



ECONOMIC PULSE OF EGYPT

October

2025



SYNTHESIS

Egypt's macroeconomic landscape shows signs of cautious stabilization amid ongoing fiscal reforms and targeted government interventions. The Finance Ministry is set to unveil its public debt strategy in December, aiming to reduce public debt to below 75% of GDP within three years, down from 85% in the last fiscal year.

Debt servicing costs are projected to fall to 7% of GDP, with an extension of debt maturities to five years. The strategy will leverage debt-for-investment swaps, concessional financing, and proceeds from the divestment of state-owned companies, aiming to reduce government debt by 10% of GDP over two years. Recent reductions in external and domestic debt—USD 4 bn and 10% respectively over the past two fiscal years, reflect progress toward these objectives.

Fiscal discipline and public investment caps, alongside subsidy reforms, have contributed to stronger economic performance. The World Bank revised Egypt's FY 2024–25 GDP growth to 4.5% y-o-y, up 0.7 percentage points from previous estimates, citing favorable base effects, renewed external support, and the early impacts of macroeconomic reforms.

Growth for FY 2025–26 is projected at 4.3%, with the government and private sector slightly more optimistic. Strong remittance inflows, rising tourism revenues, and a surge in non-oil exports have contributed to narrowing the current account deficit to USD 15.4 bn, down 25.9% y-o-y. Remittances climbed 66.7% to USD 36.5 bn, while tourism receipts increased 16.3% to USD 16.7 bn, driven by higher tourist nights.

However, pressures remain. Non-oil trade deficits widened to USD 37.1 bn, driven by increased imports of agricultural commodities, machinery, and raw materials. The oil trade deficit nearly doubled to USD 13.9 bn due to higher crude and gas imports, while Suez Canal revenues fell 45.5% to USD 3.6 bn amid continued Red Sea disruptions.

FDI inflows moderated to USD 12.2 bn, with portfolio investment inflows weakening to USD 1.6 bn. These pressures, combined with elevated medium- and long-term debt repayments, contributed to an overall BoP deficit of USD 2.1 bn in FY 2024–25, reversing a surplus of USD 9.7 bn a year earlier.

Inflation showed mixed signals. Urban headline inflation eased for the fourth consecutive month to 11.7% in September, supported by declines in food and beverage prices and a modest appreciation of the EGP against the USD.



SYNTHESIS

Core inflation, excluding volatile items, inched up to 11.3% y-o-y. Monthly urban inflation accelerated 1.8% m-o-m, reflecting seasonal pressures on vegetable prices. The central bank and most analysts anticipate continued disinflation, with expected policy rate adjustments by year-end to maintain price stability.

The government continues to deploy targeted support initiatives. A new EGP 90 bn subsidized loan program provides financing at a maximum interest rate of 15% to industrial, agricultural, and renewable energy sectors, aimed at boosting working capital and investment in machinery. This program, though smaller than last year's EGP 120 bn initiative, supports strategic sectors while maintaining alignment with IMF recommendations.

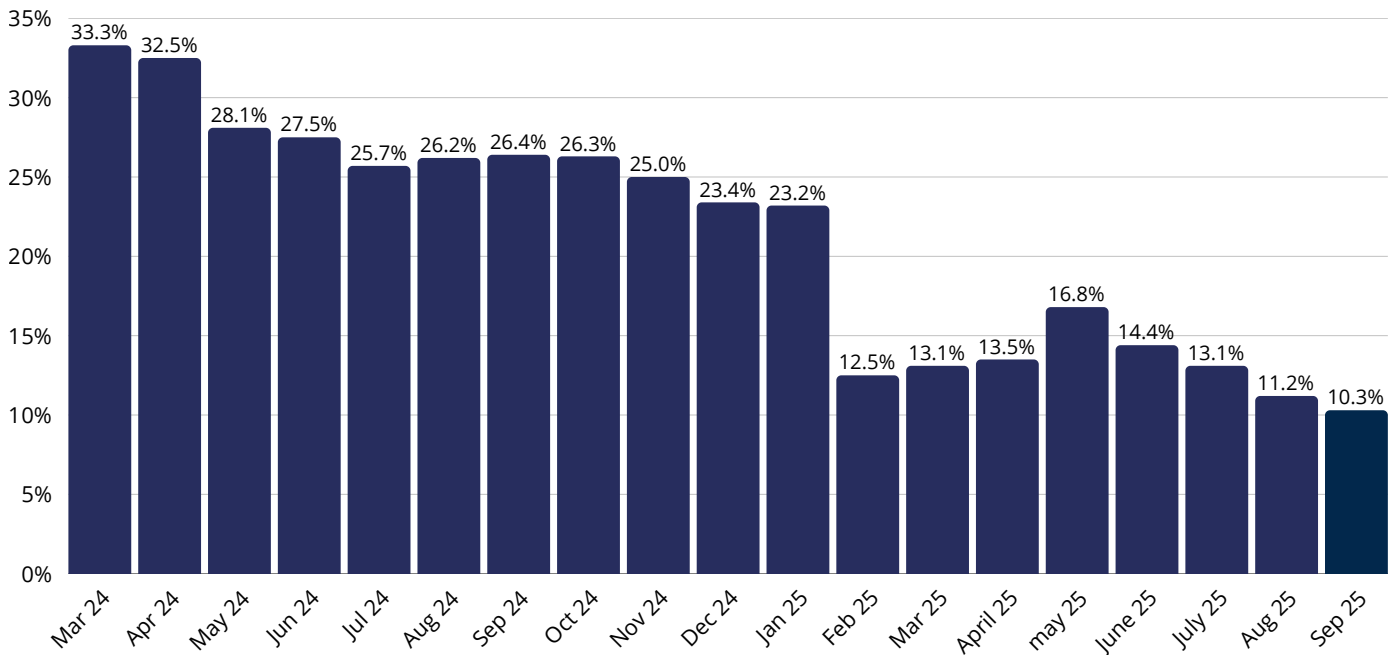
On the policy front, Egypt is implementing reforms to simplify taxation and enhance financial governance. The first phase of tax facilities introduced this year aims to streamline the system for SMEs, reduce compliance burdens, and integrate the informal economy.

Measures include simplified flat taxes for small businesses, extended reporting timelines, caps on late payment penalties, and leniency for prior-year filing errors. Export subsidies are being revamped to prioritize high value-added sectors, with faster payouts and clear budget allocations. Regulatory oversight of non-banking financial institutions has also been updated to enhance competitiveness and facilitate mergers and acquisitions while maintaining market balance.

In summary, Egypt's economy is showing resilience driven by fiscal discipline, strategic external inflows, and policy reforms aimed at reducing debt and stimulating private sector growth. However, structural challenges—including trade deficits, external debt obligations, and elevated inflation—require ongoing policy attention. The government's debt reduction strategy, targeted loan programs, and tax reforms represent critical tools for sustaining macroeconomic stability while fostering an investment-friendly environment for long-term growth.

UPDATES IN FIGURES

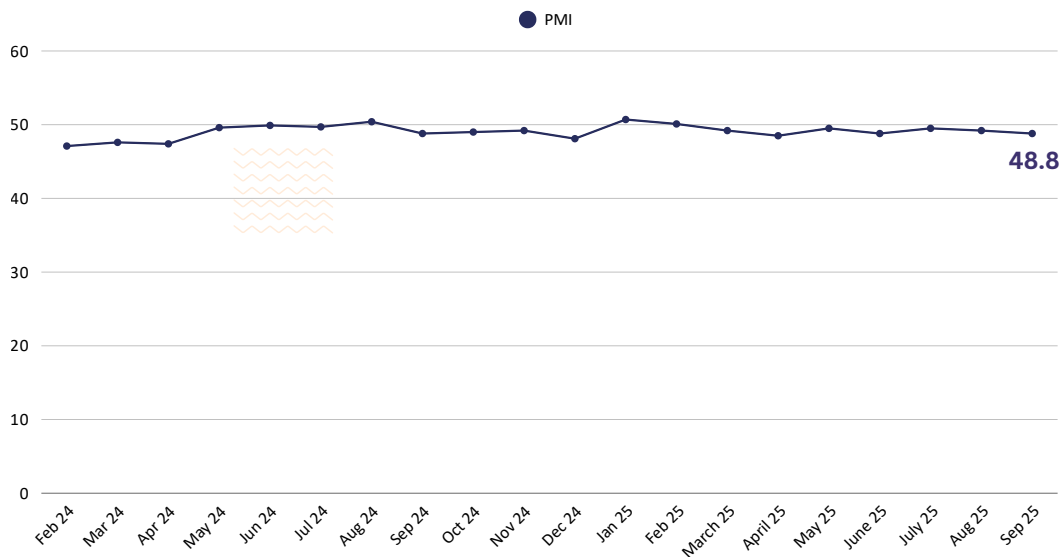
➤ Monthly Inflation Trends



Source: CAPMAS

Egypt's **inflation** continued its downward trajectory for the fourth consecutive month, easing to **10.3%** in September 2025, the lowest since early 2022. Additionally, **urban inflation** declined to **11.7%** in September 2025, reflecting lower price pressures on food and beverages. However, monthly urban prices still rose by 1.8% due to seasonal increases in vegetable and housing costs.

➤ Private Sector Performance



Source: S&P Global PMI.

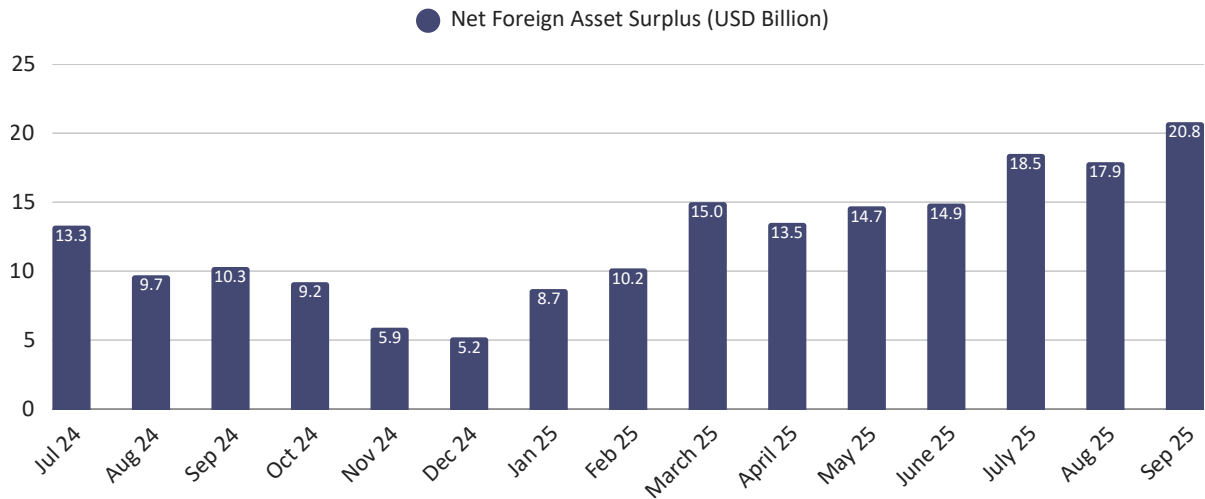
Business conditions in Egypt's non-oil private sector declined modestly in September 2025, according to the latest S&P Global Egypt PMI, which fell to **48.8** from **49.2** in August, marking the **seventh consecutive month below the neutral 50.0 mark**. The downturn was largely driven by a sharper contraction in new orders and output, reflecting subdued demand and continued economic pressures.



UPDATES

IN FIGURES

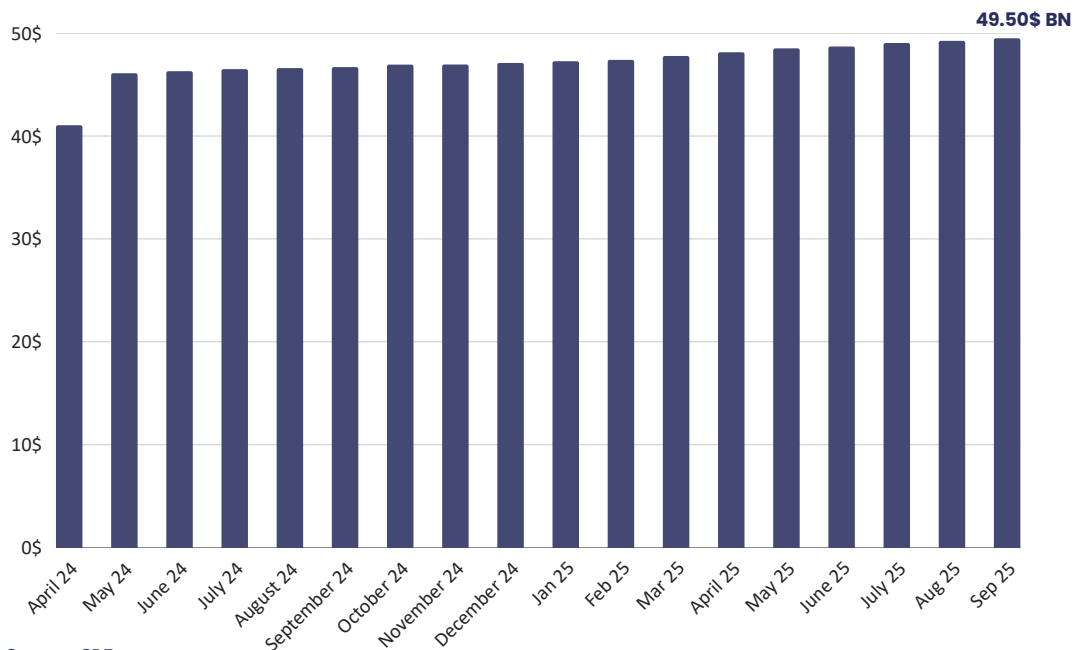
➤ Net Foreign Asset



Source: CBE

Egypt’s banking sector recorded an improvement in net foreign assets (NFAs) in September, reaching **USD 20.8 billion**, an increase of **16% (USD 2.9 billion)** compared to August. On a year-on-year basis, the sector’s NFAs nearly doubled from USD 10.3 billion in September 2024.

➤ Net International Reserves



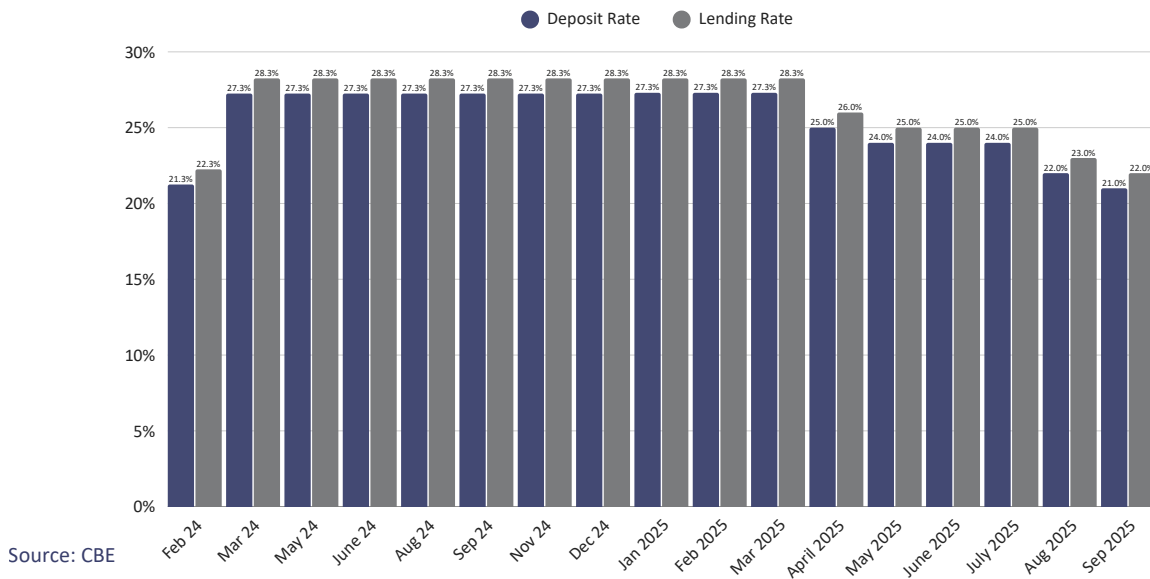
Source: CBE

Egypt’s net international reserves reached a historic high of **\$49.5 billion** in September 2025, marking an annual increase of **\$2.8 billion from \$46.7 billion a year earlier**, according to data from the Central Bank of Egypt.

UPDATES

IN FIGURES

➤ Interest Rates

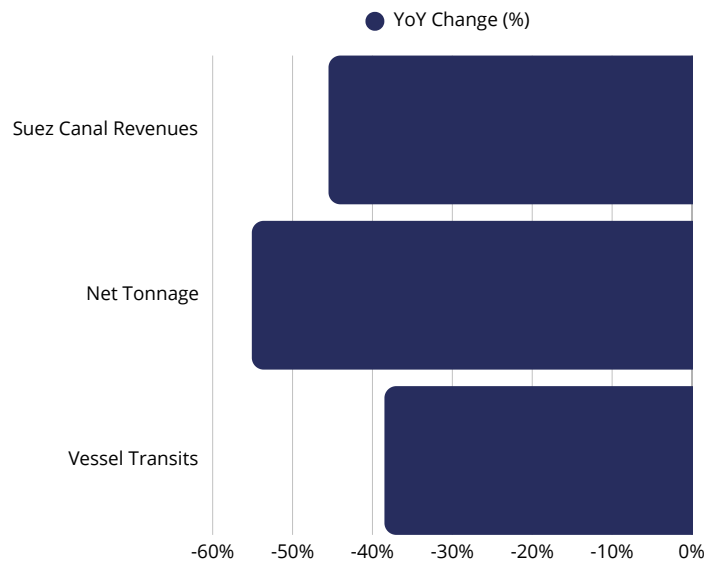


The Central Bank of Egypt cut interest rates by **100 bps** in its sixth meeting this year, marking a second consecutive reduction after a 200 bps cut in August. The overnight deposit rate is now **21%**, the lending rate is **22%**, and the main operation and discount rates are **21.5%**. Since starting its easing cycle in April, the CBE has reduced rates by a total of **625 bps**.

➤ Suez Canal Performance Indicators – FY2024–25

Suez Canal revenues dropped sharply by 45.5% year-on-year, reaching USD 3.6 billion in FY 2024–25.

This decline was accompanied by a 55.1% reduction in net tonnage and a 38.5% decrease in vessel transits, reflecting disruptions in maritime traffic and overall canal activity.

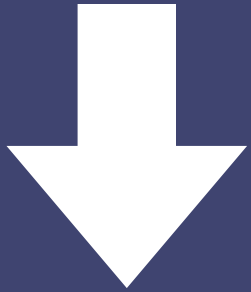


Source: Central Bank of Egypt (CBE)

Investment & capital inflows

FY 2024–25 vs FY 2023–24

Net FDI



USD 12.2 bn,
down from
USD 46.1 bn

The overall balance of payments recorded a USD 2.1 bn deficit during the fiscal year, compared to a USD 9.7 bn surplus a year earlier.

The shift was mainly attributed to a decline in the net inflows of the capital and financial account, which recorded USD 10.2 bn compared to inflows of USD 29.9 bn in the fiscal year 2023-2024, which included USD 35 bn from the Ras El Hekma transaction.

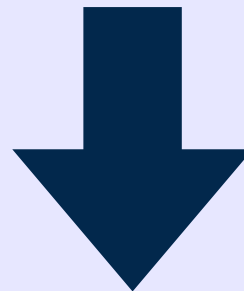
Non-oil FDI

USD 11.6 bn

Oil FDI

USD 598.3 mn

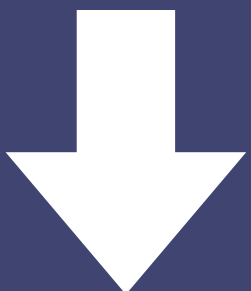
Capital & financial account inflows



USD 10.2 bn,
down from
USD 29.9 bn

Source: CBE announced in October 2025

Portfolio inflows



USD 1.6 bn,
down from
USD 14.5 bn





POLICY UPDATES

NEW PUBLIC DEBT STRATEGY



Egypt plans to unveil its new public debt strategy in December, aiming to reduce public debt to below 75% of GDP within three years, cut debt servicing costs to 7% of GDP, and extend debt maturities to five years. The strategy will employ debt-for-investment swaps, concessional financing, and partial privatization proceeds to enhance fiscal sustainability.

TAX FACILITIES AND SIMPLIFICATION MEASURES



The government introduced a flat tax system for SMEs with annual turnover up to EGP 15 mn, quarterly VAT returns, and annual labor income tax settlement. These measures ease the tax burden, integrate informal businesses into the formal economy, and simplify dispute resolution.

FINANCIAL REGULATORY AUTHORITY UPDATES ON NBFIs M&AS



The FRA revised rules for mergers and acquisitions of non-banking financial institutions. Board approval is only required for transactions granting market control (>10%) or insurance acquisitions. The update streamlines processes, promotes competitiveness, and maintains regulatory oversight.

HEALTHCARE TAX AMENDMENT



The 0.25% healthcare tithe will now be calculated on companies' net income rather than total revenues. This adjustment simplifies compliance, reduces the financial burden on businesses, and ensures targeted funding for the universal healthcare system, aligning fiscal policy with social objectives.



ROAD AHEAD

Egypt's economic outlook for the next year reflects cautious optimism amid ongoing structural reforms and external challenges.

The Finance Ministry plans to unveil its new public debt strategy in December 2025, aiming to reduce the debt-to-GDP ratio below 75% within three years, lower debt servicing costs to 7% of GDP, and extend debt maturities to five years.

These measures, combined with debt-for-investment swaps and proceeds from planned state asset divestments, are expected to create fiscal space for public investments and social programs.

Economic growth is projected to remain moderate. The World Bank revised GDP growth for FY 2025–26 to 4.3%, while other forecasts range between 4.4–4.8%. Remittances surged to USD 36.5 bn in FY 2024–25 (+66.7% y-o-y), and tourism revenues increased 16.3% to USD 16.7 bn.

The upcoming opening of the Grand Egyptian Museum is expected to further boost tourism and foreign exchange earnings, supporting the government's broader economic recovery strategy.

Domestically, the parliamentary elections could influence policy continuity and investor sentiment. Meanwhile, the government's ongoing tax reforms, SME incentives, and subsidized loan programs for industry, agriculture, and renewables aim to strengthen private-sector growth and competitiveness.

Overall, Egypt's near-term outlook depends on the effective implementation of fiscal and structural reforms, continued investment in tourism and exports, and political stability surrounding the parliamentary elections

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