

The Tobacco Market in Egypt

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BACKGROUND

Tobacco consumption continues to present profound public health and economic challenges in Egypt. About 24.4 percent of adults in Egypt use tobacco products, and male smoking rates 35.6% are among the highest worldwide. This high prevalence stems from social acceptance, financial accessibility, and insufficient legislative efforts and enforcement. To be clear, the prices of cigarettes in Egypt remain generally very low, and this is largely the result of low excise taxes. These taxes need to be raised and would be most effective if combined with greater efforts by government authorities to secure the cigarette supply chain.

While Egypt has taken legislative steps to reform its tobacco tax system—shifting in 2010 to a mixed excise tax structure and amending specific tax rates through 2023—illicit trade and supply chain weaknesses exist. But the central issue remains that low excise taxes that keep cigarette prices affordable and consumption high. Raising taxes must be the primary focus of any comprehensive strategy to reduce tobacco use, with supply chain enforcement serving as a complementary measure.

The Egyptian tobacco market is diverse and complex, comprising of local, imported, and illicit brands that appear to be smuggled into

Egypt from abroad, each with distinct pricing structures, consumer bases, and levels of regulatory compliance. The tobacco industry—dominated by local products, but influenced by a growing array of illicit brands—poses risks to both public health and government revenue.

This brief is based on a report which details the results of a thorough littered-pack collection survey, which was conducted across 14 governorates using algorithmic selection and field techniques, and gathered 12,614 cigarette packs, seeking to evaluate market dynamics, brand distribution, pricing, and regulatory compliance. The results help us understand consumer behaviour and provide insightful analysis of the shortcomings of Egypt's present tobacco control strategy.

KEY FINDINGS

The study reveals important trends in Egypt's consumer tastes, tobacco market structure, and degrees of compliance. The results give a data-driven basis for better enforcement systems and legislative changes.

Market Dynamics

- **Market concentration:** The market is highly concentrated, with two brands—Cleopatra and LM—owning 73.3 percent of the whole market share. With 52.9 percent of

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the market, Cleopatra alone reflects strong brand loyalty and perhaps other contributing elements such as pricing, though this remains speculative.

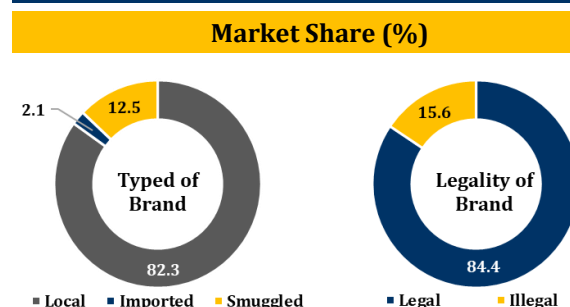
► Brand distribution and Legal structure (Figure 1):

- **Local brands** represent only 17.2 percent of brand variation, although they dominate consumption, accounting for 82.3 percent of all collected packs.
- **Illicit brands** account for 74.2 percent of brand variety, but only 15.6 percent of the total packs, suggesting low-volume, more fractured distribution systems.
- **Legal brands (local and imported)** make up 84.4 percent of the market by pack count.
- **Illegal brands (all smuggled)** account for 15.6 percent of consumption, suggesting ongoing regulatory gaps.
- **Imported brands** represent 8.6 percent of brand variety, and only 2.1 percent of the packs, suggesting obstacles to market entry and perhaps also niche appeal.

► Price segmentation:

- **Medium-priced brands** dominate the market with 71.04 percent of all consumption covered. Well-known names are Captain Black (45 EGP) and Cleopatra Gold (38.75 EGP).
- **High-priced brands** such as Davidoff (95 EGP) and Merit (90 EGP) account for 27.69 percent of the market.
- **Low-priced brands** are negligible (1.27 percent of the market) and only include Kentucky Selects, an illicit non-Egyptian brand.

Figure 1: Market share by brand type and legality



Compliance

Health warning compliance

- **All legitimate local and foreign brands display both textual and graphic warnings in Arabic with 100-percent compliance.**
- Among illicit brands:
 - 44 brands had no health warnings.
 - 20 brands had only text warnings, often not in Arabic.
 - Only 6 brands included graphic warnings, often poorly placed.¹

Tax compliance

- **All legal brands** had valid tax stamps and QR codes linked to price information.
- **All illicit brands** lacked tax stamps, broke customs and tax laws, and did not link to price databases.

Compliance by price category

- High-priced packs: 99.5 percent legal
- Medium-priced packs: 80 percent legal, 20 percent illicit
- Low-priced packs: 100 percent illicit

Challenges Identified

- ▶ **Illicit trade:** 69 brands are illicit, likely smuggled in from outside Egypt, bypassing taxes and regulations.
- ▶ **Fragmented oversight:** Law enforcement, the Finance Ministry, and Customs need to coordinate better, as reported through qualitative interviews and policymaker event.
- ▶ **Regulatory loopholes:** Weak regulations around free zone facilities create opportunities for untaxed brands. There is currently insufficient inspection and verification processes for custom stamps.
- ▶ **Inadequate consumer awareness:** Many customers may not be able to distinguish legal from illegal goods as reported through qualitative interviews.

POLICY RECOMMENDATIONS

- ▶ **Enhance regulatory monitoring and enforcement to help secure the cigarette supply chain**
 - Conduct periodic but systematic surveys to monitor illegal products, including pricing.
 - Enhance border enforcement in high-risk areas.
 - Conduct regular audits and inspections of tobacco manufacturing and distribution channels to ensure compliance with tax and health regulations.
- ▶ **Optimize tobacco taxation policy**
 - Develop predictive models to evaluate how tax changes affect consumption, revenue, and public health, while allocating a portion of tobacco tax revenues to support anti-illicit-trade efforts and public health programs.
- Ensure some tobacco tax revenues are reinvested in healthcare—thus aligning fiscal measures with broader public health goals for long-term impact on economic and social development.
- ▶ **Close regulatory loopholes**
 - Implement stricter penalties for smuggling, tax evasion, and counterfeit production, and standardize procedures for verifying the authenticity of customs tags to prevent exploitation of free zones.
- ▶ **Combat smuggling and illicit trade**
 - Launch coordinated anti-illicit operations targeting small-scale distributors dominating the illicit market.
 - Disrupt distribution networks of smuggled premium brands that appeal to price-sensitive consumers seeking luxury products at lower costs.
- ▶ **Enhance market transparency and diversification**
 - Establish public databases allowing consumers to verify the legality of tobacco products.
- ▶ **Foster interagency collaboration**
 - Establish a centralized task force and unified regulatory framework that brings together the Customs Authority, Ministry of Finance, and law enforcement agencies to streamline enforcement, enhance intelligence sharing on illicit activities, and implement joint training programs to build capacity in combating tobacco-related crimes.

CONCLUSION

Egypt's tobacco market is dominated by local brands, but there is evidence of illicit products, most likely smuggled into Egypt from other countries that undermine regulatory efforts and fiscal revenues. The study shows a clear separation between compliant local and imported brands and widespread non-compliant smuggled brands. Despite reforms in taxation and health policy, enforcement flaws and disjointed governance allow illicit trade to persist.

Egypt must use a coordinated, data-driven, multifaceted policy approach if it is to address these challenges successfully. This includes improving interagency collaboration, tightening border controls, strengthening regulatory oversight, and empowering consumers through transparent pricing and product verification tools. In the end, these initiatives will not only protect public health but also guarantee significantly greater excise tax revenues for the government and eliminate the illicit market.

Endnote:

¹ This category includes six entries, only five distinct illicit brands were found to display graphic warnings. The reason is that only one brand had two different packaging variants, and thus it was assessed under two different compliance categories. Since compliance was assessed at the pack level rather than solely by brand name, each variant was categorized separately based on its packaging. Importantly, these variants are treated as one brand in the overall illicit brand count (69) because they share the same name, price, and market presentation, and are indistinguishable to consumers, the duplication in classification reflects regulatory inconsistencies in illicit packaging, not duplication in brand identity. This resulted in one brand being counted twice across the three categories, even though it is counted once in the total brand count.

Disclaimer:

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