

# ECONOMIC PULSE

OF EGYPT

A white graphic element consisting of a horizontal line with a jagged, pulse-like shape in the center, resembling an ECG or heartbeat line.

**June**

**2025**



# SYNTHESIS

Egypt's economy continued its gradual stabilization in May 2025, amid a complex global and domestic environment. Headline urban inflation rose to 16.8%, up from 13.9% in April, marking the third consecutive monthly increase, according to CAPMAS. The rise was primarily driven by higher food and commodity prices, exacerbating cost-of-living pressures. On a monthly basis, inflation accelerated to 1.9%, highlighting persistent domestic price volatility.

**Despite inflationary headwinds,** signs of recovery emerged in the private sector. The PMI for Egypt's non-oil private sector rose to 49.5, up from 48.5 in April. Though still in contraction territory, it was the highest reading in three months and above the long-run average of 48.2. Egypt's GDP grew by 4.8% in Q3 FY2024/25, more than doubling the 2.2% growth seen in the same quarter last year. Growth was driven by a strong rebound in non-oil manufacturing (16%), tourism (23%), and financial intermediation (17.3%).

**Meanwhile,** the CBE cut interest rates by 100 basis points in May, the second cut this year, bringing the overnight deposit rate to 24.00%. The move reflects a pro-growth shift in monetary policy following a year of tightening. The World Bank maintained its growth forecast for FY2024/25 at 3.8%, projecting an increase to 4.6% by FY2026/27, citing stronger private consumption, improved investment flows, and a rebound in non-oil exports.

Egypt's participation in the \$1 billion industrial decarbonization program led by the Climate Investment Funds signals growing international confidence in Egypt's green transition. The country also remained the EBRD's largest country of operations in 2024, securing over \$1.5 billion in new financing, 98% of which was directed to private-sector projects.

Development finance mobilized for Egypt's private sector has surpassed \$15.6 billion since 2020, supporting key sectors such as fintech, manufacturing, renewable energy, and logistics infrastructure.



# SYNTHESIS

Egypt pushed forward a series of fiscal and legislative reforms in May and June 2025, signaling a deeper commitment to economic restructuring and institutional modernization. The Finance Ministry announced plans to form a residential property pricing committee that will standardize rental benchmarks and calculate property taxes based on market values. This reform aims to end long-standing valuation disputes and increase revenue transparency.

Parliament also passed limited but strategic amendments to the VAT law. While essential goods and services remain exempt, new measures introduced VAT adjustments to sectors such as construction services and alcoholic beverages, and included changes to cigarette tax brackets. Construction contractors are now eligible to deduct input VAT, promoting formalization and potentially lowering service costs.

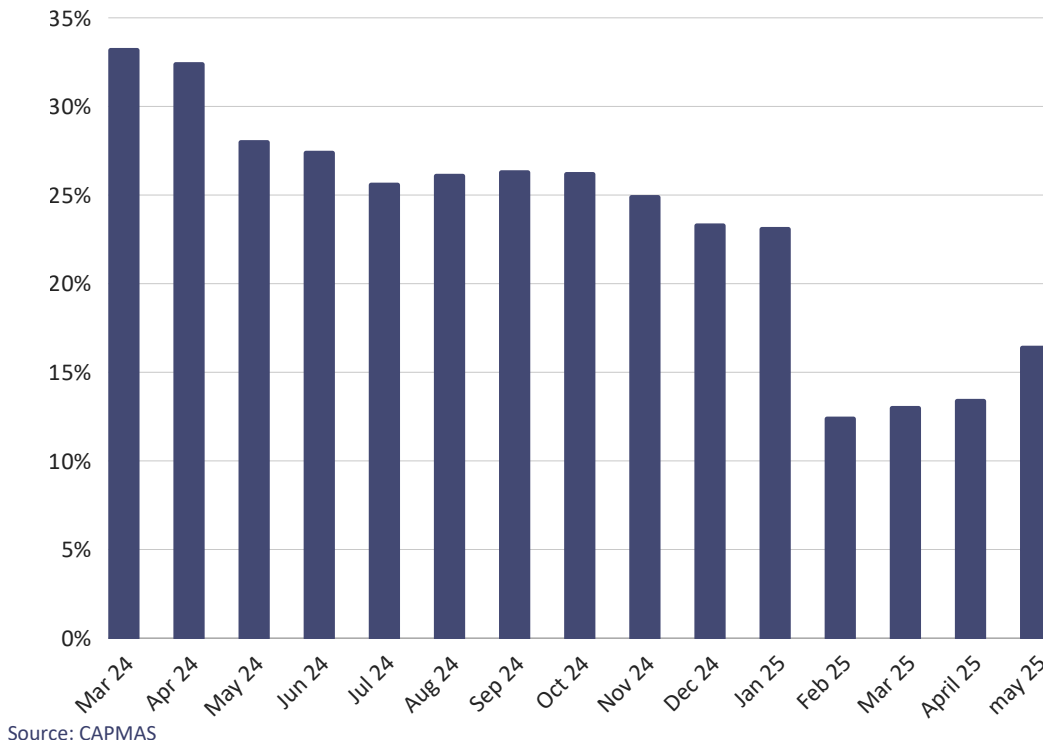
One of the most controversial developments was the approval of amendments to the Old Rent Law. Parliament's Housing Committee extended the contract termination period for residential units to 7 years and introduced a rent classification system based on geographic and socioeconomic tiers.

In parallel, Egypt's development finance strategy is rapidly shifting toward private-sector empowerment. The government now targets a 65% private sector share of investment by 2027, up from 43% in 2024. Tools like Public-Private Partnerships (PPPs), EU-supported guarantees, and blended finance schemes are central to this strategy. However, distribution remains uneven, with most funds concentrated in Cairo and among large borrowers.

**In conclusion, Egypt's economic and policy landscape in mid-2025 reflects a dynamic mix of resilience, reform, and recalibration. While inflationary pressures persist and global headwinds remain, signs of recovery in key sectors, especially non-oil manufacturing and tourism, offer cautious optimism. On the policy front, structural reforms in taxation, rent laws, and development finance signal the government's commitment to fostering private sector growth and fiscal sustainability.**

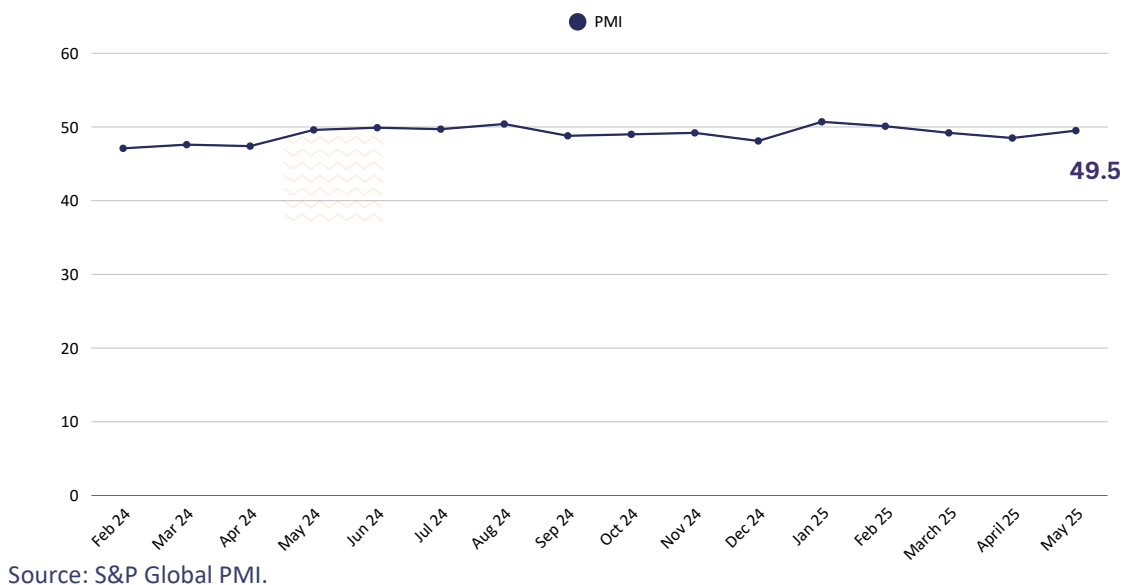
# UPDATES IN FIGURES

## ➤ Monthly Inflation Trends



Egypt's inflation rose sharply in May 2025, marking the third consecutive monthly increase, reaching **16.5%**. According to CAPMAS, annual headline **urban inflation** reached **16.8%**, up from **13.9%** in April, reflecting continued price pressures across key consumption categories. On a monthly basis, inflation accelerated to 1.9%, compared to **1.3%** in April.

## ➤ Private Sector Performance

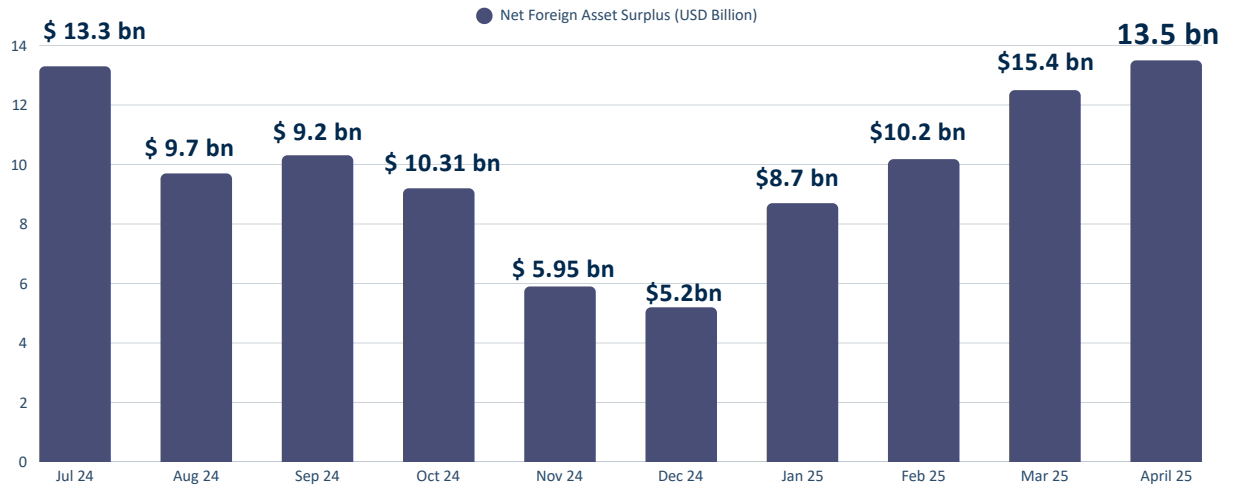


Egypt's non-oil private sector showed signs of stabilization in May 2025, with the S&P Global Purchasing Managers' Index (PMI) rising to **49.5**, up from **48.5** in April. While the index remains below the neutral **50.0 mark**, indicating continued contraction, May's reading was the slowest rate of decline in three months, and above the long-run average of

# UPDATES

# IN FIGURES

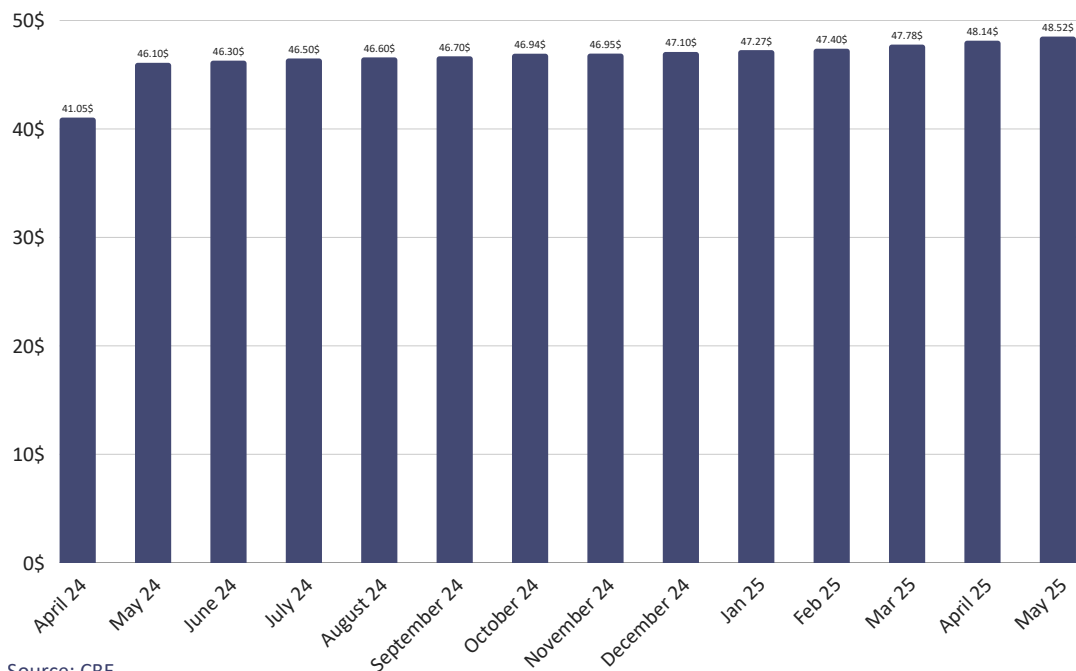
## ➤ Net Foreign Asset



Source: CBE

In April 2025, Egypt's net foreign assets (NFAs) declined for the first time in four months, falling by 10% month-on-month to USD 13.5 billion, down from USD 15.0 billion in March, according to CBE data. This marks a break in the recent upward trend and reflects the impact of rising foreign liabilities, despite continued growth in foreign assets.

## ➤ Net International Reserves



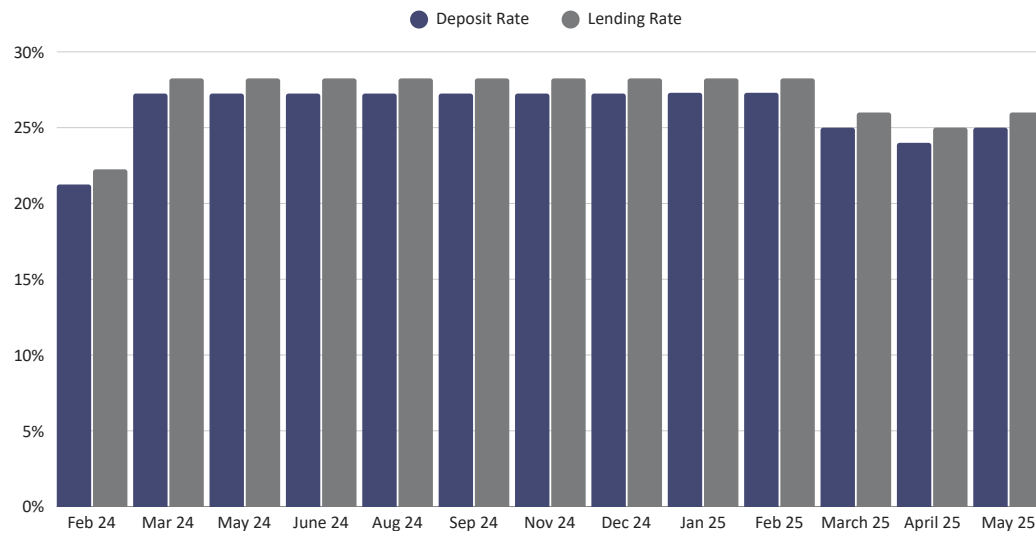
Source: CBE

Egypt's net International reserves (NIRs) rose to a historic high of \$48.526 billion in May 2025, according to the Central Bank of Egypt (CBE). This marks a monthly increase of \$390 million, continuing a steady upward trend from \$48.140 billion in April and \$47.393 billion in February.



## IN FIGURES

### ➤ Interest Rates



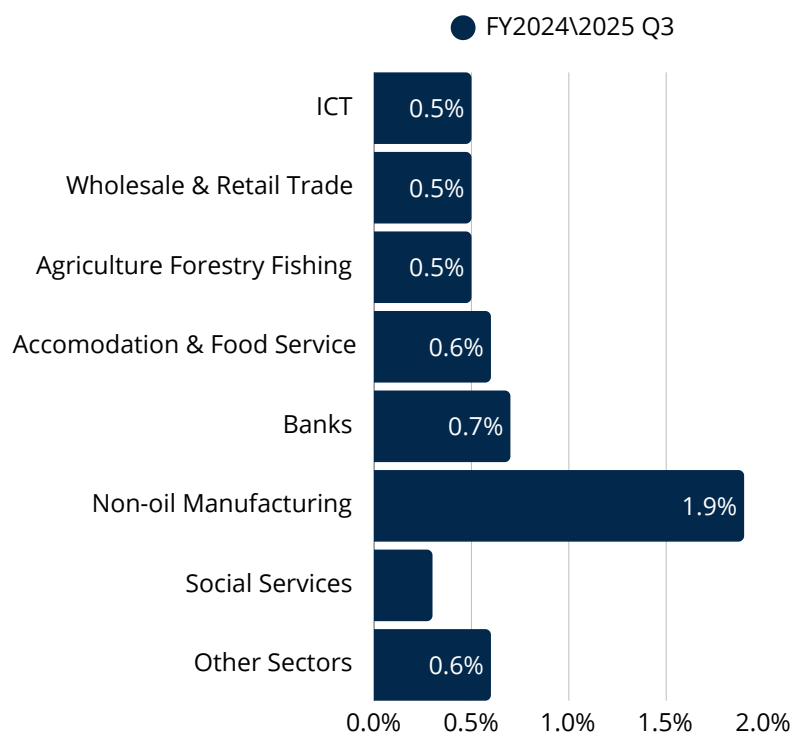
Source: CBE

In May 2025, the Central Bank of Egypt (CBE) cut its key interest rates by 100 basis points, marking the second rate cut this year and the second since November 2020. The overnight deposit rate now stands at 24.00%, the lending rate at 25.00%, and the main operation and discount rates at 24.50%. This follows a similar 100 bps cut in March, after a year of holding rates steady.

### ➤ GDP Growth in Q3 of FY2024-2025

Egypt's non-petroleum manufacturing sector was the top contributor to the country's GDP growth in the third quarter of the current fiscal year 2024/2025, accounting for 1.9% of the growth rate. This data was released by the Ministry of Planning, Economic Development and International Cooperation.

The banking sector followed, contributing 0.7% to the GDP growth. Restaurants and hotels were the third largest contributors at 0.6%. Finally, agriculture, forestry, and fishing, wholesale and retail trade, and communications and information technology each contributed 0.5% to the overall growth.



Source: Ministry of Planning, Economic Development and International Cooperation



# Figures Q3 FY2024\2025

## Real GDP Growth (Q3 FY2024/25)

**Accelerated  
to 4.7%**

Highest in 3 years

## Total Exports Growth 54.4% YoY Q3 of FY2024/2025

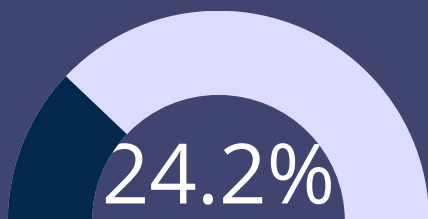
## Total Imports Growth 18.7% YoY Q3 of FY2024/2025

## Public Investment

**Decline by  
45.6%**

YoY Q3 FY2024-FY2025

## Private Investments



**Increased by 24.2%  
YoY Q3 FY2024/25**

Source: Ministry of Planning, Economic  
Development and International Cooperation





# POLICY UPDATES

## FINANCE MINISTRY TO LAUNCH EGP 40 BN IN PPP PROJECTS TO BOOST INFRASTRUCTURE



Egypt's Finance Ministry is set to launch eight public-private partnership (PPP) projects worth EGP 40 bn over the next four months, focusing on desalination, wastewater treatment, energy, and waste recycling, part of its wider drive to expand private sector involvement.

## EGYPT DOUBLES EXPORT SUBSIDIES TO EGP 45 BN, TARGETS HIGH-VALUE INDUSTRIES AND SMES



Egypt is expanding its export support program to EGP 45 bn in FY 2024/25, doubling last year's budget. Prioritizing engineering, chemicals, and SMEs, the program rewards high value-added exports and fast-growing exporters, with faster payments and more support for Upper Egypt and Africa-linked trade.

## EGYPT APPROVES LANDMARK OVERHAUL OF OLD RENT LAW



Egypt's Parliament passed a sweeping reform of the decades-old rent law, ending fixed low-rent contracts after a transitional period. The law introduces sharp rent increases and eviction rules, prompting an opposition walkout over concerns for vulnerable tenants.

## EGYPT INTRODUCES TARGETED VAT AMENDMENTS TO BROADEN TAX BASE AND ADDRESS SECTORAL INEQUITIES



Egypt passed limited VAT amendments to broaden the tax base and correct distortions without raising the general VAT rate. Changes target construction, administrative units, crude oil, cigarettes, and alcohol to promote equity, efficiency, and fiscal sustainability.





# ROAD AHEAD

As Egypt begins FY2025/26 with an ambitious EGP 3.1 trillion budget, the government is setting a clear course toward stabilizing the macroeconomic environment, boosting private-sector-led growth, and improving public service delivery.

With total expenditures projected to exceed EGP 4.5 trillion, the fiscal strategy hinges on enhancing efficiency, reducing the budget deficit, and modernizing public financial management.

Tax reforms are central to this strategy. Egypt is not introducing new taxes or raising existing rates but is instead expanding the tax base, digitizing collection systems, and cracking down on evasion. Projected tax revenue is set to grow by 27.7%, underpinned by a more efficient income tax structure, enhanced VAT collection through electronic invoicing, and modernized customs procedures.

In parallel, the state is reinforcing its structural reform agenda. Key initiatives include rent law amendments to rebalance tenant-landlord relations, property tax reform through a new valuation mechanism, and VAT updates that address sector-specific inefficiencies.

Finally, development finance remains a cornerstone of the economic transition. With over USD 15.6 billion mobilized since 2020, and the private sector receiving the lion's share in 2024, the government targets 65% private sector participation in national investment by 2027.

**As Egypt moves ahead, the challenge will be to deliver on these plans amid inflation volatility, global trade tensions, and social equity concerns, requiring steadfast implementation, transparent governance, and agile adaptation to local and global dynamics.**

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