



ECONOMIC PULSE

OF EGYPT



December

2025



SYNTHESIS

By December 2025, Egypt's economy is clearly transitioning from acute stabilization toward consolidation, underpinned by easing inflationary pressures, stronger external balances, and export-led growth. Recent policy decisions and performance indicators suggest that macroeconomic risks are becoming more manageable, while structural reforms are beginning to yield tangible results.

Monetary conditions shifted meaningfully in late December when the Central Bank of Egypt (CBE) cut key policy rates by 100 basis points, lowering the overnight deposit rate to 20.0 percent and the overnight lending rate to 21.0 percent. This move followed a sustained decline in inflation, with headline inflation falling to 12.3 percent in November 2025 and food inflation dropping sharply to 0.7 percent, its lowest level in more than four years.

Core inflation stood at 12.5 percent, indicating that while price pressures are easing, services and non-food items remain a constraint. The rate cut reflects the CBE's assessment that demand-side inflationary pressures are contained and that monetary conditions can cautiously support growth without derailing the disinflation path.

Growth dynamics remain resilient despite a slight moderation. Real GDP growth is estimated at around 5.0 percent in the fourth quarter of 2025, following 5.3 percent in the previous quarter. Earlier IMF assessments showed growth accelerating to 4.4 percent in FY 2024/25 and further to 5.3 percent year-on-year in the first quarter of FY 2025/26, driven primarily by non-oil manufacturing, trade, communications, transportation, finance, and tourism. This composition points to a gradual diversification away from reliance on volatile sectors.

External accounts strengthened considerably. Egypt's non-oil exports rose by 18.4 percent between January and November 2025, reaching USD 44.4 billion compared to USD 37.5 billion in the same period of 2024. Food industries, building materials, chemicals, textiles, and engineering goods were key contributors. This export momentum helped reduce the trade deficit by 11.9 percent to USD 30.3 billion over the same period, while the monthly trade deficit narrowed to USD 3.3 billion in September 2025.



SYNTHESIS

At the same time, non-resident inflows into local-currency debt reached approximately USD 30 billion, and foreign reserves rose to USD 56.9 billion in 2025, reinforcing external buffers.

Fiscal performance remained robust. Egypt recorded a primary surplus of 3.5 percent of GDP in FY 2024/25, supported by a sharp 36 percent increase in tax revenues. However, the IMF highlighted that Egypt's tax-to-GDP ratio remains modest at 12.2 percent, underscoring the importance of the growth-friendly tax reform package expected in January 2026 to broaden the base and improve compliance without constraining activity.

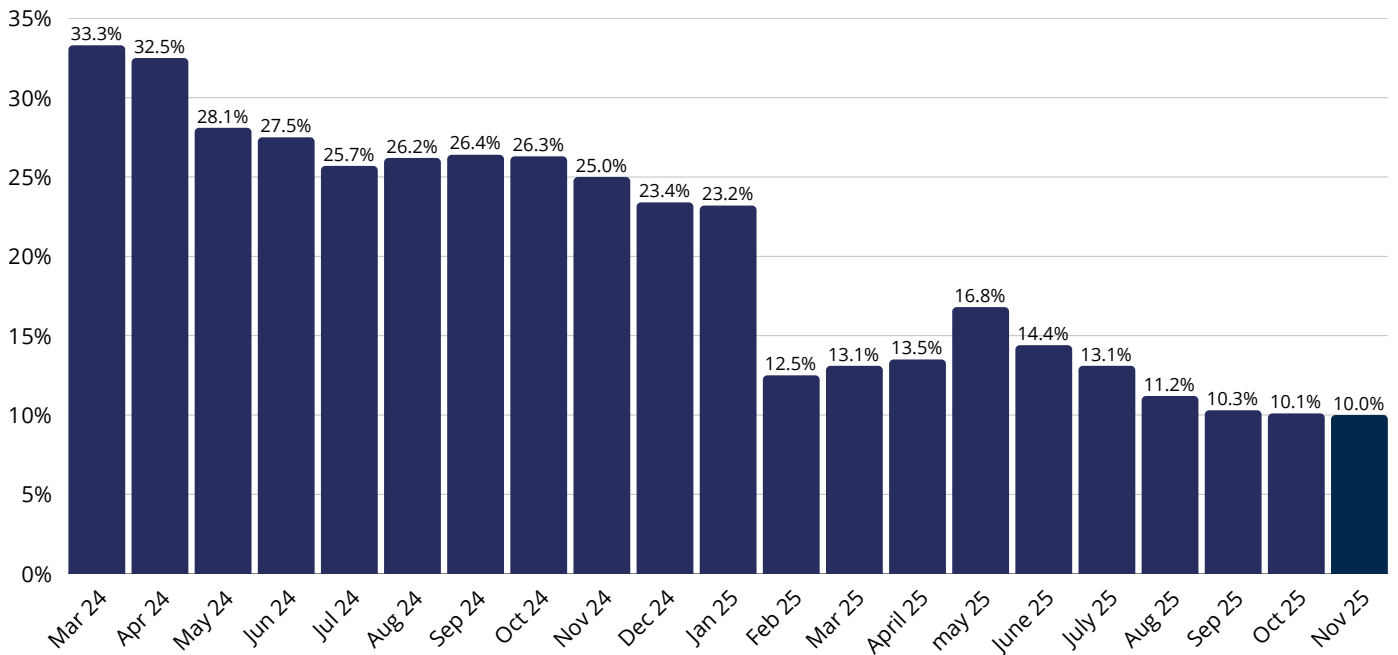
Structural and sectoral reforms continued alongside macro stabilization. The government moved to zero-rate VAT on exported services through clarified implementation rules, improving competitiveness for technology and service exporters. Agricultural expansion plans aim to add 4 million feddans by 2030, supporting food security and export growth.

In parallel, food industry exports are expected to approach USD 6.8 billion by end-2025, with projections of USD 11–12 billion in the following years, reflecting higher value addition and compliance with international standards.

Overall, December 2025 marks a phase of consolidation for Egypt's economy: inflation is easing, growth is broadening, exports are strengthening, and fiscal discipline is holding. The policy challenge ahead lies in accelerating private sector-led structural reforms while preserving macroeconomic stability.

UPDATES IN FIGURES

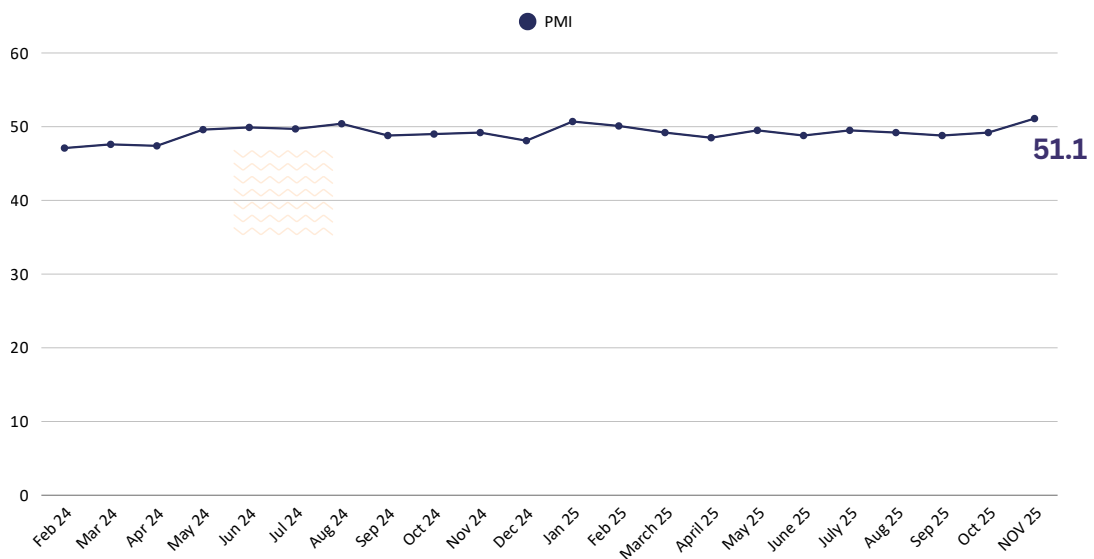
➤ Monthly Inflation Trends



Source: CAPMAS

CAPMAS reported that the monthly inflation fell by 0.2% in November 2025, compared with October 2025, reflecting reductions in prices across several essential food categories. The nationwide CPI reached 263.8 points, down from 264.4 in October 2025. Annual headline inflation moderated slightly to 10.0%, down from 10.1% in October, indicating a temporary easing in price pressures at the national level.

➤ Private Sector Performance



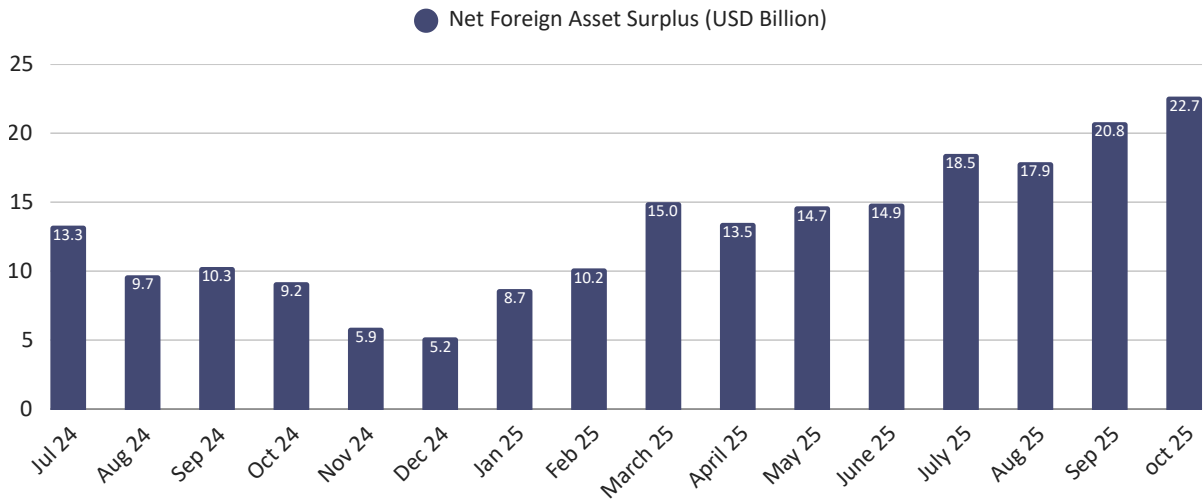
Source: S&P Global PMI.

business conditions across Egypt’s non-oil private sector improved sharply in November, with the headline seasonally adjusted S&P Global Egypt PMI rising to 51.1 from 49.2 in October, marking the first expansion in operating conditions since February.

UPDATES

IN FIGURES

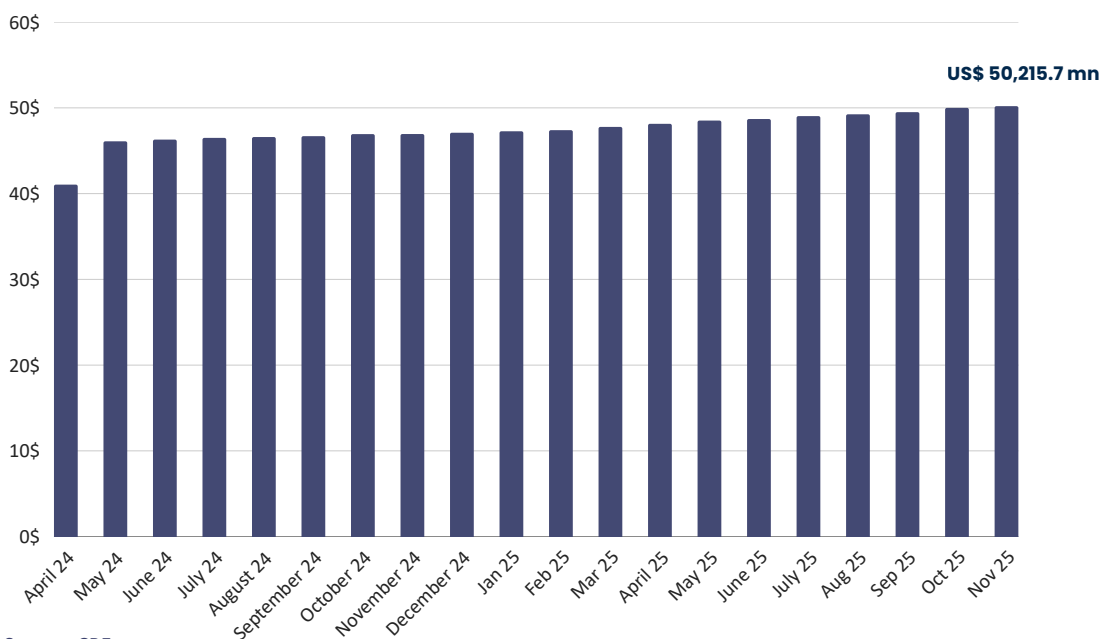
➤ Net Foreign Asset



Source: CBE

The Central Bank of Egypt (CBE) announced that net foreign assets (NFAs) in the banking sector rose to **\$22.656bn**, equivalent to **EGP 1.070tn**, in October 2025, compared to **\$20.783bn** (around EGP 996.148bn) in September.

➤ Net International Reserves



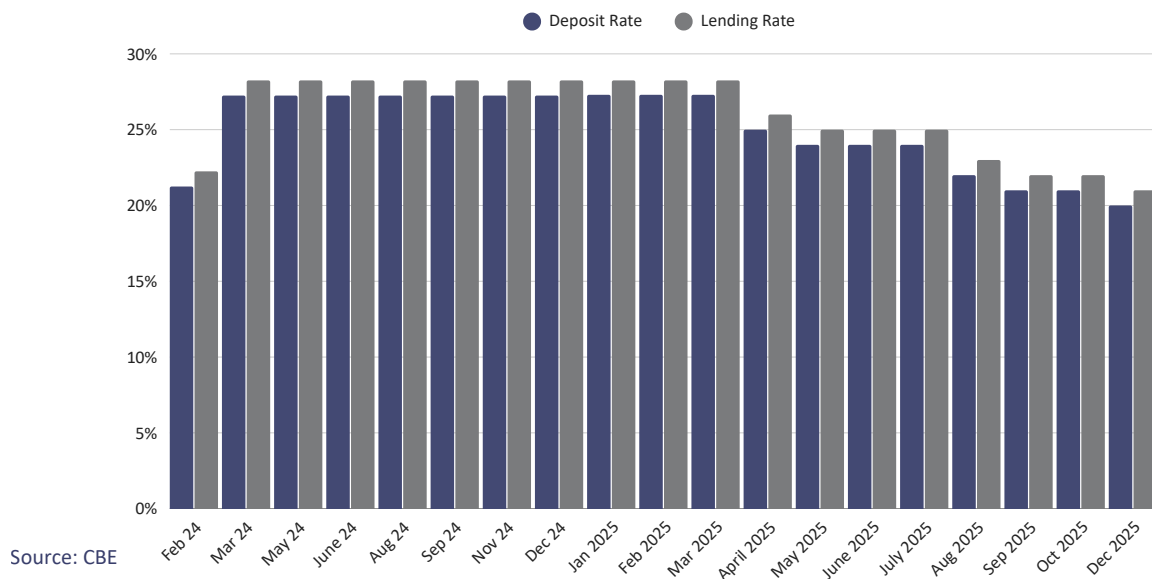
Source: CBE

Egypt's net international reserves increased slightly to \$50.215 billion in November 2025, up from \$50.071 billion in October, marking a monthly rise of \$144 million. This continued accumulation reflects a combination of factors, including gold price gains, stable portfolio inflows, and a diversified composition of foreign assets.



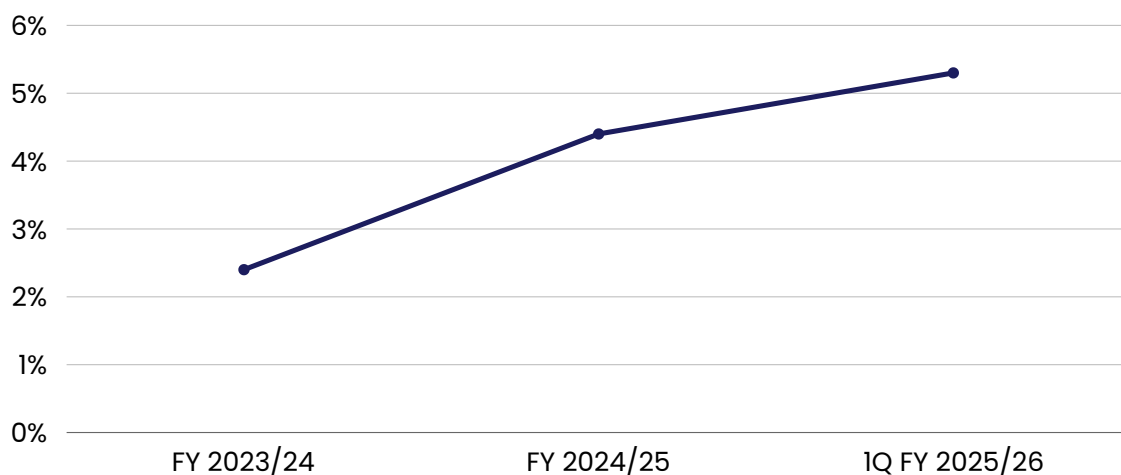
IN FIGURES

➤ Interest Rates



On 25 December 2025, the Monetary Policy Committee of the CBE decided to cut all key policy rates by 100 basis points. Accordingly, the overnight deposit rate was reduced to 20.00%, the overnight lending rate to 21.00%, while both the main operation rate and the discount rate were lowered to 20.50%. This decision reflects the Committee’s updated assessment of easing inflationary pressures, domestic economic conditions, and prevailing global developments.

➤ GDP Growth – Q1 FY2025/2026



Egypt’s macroeconomic position has strengthened, with GDP growth accelerating to 5.3% in early FY2025/26, supported by non-oil sectors and tourism. External balances improved amid stronger remittances, exports, capital inflows, and higher reserves. Fiscal performance remained solid, though further tax and structural reforms are needed to sustain private sector-led growth and long-term stability.



POLICY UPDATES

CBE BOARD RESHUFFLE STRENGTHENS MONETARY OVERSIGHT



The president appointed three new experts to the CBE board, reinforcing banking and economic governance. The board, including existing deputy governors, guides monetary policy, aiming to maintain stability amid ongoing economic reforms and inflation management.

EGP 10 BILLION SUPPORT INITIATIVE FOR STARTUPS & SMES



In 2026, Egypt will launch a EGP 10 bn program via MSMEDA and CBE to provide concessional loans, technical assistance, and simplified procedures, boosting entrepreneurship, small businesses, and sectoral growth in line with strategic industry expansion.

VAT ZERO-RATING BOOSTS EXPORTED SERVICES



The Finance Ministry clarified that exported services by registered Egyptian firms are now zero-rated for VAT, allowing input VAT recovery. This policy enhances competitiveness for tech, web, and remote services, encouraging export growth and global market integration.

IMF STAFF-LEVEL AGREEMENT STRENGTHENS EGYPT'S REFORM AGENDA



The IMF reached a staff-level agreement with Egypt on the fifth and sixth EFF reviews and first RSF review, unlocking ~\$2.5 bn in financing. The deal reflects progress in macroeconomic stabilization, fiscal consolidation, external buffers, and structural reforms, including private sector growth and climate finance initiatives.



ROAD AHEAD

Egypt enters 2026 with a more stable macroeconomic foundation shaped by progress achieved during 2025. Inflation is expected to continue its downward trajectory, with the Central Bank of Egypt projecting headline inflation to converge toward its target range of 7 percent \pm 2 percentage points by the fourth quarter of 2026.

This outlook has already allowed a cautious shift toward monetary easing, signaling greater confidence in price stability while maintaining vigilance over non-food inflation and fiscal pass-through effects.

Economic growth in 2026 is set to remain supported by non-oil sectors. Manufacturing, food industries, trade, communications, tourism, and services are positioned as the main growth engines, building on the momentum seen in late 2025.

Export performance is expected to remain a key contributor, following the strong expansion in non-oil exports that reached USD 44.4 billion in the first eleven months of 2025. Government targets to raise exports annually by 15–20 percent through 2030 underscore the strategic role of external demand in sustaining growth.

Fiscal policy in 2026 will focus on consolidation alongside reform. With a primary surplus of 3.5 percent of GDP already achieved and tax revenues having grown by 36 percent, attention will shift to the implementation of a growth-friendly tax reform package scheduled for January 2026. The aim is to raise the tax-to-GDP ratio from 12.2 percent while preserving investment incentives and private sector activity.

Externally, Egypt's strengthened reserve position of USD 56.9 billion and continued non-resident portfolio inflows provide buffers against global volatility. Structural reforms under the IMF-supported programs, including governance, private sector participation, and sustainability measures under the Resilience and Sustainability Facility, will shape Egypt's economic performance in 2026, anchoring stability while supporting gradual, investment-led growth.

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