workers' salaries, as factories will not be able to bear the burdens of workers' salaries.
5. Correct the indirect signal of the central bank's measures that seem to support defaulters or those who have stopped production more than factories that are trying to continue production.

b. Specific measures for the garment and home textiles industries

From the analysis of the value chain of this industry, we find that it is very sensitive to availability of liquidity due to the capital and production cycle, especially in the export sector (we mentioned above that factories need to purchase production requirements six months ahead). In

addition, the limited profitability of this industry and its association with low prices and large export quantities. Therefore, these factors make the problem of lack of liquidity more dangerous in the readymade garments and home textiles industries, compared to other industries. The liquidity problem previously led to the shutdown of 400 factories during the January 25, 2011 Revolution. These factories did not return to operation after the economy recovered. Therefore, it is important to avoid this problem in the current crisis, especially as this sector suffers from intense external competition.¹⁴ In view of the importance of these two industries, some countries have paid special attention to providing them with incentives, particularly Bangladesh, which provided incentive packages to help the ready-made garment and other export industries by financing workers' wages as well as providing specific financing for working capital at very low interest rates (See the appendix for more details on the Bangladesh experience).

C- Proposals to redirect production lines in proportion to the crisis

- One of the bright spots is that there is large room for converting production lines in ready-made garment factories into producing medical supplies such as masks and hospital supplies. A study (CHERZI) estimated the investment cost of directing the production line in a private sector factory at about EGP 30 million in order to produce 750 thousand masks daily. The starting point for

¹⁴ The Egyptian Center for Economic Studies prepared a study entitled "Ready-made garments and home textiles in Egypt: Specific proposals to confront the problems of the industry in light of the global competitive situation," Working Paper No. 210, forthcoming, which details the sharp competition to which the two industries are exposed, and compares the support Egypt provides this industry with other countries such as Bangladesh, Ethiopia, and India.

implementing this shift in production lines is for the Ministry of Health to clarify the technical standards for masks, the required sterilization method and take measures to initiate tenders for purchase from factories.

- Responding to new global trends such as increased opportunities for electronic commerce, especially for some products such as baby products and lingerie. This definitely requires strengthening of procedures related to electronic commerce.¹⁵

Seventh: Institutional weaknesses revealed by the crisis

The same institutional weaknesses that the industry as a whole suffers from, which were mentioned in issue No. (6) of Views on Crisis on the manufacturing industries combined. (<http://www.eces.org.eg/PublicationsDetails>)

Appendix

Table 1. China's share of total world exports of yarn and textile products

Code	Product label	Share in world exports (%)	Ranking in world exports
		'5004	Silk yarn (excluding that spun from silk waste and that put up for retail sale)

¹⁵ ECES recently organized a seminar about Egypt's position regarding WTO negotiations on two topics: electronic commerce and investment facilitation.

'5005	Yarn spun from silk waste (excluding that put up for retail sale)	75.8	1
'5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silkworm gut	9.8	3
'5007	Woven fabrics of silk or of silk waste	51.1	1
'5108	Carded or combed yarn of fine animal hair (excluding that of wool or that put up for retail ...)	61.8	1
'5107	Yarn of combed wool (excluding that put up for retail sale)	21	1
'5112	Woven fabrics of combed wool or of combed fine animal hair (excluding fabrics for technical ...)	13.7	2
'5106	Carded wool yarn (excluding that put up for retail sale)	27.9	1
'5111	Woven fabrics of carded wool or of carded fine animal hair (excluding fabrics for technical ...)	12.6	2
'5109	Yarn of wool or fine animal hair, put up for retail sale	8.5	4
'5103	Waste of wool or of fine or coarse animal hair, incl. yarn waste (excluding garnetted stock, ...)	13.7	1
'5113	Woven fabrics of coarse animal hair or of horsehair (excluding fabrics for technical uses of ...)	20.7	3
'5110	Yarn of coarse animal hair or of horsehair, incl. gimped horsehair yarn, whether or not put ...	8.1	4
'5208	Woven fabrics of cotton, containing \geq 85% cotton by weight and weighing \leq 200 g/m ²	56.7	1
'5209	Woven fabrics of cotton, containing \geq 85% cotton by weight and weighing $>$ 200 g/m ²	34.5	1

'5211	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally ...	57.5	1
'5205	Cotton yarn other than sewing thread, containing \geq 85% cotton by weight (excluding that put ...	9.4	3
'5210	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally ...	48.5	1
'5206	Cotton yarn containing predominantly, but < 85% cotton by weight (excluding sewing thread and ...	25.5	1
'5212	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	16.4	2
'5207	Cotton yarn put up for retail sale (excluding sewing thread)	8.6	3
'5204	Cotton sewing thread, whether or not put up for retail sale	16	1
'5202	Cotton waste, incl. yarn waste and garnetted stock	0.1	42
'5309	Woven fabrics of flax	49.9	1
'5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn (excluding those ...	87.2	1
'5306	Flax yarn	58.3	1
'5308	Yarn of vegetable textile fibres; paper yarn (excluding flax yarn, yarn of jute or of other ...	30	1
'5310	Woven fabrics of jute or of other textile bast fibres of heading 5303	1.8	4
'5301	Flax, raw or processed, but not spun; flax tow and waste, incl. yarn waste and garnetted stock	0.4	9

'5307	Yarn of jute or of other textile bast fibres of heading 5303	0.6	6
'54	Man-made filaments; strip and the like of man-made textile materials	40.1	1
'55	Man-made staple fibres	33.7	1
'58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	39.6	1
'59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable ...	30.1	1
'60	Knitted or crocheted fabrics	49.2	1

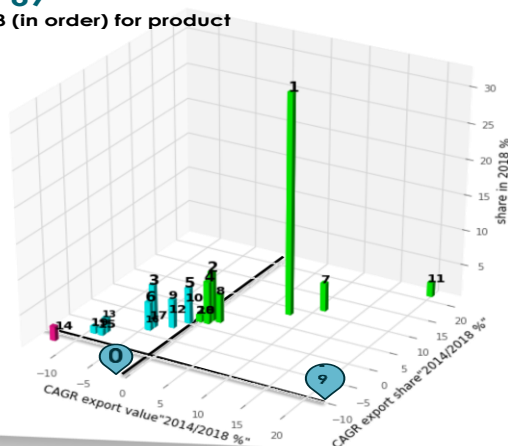
Source: Trade map 2020
Codes 50-53 indicate at 4digit level to separate the raw material from yarn and fabrics

Figure 1. Model for Export Market Analysis of Readymade Garment and Home textiles Requirements

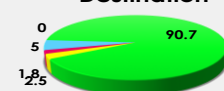
HS Code (5402): Synthetic filament yarn, incl. synthetic monofilaments of < 67

Top 20 exporting countries in 2018 (in order) for product

1. China
2. India
3. Taipei, Chinese
4. Korea, Republic of
5. United States of America
6. Italy
7. Viet Nam
8. Turkey
9. Japan
10. Thailand
11. Belgium
12. Indonesia
13. Germany
14. Malaysia
15. Hong Kong, China
16. Spain
17. Slovenia
18. France
19. Canada
20. Singapore



Egypt imports Destination



The most important countries outside top 20:

United Kingdom	0.8
New Zealand	0.6
Israel	0.5
Brazil	0.2
Mexico	0.1

Source: ECES: The current and future trade map of Egypt, forthcoming.

Table 2. The current status of establishments operating in the ready-made garments and home textiles industries*

	Governorate	Industrial zone	Status of operation
1	Cairo	Gesr Essweis	80% suspended
		Badr	80% suspended
		Ain Sokhna Road	80% suspended
		Tagamu Talit	80% suspended
		May 15	80% suspended
		Free Zone	100% suspended
2	Giza	6 October	80% suspended
3	Alexandria	Burj Al Arab	80% suspended
		Muharram Bey	80% suspended
		Free Zone	80% suspended
		Merghem	80% suspended
		Sobhia	80% suspended
4	Kafr Sheikh	Burullus	100% suspended
5	Qalyubia	Obour	80% suspended
6	Sharqia	Tenth of Ramadan	80% suspended
7	Port Said	Free Zone	100% suspended
		Raswa	100% suspended
8	Suez	Suez Canal	100% suspended
9	Ismailia	Qantara	100% suspended
		Free zone	100% suspended
10	Gharbia	Mahalla Al-Qobra	80% suspended
11	Menoufia	Sadat	80% suspended
		Quesna	80% suspended
12	Damietta	New Damietta	80% suspended
13	Beheira	Kafr Al Dawwar	80% suspended
14	Fayoum	Com Ashim	80% suspended
15	Minya	New Minya	100% suspended

16	Asiut	Dairut	100% suspended
17	Dakahlia	Gamasa	100% suspended
18	Beni Sweif	Bayadh Al-Arab	100% suspended
		New Beni Suef	100% suspended
19	Sohag	Akhmim	100% suspended
20	Red Sea	Safaga	100% suspended

Source: The Readymade garments and Textile Chamber

*Establishments registered with the Chamber

Bangladesh experience:¹⁶

Bangladesh was chosen because it is one of the leading countries in the garment industry, and the garment industry was severely affected by the Corona virus. According to the Bangladesh Garment Manufacturing Exporters Association on April 1, export contracts with an estimated value of about \$3 billion were canceled or postponed. Several factories have announced their closure and the laying off of workers under the Labor Law regarding forced layoffs. The following table summarizes the measures taken by Bangladesh to deal with the crisis in the garment and other export industries.

	Measures
Government.	<ul style="list-style-type: none"> ▪ Allocating an incentive package to pay the salaries of workers for a period of three months at \$590 million, at an interest rate of 2%. Borrowing factories are given a grace period of six months. ▪ The announcement of four additional incentive packages worth of Tk 67750 crore * as follows: <p>The first package: worth Tk 30,000 crore, will be provided to affected industries as working capital through banks at low interest loans. The commercial banks will provide the amount as loans from their own funds to the industries and institutions</p>

¹⁶ <https://www.fairwear.org/covid-19-dossier/covid-19-guidance-for-production-countries/covid-19-impact-and-responses-bangladesh>

	<p>concerned on the basis of relations between banks and customers, at an interest rate of 9 percent. Interested industries and commercial organizations will pay 4.5 percent interest, while the government will pay the remaining half to banks as support. The second package, SMEs will get Tk 20,000 crore in working capital, at 9 percent interest rate, and the industries and business organizations involved will pay interest on this loan at 4 percent, while the government will provide the remaining 5 percent as support.</p> <p>1 - The third package aims to strengthen the Bank of Bangladesh's Export Development Fund - \$3.5 billion to \$5 billion - to facilitate imports of raw materials under mutual credit.</p> <p>2 - The fourth package, according to which the Central Bank introduces new credit facilities with a value of Tk 5000 crore as a "pre-shipment credit refinance plan" and its interest will be 7 percent.</p> <ul style="list-style-type: none"> ▪ The government also obtained \$1 billion in financial support from the International Monetary Fund and the World Bank to support the government in helping citizens.
Banks	<p>HSBC Bangladesh has announced a set of measures to help textile and apparel clients overcome the economic consequences of the epidemic as follows:</p> <ul style="list-style-type: none"> - The bank will provide special short-term loans of up to one year, with a temporary suspension of four months, which can be used for the purpose of supporting payroll and utility payments. <p>The bank also allows a three-month moratorium on current term loans of companies affiliated with the textile and clothing sector.</p> <p>The Bank of Bangladesh asked banks to provide similar business support.</p>

Business organizations

- **Follow-up and continuous monitoring of the situation and availing information**
- **The Industrial Bangladesh Council (IBC) has submitted a request to the government that includes proposals to deal with the crisis and involves:**
 - Close factories, including ready-made clothes, and pay dues to workers until the situation improves.
 - Workers cannot be laid off or downsized under this disastrous situation.
 - All measures must be taken and special treatment be provided if any worker becomes ill or is infected with the virus, including taking steps to ensure the good health and safety of all workers.
 - Factories cannot close or lay off workers without paying the worker's dues.
 - In any emergency, the government must guarantee monetary assistance to workers.
 - A tripartite working group (government, employers group at BGMEA and IBC) should be established under the leadership of the Ministry of Labor.
 - Urging brands and buyers not to cancel their work orders.

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