



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

General Department of Economic Feasibility Studies

Summary of a Preliminary Feasibility Study on the Manufacture of Paints



(November 2023)

**INVEST IN
EGYPT**

GAFI Translation Department

The Outcomes of a Preliminary Feasibility Study on the Manufacture of Paints

Chemical Industries Sector*

Project General Description

- The chemical industries sector is considered one of the largest industrial sectors in Egypt, which contributes significantly to the growth of the Egyptian economy, as it includes several sub-sectors, including the paints industry. The chemical industries sector represents about 12% of the total industrial production in Egypt and its value is about USD seven (7) billion annually, which is equivalent to 3% of Egypt's GDP.
- According to recent statistics about the paints industry, the increase in investments in the chemical sector and the residential sector is considered the main factor of the paint market in Egypt, as the size of the Egyptian paint market was estimated by more than USD 820 million in 2021, and it is expected to witness a compound annual growth rate that exceeds 5% during the period between (2022-2027).
- The construction industry in Egypt is considered the fastest growing in the world, where it is expanded at a rate of more than 9% in the past few years. Construction projects also constituted about 10% of the total number of construction projects in Africa.
- The market witnessed a recovery in 2021, with the increasing demand on the architectural industry and the urban expansion, in addition to the increasing demand on eco-friendly paints along with the announcements of State's new projects.
- There are about 1400 development projects in Egypt, approximately 70% of which are in an advanced stage and the rest are in the initial stage.
- All of these factors collectively led to a significant rise in the demand for paints in the Egyptian market.
- Paints are defined as materials that are applied to more than one type of external surfaces in order to give them color and protect such surfaces from scratches or aging.

* 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.

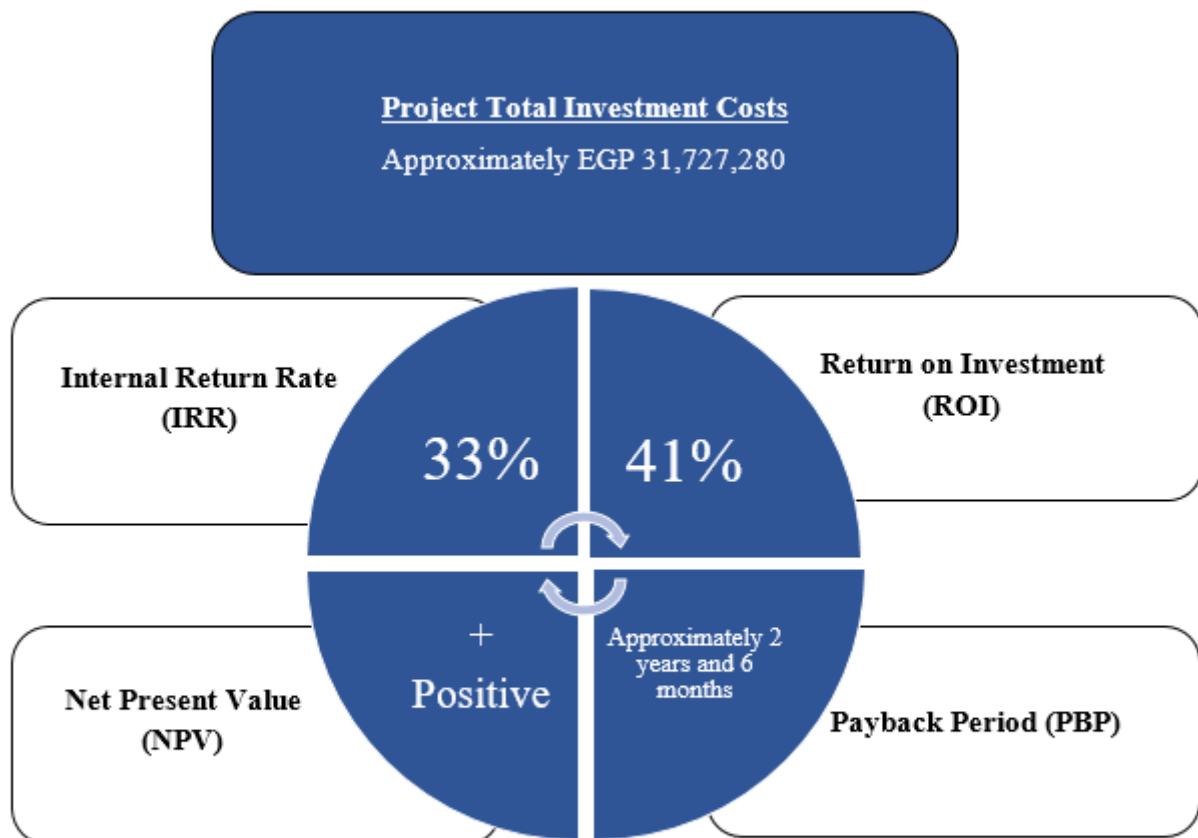
Project Products

- The project aim is to produce all needed sizes of paints.

The Investment Opportunity and the Location of the Project

- Project Location: As per the data received from the competent entities and data available on the Investment Map, the project could be set up in **Mit Assas Village – Markaz Samannoud – Gharbia Governorate**. Moreover, the project could also be set up in any other governorate that has the requirements to set up such project, by way of usufruct.
- Project Surface Area: As per the data received from the competent entities and the data available on the Investment Map, the project could be set up on a surface area ranging from 500 m² to 4000 m².
- The project could be set up in the industrial zones, in which the activity of the study is allowed to be set up, taking into account making the necessary adjustments in study costs.

Project Key Financial Indicators



The Outcomes of the Legal Feasibility Study

- In accordance with the size of the project and the needed investments to set it up, it is preferred that the incorporated business activity take any of the corporation forms, including, without limitation, joint stock company, which help in managing the project away from the owners property rights and also achieve flexibility and ease in dealing with the relevant government entities and tax authorities in an appropriate manner. It is preferable that the company be established in accordance with the provisions of Investment Law No. 72 of 2017 to benefit from the investment incentives prescribed for this type of investment activities.
- This industry needs to obtain a license under the activity of chemical industries and to set up the project in one of the industrial zones or lands in which it is permissible to obtain this type of license, or to obtain an operating license under notification framework in accordance with Law No. 15 of 2017, taking into account the need to obtain the necessary licenses from the governorate or the authority that has jurisdiction over the land and its affiliated local units or the city hall, and taking into account the requirements of Civil Defense Authority, which require special procedures due to the nature of the industry.
- In case of exporting, the project must obtain an export card specifying the nature and description of the products dealt with. The project can import by itself by obtaining an import card, or through an intermediary company that undertakes, on behalf of the project, the import and customs release procedures.
- The paint industry in Egypt is subject to the supervision of the Chamber of Chemical Industries, which is one of the chambers of the Federation of Egyptian Industries. Such chamber is responsible for representing the interests of its members and providing services and support to the chemical industries sectors, which serve to increase its competitiveness.



The Outcomes of the Environmental Feasibility Study

- The environmental feasibility study is one of the pillars of environmental protection and maintenance, and since sustainable development takes into account the environmental dimension in addition to the economic and social dimensions, attention to environmental feasibility studies for various development projects is necessary to achieve sustainable development, in addition to economic feasibility studies that aim to ensure that the project achieves the greatest possible material benefits without taking into account the environmental conditions, its capabilities, and potential negative impacts.
- The project is classified as category (B) where it is listed at number 18 in the environmental classification projects list issued in accordance with the provisions of item no. 7 of Article 14 *bis* of Law No. 105 of 2015 issued on October 19, 2015 regarding the amendments to the Environment Law No. 4 of 1994 and its executive regulations amended in accordance with the decree of the Minister of Environment no. 16 of 2016. Environmental impact assessment studies must be prepared, and inspections and measurements must be carried out in accordance with the environmental classification form (B) and the requirements of the Environment Law, taking into account the fulfillment of government fees prescribed for that classification. Moreover, the project must take into account the environmental requirements for this activity due to the nature of the industry.
- In line with the principles of a green economy and Egypt's hosting of the Climate Change Conference COP27, the Paints Division of the Federation of Egyptian Industries has established new specifications for producing Egyptian paints with European quality. This new paint type will be manufactured domestically alongside existing paint varieties.
- As part of the state's efforts to address global changes, particularly climate change, and in line with Egypt's Vision 2030 to improve the quality of life for Egyptians, the Ministry of Trade and Industry issued Ministerial Resolution No. 116. This resolution mandates that companies obtain an "Environmental Performance Card for Paints." Achieving this requires robust cooperation across all levels, including the Egyptian Organization for Standards and Quality at the state level and the Paints Division and its technical committee within the industry community.
- In order for companies to obtain such card, the company must provide products that are free from harmful formaldehyde, as well as harmful heavy metals and volatile organic compounds, in accordance with international limits. In addition, this card means the companies' commitment to preserving the health of consumers and producing products that are compatible with international health and environmental standards.

The Outcomes of the Social Feasibility Study

- The project assists in providing new job opportunities and eliminating unemployment rate in society by employing different types of workers directly in the project itself, and indirectly through the supply and distribution channels that the project deals with. The project provides (33) direct job opportunities and many indirect job opportunities.

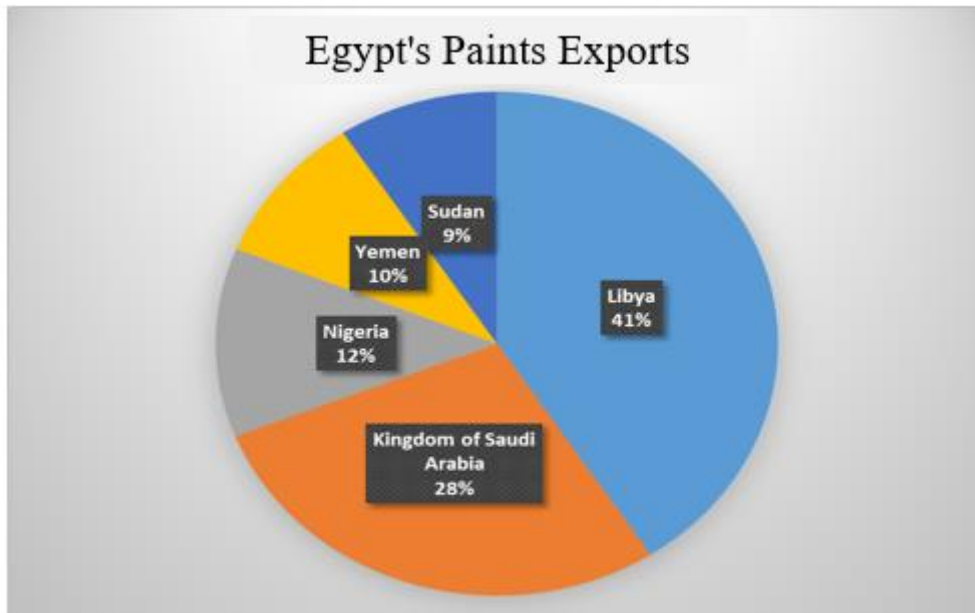
- The project contributes to the national economy through contributing to GDP, as well as contributing to increasing exports and reducing the deficit in the trade balance, and providing foreign currency.

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

- The projects aim to fill the gap of huge demand on all sizes of paints in the local market.
- It is expected that volume of the paint industry in Egypt will be increased to USD 3.6 billion in 2027 according to many statistics, whereas it is expected that the sector will witness a growth in the period between 2020 and 2027 with a growth rate of about 7.9%.
- The chemical industries sector has competitive advantages that helps in attracting local and foreign investment, as the State pays great attention, within the framework of the State's general policy, to support the paint industry, develop and modernize existing factories, expand the establishment of productive projects, replace the local product, reduce imports, encourage private investment, and benefit from its expertise to transfer new technology.
- Egypt's strategic location contributes export easily to the markets of Asia, Africa, Europe and North America.
- One of the growth drivers and competitive strength of the activity under study is Egypt's conclusion of a number of international trade agreements, including:
 - Greater Arab Free Trade Agreement (GAFTA)
 - Common Market for Eastern and Southern Africa (COMESA)
 - Agadir Free Trade Agreement
 - Egypt-EU Association Agreement
 - Egypt-EFTA Free Trade Agreement
 - Qualified Industrial Zones (QIZ)
 - Egypt-MERCOSUR Free Trade Agreement

Supply Volume

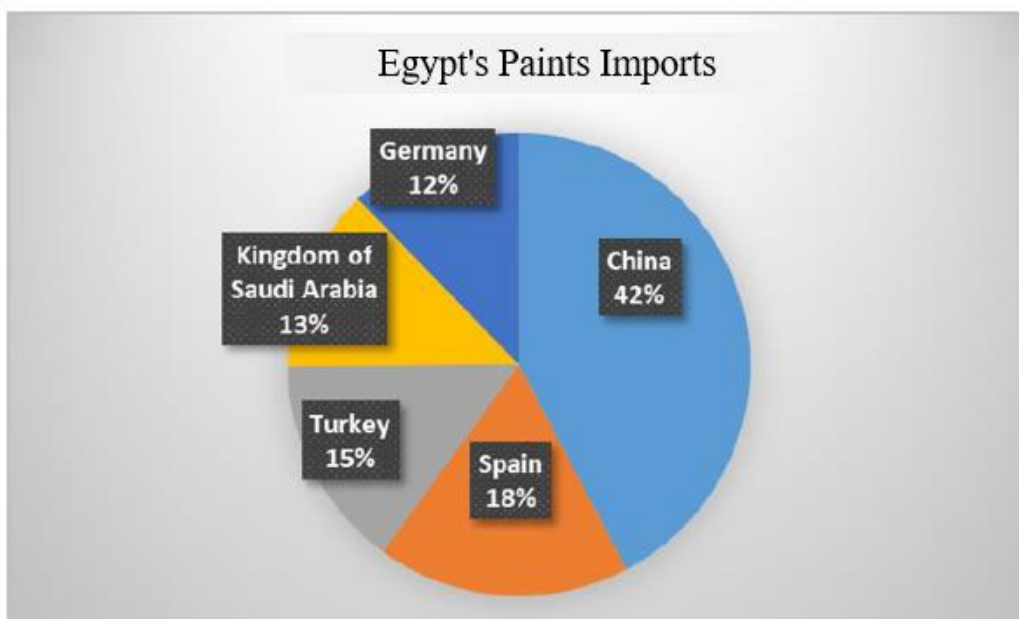
- The Egyptian paints market includes a number of companies producing different types of paints, and the top five (5) companies owns more than 70% of the market share.
- In accordance with World Bank data, Egypt exported paints worth USD 215 million in 2021, making it in the 44th rank among the biggest paints exporters in the world. In the same year paints was the 38th most exported product.
- The top countries importing paints from Egypt in 2021 are as follows:
 - Libya (USD 41.1 million, 41% of Egypt's total paint exports)
 - Saudi Arabia (USD 28.4 million, 28% of Egypt's total paint exports)
 - Nigeria (USD 12.2 million, 12% of Egypt's total paint exports)
 - Yemen (USD 9.71 million, 10% of Egypt's total paint exports)
 - Sudan (USD 9.29 million, 9% of Egypt's total paint exports)



The graph is developed as per WB data of 2021.

Demand Value

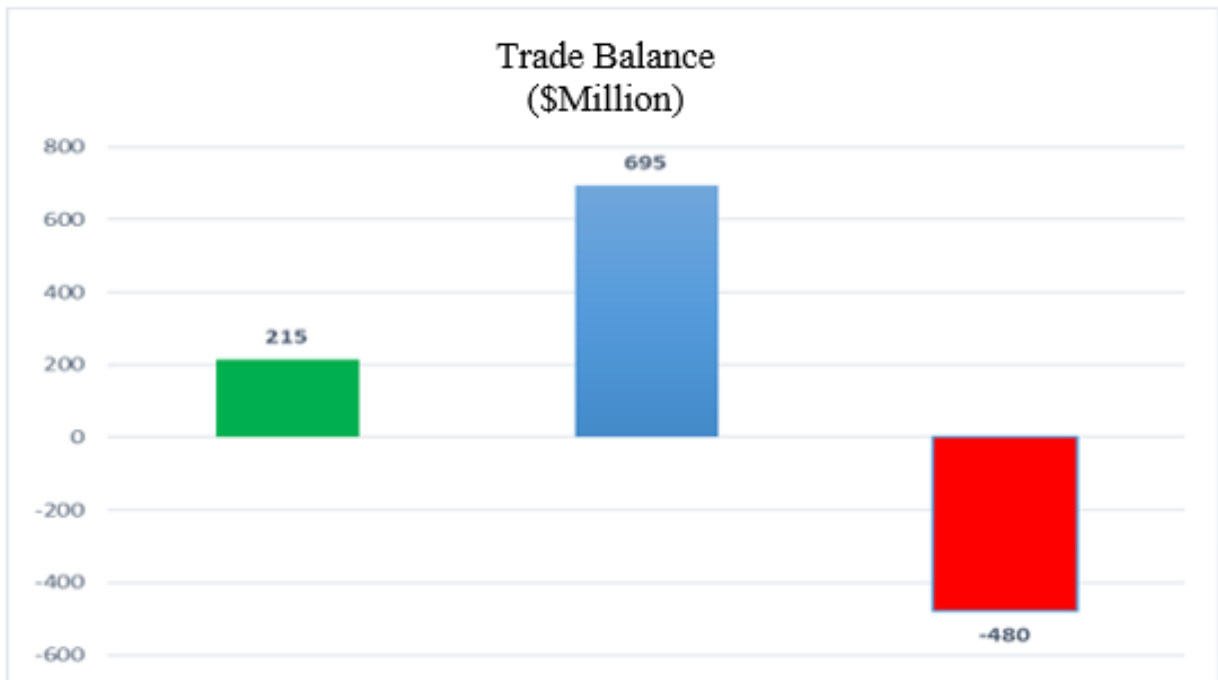
- In accordance with World Bank data, Egypt's imports of paints amounted to \$695 million in 2021. Thus, Egypt ranked the 36th largest importer of paints in the world, and in the same year, paints ranked the 28th most imported product in Egypt.
- The top countries that Egypt imports paints from are as follows:
 - China (USD 166 million, 42% of Egypt's total paints imports)
 - Spain (USD 69.6 million, 18% of Egypt's total paints imports)
 - Turkey (USD 58.3 million, 15% of Egypt's total paints imports)
 - Saudi Arabia (USD 50.5 million, 13% of Egypt's total paints imports)
 - Germany (USD 48.2 million, 12% of Egypt's total paints imports)



The graph is developed as per WB data of 2021.

Market Gap

- In accordance with the abovementioned, there is a gap in the demand of paints. The project will cover part of the market gap in the local market, in addition to the large opportunities available for the project to export to middle east and global markets, provided that the production is conducted as per the specified standards and quality.
- The total exports of paints in 2021 reached about USD 215 million, where paints total imports reached USD 695 million in the same year, which leads to a deficit in the trade balance worth USD 480 million.



The graph is developed as per WB data of 2021.