

ECONOMIC PULSE OF EGYPT



July

2025



SYNTHESIS

In July 2025, Egypt's economic environment showed measured resilience amid ongoing fiscal adjustments and inflationary pressures. Following months of high inflation, official CAPMAS data confirmed a notable easing in June, with annual headline inflation falling to 14.4%, down from 16.5% in May. Urban inflation also declined to 14.9%, while the Consumer Price Index (CPI) recorded a rare 0.1% monthly dip, signaling early signs of price stabilization. The moderation was attributed largely to more stable prices in essential goods, including bread, dairy, and sugar.

Despite the inflation relief, private sector sentiment remains fragile. Egypt's June 2025 Purchasing Managers' Index (PMI) dropped to 48.8, below the 50.0 threshold for the fourth consecutive month. This reflected ongoing contraction in non-oil private activity, weaker domestic demand, and cautious hiring. The decline in purchasing activity and subdued investment outlooks highlighted continued uncertainty in the business environment.

Egypt's foreign direct investment and privatization agenda remains under scrutiny. The government has set a USD 3 billion target for state asset sales in FY 2025/26, forming a key pillar of its IMF-backed Extended Fund Facility (EFF). While this aligns with structural reform commitments, past delays and limited transparency in privatization efforts have fueled skepticism.

Simultaneously, the President ratified amendments to the Value-Added Tax (VAT) Law, broadening the tax base to include sectors such as construction, tobacco, energy, and alcoholic beverages. This policy is expected to enhance tax efficiency under the IMF's fiscal consolidation roadmap. In response, local Companies increased cigarette prices by up to EGP 5.25 per pack, while international brands hiked prices by 11%, showing immediate pass-through of tax impacts to consumers.



SYNTHESIS

On the investment front, the Egyptian government took decisive steps to reinvigorate U.S.–Egypt economic relations. The Prime Minister directed relevant agencies to prepare a unified package of investment-ready opportunities tailored for American firms. During high-level meetings, the PM emphasized Egypt’s commitment to removing barriers to foreign investment and enhancing transparency. Minister of Industry and Transport confirmed that several project briefs, particularly in ports, maritime transport, and industrial zones, had already been shared with U.S. stakeholders.

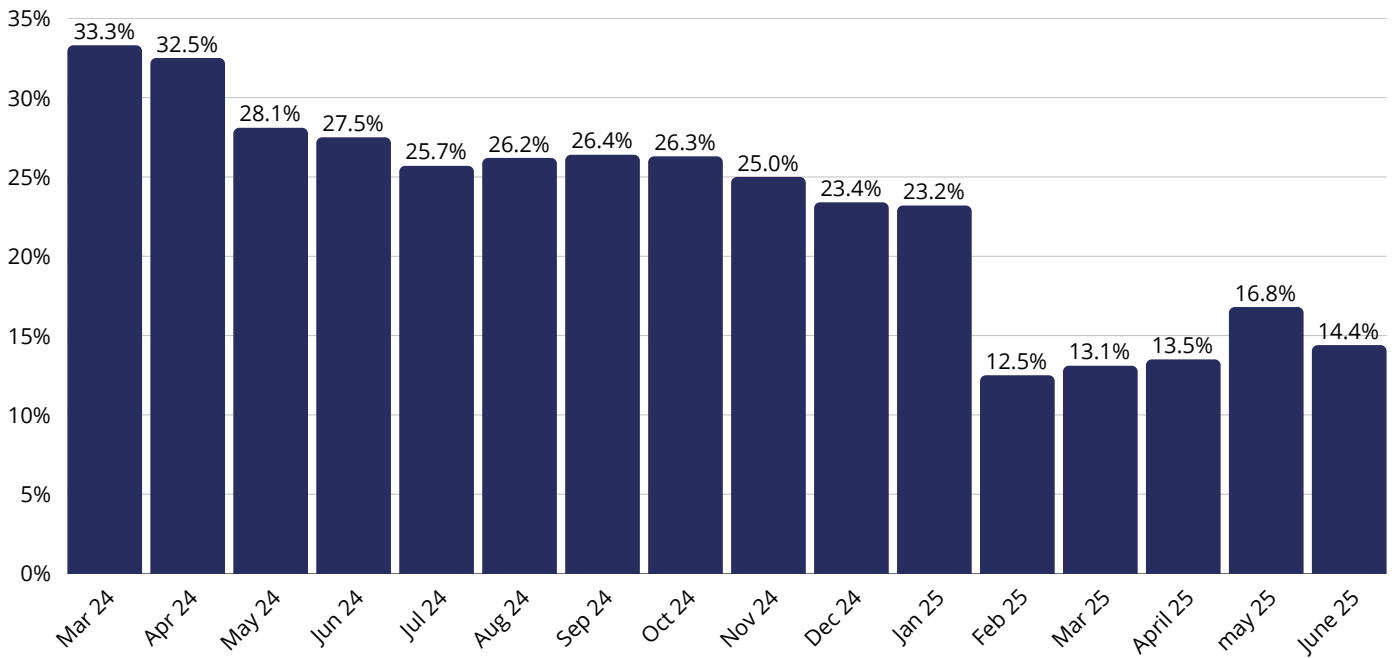
Additionally, Egypt’s property tax regime is undergoing structural modernization. The Cabinet approved a doubling of the primary residence exemption threshold from EGP 2 million to EGP 4 million, aiming to ease the burden on middle-income households. The reform includes piloting a digital property tax platform and introducing more accurate valuation mechanisms. The government has also begun engaging private firms to support real estate tax administration, especially in high-value zones like Sheikh Zayed, New Cairo, and the North Coast.

These institutional and fiscal reforms underscore the state's strategic pivot toward greater efficiency, automation, and investment predictability, all within the framework of its commitments to international financial institutions. However, the ultimate success of these reforms depends on implementation quality, enforcement capacity, and restoring public trust in Egypt’s tax and governance systems.

In closing, July 2025 marked a cautious yet deliberate shift in Egypt’s economic and policy direction. With inflation showing signs of moderation and fiscal reforms gaining traction, the government is attempting to balance short-term stabilization with long-term structural transformation. From deepening foreign investment engagement to modernizing its tax systems and streamlining property valuation, Egypt is laying the groundwork for a more resilient, rules-based economic model. However, sustained progress will hinge on transparent implementation, consistent investor communication, and the government's ability to navigate persistent geopolitical and macroeconomic uncertainties.

UPDATES IN FIGURES

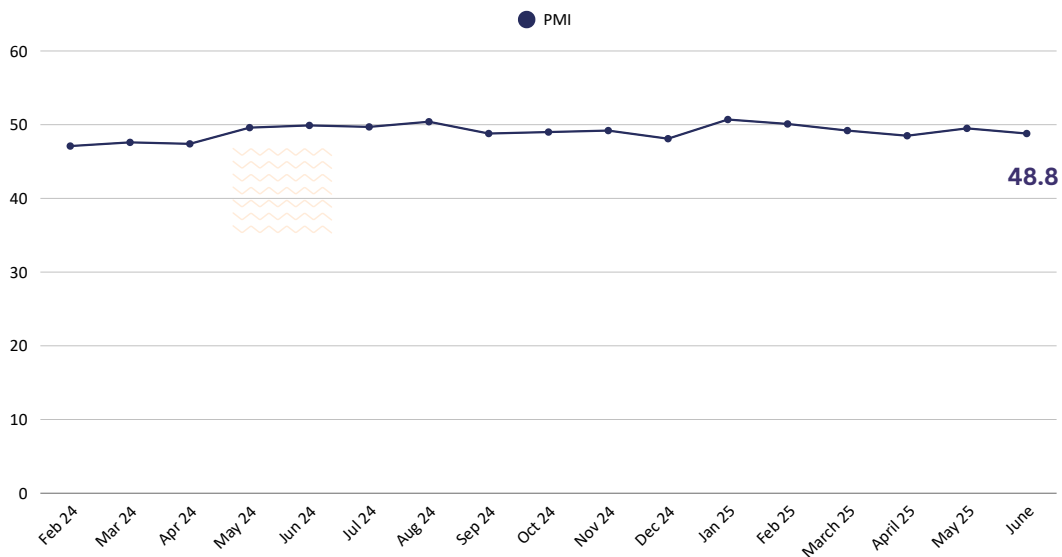
➤ Monthly Inflation Trends



Source: CAPMAS

Egypt's inflation showed signs of easing in June, with annual headline inflation falling to 14.4%, down from 16.5% in May, according to CAPMAS data. This marks a notable shift after several months of rising inflation. Similarly, urban inflation decelerated to 14.9%, compared to 16.8% in the previous month, while the CPI registered a 0.1% monthly decline, reaching 258.1 points, its first dip in months.

➤ Private Sector Performance



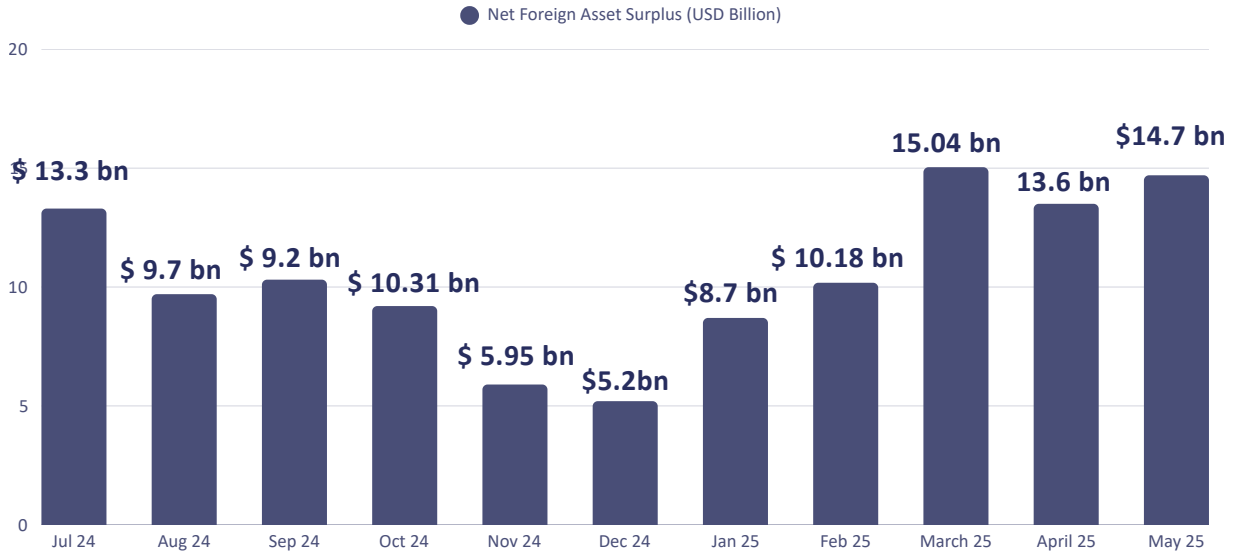
Source: S&P Global PMI.

The June 2025 PMI data reflect a modest but concerning deterioration in Egypt's non-oil private sector activity, with the headline index falling to 48.8, down from 49.5 in May, remaining below the 50.0 threshold for the fourth consecutive month. This indicates a continued contraction in business activity, driven largely by weakening demand and subdued market confidence.

UPDATES

IN FIGURES

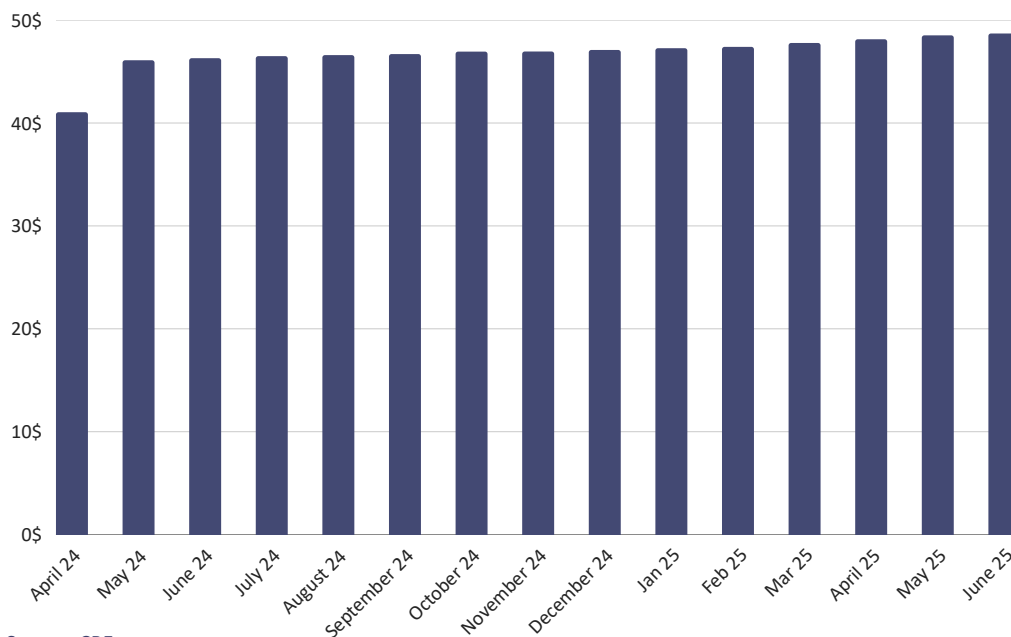
➤ Net Foreign Asset



Source: CBE

Egypt's net foreign assets (NFA) in the banking sector rose by \$1.2 billion in May 2025, reaching \$14.7 billion, up from \$13.6 billion in April. This reflects an 8.7% month-on-month increase and marks the highest level since May 2024, reinforcing signals of a strengthening macroeconomic environment.

➤ Net International Reserves



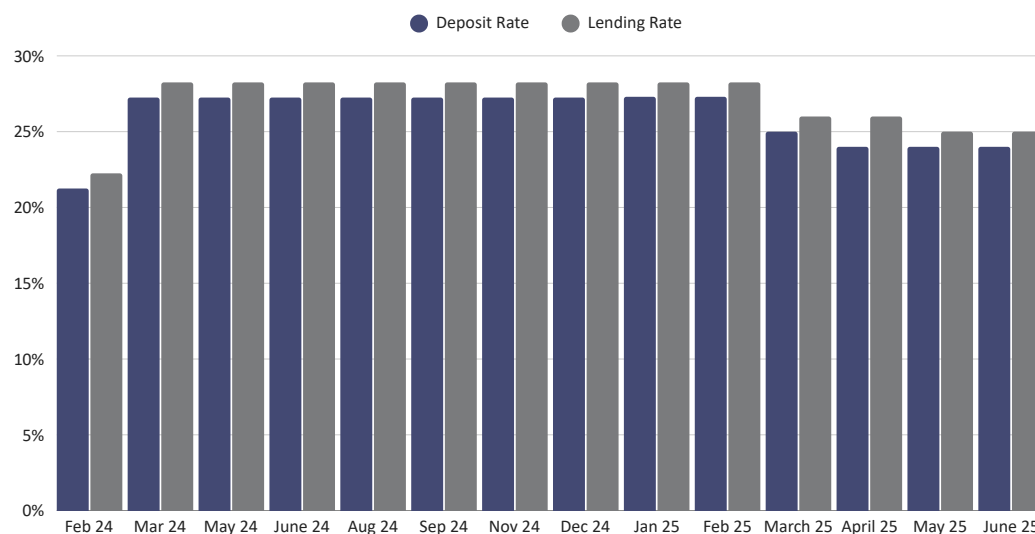
Source: CBE

In June 2025, Egypt's net international reserves (NIR) rose to \$48.7 billion, marking a monthly increase of \$174 million and continuing a gradual upward trend that reinforces the Central Bank of Egypt's (CBE) external position. This uptick reflects both improved foreign currency inflows and a managed strategy to maintain reserve adequacy in the face of lingering external vulnerabilities.

UPDATES

IN FIGURES

➤ Interest Rates



Source: CBE

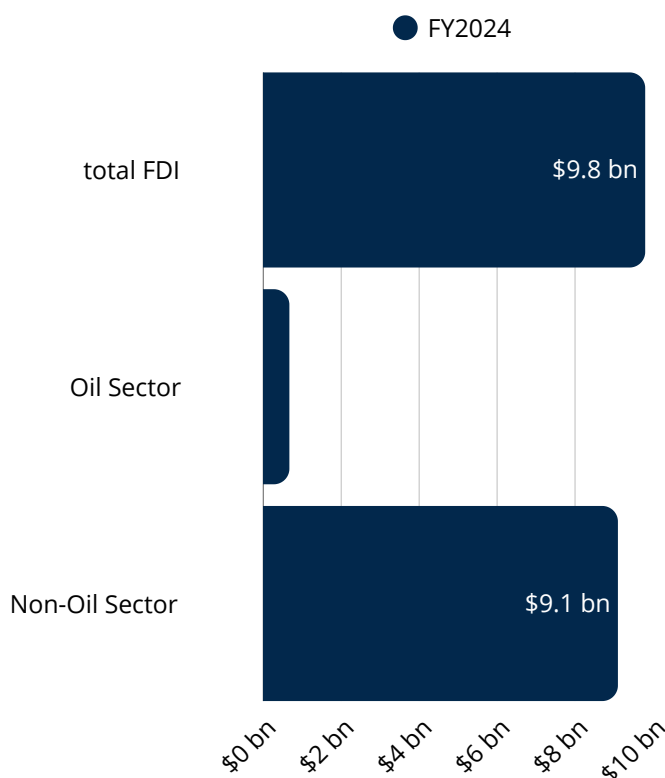
In June, the Monetary Policy Committee of the CBE chose to maintain interest rates at their current levels. The overnight deposit rate was held at 24%, the lending rate at 25%, and both the main operation and discount rates at 24.5%. This decision comes as inflation shows continued signs of deceleration, marking a significant easing in price pressures after months of persistent inflation.

➤ Breakdown of FDI Inflows to Egypt (July–March FY 2024/2025)

During the three quarters of FY 2024/2025, Egypt’s capital and financial account posted a net inflow of US\$7.7 billion, down from US\$20.0 billion a year earlier, mainly due to the one-off “Ras El Hekma” FDI boost. FDI remained solid at US\$9.8 billion, led by non-oil sectors.

The oil sector recorded a net inflow of US\$0.67 billion, reversing a prior outflow, supported by higher greenfield investments and lower cost recovery.

Non-oil FDI reached US\$9.1 billion, driven by greenfield investments (US\$4.3 billion), reinvested earnings (US\$3.1 billion), real estate purchases (US\$1.6 billion), and entity sales to foreigners (US\$0.4 billion)—showing steady investor confidence despite economic pressures.



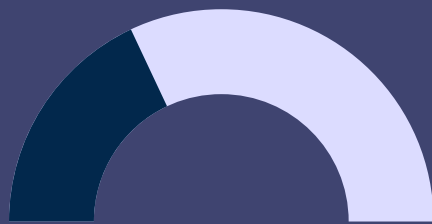
Source: CBE

Trade Figures July/March of FY 2024/2025

Non-oil trade deficit

increased by
US\$ 4.3 billion
to register
US\$ 28.0 billion

Oil imports



increased by
US\$ 4.8 Bn
to
US\$ 14.5 billion

Oil exports



declined by
US\$ 430.5 mn
to record
US\$ 4.2 bn

Non-oil merchandise imports

moved up by
US\$ 10.3 billion
to US\$ 53.6 billion



Non-oil merchandise exports

rose by
US\$ 6.1 billion
to US\$ 25.6 billion

Source: CBE





POLICY UPDATES

PHASED EV LOCALIZATION PLAN PURSUES ANCHOR INVESTMENT



Egypt is executing a multi-phase EV localization strategy to attract a global anchor investor for electric vehicle and battery production. The plan includes incentive packages and regulatory enablers to support gigafactory development, aligning with the state's broader green industrial policy and automotive value chain goals.

EMERGENCY ENERGY POLICY ACTIVATED AMID HISTORIC LOAD SPIKE



In July, electricity demand reached a record 39.4 GW, triggering emergency deployment of reserve generation and LNG imports. The government maintained its no-blackout policy, avoided scheduled outages, and implemented targeted load management in areas like Giza to stabilize the national grid.

PROPERTY TAX EXEMPTION THRESHOLD DOUBLED



The Ministry of Finance doubled the property tax exemption threshold from EGP 2 million to EGP 4 million. This measure, part of broader efforts to modernize Egypt's real estate tax system, is designed to ease burdens on middle-income homeowners and improve compliance through targeted equity and automation.

EGYPT IMPLEMENTS VAT LAW AMENDMENTS TO EXPAND TAX BASE AND INCREASE COMPLIANCE



Effective July 18, 2025, Egypt's new VAT law (Law No. 157) removes key exemptions and updates rates on sectors like energy, media, and construction. Businesses must adapt to higher compliance demands and revised cost structures under the broader fiscal reform agenda.



ROAD AHEAD

Egypt is entering a politically sensitive period, with Senate elections announced on July 1 and parliamentary elections set for November 2025. In the lead-up, major economic reforms, such as subsidy restructuring or new tax measures, are expected to slow or pause to maintain social stability.

On the monetary front, inflation is easing. Headline inflation fell to 14.4% in June from 16.5% in May, while the Central Bank is maintaining tight policy with interest rates at elevated levels to control price pressures and currency volatility. However, the private sector remains under strain, with June's PMI at 48.8, indicating continued contraction in non-oil business activity.

Energy diversification remains a priority. The Dabaa Nuclear Power Plant made progress in July as Egypt and Rosatom signed additional agreements. The first turbine is expected to arrive by the end of 2025, marking a step forward in strengthening long-term energy security amid regional fuel risks.

Fiscal reforms are continuing in targeted areas. President El-Sisi ratified VAT amendments, increasing taxes on sectors like tobacco and construction. Meanwhile, the government doubled the property tax exemption threshold to EGP 4 million and launched a digital filing pilot in high-value zones, part of a broader push to modernize tax collection and improve compliance.

Overall, Egypt's policy outlook for the remainder of 2025 reflects a cautious but steady approach, prioritizing political stability ahead of elections while continuing selective reforms in taxation, energy, and inflation control.

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