Influence Public Affairs

ECONOMIC PULSE
OF EGYPT

June 2026

SYNTHESIS

Egypt's economy continued to demonstrate resilience amid a challenging regional environment, supported by strong external inflows, sustained reform efforts, and improving investment dynamics. Remittances from Egyptians working abroad remained a key pillar of external stability, surging by **33.2% year-on-year during July–April FY25/26 to a record USD 39.2 billion**, providing significant support to foreign exchange liquidity and household incomes. At the same time, the International Monetary Fund (IMF) reached a staff-level agreement with Egypt on **the seventh review** of the Extended Fund Facility (EFF) and **the second review** under the Resilience and Sustainability Facility (RSF), potentially unlocking around **USD 1.6 billion** in additional financing and reaffirming confidence in the country's reform agenda and macroeconomic management.

Despite these positive developments, domestic economic conditions remained mixed. The non-oil private sector continued to face headwinds from weak demand, supply disruptions, and heightened regional tensions, with the Purchasing Managers' Index (PMI) **declining to 46.0** in June, its lowest level **in nearly three and a half years.** Nevertheless, easing inflationary pressures provided some relief to businesses and supported cautious optimism regarding a recovery in activity. Inflation moderated slightly **from 13.4% in April to 13.0% in May**, indicating a gradual easing of price pressures, although inflation remained elevated by historical standards.

SYNTHESIS

Meanwhile, the government continued to advance its structural reform agenda to support private-sector-led growth, with private investments **exceeding 50% of total implemented investments**. This reflects the state's ongoing strategy of gradually reducing its relative role in investment activity, as public investment declined to **EGP 205.1 billion in Q3 FY25/26**, creating greater space for private-sector participation. Despite the moderation in public spending, total implemented investments rose by nearly **20% year-on-year to EGP 637 billion**, highlighting the resilience of overall investment activity.

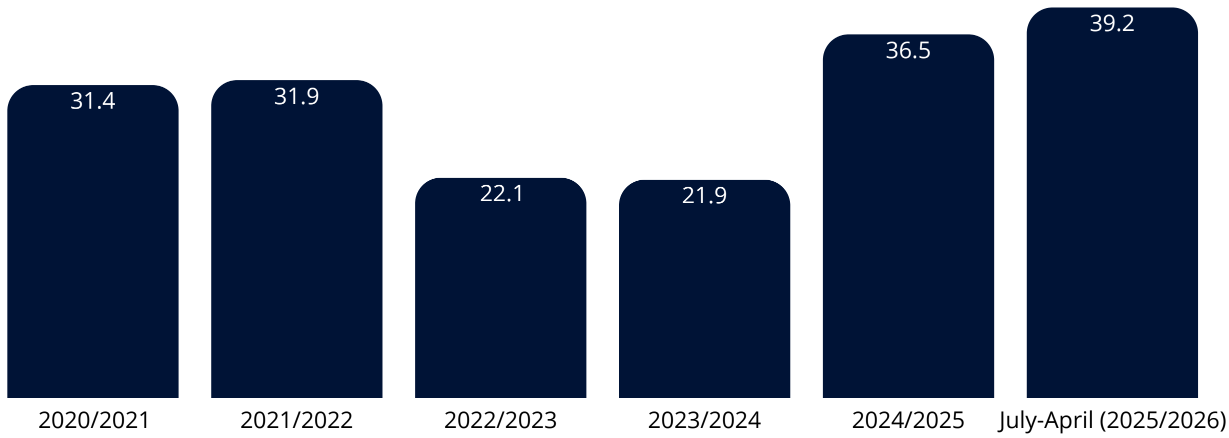
Complementing these efforts, the government introduced **a second package of tax facilitation measures** aimed at improving the business environment, stimulating investment, and enhancing competitiveness through tax incentives, faster VAT refunds, measures to encourage stock market listings, and reduced administrative burdens.

Overall, Egypt entered **the second half of 2026** with stronger external buffers and continued international support, while facing the challenge of translating macroeconomic stabilization into a broader recovery in private-sector activity and sustainable, investment-led growth.

UPDATES IN FIGURES

Remittances from Egyptians working abroad

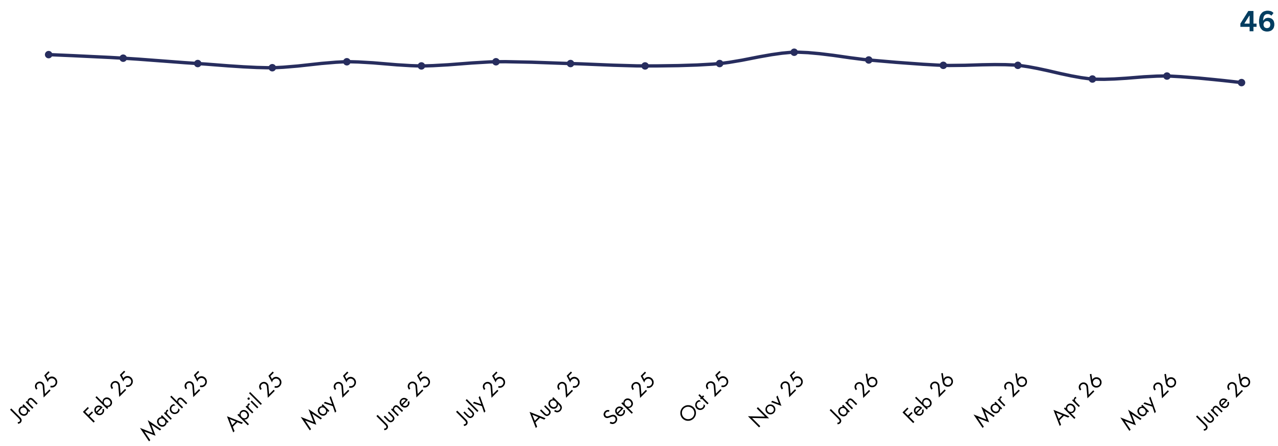
Unit= USD billion



Source: CBE

Remittances from Egyptians working abroad continued their upward trajectory, increasing by **33.2%** during **July/April 2025/2026**, to reach a record inflow of about **USD 39.2 billion** (compared to around **USD 29.4 billion during July/April 2024/2025**).

Private Sector Performance (Purchasing Managers' Index)

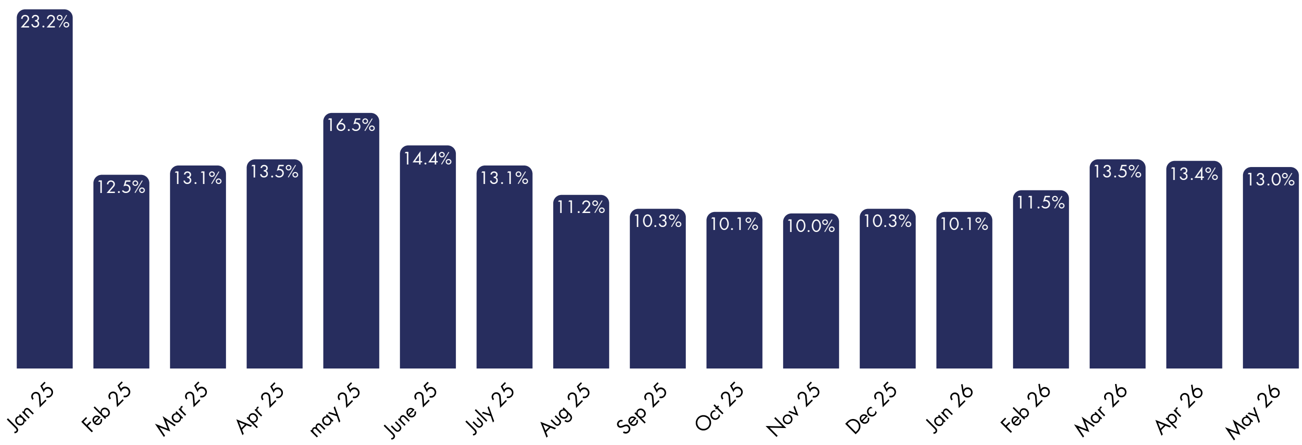


Source: S&P Global PMI

Egypt's non-oil private sector contraction deepened in June, with the PMI falling to **46.0**—the lowest level **in nearly three and a half years**—as **weak demand, supply disruptions, and regional tensions weighed on business activity**, although easing inflationary pressures provided some relief and supported cautious optimism for recovery.

UPDATES IN FIGURES

Monthly Inflation Trends

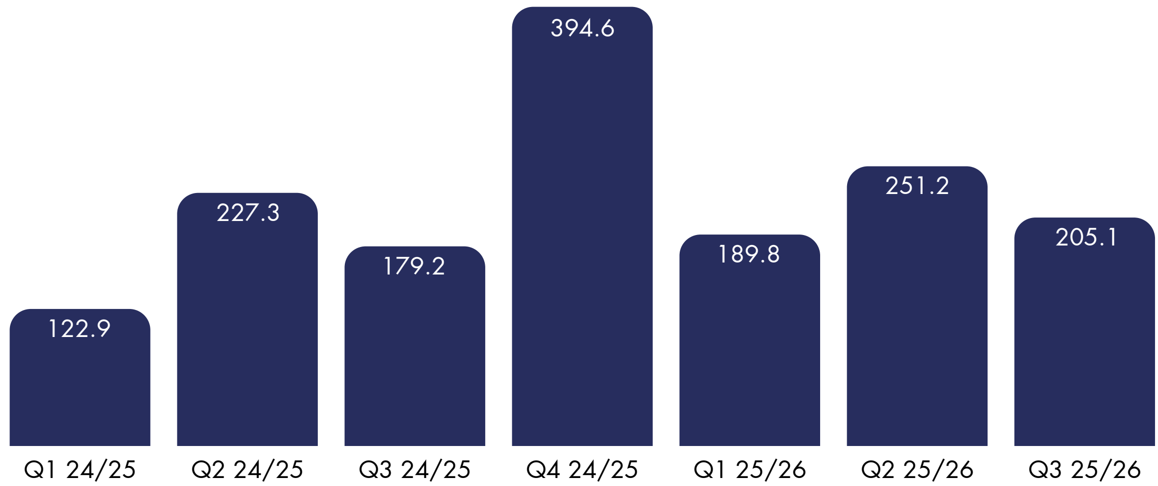


Source: CAPMAS

Egypt's inflation rate eased slightly, declining from **13.4%** in **April 2026** to **13%** in **May 2026,** signaling a modest reduction in inflationary pressures.

Public Investments

Unit=EGP billion



Source: MPED

Public investment amounted to **EGP 205.1 billion** in **Q3 FY25/26,** reflecting the government's strategy to gradually reduce the relative role of public investment and encourage greater private-sector participation. Despite this moderation, overall investment activity remained strong, with total implemented investments rising by nearly **20%** year-on-year to **EGP 637 billion**.

POLICY UPDATES

UPDATES ON EGYPT'S TAX REFORM AGENDA

Egypt approved **a second package of tax reforms** introducing VAT exemptions, investment incentives, and streamlined tax procedures to enhance competitiveness and support private sector growth.

PROGRESS ON EGYPT'S IMF PROGRAM REVIEWS

The IMF reached a staff-level agreement with Egypt on the latest program reviews, potentially unlocking a new **USD1.64 billion** financing tranche pending Executive Board approval.

DISCUSSIONS ON STRATEGIC COOPERATION

- **GAFI and the EBRD** agreed to activate their cooperation framework to attract foreign investment, strengthen private sector competitiveness, and support Egyptian exporters in meeting EU CBAM requirements.
- **The Ministry of Planning and Economic Development and African Export-Import Bank (Afreximbank)** discussed **expanding cooperation** to strengthen entrepreneurship, SME financing, regional trade, and investment across Africa.
- **Egypt and Türkiye** signed a memorandum of understanding to strengthen cooperation on regional transport corridors, logistics, and multimodal connectivity linking Asia, Africa, and the Arab region.

POLICY UPDATES

WORLD BANK BACKS INFRASTRUCTURE INVESTMENT FACILITY IN EGYPT

The World Bank announced plans to invest **USD 150 million** in the proposed Infrastructure Finance Guarantee Facility for Egypt (IFGFE), **a USD 520 million** initiative designed to mobilize private investment in strategic infrastructure sectors, particularly renewable energy and water projects, while reducing dependence on sovereign guarantees and supporting fiscal sustainability.

EGYPTIAN BANKING SECTOR IMPLEMENTS ISO 20022 FOR SWIFT TRANSFERS

Egypt's banking sector adopted **the international ISO 20022 financial messaging standard,** marking a major upgrade to the country's payment infrastructure and supporting more efficient cross-border payments, enhanced compliance capabilities, and the development of innovative financial services.

GOVERNMENT ADVANCES PUBLIC SECTOR FINANCIAL REFORMS

- Egypt signed agreements worth **EGP 196 billion** to resolve historical financial liabilities among state entities, supporting structural reforms aimed at improving public sector efficiency, strengthening state-owned institutions' balance sheets, and optimizing the management of state assets.

ROAD AHEAD

Looking ahead, Egypt's economic outlook remains broadly positive despite persistent short-term challenges. Reflecting improved confidence in the country's economic trajectory, **the World Bank** has revised its growth forecast upward to **4.6%** for **FY25/26**, from its previous estimate of **4.3%.** Growth is expected to moderate to **4.0%** in **FY26/27** amid continued external uncertainties and domestic inflationary pressures before rebounding to **4.6%** in **FY27/28**, supported by the ongoing implementation of structural reforms and continued macroeconomic stabilization efforts. Inflation is also projected to continue its gradual downward trajectory. The Institute of International Finance (IIF) expects average inflation to ease to **13.0% in FY26/27 from an estimated 13.4% in FY25/26,** suggesting that price pressures will continue to moderate, although inflation is likely to remain above historical averages.
On the external financing front, Egypt is expected to receive a **€1.5 billion** disbursement from the European Union in the coming days as part of the broader **€7.4 billion** financial support package.

Egypt will also commemorate **the 74th anniversary of the 23 July Revolution on 23 July 2026**, an occasion that traditionally highlights the country's development achievements and strategic priorities for the coming period. In another key development, **from 27–30 July 2026**, Egypt will host **the 6th International Telecommunications Conference (ITC-EGYPT 2026)** at the Egyptian Military Academy in the New Administrative Capital, bringing together experts in artificial intelligence, telecommunications, the Internet of Things (IoT), and smart technologies.

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Dedicated to the economic and public policy landscape of Egypt and MEA region, invaluable insights and strategic guidance are provided by IPA. Our expertise is seen as a beacon of knowledge, guiding through the evolving business environment, ensuring endeavors are rooted in wisdom and poised for success

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