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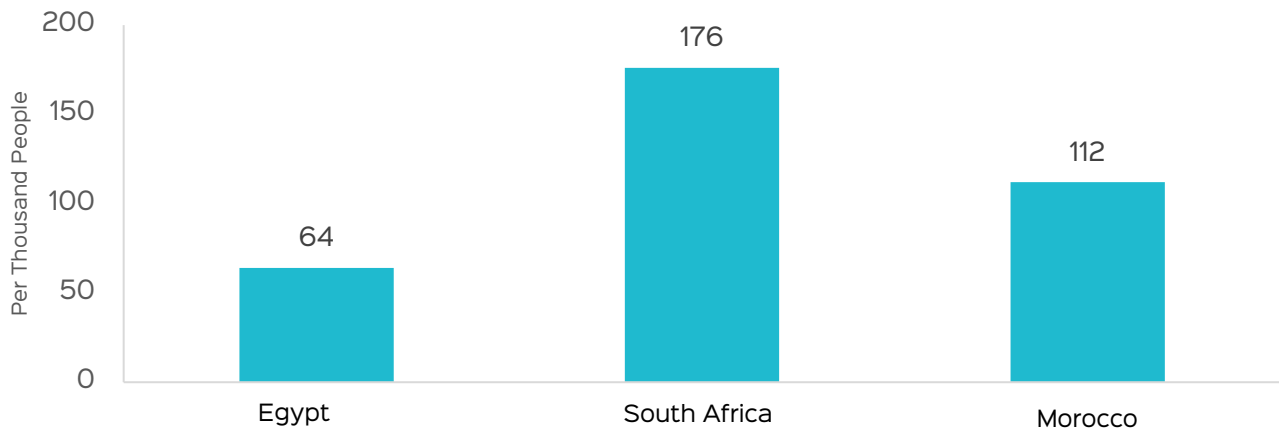
Egypt's Automotive Industry: From Localization to Export



The Egyptian Automotive Industry Dilemma

Egypt's automotive industry faces deep structural distortions, most notably the weak rate of car usage relative to the size of its population. Car ownership and utilization remain strikingly low compared with peer countries such as Morocco and South Africa, as illustrated in Figure 1. This gap highlights the limited scale of effective demand in Egypt's domestic market despite its large population base.

Figure 1. Total car utilization rates in Egypt and comparator countries, 2020



Source: Drawn by the Egyptian Center of Economic Studies from the International Organization of Motor Vehicle Manufacturers (OICA) data.

* Data release ceased after 2020.

This challenge is compounded by the industry's high level of production fragmentation. The Egyptian market hosts roughly 15 car assembly companies, each manufacturing small volumes across multiple models. Such dispersion prevents the realization of economies of scale—one of the most critical drivers of success in the global automotive industry.

This structural imbalance extends beyond the automotive industry's final products to its feeder industries. Although Egypt hosts a relatively large number of companies producing automotive components and parts, only a small fraction maintains direct supply relationships with original equipment manufacturers (OEMs), whether as Tier 1 or Tier 2 suppliers. This limited linkage underscores the weak integration of the domestic supplier base into global automotive supply chains.

Furthermore, the fragmentation and low production volumes of assembly companies negatively impact the performance of feeder industries. These companies are forced to produce components in limited quantities for a wide range of models, preventing them from achieving economies of scale and increasing production costs. This situation also weakens their ability to invest in quality improvement, innovation, and research and development, and limits their ability to meet the international standards required for integration into global value chains.

This weakness is compounded by Egypt's poor export performance in the automotive sector. Although the value of car exports has shown some improvement in recent years, it remains negligible compared with Africa's leading producers. In 2025, Egyptian car exports¹ totaled roughly \$257.5 million, far below South Africa's \$15 billion and Morocco's \$6.4 billion. The disparity is even starker in feeder industries: Egyptian exports of automotive parts² reached only \$11 million in 2025, compared with \$676 million in South Africa and \$1.9 billion in Morocco. These figures underscore the limited competitiveness of Egypt's automotive industry and its weak integration into global value chains.

Meanwhile, the Egyptian state has clearly prioritized the automotive industry as a strategic sector for development. This raises a fundamental question: to what extent can Egypt build a strong and competitive automotive industry despite its structural imbalances? Equally important is how Egypt might draw lessons from countries such as Morocco and South Africa, which succeeded in developing a strong automotive industry.

Export Orientation and Lessons from International Successes

Despite following different development paths, both Morocco and South Africa share a crucial commonality in their automotive success stories: the adoption of an export oriented production model rather than reliance on domestic demand alone. This approach centered on attracting foreign direct investment from major global car manufacturers and fostering a network of local suppliers capable of integrating into global value chains.

In Morocco, the government pursued a strategy of attracting a select number of major original equipment manufacturers (OEMs)—primarily Renault and Stellantis—with the goal of establishing export oriented production platforms and embedding the sector within global value chains. To support this, integrated industrial ecosystems were developed around these firms, including specialized industrial parks, networks of local suppliers, and institutions for training, research, and development. This interconnected framework has helped transform Morocco into a regional hub for automotive production and export, with the bulk of output directed to foreign markets, particularly Europe.³

South Africa's strategy centered on enhancing the competitiveness of its established automotive industry and deepening its integration into global value chains, being one of the country's largest industrial sectors. In particular, the government implemented a series of export oriented programs and initiatives. These measures encouraged global manufacturers to dedicate local production lines to specific models, produced in large volumes for export, thereby achieving economies of scale and boosting competitiveness. The strategy also

¹ Include HS codes: 8701, 8702, 8703, 8704, 8705, and 8716

² Include HS codes: 8706, 8707, 8708

³ Information and Decision Support Center. 2023. Public Policy Observatory, Stimulating the Automotive Industry in Egypt - Leading International. Practices, Year (2), Issue (5).

offered incentives for production and investment, alongside programs to strengthen local suppliers and increase domestic content.

As a result, South Africa's automotive industry has become heavily export oriented—particularly toward European and African markets—with close integration between manufacturers and local suppliers within global production networks.⁴

Building Egypt's Automotive Competitiveness

Based on international experience, if Egypt is to build a strong and competitive automotive industry and position itself as a regional manufacturing hub, it must adopt a strategy centered on exports and integration into global value chains. This can be achieved through:

- **Attracting a major global automotive manufacturer as an anchor investor (100% foreign investment).** This investor would establish a production base in Egypt geared toward exports to regional and international markets, rather than focusing solely on local assembly. Mirroring Morocco's experience, this should be accompanied by the creation of a comprehensive industrial ecosystem around the anchor investor—encompassing local suppliers, specialized technical training centers, research and development institutions, and logistics providers. Such an integrated framework would deepen local manufacturing, and enhance the industry's competitive edge.
- This approach is of particular importance in the electric vehicle (EV) industry, because it avails Egypt the opportunity to integrate into global value chains for emerging technologies before global production centers are fully consolidated.
- **Developing an integrated strategy for feeder industries.** This should be based on attracting foreign direct investment (FDI) from Tier 1 and Tier 2 suppliers, while simultaneously implementing effective programs to upgrade local suppliers and encouraging partnerships between foreign and domestic investors, thus facilitating technology transfer, raising quality standards, and boosting productivity.
- **Encouraging production specialization.** Egypt should concentrate on a limited number of models or components where it holds competitive advantages and promising export opportunities. By narrowing the focus, manufacturers can achieve economies of scale and enhance sector competitiveness. This approach mirrors South Africa's experience, where dedicating production lines to specific models for export enabled the industry to strengthen its global position.
- **Finally, the shift toward an export-oriented automotive industry necessitates strengthening the competitiveness-supporting ecosystem through the implementation of targeted export incentives for the automotive industry and its upstream supplier industries.**

⁴ Ibid.