

ECONOMIC PULSE

OF EGYPT



February

2025



SYNTHESIS

In early 2025, Egypt demonstrated economic resilience amidst monetary tightening and fiscal consolidation, successfully managing trade imbalances and FX rate fluctuations. **The Central Bank of Egypt (CBE) held the discount rate at 27.75%** in February despite varied global rate adjustments, reflecting improvements in economic growth, notably in manufacturing and transportation, which contributed to a decrease in **unemployment from 6.7% to 6.4%**. With inflation stabilizing and projected to decline. These measures, coupled with efforts to stimulate private sector activity, are central to Egypt's targeted recovery strategy, aiming to stabilize foreign reserves and encourage healthy investment flows.

Inflation showed a downward trend, **declining** to 23.2% in January 2025 from 23.4% in December 2024, a reflection of the effective monetary policies in place. This economic environment has been further supported by a significant surge in foreign **remittances**, which **increased** by 51.3% in 2024 to reach \$29.6 billion, largely driven by the EGP float and a transition to official channels.

This boost in remittances has helped stabilize Egypt's foreign exchange liquidity and contributed to an increase in Net Foreign Assets, which rose from \$11.6 billion in December 2024 to \$11.99 billion in January 2025. Additionally, Egypt's Purchasing Managers' Index (PMI) crossed into expansion territory at 50.1 in February 2025, signaling stronger private sector activity and business sentiment.

The **IMF** and the World Bank have revised Egypt's GDP growth forecasts for FY 2024-2025 to 3.6% and 3.5%, respectively, due to FX uncertainty, geopolitical risks, and inflationary pressures. Despite this, Egypt's Planning Ministry remains optimistic, projecting a 4.0% growth rate, supported by private sector reforms and economic recovery initiatives.



SYNTHESIS

On the fiscal side, the Finance Ministry has rolled out a tax relief package aimed at reducing late tax penalties by up to 90% to resolve disputes and bolster business support. This initiative is part of a broader effort that includes raising minimum wages to EGP 7,000 and increasing pensions by 15%, with a projected fiscal impact of EGP 85 billion in FY 2025-2026.

Furthermore, Egypt is proactively addressing trade imbalances with Morocco by enhancing trade agreements, particularly in the automotive sector, which is anticipated to grow by 15.3% in 2025. These efforts are complemented by the government's push to increase electric vehicle (EV) production and electrify public transport, which aligns with global environmental trends and economic diversification strategies.

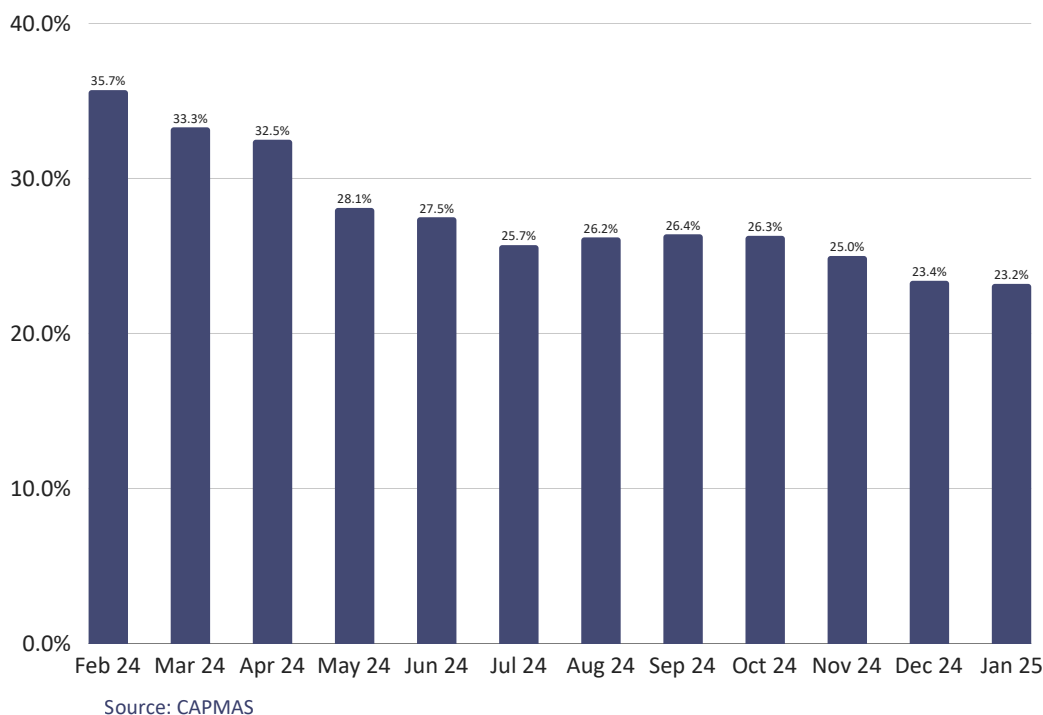
Fiscal reforms remain central to Egypt's economic strategy, with the FY 2025-2026 budget expected to rise to EGP 8 trillion, prioritizing fuel subsidy reductions, controlled public investment, and enhanced private sector participation. The government is also working on a three-year budgeting framework to enhance fiscal discipline and spending efficiency.

Despite persistent debt challenges, Moody's affirmed Egypt's Caa1 credit rating with a positive outlook, citing subsidy reforms, tax adjustments, and fiscal stability efforts. However, the agency warned that credit vulnerabilities remain, and further monetary and fiscal improvements are needed to sustain debt affordability.

As Egypt moves forward in 2025, its monetary and fiscal policies, investment strategies, and structural reforms will be key in stabilizing macroeconomic conditions, fostering private sector growth, and navigating global economic uncertainties.

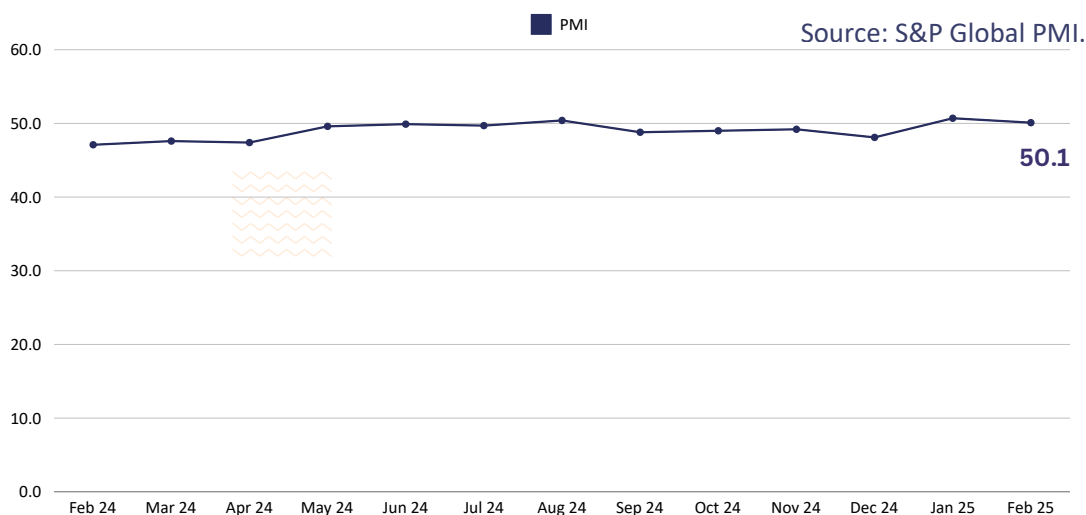
UPDATES IN FIGURES

➤ Monthly Inflation Trends



Egypt's inflation continued its downward trend in 2025, starting at **23.2%** in January, slightly lower than **23.4%** in December 2024. This marks a continued stabilization, reflecting the impact of monetary tightening and easing price pressures.

➤ Private Sector Performance

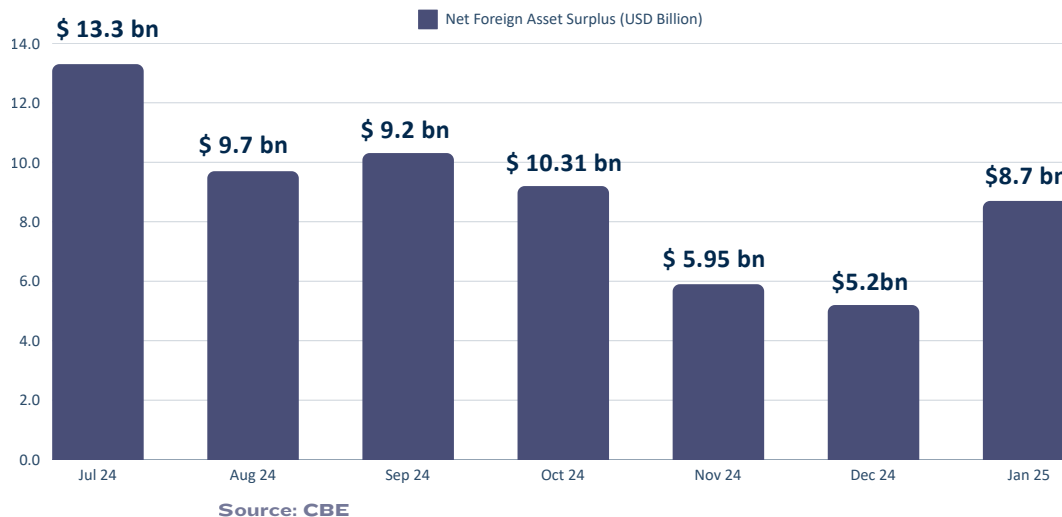


The Egypt PMI has stayed above the neutral 50.0 mark in February, indicating a strong start to 2025 for the non-oil economy. However, despite these encouraging signs, the employment landscape remains inconsistent, and the manufacturing sector continues to face challenges in securing new orders.

UPDATES

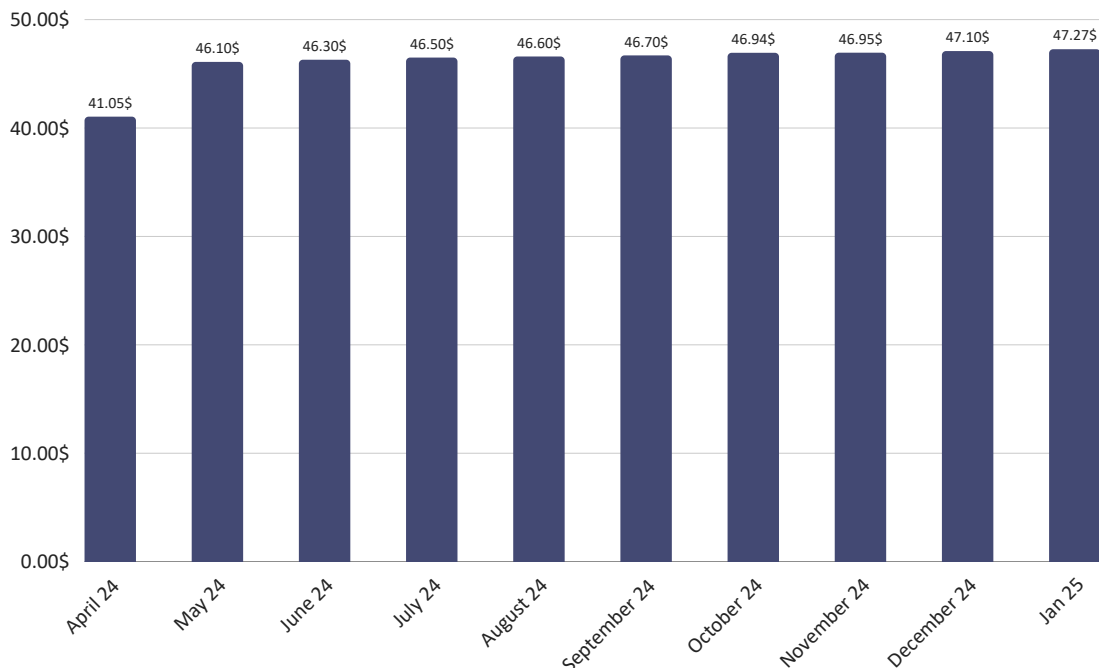
IN FIGURES

➤ Net Foreign Asset



Egypt's Net Foreign Assets declined steadily, hitting a low of **\$5.2 billion** in December. However, signs of recovery emerged in January 2025, as NFA rebounded to **\$8.7 billion**, indicating improving external balances and FX liquidity.

➤ Net International Reserves

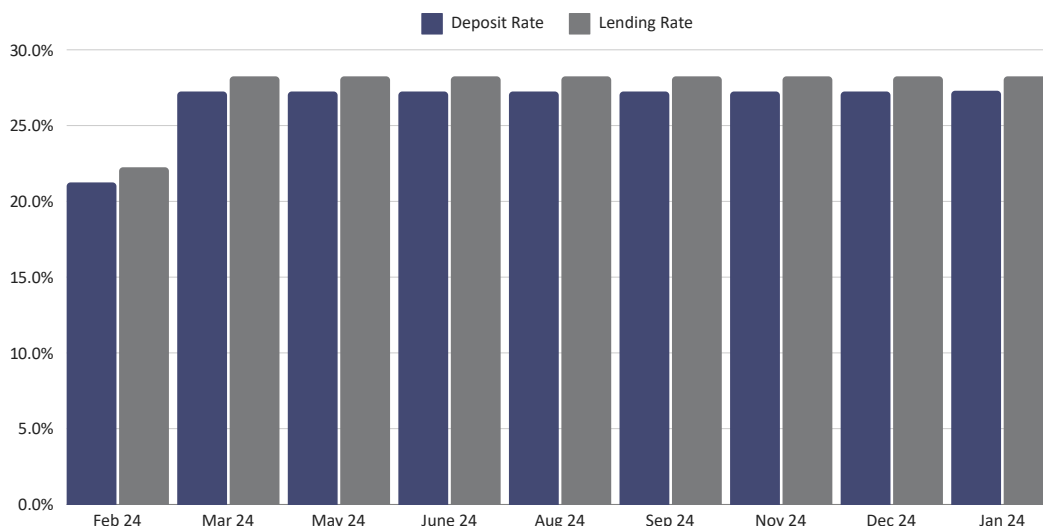


Egypt's Net International Reserves continued their steady growth into 2025. After reaching **\$47.10B** in December 2024, reserves edged higher to **\$47.27B** in January 2025, maintaining an upward trajectory and signaling sustained external stability.



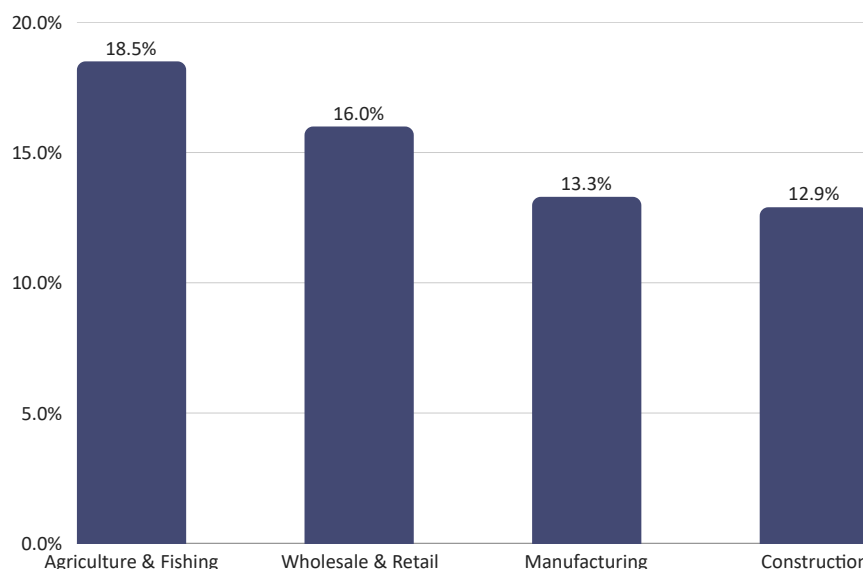
IN FIGURES

➤ Interest Rates



CBE kept key interest rates unchanged in its first 2025 meeting, maintaining a tight monetary stance to control inflation. The CBE remains focused on its 7% \pm 2 target by Q4 2026.

➤ Egypt's Unemployment Drops to 6.4% in Q4 2024



Egypt's unemployment rate declined to **6.4% in Q4 2024**, down **0.3** percentage points from **Q3** and **0.5 points year-on-year**. The labor force grew by **2.8%**, adding **935,000 jobs**, while the number of unemployed individuals dropped by **29,000**. Female unemployment saw a decline, falling **1.6** points to **16.6%**, while male unemployment remained low at **3.9%**. Youth unemployment improved, making up **64.6%** of total unemployed individuals, down from **65.7%** in Q3.



POLICY UPDATES

EGYPT'S TAX RELIEF MEASURES TO BOOST BUSINESS ENVIRONMENT



Egypt's Finance Ministry is set to implement a **tax relief package** on March 1, reducing late payment penalties by up to 90%. The package includes SME tax exemptions, dispute settlements, and simplified tax procedures. Additionally, an e-clearance system will launch in Q2 2025 to streamline tax filings.

MOODY'S AFFIRMS EGYPT'S POSITIVE RATING OUTLOOK



Moody's maintained Egypt's **Caa1 credit rating but kept a positive outlook**, citing subsidy reforms, tax adjustments, and fiscal discipline. The agency expects a primary surplus of 3.5% of GDP in FY 2024-25 but warns of risks related to foreign exchange stability and debt service costs.

EGYPT'S FY 2025-26 BUDGET EXPANDS TO EGP 8 TRILLION



Egypt's General Government Budget is expected to increase to **EGP 8 trillion in FY 2025-26**. Key priorities include reducing fuel subsidies, maintaining a primary surplus of 4% of GDP, and cutting public investments while promoting private sector participation. The government is also working on a three-year budget framework for better fiscal discipline.

IMF & WORLD BANK LOWER EGYPT'S GROWTH FORECASTS



The IMF and World Bank have **revised Egypt's growth projections** downward for FY 2024-2025 and FY 2025-2026, citing FX uncertainty and global geopolitical risks. The IMF now expects 3.6% growth in FY 2024-2025 (down 0.5 pp), while the World Bank projects 3.5% (down 0.7 pp). For FY 2025-2026, the IMF expects 4.1%, and the World Bank 4.2%, reflecting cautious optimism.

ROAD AHEAD

Egypt's broader economic strategy remains robust, focusing on pivotal reforms across fiscal, monetary, and trade domains to foster stability and growth. The government is intensifying its efforts on expanding the private sector, managing inflation, and controlling debt through strategic initiatives such as tax relief measures, subsidy reductions, and increased investment incentives. Supported by IMF-backed reforms, these efforts are critical in enhancing Egypt's foreign exchange stability, fiscal discipline, and engagement with the private sector.

A key event in the upcoming quarter will be the **IMF Executive Board's review on March 10, 2025**, where it is expected to approve Egypt's request for the disbursement of USD 1.2 billion as part of the fourth tranche following the Fourth Program Review. Additionally, Egypt may secure an extra USD 1.3 billion from the Resilience and Sustainability Fund (RSF), enhancing its fiscal arsenal for sustained economic stability.

It's anticipated that the inflation rate will decline, reflecting the impact of stringent monetary policies implemented since early 2024. This expected decrease is seen as a key indicator of economic recovery. Additionally, **the potential completion of a USD 5 billion land sale deal with Kuwaiti investors** is poised to inject substantial capital into the Egyptian economy, potentially pushing **after-tax yields on treasury bills beyond the 20% threshold and enhancing investor confidence**.

In addition to **customs reforms and digital infrastructure enhancements** aimed at reducing clearance times, Egypt is positioning itself as a regional economic powerhouse. **The automotive sector**, in particular, is emerging as a significant growth vector, with the government promoting electric vehicle production and addressing trade imbalances through international collaboration, **notably with Morocco**.

Foreign remittances in Egypt surged by 51.3% in 2024, bolstering the nation's foreign exchange reserves and external balances. Despite global uncertainties and domestic challenges like foreign exchange pressures and cautious consumer spending, Egypt remains on a path of growth thanks to comprehensive economic reforms. Although the **IMF and World Bank have adjusted GDP growth projections to 3.5-3.6% for FY 2024-25**, the Egyptian Planning Ministry is optimistic about reaching a 4.0% growth rate, driven by structural reforms and strong investment inflows.

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