

# ECONOMIC PULSE

OF EGYPT

A white graphic of a heartbeat line (EKG) that starts with a vertical line, followed by three distinct peaks of varying heights, and ends with a horizontal line.

**May**

**2025**



# SYNTHESIS

Egypt's economy stands at a critical juncture in 2025, balancing ambitious investment targets with the realities of global uncertainty and the need for structural reform. Following years of macroeconomic turbulence, the country is now demonstrating signs of recovery, supported by a stable exchange rate regime, disinflation, and renewed efforts to attract foreign direct investment (FDI).

Egypt has set an ambitious target to attract **USD 42 billion** in FDI in **FY2025–26**, building on the momentum from the landmark **USD 35 billion** Ras El Hekma deal. The government is banking on inflows from the GCC, particularly through its golden license program, which streamlines project approvals. Authorities aim to boost the private sector's share of total investment to **63% this fiscal year**, up from **30% in FY2021–22**, marking a clear shift toward market liberalization.

Despite these efforts, Egypt's growth projections for **FY2025–26** have been revised down slightly by international institutions. The EBRD now sees growth at **4.4%**, the IMF at **4.3%**, and Fitch Solutions (BMI) at **4.7%**, citing external pressures like weak global trade and US tariffs. However, all forecasts reflect stronger performance than recent years, as growth rebounds from **3.1% in 2023**. The recovery is driven largely by domestic consumption, wage hikes, and recovering investment sentiment, particularly in manufacturing, transportation, and trade sectors.

Monetary policy is gradually shifting as inflation moderates. After reaching **24%** in January, annual headline inflation dropped to **13.9%** in April. The CBE projects inflation to average **7% ±2% by Q4 2026**, supported by easing global supply chains, tighter fiscal policy, and currency stability. However, risks remain due to potential fuel price increases and global uncertainties, leading the IMF to urge cautious monetary easing.

**The government's reform** credibility received a boost during the IMF's fifth review mission, with the Fund noting "good progress" on fiscal and investment reforms. A disbursement of **USD 1.3 billion** is expected soon. **The IMF praised efforts to widen the tax base, digitize customs, and reduce public sector dominance.**



# SYNTHESIS

Egypt's external position is showing signs of stabilization. The current account deficit is projected to narrow to **5.2%** of GDP in **FY2025–26**, supported by stronger remittances and reduced investment income deficits. **The Egyptian pound** has recovered under a more flexible exchange rate policy. Authorities are now allowing the exchange rate to absorb shocks rather than depleting reserves, signaling a policy shift welcomed by investors.

**Trade and investment** ties with the US are also deepening. At the **2025** Egypt–U.S. Policy Leaders Forum, Egypt announced the lifting of import restrictions on US vehicles and a permanent exemption for **US dairy products** from halal certification. **A new customs agreement** is expected to be finalized soon, with officials emphasizing its potential to unlock more American investment in sectors like ICT, healthcare, and manufacturing. **Over 1,800** US companies now operate in Egypt, with cumulative investments of **USD 47 billion**.

**Domestically**, the cabinet approved reforms to support local auto manufacturing, vocational education, and export-oriented factories. A new **EGP 45 billion** export subsidy program aims to accelerate reimbursements and boost sector-specific support, particularly for engineering and chemicals.

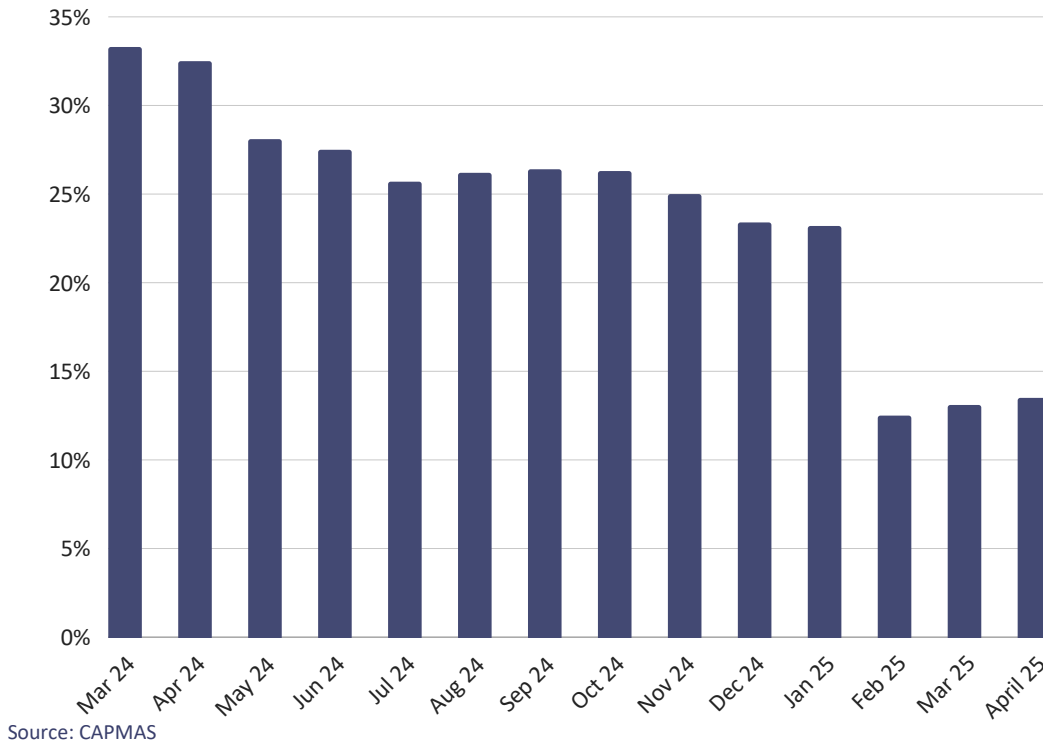
The government has doubled the property tax exemption threshold to **EGP 4 mn** as part of reforms to ease citizen burdens and modernize the tax system. The changes include a **30%** deduction for maintenance, digital tax filing, and a focus on high-value urban areas. Revenues are expected to rise to **EGP 18 bn next year**. Amendments also cap fines, waive late interest, and improve dispute resolution. A draft law is pending review in the House of Representatives.

**In summary, Egypt's economic outlook is cautiously optimistic. Growth is recovering, inflation is cooling, and reforms are underway to attract investment and reduce state dominance. However, successful implementation of fiscal discipline, and institutional reform will be critical to sustaining momentum and shielding the economy from external vulnerabilities.**



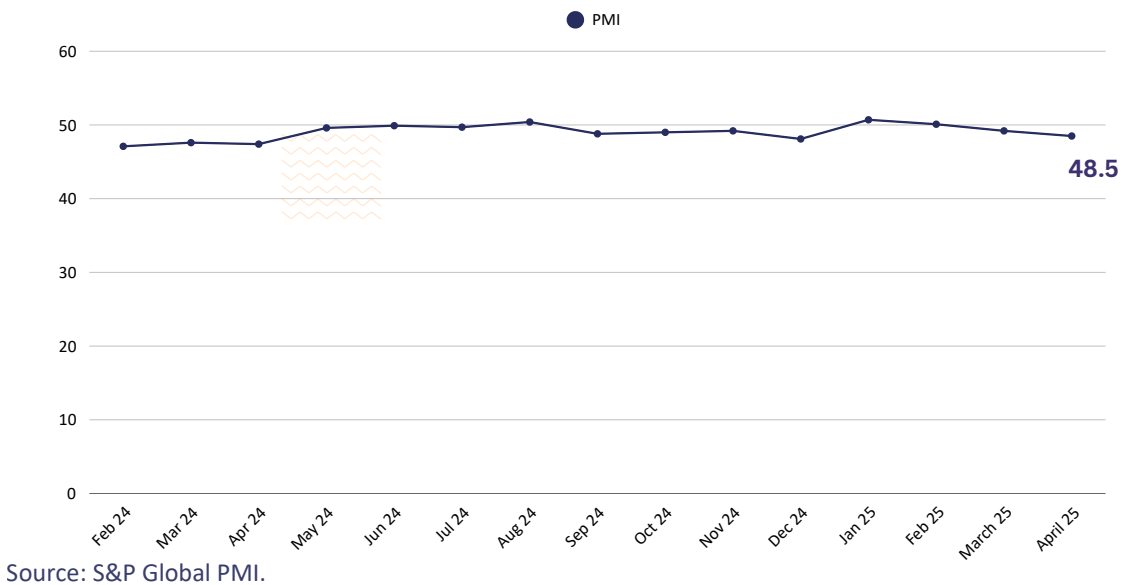
# UPDATES IN FIGURES

## ➤ Monthly Inflation Trends



According to CAPMAS, the **headline inflation** rose to **13.5%** in April, reflecting a **1.3** percentage point increase from March. Additionally, annual **urban headline inflation** increased for the second consecutive month, reaching **13.9%** in April, up **0.3** percentage points from **13.6%** in March.

## ➤ Private Sector Performance

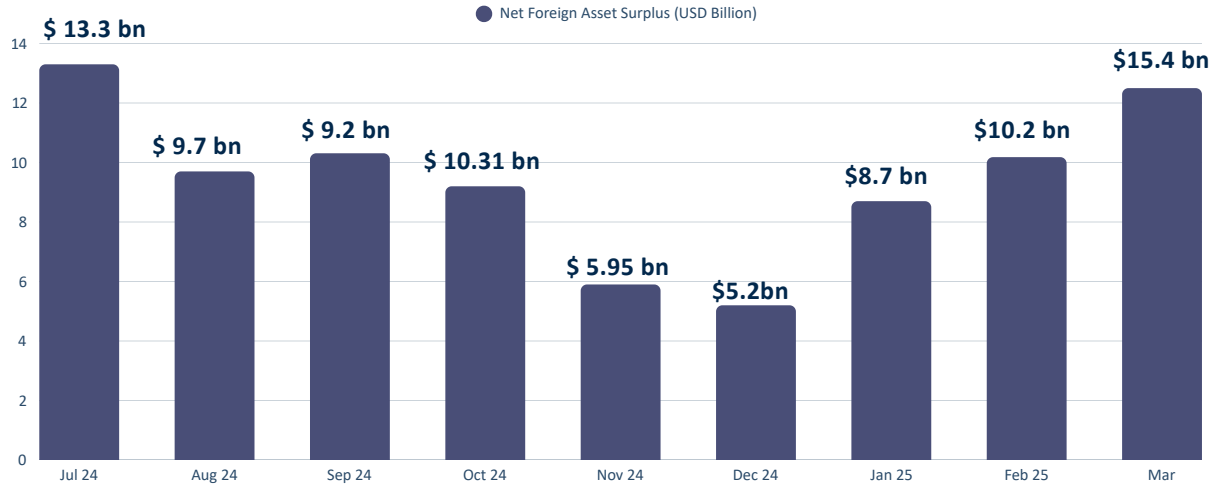


Non-oil private sector activity continued to contract in April, as firms attributed the decline to weakening demand and reduced consumer spending, according to **S&P Global**. Egypt's **headline PMI** fell by **0.7** percentage points, dropping to **48.5** in April from **49.2** in March, marking the lowest reading recorded in 2025 so far.

# UPDATES

# IN FIGURES

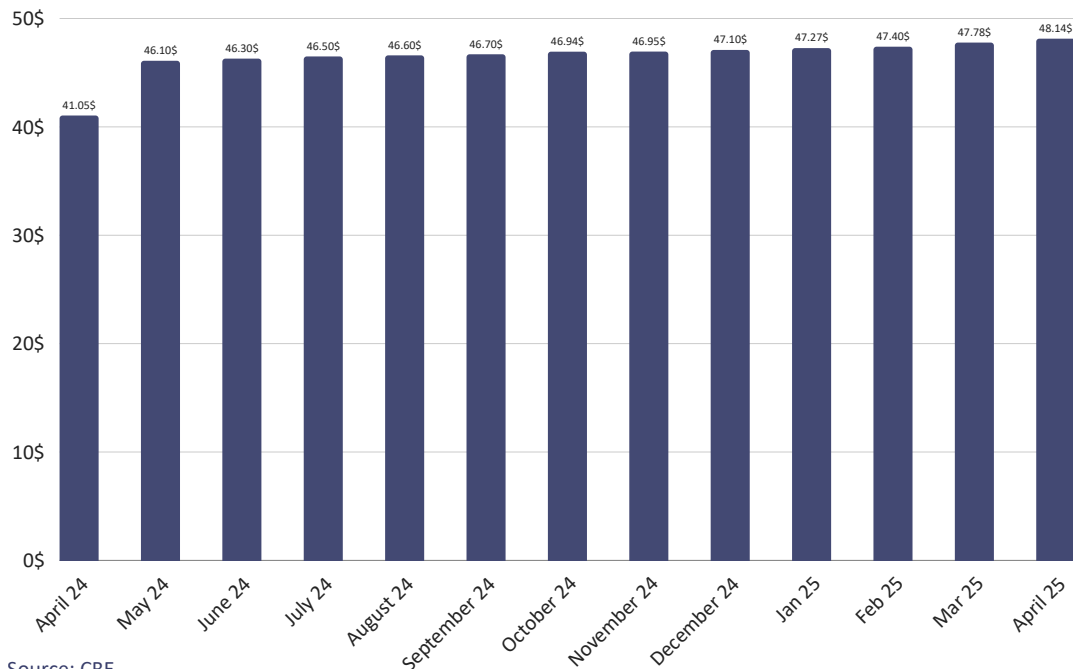
## ➤ Net Foreign Asset



Source: CBE

Egypt's net foreign assets rose by **47.5%** during March 2025, reaching a total of **\$15.4 billion** from **\$10.2 bn** in February, marking their third monthly increase this year following a consistent decline during the late three months of 2024.

## ➤ Net International Reserves



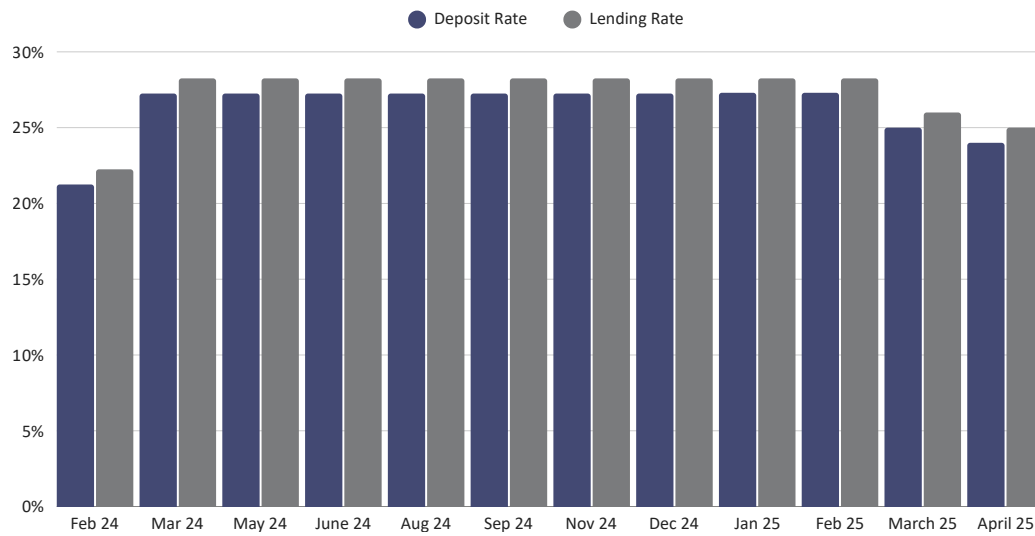
Source: CBE

According to the CBE, net international reserves rose to a record **\$48.143** billion at the end of **April 2025**, up **\$386** million from **\$47.757** billion in **March**. Reserves stood at **\$47.393** billion in **February** and **\$47.11** billion in **December 2024**, continuing a steady upward trend.



## IN FIGURES

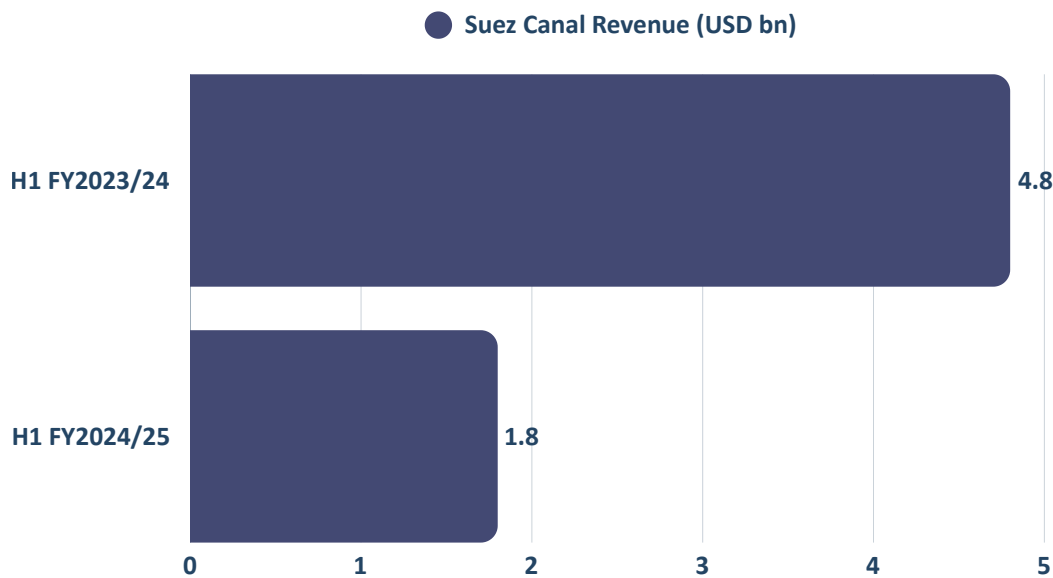
### ➤ Interest Rates



Source: CBE

The Central Bank of Egypt has cut the overnight deposit rate, overnight lending rate, and main operation rate by **100** basis points, bringing them to **24.00%**, **25.00%**, and **24.50%**, respectively. The discount rate was also reduced by **100** basis points to **24.50%**.

### ➤ Suez Canal Revenues Indicators



Source: CBE

According to the CBE's official balance of payments data announced on **May 5, 2025**, revenues from the Suez Canal fell sharply by **62.3%** in **H1 FY2024/25** to **USD 1.8 billion**, down from **USD 4.8 billion** in the same period of the previous year. The drop reflects a decline in both vessel traffic and net tonnage due to Red Sea disruptions.

# Egypt's Foreign Trade In Ready-Made Garments (Jan 2025-April 2025)

## Total exports



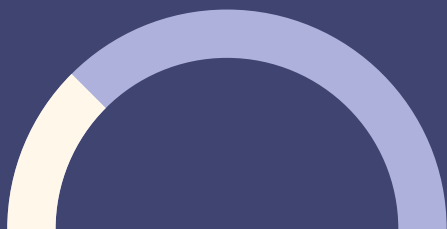
USD 1.028 bn

## April 2025 exports



Increased by 25% to  
USD 223 million

## March 2025 exports



Increased by 23% to  
USD 254 million

## US market exports

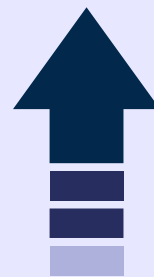
USD 384 mn

## Europe market exports

USD 259 mn

## Arab countries exports

USD 190 mn



## Rest of the world

USD 190 mn

Source: Apparel Export Council of Egypt





# POLICY UPDATES

## VAT REFORM FOR CONTRACTING SERVICES



The Finance Ministry committee is reviewing VAT laws affecting supply and installation services. The aim is to remove their current special tax treatment and simplify deductions, which could reduce disputes and improve transparency across the construction sector.

## REAL ESTATE TAX EXEMPTION THRESHOLD RAISED



Egypt's government has raised the property tax exemption threshold from EGP 2 mn to EGP 4 mn. Part of broader legal reforms, the move aims to ease citizen burden, resolve tax disputes, and digitize property tax systems, with expected revenues doubling in the upcoming fiscal year.

## SENATE APPROVES SEAT REDISTRIBUTION BILL



Egypt's Senate passed amendments to the election law to redistribute parliamentary seats based on population changes. Key districts like Cairo and Upper Egypt gained seats, while Delta regions saw reductions. The bill awaits House approval to become law.

## EGYPT EASES US IMPORT RULES IN NEW TRADE REFORMS



Egypt has lifted import restrictions on US vehicles and waived halal certification for US dairy. Announced at the 2025 Egypt-U.S. Policy Leaders Forum, the reforms aim to attract FDI, strengthen trade ties, and streamline regulations as part of Egypt's pro-investment economic strategy.



# ROAD AHEAD

Egypt's economic stabilization is progressing, supported by ongoing structural reforms and international cooperation. Looking forward, continued IMF engagement will be pivotal. The Fund and Egyptian authorities made "good progress" during the fifth review of the Extended Fund Facility, which is expected to unlock a **USD 1.3 billion** disbursement, likely in June. Discussions focused on fiscal sustainability, accelerating privatization, and supporting private-sector-led growth.

**On the fiscal front**, Egypt aims to raise **USD 4–5 billion** through stake sales in **11** state-owned companies during **FY2025-26**, including military-affiliated firms being restructured by the Sovereign Fund of Egypt. In parallel, the government is preparing a **USD 1.5 billion sukuk issuance** to refinance maturing debt in June.

**International partnerships** are also deepening. Egypt signed a **EUR 118 million** cooperation agreement with Germany for education and energy, including a **EUR 21 million debt swap** to fund renewable energy projects. **A new joint committee with Morocco** is set to enhance regional investment and trade cooperation, with its first session expected before year-end.

**Domestically**, reforms to VAT laws and property taxation are being implemented, alongside efforts to digitize real estate registration and taxation. These measures aim to improve transparency and expand the tax base.

**On the cultural front**, Egypt is preparing to host the grand opening of the Grand Egyptian Museum in July 2025, a flagship project expected to boost tourism and international visibility.

**With real GDP growth** forecast between **4.3% and 4.7% in FY2025-26**, and inflation moderating, Egypt's road ahead depends on reform continuity, external stability, and successful execution of its fiscal and investment agenda.

**In conclusion, Egypt's economy is stabilizing amid reforms, global partnerships, and cautious monetary easing. Continued IMF support, rising investment, and strategic sector reforms will be key to sustaining growth, boosting resilience, and unlocking the country's full economic potential.**

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Dedicated to the economic and public policy landscape of Egypt and MEA region, invaluable insights and strategic guidance are provided by IPA. Our expertise is seen as a beacon of knowledge, guiding through the evolving business environment, ensuring endeavors are rooted in wisdom and poised for success



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