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STRATEGIC
BUSINESS
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Egypt's Macroeconomic Overview (Q4 FY 2024/25)

Including Updates till November 2025

November 2025

TABLE OF CONTENTS

	Executive Summary	10	Monetary Sector	40	Legislative and Regulatory Developments
1	Credit Rating	17	Fiscal Sector		
4	Real Sector (Gross Domestic Product)	20	External Sector		

LIST OF ACRONYMS

AIDP	Automotive Industry Development Program
CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
EGP	Egyptian Pound
FDI	Foreign Direct Investment
FRA	Financial Regulatory Authority
FY	Fiscal Year
GCC	Gulf Cooperation Council
GEM	Grand Egyptian Museum
IoT	Internet of Things
MPC	Monetary Policy Committee
NFA	Net Foreign Assets
NIR	Net International Reserves
PMI	Purchasing Managers' Index
PSO	Payment System Operators
PSP	Payment Service Providers

Exchange Rate Stability, Land Monetization, Exports and the Structural Reform Dilemma



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The latter half of 2025 saw the Egyptian pound (EGP) appreciate from around EGP 49.2/USD in July to approximately EGP 47.24/USD by November, marking a notable shift in the FX market’s tone. This strength reflected a dual-track strategy: (i) maintaining tight monetary conditions and (ii) monetizing state assets (primarily coastal land) to attract foreign currency. The Central Bank of Egypt (CBE) kept policy rates elevated and reserves climbed to about USD 50.1 billion by end-October, giving the economy a stronger external cushion.

Strategic deals such as the USD 35 billion investment at Ras El-Hekma (UAE) and the USD 29.7 billion contract at Alam El-Roum (Qatar) delivered large-scale foreign currency inflows and supported the currency and banking-sector liquidity. By converting state-owned assets into FX, the authorities created a “shock absorber” for external stress and brought forward resources to stabilize macro-fundamentals.

Beyond inflows from land deals and FDI, another critical lever for sustaining currency performance is the export sector, particularly non-oil exports. Recent data show that Egypt’s non-oil exports rose by 21 percent to USD 36.6 billion in the first nine months of 2025, compared to USD 30.3 billion in the same period of 2024.

This growth was driven by building-materials production (USD 11.7 billion), chemical and fertilizer industries (USD 6.8 billion) and food-industry exports (USD 5.1 billion). In August 2025, exports rose 6.7 percent year-on-year to USD 3.96 billion while the trade deficit for the month narrowed to USD 4.73 billion.

These developments matter because they signal movement away from external-financing reliance on land sales, toward a more sustainable improvement in the tradables base. A stronger non-oil export performance helps boost foreign-currency earnings, ease import dependency, lighten pressure on reserves, and underpin the currency’s resilience.

While the land-sale strategy has delivered stabilization, Egypt’s longer-term challenge remains executing the broad Privatization/State-Ownership Policy (SOP) and accelerating export-oriented growth.

The export numbers above are encouraging, but the quality of exports (i.e., move toward higher value-added, diversified manufacturing and services) remains lower than what the private sector competitiveness agenda demands.

The Strategic Trade-Off: Stabilization vs. Transformation

Short-Term Stabilization	Long-Term Transformation
Large FX inflows via land/FDI deals	A sustainable export-led growth model with private-sector dominance
Achieves immediate currency/FX buffer	Requires structural reform: transparency, competitive neutrality, export diversification
Supports reserves, improves NFA and currency	If not managed, land monetization risks being finite and non-productive in export terms

While the policy mix has delivered “first stage” success (currency and liquidity stabilization), the “second stage” of embedding this into durable competitiveness rests on exports and structural reforms. The recent export surge is a positive signal—but converting this into sustained capacity and diversification remains the critical test.

Forward Outlook

For Q2 FY 2025/26 and beyond, the key question is: can export momentum and policy credibility maintain the EGP’s strong base when land-sale inflows begin to normalize? The outlook depends on:

- ▶ Maintaining favorable conditions for exporters (logistics, input import access, FX settlement, cost competitiveness)
- ▶ Ensuring that export growth shifts toward higher-value manufacturing and technology services rather than only commoditized goods
- ▶ Continuing monetization and debt-reduction from FDI/land deals, but using the breathing space to deepen reform rather than postpone it
- ▶ Safeguarding exchange-rate policy credibility and avoiding renewed volatility from external shocks or subsidy adjustments

If these elements align, Egypt could move from a stabilization mode into a momentum phase, where currency stability is underpinned by structural strength, not just one-off inflows. If not, the economy risks sliding back into recurring external stress when the exceptions taper off.

EXECUTIVE SUMMARY

In October 2025, Egypt achieved two significant sovereign-credit milestones: Fitch Ratings affirmed the Long-Term Foreign-Currency IDR at 'B' with a Stable Outlook, while S&P Global Ratings upgraded the sovereign rating to 'B' from 'B-' with a Stable Outlook. These moves reflect improved external buffers, inflation moderation, and reinforced investor confidence—providing a foundational backdrop for the country's macro-stabilization phase.

Egypt's economic trajectory in the second half of 2025 reflects a phase of measured stabilization and policy recalibration, driven by disinflation, a firmer currency, and continued foreign inflows. Macro indicators show tangible improvement, yet the growth model still leans on exceptional inflows and administrative measures. The outlook for 2026 hinges on maintaining external stability while deepening the shift toward productivity-based, export-oriented growth.

Real economy and PMI



Real activity strengthened meaningfully. Egypt's GDP growth rate reached 5.0% in Q4 FY 2024/2025, up from 2.4% in the same quarter of the prior year. Consequently, full-year growth for FY 2024/2025 registered 4.4%, exceeding the 4.2% target. At the start of Q4 FY 2025/26, private-sector conditions showed tentative improvement: the S&P Global Egypt PMI rose to 49.2 in October from 48.8 in September. While still below the 50.0 threshold, this marked the slowest contraction in three months and signaled emerging stabilization after a prolonged soft patch. Industrial production remained resilient (June up 8% year-on-year), and unemployment eased to 6.1% in Q2 2025.

Monetary policy and inflation



The Central Bank of Egypt reduced policy rates by a cumulative 300 basis points between July and October 2025, bringing the overnight deposit and lending rates to 21% and 22%, respectively. Urban inflation averaged 12.5% in Q3 2025, down from 26% a year earlier, reflecting a favorable base and broad easing in food prices. October showed a month-on-month pickup due to fuel price adjustments and second-round effects in transport and housing, but the disinflation trend on a year-over-year basis remains intact. Headline inflation is expected to average around 14% for 2025 before converging toward target in 2026, keeping real rates positive and allowing a cautious easing bias.

EXECUTIVE SUMMARY



Exchange rate, reserves, and banking-sector liquidity

The Egyptian pound appreciated from EGP 49.2 per USD in July to about EGP 47.24 in November amid strong foreign-currency inflows and improved market confidence. Net international reserves rose to roughly USD 50.1 billion by October 2025, a multi-year high supported by valuation gains in gold and steady FX inflows. Banking-sector net foreign assets improved markedly to USD 17.97 billion in August, with commercial banks swinging from deficit to surplus, reflecting normalized interbank FX liquidity and the absence of backlogs.



External sector: exports, tourism, remittances, and FDI

Non-oil exports gained traction, helping to diversify FX earnings alongside record remittances (USD 36.5 billion) and strong tourism revenues (USD 16.7 billion in FY 2024/25). China's zero-tariff access for 53 African countries, including Egypt, and logistics upgrades such as the planned Cairo Air Freight City should reinforce export momentum and re-export capacity. Net FDI normalized to USD 12.2 billion in FY 2024/25 from the exceptional USD 46.1 billion in FY 2023/24 (inflated by the USD 35 billion one-off). Non-oil FDI made up USD 11.6 billion of that, led by reinvested earnings, greenfield expansions, and real-estate purchases by non-residents; oil-sector FDI turned modestly positive.



Stabilization via asset monetization and the need for structural transformation

Currency stability in 2025 benefited from tight monetary conditions and exceptional inflows linked to state-asset monetization (notably the Ras El-Hekma and Alam El-Roum deals). These transactions delivered rapid liquidity, improved banks' foreign-asset positions, and enabled debt service, but they are finite and concentrated in non-tradable real estate and tourism. The medium-term imperative is to pivot from land-for-dollars to export-oriented investment, deeper privatization, and competitive neutrality so that FX sustainability rests on tradables, not one-offs.



Regulatory and legislative reform

Between May and October 2025, a substantive regulatory wave advanced financial stability, formalization, and digital governance. Highlights included a full CBE framework for payment-service providers and operators; FRA solvency rules and digitization of insurance distribution; customs and VAT clarifications easing industrial capex; labor-market formalization via standardized contracts and temporary permits; open-data policy and telecom anti-spam/caller-ID rules; rent-law amendments; and waste-management fee rationalization. New state-ownership governance through Law 170/2025 and a draft state-ownership law aim to systematize divestments and strengthen transparency, though potential institutional overlap risks require close coordination.



Risks and outlook

Baseline prospects for 2026 are cautiously positive: disinflation, a firmer EGP, high reserves, and improving bank NFA provide policy space for continued, measured easing and a gradual growth pickup. Key risks include global financial-market volatility, domestic administered-price adjustments that could slow disinflation, execution risk in privatization and customs/logistics reforms, and concentration of FDI in non-tradables. The central test is converting stabilization into momentum: scaling non-oil exports, crowding in productive FDI, and executing privatization with transparent market mechanisms so that the currency's strength and external balance are anchored in productivity, not episodic inflows.

01

Credit Ratings



CREDIT RATINGS

Rating Agency	Rating (Long-Term Foreign-Currency)	Outlook	Date of Action
S&P Global Ratings	B (from B-)	Stable	10 Oct 2025 (S&P Global)
Fitch Ratings	B (affirmed)	Stable	10 Oct 2025 (Fitch Ratings)

S&P GLOBAL RATINGS

On 10 October 2025, S&P upgraded Egypt's sovereign rating to B from B-, with a Stable outlook. The upgrade reflects a more favourable assessment of Egypt's external and macroeconomic position following reforms such as exchange-rate liberalisation, the recovery of international reserves, and renewed inflows of tourism, remittances, and foreign direct investment.

S&P continues to cite high government deficits, elevated debt burdens and large external financing needs as credit constraints. It notes that further upgrades are contingent on meaningful improvement in Egypt's net debt metrics, stronger external liquidity and sustained reforms.

FITCH RATINGS

Also on 10 October 2025, Fitch affirmed Egypt's long-term foreign-currency issuer default rating at B, maintaining the Stable outlook. The affirmation reflects improved external buffers — including a rise in gross international reserves to about US\$ 47 billion (up US\$ 2.1 billion in the first nine months of 2025) — as well as a better-than-expected net foreign asset position in the banking sector.

Nonetheless, Fitch emphasises ongoing structural vulnerabilities: high interest-cost burdens on government revenue, sizeable external commercial-financing requirements, inflammation from inflation, and geopolitical risks remain significant.

CREDIT RATINGS

The dual confirmation from S&P (upgrade) and Fitch (affirmation) within the same week signals a meaningful shift in credit-market perceptions of Egypt: external resilience and reform credibility appear to be improving, which may help reduce risk premia on sovereign debt. That said, the Stable outlooks from both agencies indicate a cautious staging rather than full endorsement of a turnaround. Key structural weaknesses remain, and the next rating moves will likely hinge on visible progress in:



narrowing external
imbalances and building reserves



reducing inflation and
stabilising the currency regime



restraining debt service costs
and broadening the tax base



executing structural reforms in
the business environment and
public-sector transparency

02

Real Sector



REAL GROWTH RATE

Egypt’s GDP growth rate recorded a notable increase during the fourth quarter of fiscal year (FY) 2024/2025, registering 5%, compared to 2.4% in the corresponding quarter of the previous fiscal year. Consequently, the overall growth rate for FY 2024/2025 recorded 4.4%, surpassing the targeted rate of 4.2%.

Key sectors contributing to this growth included:



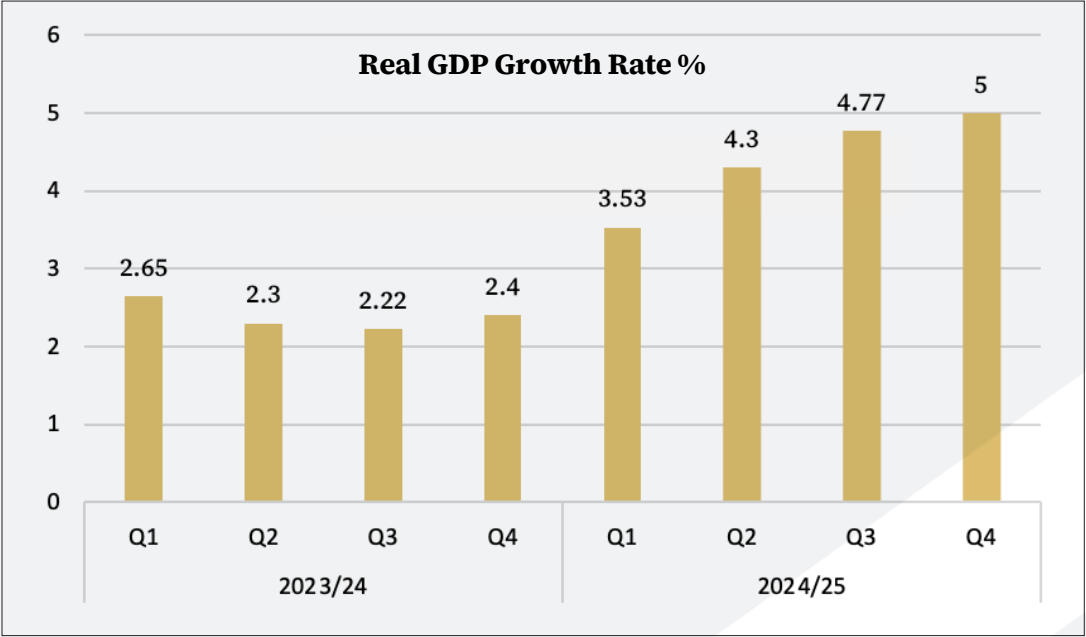
Tourism
Recorded a growth rate of 19.31% in the fourth quarter and 17.26% for the full fiscal year. The sector was the fastest-growing activity during both the fourth quarter and the fiscal year 2024/2025. This was supported by increased investments in tourism infrastructure and hotel capacity, enabling Egypt to record over 17 million tourist arrivals during the year.



Non-oil Manufacturing
Recorded a growth rate of 14.64% in the fourth quarter and 13.76% for the fiscal year. This was supported by the expansion of the outsourcing industry.. In May 2025, Egypt launched the National Strategy for the Transition to Internet Protocol Version 6 (IPv6) to modernize digital infrastructure, support the deployment of 5G and Internet of Things (IoT) applications, and ensure the sustainability of internet services.



Communications and Information Technology
Recorded a growth rate of 18.81% during the fourth quarter and 14.68% for the fiscal year, representing the largest contributor to GDP growth, with a contribution of 2.1 percentage points to the total quarterly GDP growth rate of 5%.



Source: MPEDIC

REAL GROWTH RATE

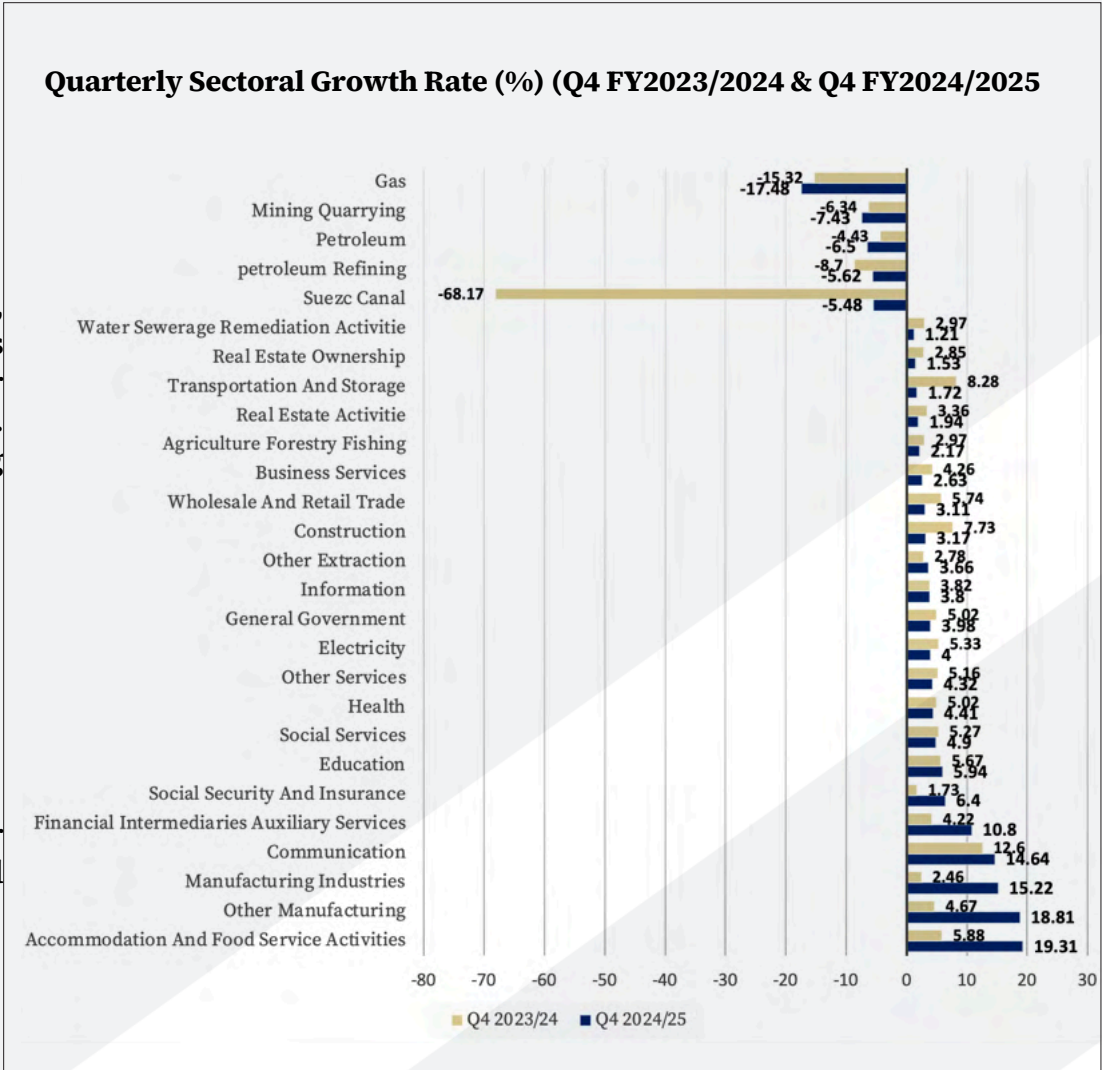
Other sectors continued to experience declines during the fourth quarter and the fiscal year:

Suez Canal

Recorded a contraction of 5.5% in the fourth quarter and 52% for the full fiscal year, primarily due to heightened geopolitical tensions in the region. These tensions adversely affected maritime trade, leading to a significant reduction in the number and tonnage of transiting vessels and, consequently, a decline in canal revenues. Despite this, the Suez Canal Authority implemented mitigation measures, including incentive packages and reductions in transit fees, to support traffic volumes.

Extractive Industries

Continued to contract; however, the pace of decline moderated in the fourth quarter as some field development activities resumed. As a result, the contraction recorded 7.4% during the quarter, indicating gradual stabilization in the sector’s performance.



Source: MPEDIC

PRODUCTION (NON-OIL PRIVATE SECTOR)

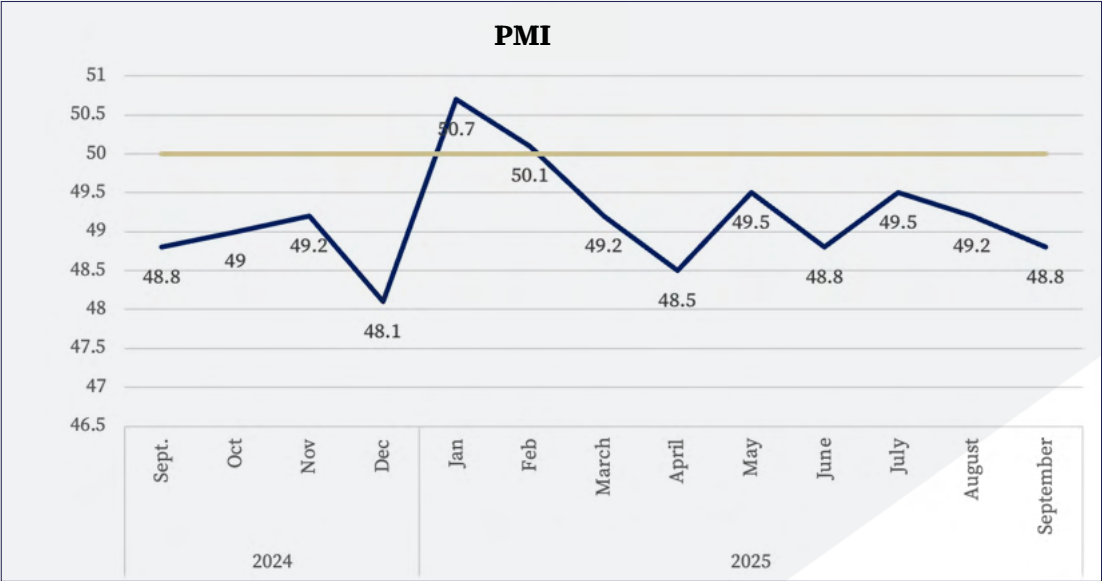
Private sector activity nears stabilization as PMI Rises to 49.2 in October 2025

Egypt’s non-oil private sector showed tentative signs of recovery at the start of Q4 FY 2025/26, with the S&P Global Egypt Purchasing Managers’ Index (PMI) climbing to 49.2 in October 2025 from 48.8 in September. The index, though still below the neutral 50.0 threshold, signalled the slowest pace of contraction in three months, pointing to an emerging stabilization in business conditions after a prolonged period of subdued activity. The improvement in October followed a sharper downturn in September, when output and new orders had fallen more steeply due to muted demand, price pressures, and wage-related cost increases.

Business Activity and Demand Trends

The October survey indicated that declines in output and new orders continued but at a softer pace. Firms reported that market demand, while still weak, began to show early signs of recovery, supported by a more stable exchange rate environment and improved access to imported inputs. The fall in new business was the least severe in five months, suggesting that the impact of tighter monetary and fiscal policies is gradually moderating. Some firms attributed this easing to an improvement in domestic confidence following currency stabilization and the return of FX liquidity.

In contrast, September had marked the most pronounced contraction in three months, with order book inflows shrinking sharply and sales hit by weaker household purchasing power. Retail and wholesale segments were particularly affected, reflecting the slower pace of consumer demand recovery and rising costs in the distribution chain.



Source: S&P Global PMI

Employment and Input Purchasing

Employment conditions turned slightly positive in October, registering the third increase in four months, as firms cautiously added staff to meet expected demand. This followed a near-standstill in September, when most businesses reported unchanged workforce numbers. The October report also showed a slower reduction in purchasing activity, suggesting firms are starting to rebuild input inventories in anticipation of a modest improvement in sales. Indeed, inventories of purchased goods rose for the second time since May 2025, a potential sign that firms expect stronger output requirements in the months ahead.

PRODUCTION (NON-OIL PRIVATE SECTOR)

Prices, Costs, and Profit Margins

Input-cost inflation accelerated to its highest rate since May 2025, driven mainly by rising wages and, to a lesser extent, higher raw-material prices. Wages rose at the fastest pace in over a year as firms responded to both staff retention pressures and the gradual rise in living costs. Despite this, output-price inflation softened, as firms absorbed part of the higher input costs to preserve competitiveness. This indicates that producers are still prioritizing market share over margins, a typical feature of early-stage recoveries in price-sensitive markets.

In September, by contrast, overall cost pressures had eased to a six-month low thanks to the stronger pound and lower import prices. The renewed cost-build-up in October underscores that the inflation cycle remains incomplete, with wage dynamics emerging as a new source of pressure even as imported-cost inflation subsides.

Business Sentiment and Outlook

Expectations for the year ahead improved modestly in October compared with September's near-record lows, though they remained below the historical series average. Firms expressed cautious optimism that domestic demand and investment will gradually recover as financing conditions stabilize and foreign-exchange shortages remain absent. However, several respondents continued to highlight concerns about high financing costs, subdued export demand, and slow payment cycles as constraints on growth momentum.

Quarterly Interpretation

The September-October PMI trajectory suggests that Egypt's non-oil private sector is transitioning from contraction toward stabilization, aligning with broader macroeconomic signals such as cooling inflation and steady exchange-rate dynamics. The average PMI for Q2 FY 2025/26 (October–December, assuming stability in November–December) is likely to improve slightly compared with Q1, marking the first sequential upturn since FY 2023/24.

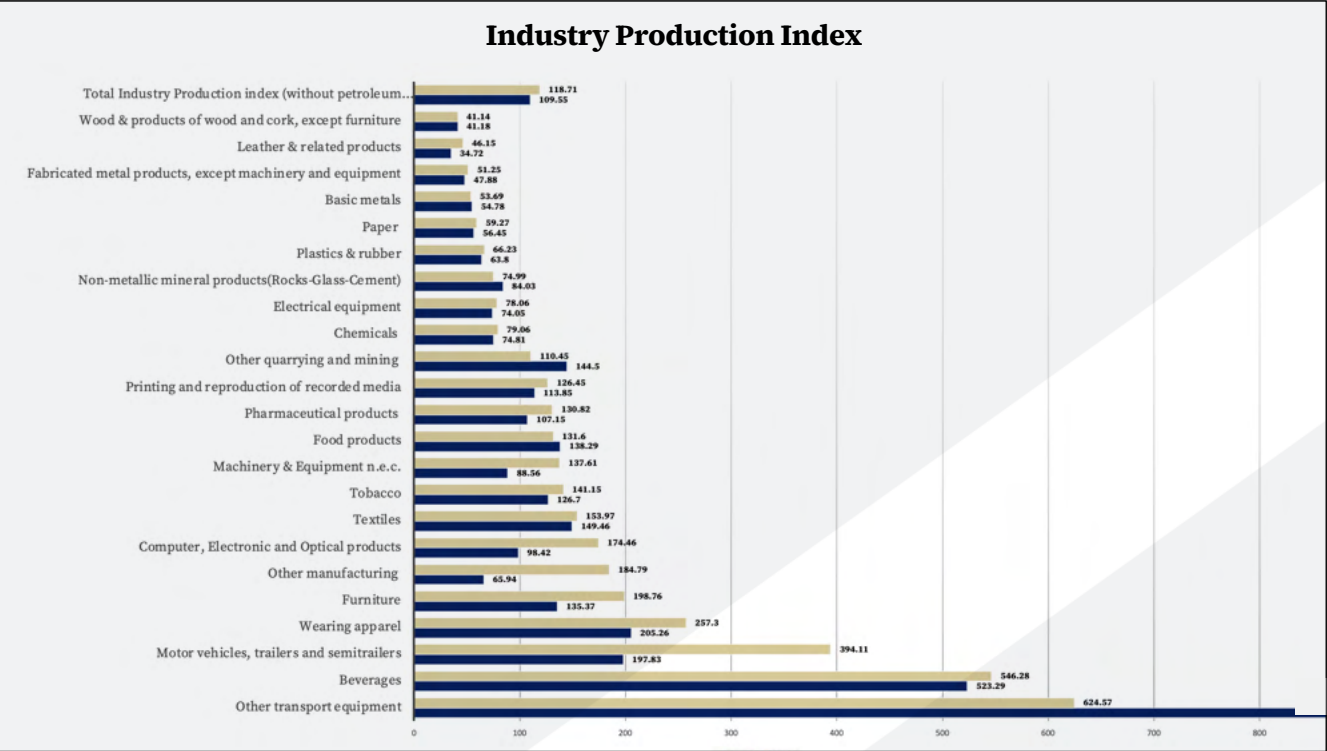
Nevertheless, the persistence of readings below 50.0 confirms that domestic demand remains fragile, investment activity cautious, and the recovery uneven across sectors. Sustained improvement in real incomes, a continued easing of inflation, and lower interest-rate pressures will be essential to translate these early gains into genuine expansion in the coming quarters.

PRODUCTION (NON-OIL PRIVATE SECTOR)

Egypt’s industrial production index registered a year-on-year increase of 8 percent in June 2025, rising to 118.71 points compared to 109.55 a year earlier, according to the Central Agency for Public Mobilization and Statistics (CAPMAS). The improvement reflected a broad-based rebound in manufacturing output across most industries, supported by greater availability of imported inputs, relative exchange-rate stability, and stronger external demand for select manufactured goods.

Notably, output growth was led by textiles, chemicals, fabricated metal products, and machinery manufacturing, which benefited from higher export orders and normalization of input supply chains. In contrast, several energy- and construction-linked subsectors recorded declines, including transportation equipment, food products, other quarrying and mining activities, basic metals, and non-metallic mineral products (particularly rock, glass, and cement). Weakness in these categories reflects the ongoing slowdown in large-scale construction and infrastructure projects, as well as lower public investment spending and elevated financing costs affecting capital-intensive industries.

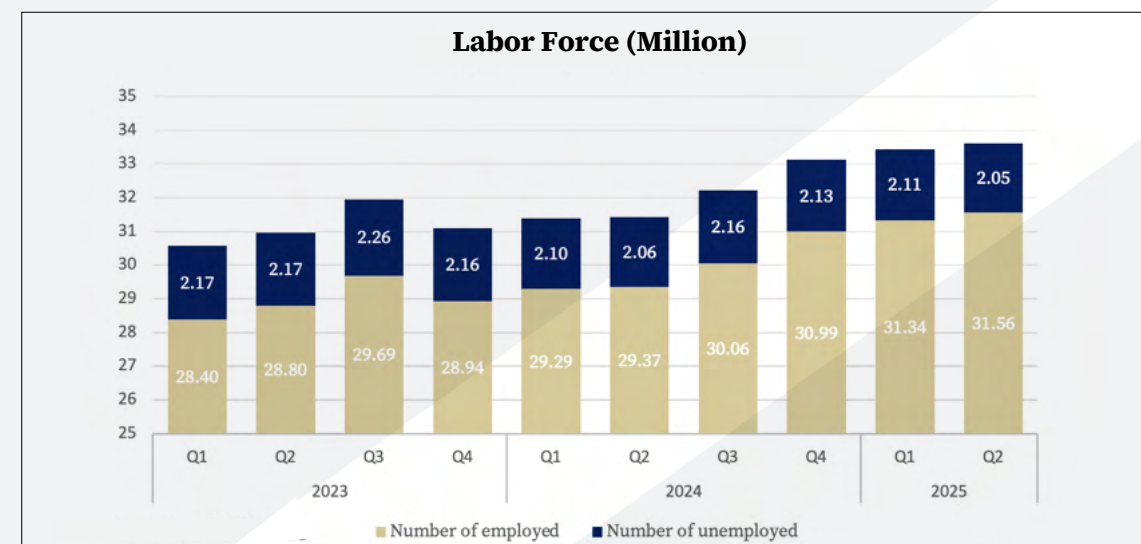
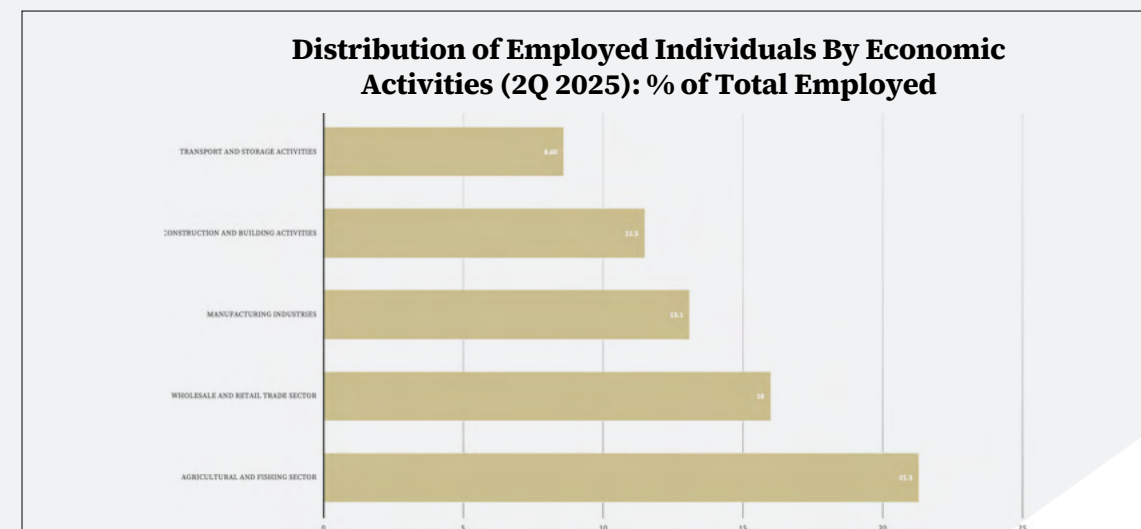
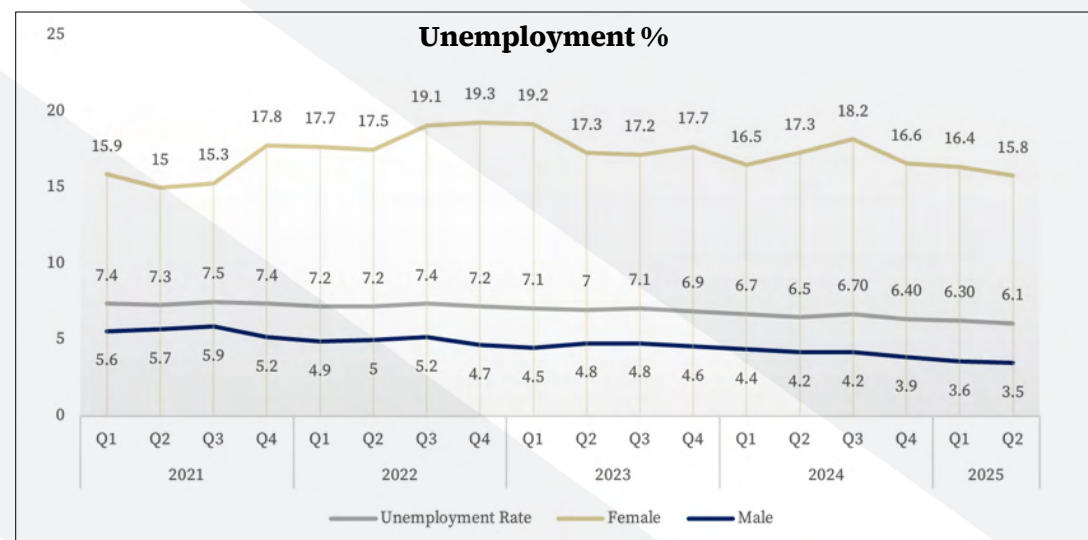
Overall, the industrial sector’s performance during the second quarter of 2025 indicates a gradual normalization rather than a full rebound. The production index remains above pre-2024 averages, but the pace of expansion remains constrained by high borrowing costs and limited new investment flows. Looking ahead, output is expected to improve moderately in Q2 FY 2025/26 as inflation decelerates and imported input availability continues to stabilize, though activity in the construction and materials sectors is likely to lag.



Source: CAPMAS

EMPLOYMENT

- Data from the Central Agency for Public Mobilization and Statistics (CAPMAS) show that unemployment rate declined by 0.4 percentage points year-on-year in the second quarter of 2025, reaching 6.1%.
- The improvement was driven by a 7% annual increase in employment, with the number of employed individuals rising to 31.56 million, compared to 29.37 million in the same period of 2024. Additionally, the number of unemployed individuals recorded a 0.19% annual decrease.
- Among various sectors, agriculture and fishing remained the largest employer, providing jobs for 6.709 million workers.



Source: CAMPAS

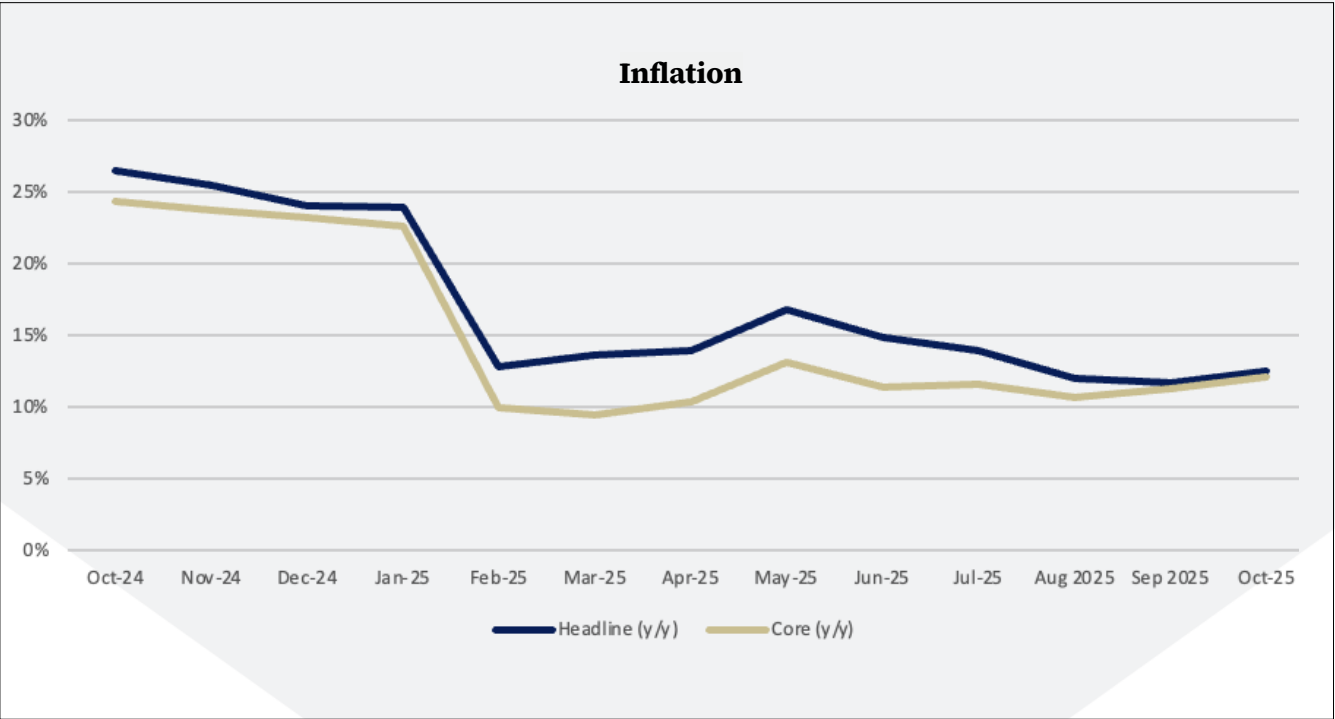
03

Monetary Sector



INFLATION

The annual disinflation trend slowed in October 2025 as short-term price pressures picked up. Urban headline inflation rose to 12.5 percent year-on-year in October 2025 (from 11.7 percent in September), while month-on-month inflation accelerated to roughly 1.8 percent on the urban series; CAPMAS' nationwide CPI registered a 1.3 percent monthly increase. The re-acceleration was driven primarily by the mid-month fuel price hike on October 17 and the pass-through to transport and distribution costs, alongside a renewed rise in housing-related costs.



Source: CBE-CAPMAS



Fuel and transport. The Automatic Fuel Pricing Committee raised gasoline, diesel, and CNG prices by about 10–13 percent (e.g., 95-octane to EGP 21.00/liter; 92-octane to EGP 19.25; 80-octane to EGP 17.75; diesel to EGP 17.50; CNG to EGP 10/m³). This was the second fuel adjustment of 2025 and is expected to be held for at least a year, according to official statements. The October energy move lifted direct fuel components and added near-term pressure to transport services and distribution margins.



Housing and rents. Housing, water, electricity, natural gas, and fuel recorded notable annual increases in October, with the monthly pickup partly reflecting the gradual impact of the new rental law (Law 164/2025), in force since August 5. The reform enables rent adjustments on long-standing contracts and began feeding into CPI from September, contributing to October's MoM rise via higher effective rents and associated housing costs.



Food and beverages. After anchoring the Q3 disinflation, food prices edged up month-on-month in October (about 1.2 percent on the urban series), consistent with higher logistics and transport costs post-fuel hike and some seasonal restocking. However, on a year-on-year basis, food inflation remains far below 2024 levels, preserving the broader disinflation trend.



Education and seasonality. Education fees typically add seasonal pressure around September–October each year. While the bulk of the 2025 education effect appears to have materialized in September, residual effects, alongside transport-linked cost pass-through, likely kept services inflation firm in October. (This seasonal pattern is consistent with prior CBE commentary on tuition-fee seasonality.)

Core CPI (CBE measure) rose 2.0 percent month-on-month in October (vs. 1.5 percent in September and 1.3 percent in October 2024), keeping annual core at roughly the low-teens. The step-up in monthly core reflects broad-based services and energy-linked pass-through rather than a reversal of the year-on-year disinflation narrative.

October confirms the headline disinflation phase remains intact on a year-on-year basis, but month-on-month momentum has firmed due to energy and housing. Given official communication that fuel prices will remain fixed for at least a year, near-term inflation risks hinge more on rents, administered tariff adjustments (e.g., electricity), and wage dynamics evident in recent PMI cost indices, rather than another immediate energy shock. Barring fresh administered price moves, the near-term path still points to low-teens headline by end-Q2 FY 2025/26, though the balance of risks has tilted modestly upward versus September.

	Weight in the CPI	Jul-25	Aug-25	Sep-25	Oct-25
Food & Non Alcoholic Beverage	35.87	3	1.3	0.3	0.1
Housing, water, electricity, gas and fuel	18.05	20.4	20.1	18.2	20.7
Healthcare	9.04	37.7	34.2	31.9	27.7
Transportation	6.05	34.8	21.4	20.9	20.5
Clothes and shoes	4.67	14.6	14.4	14.4	15
Alcoholic drinks and tobacco	4.63	23.3	24.6	25.3	26
Miscellaneous goods and services	4.52	13.5	11.9	12.3	12.1
Education	4.40	10	10	10	10
Restaurants & hotels	4.27	15.1	14.5	14.1	12
Furnishings, Household Equipment and Routine Maintenance of the House	4.074	11.1	10.4	9.9	9.4
Wired and wireless communication	2.31	11.2	11.1	11	10.9

INTEREST RATE

The CBE Cut Key Policy Rates

Between July and October 2025, the Central Bank of Egypt (CBE) accelerated its easing cycle, cutting key policy rates by a cumulative 300 basis points. In its 2 October 2025 meeting, the Monetary Policy Committee (MPC) reduced the overnight deposit rate to 21.0 %, the overnight lending rate to 22.0 %, the main-operation rate to 21.5 %, and the discount rate to 21.5 %.

Rationale for the Cut

The MPC cited the sustained deceleration of inflation (headline inflation stood at 12.0 % in August 2025, down from 13.9 % in July) and signs of activity stabilisation as providing policy space for easing. In doing so, the CBE noted that output remained “marginally below potential,” allowing for supportive monetary conditions without immediate inflationary risk.

Assessment of the Cycle

This rate cut marks the fourth loosening move in 2025 — following prior reductions earlier in the year — underscoring that the CBE has shifted from purely inflation-fighting to a more balanced orientation of supporting growth while anchoring inflation expectations.

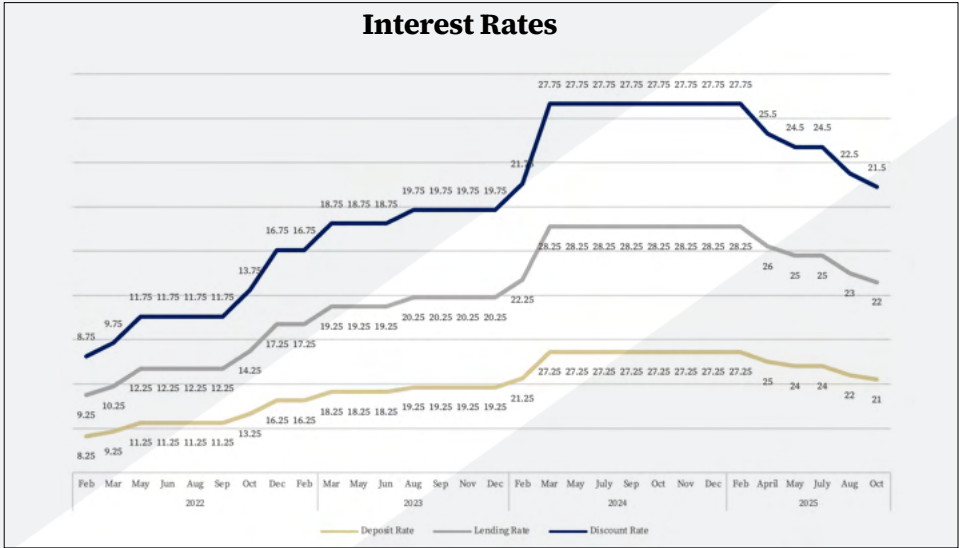
Real interest rates remain positive given underlying inflation, maintaining a buffer for potential upside risks.

Linkages to Other Macro Domains

The improvement in inflation dynamics (discussed in the “Inflation” section) underpins the rationale for this easing.

The easing cycle helps support investment, production and labour-market recovery (see “Real Economy” section) by lowering borrowing costs and improving credit affordability.

However, external and fiscal challenges impose constraints on the pace of cuts and the degree of risk the CBE is willing to assume.



Source: CBE

Risks & Forward Outlook

While the policy easing is well-timed, the MPC emphasises several upside risks:



Renewed pass-through from upcoming fuel or electricity-tariff adjustments could reignite inflation.



Wage pressures and rental/housing cost adjustments may erode real rates.



External financing volatility, particularly given significant upcoming Eurobond and sovereign-issuance requirements, could reignite precautionary premium in rates.

The CBE's medium-term inflation forecast—around 14 % for 2025 and convergence toward target by Q4 2026—suggests that further rate cuts will be data-dependent rather than on autopilot.

Implication for Q2 FY 25/26 (Oct–Dec 2025)

The October rate cut sets a favourable backdrop for the quarter: with policy rates lower, borrowing costs for corporates and households will moderate, which should support real-economy growth. Yet, because inflation picked up in October (as we noted) and external/fiscal risks remain elevated, the CBE is likely to proceed cautiously—expect one more cut in Q2 only if inflation remains on the disinflation path and external financing stays stable.

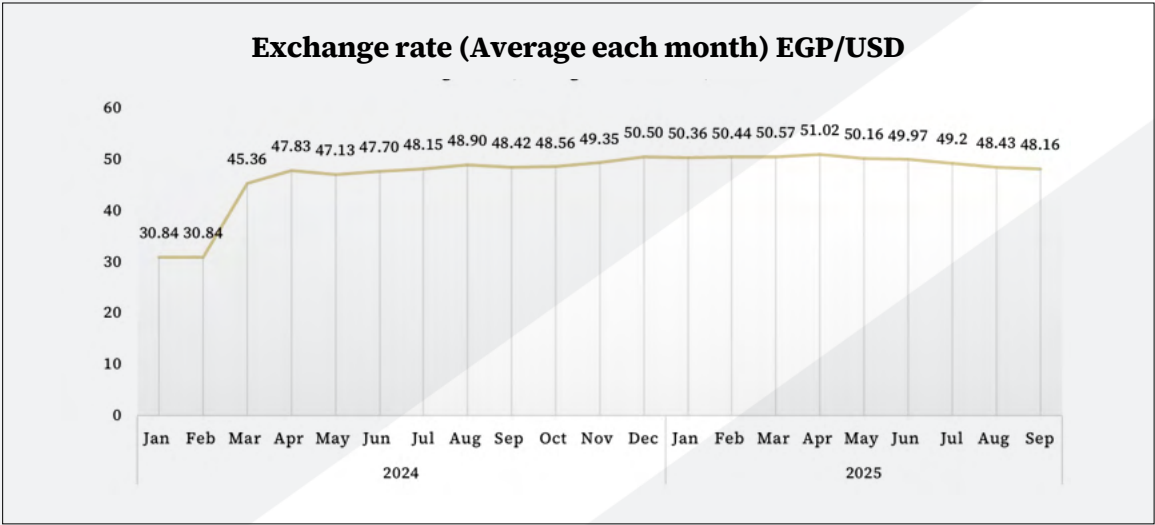
EXCHANGE RATE

The Egyptian pound (EGP) maintained a consistent trend of stability and appreciation against the US dollar between July and November 2025, supported by a combination of robust foreign currency inflows, large-scale foreign direct investment (FDI), and prudent monetary policy management. This marks one of the most stable exchange-rate periods since Egypt’s March 2024 liberalization, signaling that the FX market has largely normalized and speculative pressure has dissipated.

Between July 2025 and November 2025, the EGP appreciated from EGP 49.2/USD in July to EGP 47.24/USD in November, representing a gain of approximately 4 percent over the period. The exchange rate remained within a narrow ±1 percent intramonth range, underscoring the absence of volatility that previously characterized the market.

According to banking sector data and market surveys, daily interbank liquidity improved steadily, with no reported FX backlogs since mid-2025.

Month (2025)	Average Exchange Rate (EGP/USD)	Monthly Change	Cumulative Change (from July)
July	49.2	—	—
September	48.16	≈ 2 % appreciation	≈ 2 %
November	47.24	≈ 2 % appreciation	≈ 4 %



Source: CBE

Key Drivers of Pound Stability and Appreciation:

1. Domestic Catalysts: Strengthened FX Inflows and Policy Credibility

Record FDI Inflows and Sovereign Transactions: The single largest near-term catalyst has been the USD 29.7 billion investment agreement between Egypt's New Urban Communities Authority and Qatari Diar to develop the Alam El-Roum area in the North Coast region. The deal provides an upfront USD 3.5 billion cash inflow before end-2025, with additional in-kind and profit-sharing components. A significant portion of the proceeds will be directed to public-debt reduction and fiscal stabilization, which has boosted investor sentiment and reduced sovereign-risk premiums in local debt markets.

Tourism, Remittances, and Services Balance: Tourism receipts and workers' remittances continued to act as reliable foreign-currency sources, together exceeding pre-pandemic levels by mid-2025. The combination of improved travel connectivity, regional tourism recovery, and ongoing remittance inflows from the GCC region has helped sustain the current-account adjustment and eased pressure on import financing.

Prudent Monetary Policy and Positive Real Rates: Despite an easing cycle since August 2025, Egypt's policy rates remain among the highest in emerging markets (deposit 21 %, lending 22 %), ensuring continued portfolio inflows into local-currency debt instruments. The maintenance of positive real interest rates has helped retain non-resident investment and prevent renewed capital outflows, supporting exchange-rate stability.

2. Global Environment: A Supportive Dollar Cycle

Externally, the EGP's performance coincided with a period of broad US-dollar softness. Expectations of monetary easing by the US Federal Reserve, amid slowing global inflation and lower US-yield differentials, reduced the attractiveness of the dollar and spurred portfolio rebalancing toward emerging-market currencies. This shift provided additional tailwinds to the EGP's appreciation during Q4 2025.

3. Outlook and Policy Implications

While the EGP's resilience reflects improved fundamentals, vigilance remains warranted. The currency's stability remains sensitive to changes in global risk appetite, oil-price shocks, and the trajectory of US interest rates. Domestically, the government's strategic decision to use large FDI proceeds for debt reduction rather than direct reserve accumulation represents a structural shift toward fiscal consolidation and long-term stability.

If successfully executed, this approach can entrench confidence and reduce Egypt's external-financing premium over time. However, short-term appreciation pressures may taper as FDI disbursements normalize and as the CBE proceeds cautiously with further rate cuts in early 2026.

Overall, the Egyptian pound's performance between July and November 2025 underscores a new phase of FX-market normalization — characterized by liquidity, two-way flexibility, and investor confidence — rather than mere administrative stability. Sustaining this equilibrium will depend on maintaining transparent policy coordination between fiscal authorities, the CBE, and key investment partners.

Inflation Slowdown: Moderation Without Relief



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PPI and CPI Moderate Sharply in 2025

Egypt's inflation trajectory in 2025 has shown a pronounced slowdown, with both producer and consumer prices moderating significantly. CAPMAS data indicate that between January and August 2025, the Producer Price Index (PPI) increased by an average of 18 percent year-on-year, sharply down from 42 percent during the same period in 2024. This marked moderation in PPI inflation reflects a combination of factors: (i) favorable base effects following the cost shocks of 2023–early 2024, (ii) partial stabilization and normalization of global commodity and intermediate-goods prices, and (iii) improved external financing and exchange-rate stability, which reduced the pass-through of imported input costs to domestic producers. Similarly, urban Consumer Price Index (CPI) inflation averaged 15 percent over the same period, compared with 29.87 percent a year earlier. The moderation was largely driven by disinflationary trends in the food and beverage sector.

Recent policy measures, including fuel price adjustments and the government's amendment to the long-standing rent control law which had frozen rents for millions of tenants for over a decade have had a modest impact on inflation in the most recent months.

While Firms Absorb Costs, Households Feel the Pinch

Although headline inflation figures suggest a moderation in price pressures, recent business and household surveys indicate that underlying cost pressures continue to shape economic behavior. The October 2025 S&P Purchasing Managers' Index (PMI) for Egypt's non-oil private sector shows that non-oil private sector firms faced the fastest increase in input costs in five months, driven primarily by rising wages—the sharpest since October 2020—along with higher supplier prices and fuel costs. Selling price inflation remained modest as businesses absorbed cost increases to maintain demand, reflecting heightened price sensitivity among consumers.

Household-level data echo these pressures, survey results from a study conducted by AUC (2016–2025) on household coping strategies in urban Egypt indicate that families respond to inflationary pressures by lowering food quality, reducing non-essential spending, and adjusting meal patterns. Education remains a priority, with households maintaining school attendance while modifying private tutoring or shifting children from private to public schools.

Bridging the Gap: From Numbers to Real Relief

The divergence between headline inflation and the lived experience of households and businesses highlights the need for more than just statistical moderation, it underscores the importance of accurate measurement and structural reforms that strengthen the economy's resilience. Enhancing CPI methodology through representative outlet selection, updated dwelling surveys, robust quality adjustments, and frequent weight updates remains critical to capturing the true pressures faced by consumers and firms.

Beyond measurement, sustaining disinflation requires addressing the deeper structural drivers of cost and competitiveness. Strengthening local supply chains, improving the quality and reliability of domestic inputs, and aligning production processes with international standards can reduce dependency on volatile imported goods and enhance confidence among businesses and investors. Increasing productivity, achieving economies of scale, and modernizing production techniques are essential to lowering the real cost of production and ensuring that cost savings translate into lower prices for consumers. The challenge is not headline moderation itself but ensuring that disinflation translates into tangible relief—improved living standards for households and sustainable margins for businesses so that statistical gains become real economic resilience.

04

Fiscal Sector



FISCAL SECTOR

The overall budget deficit declined by 0.4 percentage points of GDP, recording 6.9% of GDP during the period July–May FY2024/2025 (excluding receipts from the Ras El Hekma deal with the United Arab Emirates), compared to 7.3% of GDP recorded during the same period of the previous fiscal year. Meanwhile, the primary surplus rose by EGP 267 billion equivalent to 1.1% of GDP, achieving a record level of EGP 580.4 billion (3.4% of GDP) during July–May FY2024/2025, compared to EGP 313 billion (2.3% of GDP) in the corresponding period of the previous fiscal year.

Total revenues increased by EGP 28.4 billion (1.3%), recording approximately EGP 2,246.6 billion during July–May FY2024/2025, compared to EGP 2,218.1 billion in the same period in the previous fiscal year. Tax revenues accounted for 86.9% of total revenues, while non-tax revenues represented the remaining 13.1%. The 36% increase in tax revenues during July–May FY2024/2025 (equivalent to 1% of GDP) compared to the same period in the previous fiscal year was driven by higher receipts across all tax categories, reflecting strengthened confidence and improved compliance within the business community.

Total expenditures expanded by EGP 685.7 billion (25.2%) to record EGP 3,408.7 billion during July–May FY2024/2025, compared to EGP 2,723.1 billion in the same period of the previous fiscal year. Interest payments rose by 34%, amounting to EGP 1,764.8 billion during the period under review, up from their level in the corresponding period of the previous year.

Fiscal Sector Performance during July-May 25-24		
EGP Billion	July-May	
	FY2023/24	FY2024/25
Revenues	2,218.1	2,246.6
Taxes	1,437.8	1,951.7
Grants	2.5	9.5
Other Revenues	777.8	285.4
Expenditure	2,723.1	3,408.7
Wages and Compensation of Employees	467	529
Purchase of Goods and Services	127.3	147.2
Interest Payments	1,321.8	1,764.8
Subsidies, Grants and Social Benefits	467.3	586.1
Other Expenditures	124	148
Purchases of Non-financial Assets (Investments)	215.7	233.6
Cash Balance	-504.9	-1,162.2
Net Acquisition of Financial Assets	-5.6	22.2
Overall Budget Balance	-1,008.9	-1,184.4
Primary Budget Balance	312.9	580.4
Budget Primary Surplus/Deficit (% of GDP)	2.3%	3.4%
Budget Overall Balance (% of GDP)	-7.3%	-6.9%

Note: The Overall Balance and Primary Balance is excluding Ras Elhekma Receipts Worth EGP 510 billion during the period July-May of FY 23/24.

DOMESTIC DEBT

Gross domestic debt rose notably in Q4 FY 2024/25 to EGP 11.05 trillion, compared to EGP 10.7 trillion in Q3 FY 2023/24, marking a quarterly increase of 3.5%. The continued rise in domestic debt reflects the government’s sustained reliance on local borrowing to finance fiscal needs.

Breakdown by Maturity

- ▶ Short-term debt, which constitutes the bulk of the portfolio, increased by 2.8% to EGP 9.5 trillion, up from EGP 9.3 trillion in the previous quarter. The preference for short-term instruments likely reflects heightened financing requirements, tighter liquidity conditions, or a desire for greater flexibility amid interest rate uncertainty.
- ▶ Medium-term debt declined by 9.9% to EGP 328.7 billion.
- ▶ Long-term debt expanded by 14.2% to EGP 1.2 trillion.

EGP Millions	Q4 FY 25/2024	Q4 FY 24/2023	Growth rate %
Gross domestic debt by maturities (Original)	11,057,337	10,685,858	3.5
Short-term	9,517,140	9,259,934.1	2.8
Medium-term	328,659	364,845	-9.9
Long-term	1,211,538	1,061,079.5	14.2
Net deposits of the government at the banking system	632,504	663,780.1	-4.7
Net domestic government debt	10,424,833	10,022,077.9	4

Government Deposits

Government net deposits within the banking system declined by 4.7%, reaching EGP 632.5 billion in Q4 FY 2024/25, down from EGP 663.8 billion in Q3 FY 2023/24. The decrease suggests increased government withdrawals from the banking sector to meet short-term fiscal obligations or support spending in priority sectors.

LATEST DEVELOPMENTS IN BUDGET FINANCING

Egypt Targets USD 4 Billion in International Bond Issuances to Cover 40% of FY2024/25 External Financing Needs

Egypt plans to issue up to USD 4 billion in international bonds over the next 12 months to cover around 40% of its USD 11 billion external financing gap for FY2024/25. The issuances will include Eurobonds, sustainability-linked bonds, Asian-currency instruments, and Islamic sukuk, as part of efforts to diversify funding sources and investor bases.

The remaining financing needs are expected to be met through concessional loans, multilateral disbursements, and strategic investments. Despite improved investor sentiment, Egypt's sovereign bonds continue to yield above 9%, reflecting persistent fiscal pressures and reliance on debt rollovers.

Key Impacts of the Agreement:

The bond program is expected to diversify Egypt's funding channels and attract a wider range of global investors. However, it underscores Egypt's ongoing dependence on external borrowing, with limited progress toward sustainable financing or structural reforms to reduce future funding needs.

Egypt Considers Allocating 50% of Major Deal Proceeds to Debt Reduction

The Egyptian government is studying a proposal to allocate 50% of proceeds from major financial deals toward debt reduction. The plan aims to cut external debt by around USD 1 billion by the end of the current fiscal year. The initiative is part of efforts to enhance debt management and strengthen Egypt's overall fiscal position.

Key Impacts of the Agreement:

The measure is expected to support debt sustainability, improve fiscal stability, and signal stronger commitment to responsible financial management and investor confidence.

05

External Sector



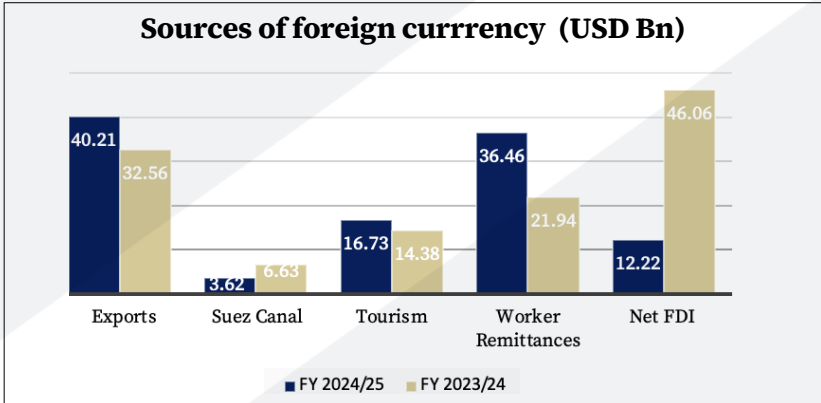
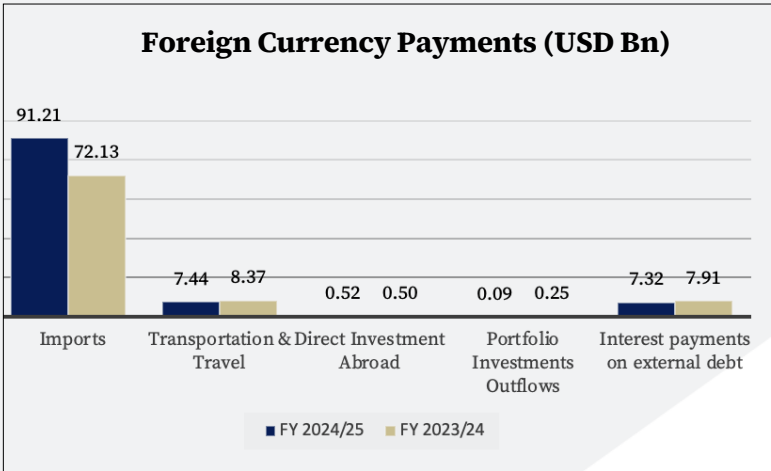
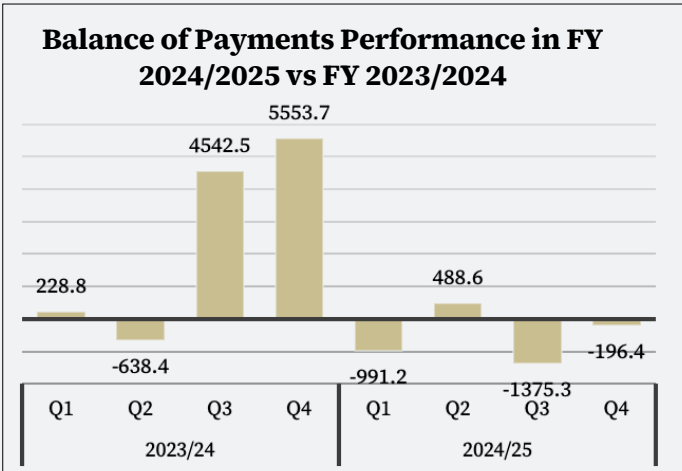
BALANCE OF PAYMENTS

According to the CBE, the balance of payments recorded an overall deficit of USD 2.1 billion during FY 2024/25, compared to an overall surplus of USD 9.7 billion in FY 2023/24. This shift primarily reflects the absence of exceptional one-off inflows that were recorded in the preceding fiscal year, resulting in an unfavorable base effect.

The capital and financial account registered net inflows of USD 10.2 billion in FY 2024/25, markedly lower than the USD 29.9 billion recorded a year earlier. This decline was mainly driven by the normalization of foreign direct investment (FDI) inflows, which stood at USD 12.2 billion compared to USD 46.1 billion in FY 2023/24.

The previous year’s figure had been significantly boosted by exceptional inflows of USD 35.0 billion related to the Ras El Hekma deal. Similarly, portfolio investment inflows declined to USD 1.6 billion from USD 14.5 billion in the preceding year.

Conversely, the current account deficit narrowed by 25.9% to USD 15.4 billion, down from USD 20.8 billion in FY 2023/24, reflecting improved external transactions, particularly during the second half of FY 2024/25 (January–June 2025). During this period, the current account deficit decreased by 59.9% compared to the corresponding half of the previous fiscal year. This improvement was driven by a 55.3% increase in remittances of Egyptians working abroad, alongside a 49.6% increase in the services surplus, underpinned by a 21% rise in tourism revenues. Additionally, non-oil merchandise exports recorded robust growth of 38.9%, contributing to the narrowing of the non-oil trade deficit, while the investment income deficit registered a slight decline.



Overall Performance

Suez Canal transit receipts declined by 45.5% to USD 3.6 billion in FY 2024/25, compared with USD 6.6 billion in FY 2023/24.

Key Drivers of the Decline:

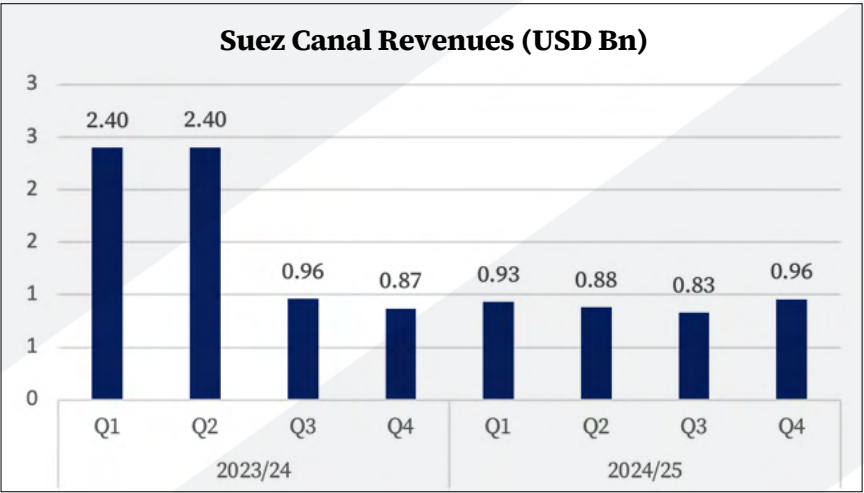
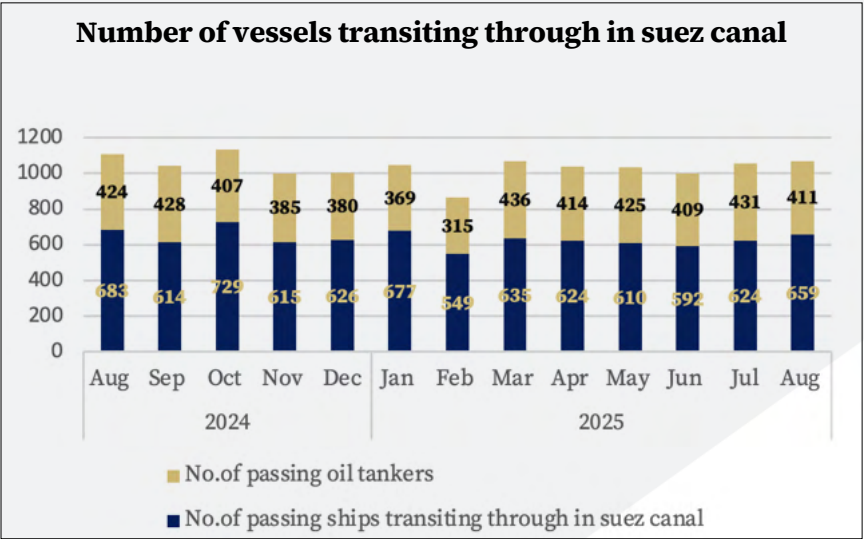
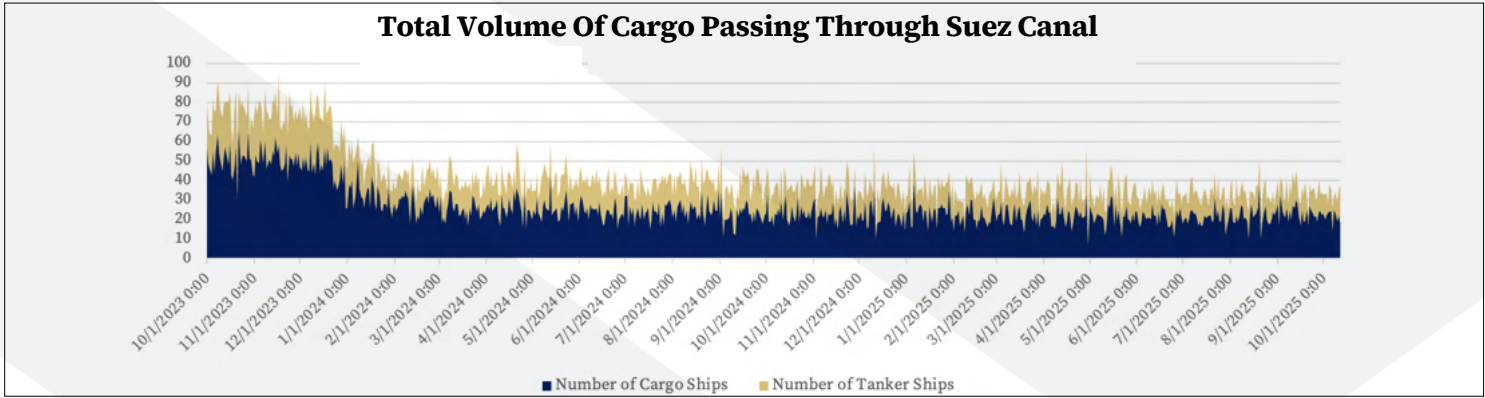
- ▶ **Net Tonnage:** Fell sharply by 55.1%, recording 482.8 million tons in FY 2024/25.
- ▶ **Number of Transiting Vessels:** Decreased by 38.5% to 12.4 thousand vessels during the year.

Underlying Factors:

The decline was largely attributed to geopolitical tensions in the region, which adversely affected maritime trade routes and led to a significant fall in both the number and tonnage of transiting vessels. This, in turn, resulted in lower canal revenues, despite the Suez Canal Authority's efforts to mitigate the impact through various incentive packages and transit fee discounts.

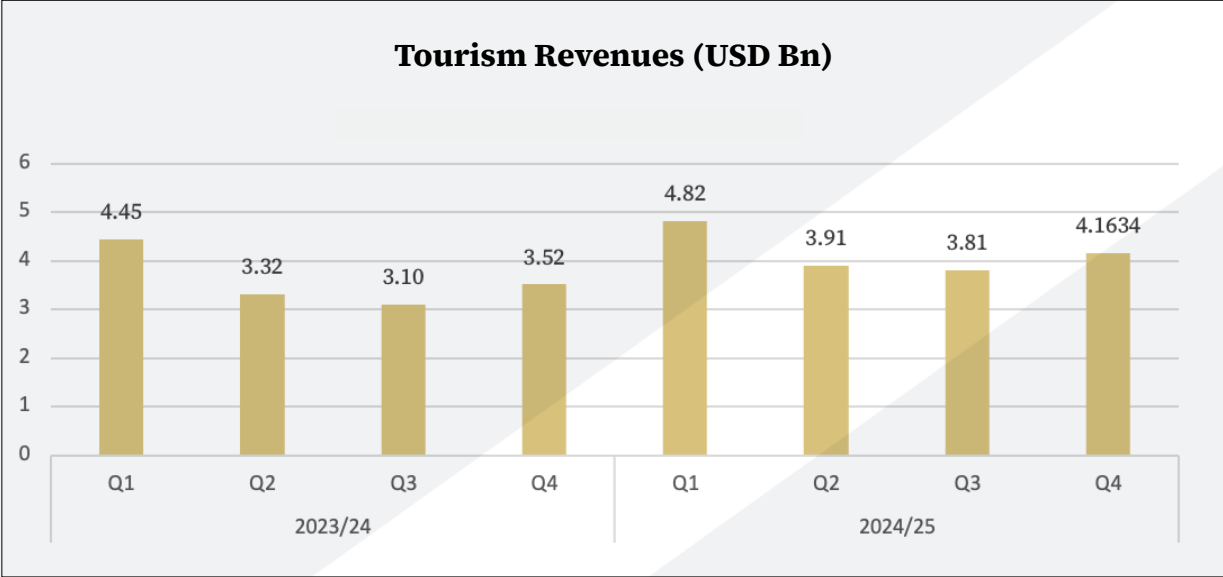
Second Half Developments (January–June 2025):

Despite the annual contraction, the second half of FY 2024/25 witnessed only a slight decline of 1.4% in transit receipts, recording USD 1.80 billion in January–June 2025, compared with USD 1.83 billion in the corresponding period of the previous year.



Tourism revenues recorded a 16.3% increase, recording USD 16.7 billion in FY 2024/25, compared to USD 14.4 billion in FY 2023/24. The rise was mainly attributed to the higher number of tourist nights, which increased to 179.3 million in FY 2024/25 from 154.1 million in the previous fiscal year. The performance of the sector was supported by continued investments in tourism infrastructure and the expansion of hotel capacity to accommodate and attract a growing number of visitors.

Notably, the government and private operators intensified modernization efforts at major archaeological and heritage destinations. Among these was the introduction of self-service ticketing machines at the Saqqara archaeological site, aimed at reducing congestion, streamlining visitor entry, and improving revenue management. These operational improvements are part of a broader tourism-digitalization initiative under the Ministry of Tourism and Antiquities, which seeks to integrate e-ticketing and data analytics into site management nationwide.



Tourism inflows benefited from a continued diversification of source markets, with visitor growth from the Gulf Cooperation Council (GCC) and Central and Eastern Europe offsetting moderate declines from traditional European markets. The expansion of direct air routes and charter operations with Saudi Arabia, Poland, and Kazakhstan supported this shift. Moreover, the sector proved resilient despite external headwinds in late 2024, including temporary disruptions to Red Sea shipping routes.



Domestic tourism also strengthened, aided by more stable income expectations and improved accessibility through the expansion of EgyptAir and low-cost carriers. The rise in domestic travel further cushioned the sector against seasonal volatility in foreign arrivals.

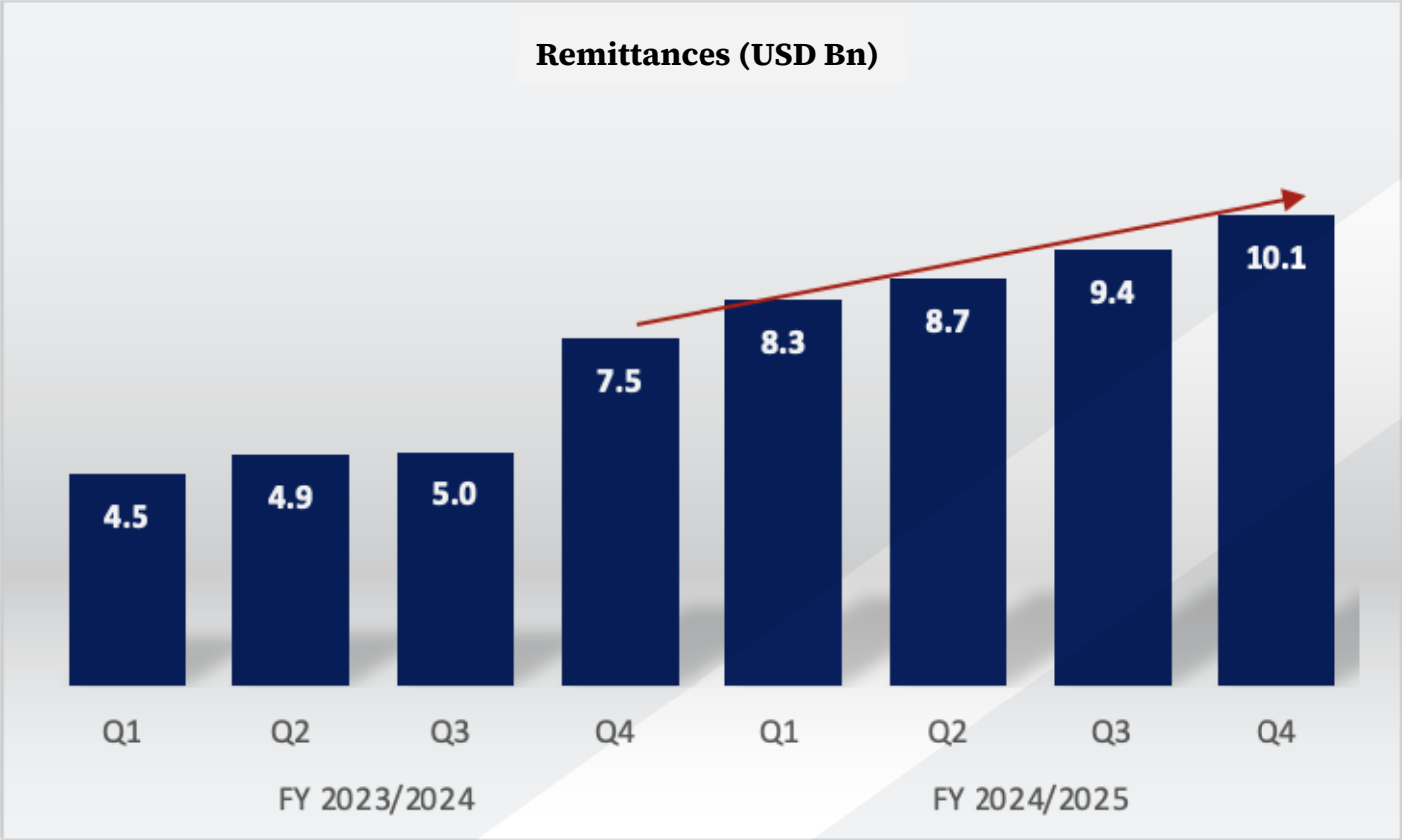
The strong tourism performance played an important role in narrowing Egypt's current-account deficit, contributing positively to service exports and foreign-exchange liquidity during FY 2024/25. The momentum is expected to continue into FY 2025/26, supported by ongoing infrastructure investments — including the completion of the Grand Egyptian Museum (GEM), new resort developments along the North Coast, and upgraded connectivity at Hurghada and Sharm El-Sheikh airports.

Looking ahead, tourism revenues are projected to exceed USD 18 billion in FY 2025/26, provided global travel demand remains robust and regional stability is maintained. The sector's trajectory reinforces Egypt's strategic focus on diversifying export earnings, with tourism acting as a natural hedge against commodity and remittance volatility. However, sustaining growth will depend on balancing capacity expansion with quality-of-service improvements, environmental sustainability, and continued digital transformation across the tourism value chain.

REMITTANCES

Workers’ remittances witnessed a remarkable recovery in FY 2024/25, rising by 66.2% to reach a record USD 36.5 billion, compared to USD 21.9 billion in FY 2023/24. This sharp increase was driven primarily by a favorable base effect, as the previous year had witnessed an exceptional dip in remittances due to severe instability in the foreign exchange market and the wide gap between official and parallel rates, which prompted many Egyptians abroad to resort to informal transfer channels.

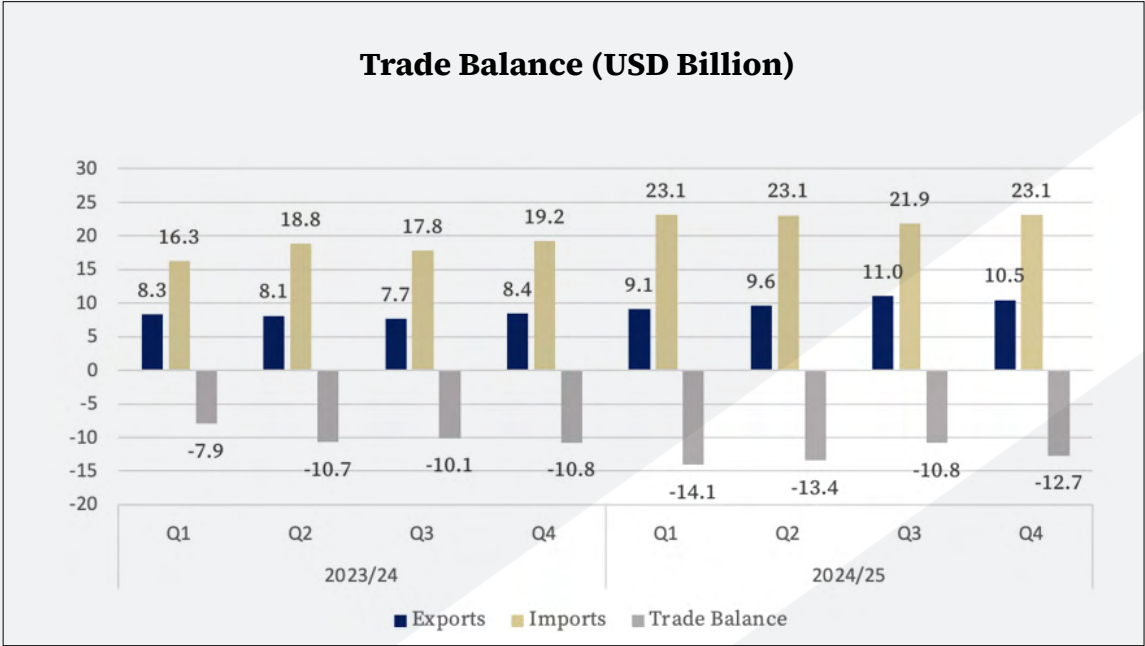
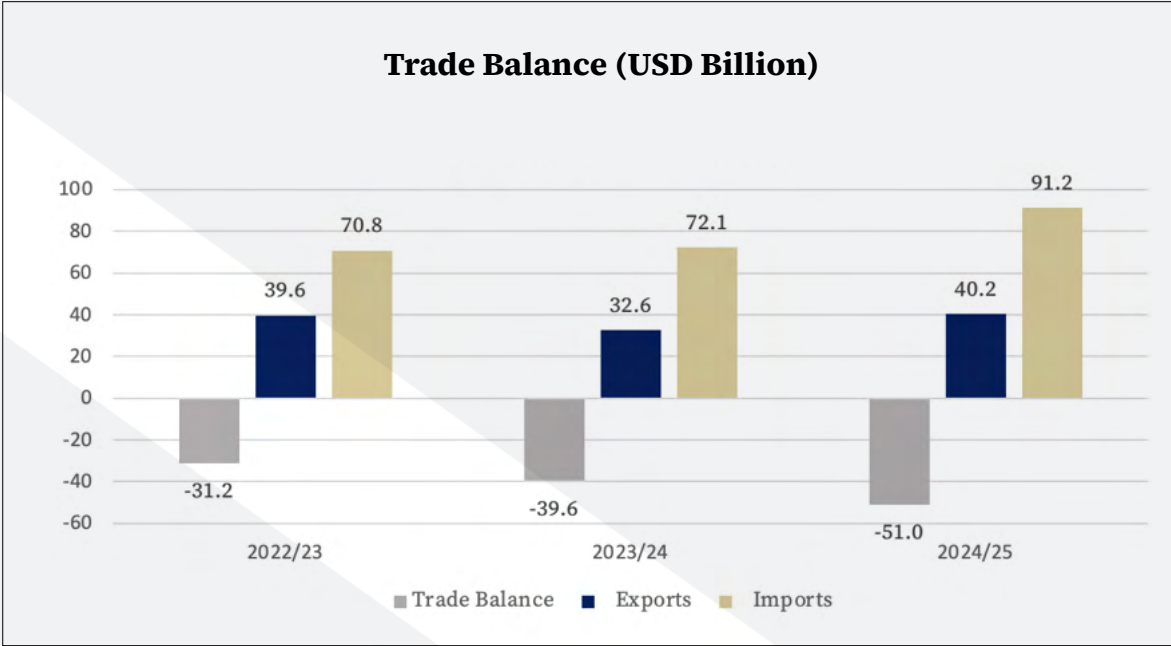
The turning point occurred in March 2024 with the elimination of the parallel market and the unification of the exchange rate, which restored confidence in the formal banking system. While several government initiatives were already in place to encourage remittance inflows, their impact became more pronounced only after foreign exchange market stabilization and elimination of the parallel market. This policy shift incentivized Egyptians abroad to revert to official banking channels. The Central Bank of Egypt’s ability to maintain these reforms was further underpinned by improved foreign currency liquidity, which provided an essential buffer for sustaining exchange rate stability.



TRADE BALANCE

During fiscal year (FY) 2024/25, trade balance deficit widened by 29%, reaching USD 51 billion compared to USD 39.6 billion in the previous fiscal year. On a quarterly basis, the deficit in Q4 FY2024/25 also expanded by 18%, recording USD 12.7 billion, up from USD 10.8 billion in the same quarter of FY2023/24.

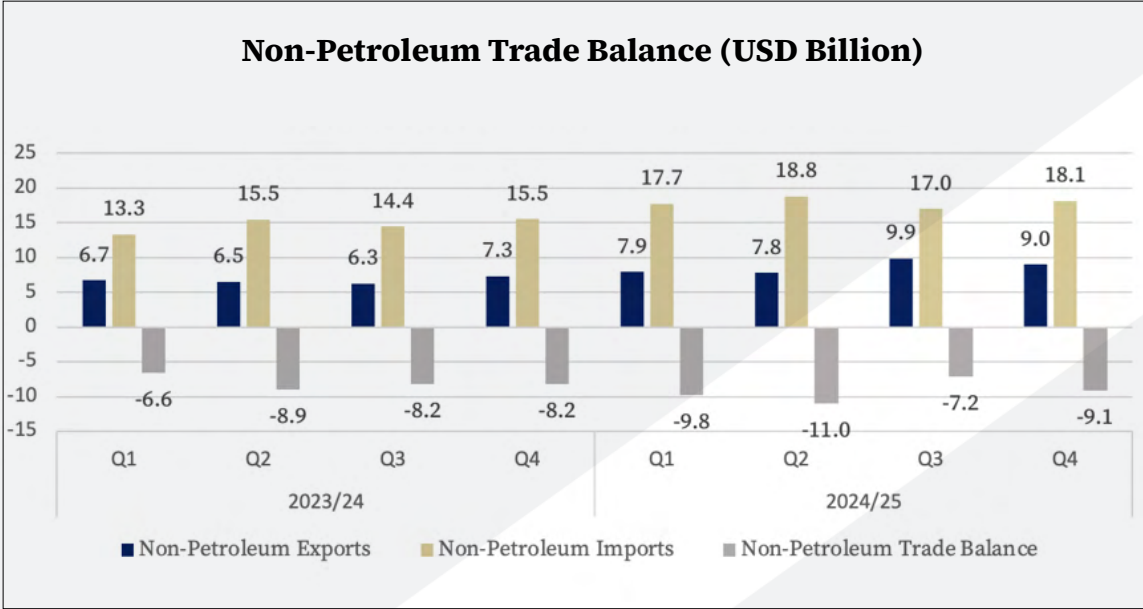
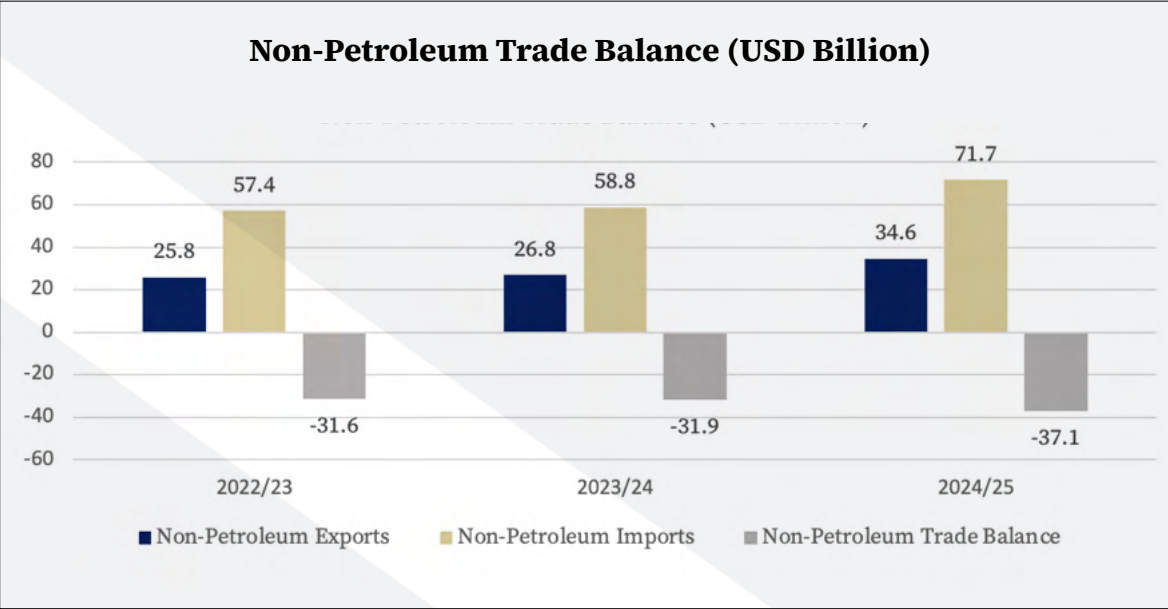
The overall deterioration in the trade balance was driven by a widening deficit in both the oil and gas, and non-oil trade components. The oil and gas trade deficit surged by 82% to USD 13.9 billion in FY2024/25, compared to USD 7.6 billion a year earlier, mainly due to a notable increase in oil imports. Meanwhile, the non-oil trade deficit widened by 16%, reaching USD 37.1 billion, up from USD 31.9 billion in the preceding fiscal year.



NON-PETROLEUM TRADE BALANCE

During FY 2024/25, the non-petroleum trade deficit expanded to USD 37.1 billion, compared to USD 31.9 billion in FY 2023/24. was mainly driven by a rise in non-petroleum merchandise imports, which increased by USD 13 billion to record USD 71.7 billion in FY 2024/25, up from USD 58.8 billion in the previous fiscal year, mainly due to higher imports of soybeans, wheat, spare parts and accessories for cars and tractors, corn, and raw tobacco.

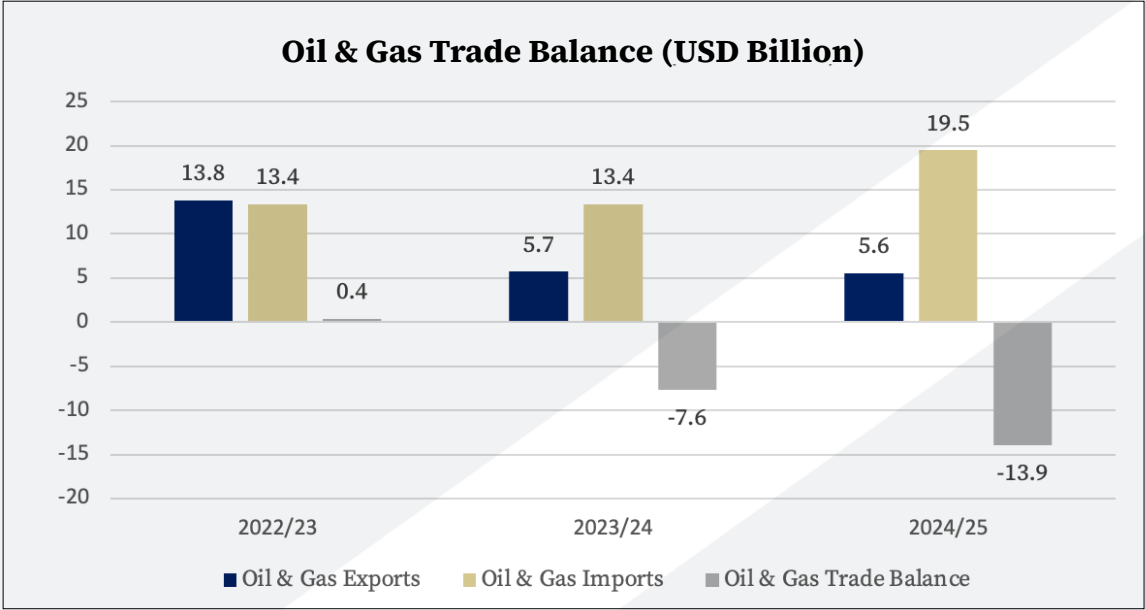
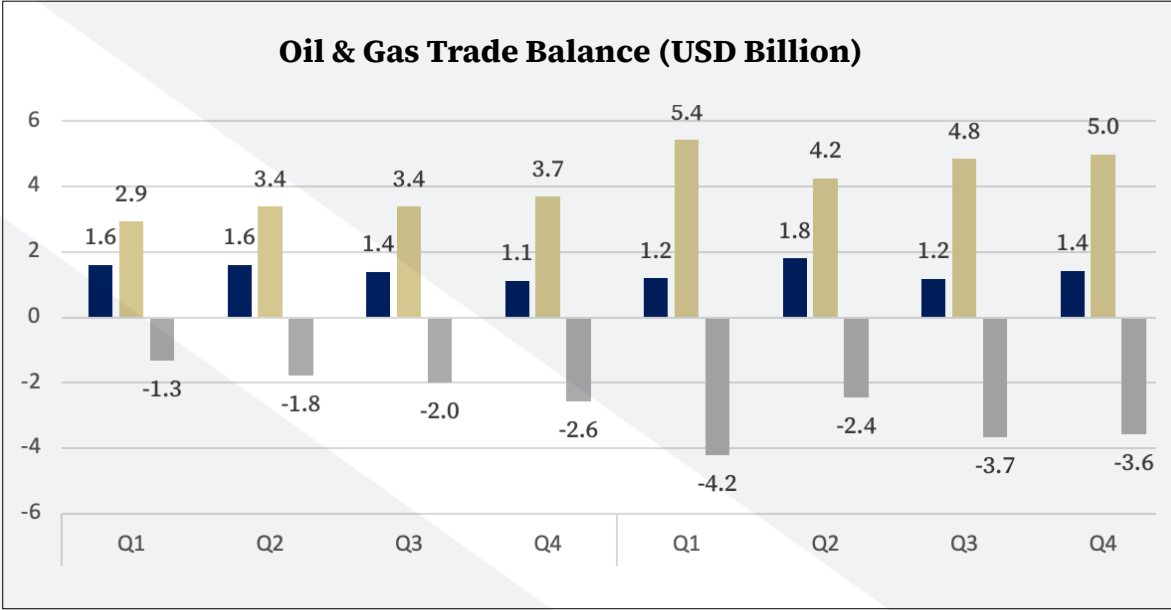
Meanwhile, non-petroleum merchandise export proceeds increased by USD 7.8 billion to record USD 34.6 billion in FY 2024/25, compared to USD 26.8 billion in FY 2023/24. The increase was primarily driven by higher exports of gold, fresh and dried fruits, ready-made garments, fresh and processed vegetables, and aluminum and related products.



OIL & GAS TRADE BALANCE

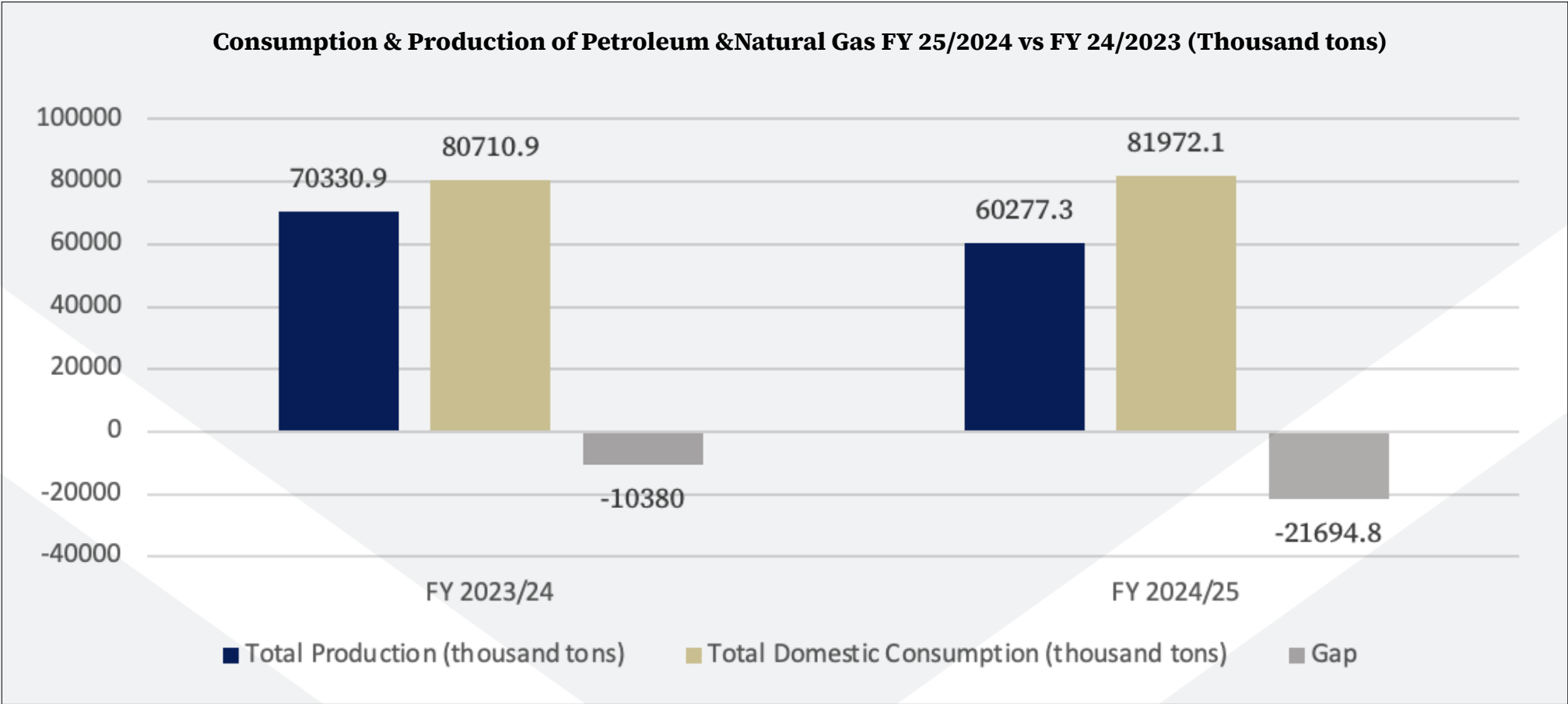
The oil and gas trade deficit widened markedly to USD 13.9 billion in FY2024/25, up from USD 7.6 billion in the preceding fiscal year. This deterioration was primarily driven by a sharp increase in oil and gas imports. Total oil and gas imports rose by USD 6.1 billion in FY2024/25 to record USD 19.5 billion, compared with USD 13.4 billion in FY2023/24. The expansion was mainly attributable to higher import values of natural gas, which increased by USD 3.9 billion, oil products by USD 1.7 billion, and crude oil by USD 495.3 million, reflecting a rise in imported quantities.

On the export side, oil and gas exports declined by USD 128.2 million in FY 2024/25 compared to the previous fiscal year to record USD 5.6 billion. The contraction was largely due to lower exports of crude oil, which fell by USD 698.3 million, and natural gas, which declined by USD 512.6 million, owing to reduced export volumes. Nevertheless, this decline was partially mitigated by an increase of USD 1.1 billion in oil product exports, supported by higher exported quantities.



OIL & GAS TRADE BALANCE

According to our calculations based on CAPMAS data, the gap between petroleum and natural gas consumption and production widened markedly in FY 2024/25, increasing by 109% compared to the preceding fiscal year. This development was driven by a sharp decline in total production, which decreased by 10,053.6 thousand tons to 60,277.3 thousand tons, down from 70,330.9 thousand tons in FY 2023/24. Concurrently, total consumption continued to rise, increasing by 1,261.2 thousand tons to 81,972.1 thousand tons in FY 2024/25, compared with 80,710.9 thousand tons in the previous year.



OIL & GAS TRADE BALANCE

	Month	Total Production (thousand tons)	Total Domestic Consumption (thousand tons)	Gap
FY2023/24	Jul	6291.7	7198.6	-906.9
	Aug	6284	7544	-1260
	Sep	5906.3	6995.8	-1089.5
	Oct	6148	6766.6	-618.6
	Nov	5906	6416	-510
	Dec	5944	6454	-510
	Jan	5,987.0	6,588.8	-601.8
	Feb	5,521.0	6,308.0	-787
	Mar	5,804.0	6,859.9	-1055.9
	Apr	5,534.3	6,274.3	-740
	May	5,608.6	6,487.1	-878.5
	Jun	5,396.0	6,817.8	-1,421.8
	Total	70,330.9	80,710.9	-10,380.0
FY2024/25	Jul	5,475.3	7,760.1	-2,284.8
	Aug	5,356.3	7,739.8	-2,383.5
	Sep	5,112.4	7,528.1	-2,415.7
	Oct	5,173.5	6,891.2	-1,717.7
	Nov	5,031.4	6,366.4	-1,335.0
	Dec	5,155.1	6,553.5	-1,398.4
	Jan	5,046.0	6,783.0	-1,737.0
	Feb	4,541.3	6,224.3	-1,683.0
	Mar	4,966.8	6,774.4	-1,807.6
	Apr	4,797.6	6,304.5	-1,506.9
	May	4,908.4	6,590.6	-1,682.2
	Jun	4,713.2	6,456.2	-1,743.0
	Total	60277.3	81972.1	-21694.8

Egypt's external sector gained further momentum in the latter half of 2025 as a series of trade-policy initiatives and industrial measures signalled a broader strategic shift toward export expansion, import rationalization, and logistics integration. These initiatives – encompassing trade liberalization with China, temporary protective tariffs on steel, and the development of an air-freight logistics hub – collectively reflect the government's dual objective of enhancing export capacity while safeguarding domestic industry competitiveness.

China Grants Zero-Tariff Access to Egyptian Exports

In November 2025, China announced the implementation of a zero-tariff policy for products from 53 African countries, including Egypt, under its Africa Trade Plan. The exemption is expected to significantly expand Egypt's exports to China, particularly in food products, textiles, garments, and raw materials.

The agreement represents a major opportunity for Egypt to deepen its integration with Asia's largest consumer market. With China already ranking among Egypt's top three trading partners, zero-tariff access could more than double bilateral trade flows over the medium term. Beyond tariff relief, the framework expands cooperation to green industries, e-commerce, and technology innovation, providing potential spillovers to Egypt's manufacturing and digital sectors.

Strategically, this agreement strengthens Egypt's positioning as a regional hub for Chinese investment in Africa and the Middle East, dovetailing with ongoing industrial-zone development projects (such as the TEDA-Suez zone). For Egypt's export strategy, the zero-tariff access aligns with the country's push to diversify export markets and reduce dependency on Europe and the Gulf, while leveraging comparative advantages in agricultural and processed-food exports.





Safeguard on Steel Imports

In contrast to the liberalizing move with China, Egypt also introduced a temporary protective measure to stabilize a critical domestic industry. On 14 September 2025, the Ministry of Trade and Industry imposed safeguard tariffs of 13.6 percent — or no less than EGP 3,673 per ton — on imports of hot-rolled steel products for 200 days. The decision follows a sharp increase in low-priced imports that caused “serious injury” to local producers.

The measure covers hot-rolled sheets, coils, and flat-rolled iron products. It aims to give Egyptian steel producers breathing room to restore market share, improve efficiency, and retain employment amid volatile global steel prices and rising import competition. While temporary, the safeguard underscores Egypt’s selective industrial-policy approach: maintaining openness to export-oriented sectors while deploying defensive measures to preserve strategic domestic industries.

This calibrated trade posture — liberalizing where competitiveness is strong and shielding where structural reform is ongoing — reflects the authorities’ intent to balance trade exposure with industrial resilience during the ongoing economic transition.

Cairo Air Freight City: Integrating Sea, Land, and Air Logistics

Complementing these trade measures, the government launched plans for an integrated air-freight city linking Cairo International Airport's cargo village with major Red Sea ports — Sokhna, Suez, and Adabiya. Spanning 7 million square meters, the project aims to create a unified multimodal logistics ecosystem connecting maritime, land, and air transport.

Once operational, the facility is expected to double Egypt's annual air-freight capacity from 400,000 tons and host international cargo operators, enabling goods to be processed, warehoused, and re-exported directly from Cairo. The initiative strengthens Egypt's role as a regional re-export and logistics hub, bridging the Mediterranean and Red Sea corridors and linking African supply chains with global markets.

This project is particularly aligned with Egypt's broader non-oil export strategy and its ambition to reduce logistics costs — currently among the highest in the region as a share of export value. By improving turnaround times and facilitating value-added re-export operations, the Air Freight City will enhance trade competitiveness and support the government's vision of positioning Egypt as a gateway for intra-African and Euro-Asian trade.

Taken together, these trade-policy actions reflect a multi-track approach to external-sector strengthening:

- ▶ Market diversification and export growth through deeper integration with China and Africa.
- ▶ Industrial protection and restructuring via selective safeguard measures that stabilize strategic sectors.
- ▶ Logistics and connectivity investments that lower transaction costs and expand re-export capacity.

In the near term, these measures are expected to support non-oil export growth and FX-earning capacity, reinforcing the Egyptian pound's stability and easing pressure on the current account. Over the medium term, their success will depend on Egypt's ability to sustain competitiveness, align domestic production standards with global market requirements, and accelerate trade-facilitation reforms — particularly customs modernization and digital documentation systems.

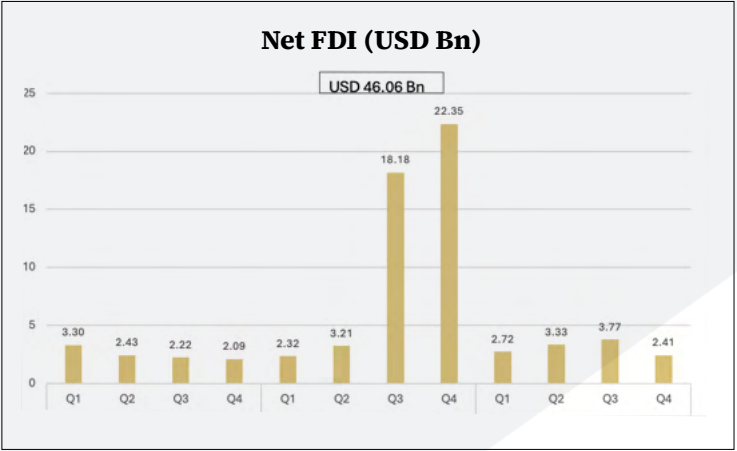


INVESTMENT

Net FDI flows into Egypt stood at USD 12.2 billion in FY 2024/25, down sharply from USD 46.1 billion in FY 2023/24. The steep drop reflects the unwinding of the one-off mega-deal effect: FY 2023/24 included approximately USD 35.0 billion attributed to the Ras El Hekma transaction. Excluding that exceptional component, the FY 2024/25 number signals a return to a more sustainable baseline.

In the non-oil sectors, net inflows reached USD 11.6 billion:

- ▶ Greenfield investments & expansions: USD 5.5 billion (including USD 354.5 million new Greenfields)
- ▶ Real-estate purchases by non-residents: USD 1.9 billion
- ▶ Sales of local firms to non-residents: USD 399.8 million
- ▶ Reinvested earnings: USD 4.2 billion



In the oil & gas sector, net FDI was USD 598.3 million (vs a net outflow of USD 351.6 million in FY 2023/24).

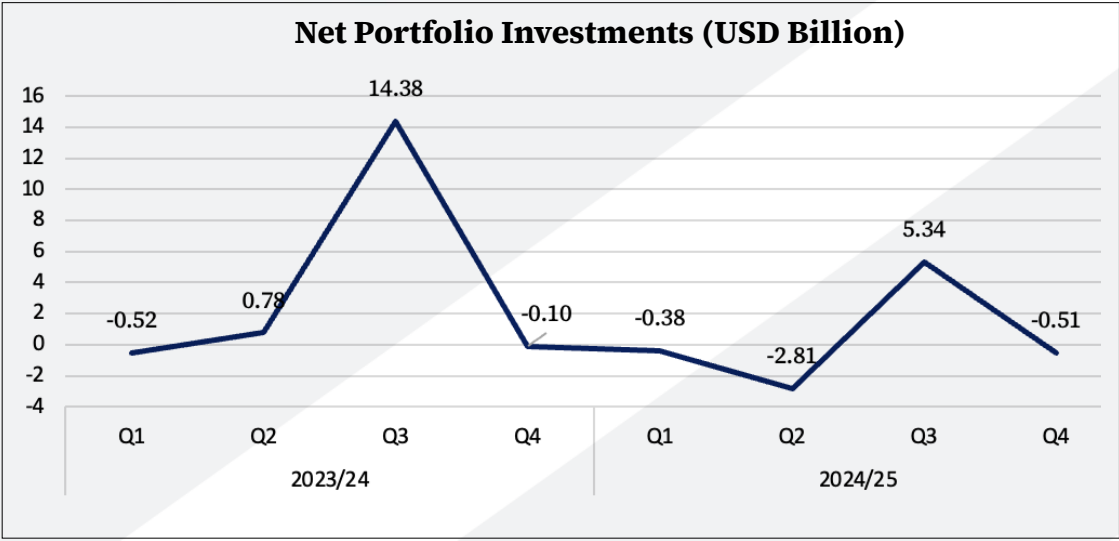
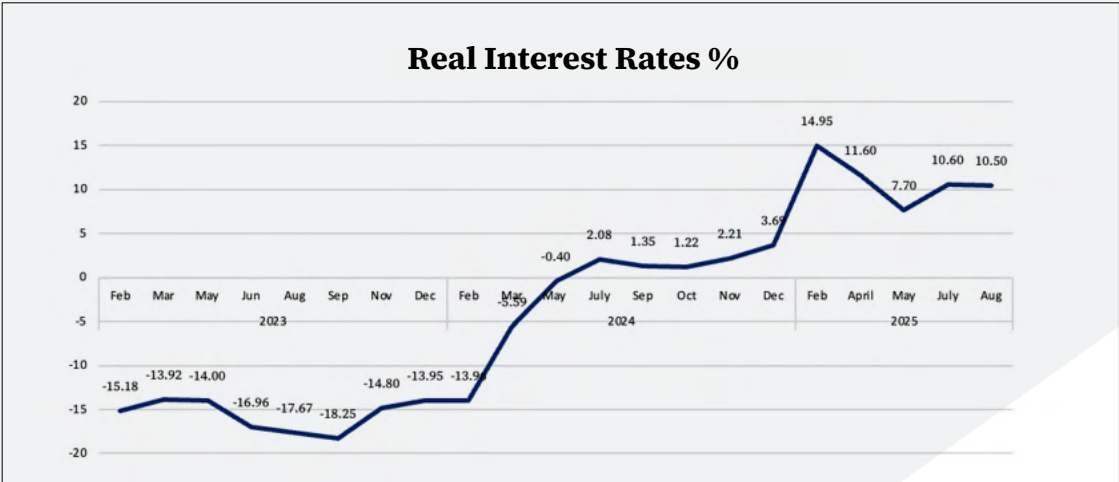
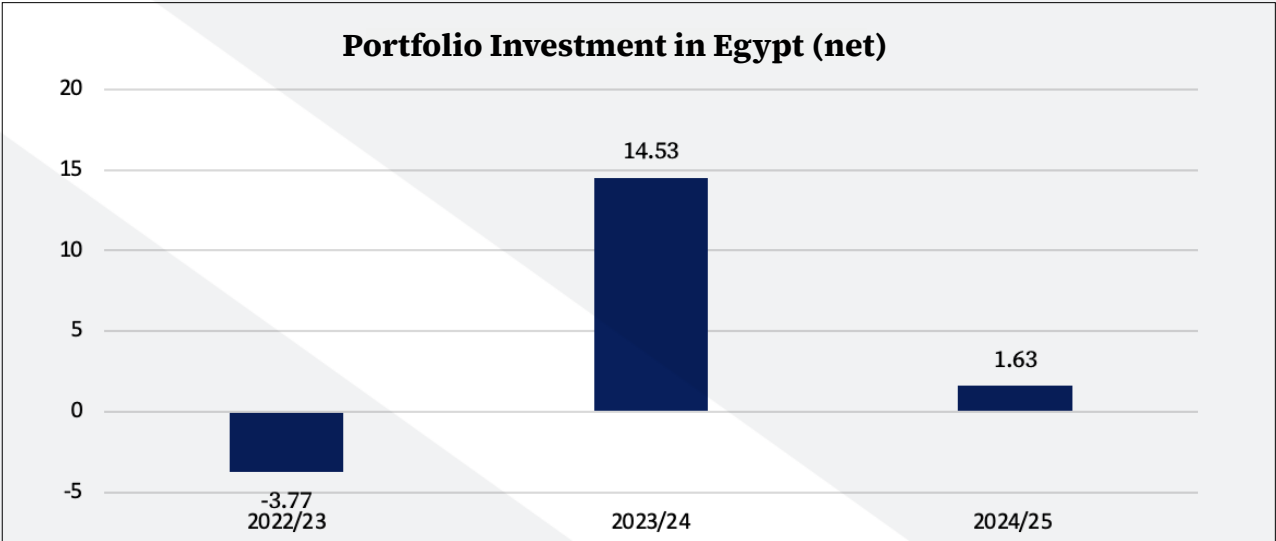
Key drivers: gross inflows of USD 6.2 billion (up from USD 5.7 billion) and outflows (cost recovery) down to USD 5.6 billion (from USD 6.0 billion). These figures reflect a shifting pattern: while oil remains a meaningful investment destination, the bulk of new activity is now concentrated in non-oil, high-value sectors — manufacturing, logistics, real estate, services. This shift is critical for the quality of FDI (not just headline size).

CBE data show that while net FDI saw a temporary spike in 2023/24, the FY 2024/25 figure aligns more closely with the multi-year average. Specifically: The time-series “Net Foreign Direct Investment” by country and sector for 2024/25 show flows tapering yet holding steady in the USD 10–12 billion range.

Quarter-by-quarter CBE “External Position” reports indicate that non-oil FDI inflows achieved USD 5.8 billion in FY 2024/25 for certain segments, marking a solid foundation for expansion. The fact that non-oil FDI makes up ~95% (11.6bn out of 12.2bn) of net flows is a favorable signal: it aligns with the export-diversification and tradables-expansion agenda necessary to reduce dependency on finite asset sales. The modest positive oil-sector contribution (USD 0.6bn) also helps stabilize FDI composition, indicating that Egypt remains investment-attractive even in hydrocarbons – though the scale is modest. From an external-sector vantage: FDI contributes to the capital & financial account, helps improve the net foreign-asset position, and underpins reserves/FX stability which supports the Egyptian pound’s (EGP) stronger performance.

PORTFOLIO INVESTMENT

During FY 2024/25, Egypt recorded a net portfolio investment inflow of USD 1.63 billion, marking a sharp decline from the exceptional USD 14.53 billion registered in FY 2023/24. This moderation primarily reflects a normalization effect following the favorable base in the previous fiscal year, when inflows rebounded strongly from a net outflow of USD 3.77 billion in FY 2022/23. The pronounced fluctuations in portfolio investment underscore the inherent volatility of such short-term capital flows, which remain highly sensitive to changes in global financial conditions and investor sentiment.



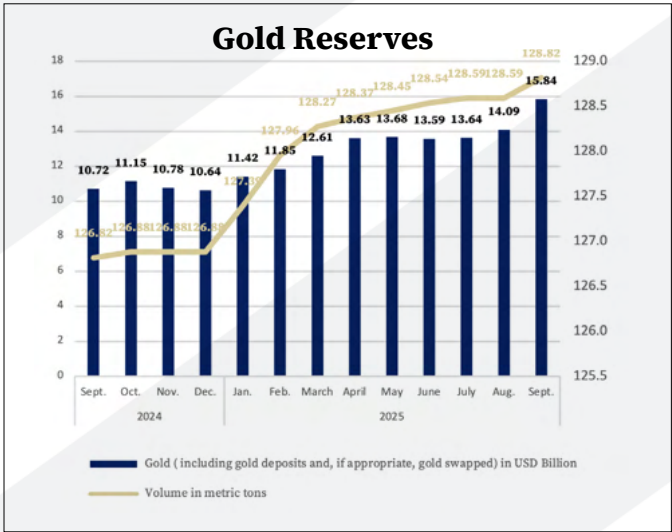
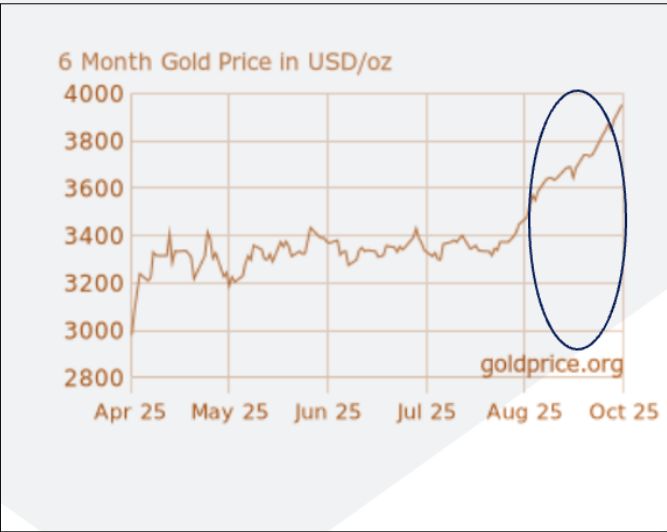
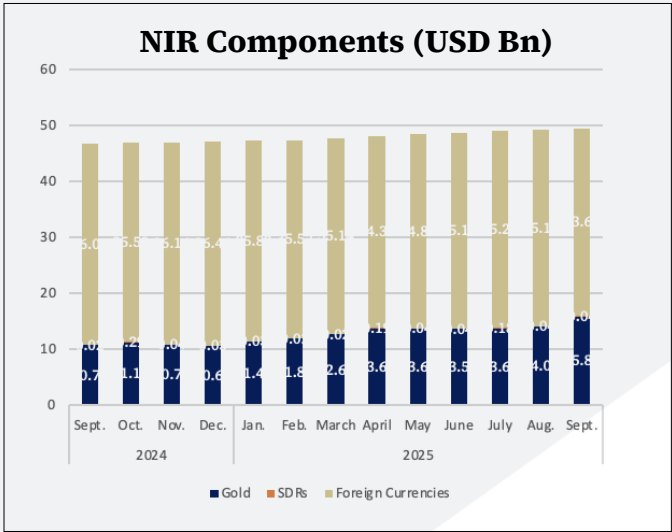
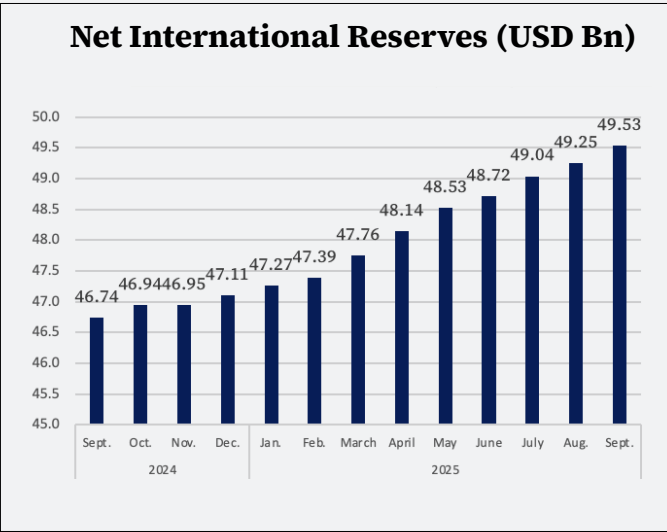
NET INTERNATIONAL RESERVES

Net International Reserves Exceeded USD 50 Billion in October 2025

Egypt’s net international reserves (NIR) climbed to approximately USD 50.07 billion at end-October 2025, up from USD 49.53 billion at end-September 2025, and rising from USD 46.74 billion a year earlier. This increase reflects both stronger foreign-currency inflows and favourable valuation effects, marking the highest reserve level since at least early 2020.

A key driver of the increase was gold reserves, which surged to around USD 16.55 billion in October 2025 (up from USD 15.84 billion in September). The physical holdings rose by a modest amount, but more importantly, global bullion prices appreciated sharply – amplifying the valuation of Egypt’s gold holdings and underpinning reserve growth.

Meanwhile, the foreign-currency component remained broadly steady at roughly USD 33.35 billion, implying that the bulk of the incremental reserves came from the gold side and FX inflows from FDI, remittances and tourism.



NET INTERNATIONAL RESERVES

The crossing of the USD 50 billion threshold is significant. It provides the Egyptian economy a stronger external cushion:

- ▶ Enhanced import-coverage: Higher reserves mean more months of merchandise import cover, reducing vulnerability to shocks.
- ▶ Improved currency confidence: The rise supports the earlier observed appreciation in the Egyptian pound (EGP) and helps anchor expectations.
- ▶ Structural credibility: The reserve build-up signals to global investors and rating agencies that Egypt's external buffers are improving, reinforcing narratives around external-sector recovery.

From a forward-looking perspective, while October's number is encouraging, some caveats apply:

- ▶ The pace of reserve growth may moderate as one-off large inflows (e.g., land-sale FDI) taper.
- ▶ Continued growth in non-oil exports, remittances, and tourism will be needed to sustain the upward trend without depending solely on valuation gains (gold) or asset-monetization surges.
- ▶ External debt service requirements and energy/import needs remain significant; hence, the reserve buffer must be maintained and ideally expanded further to absorb shocks.

Assuming policy coherence and favourable external flows persist, the reserve position should provide a stable base for the remainder of FY 25/26. The key will be maintaining this strength while converting it into broader external-sector resilience rather than a short-lived buffer.

NET FOREIGN ASSETS

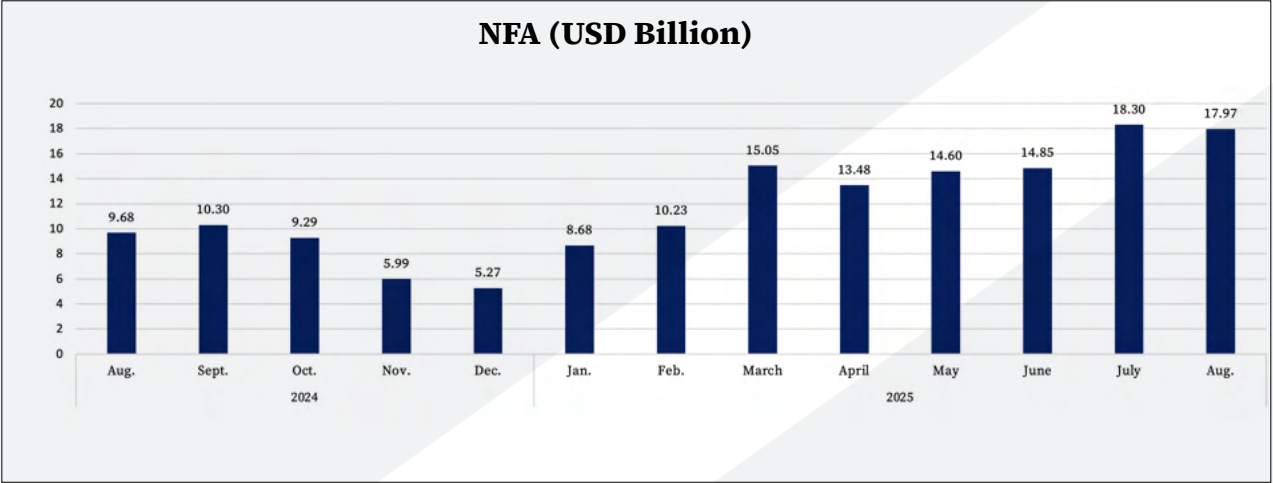
The consolidated net foreign assets (NFA) position of Egypt’s banking sector reached USD 17.97 billion in August 2025, marking an annual increase of 86 percent compared to USD 9.68 billion in August 2024, according to Central Bank of Egypt (CBE) data. This surge represents one of the strongest annual improvements in Egypt’s external liquidity metrics since 2017, driven by both official and private-sector inflows following exchange-rate unification in March 2024.

However, on a monthly basis, total NFA declined by USD 332.2 million from July 2025, indicating mild rebalancing after several consecutive months of accumulation.

The most striking improvement was observed in commercial banks’ foreign-asset position, which swung from a net deficit of USD 0.53 billion in August 2024 to a surplus of USD 7.29 billion in August 2025 — a full turnaround within one year. This reversal underscores the success of monetary and exchange-rate normalization in restoring foreign-currency liquidity across the banking system.

The shift reflects the following economic factors:

- ▶ Renewed inflows through official channels as confidence in the FX market returned, diverting remittances and trade proceeds back into the formal system.
- ▶ Reduced import backlogs, lowering the foreign-currency obligations of commercial banks.
- ▶ Foreign direct investment (FDI) and real-estate inflows credited to private banks’ accounts, improving their net positions.



NET FOREIGN ASSETS

On a monthly basis, however, commercial banks’ NFA declined by USD 0.62 billion in August 2025 from USD 7.9 billion in July, due to seasonal import payments and the repatriation of corporate dividends by multinational subsidiaries – normal short-term liquidity movements rather than structural stress.

CBE maintained a robust position, recording an NFA surplus of USD 10.68 billion in August 2025, compared to USD 10.4 billion in July 2025 and USD 10.21 billion in August 2024. This steady upward trajectory mirrors the expansion in net international reserves (NIR), and highlights the CBE’s capacity to rebuild buffers while gradually normalizing monetary operations.

Preliminary October indicators suggest that the consolidated banking-sector NFA remained above USD 18 billion, reflecting modest gains in the CBE’s position and a stable surplus among commercial banks despite seasonal fluctuations. According to CBE weekly balance sheets, commercial-bank FX liquidity remains ample, with interbank trading volumes averaging near USD 2 billion per week, a sign of a normalized and functional foreign-exchange market. This reinforces the post-2024 shift: Egypt’s external financing no longer depends solely on central-bank reserves but increasingly draws on distributed liquidity across the financial system – a healthier configuration that reduces systemic FX risk.

The recovery of NFA across both the CBE and commercial banks has several macro implications:



Exchange-Rate Resilience: Broad-based NFA surpluses enable banks to meet FX demand smoothly, reducing the likelihood of renewed parallel-market pressures.



Monetary-Policy Transmission: With ample foreign liquidity, the CBE can manage interest rates and sterilization operations more flexibly without destabilizing the FX market.



Improved Credit Conditions: Stronger foreign-asset positions enhance confidence in banks’ external solvency and allow gradual easing of import financing restrictions.

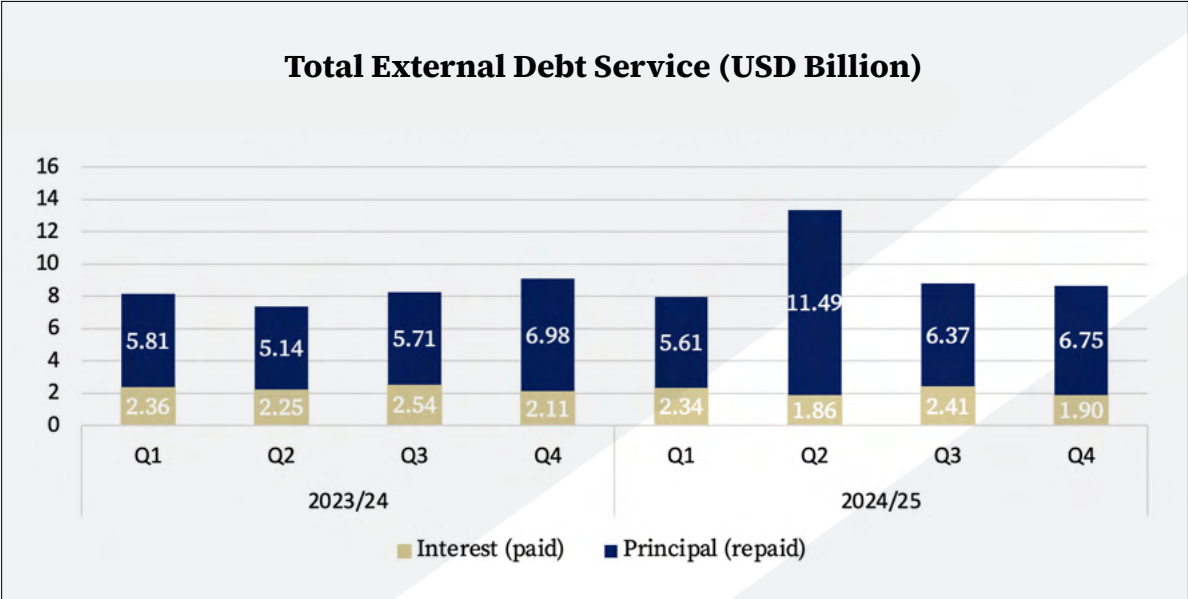
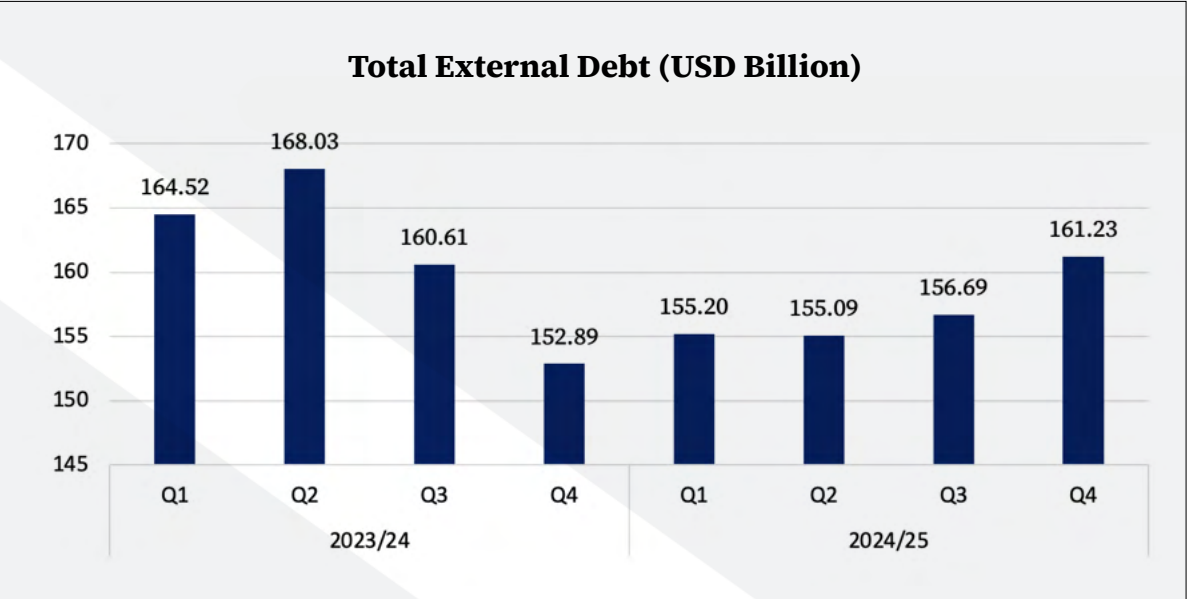


Sustainability Challenge: Maintaining these surpluses requires consistent inflows from FDI, tourism, remittances, and exports once large-scale one-off inflows taper.

EXTERNAL DEBT

External debt amounted to **USD 161.23 billion** in the fourth quarter of fiscal year 2024/2025, marking a **year-on-year increase of 5.5%** (equivalent to USD 8.34 billion) from **USD 155.20 billion** recorded in the corresponding quarter of the previous fiscal year.

Debt service obligations during the same period declined by approximately 5%, recording **USD 8.65 billion**, compared to **USD 9.09 billion** in Q4 FY 2023/2024. This decrease was primarily attributed to a reduction in both **principal repayments**, which fell by **USD 232.4 million**, and **interest payments**, which declined by **USD 214.4 million**.





Legislative and Regulatory Developments (from May 2025 to October 2025)



LEGISLATIVE AND REGULATORY DEVELOPMENTS

Egypt’s policy and legislative landscape between May and October 2025 reflected a strong push toward economic formalization, investment facilitation, and digital transformation, with notable progress in industrial regulation, finance, labor governance, and social protection. The following analysis highlights key enacted laws and regulations, along with their policy implications.



Automotive

Eased Import Rules for Automotive Components

The Ministry of Investment and Foreign Trade issued Decree No. 148/2025, amending the executive regulations of Import and Export Law No. 118/1975 to ease inspection procedures for automotive components covered under the UN framework for vehicle and equipment standards.

The decree allows visual inspections and random sampling for imports accompanied by international conformity certificates and limits laboratory testing to uncertified goods.

Policy Significance:

The reform simplifies import logistics, reduces procedural bottlenecks, and supports local assemblers and component distributors, particularly those sourcing from non-EU markets lacking E-mark certification. It also advances the Automotive Industry Development Program (AIDP) goal of streamlining parts supply chains to accelerate localization.



Banking & Finance

CBE Regulatory Framework for Payment Service Providers and Operators

CBE Regulatory Framework for Payment Service Providers and Operators: the Central Bank of Egypt (CBE) issued a comprehensive framework defining licensing, governance, and capital requirements for Payment Service Providers (PSPs) and Payment System Operators (PSOs).

Capital thresholds range from EGP 10–500 million, and institutions must align within twelve months of enactment.

Policy Significance:

This marks Egypt’s first full direct regulatory regime for fintech infrastructure, reducing reliance on banks as intermediaries and reinforcing financial-sector stability while supporting digital payment inclusion.



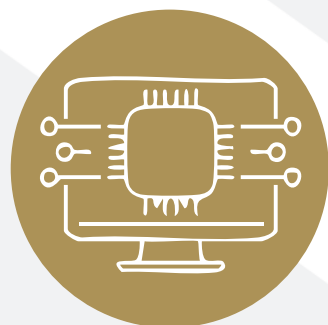
Strategic Financial System for Economic Empowerment

CBE Regulatory Framework for Payment Service Providers and Operators

Under Prime Ministerial Decree No. 3535/2025, the government launched an integrated financial-empowerment system linking Takaful and Karama beneficiaries to microfinance, digital savings, and training.

Policy Significance:

This program represents a structural shift in social-protection policy, transforming passive cash-transfer recipients into active economic participants — a cornerstone for inclusive growth and poverty reduction.



ICT

NTRA Anti-Spam and Caller Identification Regulations

The National Telecommunications Regulatory Authority introduced procedures banning unregistered SIMs for promotional calls, blocking spam devices, and introducing a national Caller ID Service for landlines and mobiles.

Policy Significance:

These measures enhance consumer protection and transparency, aligning Egypt's telecom governance with OECD digital-trust standards



National Open Data Policy

The Cabinet approved a new Open Data Policy mandating machine-readable publication of non-sensitive government data across ministries and state-owned entities, in line with the forthcoming Data Governance Law.

Policy Significance:

This step institutionalizes data transparency, enabling evidence-based policymaking and digital entrepreneurship — a key enabler for Egypt’s “Digital Transformation Strategy 2030.”



Customs

Tariff Circular No. 52/2025 – VAT Suspension on Machinery Imports

The Egyptian Customs Authority now allows industrial producers to suspend VAT payments on imported machinery and production lines upon submission of a certified bank undertaking.

Policy Significance:

This rule alleviates working-capital pressure on manufacturers and facilitates industrial expansion — particularly within export-oriented and national-project industries.



Housing and Real Estate

Amendments to the Old Rent Law

The Parliament approved amendments introducing five- to seven-year transitional periods for legacy leases, with phased rent increases (5–20× current levels depending on location).

Policy Significance:

The reform aims to gradually liberalize the rental market and align it with market dynamics, though it will require targeted housing-affordability measures to mitigate social impacts.



Investment and Capital Markets

FRA Solvency Margin Regulations (Unified Insurance Law No. 155/2024)

The Financial Regulatory Authority (FRA) issued new capital-adequacy standards for insurers, setting solvency margins based on either 20 percent of net premiums or incurred claims.

FRA Decrees No. 198–199/2025 – Digital Insurance Distribution: these decrees formalize digital licensing for brokers and mandate secure, transparent online issuance of insurance policies.

FRA Directive on Consumer-Finance Blacklist: the FRA ordered creation of a sector-wide blacklist to curb cashing-out abuses in consumer finance.

Policy Significance:

Together, these measures fortify prudential regulation across non-bank financial markets, balancing digital innovation with consumer protection and solvency integrity.



Labor Market

Temporary Work Permits for Construction Workers

The Ministry of Labor introduced a three-year permit system for construction workers, mandating registration for employment on national and state-owned projects.

Decree No. 214/2025 – Employment-Contract Filing Procedures: Issued on 5 October 2025, the decree standardizes contract formats, submission protocols, and digital filing via Ministry systems.

Policy Significance:

Both measures aim to formalize the labor market, reduce informality, and strengthen compliance – critical for productivity and worker protection.



Privatization and State Ownership Reform

Law No. 170/2025 – State-Owned Companies Unit

The new law establishes a central Cabinet-level unit to inventory, evaluate, and oversee divestments of state holdings.

Draft Law on State Ownership Policy: Parallel discussions within the Ministry of Planning propose mechanisms for public offerings and sovereign-fund participation in future sales.

Policy Significance:

These steps consolidate Egypt's State Ownership Policy Document into binding law, aiming for transparency and consistent governance of state assets – though potential institutional overlap with existing entities warrants close coordination.



Environmental Regulation

Decree No. 120/2025 – Waste-Management Licensing Fees

Introduced new fee structures for waste-export approvals (1 percent of export value, capped at EGP 200,000) and hazardous-material valorization.

Policy Significance:

The decree enhances regulatory oversight and aligns Egypt's waste-management practices with Basel Convention obligations, albeit with moderate cost increases for operators.



Taxation and Fiscal Policy

VAT Clarification for Construction Contracts

Ministry of Finance confirmed that contracts signed before VAT-law amendments retain the previous 5 percent rate, ensuring financial predictability for existing projects.

Upcoming Measures: the Tax Authority plans a second facilitation package to simplify refunds and digital compliance, while a proposed sugar-tax on beverages remains under parliamentary consideration.

Policy Significance:

These initiatives highlight continued emphasis on fiscal transparency and administrative modernization, as Egypt seeks to expand non-oil revenues without disrupting investment sentiment.

Thank you