

2024 RECAP

# ECONOMIC PULSE

OF EGYPT

A white graphic element consisting of a horizontal line with a jagged pulse-like shape in the center, resembling a heartbeat or an ECG line.

**December**

**2024**



# SYNTHESIS

In **2024**, Egypt confronted a multifaceted economic scenario marked by robust reforms and substantial challenges. The nation faced high inflation, peaking at **35.7% in February 2024**, alongside a slowdown in real GDP growth to **2.4%**, down from the previous year's **3.8%** reflecting a country's cautious yet transformative economic climate.

A significant growth was observed in the ICT sector, enhancing Egypt's modern economic infrastructure. Similarly, the tourism, construction, and social services sectors experienced notable expansions, supported by sustained governmental investments aimed at boosting economic activities and infrastructure development.

A critical development was Egypt's **\$35 billion** collaboration with Abu Dhabi's ADQ, focusing on infrastructural enhancements and economic stabilization. Additionally, Egypt's foreign reserves increased to **USD 46.94 billion**, with net Foreign Direct Investment (FDI) rising significantly to **\$18.2 billion, or 4.5%** of GDP, indicating a strengthening economic confidence.

However, the broader trade landscape presented challenges. Egypt's trade deficit expanded to USD 39.6 billion, exacerbated by a **17.68%** decline in overall exports and a slight increase in imports in FY2023/2024. Additionally, Suez Canal revenues exhibited significant volatility, impacted by geopolitical tensions in the Red Sea. These disruptions contributed to Fitch Solutions adjusting Egypt's GDP growth forecast for **FY2024/2025** downward from **4.2% to 3.7%**.



# SYNTHESIS

Egypt's integration into the **BRICS bloc** marked a strategic pivot towards diversified economic partnerships and reduced reliance on traditional Western financial mechanisms. Domestically, monetary policy adjustments included floating the Egyptian pound and significant interest rate hikes, alongside an \$8 billion IMF reform package aimed at fiscal consolidation and economic liberalization. These measures, though essential, necessitated government consideration of various strategies to mitigate the impact on living costs.

The labor market encountered hurdles, with a slight increase in unemployment to **6.7% in Q3 2024**, reflecting persistent socioeconomic challenges, particularly among women and youth. However, the Purchasing Managers' Index (PMI) demonstrated signs of economic stabilization, with recovery apparent by mid-year.

**Looking Ahead**, Egypt's economic strategy emphasizes capitalizing on private sector dynamics to drive growth, highlighted by a **\$5 billion IPO** program and innovative public-private partnerships. These efforts aim to enhance transport infrastructure and energy sector efficiency, particularly through increased renewable energy contributions, paving the way for a hopeful economic recovery in the **fiscal year 2024/2025**.

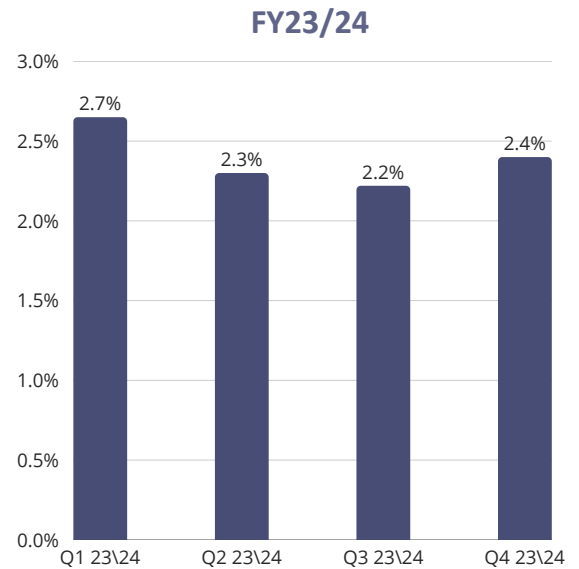


# MACROECONOMIC HIGHLIGHTS

Egypt's economic landscape experienced a notable deceleration in real GDP growth, reflecting a shift from **3.8%** in the previous fiscal year to **2.4%** in **2023/2024**.

Real GDP at market prices showed quarterly fluctuations **during fiscal year 2023/2024**. Growth rates recorded were **2.65% in Q1, 2.3% in Q2, 2.22% in Q3, and 2.4% in Q4**, according to the Ministry of Planning and Economic Development.

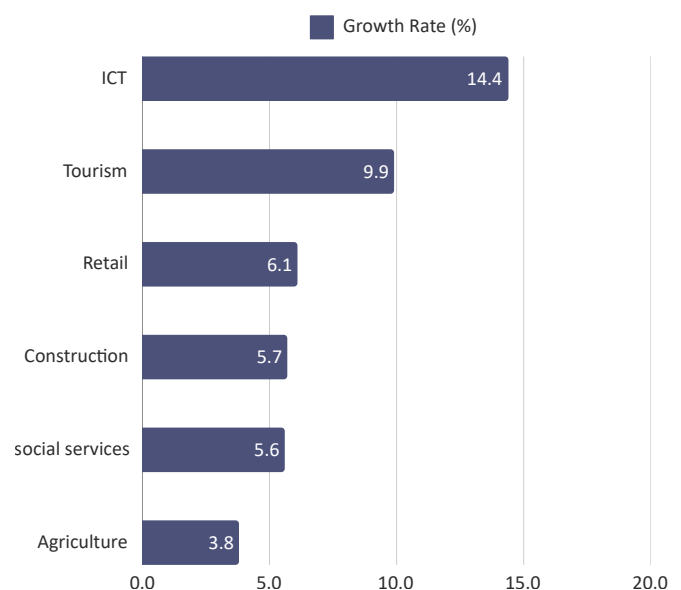
**These trends highlight modest improvements in economic activity throughout the year.**



Source: MPED

**In fiscal year 2023/2024**, Egypt's economic sectors displayed a mix of contractions and expansions, reflecting the broader economic environment. **The most prominent performers include:**

The Communications and Information Technology (ICT) sector emerged as a top performer with a **14.4% growth** rate, underscoring its critical role in the modern economy. The **tourism sector**, represented by restaurants and hotels, **expanded by 9.9%**, while wholesale and retail trade posted a **6.1% increase**. Construction saw a **5.7% growth**, supported by ongoing infrastructure development, and social services, including health and education, **grew by 5.6%**, reflecting sustained investments in human capital. Meanwhile, agriculture, vital for food security, recorded a **3.8% expansion**, highlighting resilience amid broader economic challenges.



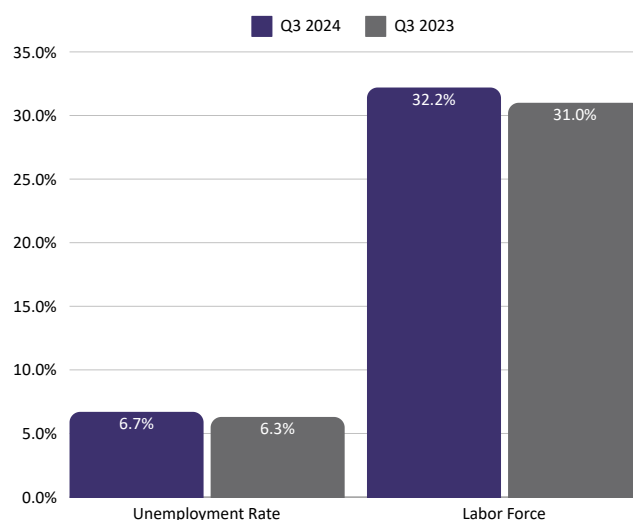
Source: MPED

# MACROECONOMIC HIGHLIGHTS

## Unemployment Trends

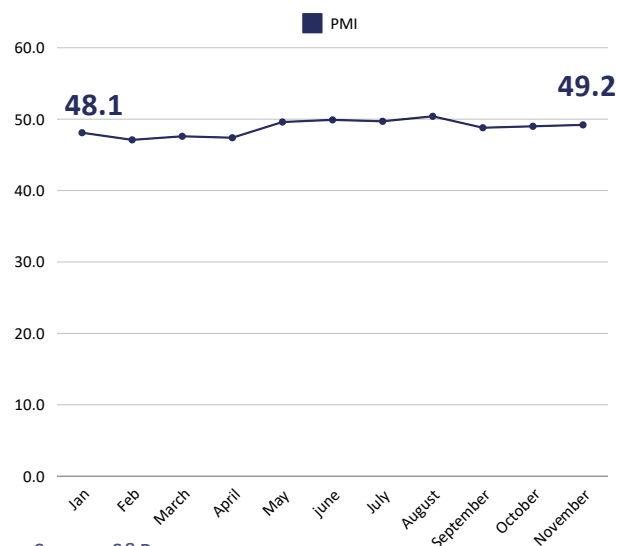
In Q3 of 2024, Egypt's unemployment rate rose slightly by **0.2 percentage points** to **6.7%**, although it remained **0.4 percentage points** lower than the same period in **2023**. The labor force expanded by **2.5%**, reaching **32.2 million** individuals, driven by the addition of 694,000 employed workers and **101,000 unemployed** individuals.

Despite this growth, unemployment among women increased to **18.2%**, up **0.9 percentage points** quarter-on-quarter, while male unemployment remained stable at **4.2%**. Youth aged 15-29 years accounted for **65.7%** of all unemployed, reflecting ongoing challenges in addressing youth joblessness.



## Egypt's Non-Oil Private Sector

Egypt's PMI has shown signs of stabilization in 2024. Starting at **48.1** in January, it declined to **47.1** in February, before stabilizing around **47.6–47.4** through April. A recovery began in May (**49.6**), continuing into June (**49.9**) and July (**49.7**). August saw a breakthrough to 50.4, indicating expansion, but subsequent drops to **48.8** in September and **49.0–49.2** in October and November highlighted persistent pressures.



Source: S&P

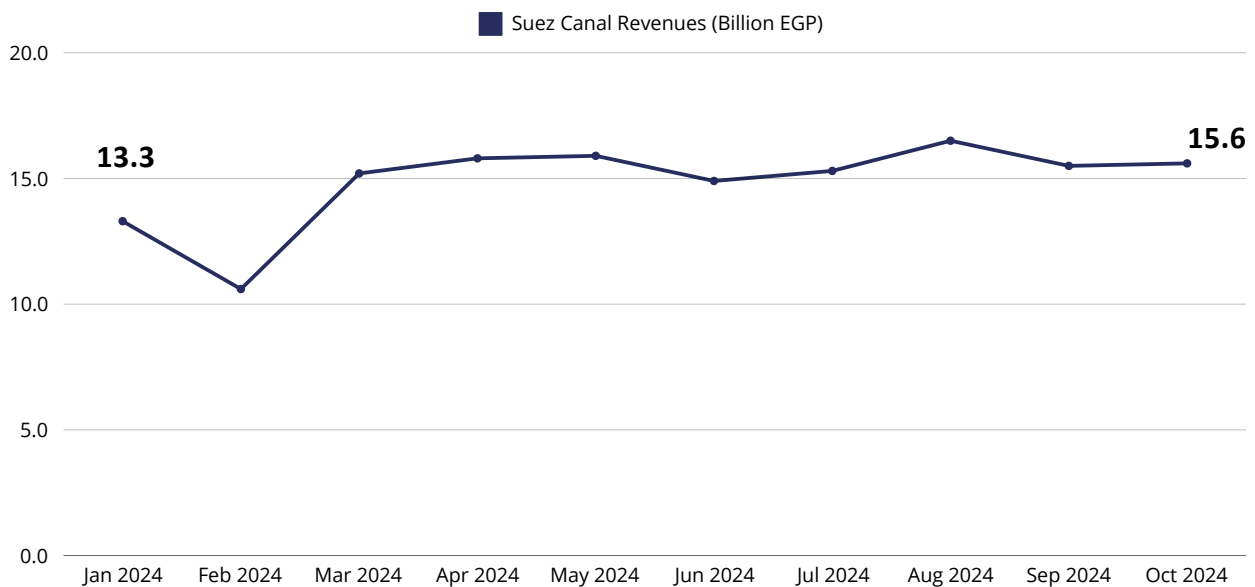
The key drivers of PMI progression include Egypt's IPO program, targeting \$5 billion through sales of 35 state-owned companies, and the Urban Development projects including developing the cities of Ras El Hikma, El Negila, Sidi Barrani, Jarjoub and Sallum to provide millions of job opportunities for Egyptian.

**These measures aim to attract investments, boost consumption, and sustain efforts to address inflation, improve supply chains, and enhance investment climate will be critical for maintaining economic momentum.**

# MACROECONOMIC

## HIGHLIGHTS

### Suez Canal Revenues



Suez Canal revenues in 2024 have shown significant volatility. **In January**, revenues stood at **EGP 13.3 billion**, followed by a sharp drop **in February to EGP 10.6 billion**.

After that, the revenues stabilized, reaching **EGP 15.2 billion in March** and gradually rising through the following months.

The highest revenue was recorded **in August at EGP 16.5 billion**, but by September, it dropped slightly to **EGP 15.5 billion**. October saw a mild recovery with revenues at **EGP 15.6 billion**.

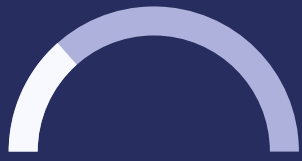
This fluctuation in canal revenues reflects ongoing challenges, including disruptions caused by Red Sea tensions, which have led to reduced shipping through the Suez Canal.





# Trade Balance

## Egypt's trade deficit



USD 39.6 billion

in FY 2023\24, The trade deficit widened by US\$ 8.4 billion to record US\$ 39.6 billion against US\$ 31.2 billion in previous year

## Exports



decreased by 17.68% compared to the previous fiscal year 2023\2024

## Imports



Increased by 1.84% compared to the previous fiscal year 2023\2024

# \$ 32.6 billion

Egyptian exports to the world  
in the fiscal year 2023/2024

# \$ 72.1 billion

Egyptian imports from the  
world in the fiscal year  
2023/2024





# 2024 IN FIGURES

1 JANUARY 2024

31 DECEMBER 2024

## GOLD PRICES

24 Karat per gram

EGP 3617

EGP 4251

17.5%

## EGP DEPRECIATION

Average exchange rate of the USD to EGP

EGP 31.1

EGP 50.8

-63.81%

## DIESEL PRICES

EGP 8.25

EGP 13.5

+ 63.64%

## S&P EGYPT PMI

48.1

49.2

+ 2.29%



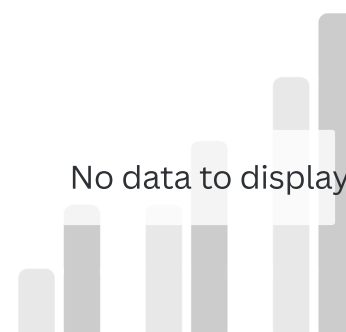


# MONETARY POLICIES

## Inflation

The headline inflation rates from January to October exhibit fluctuating trends, starting at **29.8%** in January and peaking at **35.7%** in February before gradually declining to **25.7%** in July. A slight uptick to **26.2%** in August and **26.4%** in September suggests ongoing inflationary pressures, while a marginal dip to **26.3%** in October and **25%** in November indicates potential stabilization efforts. These variations highlight economic adjustments and potential policy interventions aimed at addressing inflationary challenges throughout the year.

The Monthly Inflation Rate on an annual basis



Source: CAPMAS

## Interest Rate

Decisions on interest rates were made in final meeting for 2024 held on Thursday 26th December.

Date	Decision	Lending Rate	Deposit Rate
Feb	Increase	<b>%22.25</b>	<b>21.25%</b>
Mar	Increase	<b>%28.25</b>	<b>27.25%</b>
May	Fixation	28.25%	27.25%
June	Fixation	28.25%	27.25%
Aug	Fixation	28.25%	27.25%
Sep	Fixation	28.25%	27.25%
Nov	Fixation	28.25%	27.25%
Dec	Fixation	28.25%	27.25%



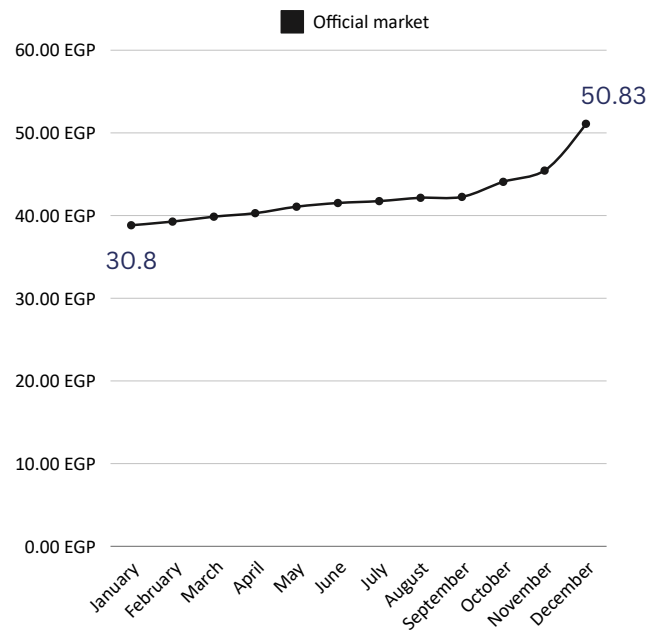
# MONETARY POLICIES

## Exchange Rate (USD/EGP)

The graph illustrates the fluctuations in the USD/EGP exchange rate for the year 2024. Starting the year at 30.83 EGP, the exchange rate saw a significant increase throughout the year.

In May, the rate briefly stabilized at 34.83 EGP before continuing to rise in the subsequent months, reaching 40.92 EGP in July and maintaining a steady increase, peaking at 50.83 EGP by December.

Throughout the latter part of the year, the exchange rate fluctuated slightly, but it generally stayed above the 50 EGP mark, ending the year at 50.83 EGP at the time of writing this report,



Source: CBE

## Egypt's Resilient Foreign Reserves

Egypt's net Foreign reserves continued their upward trajectory, reaching **USD 46.94 billion** at the **end of October 2024** an increase of **USD 205 million** from September's **USD 46.7 billion**, according to the Central Bank of Egypt (CBE).

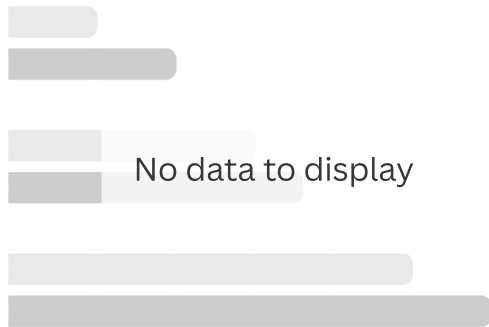
This steady growth highlights ongoing efforts to bolster economic stability. Notably, reserves have grown significantly from **USD 35.25 billion** recorded in **January 2024**, showcasing sustained improvements in Egypt's financial position.



Source: CBE



# INVESTMENT WATCH



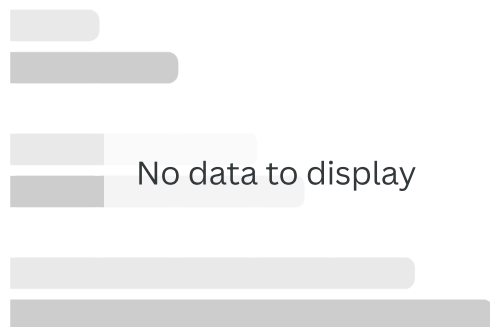
The graph compares the net direct foreign investment (FDI) in Egypt for two periods: **Q3 2022/2023** and **Q3 2023/2024**.

In Q3 2022/2023, the net FDI amounted to **\$2.2 billion**, representing **0.5%** of the country's GDP.

In contrast, in **Q3 2023/2024**, the net FDI significantly increased to **\$18.2 billion**, making up **4.5% of the GDP**.

**This substantial growth highlights a notable rise in foreign investment relative to the size of the economy between the two periods.**

Source: CBE



The graph illustrates **the net investment portfolio in Egypt for two periods: Q3 FY 2022/2023 and Q3 FY 2023/2024**.

In **Q3 FY 2022/2023**, the net investment portfolio recorded a negative value of **-\$412.7 million**, which represented **-161.0%** of the country's GDP, indicating a significant outflow.

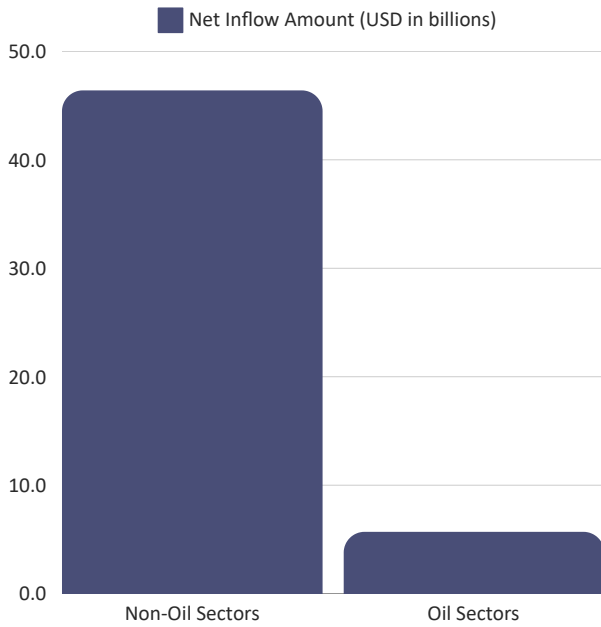
However, in **Q3 FY 2023/2024**, the net investment portfolio showed a positive shift, with a value of **\$14,383.6 million**, though it still represented **-8.7% of GDP**.

**This reflects an improvement in the investment portfolio, although it remains in negative territory relative to the economy's size.**

Source: CBE



# INVESTMENT WATCH

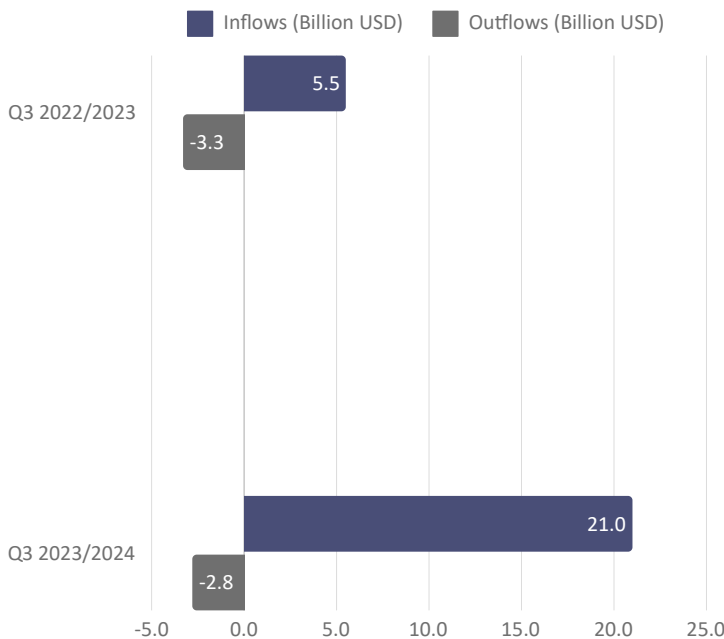


Source: CBE

The non-oil sectors played a pivotal role in this growth, attracting a net inflow of **USD 46.4 billion**, primarily driven by greenfield investments and capital inflows, particularly within the context of the Ras-El Hekma agreement, which contributed **USD 35.0 billion**.

In contrast, the oil sector recorded **USD 5.7 billion** in inflows, reflecting foreign companies' ongoing exploration and development activities.

However, outflows of **USD 6.0 billion** were registered, representing cost recovery expenditures, leading to a net outflow of **USD 351.6 million**—an improvement from previous deficits.



In Q3 2023/2024, financial inflows saw a significant increase, rising from **\$5.5 billion in Q3 2022/2023 to \$21.0 billion**.

Outflows slightly decreased from **-\$3.3 billion to -\$2.8 billion** over the same period.

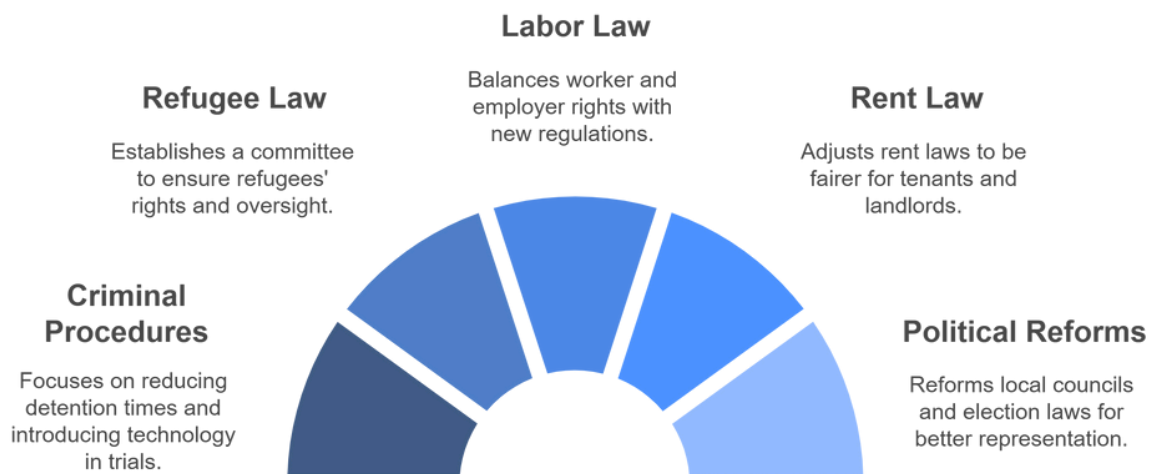
This shift indicates a substantial improvement in net inflows, reflecting a more favorable financial position in the recent quarter.



# POLICY UPDATES

## 2024 KEY LEGISLATIVE REFORMS MILESTONES

### Legislative Reforms



### MODERNIZING LABOR REGULATIONS

The newly redrafted labor law represents a significant step toward balancing workers' rights with the needs of businesses, fostering a stable and productive economic environment.

- **comprehensive Provisions:** Covers child labor, maternity leave, working hours, and employment policies to promote fairness and private sector growth.
- **International Alignment:** Aligns with international labor standards and Egypt's constitutional framework.
- **Job Security and Dispute Resolution:** Enhances job security, streamlines dispute resolution, and improves worker training programs.
- **Oversight Mechanism:** Establishes a Higher Council for Planning and Employing Labor Forces for ongoing oversight and adaptability.



# POLICY UPDATES



## EGYPT INTRODUCES TAX INCENTIVES

Egypt's Ministry of Finance announced a comprehensive package of tax incentives and facilities aimed at stimulating economic growth and improving tax compliance.

- **Simplified Tax System:** Targets small and medium enterprises (SMEs) earning up to EGP 15 million annually.
- **Tax Exemptions:** Includes exemptions from various taxes and reduced filing requirements.
- **Penalty Reductions:** Caps late payment penalties and waives penalties for amended tax returns from 2020–2023.
- **Digital Transformation:** Enhances electronic services to boost efficiency and compliance.



## PRIVATIZING PUBLIC HOSPITALS

Egypt has enacted a new law permitting private sector management of public hospitals for **3–15 years** under specified conditions.

- **Infrastructure Maintenance:** Investors must maintain hospital infrastructure throughout the contract period.
- **Staffing Limits:** Caps foreign staff at 15–25% to prioritize local employment.
- **State-Sponsored Services:** Requires allocation of services for state-sponsored treatment at government-set prices.
- **Reversion to State Ownership:** Public hospitals revert to state control after the contract period ends.
- **Price and Service Safeguards:** Measures in place to prevent price hikes or declines in service quality.



# ROAD AHEAD



As Egypt progresses into fiscal year 2024/2025, its economic outlook shows promising recovery after a slowdown in 2023/2024, where GDP growth dropped to 2.4%. The government is strategically focused on leveraging the private sector to drive economic growth, supported by initiatives such as a \$5 billion IPO program, and new public-private partnerships.



Despite facing inflationary pressures and fluctuations in the exchange rate, Egypt's foreign reserves have seen steady growth, reaching nearly \$47 billion by October 2024. Additionally, foreign direct investment (FDI) has surged dramatically, rising to \$18.2 billion in Q3 2023/2024, up from \$2.2 billion the previous year, signaling heightened investor confidence in Egypt's economic recovery.



Looking ahead, Egypt is setting ambitious goals, aiming to increase its annual export value to \$100 billion by 2030 and generate \$191 billion in annual revenues by 2026. These targets reflect the government's commitment to expanding its global trade footprint, addressing foreign currency shortages, and creating a more favorable investment climate. With the private sector at the forefront of these efforts, Egypt is poised for sustained economic growth in the coming years.



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Dedicated to the economic and public policy landscape of Egypt and the Middle East, IPA provides invaluable insights and strategic guidance. Our expertise serves as a beacon of knowledge, guiding you through the evolving business environment, ensuring your endeavors are rooted in wisdom and poised for success.



[www.ipa-mea.com](http://www.ipa-mea.com)

 6 building-204st-Degla Square- Maadi

 (+2) 25213210/1

[ipa@influence-me.com](mailto:ipa@influence-me.com)