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ECONOMIC PULSE
OF EGYPT

October 2024

SYNTHESIS

In October 2024, the Egyptian government considered adjustments to its IMF program to address economic pressures from shifting inflation, variable revenues, and evolving financial conditions to stabilize growth and enhance resilience amid regional and global challenges.

Three options were on the table: **extending reform timelines**, **pausing energy price hikes and easing interest rates,** or **securing additional social funding**. A timeline extension appears the most viable, especially given the 24.3% drop in Suez Canal revenue due to disrupted maritime traffic, which has added strain to the economy.

Credit rating agencies, including fitch and S&P Global's positive outlook on Egypt's credit rating, backed by increased investor confidence and record FDI inflows of **USD 46.1 billion** in September, has created a favorable climate for economic growth. Although initial exchange rate fluctuations may temporarily raise costs, gradual stabilization will help businesses better manage expenses.

Egypt's foreign reserves grew slightly to **USD 46.7 billion** in September 2024, supported by steady currency reserves and increased gold holdings. With a net foreign assets surplus of **USD 10.4 billion**—its fifth consecutive month—Egypt's banking sector continues to demonstrate resilience. However, high inflation, which reached **26.4%** in September, and elevated interest rates remain challenges for pricing and borrowing costs.

In **Q1 2024-2025**, Egypt's budget deficit narrowed to **2.12%** of GDP, totaling EGP **361.8 bn**, down from **EGP 455.8 bn** in the same period last year, largely due to a 40.3% increase in revenues **(reaching EGP 470.1 bn),** primarily from tax collection, which made up **87.9%** of total revenues.

SYNTHESIS

Tax revenues surged **45%** year-on-year to **EGP 413.3 bn**, the highest jump in two decades, attributed to economic growth, easing of the FX crisis, and improved tax administration from digitization efforts. Meanwhile, government spending rose 4.7% to **EGP 827.7 bn**, with **a 5.4%** reduction in the debt service bill (at **EGP 452 bn**), reflecting enhanced debt management practices.

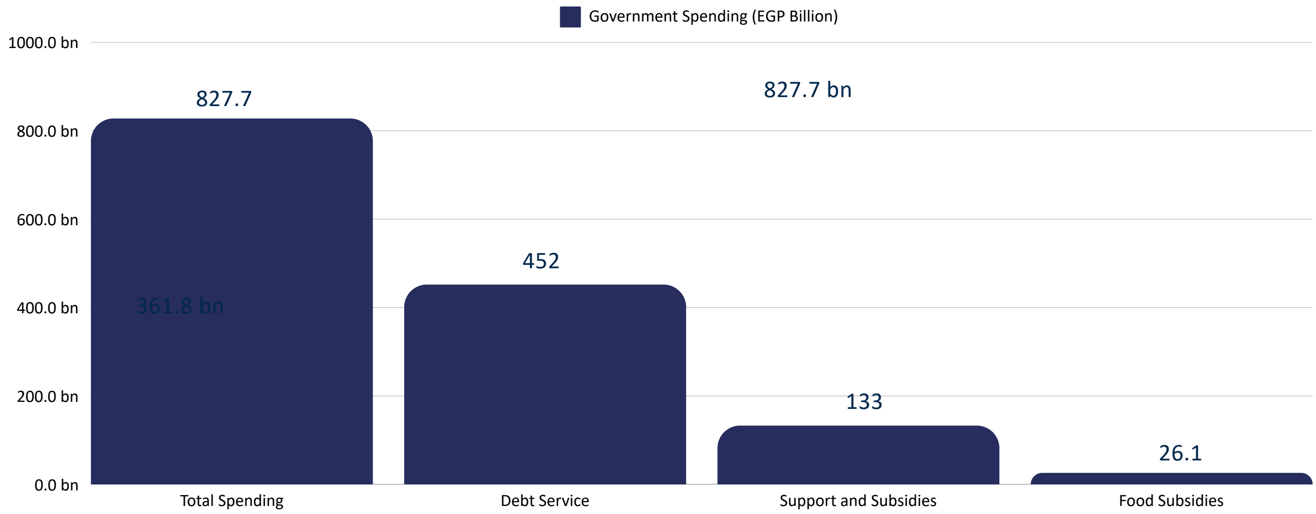
The private sector, however, showed signs of strain, with Egypt's PMI dropping to **48.8,** marking a renewed contraction in business conditions. Rising costs and inflationary pressures drove down sales and output, hitting the sector's recovery efforts. In response, the government froze fuel prices until early 2025 to provide cost predictability for businesses and relief to consumers, while an upcoming investment incentive package aims to attract further investments across various sectors.

In response to ongoing economic challenges, the Egyptian government is preparing to introduce a new investment incentive package aimed at stimulating both new and existing investments across multiple sectors. Concurrently, the government has increased fuel prices by **10-17%** to address rising inflation and meet International Monetary Fund (IMF) requirements for financial assistance

To balance this adjustment, the government has announced a **freeze on fuel prices** until early 2025, contingent upon global oil prices stabilizing around **$73** per barrel. This policy is intended to alleviate economic pressures on households and businesses by offering a stable cost environment.

UPDATES IN FIGURES

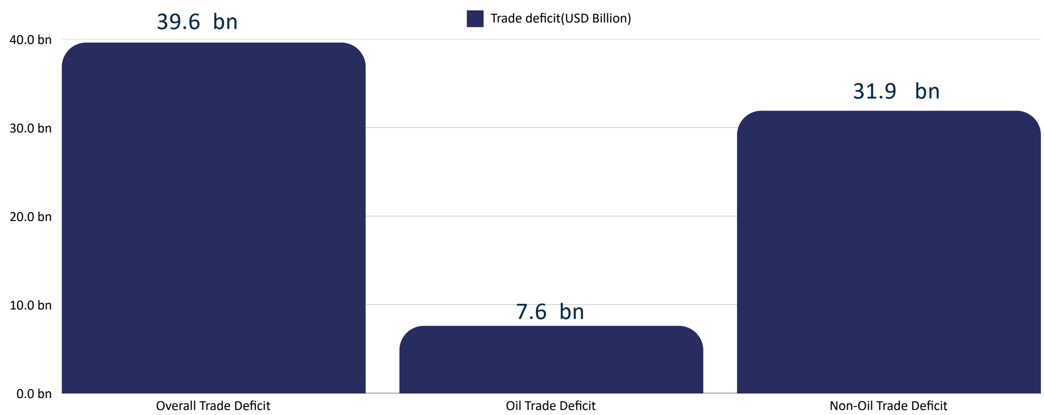
Government Spending Breakdown in 1Q 2024-25



Source: Ministry of finance

In Q1**2024-25**, Egypt's total government spending reached **EGP 827.7 billion,** up 4.7% year-on-year. Debt service costs decreased by 5.4% to EGP 452 billion, while spending on **support and subsidies rose 39.8%** to **EGP 133 billion**, including **EGP 26.1 billion** on food subsidies.

Trade Deficit

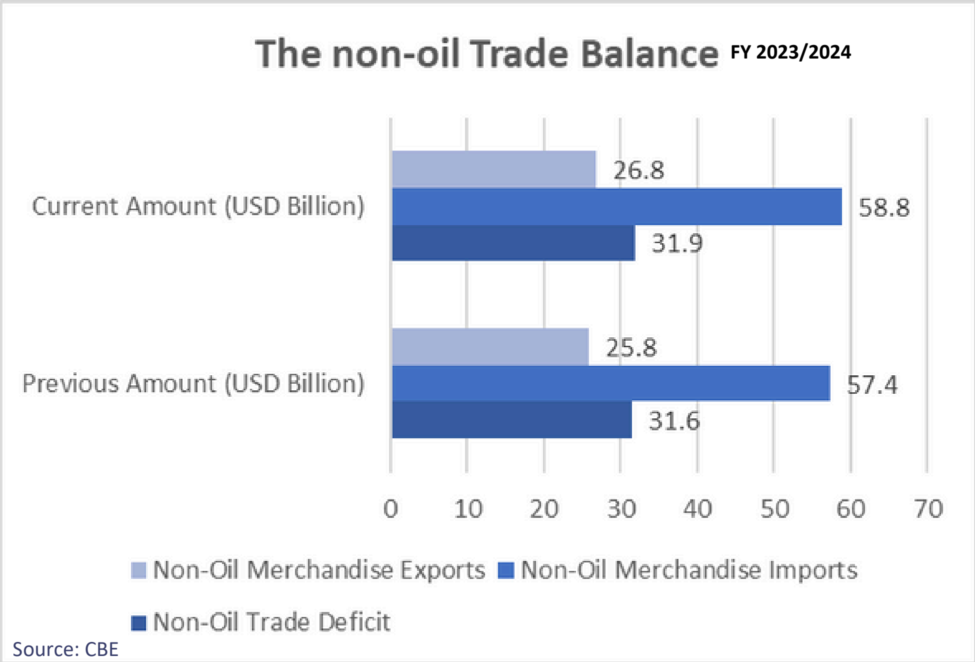


Source: CBE

This chart highlights Egypt's trade deficit breakdown: the overall deficit stands at USD **39.6 billion**, with **USD 7.6 billion** from oil and **USD 31.9 billion** from non-oil sectors.

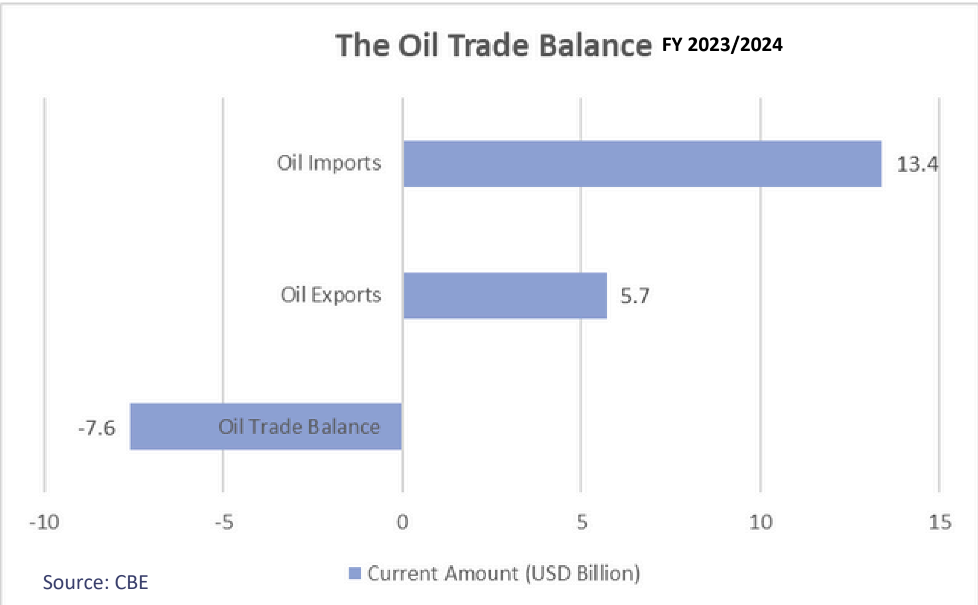
UPDATES IN FIGURES

Non- Oil Trade Balance



In the fiscal year **2023/2024,** the non-oil trade deficit grew slightly to **USD 31.9 billion**, driven by an increase in non-oil imports, which rose to **USD 58.8 billion**, while non-oil exports increased to **USD 26.8 billion.** This analysis reflects the latest updated data.

Oil Trade Balance



In the fiscal year **2023/2024**, Egypt's oil trade balance shifted dramatically from a **USD 0.41 billion** surplus to a **USD 7.6 billion** deficit. Oil exports experienced a decline, dropping from **USD 13.8 billion** to **USD 5.7 billion,** while oil imports remained stable at **USD 13.4** billion. This is based on the most recent data available.

BOP SURPLUS OF US$ 9.7 BILLION DURING FY 2023/2024.

The overall surplus was mainly concentrated in the second half of the year (January/June 2024), reflected on :

USD 46.1 billion

Foreign direct investment (FDI)

USD 46.7 billion

Foreign Reserves

USD 21.9 billion

Remittances of Egyptians working abroad

Foreign Debt

Decreased by 9% to USD 152.9 billion by the end of FY 2023-24

USD 14.4 billion

Tourism Revenues

(driven by higher tourist numbers and longer stays).

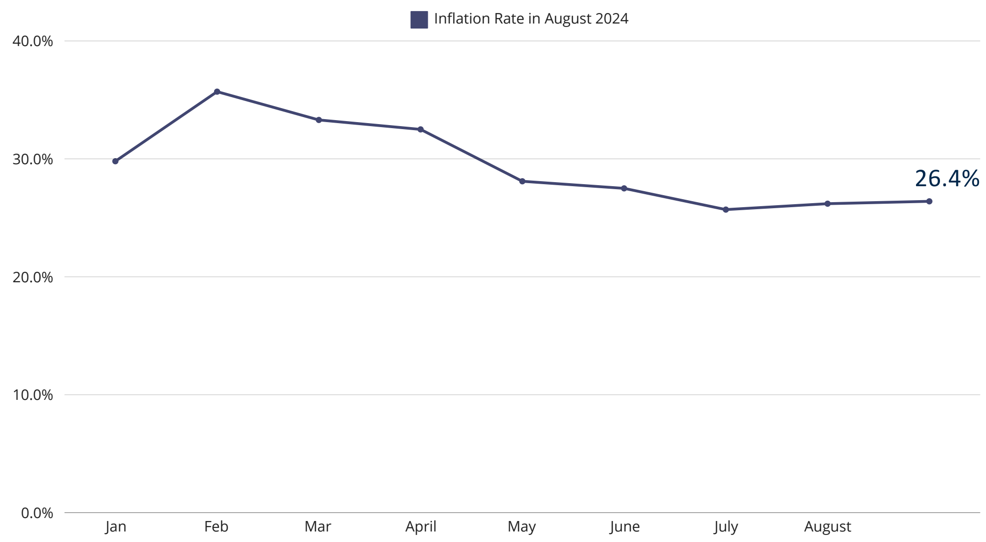
USD 6.6 billion

Suez Canal transit receipts

UPDATES IN FIGURES

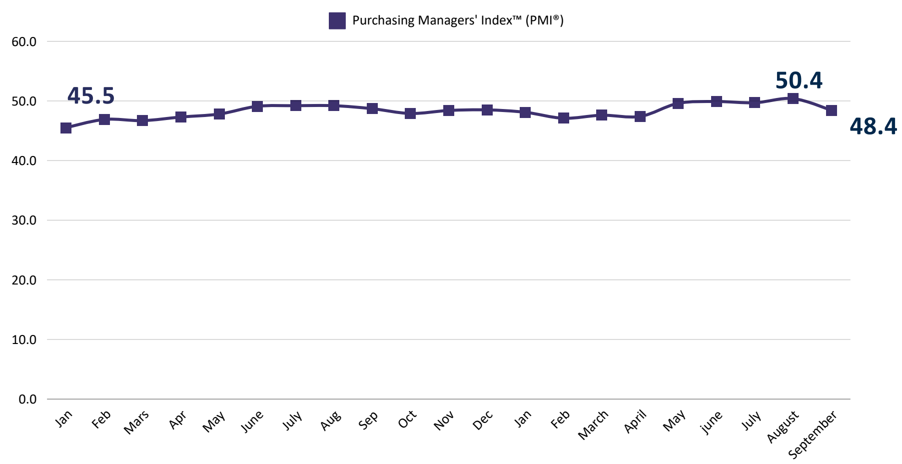
Monthly Inflation Trends

Inflationary pressures intensified due to reduced fuel subsidies, with annual consumer prices in urban areas rising to **26.4%** in September from **26.2%** in July, driven by increases in energy along with the raise of food and beverage prices.



Source: CAPMAS

Private Sector Performance

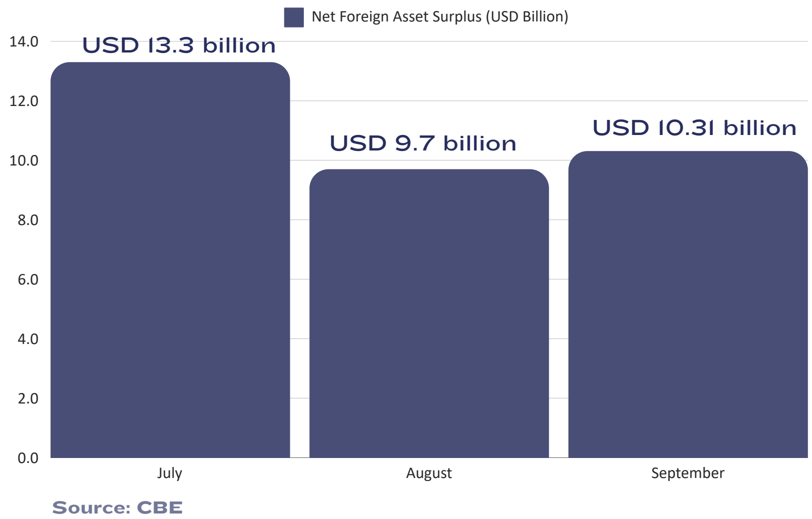


Source: S&P Global PMI.

The September report by S&P Global revealed a weakening in Egypt's non-oil private sector, with the Purchasing Managers' Index (PMI) dropping below the neutral **50.0** mark to **48.8.** The decrease in new business activity and overall output hit the sharpest decline rate since April 2024. Cost inflation surged to a six-month high, exerting pressure on businesses and hindering their recovery.

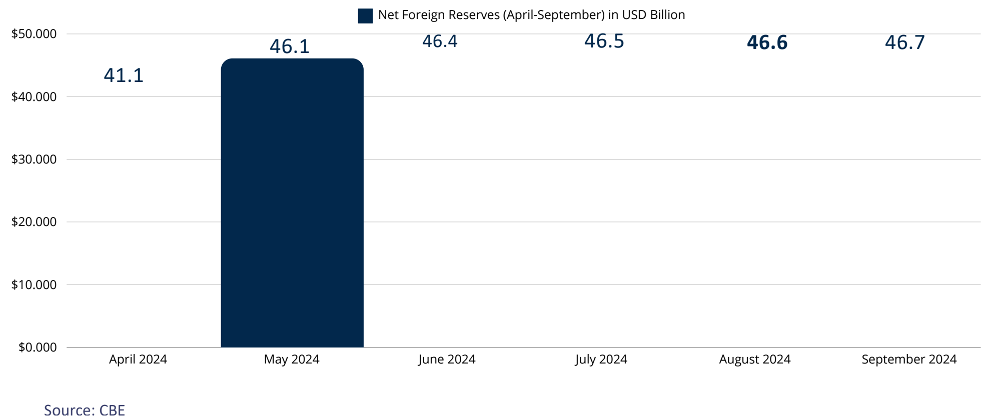
UPDATES IN FIGURES

Net Foreign Asset Surplus



The graph shows the Net Foreign Asset Surplus, dropping from **USD 13.3 billion** in July to **USD 9.7 billion** in August, before slightly increasing to **USD 10.31** billion in September.

Net International Reserves



Egypt's net foreign reserves continued to rise, increasing by **USD 140 million** to reach **USD 46.737** billion by the end of September 2024, up from **USD 46.597** billion in August. This steady improvement highlights the effectiveness of Egypt's efforts to attract foreign capital and maintain economic stability despite global challenges.

POLICY UPDATES

NEW EXPORT REBATES PROGRAM

Egypt's updated Export Rebates Program (ERP) guarantees export rebate settlements within 90 days and offers phased payments for past dues. The program prioritizes aid to specific regions and introduces a streamlined digital system to expedite rebates and resolve past delays.

A SIMPLIFIED TAX SYSTEM IN EGYPT FOR SMALL BUSINESSES

Egypt's Finance Ministry introduced a simplified tax-filing system for small businesses, capped late fees, eased investor processes, and expanded sample-based audits. Automation and ETA staff development aim to boost efficiency, supporting formal economy transition.

EGYPT LOWERS 2024 RENEWABLE ENERGY TARGET

The Egyptian government has cut its renewable energy goal for 2040 from **58%** to **40%**, prioritizing natural gas to address energy demands and attract foreign investment. The shift aims to balance fossil fuel use with renewable growth as gas production faces challenges, resulting in increased imports and fuel price hikes.

FUEL PRICE FREEZE UNTIL 2025

The Government announced that fuel prices will remain unchanged until early 2025, provided global oil prices stabilize around $73 per barrel. This decision aims to mitigate economic strain on households and businesses

ROAD AHEAD

From an economic standpoint, Egypt's path forward is shaped by strategic reforms and a deepened collaboration with the International Monetary Fund (IMF). The IMF projects Egypt's GDP growth to reach **4.1**% by 2025, with the potential to exceed **5**% in the years that follow.

To align with these projections, the Egyptian government has set a **4.0%** growth target for the current fiscal year, anticipating major reforms like subsidy reductions, and tax base expansion, which will reduce public debt by six percentage points by **FY 2024-25**, although the budget deficit is expected to increase to **7.3%** of GDP.

The Central Bank of Egypt (CBE) is enhancing economic stability through a flexible inflation-targeting framework as inflation is expected to ease in 2025. This approach aims to build investor confidence amid currency fluctuations. Additionally, discussions with the IMF emphasize Egypt's commitment to economic progress by refining its **$8 billion** loan agreement to allow for flexible financial strategies.

Alongside fiscal reforms, Egypt is advancing economic growth through major projects. The Ras Al Hikma megaproject, is a key example. Similar initiatives, the upcoming **Bensass investment on the Red Sea,** reinforce Egypt's commitment to attracting foreign investment, creating jobs, and fostering sustainable growth.

On an international level, at **COP29** this November in Azerbaijan, **Egypt will lead negotiations on climate finance**, emphasizing the debt challenges faced by developing nations in meeting their climate commitments and reducing carbon emissions, along with the difficulties in securing funding for climate resilience and the insufficiency of available grants.

Egypt's economic outlook highlights strong opportunities to improve its external and fiscal positions. The implementation of a market-driven exchange rate regime is anticipated to spur GDP growth while facilitating gradual fiscal consolidation. Through sustainable reforms, stable monetary policies, and enhanced international cooperation, Egypt is well-positioned to achieve a resilient and prosperous economic future.

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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