

CREDIT RATING UPDATE BY MOODY'S

Moody's Investors Service recently revised Egypt's sovereign rating outlook to **positive** from negative while affirming Caa1 long-term foreign and local currency issuer ratings, as well as Egypt's foreign-currency senior unsecured ratings at **Caa1** and its foreign-currency senior unsecured MTN program rating at **(P)Caa1**.

WHY ?

Moody's has highlighted the government's significant efforts in economic reform. Notably, the front-loaded foreign direct investment from the Government of the United Arab Emirates has played a crucial role in bolstering Egypt's foreign exchange reserves, a decisive step towards achieving financial stability.

The positive momentum is attributed to proactive economic policy changes, including a substantial currency devaluation and increased interest rates. These strategic interventions are deemed instrumental in addressing downside risks, enhancing the economy's resilience, and fortifying it against potential shocks in the future.

Caa1



Positive from Negative

NEXT MOVE?!

- **Effective fiscal reforms**, coupled with effective debt management, could mitigate shock exposure for Egypt.
- Allocation of divestiture proceeds to support debt sustainability has the potential to lead to positive credit rating adjustments.
- A disciplined reduction in total interest payments as a percentage of revenue, along with prudent fiscal policies, could enhance the economic outlook, reducing dependence on external support
- **Government's failure** to address high debt and weak affordability, coupled with currency devaluation, risks prolonged deterioration in the interest payments-to-revenue ratio.
- Ongoing reliance on external support and elevated financing needs further heighten vulnerability to economic shocks and impede reform progress.

Upside Scenario



Downside Scenario