

Informative report

Think Tank Egypt - TTE

NOV-2019.

## SHIPPING AND LOGISTICS INDUSTRY IN EGYPT

## Report Scope:

This report is a short concise guide into the shipping and logistics industry in Egypt.

The report will give a brief macro insight on the economic status of Egypt, expected growth and major indicators direction.

Then, the focus will be on the shipping and logistics industry, where it is at and where it is heading. The economic potential of what is being done in that sector will give the investors the knowledge.

# Egypt:

## Introduction:

Egypt ranks third-most-populous country in Africa and the 15th worldwide, according to World Bank figures. As of 2017 the number of residents was estimated to have reached 104 m. Arabic is the official language and the only one widely understood across the entire country. Over the last 15 years, Egypt has been undergoing a transformation into a market-oriented economy. The country currently maintains a lower-middle-income status. While there is substantial potential to push the country towards middle-income status, GDP growth rates were stalled – first by the global economic crisis and then by political instability. Nevertheless, the economy grew at a rate of nearly 4.1% in FY 2016/17.

In 2014 the newly elected government adopted a bold and tough transitional reforms aimed at reviving the economy. First pack of the reforms included the VAT law, reduction of subsidies, raising the minimum wage rate, and finally flotation of Egyptian pound versus world currencies. Those steps though hard and caused inflation to go to unprecedented levels, a year in the program those measures are, which shows a revival of the economy and a nation with the potential for growth.

The second pack of reforms constituted of a bundle of laws that are geared towards raising the efficiency of the government sector and removing the barriers in path of direct and foreign investments.

The reform bundle carried by the government are reviewed and endorsed by major development partners, World Bank, International monetary fund, and the African Bank parallel financing. As said before the nation's economy is being restored to pre2011 numbers 4.3% growth rate versus 2% in the period of 2011-2014. Reforms have also curbed the budget deficit by a full 1% from 6.4% to 5.4%. Understandably the nation has gone through some turbulence following the initial implementation of the said reforms, but subsequently started to stabilize and is showing potential for growth.

## Economy:

Egypt is one of the most developed and diversified economies in the Middle East. Service contributes about 45% of the Egyptian GDP (5% is the share of the shipping industry in Egyptian GDP), with finance and insurance, wholesale and retail trade sectors being the key service industries. Agriculture contributes another 15% of GDP while industry including the manufacturing and extractive sectors takes up the rest of GDP.

## Economic indicators:

Description	Egypt	Year	Notes
<b>Economic indicators:</b>			
Purchasing power parity	\$ 1.199 trillion	2018	
Country rank	22	2018	
GDP	\$ 251 billion	2018	
Growth rate	5.2%	2018	
GDP- per capita (PPP)	\$ 13,000	2018	
Inflation rate	14%	2019	
<b>GDP- composition by sector:</b>			
Agriculture	11.90%		
Industry	33.10%		
Services	55.70%		
Industrial production growth rate	3.50%	2018	
<b>Trade:</b>			
Exports	\$ 29.3 billion	2018	
Rank	66	2018	
Product space	253		
Imports	\$ 80.5 billion	2018	
Rank	44	2018	
FDI	\$ 7.9 billion	2018	
Reserve of foreign exchange	\$ 44.2 billion	May-19	
Dept.- external	\$ 98.7 billion	2019	
Exchange rates	16.05	2019	Per USD.
<b>Transportation:</b>			
Major ports	8		
Carrier	25		
Port of call	2,626		

**Egypt trade data:**

As of 2018, Egypt had a negative trade balance of \$50 B in net imports.

Egypt has bilateral trade with 189 countries over the world supported by more than 74 different agreements with many countries over the world, Egypt borders Libya, Sudan and Israel, Gaza by land and Cyprus, Jordan, Saudi Arabia, Turkey and Greece by sea.

**Trade movement: Reached \$110 B in 2018**

**Exports:** Egypt is the 67th largest export economy in the world in 2018 Egypt exported \$29.7 B, Egypt exports 95 out of 99 commodities, and a product mix of 5008 product to more than 172 countries over the world.

**Imports:** In 2018 Egypt imported \$80.9 B, making it the 42<sup>nd</sup> largest importer in the world. Egypt is a market for 170 exporting countries, Egypt imports 95 out of 99 commodities, and a product mix of 5608 product from 170 countries over the world.

**Trade Balance:** As of 2018 Egypt had a negative trade balance of \$50B in net imports. As compared to their trade balance in 1995 when they still had a negative trade balance of \$10B in net imports; Egypt has a positive trade balance with 84 countries, negative balance with 105 countries.

**Product Space:** Egypt exports 253 out of 5008 products mix with obvious comparative advantage in global market.

**Transportation:**

Commercial ports: 15

Major ports: 8

Carrier: 25 out of 48

Port of call: 2,626 out of 3504

## Shipping Maritime Sector:

Egypt is a maritime country that has a remarkable geographical location on the junction of three continents and has coasts up to 2000km on the Mediterranean and the Red Sea which allowed its connection with the foreign world since ancient ages. Moreover, a vital artery – Suez Canal- passes through its land linking the East to the West which is Suez Canal. The foreign seaborne trade volume of Egypt represents about 90% of the Egyptian foreign trade volume. Since the maritime transport process became a complicated industry it was indispensable to develop this industry through a well-defined strategic goal.

## Shipping industry indicators:

Port authority area: 4

Commercial ports: 15

Major ports: 8

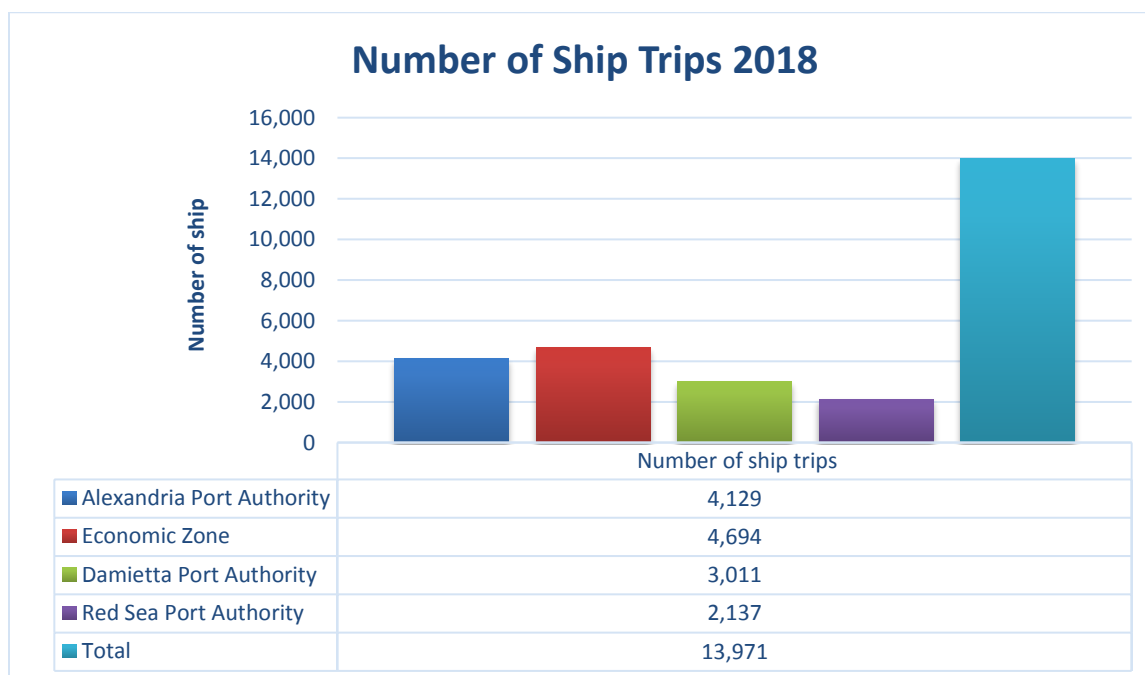
## Marine arsenal:

Current: 4 (Alexandria – Port Said – Suez- and Luxor Nile arsenal)

New: Adabia marine arsenal.

## Number of ships trips:

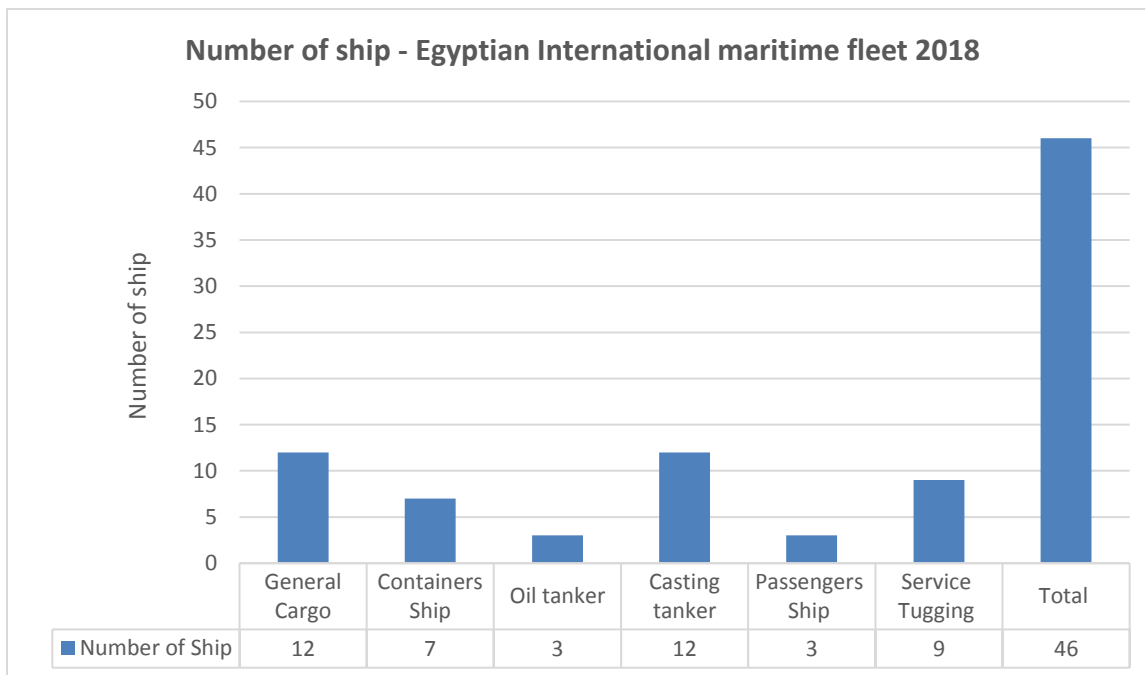
Description	Alexandria Port Authority	Economic Zone	Damietta Port Authority	Red Sea Port Authority	Total
Number of ship trips	4,129	4,694	3,011	2,137	13,971



## Egyptian naval fleet:

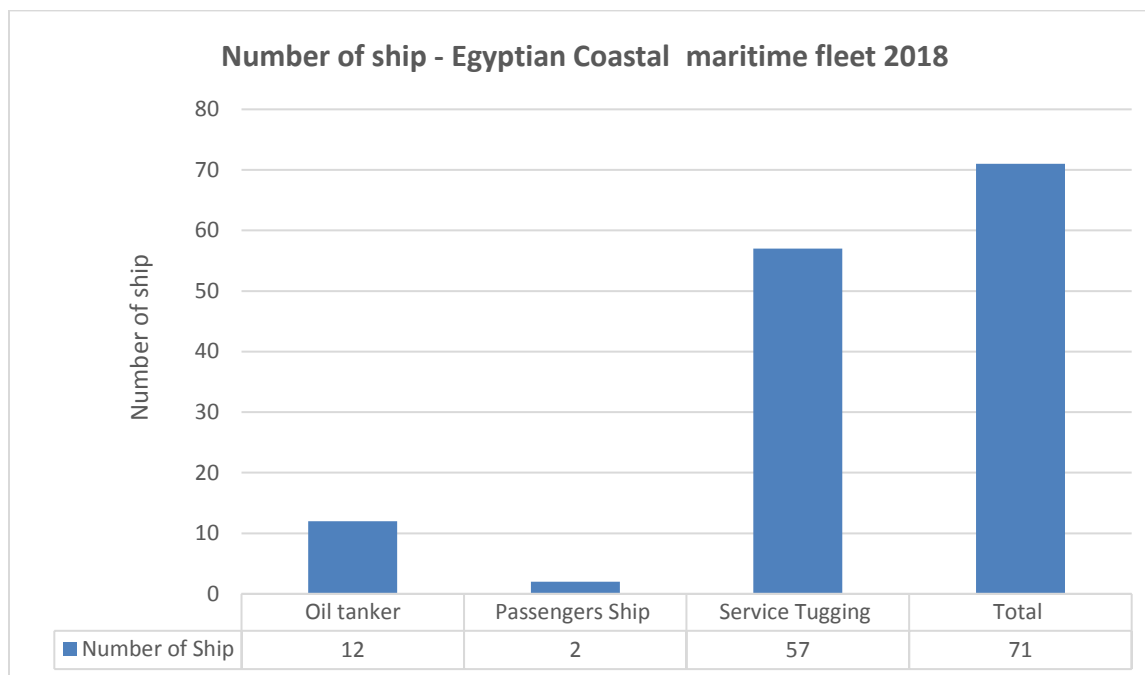
Number of ship - International maritime fleet 2018

Ship Type	Number
General Cargo	12
Containers Ship	7
Oil tanker	3
Casting tanker	12
Passengers Ship	3
Service Tuging	9
Total	46



## Number of ships – Egyptian Coastal maritime fleet 2018

Ship Type	Number
Oil tanker	12
Passengers Ship	2
Service Tugging	57
Total	71

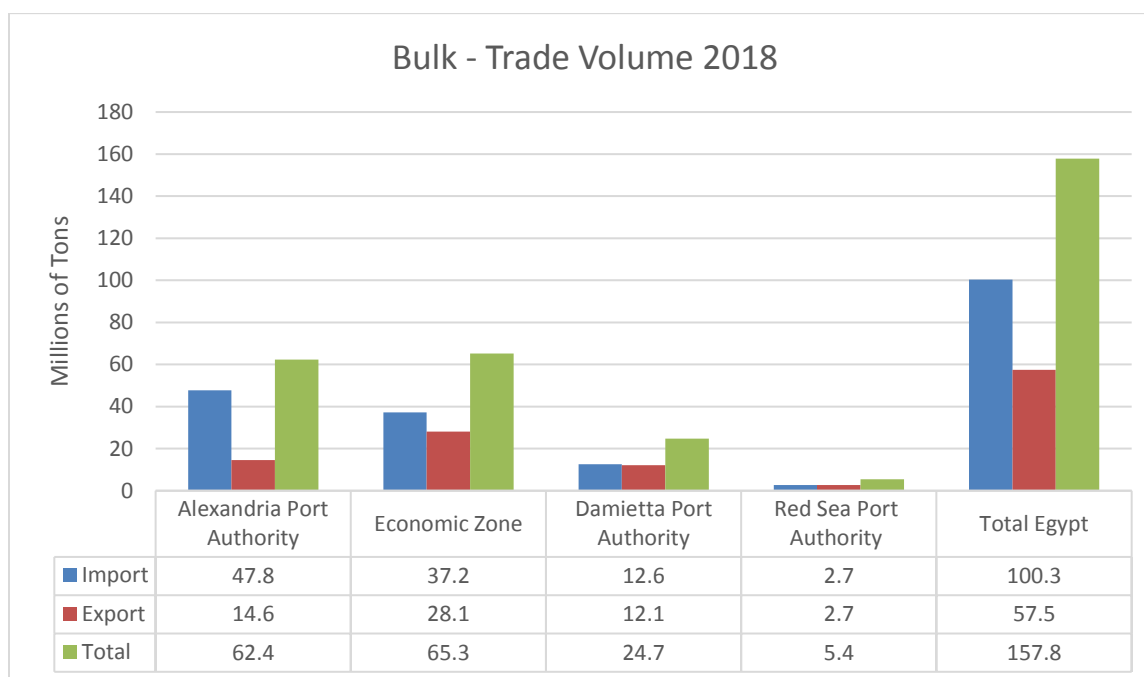




## Bulk Trade volume 2018:

All Figures in millions of tons

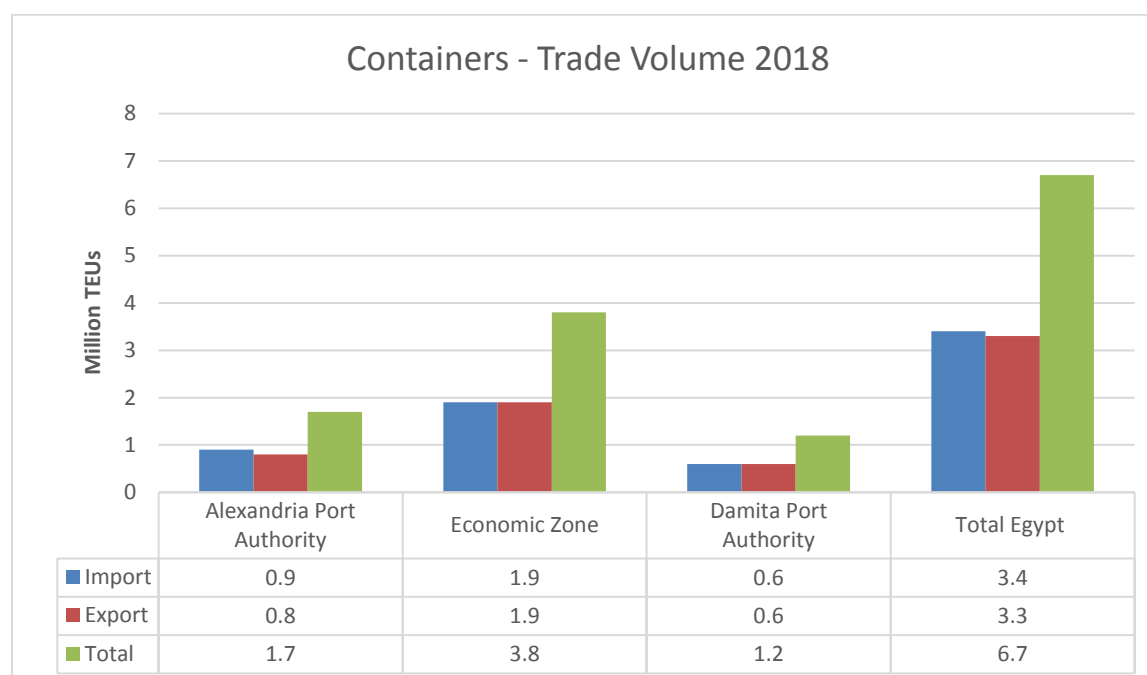
Description	Alexandria Port Authority	Economic Zone	Damietta Port Authority	Red Sea Port Authority	Total Egypt
Import	47.8	37.2	12.6	2.7	100.3
Export	14.6	28.1	12.1	2.7	57.5
Total	62.4	65.3	24.7	5.4	157.8



## Containers Trade Volume 2018

Million TEUs

Description	Import	Export	Total Egypt
Alexandria Port Authority	0.9	0.8	1.7
Economic Zone	1.9	1.9	3.8
Damietta Port Authority	0.6	0.6	1.2
Total	3.4	3.3	6.7



### Trade Movement Growth:

- Expected growth rate 18% per year
- Exports growth rate 6%
- Imports growth rate 12%

**Trade movement expected to reach 420 M ton in 2032.**

Egypt has an estimated capacity of 11 million containers in the current period. While the numbers now are lower in some stations due to depth issues, for example the Damietta station had dredging done to harbor, but the containers handling company did not strengthen their docks. This lead to a nominal capacity of 1.5 million containers, yet it only can handle around 700,000 units only. East Port Said harbor is now being renovated which will lead to increased capacity and certainly will have economic growth. Noted that the existing station is proclaimed to handle 5.5 million units though it is only handling 2 million.

**Maritime and logistics projects:*****A- Alexandria:***

1- The Project of establishing, operating and administrating a multipurpose terminal (containers – general cargo)

2- Terminals proposed to be established within the middle port are:

- 1- Service Terminal of the Hydrocarbon liquid bulk
- 2- Container Handling Terminal
- 3- Agricultural Products Handling Terminal 1,2
- 4- Dry Bulk Terminal 1,2
- 5- Multipurpose Handling Terminal 1,2
- 6- Establishing, operating and administrating a world marina for yachts and a Special Logistic Zone

***B- Damietta***

- 1- Second container terminals.
- 2- Dry –cast goods.

***C- Port Said***

- 1- Logistics area.
- 2- Agri bulk.
- 3- Container terminals.
- 4- Dry bulk.
- 5- Liquid bulk terminals.
- 6- Logistics parks.

***D- Suez***

- 1- Logistics area.
- 2- Container terminals.
- 3- Dry bulk.
- 4- Liquid bulk terminals.
- 5- Tank farms.

## Extra Investment opportunities in shipping and logistics industry:

### Main Ports and Hinterland

- 29 sq. km. In East Port Said port (coordination of available investment opportunities in the hinterland with Port Said Governorate and the rest of the concerned ministries is still in progress. This includes vessel fuel and supply- scraping of ships- Marine services- containers maintenance and painting
- 8 sq. km. In Damietta port
- 18, sq.km. In Safaga port.
- 12 sq.km. Of El-Sokhna port (the Cabinet has adopted the comprehensive investment opportunities and projects in the whole port in 28-7- 2003. This includes vessel supply, Ammonia Sugar, Diesel, Magnesium, Livestock reception and distribution, grains silo

### Specialized ports

- Construction of specialized ports for fishing activities in the Mediterranean Sea and the Red Sea
- Construction of Mineral ports in the Red Sea as well as the development of mineral export harbour in El-Arish port
- Construction of tourism ports and pleasure yachts ports in the Mediterranean Sea and the Red Sea
- Development of Abou-Tartour and Barnis port capabilities

### Maritime Transport Activities and The Merchant Fleet

- Investment in establishing shipping companies to raise the Egyptian fleet capability in stages to a minimum of 10% as a first stage of Egypt foreign trade needs: (greenhouses – food oil – etc.), and ships for transporting Egyptian traditional exported goods (Natural gas to Europe for 20 years - agricultural commodities for the Gulf and Europe countries – religious tourists/pilgrims
- Buying feeders to work in Egyptian ports in coastal navigation, and working in handling containers with the rest of East Mediterranean Sea ports
- Establishing tugboats companies, vessel rescue boats and marine service boats
- Establishing highly technical stevedoring companies to keep the standard stevedoring rates to raise the efficiency and capability of Egyptian ports and keep port performance indicator
- Constructing medium and small fishing ships of more than 500 tons to work on fishing ships and boats sold to Lydia
- Constructing marine dredgers to exploit the permanent needs of Damietta and Port Said ports needs in deepening and dredging works

- Setting up a shipping line with COMESA countries to encourage Egyptian ports to Africa, especially East and South Africa (imported livestock – raw materials – electric equipment and furniture exports – building materials – canned goods, etc
- Ship building and reforming work in no costal marine services field for serve the platforms and driller of gas and oil.
- Build and reform gas bulk, oil bulk, and containers.
- Domination of RO/RO vessels.
- Formation of a company for marine security.
- Formation of a company for marine insurance.
- Formation of a company's work in logistics services field.
- Formation of a company for ship paints, ropes, and hooks "grabs".
- Formation of ship yard to build vessels and yachts.

**Conclusion:**

Hoping that the report has been enabling and adding helpful insight to the investment map of the said sector.

Egypt has been going through a high speed transformation in many sectors in its economy.

Infrastructure (Roads, Electricity, communications, water supply and sewage control).

This exponential growth coupled with a strong political will to prepare the Egyptian economy to be a pivotal and powerful world player, means that for investors it may be the time to have a deeper look on this opportunity.

***Index of data and information sources:***

---

- World Bank
- International Trade Center – ITC
- Ministry of investment and international cooperation – Egypt
- Ministry of transportation