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Views on the Crisis

Follow-up on the Export Performance of Selected Manufacturing Industries



General Introduction

The Egyptian Center for Economic Studies (ECES) provided an analysis of the impact of the Coronavirus pandemic on the various aspects and sectors of the Egyptian economy. The analysis was supported by multiple scenarios whose expectations varied with respect to the performance of these sectors according to the

indicators and conditions prevailing at the time of their construction. To complement this effort, ECES is currently monitoring the performance of the sectors following their exposure to the COVID-19 pandemic, in light of the relevant official data recently published by the Central Agency for Public Mobilization and Statistics (CAPMAS), the Central Bank, relevant ministries or other concerned parties. The analysis assesses available data and monitors the situation on the ground through four main aspects, first: assessing published data and aspects of change on the ground; second, the extent to which they are consistent with previous trends and expectations in the studies of ECES and others, and reasons for that; third, future expectations; and fourth, proposals to improve the performance of the sector when possible.

“Egypt would experience high risk of losing various export markets. Exporters will face tougher competition and national producers will compete with desperate exporters in a fiercer manner. On the other hand, Egypt can become a preferred supplier of importers of components in international markets as the world attempts to diversify”

**United Nation
Organization for Industrial
Development (UNIDO)**

The Methodology of this Report

This report follows up on the repercussions of the Covid-19 pandemic on manufactured exports on the ground. It is divided into two parts: In the first part, we benchmark Egypt's merchandise exports performance against the world and other countries. Six countries were chosen to represent the high-income countries (Germany, United Kingdom), Egypt's competitors (South Africa and Turkey), as well as neighboring countries (Tunisia, Jordan).

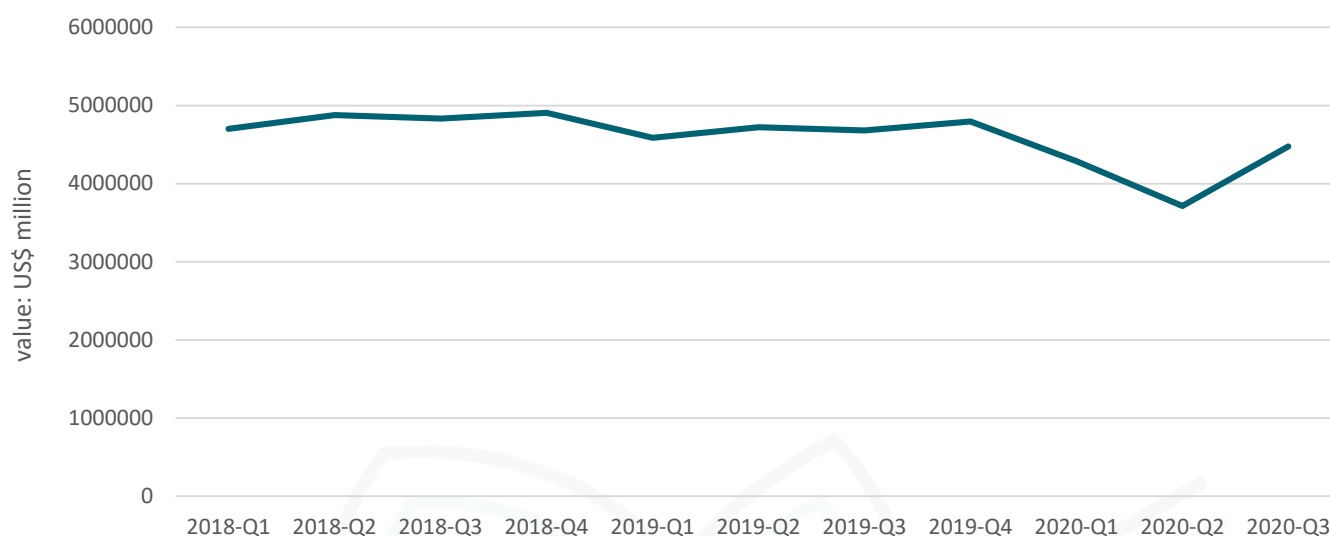
The second part of the report focuses on the Egyptian manufacturing sector, with a more detailed assessment of the impact of the pandemic on the export performance of four industries for which data were available, namely: ready-made garments, home textiles and textiles industries; the furniture industry; the engineering industries, and finally, the building materials industries. While the first part of the report relies on world trade organization (WTO) data for benchmarking purpose, the second part uses a local source of data (export council's data) due to data unavailability on manufacturing exports, at both the aggregate and sectoral levels from international sources for the year 2020. The details of analysis, as well as the period covered will differ from one sector to another depending on data.

1. Benchmarking Egypt's merchandise exports with the global average and some selected countries

The Covid-19 pandemic has had a profound impact on global trade. As shown in Figure 1, the first half of 2020 witnessed a decline in global merchandise exports,¹ after stable performance during 2018 and 2019. The onset of the crisis in China during the last quarter of 2019 had a slight impact on global merchandise exports, which decreased by only 2% compared to the corresponding quarter in 2018. However, with the spread of the crisis around the world, its impact exasperated on global merchandise exports, which began to decline from the first quarter of 2020, to reach its lowest levels during the second quarter. The rate of decline was about 21% compared to the same quarter in 2019. Although there were some signs of recovery during the third quarter, performance has yet to reach the level achieved in 2019.

¹ Data on manufactured exports for 2020 are not available on the World Trade Organization website, but since manufactured exports constitute about 67% of total merchandise exports in 2019, merchandise exports can be considered a good proxy for manufactured exports.

Figure 1. Global merchandise exports in 2018-2020 - quarterly data



Source: World Trade Organization Bank database, March 2021.

Analyzing the impact of the pandemic on the merchandise exports of the seven countries (including Egypt) under analysis, which represent both developed and developing countries, although all countries have witnessed a sharp drop in its merchandise exports during the first half of 2020 and especially the 2nd quarter, the initial impact of the crisis during Q1 2020 varies from country to country. The same thing can be said about the rate of recovery during the third quarter, reflecting the strength of each country and the degree of its integration into the global economy. Table 1 shows the quarterly growth rate² in 2020 compared to the corresponding quarter in 2019 for these countries.

²The growth rate may be positive or negative.

Table 1. Quarterly growth rate in 2020 compared to the corresponding quarter in 2019 for selected economies

| | First Quarter | Second Quarter | Third quarter | Recovery rate (third quarter - second quarter) |
|--------------|----------------------|-----------------------|----------------------|---|
| World | -6.5% | -21.4% | -4.4% | 17% |
| UK | -10.3% | -26% | -12.7% | 13.3% |
| Germany | -6.1% | -25.3% | -3.6% | 21.7% |
| Egypt | -0.2% | -25.7% | -9% | 16.6% |
| Jordan | 2.8% | -16.5% | -4.5% | 12% |
| Tunisia | -5.1% | -28.1% | -4.3% | 23.8% |
| South Africa | 2.8% | -32.3% | -2.4% | 29.9% |
| Turkey | -4.3% | -26.2% | -2.4% | 23.7% |

Source: ECES calculations based on the World Trade Organization database, March 2021.

Analyzing the data in the table reveals the following:

a. At the international level:

- 1- The initial impact of the crisis on developed countries was greater than on developing countries, which is reflected in the size of the decline in the growth rate of merchandise exports during the first quarter of 2020 compared to the corresponding quarter in 2019. This may be partly due to the emergence of the crisis in European countries after China, then spreading to the rest of the world.

2-The Rate of recovery in developing countries was much higher than its counterpart in developed countries, and more than the global average.

3-The only exception is Egypt and Jordan, both having a slower recovery rate compared to both world average and other developing countries.

b. At the level of the Egyptian economy:

1. The negative impact of the pandemic on the performance of Egyptian merchandise exports exceeded the global average, as merchandise exports declined more sharply during the second quarter, and the rate of recovery was slower than the world.

2. Competitors such as South Africa, Turkey, in addition to Tunisia, witnessed a higher recovery rate than Egypt during the third quarter. As for Jordan, although its recovery rate was lower than Egypt's, it showed greater resilience in facing the crisis, as it was able to achieve a positive growth rate in exports during the first quarter of the year. It also witnessed the lowest rate of decline in the growth rate of merchandise exports during second quarter.

2. Detailed analysis of Egypt's manufactured exports during the first wave of the pandemic

1-2 Overall sectoral picture

By analyzing the export performance of selected manufacturing sectors in 2020, we find that, with the exception of building materials industries, the exports of the other three manufacturing sectors declined, but with varying degrees. The largest decline was in ready-made garments, home textiles and textiles, followed by the furniture sector, as shown in Table 2.

Table 2. Annual growth rate of exports of selected manufacturing sectors during the first wave of the pandemic

| Sector | Annual growth rate |
|---|---------------------------|
| Ready-made garments, home textiles and textiles | -12% |
| Engineering industries | -5% |
| Furniture | -10% |
| Building materials * | 2% |

Source: ECES calculations based on data of the Export Councils.

* It does not include exports of jewelry and precious stones.

Looking at the quarterly growth rates for the four sectors in 2020 compared to the corresponding quarter in 2019, as shown in Table 3, we note the emergence a similar export pattern in all sectors. All of them witnessed the start of a decline in exports during the first quarter, only to exacerbate in the second quarter of the year,

followed by what may appear on the surface to be signs of recovery during the third and fourth quarters.

In general, caution must be exercised when interpreting the increase in exports during the second half of 2020 as a return to the normal export performance of these sectors. The increase in exports of these sectors may realistically reflect the impact of two factors:

First: Existence of accumulated stocks during the lockdown period and the suspension of exports. Accordingly it is natural for this stock to be exported after reopening of markets and resumption of global trade.

Second: Emergence of the second wave of the pandemic in Europe and the US, starting from September, and imposing internal lockdown, which may result in increasing imports to meet their needs.

As shown in Table 3, the extent of the pandemic's impact on manufacturing sectors and the speed of their recovery varied. To explain this variance, we performed a more detailed analysis of the export performance of each sector.

Table 3. Quarterly growth rates in exports of various manufacturing sectors (comparing the corresponding period in 2020 and 2019) **

| | Ready-made garments, home textiles and textiles | Engineering | Furniture | Building materials* |
|----|---|-------------|-----------|---------------------|
| Q1 | -4% | 3% | -23% | -11% |
| Q2 | -37% | -39% | -46% | -23% |
| Q3 | -8% | 1% | 20% | 5% |
| Q4 | -1% | 16% | 15% | 40% |

Source: ECES calculations based on data of the Export Councils.

* It does not include exports of jewelry and precious stones.

** Any differences in growth rates from what is issued by the export councils are mainly due to approximations.

2-2: Detailed sectoral Picture

a. The ready-made garments, home textiles and textiles sector

As mentioned previously, exports of ready-made garments, home textiles and textiles decreased by 12% in 2020 compared to 2019. However, not all industries in this sector have been affected with the same intensity by the pandemic, as shown in Table (4). In what follows, we will shed more light on the export performance of each industry separately.

Table 4. Export growth rates of ready-made garments, home textiles and textiles, and their contribution to the sector's total export growth

| | Annual growth rate | Contribution to total export growth of the ready-made garments, home textiles and textiles sector |
|---------------------|--------------------|---|
| Ready-made garments | -15% | 68% |
| Home textiles | -4% | 5% |
| Textiles | -12% | 27% |

Source: ECES calculations based on data of the Export Council.

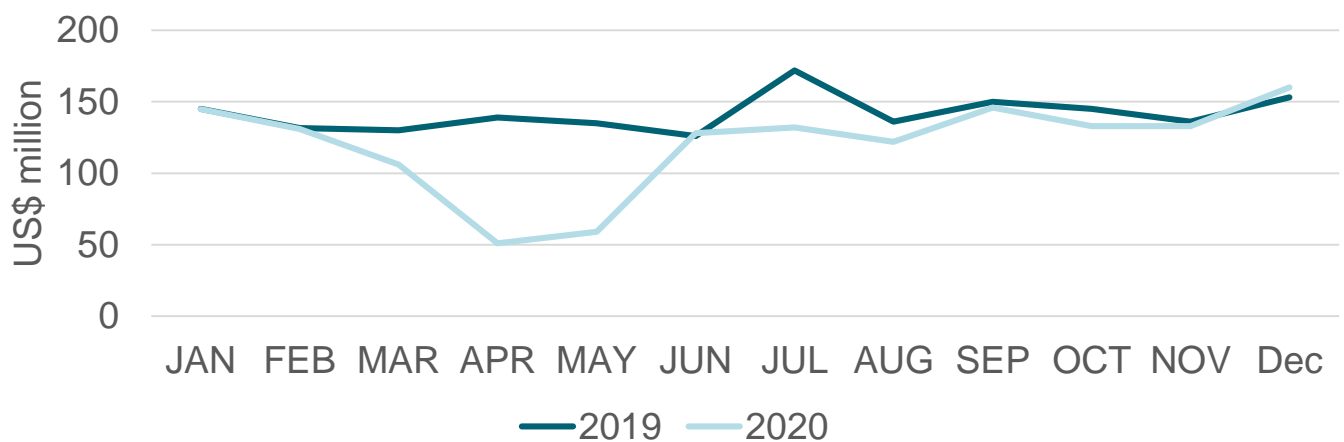
* The industry's contribution to growth was calculated using the percentage of exports in 2019 as weights.

1. Ready-made garments and home textiles

The ready-made garments industry is the most affected by the crisis, as its exports decreased by 15%. This industry is the largest contributor to the overall negative growth rate recorded by the sector as a whole, with a share of 68%, as shown in Table 4 above. Comparing the monthly fluctuations in ready-made garment exports in both 2019 and 2020, shown in Figure 2, we find that the impact of the pandemic on this industry started to appear in March. The largest gap between the two years appeared in April and May. Beginning June, the ready-made garment exports began gradually converging to the levels achieved in 2019, slightly exceeding them

in December. In addition to the aforementioned observation regarding caution in interpreting the export performance of the industry during the second half of 2020 as a return to normal, we find that ready-made garments exports are characterized by a great deal of seasonality. The impact of the second wave of the pandemic in the US and Europe might be stronger on Egyptian ready-made garments exports than any other industry due to its association with the winter season, especially that both regions account for 86% of total Egyptian exports in 2019.

Figure 2. Monthly fluctuations in ready-made garment exports in 2020 compared to 2019



Source: Ready-made garments export council.

By conducting further analysis of ready-made garment exports, we find that both knitted and non-knitted ready-made garments have registered negative growth due to the pandemic, with knitted exports witnessing a greater decline compared to non-knitted garments (-27% and -11%, respectively). Nevertheless, we find

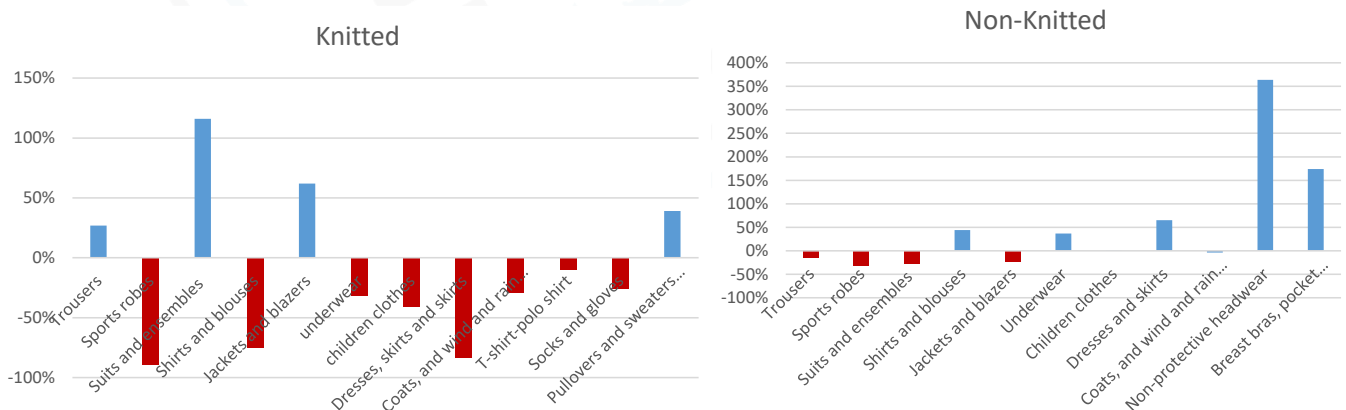
that non-knitted clothes have contributed more to the decline in ready-made garments exports by 43%, given that they constitute the majority of Egyptian exports with a share of 64% in 2019.

The impact of the pandemic on the ready-made garment sector was not limited to the volume of exports only, but also extended to the pattern of demand for certain products of ready-made garments. Looking at the structure of ready-made garments exports by product during January-November 2020 as shown in Figure 3, we note the following:

1. The vast majority to the knitted products declined, except for trousers, suits and sets, blazers and pullovers.
2. The decrease in exports of some formal (non-knitted) clothes, specifically trousers, suits and sets, jackets and blazers, which together constituted 66% of Egyptian non-knitted exports in 2019. This is in contrast, to the increase in exports of shirts, blouses, dresses and skirts, which constituted 10% of Egyptian non-knitted exports in the same year.
3. The decrease in sportswear exports in both categories (knitted and non-knitted), which constituted 20% of Egyptian exports of ready-made garments in 2019.

This pattern indicates a paradigm shift in the industry as a whole due to new work habits such as work from home and holding meetings via the Internet (using Zoom etc.). This means a long-term change in the industry supported by a change in the purchasing pattern, as online purchases skyrocketed. One indication of this is the outperformance of Amazon, the online ready-made garments retailer in the US, over Walmart. As for sportswear, this may reflect a decline in sports activities in general, especially in Europe and the US, which usually take place inside closed halls.

Figure 3. Export growth rate of ready-made garments products (knitted and non-knitted) during January-November 2020 compared to the corresponding period in 2019



Source: Data of the Ready-made Garments Export Council.

As for the impact of the pandemic on the geographical destination of ready-made exports, we note that the main trading partners of Egypt have not changed. The pandemic has not generally resulted

in any change in the geographical destination of exports, with the US continuing to receive the bulk of Egyptian exports (57%). Thus, despite the significant decrease in exports to African countries (-43%), if we take into account each country's share in the Egyptian ready-made garments exports, we find that the US represents the largest contributor to the negative growth rate of ready-made garments exports, followed by Europe as shown in Table 5. It is worth noting here that an increase was registered in Egyptian exports of ready-made garments to Arab countries. This raises the question about the extent to which the Egyptian exports has replaced products from other countries in the Arab markets as a result of the pandemic

Table 5. Export growth rate of ready-made clothes to various geographical regions in January - November 2020 compared to the corresponding period in 2019

| | Annual growth rate | Contribution to growth of total exports of ready-made garments |
|-------------------|--------------------|--|
| United States | -17% | 55% |
| Europe | -22% | 40% |
| Arab countries | 14% | -4% |
| African countries | -43% | 0% |
| Rest of the world | 17% | 9% |

Source: ECES calculations based on data of the Ready-made Garments Export Council.

*Contribution to growth was calculated using the percentage of exports in 2019 in weights.

In contrast to the ready-made garment industry, the home textile sector has been the least affected by the crisis, as its exports decreased by only 4%, as shown in Table (4) above. We observe here the large concentration in the export structure of this industry, as carpets (both machine-made and hand-made) constituted approximately 62% of total exports of home textiles in 2019. This product alone achieved a growth rate of 76% in 2020 compared to 2019. Therefore, the increase in carpet exports has greatly affected the export performance of the industry as a whole.

Given the quarterly growth rates shown in Table (6), the home textiles industry is the only industry that managed to achieve positive growth rates as of Q3 of 2020 compared to the corresponding quarter in 2019. This can be explained by the nature of the products of this industry, whose demand is not seasonal and does not witness annual changes in fashion, and the demand for these products from importers (for storage) may increase for fear of another closure.

Table 6. Quarterly growth rates in the exports of ready-made garments, home textiles and textiles industries

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---------------------|---------------|----------------|---------------|----------------|
| Ready-made garments | -6% | -41% | -13% | -2% |
| Home textiles | -5% | -31% | 7% | 14% |
| Textiles | -1% | -34% | -5% | -7% |

| | | | | |
|-------|-----|------|-----|-----|
| Total | -4% | -37% | -8% | -1% |
|-------|-----|------|-----|-----|

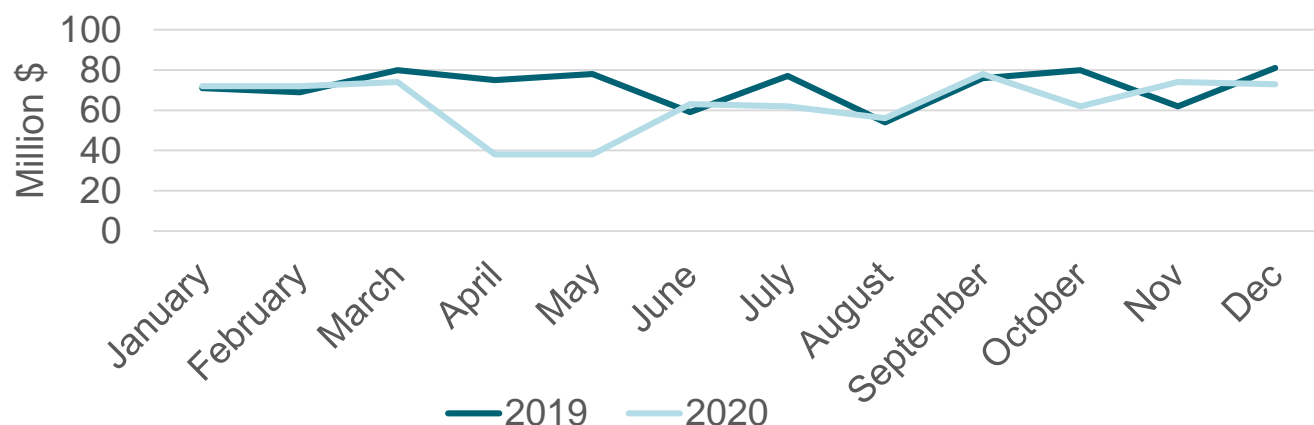
Source: ECES calculations based on data of the relevant export councils.

2. The textile industry

The textile industry is an intermediate industry in the value chains of both ready-made garments and home textiles. Hence, the impact of the crisis on the textile industry is derived from what happened in the global demand for ready-made garments, home textiles and any other final product which uses textile. Therefore, the exports of this industry have decreased at a lower rate than ready-made garments, but at a higher rate than home textiles (Table 4 above).

By studying the monthly fluctuations in textile exports (Figure 4), we note that they declined beginning of March. The gap widened between the two years during the months of April and May. Despite gradual improvement in the export performance starting June 2020, it generally fell below the levels achieved in 2019, with the exception of August, September and November.

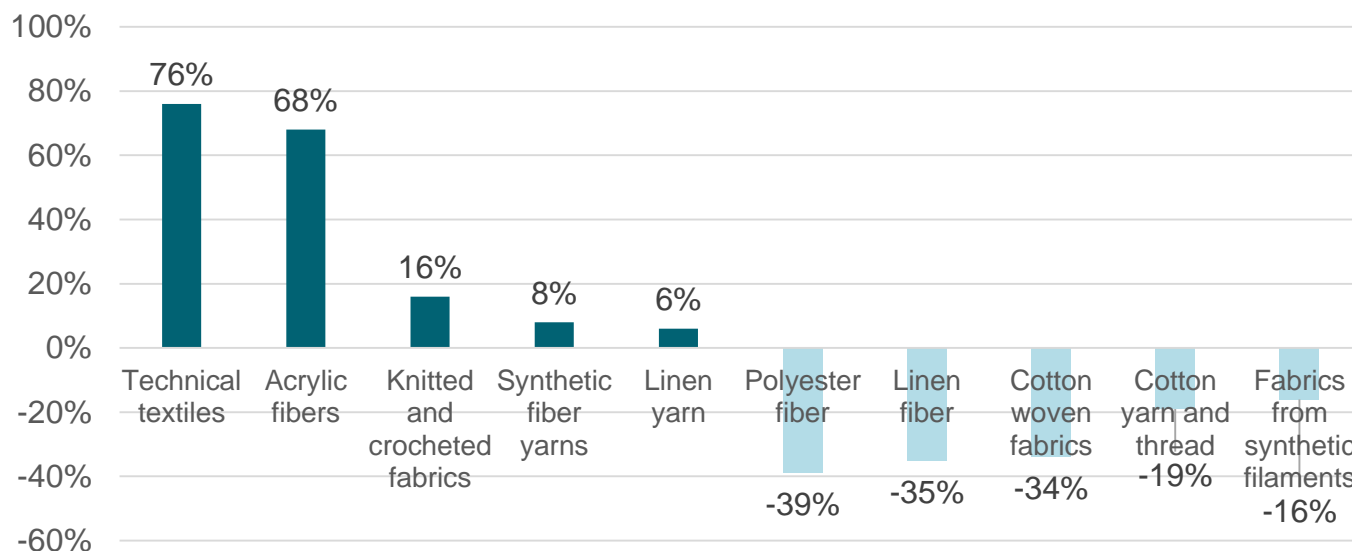
Figure 4. Monthly fluctuations in exports of the textile sector in 2020 compared to 2019



Source: Textile and Home Textile Export Council.

The impact of the pandemic on the exports of different products varies. Some products were able to achieve positive growth rates, foremost of which are technical textiles, with a growth rate of 76%, which may be related to increased demand for medical supplies that use this type of textiles. On the other hand, there was a decrease in exports of woven fabrics of cotton, threads and cotton yarns, which are most related to the manufacture of ready-made garments and home textiles such as bed and table linens.

Figure 5. Export growth rate of exports of textile products in 2020 compared to 2019



Source: Textile and Home Textile Export Council.

As for the growth rate of exports to different geographical areas, shown in Table 7, Egyptian exports of textiles to all geographical areas have decreased, with the exception of Africa and the US. This resulted in a decrease in Europe's share of total textile exports from 26% in 2019 to 24% in 2020, in favor of an increased share of the US, to which exports increased from 1% to 2% in the two years. In general, however, Europe and the Arab countries continued to maintain more than 50% of total textile exports. Therefore, both regions were the highest contributors to the negative growth rate of textile exports.

Table 7. Growth rate of textile exports to different geographical regions in 2020 compared to 2019

| | Annual growth rate | Contribution to growth of total exports of the textile industry |
|-------------------|--------------------|---|
| Europe | -16% | 34.3% |
| Arab countries | -13% | 29.5% |
| Africa | 3% | -1% |
| United State | 200% | -11.4% |
| Rest of the world | -14% | 48.6% |

Source: ECES calculations based on data from the Textiles and Home Textiles Export Council.

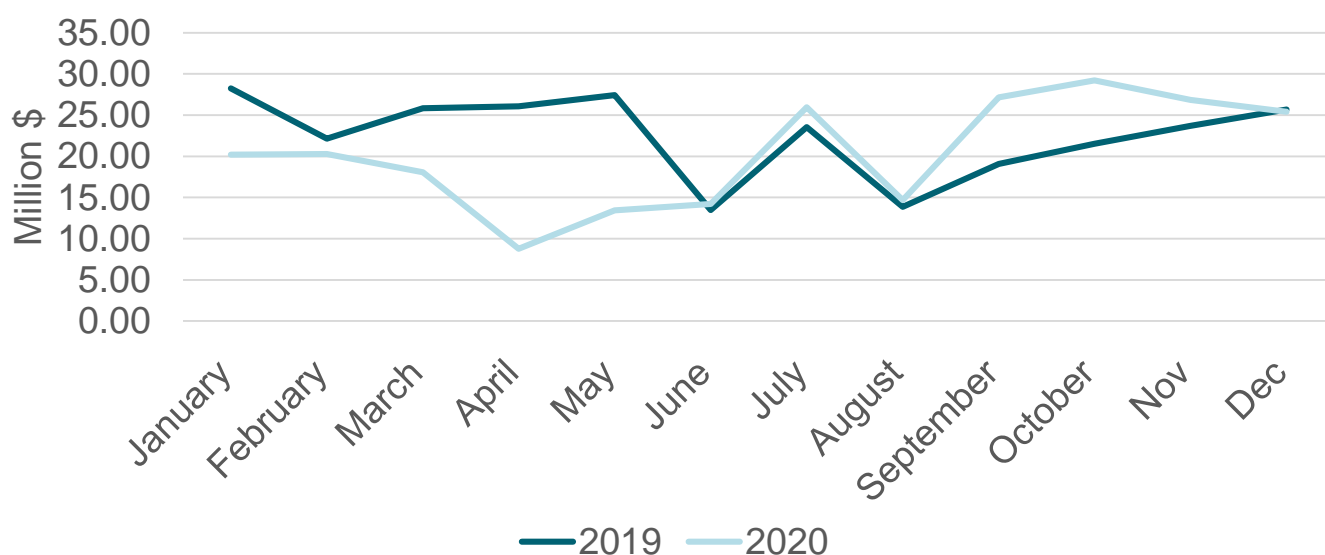
* Contribution to growth was calculated using the percentage of exports in 2019 in weights.

3. Furniture sector

The furniture sector is among the sectors that have been severely affected by the pandemic. Exports of this sector decreased by 10% during 2020 compared to 2019. By taking a look at the monthly fluctuations in furniture exports during the two years, as shown in Figure 6, we notice the immediate impact of the crisis on furniture exports. These exports declined sharply from January to May, bringing their rate of decline to about 23% and 46% during the first and second quarters of 2020 compared to the corresponding periods in 2019. This is the highest rate of decline in these two quarters compared to the other sectors under study (Table 2 above).

Although furniture exports from June to November 2020 exceeded their levels in the corresponding months of 2019, according to the Export Council, this is mainly due to the export of the inventory accumulated during the complete lockdown period. Exports soon decreased in December to reach a level close to that achieved in the corresponding month in 2019.

Figure 6. Monthly fluctuations in exports of the furniture sector in 2020 compared to 2019

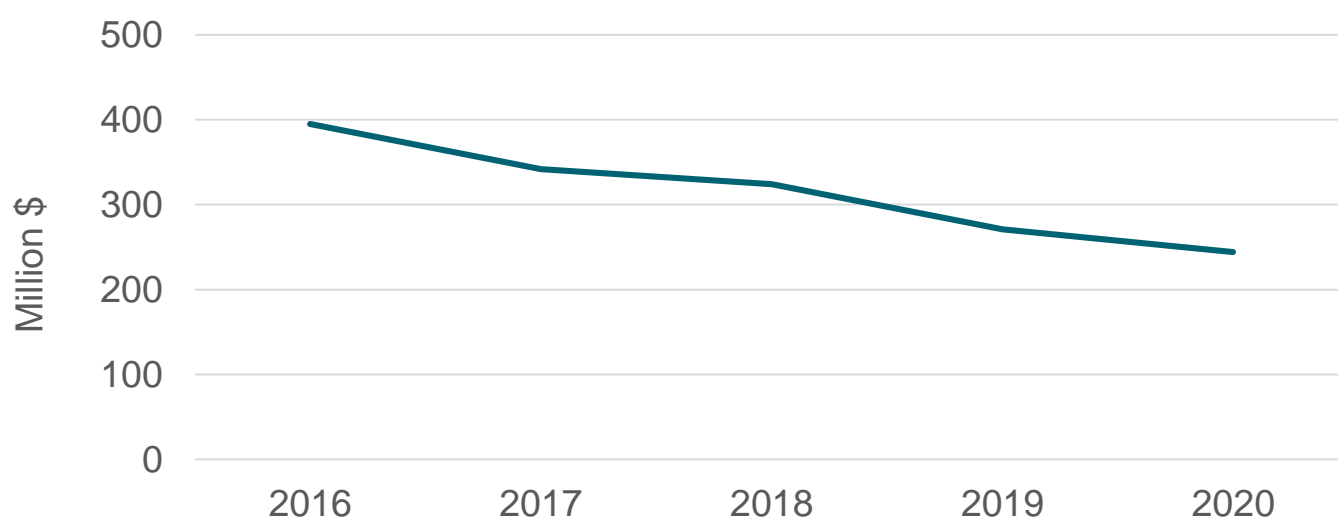


Source: Furniture Export Council.

It should also be noted that in the case of the furniture sector, the pandemic aggravated the downward trend already experienced in the sector's exports since 2017, as shown in Figure 7. According to the Furniture Export Council, the decline in Egyptian furniture exports is mainly due to the weak export support system, including the exhibition system. This resulted in weak participation of exporters in exhibitions and their inability to compete, especially in

light of the strong export support in competing countries. Faced with these export constraints, many producers resorted to selling in the local market instead of exporting.

Figure 7. Evolution of furniture exports during 2016-2020



Source: Furniture Export Council.

As for the impact of the pandemic on the pattern of demand for specific products, there has been no change in the product structure of exports. Exports of furniture continued to account for the lion's share of the sector's total exports, with a share of 87% of the sector's total exports in 2020.

Hence, although exports of “wood and other products” witnessed a higher rate of decline in exports, as shown in Table 8, the decline in exports of furniture contributed about 76% of the total decline in exports of this sector.

Table 8. Growth rate in exports of the furniture sector in 2020 compared to 2019

| | Annual growth rate | Contribution to growth of total exports of the furniture sector |
|---------------------------|--------------------|---|
| Furniture | -9% | 76% |
| Wooden and other products | -17% | 20% |
| Timber | -20% | 4% |

Source: ECES calculations based on data of the Furniture Export Council.

* Contribution to growth was calculated using the percentage of exports in 2019 in weights.

By examining the structure of Egyptian furniture exports, we notice that there are some products that witnessed positive growth rates in 2020. For example, Egyptian exports of metal furniture increased by 21%, bringing its share to 11% of total furniture exports in 2020 compared to 8% in 2019. This may reflect a change in global demand patterns for this type of furniture. Although not related to the Corona pandemic, this trend must be noted.

The Corona crisis has not changed the geographical destination of exports from this sector. Arab countries still lead the scene with an estimated share of about 81% in 2020, followed by European countries with a share of up to 8%. As a result of this concentration in geographical distribution, exports of furniture were greatly affected by the decrease in demand from the Arab countries, which alone contributed about 78% of the total decline in exports of this sector, as shown in Table 9. Furniture exports to African countries

increased by 13%, despite its decrease to other geographical areas, which can be explained by the increase in exports to Niger, which rose significantly.

Table 9. Growth rate of furniture exports to various geographical regions in 2020 compared to 2019

| | Annual growth rate | Contribution to growth of total exports of the furniture sector |
|--------------------|--------------------|---|
| Arab countries | -10% | 78% |
| European countries | -17% | 15% |
| The Americas | 0% | 0% |
| African countries | 13% | -4% |
| Rest of the world | -27% | 11% |

Source: ECES calculations based on data of the Furniture Export Council.

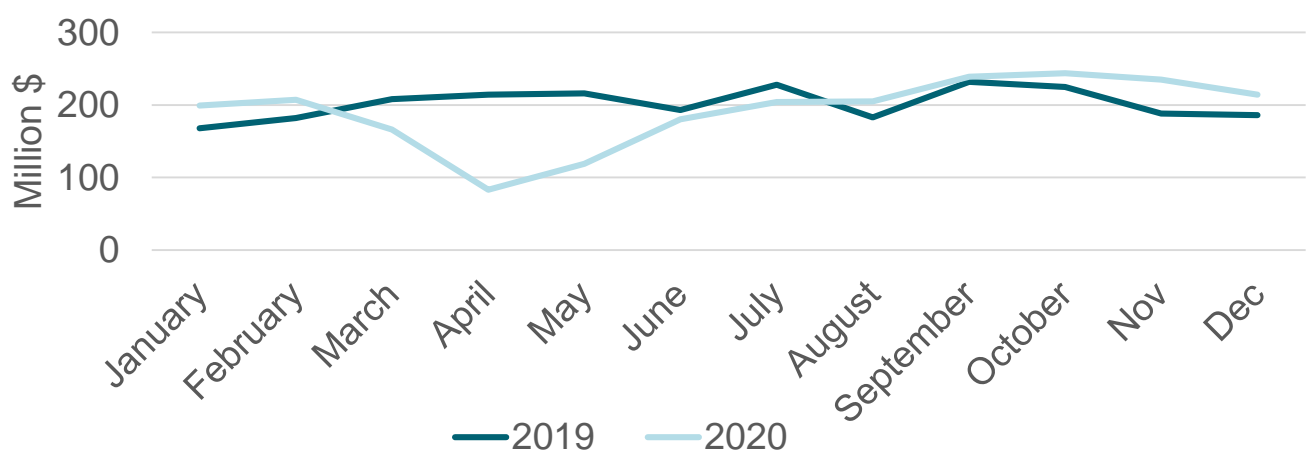
4. Engineering industries sector

Detailed analysis of the export performance of the engineering industries sector during 2020 indicates the sector's relative resilience in facing the crisis compared to the other two sectors. The engineering industries exports decreased by 5% in 2020 compared to 2019, and did not witness a negative growth rate except in the second quarter only.

Comparing the monthly fluctuations of engineering industries exports in both years, as shown in Figure 8, we find that exports of engineering industries during January and February 2020 exceeded the levels achieved in the corresponding two months of 2019. The impact of the pandemic did not start to unravel until in

March. The gap between the two years became more pronounced in both April and May. Starting June, exports of engineering industries began to gradually approach the levels in 2019, surpassing them from August until the end of the year. It is noted here that the engineering industries are not much different from the other sectors whose exports are not affected by seasonality and care must be exercised in interpreting increased exports as a return to normalcy.

Figure 8. Monthly fluctuations in engineering exports during 2020 compared to 2019



Source: Engineering Export Council.

This is confirmed by the Engineering Export Council, which indicated that this increase in the sector's exports in the third and fourth quarters is due to two factors. The first is related to high demand due to fear of imposing another closure, while the second is the resort of many importers to a policy of diversifying the countries from which they import, after being negatively affected by the closure period in China.

As shown in Table 10, almost all groups of engineering products witnessed positive growth during the second half of 2020, on top of which is the automotive industry, which achieved a growth rate of 91%. The contribution of auto parts, cables and home appliances was the largest in the growth of the sector's exports with a share of 91.7% of the total export growth of engineering industries.

There are only three categories of products that witnessed negative growth rates during June-December 2020, compared to the corresponding period in the previous year. In particular, brown goods, metal products, machinery and equipment, which together account for 40% of total engineering exports. Such negative growth slowed down engineering exports growth by 51%.

Table 10. Export growth rate of engineering industries products during June-December

| Industry | Growth rate during June-December | Contribution to growth of total exports of engineering industries |
|--|----------------------------------|---|
| Automotive industry | 91% | 24% |
| Other medical and technical industries | 60% | 16% |
| Cables | 21% | 32% |
| Household appliance | 20% | 29% |
| Automotive spare parts | 14% | 31% |
| Electric and electronic goods | 3% | 4% |
| Brown goods | -9% | -44% |
| Metal products | -22% | -3% |

| | | |
|------------------------|------|-----|
| Machines and machinery | -27% | -3% |
| Other | 30% | 15% |

Source: ECES calculations based on data from the Engineering Export Council.

* Contribution to growth was calculated based on the percentage of exports in 2019 using weights.

Finally, with regard to geographical distribution of engineering exports, their overall structure has not changed. The Arab and European countries together accounted for 91% of total exports in July-December 2020, compared to 92% in the corresponding period in 2019. The two regions together contributed about 69% of total growth in engineering industries exports during that period. However, two things are worth noting:

- First, the notable increase in exports to Asia, especially China and the Hong Kong Special Administrative Region of China. The increase in exports to that region contributed 42% of the total growth in engineering industries exports, as shown in Table 11. According to the Engineering Export Council, the increase came as a result of the success of one of the producers in exporting a large shipment of buses. The question now is to what extent Egyptian engineering exports will continue to be able to penetrate the Chinese market.
- Second, the decline in exports to the African market despite the overall increase in engineering exports in July-December 2020.

Table 11. Growth rate of engineering industries exports to various geographical regions in July-December 2020 compared to July-December 2019

| Region | Annual growth rate | Contribution to growth of total exports of the engineering industries sector |
|-------------------|--------------------|--|
| Arab countries | 1% | 6% |
| Europe | 8% | 63% |
| Asian countries | 216% | 42% |
| African countries | -8% | -7% |
| United States | -30% | -4% |

Source: ECES calculations based on data from the Engineering Export Council.

* Contribution to growth was calculated based on the percentage of exports in 2019 using weights.

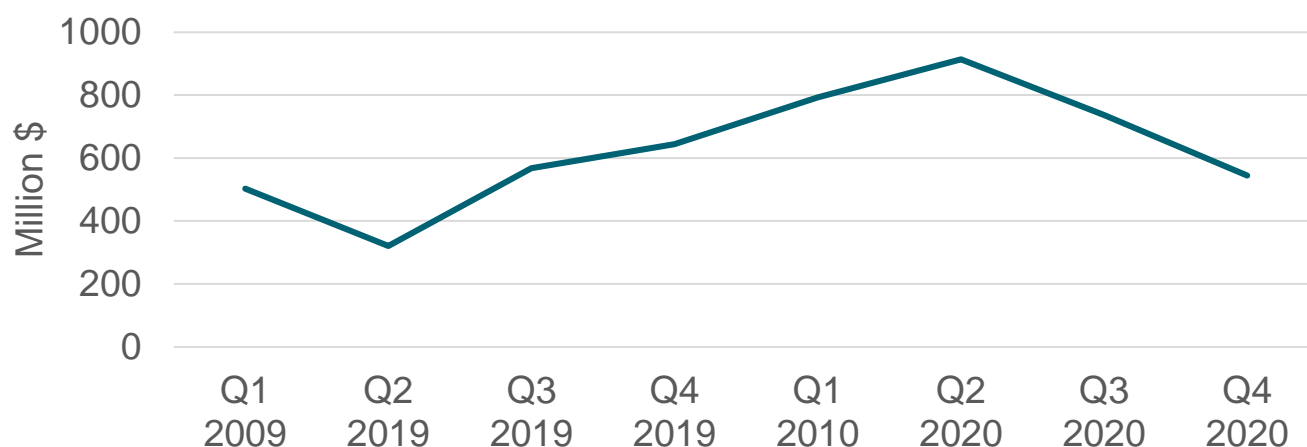
4. Building materials sector

The building materials sector includes a variety of products that differ in their nature, uses and value added, and accordingly the impact of the crisis on them differs, as follows:

- 1 - With regard to the manufacture of jewelry and precious stones, it is noted that this industry followed a distinct pattern of export that differs from other industries due to its special nature.³ Exports of jewelry and precious stones witnessed an upward trend from the third quarter of 2019 until the third quarter of 2020, as shown in Figure 9. Thus, it was not affected by the crisis as other industries.

³ It accounts for about 40% of the total exports of building materials.

Figure 9. Development of exports of jewelry and precious stones during 2019 and 2020: Quarterly data



Source: ECES calculations based on data from the Building Materials Export Council.

Comparing the annual and quarterly growth rates of exports of building materials, including jewelry and precious stones, and after excluding them as shown in Table 12, the following becomes clear:

- Excluding exports of jewelry and precious stones from exports of building materials leads to a reduction in the latter's annual growth rate of exports from 20% to only 2%.
- Exports of building materials other than jewelry and precious stones followed the same pattern as other manufactured exports. Exports declined from the first quarter to record the highest rate of decline (23%) in the second quarter, and then recovery began during the third and fourth quarters, which is the usual pattern of exports during the year of the pandemic (2020).

Table 12. Comparison of quarterly and annual growth rates of exports of building materials, including jewelry and precious stones, and after their exclusion

| | Growth rate of exports without jewelry and precious stones | Growth rate of exports, including jewelry and precious stones |
|----------------|--|---|
| First Quarter | -11% | 15% |
| Second Quarter | -23% | 39% |
| Third quarter | 5% | 16% |
| Fourth quarter | 40% | 14% |
| Jan - Dec | 2% | 20% |

Source: ECES calculations based on the Building Materials Export Council data.

With regard to the export performance of building materials industries other than jewelry and precious stones, there are two groups of products, as shown in Table 13.

Table 13. Annual growth rates of building material products in 2020 compared to 2019**

| | Annual growth rate | Contribution to growth of total exports of the building materials sector |
|---------------------------|--------------------|--|
| Iron and steel | 5% | 51% |
| Pipes | 14% | 1% |
| Bridges and tanks | 41% | 103% |
| Copper and its products | 1% | 3% |
| Aluminum and its products | 7% | 52% |
| Marble | -7% | -23% |
| Ceramics | -17% | -42% |
| Sanitary ware | -8% | -17% |
| Insulating materials | -10% | -4% |
| Cement | 12% | 27% |
| Quarry products | 9% | 39% |

| | | |
|--------|------|------|
| Glass | -11% | -65% |
| Others | -24% | -24% |

Source: ECES calculations based on the Building Materials Export Council data.

* Contribution to growth was calculated based on the percentage of exports in 2019 using weights.

** Jewelry and precious stones are not included.

The first group: Products that witnessed a positive growth rate in 2020 compared to 2019, and include iron and steel, pipes, bridges and tanks, copper and its products, aluminum and its products, cement, and quarry products. This group as a whole achieved a growth rate estimated at about 9%. Within that group, there are products that were able to achieve a positive growth rate in the first and second quarters of 2020, unlike the general export pattern for the rest of the products. These are either raw materials or those related to public infrastructure, specifically, quarry materials, bridges and tanks, as shown in Table 14. Both products are among the largest contributors to the positive growth rate of the sector, shown in Table 13 above.

Table 14. Quarterly growth rates in exports of building materials in 2020 compared to the corresponding period in 2019

| | First Quarter | Second Quarter | Third quarter | Fourth quarter |
|---------------------------|---------------|----------------|---------------|----------------|
| Iron and steel | -35% | -40% | 40% | 85% |
| Pipes | 37% | -31% | 247% | -33% |
| Bridges and tanks | 105% | 10% | 30% | 21% |
| Copper and its products | -25% | -33% | 9% | 74% |
| Aluminum and its products | -5% | -27% | 11% | 55% |

| | | | | |
|----------------------|------|-------|------|-----|
| Marble | -31% | -8% | 12% | 1% |
| Ceramics | -23% | -45% | -16% | 10% |
| Sanitary ware | -3% | -21% | -16% | 5% |
| Insulating materials | 2% | -44% | -11% | 13% |
| Cement | -18% | -26% | 19% | 88% |
| Quarry products | 14% | 12% | 17% | -4% |
| Glass | -7% | -38% | -18% | 21% |
| Other | -27% | -147% | -62% | 44% |

Source: ECES calculations based on the Building Materials Export Council data.

As for the second group, it includes products whose exports decreased by 11% in 2020 compared to 2019. It includes marble, ceramics, sanitary ware, insulating materials and glass. This group of products is the most related to construction and interior finishing of homes. They have negatively contributed to overall growth of building material exports, as they achieved negative growth rates during the year, as shown in Table 13 above.

Looking at the impact of the pandemic in its first year on the geographical destination of exports for both groups of products, we note the following:

- 1 - With regard to the first group shown in Table 15, exports from that group witnessed an increase in exports to all geographical regions except for the Arab countries and the Americas. However, the most influence on the growth rate of exports of this group came from the Arab countries, whose share was estimated at 42% of the total exports of those

products in 2019. The impact of the decline in Arab countries' exports was offset by the increase in exports to the second-ranked European countries, with a share of 32% in 2019 of the total exports of this group in 2019.

Table 15. Export growth rate of the first group of building materials products to different geographical regions during 2020 compared to 2019

| | Annual growth rate | Contribution to growth of total exports of the first group of building materials products |
|-------------------|--------------------|---|
| Africa | 57% | 45% |
| Arab countries | -12% | -51% |
| The Americas | -38% | -30% |
| Europe | 24% | 82% |
| Rest of the world | 46% | 54% |

Source: ECES calculations based on the Building Materials Export Council data.

As for the second group, shown in Table 16, its exports declined for all geographical regions except the Americas, to which exports increased by 44%. However, the most influence on the growth rate of this group came from the Arab countries and European countries, which accounted for 44% and 31%, respectively, of the total exports of this group in 2019.

Table 16. Export growth rate in the second group of building materials products to different geographical regions during in compared to 2019

| | Annual growth rate | Contribution to growth of total exports of the second group of building materials products |
|-------------------|--------------------|--|
| Africa | -30% | 12% |
| The Americas | 44% | -21% |
| Arab countries | -14% | 56% |
| Europe | -14% | 41% |
| Rest of the world | -9% | 12% |

Source: ECES calculations based on the Building Materials Export Council data.

From the previous analysis, we conclude that:

- The negative impact of the Corona pandemic on the performance of Egyptian exports was higher than the global average. The pandemic caused a sharp decline in merchandise exports during the second quarter, and the recovery was slower compared to the world, indicating the need to support Egyptian manufactured exports in order to be able to face fierce competition in global markets, especially that competing countries have adopted policies that are supportive of their industries and exports.
- Despite the increase in exports of the manufacturing sectors during the second half of 2020, one must be careful in interpreting this increase as a return to the normal export performance of these sectors. This is because signs of

improvement may be the result of exporting old export shipments after the closure period, as well as the impact of the beginning of the second wave of the pandemic in Europe last September and the accompanying domestic lockdown measures imposed in some countries. Consequently, there is still an urgent need to support Egyptian manufactured exports in the face of the fierce competition they are facing in global markets, and exports should be deemed a first priority in the government policy agenda, and with all concerned parties.

- The degree of vulnerability of each sector and its ability to recover vary due to several factors, including the nature of the sector itself, seasonality of demand, existence of stocks as a result of the pandemic, and the extent to which the sector was suffering from problems prior to the crisis.
- This diverse performance of manufactured exports requires designing programs specific to each sector rather than one-size-fits-all solutions.
- Finally, a comprehensive review is needed of the export support system to boost the competitiveness of the Egyptian exports in light of what was proposed previously in a separate report.⁴

⁴ Views on the Crisis, Issue No. 26. Export Support System.

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