

# ECONOMIC PULSE

OF EGYPT





# SYNTHESIS

November 2024, saw significant progress in Egypt's discussions with the IMF, which could unlock **USD 1.3 billion** in financing. The IMF has recognized substantial improvements in Egypt's structural reforms, with tax revenues increasing by 36.7% (EGP 174.2 billion), **reaching EGP 648.3 billion from July to October in FY2024/2025**, compared to **EGP 474 billion** during the same period in **FY2023/2024**, according to the Ministry of Finance.

Amid ongoing negotiations with the IMF, there have been concerns over the potential for a new devaluation. However, **the government has assured that the Egyptian pound will not face a dramatic devaluation**. The exchange rate may **fluctuate within a 5% range based on supply and demand**, marking a shift from the government's previous policy of a fixed exchange rate, which contributed to past economic crises. **The move toward a flexible exchange rate aims to avoid past mistakes while ensuring a more balanced approach.**

Despite a dramatic **92% drop in Suez Canal revenues to EGP 1.0 billion**, Egypt managed to offset this through a **108% surge in revenues from special funds**, totaling **EGP 4.4 billion**. This helped achieve a budget surplus of **EGP 3.6 billion**, compared to **EGP 2.6 billion** in the same period last year. Additionally, **social spending saw significant increases**, with the government **allocating EGP 9.6 billion** to the Takaful and Karama program, a **42.9%** growth in food subsidies, and substantial boosts to education and healthcare.

Egypt's **net foreign reserves** continued to climb, reaching **USD 46.9 billion** by the end of October 2024, an increase of **USD 205 million** from September. However, **net foreign assets (NFA)** decreased slightly to **USD 9.2 billion in October** from **USD 10.31 billion** in September. This marks the lowest surplus since the banking system moved from a deficit in May 2024. The steady rise in foreign reserves reflects Egypt's successful efforts to attract foreign capital despite global uncertainties.



# SYNTHESIS

Egypt has made notable progress in its economic reforms, reducing its **public debt-to-GDP** ratio from **96%** in June 2023 to **89.6% in June 2024**, with a target of **85%** by **FY2024/2025**. This reduction, coupled with fiscal reforms, signals the country's commitment to improving debt sustainability and boosting investor confidence. At the same time, inflationary pressures continue to rise, with annual headline **urban inflation** reaching **26.5% in October 2024**, driven by supply-side factors and exchange rate fluctuations.

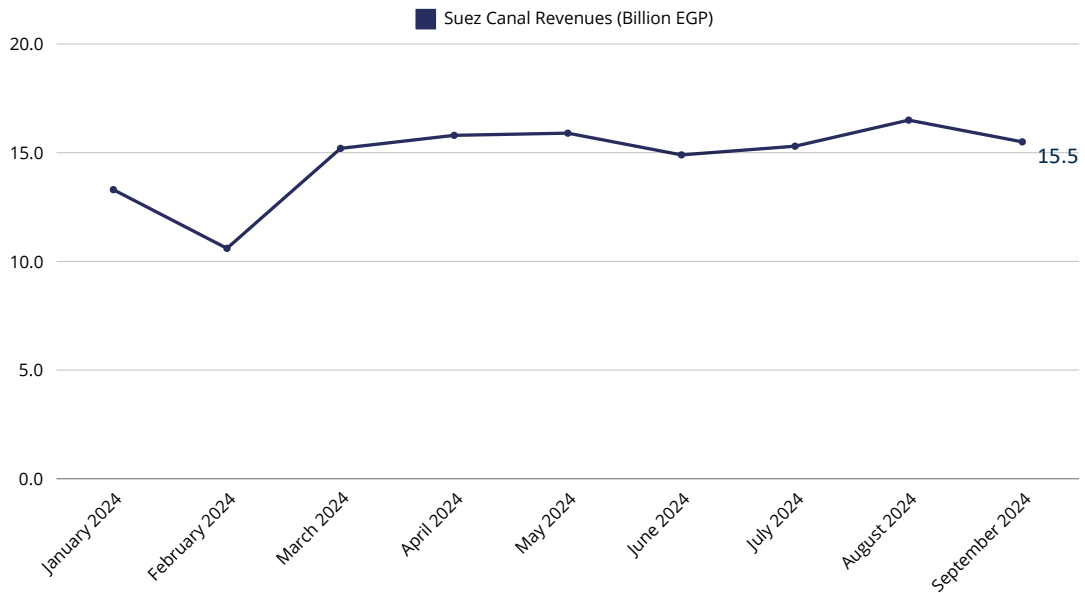
In the private sector, Egypt saw a slight improvement in non-oil activity, with the **PMI** rising to **49.2 in November** from **49.0 in October**. Despite remaining in contraction, a decline in input costs and output charge inflation suggests potential for stabilization. Meanwhile, the energy sector has experienced a **78%** reduction in energy arrears, attracting foreign investments and supporting Egypt's aim to increase gas output by **30%** by 2025.

Monetary policy has remained cautious, with the Central Bank of Egypt keeping **interest rates unchanged in November** to balance inflation control and economic growth. **Fitch Ratings upgraded** Egypt's credit rating from **B-/Positive** to **B/Stable**, reflecting improved conditions and stronger government support. The reduction in Egypt's foreign asset **deficit to \$130 million in September** underscores the success of these reforms in stabilizing the economy and boosting investor confidence.



# UPDATES IN FIGURES

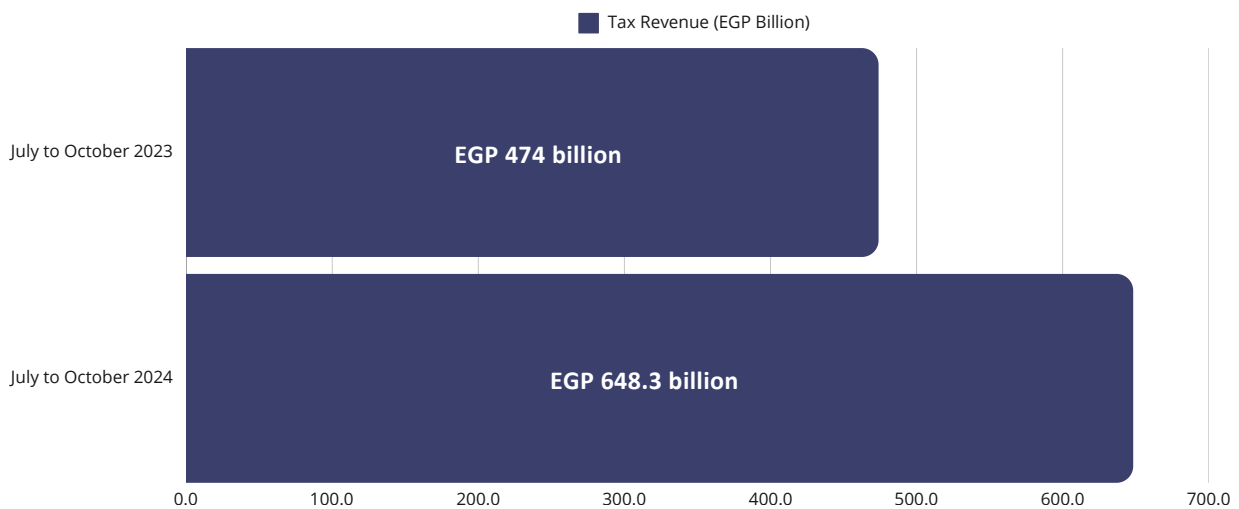
## ➤ Suez Canal Revenues



Source: CAPMAS

Suez Canal revenues saw a sharp decline in September 2024, dropping to **EGP 10.6 billion** from **EGP 23.1 billion** in September 2023. Despite some months of stability, the overall trend points to challenges that may require adjustments to maintain steady revenue flows.

## ➤ Egypt's Tax Revenue July-October



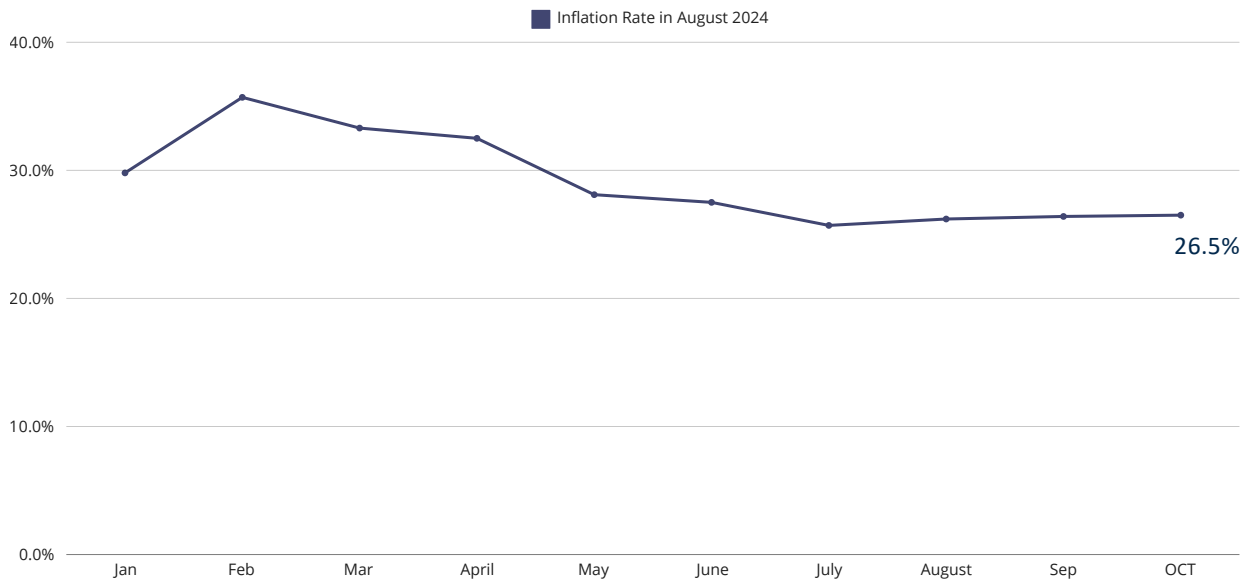
Source: CAPMAS

The bar chart shows Egypt's tax revenue growth between **FY2023/2024** and **FY2024/2025**, highlighting total, sovereign, and non-sovereign authority contributions.



# UPDATES IN FIGURES

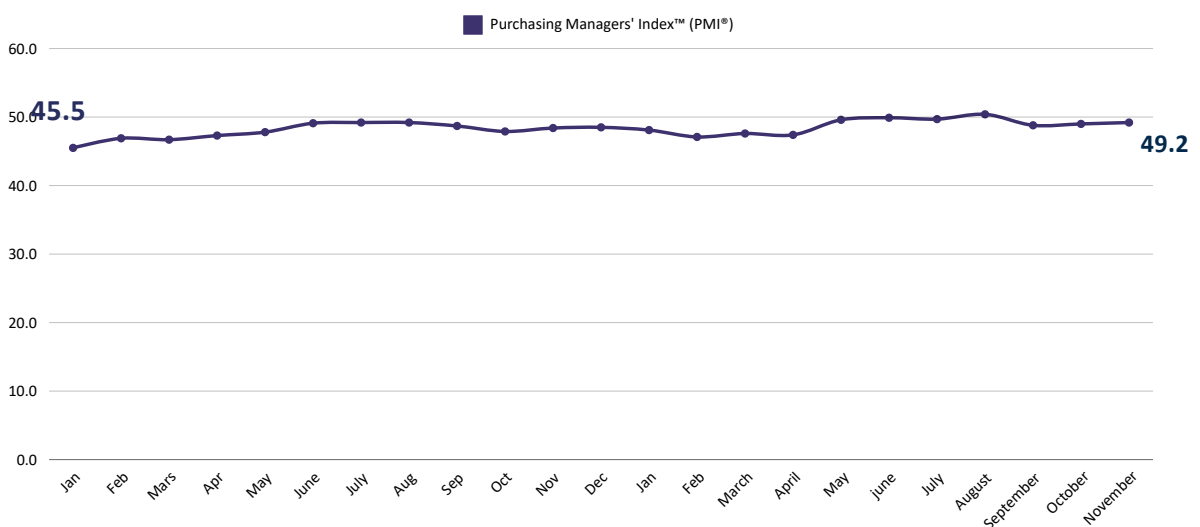
## ➤ Monthly Inflation Trends



Source: CAPMAS

Inflationary pressures eased slightly in October, with the annual headline inflation rate edging down to **26.3% from 26.4%** in September. **However, in urban areas, consumer prices rose to 26.5%, reflecting continued upward pressure despite the overall decrease..**

## ➤ Private Sector Performance



Source: S&P Global PMI.

Egypt's non-oil private sector activity in November edged up to **49.2 from 49.0** last month, marking sector activity's third consecutive month of contraction.

# Trade Balance

## Egypt's trade balance deficit



**USD 4.88 billion**

In November, CAPMAS revealed that Egypt's trade balance deficit reached \$4.88 billion in August 2024, compared to \$4.03 billion in the same month of the previous year, marking an increase of 21.3%.

## Export values



7.2 %

**Decline in export values**

## Egypt's food exports



**Increase to  
\$3.4 billion**

The rise in exports is attributed to higher exports of several commodities, including orange juice, which reached a value of \$90.506 million between January and August 2024, compared to \$33.936 million during the same period in 2023, an increase of \$56.570 million.

Olive exports also saw a notable rise, with a value of \$68.935 million in the first eight months of 2024, compared to \$40.732 million during the same period in 2023, marking an increase of approximately \$28.203 million.

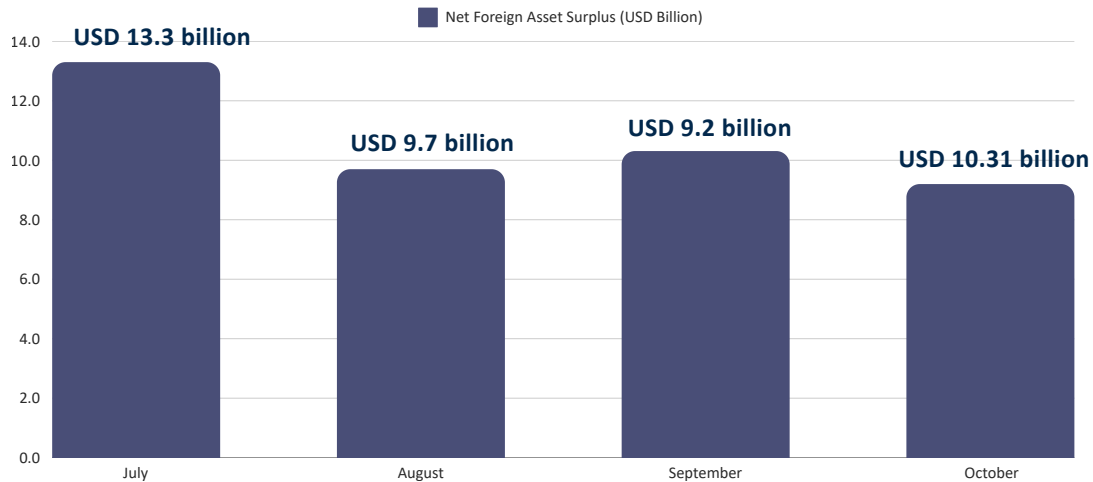




# UPDATES

## IN FIGURES

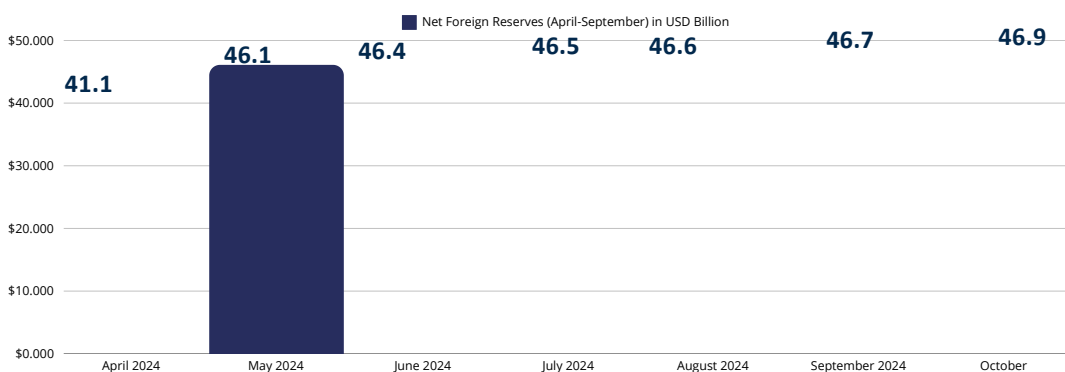
### ➤ Net Foreign Asset Surplus



Source: CBE

TNet foreign assets fell to **USD 9.2 billion** by the end of October, down from **USD 10.31 billion** in September, based on Central Bank of Egypt data. This marks the lowest surplus since the banking system shifted from a deficit in May, ending a two-year period of negative balances.

### ➤ Net International Reserves



Source: CBE

Egypt's net foreign reserves continued to climb, rising by USD 205 million to reach **USD 46.9 billion** by the end of October 2024, up from **USD 46.7 billion** in September. This sustained growth reflects the success of Egypt's ongoing initiatives to bolster foreign capital inflows and ensure economic stability amid global uncertainties.



# POLICY UPDATES

## EGYPT TO UNVEIL REVAMPED PRIVATIZATION PROGRAM



Egypt will reveal a new privatization plan by month-end, focusing on maximizing asset value. Simultaneously, the government seeks an IMF timeline extension for economic reforms amid ongoing challenges.

## EGYPT'S PARLIAMENT APPROVES KEY SOCIAL SECURITY PROVISIONS



The Parliament, approved Article 3 (formerly Article 2) of the Social Security Bill, granting cash support to citizens below the poverty line. It also approved defining poverty levels and eligibility criteria based on a poverty map and formula.

## EGYPT'S UNEMPLOYMENT RISES SLIGHTLY TO 6.7%



Egypt's Q3 2024 unemployment rose to 6.7%, driven by a 2.5% labor force expansion. Women's jobless rate hit 18.2%, while youth made up 65.7% of the unemployed. Labor participation rose to 44.4%.

## EGYPT CLEARS ENERGY ARREARS



Egypt has reduced its energy arrears by **78%**, encouraging major foreign investments. With new drilling projects, the country aims to increase gas output by **30%** by the end of **2025**.





From an economic standpoint, Egypt's path forward is defined by a series of structural reforms, fiscal discipline, and enhanced collaboration with international partners, notably the IMF. Egypt's **GDP** growth is projected to reach **4.1%** by 2025, with the potential to surpass **5%** in the following years, driven by comprehensive economic strategies aimed at fostering resilience and stability.

The Egyptian government targets **4.0%** GDP growth for **FY2024/2025** through fiscal reforms like subsidy cuts, tax base expansion, and private sector incentives, aiming to lower the **debt-to-GDP** ratio from **96% in June 2023 to 85%**. Measures like tax incentives for small businesses and export support programs will mitigate long-term fiscal pressures despite a **7.3% budget deficit**.

This strategy promotes long-term stability, creating an environment that encourages investment. These initiatives are anticipated to play a key role in building a resilient economy and positioning Egypt for sustained growth in the future. Additionally, significant energy investments, including **BP's USD 3.5 billion** gas exploration plan and a joint venture with **ADNOC**, highlight Egypt's commitment to strengthening its energy sector and attracting foreign capital.

In line with these reforms, the government has also embraced a flexible exchange rate policy, which led to devaluations of **30-40%** during periods of economic stress, aiming to foster a more sustainable economy. Since March, the dollar exchange rate has fluctuated by **4-5%**, moving from **47 to 49 pounds**. The exchange rate could continue to vary within this range, depending on demand for dollars, with potential movements between **46 and 47 pounds** or upward by the same percentage.

Additionally, Fitch Ratings, has projected that the CBE will begin easing its monetary policy in 2025. At year-end, interest rates are expected to decrease by **1,200** basis points to **16.25 percent**.

***Egypt's economic outlook demonstrates promising potential, driven by structural reforms, fiscal discipline, and strategic partnerships with financial institutions. In addition to targeted measures such as a flexible exchange rate, business incentives, and energy sector investments are fostering resilience and attracting foreign capital. With ongoing efforts to strengthen fiscal policies and ease monetary conditions, Egypt is positioning itself for long-term stability and sustained growth.***



# CREDITS



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*Walid is a seasoned Public Affairs strategist with expertise in trade, government relations, and investment affairs. With over 14 years of experience, he has successfully driven economic development through strategic policies, fostering international partnerships, and securing key trade agreements. Walid's focus on FDI and global market dynamics has been instrumental in advancing trade and cross-border investments.*



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