



**Central Department of Feasibility Studies
and Investment Costs Estimation**

General Department of Economic Feasibility Studies

Summary of a Preliminary Feasibility Study on Manufacturing Kids Clothes (In a Public Free Zone)



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INVEST IN EGYPT

GAFI Translation Department

The Outcomes of a Preliminary Feasibility Study on Manufacturing Kids Clothes

Textile Sector *

Project General Description

- The proposed project aims to produce a variety of children's clothing, including T-shirts, dresses, shorts, and skirts, to capture the largest target market segment by meeting the diverse needs and preferences of consumers.
- The textile sector is one of the most vital industries in Egypt, playing a significant role in the national economy. It is the **second-largest industrial sector** after food industries. This industry significantly influences the economy, with the clothing sector contributing **3% of Egypt's GDP** and **27% of industrial output**. Notably, **25%** of the total industrial activity focuses on textile production, divided into **12% for home textiles**, **8% for cotton spinning**, and **5% for other textile products**.
- Egypt enjoys a wealth of resources that strengthen its economy, including abundant raw materials, a highly skilled workforce with decades of experience, and advanced machinery essential for production. The country also benefits from extensive expertise in design, enabling it to keep pace with global fashion trends. Egyptian ready-made garments, especially cotton clothing, remain highly sought after in international markets.
- The ready-made clothing industry, whether in manufacturing or trading, is rich in supply chain opportunities, including production, transportation, storage, and sales, which collectively create numerous job opportunities across various stages.
- The ready-made clothing manufacturing project offers significant flexibility, as production lines can be easily adapted, with minor modifications, to produce different types of garments. This adaptability serves as a strong incentive for initiating the project.
- Operating under the **Public Free Zones Framework** is a key advantage, as it promotes manufacturing for export markets while providing substantial employment opportunities for young people and contributing to foreign currency inflows. Free zones are among the most attractive investment frameworks in Egypt, established since the 1970s. They are currently governed by **Investment Law No. 72 of 2017** and its Executive Regulations, the implementation of which is supervised by the **General Authority for Investment and Free Zones (GAFI)**.

* The data mentioned in this study are preliminary, estimated, and indicative material retrieved from the competent authorities for the purposes of promoting the investment opportunities available at GAFI. Accordingly, they may not be used before banks, the judiciary, or any other government entity or any third party.

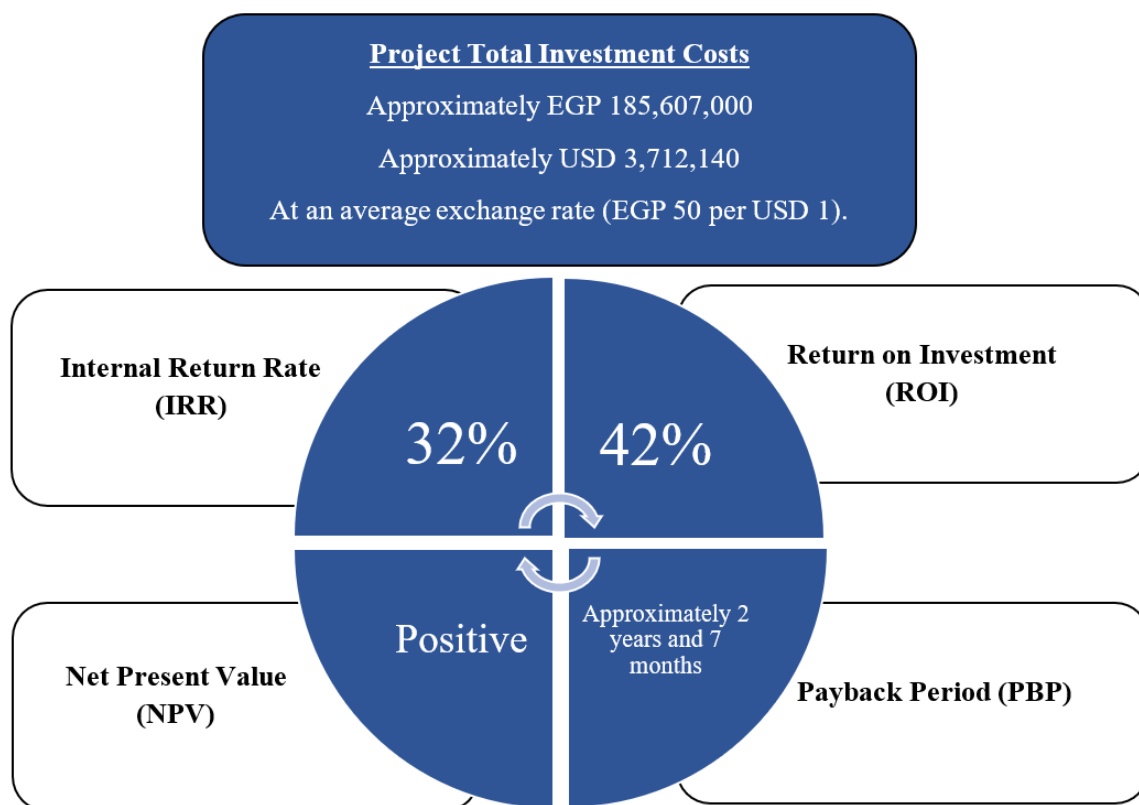
Project Products

- T-shirts
- Dresses
- Shorts
- Skirts

Investment Opportunity Data and Project Location

- It is recommended that the project be set up in any public free zone in Suez City, with possible locations including the Ataqqa site, Adabiya site, or Port Fouad site. Alternatively, the project could be set up in any industrial zone designated for chemical industries, provided that the study costs are adjusted accordingly.
- Based on the results of the technical study, the project can be set up on a surface area ranging between 2,500 m² and 7,000 m² approximately in order to ensure adequate space for operations, storage, and potential future expansion.
- Operating under the Public Free Zones Framework is highly advantageous, as it promotes manufacturing and export activities through significant tax and customs exemptions, in addition to streamlining procedures and licenses. Free zones are among the most attractive investment frameworks in Egypt, established since the 1970s. They are currently governed by Investment Law No. 72 of 2017 and its Executive Regulations, the implementation of which is supervised by the General Authority for Investment and Free Zones (GAFI).

Project Key Financial Indicators



The Outcomes of the Legal Feasibility Study

- When establishing the project within a free zone, the company must be incorporated under the Public Free Zones Framework as stipulated in Investment Law No. 72 of 2017 and its Executive Regulations to benefit from the investment incentives applicable to the project's business activity.
- It is recommended to incorporate the company as a corporation, such as a joint-stock company, as this legal structure provides greater flexibility and simplicity in dealings with government and executive entities.
- The proposed business activity aligns with the provisions of the Investment Law, which regulates activities permitted within free zones. Under the Investment Law, all activities conducted within free zones — particularly export-oriented industries — must comply with GAFI's Policy.

The Outcomes of the Environmental Feasibility Study

- As specified under Item (7) of Article (14–bis.) of Law 105/2015 (dated October 19, 2015) Amending Environment Law 4/1994 and its Executive Regulations, and in accordance with the Minister of Environment Decree 16/2016, this project is classified as a Class (A) project because it does not involve any dyeing or chemical operations. It ranks the 23rd in the relevant environmental classification list. Accordingly, the project has to prepare environmental impact assessment studies, and the inspections and standards have to be carried out in accordance with the environmental classification Form (A) and the requirements of the Environment Law. Additionally, the project must consider the environmental requirements specific to this type of industry.
- The project is subject to specific environmental requirements, procedures, and regulations due to its operation within the Free Zones Framework. This includes guidelines on how to manage the disposal of waste and residues resulting from manufacturing processes, as well as the handling of industrial waste that requires special treatment.

The Outcomes of the Social Feasibility Study

- The project assists in reducing unemployment in the community, as it creates 80 new direct job opportunities, employing various types of workers. It also provides additional indirect job opportunities via the supply chains of this type of business.
- The project has an added value to the national economy as it contributes to the GDP, increases exports, minimizes the deficit in the trade balance, and provides foreign exchange.

The Outcomes of the Marketing Feasibility Study, Growth Drivers, and Competitiveness

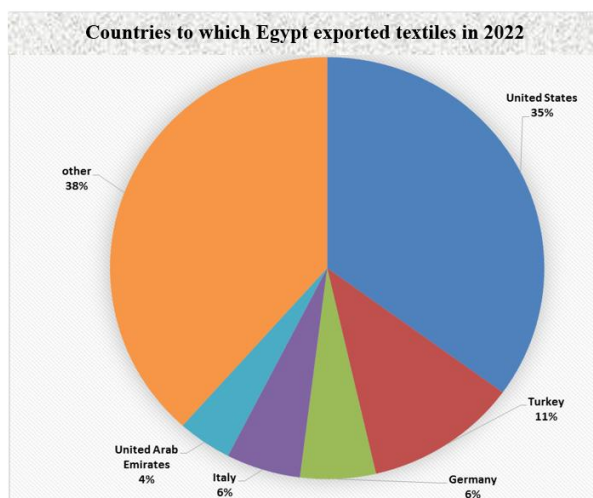
Marketing Feasibility Study Outcomes based on Growth Drivers and Competitiveness:

- One of the key growth drivers for Egypt's textile and garment industry is the abundance of locally sourced raw materials, particularly the low shrinkage fleece cotton (LSF), renowned worldwide for its superior quality.
- The annual growth rate of the ready-made clothing industry in Egypt ranges between 9% and 10%.
- Egypt stands out as the only vertically integrated textile hub in the Middle East, offering a seamless production chain that spans from raw materials to finished garments and home textiles.
- Egypt's strategic location helps in exporting to Asia, Africa, Europe and North America.
- Egypt's competitive strengths are further bolstered by its 15+ commercial ports, facilitating seamless export operations. Additionally, the country benefits from numerous free trade agreements, including partnerships with the European Union, COMESA, the Mercosur Agreement, and the QIZ Agreement.
- Egypt holds a leading global position in the textile and garment industry, particularly in high-quality cotton textiles. The sector accounts for over 12% of Egypt's total exports and is a significant contributor to the country's economy. Egypt is also the largest producer of long-staple cotton in Africa.
- Egypt is heavily invested in enhancing its textile sector, focusing on modernizing it through the adoption of cutting-edge global technologies; developing value chains targeting the sector; improving the network of the supplementary industries related to the sector; and establishing specialized textile clusters, such as the new Sadat City for Textiles, covering a surface area of 3 million square meters.

Supply Volume

- Egypt is home to several leading companies exporting ready-made garments, with exports ranging between USD 30 million and USD 120 million. Notable companies include: Jade Textile Egypt; Alex Apparels; Liontex; Lotus Garments; Giza Spinning & Weaving Co.; T&C Garments; Eroglu Egypt for Ready Made Garments; Plaza Ready Made Garments; EMBEE International Ind.; Dice; Rubyred Garment Manufacturing S.A.E; Alpha Textile; Stars Fashion (free zone); EMCO Garments CO. (free zone); Egypt Clothing Company S.A.E and Delta Textile Egypt.
- According to the Customs Tariff Harmonized System, the textile sector consists of 10 customs heads comprising 575 items, categorized, in terms of industrial application or commercial use, into 30+ sub-products, including fibers, yarns, fabrics, and technical textiles. The public sector dominates production in spinning (50%), knitting (60%), and weaving (60%), while the private sector controls 90% of the ready-made clothing industry. The textile sector dominates many influential public sector industries.

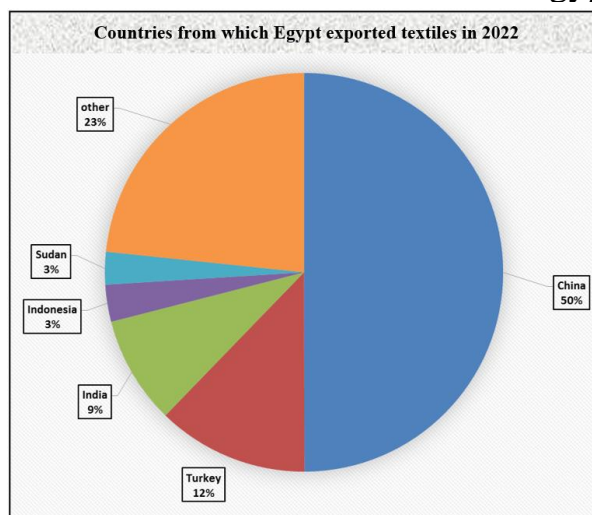
- According to World Bank (WB) data, Egypt ranked 31st globally in textile exports in 2022 out of 164 countries, with total exports amounting to USD 5477 million (representing 0.58% of global exports). The sector ranks third among Egypt's total export products. The following chart shows the top textile importers of the Egyptian textiles.



- The top five importers of the Egyptian textiles were respectively: **United States** (USD 1918 million); **Turkey** (USD 623 million); **Germany** (USD 308 million); **Italy** (USD 304 million); **United Arab Emirates** (USD 221 million), while **the remaining countries** totaled USD 2104 million.

Demand Volume

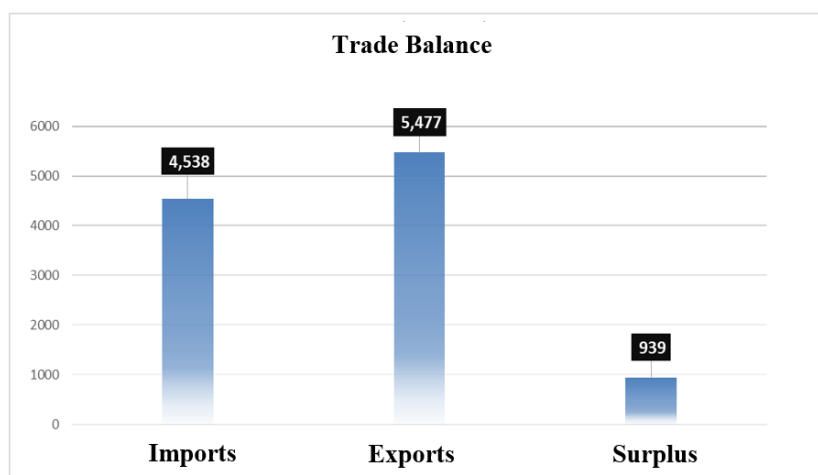
- According to the data received from the competent authorities and the WB data for 2022 on the Egyptian textile sector, Egypt imported textiles worth USD 5597 million from 139 countries, ranking as the 45th largest importer of textiles globally. The following chart shows the main countries from which Egypt imported textiles.



- Egypt's main textile imports came from China (USD 2,267 million); Turkey (USD 557 million); India (USD 397 million); Indonesia (USD 136 million); Sudan (USD 120 million); and remaining countries (USD 1059 million).

Trade Balance

- As shown above, the textile sector in Egypt has demonstrated strong performance, achieving a trade balance surplus in 2022, which serves as a major incentive for further export-focused expansions.
- The global textile market is projected to grow at a **compound annual growth rate (CAGR) exceeding 4%** during the forecast period of **2022-2027**, presenting significant opportunities for Egypt to expand its market share internationally.
- In 2022, the Egyptian textile sector recorded impressive export and import figures: total exports (USD 5477 million) and total imports USD (4538 million). This resulted in a net trade surplus of USD 939 million. This is illustrated in the following chart:



Local Market:

- Although the main objective of the project is exporting, given that it would be set up inside a free zone, it will also contribute to covering part of the local market demand, in compliance with the permissible percentages as set under GAFI's regulations. This helps address the growing local demand, driven by population growth and the 9%-10% annual growth in demand for ready-made garments.
- The ready-made garment industry is projected to reach an average spending of USD 7 billion. On a household level, the average annual expenditure on ready-made garments is expected to climb to USD 204. In 2018, sales in the women's clothing segment accounted for approximately USD 0.9 billion, while men's clothing sales stood at around USD 0.5 billion. The total apparel sales during the same year amounted to USD 9.5 billion.

Potential Export Markets

- In addition to fulfilling a portion of the permissible percentages required to meet the needs of the local market, the main objective of the project is to focus on exporting, ensuring that its products are offered at competitive prices in the global market, which is witnessing a significant surge in demand for these goods.
- The project also holds the potential for expansion into additional foreign markets, provided that production aligns with the specific standards and requirements of the target countries, while maintaining competitive pricing. Beyond the Middle East, Arabian Gulf, and African markets, the project has the opportunity to cater to the demands of the world's largest textile-importing countries, including:
 - ✓ The United States, with textile imports reaching approximately USD 147684 million in 2022.
 - ✓ Germany, with textile imports amounting to approximately USD 69296 million in 2022.
 - ✓ Japan, with textile imports totaling approximately USD 35301 million in 2022.
 - ✓ France, with textile imports recorded at approximately USD 35171 million in 2022.