

ECONOMIC PULSE

OF EGYPT

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



SYNTHESIS

Egypt's economy in early 2026 reflects a complex interplay of domestic reforms, regional geopolitical risks, and structural development efforts, highlighting both opportunities and vulnerabilities in the political economy. The government's recent initiatives aim to strengthen fiscal and social resilience, deepen capital markets, and support strategic sectors, while regional instability exerts pressures on trade, commodity prices, and currency stability.

A key domestic policy development is the surge in investor participation in Egypt's capital markets. The Minister of Investment and Foreign Trade announced that new investor registrations have jumped from roughly **20,000** annually to **250,000–300,000**, with an expected **180,000** additional entrants this year. To support long-term investment, the government plans to establish a co-investment fund targeting high-potential companies, alongside a registry for venture capital and investment funds operating in the Egyptian startup ecosystem.

These measures are complemented by digital reforms by the Financial Regulatory Authority, including electronic identification and remote account opening, facilitating broader and faster market participation, especially by young investors. This reflects the state's strategy to leverage capital markets for growth, industrial expansion, and export development, positioning Egypt as a regional hub for manufacturing and finance.

Social stability and household resilience remain central policy priorities. Ahead of Ramadan 2026, the government announced a social support package exceeding **EGP 40 billion**, targeting 15 million families through cash transfers, food subsidies, healthcare funding, and rural development programs. The package includes additional **EGP 400 support per ration card** for **10 million** low-income families and significant allocations for health sector improvements, including public hospital surgical waitlist reduction and the expansion of the Universal Health Insurance System in Minya Governorate.

These interventions illustrate Egypt's approach to cushioning households against inflationary pressures while maintaining political legitimacy and social cohesion.



SYNTHESIS

Regional geopolitical tensions have exerted immediate macroeconomic effects. The Egyptian pound briefly surpassed EGP 50/USD amid market volatility, reflecting heightened demand for safe-haven currencies. Gold prices in Egypt mirrored global trends, peaking at over EGP 61,000 per sovereign before easing to EGP 57,800, driven by investor hedging behaviors.

Oil markets have similarly experienced pressure, with potential disruptions to the Strait of Hormuz and Bab El-Mandeb affecting shipping routes, energy prices, and global trade. with expectations that the prolonged regional escalation could raise oil prices by **\$10–20 per barrel** and reduce Suez Canal revenues from strategic shipping, which historically account for approximately **\$10 billion annually**.

Egypt's industrial and agricultural sectors have also received targeted support. The European Bank for Reconstruction and Development (EBRD) extended a **€13.7 million** loan to expand aluminium production capacity, reinforcing the country's role as a regional manufacturing hub.

Concurrently, Egypt deepened its partnership with the International Fund for Agricultural Development (IFAD), with joint investments exceeding **\$1.1 billion** to modernize agricultural production, improve irrigation efficiency, support smallholders, and strengthen rural livelihoods.

Overall, Egypt's political economy in early 2026 is characterized by proactive fiscal and social measures, market-oriented reforms, and strategic industrial and agricultural investments, all within a context of regional instability.

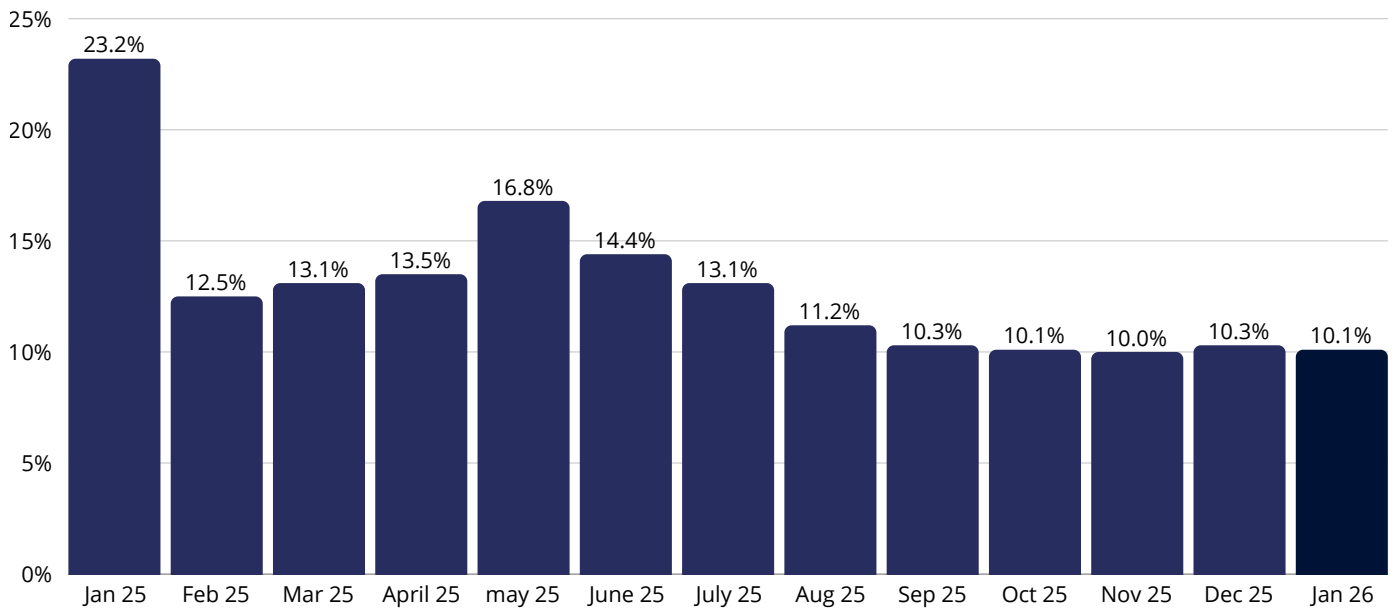
Policy initiatives aim to balance immediate socio-economic pressures with long-term structural development, while external shocks—including volatile commodity prices, exchange rate pressures, and potential disruptions in maritime trade—pose ongoing risks.

Effective management of these dynamics, through continued reform implementation, risk mitigation, and strategic international partnerships, will be critical to sustaining growth, safeguarding social stability, and reinforcing Egypt's regional economic position.



UPDATES IN FIGURES

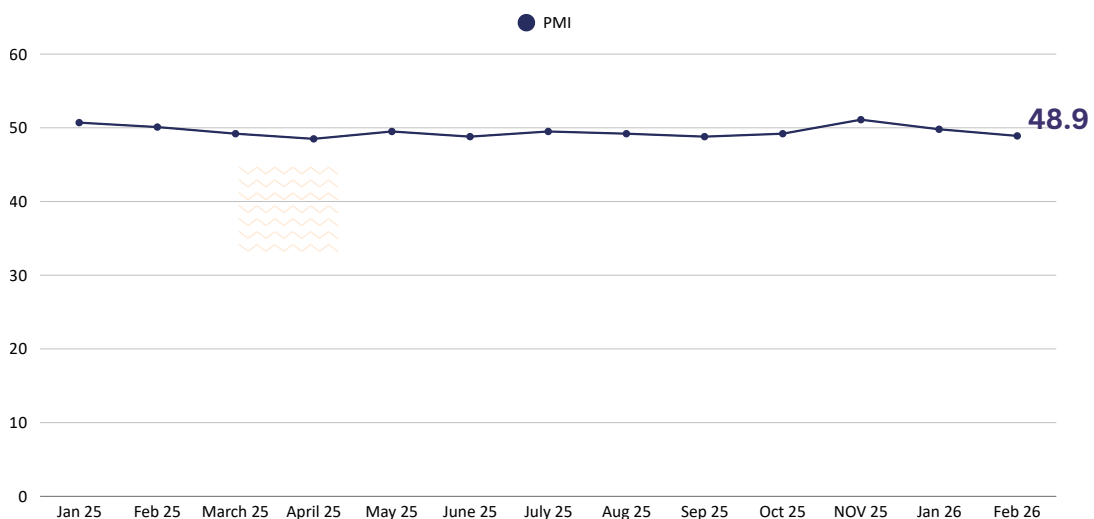
➤ Monthly Inflation Trends



Source: CAPMAS

According to CAPMAS, annual headline inflation eased to **10.1%** in January 2026, down from **10.3%** in December 2025, confirming the continuation of the disinflationary path. The CPI reached **268.1** points in January 2026, up from **264.2** points in December 2025, reflecting a monthly increase of **1.5%**. While this marks a pickup from December's **0.1%** month-on-month rise, the increase was largely driven by seasonal and food-related pressures.

➤ Private Sector Performance



Source: S&P Global PMI.

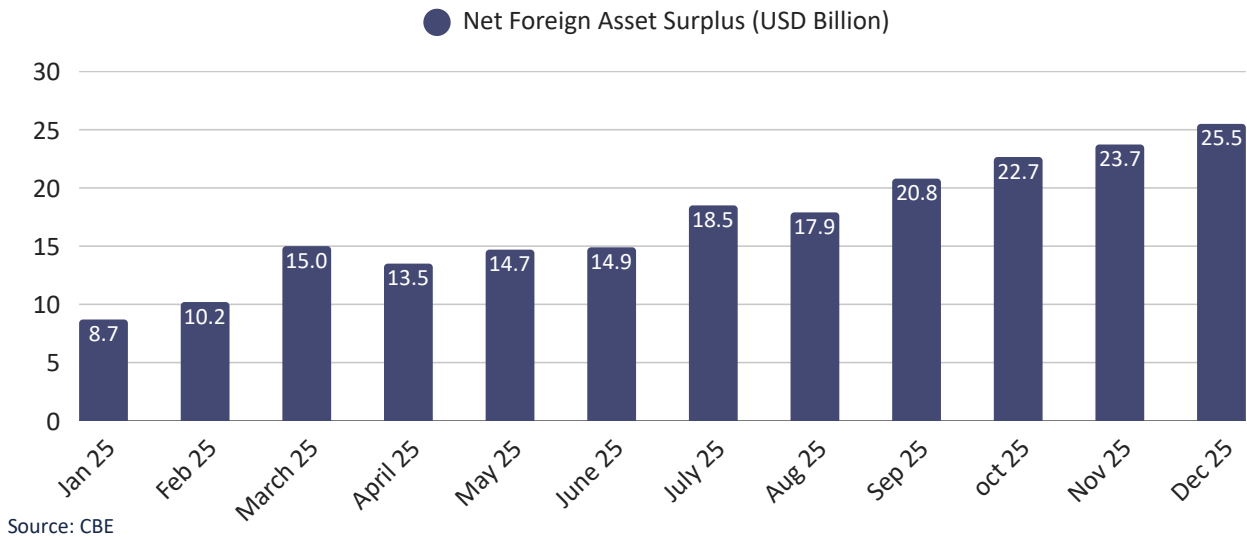
Egypt's non-oil private sector showed signs of a modest slowdown, as reflected by the S&P Global Egypt PMI, which fell from **49.8** in January to **48.9**, dipping slightly below the neutral **50.0** threshold but remaining above the long-run average of **48.3**. This decline marked the first contraction in activity in four months, driven by a combination of softening demand and accelerating cost pressures.



UPDATES

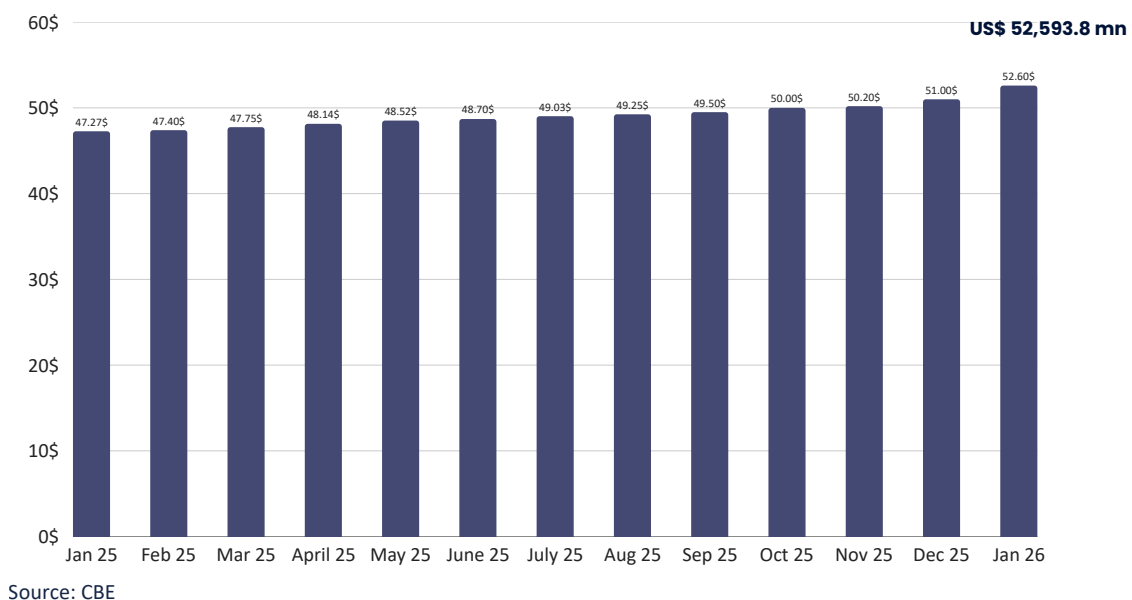
IN FIGURES

➤ Net Foreign Asset



Egypt’s banking sector net foreign assets rose **\$20.3bn in 2025**, reaching **\$25.5bn** in December, the highest since 2012, according to CBE. **The final quarter alone saw a \$4.7 billion increase, underscoring the acceleration in foreign currency accumulation toward year-end.**

➤ Net International Reserves

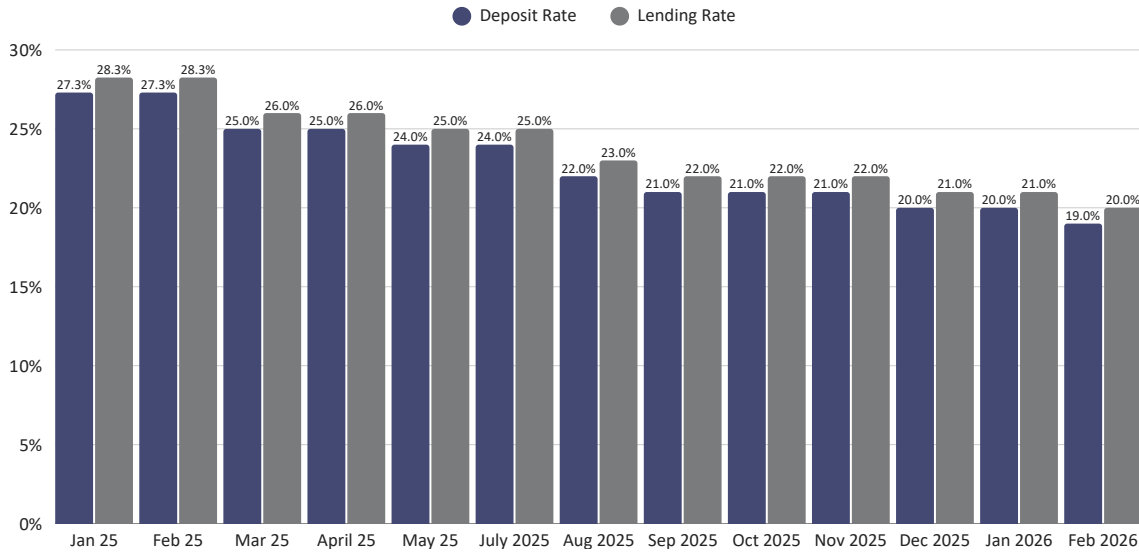


At the end of January 2026, the Central Bank of Egypt reported that net foreign currency reserves reached a record **\$52.59** billion, up from approximately **\$51.45** billion in December 2025, representing a monthly increase of around **\$1.14** billion.

UPDATES

IN FIGURES

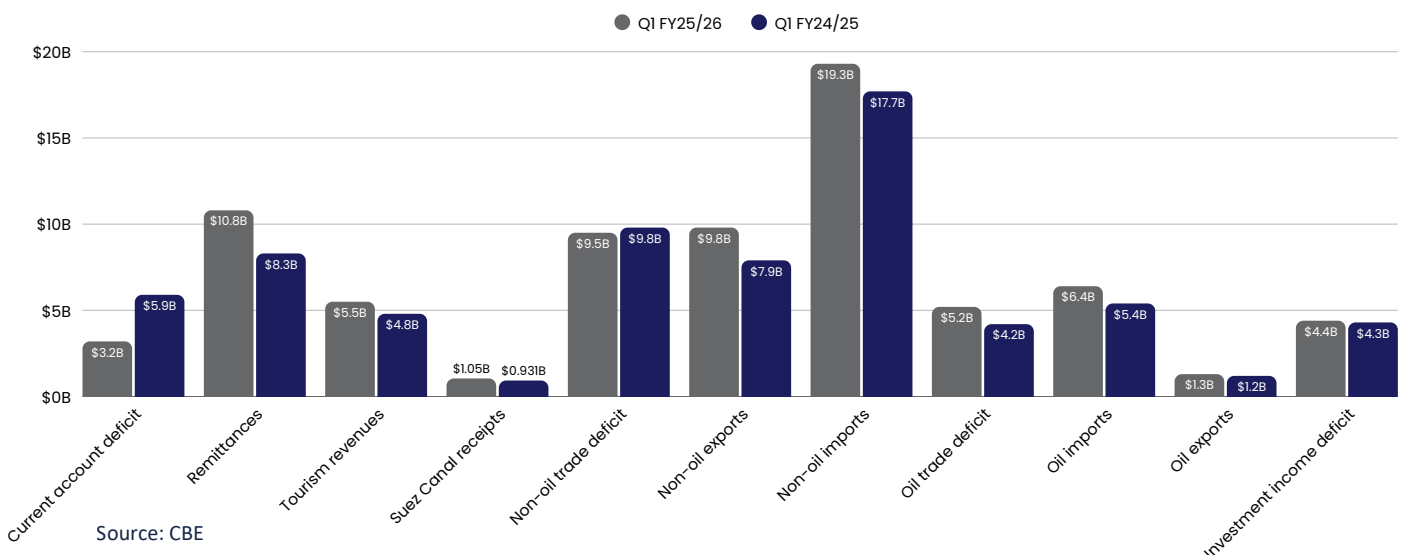
➤ Interest Rates



Source: CBE

In February 2026, the Central Bank of Egypt (CBE) cut key interest rates by 100 basis points, lowering the overnight deposit rate to **19%**, the overnight lending rate to **20%**, and the main operation and discount rates to **19.5%**, marking the sixth cut since April 2025 and bringing cumulative easing to **7.25** percentage points.

➤ Egypt's Current Account Performance – Q1 FY 2025/2026



Source: CBE

Egypt's Q1 FY25/26 current account deficit narrowed **45% to \$3.2B**, driven by remittances **+29.8%**, tourism **+13.8%**, and Suez Canal revenues **+12.4%**. Non-oil trade slightly improved, while the oil deficit rose **\$1B**, and investment income deficit edged up 2.3%, reflecting resilient external performance.



POLICY UPDATES

CABINET RESHUFFLE RATIFIED TO STRENGTHEN ECONOMIC GOVERNANCE



Egypt's parliament approved a major cabinet reshuffle on 10 Feb 2026, endorsing 22 new appointments including 13 new ministers. Key changes include a standalone Ministry of Industry, merged foreign affairs and cooperation portfolios, and a new deputy prime minister for economic affairs, boosting governance efficiency.

EGP 40 BILLION SOCIAL SUPPORT PACKAGE LAUNCHED AHEAD OF RAMADAN



Egypt announced a EGP 40 billion social support package for 15 million families, including cash transfers, ration card top-ups, healthcare funding, rural development, and agricultural subsidies. Measures aim to ease cost-of-living pressures ahead of Ramadan and Eid Al-Fitr.

EGYPT ACCELERATES UNIVERSAL HEALTH INSURANCE EXPANSION



Egypt is accelerating the rollout of the Universal Health Insurance System (UHS), with Minya Governorate scheduled to join the scheme in April 2026. The government allocated over EGP 3 billion to support the expansion, aiming to broaden healthcare coverage and improve access to public medical services nationwide.

TRAFFIC LAW AMENDMENTS WITHDRAWN PENDING COMPREHENSIVE REVIEW



Egypt's Parliament approved the government's request to withdraw proposed Traffic Law amendments, making way for a comprehensive new draft. The move follows cabinet-approved stricter penalties in December 2025 and aims to deliver a modernized, more effective framework to enhance road safety and enforcement.



MIDDLE EAST CONFLICT ECONOMIC IMPACT

The ongoing conflict in the Middle East has had notable economic repercussions both regionally and globally in early 2026. Financial markets responded to heightened geopolitical tensions with volatility in energy, currency, and commodity markets as investors reassess risks and supply dynamics.

One of the clearest domestic impacts has been on **Egypt's foreign exchange** market. In early March 2026, the Egyptian pound weakened past **EGP49** against the **US dollar** for the first time in nine months, with the greenback trading around **EGP49.17–49.27**, up approximately **2.6%** over a few days amid escalating regional uncertainty. This movement reflected capital flows toward the dollar as a safe asset and concerns over trade and tourism disruptions due to geopolitical risks.

Energy markets experienced significant price pressures. Global crude oil benchmarks saw sharp rises amid fears of supply chain disruptions near key chokepoints such as the Strait of Hormuz. Reports indicate Brent crude climbed to over **\$92** per barrel, its highest level since 2022, with forecasts suggesting prices could exceed **\$100** per barrel if tensions persist and critical routes remain threatened.

Precious metals also reflected investor flight to safe havens. In Egypt, local gold prices for the widely traded 21-karat rose, with prices holding around **EGP7,225–7,240 per gram** amid global gains of up to **2%** for gold as markets priced conflict risk into safe assets.

Tourism and aviation have also faced pressures. Regional uncertainty has led to shifts in travel patterns, with some destinations experiencing cancellations or reduced tourist flows. This is particularly relevant for countries in the eastern Mediterranean and North Africa, where tourism plays an important role in foreign currency earnings and employment.

Despite these challenges, many governments and international organizations continue to emphasize diplomatic efforts and regional cooperation to mitigate economic risks and maintain stability in global markets. Strengthening supply chain resilience, ensuring safe maritime navigation, and supporting economic recovery remain key priorities for policymakers and international partners.



ROAD AHEAD

Egypt's economic trajectory in 2026 will hinge on the government's ability to translate ongoing reforms into measurable outcomes while managing escalating regional geopolitical risks. The new cabinet reshuffle signals a clear policy prioritization: accelerating the national development programme, enhancing industrial and agricultural productivity, and deepening financial sector participation.

Key targets include expanding exports through strengthened manufacturing capacity, increasing private-sector investment, and embedding climate resilience in development initiatives, notably via the **EGP 15 billion** allocation for Haya Karima and **\$1.1 billion** in IFAD-supported agricultural modernization projects.

The government is also focusing on social stability as a development enabler. With **15 million** families set to benefit from the **EGP 40.3 billion** social protection package launched in February, authorities aim to shield low-income households from cost-of-living pressures—even as annual headline inflation eased to **10.1%** in January.

The package's **EGP 400** monthly top-ups for **10 million** ration card holders and targeted healthcare investments, including the expansion of Universal Health Insurance in Minya, further reinforce these objectives, contributing to social cohesion and productivity gains. Forward-looking, Egypt's ability to achieve its goals will depend on calibrated fiscal management, accelerated implementation of investment policies, and proactive risk mitigation.

However, regional tensions, particularly the US-Israel-Iran conflict, pose significant downside risks. Potential disruptions in the Suez Canal, which remains a vital **\$10 billion** revenue stream, could reduce foreign currency inflows, while global energy volatility may increase fiscal pressures on subsidy commitments. Recent exchange rate fluctuations, with the pound briefly surpassing **EGP 50/USD**, and gold price surges to over **EGP 60,000** per sovereign before easing, highlight the persistent sensitivity of domestic markets to these external geopolitical shocks.

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