



Date: 25 May 2022 Issue: 678 Source: Al-Mal

Eight foreign auto manufacturers decide to shift their Egyptian agents' production to other markets"



Eight foreign car manufactures decided to stop supplying their agents in Egypt due to global economic events, and the State's precautionary measures in the face of the economic impact of the Russo-Ukrainian war.

[Link to the News Story](#)

Our Views

- The negative repercussions of the ill-considered import-related decision taken by the Central Bank of Egypt continue to emerge and spread to vital markets such as the automobile market and agricultural production inputs, something the Egyptian Center for Economic Studies has already warned of in previous issues of Views on News^{1,2,3}
- Developments on the ground have proven beyond any doubt that the decision has caused deep and far-reaching developmental damage that goes beyond mere preservation of hard currency, and continuous negative impact on Egypt's relationship and its position in global supply chains, at a time where these chains are already suffering from severe strain due to the Russo-Ukrainian war; all countries are competing fiercely to maintain their economic positions along the value chain.
- **For the car market**, thirteen international companies have begun to avoid exporting to the Egyptian market after the inability of local distributors and traders to open documentary credits to cover car prices, and in light of the extreme uncertainty and lack of clarity in the foreseeable future for any possible change in procedures. As a result, Egypt has lost its credibility with international companies.

¹ [https://eces.org.eg/upload/publications/VON/VON Ar \(676\) 11-5-2022.pdf](https://eces.org.eg/upload/publications/VON/VON%20Ar%20(676)%2011-5-2022.pdf)

² [https://eces.org.eg/upload/publications/VON/VON \(666\) 17-2-2022.pdf](https://eces.org.eg/upload/publications/VON/VON%20(666)%2017-2-2022.pdf)

³ [https://eces.org.eg/upload/publications/VON/VON \(665\) 9-2-2022.pdf](https://eces.org.eg/upload/publications/VON/VON%20(665)%209-2-2022.pdf)

- These restrictions will exacerbate the current shortage of supply, deepen the gap between supply and demand, promote higher prices, and isolate Egypt from global supply chains at a time where global supply is already declining due to the lack of electronic chips. The negative impact will necessarily extend to all feeding industries, especially car parts and all their accessories, and will even negatively affect craftsmen, professionals, and all those working in the maintenance and repair of cars in Egypt.
- **As for agriculture**, the implementation of the Central Bank's decisions was extremely arbitrary and ridden with confusion. The commodities identified by the Central Bank included "seeds" without an exact clarification of what is meant by seeds. Are they edible seeds, or production inputs? This drove banks to ban the import of any seeds altogether, which threatens the new agricultural cycle that is about to start, especially that Egypt imports up to 98% of its seed needs for vegetables and fruit.
- This would negatively affect the income of 5.2 million workers in the agricultural sector, representing approximately 20% of workers in Egypt, contributing about 15% of GDP, at a time when citizens in general suffer from high cost of living and declining levels of income, especially in the countryside where poverty rates are clearly higher than in other regions.

- There is also another drawback by the CBE's decision, on Egypt's agricultural exports in the coming season, which will lead to a weakening of US dollar proceeds for which the Central Bank took decisions to preserve and correct the trade balance deficit in the first place!
- Finally, it must be emphasized that trust is the basis of all economic transactions, and that once lost, is difficult to restore, as restoring business and trade relations takes considerable time, especially that practical experience has proven that factories and international companies that stop their business in Egypt do not return easily. Hence, there is an urgent need to completely repeal the Central Bank's decision, not just exclude production inputs and raw materials.

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