



ECONOMIC PULSE

OF EGYPT



MARCH

2026



SYNTHESIS

At the outset of 2026, Egypt was progressing along a defined reform trajectory, aimed at stabilizing macroeconomic fundamentals and sustaining growth momentum. However, the escalation of regional geopolitical tensions—particularly around strategic maritime corridors such as the Red Sea—introduced a new layer of complexity, requiring policymakers to recalibrate priorities and balance reform execution with short-term crisis mitigation.

As the conflict intensified, its effects began to ripple across domestic prices. Inflation, already elevated, gained further momentum, with **headline inflation reaching around 11.5%**. Rising global oil prices—**approaching \$100** per barrel amid supply disruptions—translated into higher import costs, particularly for energy and food, placing additional pressure on households and the state alike.

Sectoral dynamics reflected this growing strain. The tourism sector, which had been a bright spot **in 2025 with a record 19 million visitors**, began to face headwinds as travel advisories and airspace disruptions led to flight rerouting and increased operational costs. At the same time, the industrial sector grappled with rising input costs due to more expensive imports, even as the government continued to push forward with targeted investments and international financing to expand production capacity in strategic industries such as aluminum.

Financial markets reacted swiftly to the mounting uncertainty. The Egyptian pound came under significant pressure, depreciating sharply from **around EGP 47.8 per dollar in late February** to nearly **EGP 54 by the end of March**. This movement reflected a surge in demand for foreign currency, coupled with partial capital outflows and heightened risk aversion across emerging markets.

Amid this volatility, gold emerged as a barometer of public sentiment. What had traditionally been viewed as a savings instrument quickly transformed into a safe haven asset. Prices surged dramatically over the course of the month, rising from approximately **EGP 6,200 per gram for 21-karat gold** to nearly **EGP 7,285**, as fears surrounding the US-Iran conflict and disruptions in the Strait of Hormuz intensified.



SYNTHESIS

At the heart of this unfolding narrative stood monetary policy. Entering March, the Central Bank of Egypt had just begun easing, cutting interest rates by **100 basis points in February** as part of a broader cycle aimed at supporting growth. Yet the outbreak of conflict abruptly halted this trajectory. With **urban inflation already accelerating to 13.4% before the full impact of the energy shock materialized**, policymakers were forced into a more cautious stance, prioritizing stability over further stimulus.

Egypt's recent economic developments reflect a balanced strategy of managing short-term shocks through financial, monetary, and social measures, while reinforcing long-term growth by supporting industry, boosting exports, and expanding the investor base. However, persistent external pressures-including commodity price volatility, currency fluctuations, and potential trade disruptions-continue to shape the outlook, underscoring the need for stronger hedging tools and diversified foreign currency sources. In this context, the Central Bank of Egypt held interest rates at **19.0% and 20.0%**, pausing its easing cycle amid escalating regional conflict and rising inflation risks, as policymakers prioritized price stability and external balance over growth support

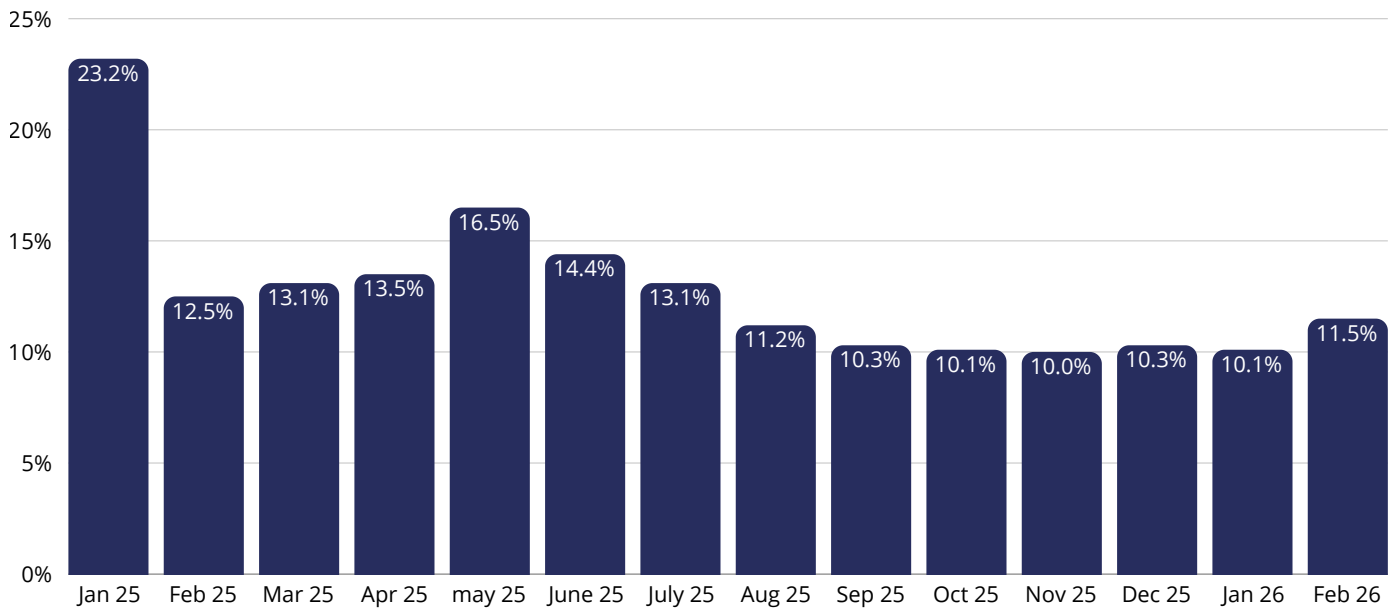
Overall, Egypt's economical scene in **Q1 2026** is characterized by proactive measures and social support packages to address regional challenges, market-oriented reforms, and strategic investments in the industrial and agricultural sectors, all within a context of regional instability.

In parallel, policy initiatives are designed to strike a balance between addressing immediate socio-economic pressures and advancing long-term structural transformation, while navigating persistent external shocks-including commodity price volatility, exchange rate pressures, and potential disruptions to maritime trade-that continue to pose risks to economic stability.

Effectively navigating these dynamics-through sustained reform momentum, enhanced risk management frameworks, and the deepening of strategic international partnerships-will be pivotal to sustaining growth, preserving social stability, and strengthening Egypt's position as a key regional economic hub.

UPDATES IN FIGURES

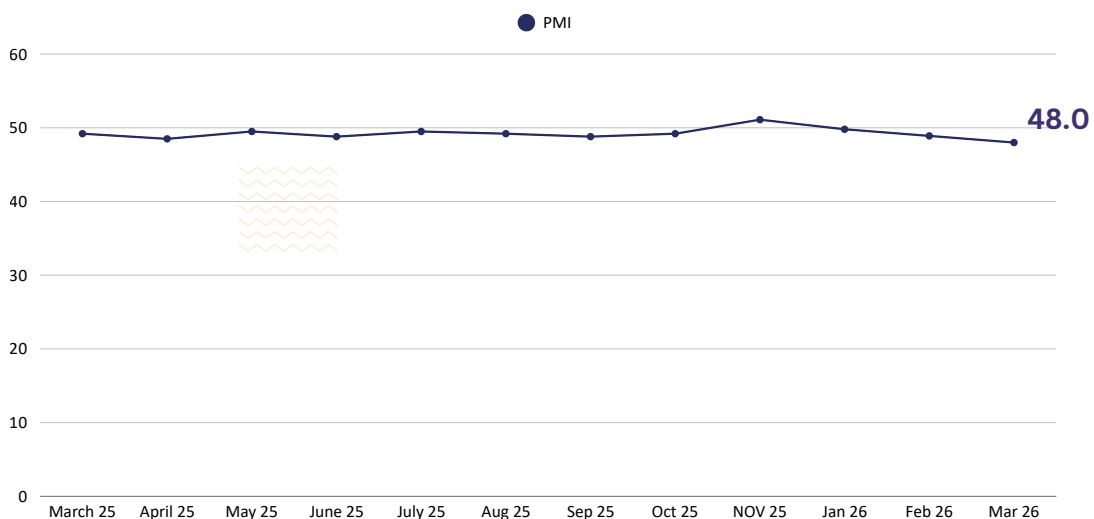
➤ Monthly Inflation Trends



Source: CAPMAS

Inflationary pressures remain elevated but relatively contained. According to official data, annual headline inflation reached around **11.5% nationwide in February 2026**, while **urban inflation rose to 13.4%**, driven mainly by increases in food, education, and housing costs.

➤ Private Sector Performance



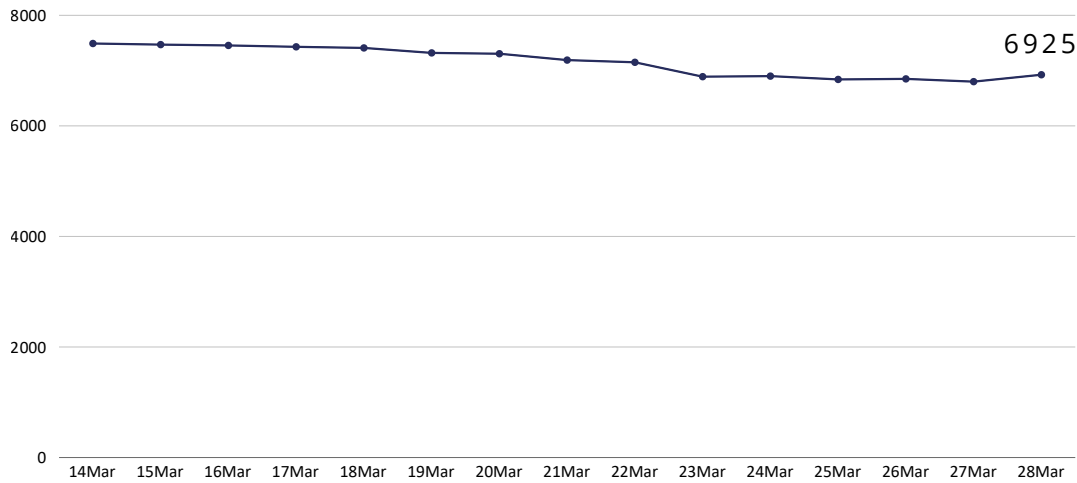
Source: S&P Global PMI.

Egypt's non-oil sector weakened in **March 2026**, with PMI falling to **48.0**, signaling contraction. Demand dropped due to Middle East war impacts and rising prices. Costs surged, pushing firms to raise prices. Despite this, GDP growth remains around 4.3%, though outlook turned slightly pessimistic.



UPDATES IN FIGURES

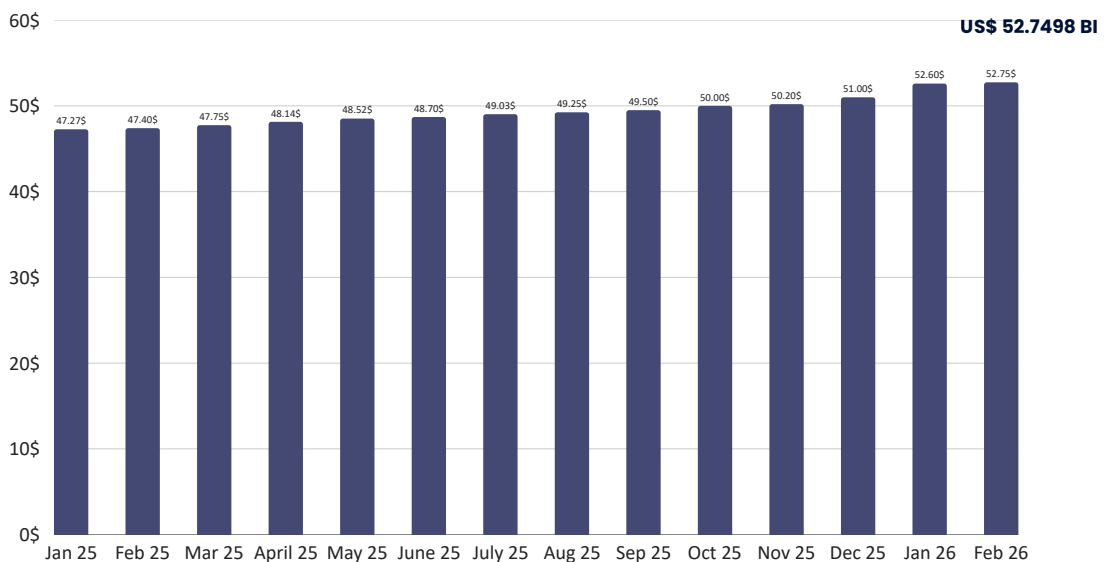
► Gold Price



Source: Gold price egypt

Gold in Egypt saw sharp volatility due to the US-Iran war, falling from **EGP 7,490 (21 Karat) on March 14** to **EGP 6,800 by March 27**, before a slight rebound to **EGP 6,925 on March 28**, highlighting its role as a safe-haven amid geopolitical and currency pressures.

► Net International Reserves



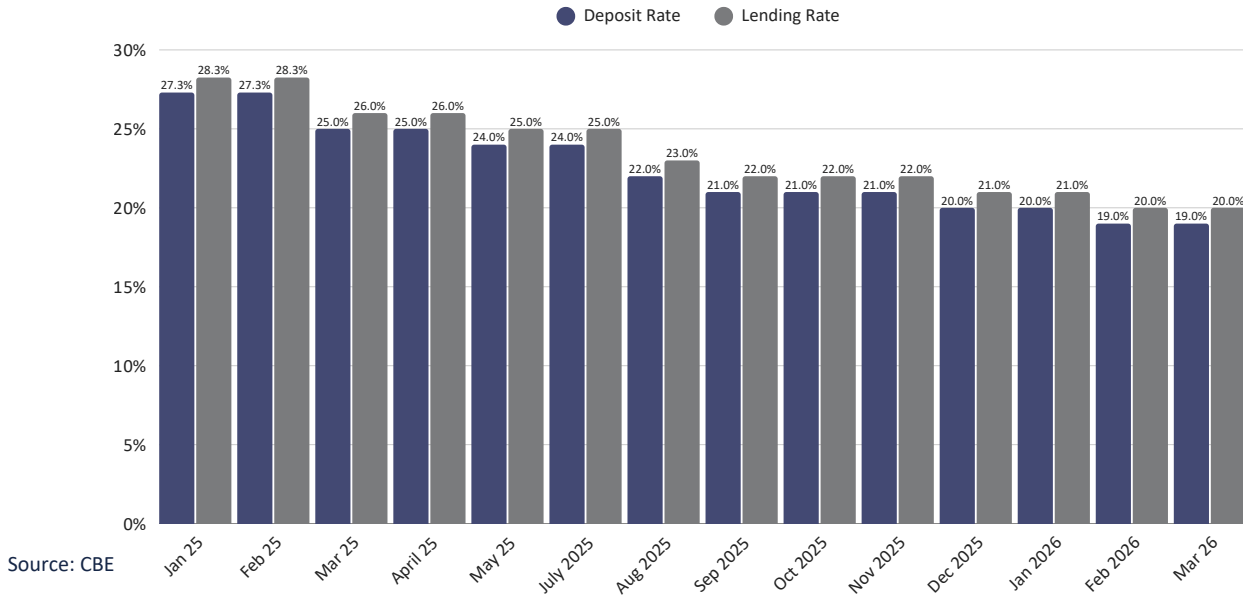
Source: CBE

Egypt's Net International Reserves continued to strengthen, rising from **USD 52.60 billion in January** to **USD 52.75 billion in February**. Although the increase was modest, it indicates ongoing accumulation of reserves, reinforcing the country's external liquidity and supporting overall financial stability.

UPDATES

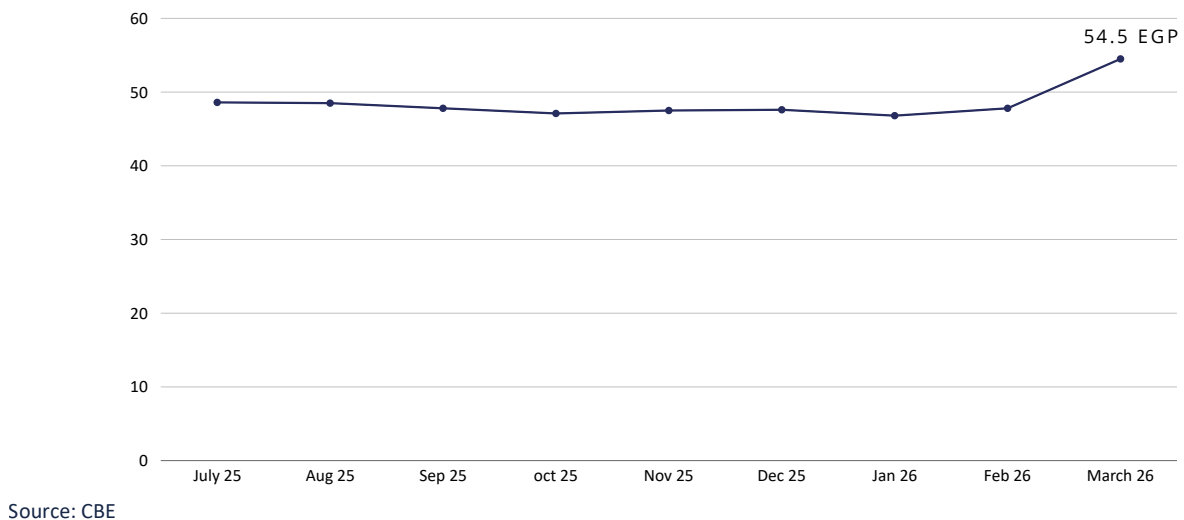
IN FIGURES

➤ Interest Rates



The Central Bank of Egypt kept interest rates unchanged, maintaining the overnight deposit rate at **19.00%**, lending rate at **20.00%**, and main operation and discount rates at **19.50%**. This decision reflects a cautious stance to control inflation, support the Egyptian pound, and maintain economic stability without slowing growth.

➤ Exchange rate



Exchange rate developments reflect ongoing pressure on the Egyptian pound. The currency weakened from around **EGP 47.8/USD** in late February to levels above **EGP 54/USD** in **March 2026**, indicating increased demand for foreign currency and external vulnerabilities.



POLICY UPDATES

EGYPT RAISES PUBLIC SECTOR MINIMUM WAGE



The Egyptian government has approved an increase in the minimum wage for public sector employees by EGP 1,000, raising it to EGP 8,000 per month, effective from July 1, 2026. The decision also includes periodic raises of around 15% and exceptional bonuses for teachers and healthcare workers to support key public service sectors. This measure is part of the government's efforts to mitigate inflationary pressures and improve the living standards of low-income households.

PARLIAMENT APPROVES NEW LOAN



Egypt's Parliament approved a presidential decree (Decree No. 434 of 2025) allowing the government to enter into a loan agreement with the Asian Infrastructure Investment Bank for USD 300 million under the "Program for Enhancing Resilience, Opportunities and Well-Being in Egypt."

NEW INTERNATIONAL AGREEMENTS



Egypt signed a framework agreement with Cyprus aimed at encouraging investment in the country's natural gas sector. The agreement seeks to strengthen collaboration on exploration, production, and infrastructure projects, creating a more attractive environment for both local and foreign investors. Officials highlighted that the initiative aligns with Egypt's broader strategy to enhance energy security, diversify supply sources, and support sustainable economic growth.

SENATE APPROVES NEW LAW



The Senate, during a plenary session, approved amendments concerning the integration of research centers and foreign universities into the University Hospitals Law. These amendments include the consolidation of several provisions (Articles 16, 17, and 18) into a unified legal framework to facilitate oversight, enhance cooperation in the management of university hospitals, and strengthen research and scientific development.



ROAD AHEAD

During the first quarter of 2026, Egypt adopted a set of proactive policy measures in response to the escalation of regional conflict in the Middle East, aiming to mitigate its impact on the national economy and preserve stability in domestic financial markets.

IMF Program Review – Key Milestone

Egypt is scheduled for its seventh review under the IMF Extended Fund Facility (EFF) program in Q2 2026. This review will evaluate progress on structural reforms, privatization measures, and fiscal consolidation. Successful completion is expected to unlock the next tranche of IMF financing, reinforcing efforts to stabilize the economy, manage inflation, and attract foreign direct investment. The review represents a critical checkpoint in Egypt's medium-term reform agenda.

Strategic International Engagements

President Abdel Fattah El-Sisi has received an official invitation from President Vladimir Putin for a visit to Russia. This high-level engagement underscores Egypt's strategy to expand international partnerships with major global economies, particularly in energy, trade, and infrastructure, strengthening bilateral cooperation and opening new avenues for investment and economic collaboration.

Regulatory Developments – Digital Economy

Legislative momentum is building to address social media governance and digital risks. The Egyptian Parliament is reviewing a draft law aimed at regulating children's use of social media, responding to growing concerns over online safety amid rising internet penetration among youth. This move signals Egypt's intention to introduce responsible digital governance frameworks in parallel with broader technology-driven growth initiatives.

Fiscal Policy & Tax Reform Initiatives

Parliament is set to examine a proposal to restructure the national tax system, transitioning toward a production-oriented taxation model. The reform aims to modernize fiscal policy, support economic growth, stimulate private investment, and enhance industrial productivity, aligning the tax framework with Egypt's broader development and investment objectives.

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