



# ECONOMIC LENS

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# From Imports to Investment: Does the Import Gap Determine Industrial Priorities in Egypt?

## The List of 152 Imported Goods Proposed as Industrial Investment Opportunities in Egypt



### Does the Import Gap Determine Industrial Priorities in Egypt?

As part of the government's efforts to deepen local manufacturing and reduce dependence on imports, the Industrial Development Authority announced on August 13, 2023, a list of 152 industrial investment opportunities targeting products and inputs whose local production could help address import gaps. The evaluation and ranking of these products were based on trade data from an earlier reference period, including imports in 2022, while the Industrial Modernization Centre launched its electronic platform on August 15, 2023, to promote these opportunities to local and foreign investors.

With evolving trade patterns and continuously changing market needs, alongside the emergence of subsequent studies and analyses identifying manufacturing and export opportunities, questions arise regarding the continued relevance of the list of 152 goods, the extent to which the import gap determines industrial priorities in Egypt, and whether the products included in the list remain priorities for local manufacturing.

This edition of Economic Lens aims to answer these questions through a detailed examination of the list of 152 goods, helping to determine the continued relevance of these opportunities and the extent to which they align with industrial investment priorities in Egypt.

## Details of the List of 152 Proposed Opportunities

The list comprises 152 opportunities covering 483 products at the HS-6 level, distributed across eight sectors and 13 commodity groups. Imports of these products amounted to approximately USD 25.7 billion in 2022, equivalent to around 31% of Egypt's total imports of USD 82.9 billion that year. Intermediate goods accounted for approximately 62.7% of imports of the listed products, reflecting the link between many of these products, production inputs, and the domestic industrial base.

To illustrate the nature of the opportunities covered by the list, a table of the top 50 products according to the original ranking is presented below. The full list is available through the official platform of the Industrial Modernization Centre.

**Table 1. Top 50 products offering investment opportunities based on the original list (2022 imports)**

| Rank | Potential Investment Opportunity                                            | Rank | Potential Investment Opportunity                                         | Rank | Potential Investment Opportunity                                             |
|------|-----------------------------------------------------------------------------|------|--------------------------------------------------------------------------|------|------------------------------------------------------------------------------|
| 1    | Manufacturing of human pharmaceuticals                                      | 18   | Manufacturing of writing and printing paper                              | 35   | Production of butter and milk-derived fats for dairy processing plants       |
| 2    | Manufacturing of passenger cars with engine capacity exceeding 1,500 cc     | 19   | Manufacturing of woven fabrics from synthetic fibers                     | 36   | Manufacturing of stainless-steel flat products (rolled)                      |
| 3    | Manufacturing of low-density polyethylene (LDPE) – specific gravity < 0.94  | 20   | Manufacturing of knitted or crocheted fabrics                            | 37   | Manufacturing of centrifugal pumps                                           |
| 4    | Manufacturing of hot-rolled flat-rolled products of non-alloy iron or steel | 21   | Manufacturing of metal structural components (cast iron, iron, or steel) | 38   | Manufacturing of household air conditioning units                            |
| 5    | Manufacturing of polyester yarns                                            | 22   | Manufacturing of industrial valves                                       | 39   | Manufacturing of automatic circuit breakers and electrical panel components  |
| 6    | Manufacturing of polypropylene (PP) polymers                                | 23   | Manufacturing of Ethylene Propylene Diene Monomer (EPDM)                 | 40   | Manufacturing of soda ash (sodium carbonate)                                 |
| 7    | Manufacturing of passenger cars with engine capacity not exceeding 1,500 cc | 24   | Plywood manufacturing                                                    | 41   | Manufacturing of household and commercial display refrigerators and freezers |
| 8    | Manufacturing of pharmaceutical raw materials                               | 25   | Manufacturing of rubber tires for buses and trucks                       | 42   | Manufacturing of cold-rolled non-alloy iron or steel flat products           |
| 9    | Manufacturing of electronic glass panels (Open Cell)                        | 26   | Manufacturing of engineered wood panels (fiberboard)                     | 43   | Manufacturing of phosphate fertilizers or fertilizers containing phosphorus  |

|    |                                                                                                       |    |                                                                                                     |    |                                                      |
|----|-------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------|----|------------------------------------------------------|
| 10 | Manufacturing of polyvinyl chloride (PVC) in primary forms                                            | 27 | Manufacturing of electrical control or distribution panels                                          | 44 | Manufacturing of light-duty cargo vehicles           |
| 11 | Manufacturing of high-density polyethylene (HDPE) – specific gravity > 0.94                           | 28 | Manufacturing of human vaccines and sera                                                            | 45 | Manufacturing of iron or steel angles and sections   |
| 12 | Production of milk and cream for dairy processing plants                                              | 29 | Manufacturing of electrical transformers for battery charging and UPS systems, and their components | 46 | Manufacturing of household washing machines          |
| 13 | Manufacturing of woven fabrics from synthetic yarns                                                   | 30 | Manufacturing of acrylic polymers in primary forms                                                  | 47 | Manufacturing of railway rolling stock               |
| 14 | Manufacturing of flat-rolled products of non-alloy iron or steel (rolled and clad, plated, or coated) | 31 | Manufacturing of cotton yarn                                                                        | 48 | Manufacturing of denim fabric                        |
| 15 | Manufacturing of food preparations and emulsifiers                                                    | 32 | Manufacturing of electromedical instruments and devices                                             | 49 | Manufacturing of polystyrene (PS)                    |
| 16 | Manufacturing and assembly of mobile phones                                                           | 33 | Manufacturing of seamless pipes and tubes                                                           | 50 | Manufacturing of rubber tires for passenger vehicles |
| 17 | Manufacturing of wood pulp                                                                            | 34 | Manufacturing and assembly of laptops and tablets                                                   |    |                                                      |

Source: Industrial Modernization Centre (IMC).

This issue is particularly important given that the original assessment was based on 2022 data, a year marked by exceptional conditions affecting international trade. These included supply chain disruptions following the COVID-19 pandemic, significant commodity price movements following the Russia–Ukraine war, as well as foreign exchange pressures and import regulations in Egypt. Consequently, the data for that year may reflect a combination of sustained market needs and temporary effects related to prices, supply, and import conditions. This makes it necessary to test whether the listed products remain relevant using more recent data and a longer reference period.

To assess this, the Egyptian Center for Economic Studies (ECES) adopted a three-step methodology to reassess the list. The first step involved updating the list's data and comparing product rankings based on 2022 and 2024 data to identify changes in investment priorities following the update. The second step involved extending the reference period to cover import data from 2019 to 2024 and using a composite index that accounts for import value and each opportunity's share of total imports of the listed opportunities. This helps assess the continued relevance of the products while reducing reliance on the results of a single year. The third step involved incorporating the export dimension into the assessment, recognizing that industrial investment aims not only to meet domestic demand and substitute for imports, but also to support the development of a productive base capable of competing and expanding in foreign markets.

The application of this methodology revealed substantial changes in the rankings of several products. These changes reflect the extent to which opportunity rankings are affected by the reference year used and highlight the importance of regularly reviewing and updating the list.

The comparison between 2022 and 2024 revealed notable changes in the rankings of several products, highlighting the importance of updating data when determining industrial investment priorities. The ranking of structural metal components improved from 21st in 2022 to ninth in 2024, while the ranking of low-density polyethylene (LDPE) declined from third to seventh. The ranking of Open Cell also fell from ninth to 66th, while mobile phone manufacturing and assembly dropped from 16th to 91st. These changes demonstrate the extent to which opportunity rankings are affected by the reference year and underscore the importance of continuously reviewing the list.

In 2024, eight commodity groups—human medicines, passenger cars with engine capacities exceeding 1,500 cc, low-density polyethylene (LDPE), hot-rolled non-alloy iron or steel sheets, polyester yarn, polypropylene (PP), passenger cars with engine capacities of up to 1,500 cc, and pharmaceutical raw materials—accounted for approximately 39.6% of total imports of the listed investment opportunities.

At the same time, some products retained their relative importance despite the data update and the extension of the assessment period. To examine the stability of opportunity rankings, ECES used import data for 2019–2024 to construct a composite index that considers import value and the relative weight of each opportunity in total imports of the listed investment opportunities, thereby reducing reliance on the results of a single year.

The results of this stage showed that human medicines, passenger cars with engine capacities exceeding 1,500 cc, hot-rolled non-alloy iron or steel sheets, passenger cars with engine capacities of up to 1,500 cc, and polyester yarn remained among the top eight opportunities across the different assessment scenarios. This indicates that a group of products retained its relative importance despite changes in the reference period and assessment method, while other products experienced greater changes in their rankings.

However, this assessment remained based primarily on import data, prompting ECES to develop the index by incorporating the export dimension. This reflects the understanding that industrial investment aims not only to meet domestic demand and substitute for imports, but also to produce goods capable of competing and expanding in foreign markets.

In this context, ECES developed an index officially titled **“ECES Normalized Weighted Composite Index by Incorporating an ‘Export’ Dimension.”** It combines import weight in 2024, the import growth rate over 2019–2024, and export volume in 2024. The indicators were standardized using Z-scores, and their weights were determined through Principal Component Analysis (PCA): 39.80% for import weight, 33.02% for export volume, and 27.19% for import growth.

The following table presents the rankings of the top ten investment opportunities according to the enhanced index incorporating the export dimension, alongside their rankings in the original 2022 list and those based on 2024 data.

**Table 2. Top ten investment opportunities according to the ECES index**

| Investment Opportunity                                                      | Ranking of goods based on 2022 imports | Ranking of goods based on 2024 imports | Ranking of goods according to the new ECES index* |
|-----------------------------------------------------------------------------|----------------------------------------|----------------------------------------|---------------------------------------------------|
| Human pharmaceutical manufacturing                                          | 1                                      | 1                                      | 1                                                 |
| Manufacturing copper coil winding wire                                      | 114                                    | 117                                    | 2                                                 |
| Dried fruit production                                                      | 90                                     | 110                                    | 3                                                 |
| Manufacturing passenger cars with engine capacity exceeding 1,500 cc        | 2                                      | 2                                      | 4                                                 |
| Manufacturing molds and dies – Sheet metal work                             | 146                                    | 141                                    | 5                                                 |
| Manufacturing polypropylene (PP) biopolymers                                | 6                                      | 6                                      | 6                                                 |
| Manufacturing passenger cars with engine capacity not exceeding 1,500 cc    | 7                                      | 4                                      | 7                                                 |
| Manufacturing metal structural components (cast iron, iron, or steel)       | 21                                     | 9                                      | 8                                                 |
| Manufacturing polyethylene with a specific gravity of less than 0.94 (LDPE) | 3                                      | 7                                      | 9                                                 |
| Manufacturing X-ray imaging equipment                                       | 101                                    | 94                                     | 10                                                |

Source: ECES analysis of International Trade Centre (ITC) data.

Note: The enhanced index is titled “ECES Normalized Weighted Composite Index by Incorporating an ‘Export’ Dimension.” It is based on import weight in 2024, import growth over 2019–2024, and export volume in 2024.

## Toward a Broader Perspective on Industrial Investment Opportunities in Egypt

The reassessment of the list of 152 opportunities shows that identifying industrial investment opportunities requires considering a broader set of indicators rather than relying solely on import gaps or data from a single year. While some products maintained their importance across the different stages of assessment, the rankings of others changed significantly, and new opportunities emerged when the export dimension was incorporated. This highlights the importance of broadening the analysis to identify sectors and products with greater potential, across both traditional and emerging industrial activities, based on their ability to meet domestic demand and expand into foreign markets.

These findings underscore the importance of considering unrealized export potential when determining industrial investment priorities. A comparison between the list of 152 and ECES’s analysis of unrealized export potential revealed an overlap of only 48 products out of the 483 products included in the list, representing approximately 10% of the listed products. Despite their limited number, these products accounted for approximately USD 7.2 billion in exports, equivalent to 90.8% of total exports of the listed products, while their unrealized export potential amounted to approximately USD 5.15 billion. By contrast, the unrealized export potential of products outside the list amounted to approximately USD 15.3 billion, representing nearly 75% of total unrealized export potential. These findings indicate that focusing solely on import gaps may overlook other products with opportunities to expand in foreign markets.

In this context, the reassessment of the list complements other studies and work conducted by the Egyptian Center for Economic Studies (ECES) to identify investment and export opportunities. These include the study prepared by ECES titled Strategic Product Targeting for Industrial Transformation in Egypt: A Composite Index Methodology. The Center also organized an event titled **“Potential Sectors for EU Investment in Egypt”** to present the findings of a study on Egyptian sectors with promising potential to attract European investment. Together, these studies provide a broader perspective on investment opportunities by linking domestic market needs, production linkages, opportunities for expansion into foreign markets, and sectoral attractiveness for investment.

**Taken together, these findings indicate that identifying industrial investment opportunities should be an ongoing process that is regularly updated to reflect changes in trade patterns, market needs, productive capacities, and competitiveness, while taking into account opportunities for expansion into foreign markets. Setting priorities also requires considering traditional sectors and emerging activities together, rather than treating any list as a final, fixed ranking. The objective is to identify opportunities that combine domestic demand, competitive production potential, and export opportunities, thereby supporting the allocation of industrial investment toward activities with a greater capacity to generate value added for the Egyptian economy.**