

ECONOMIC PULSE OF EGYPT



April

2025



SYNTHESIS

As of early 2025, Egypt's economy is showing signs of stabilization despite geopolitical and structural challenges. External liquidity has improved, inflation is easing, and monetary policy has become more accommodative. After a period of volatility, the macroeconomic environment is showing cautious optimism.

The World Bank and IMF both upgraded Egypt's growth forecast for FY 2024–25 to 3.8%, with the IMF projecting growth to reach 4.3% in FY 2025–26. This is primarily driven by recovering private consumption and a decline in inflation, which the World Bank expects to average 20.9% in FY 2024–25, down from 33.6% the previous year. The IMF forecasts a further drop to 12.5% in FY 2025–26, aligning with the Central Bank of Egypt's (CBE) target of 7% \pm 2% by 2026.

However, Egypt's external sector remains vulnerable. Suez Canal revenues are projected to fall in FY 2024–25, well below pre-crisis levels, but a partial recovery is expected in FY 2025–26. The current account deficit is expected to widen to 5.8% of GDP before narrowing to 3.7% in FY 2025–26.

In terms of debt management, Egypt is facing rising debt servicing costs, projected to rise 30% to EGP 2.1 trillion in FY 2025–26. The government plans to issue EGP 2.2 trillion in treasury bills and EGP 928.9 billion in treasury bonds locally.

To enhance the business climate, Egypt is implementing significant tax and regulatory reforms. The government is replacing various fees charged by multiple agencies with a single additional tax on net income. This new system will be facilitated through a digital platform to improve efficiency and transparency, aiming to reduce administrative burdens and overlap.



SYNTHESIS

The reforms also include consolidating income tax, stamp duties, and taxes on unlisted shares into a single framework, which will simplify Egypt's tax environment. Customs clearance times will be reduced from eight days to six, with extended operational hours to support exporters. The government expects that these changes will lead to a reduction in overlapping fees, ultimately doubling tax revenue by improving compliance.

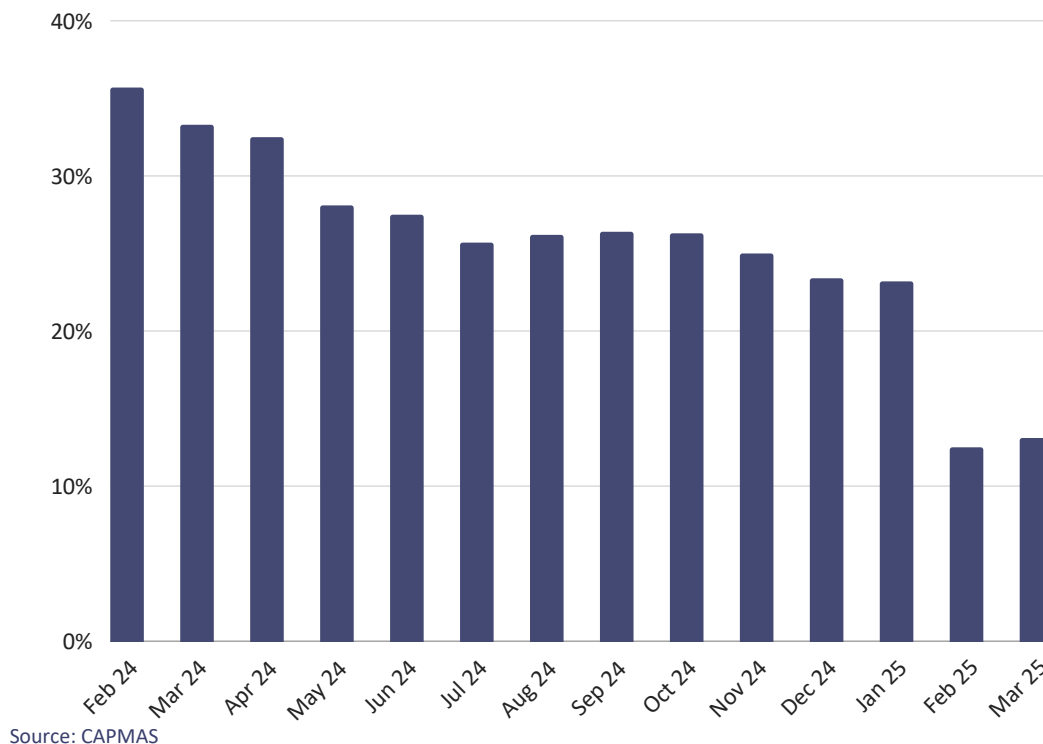
Egypt's future plans are focused on boosting foreign direct investment (FDI) and improving debt management. The government has secured commitments from Qatar for USD 7.5 billion in investments, while Kuwait is considering converting USD 4 billion of deposits into direct investments.

Additionally, Egypt is negotiating debt-for-development swaps with China, Germany, and Italy, aiming to convert parts of its external debt into interest-free loans to fund key development projects.

Egypt is at a pivotal moment. Upgraded growth forecasts and improved inflation outlooks signal macro progress, but execution risks remain high. The country must juggle rising debt costs, external vulnerability, and reform fatigue while sustaining investor confidence and export recovery. The success of initiatives like the unified tax plan, customs streamlining, and longer-term debt restructuring will be crucial for building a more resilient, inclusive, and investment-driven economy in 2025 and beyond.

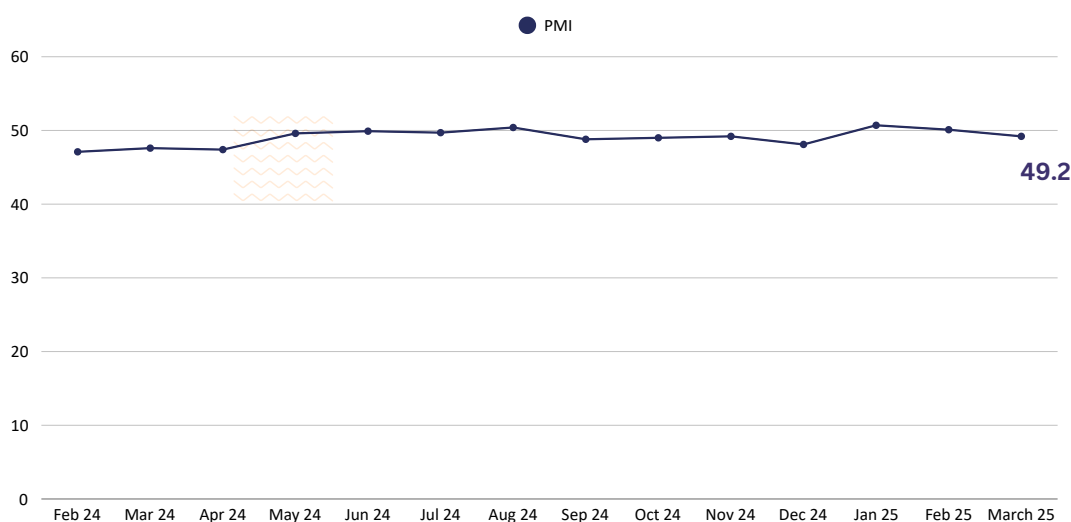
UPDATES IN FIGURES

➤ Monthly Inflation Trends



According to CAPMAS Annual headline inflation increased to **13.1%** in March, marking an **1.5 percentage** point increase from February. However it remains the lowest in nearly three years as inflationary pressures continue to ease.

➤ Private Sector Performance

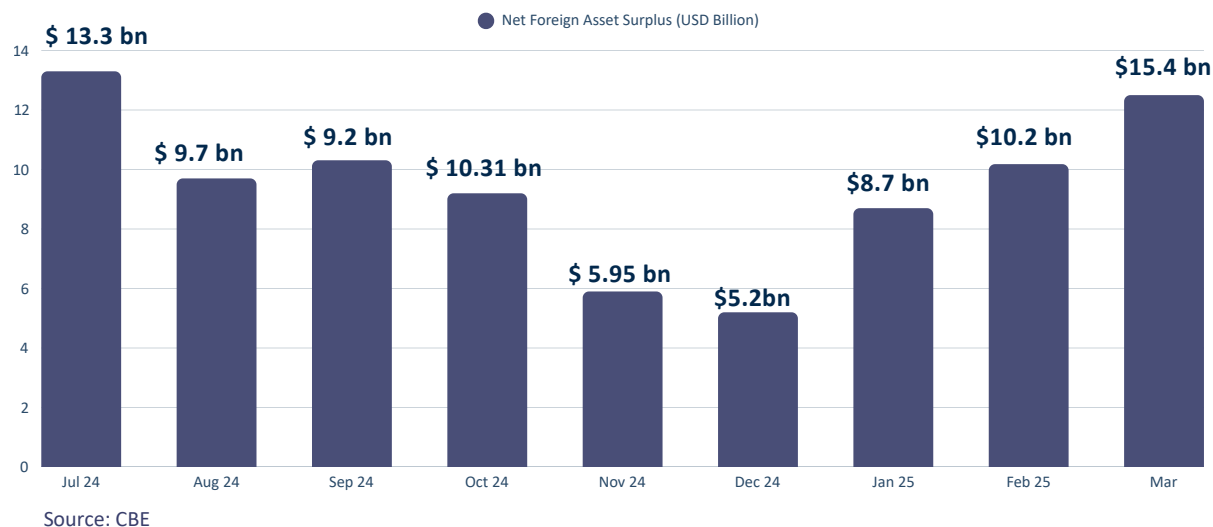


Egypt's non-oil private sector saw a slight decline in business conditions in March, with the country's Purchasing Managers' Index easing to **49.2** from **50.1 in February**, according to **S&P Global**.

UPDATES

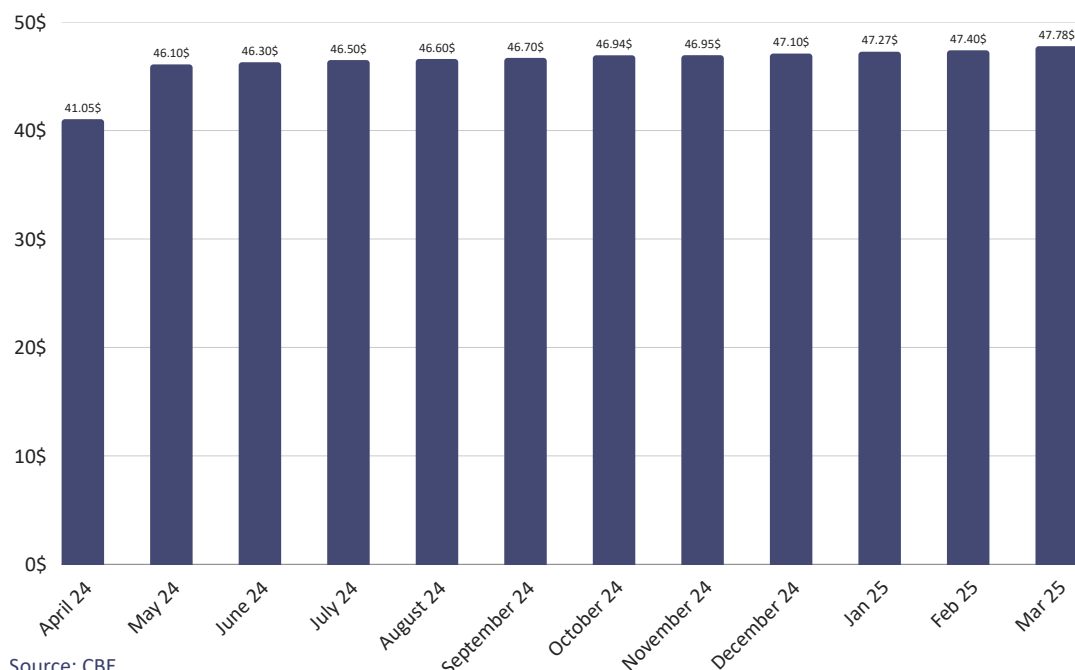
IN FIGURES

➤ Net Foreign Asset



Egypt's net foreign assets rose by **47.5%** during March 2025, reaching a total of **\$15.4 billion** from **\$10.2 bn** in February, marking their third monthly increase this year following a consistent decline during the late three months of 2024.

➤ Net International Reserves

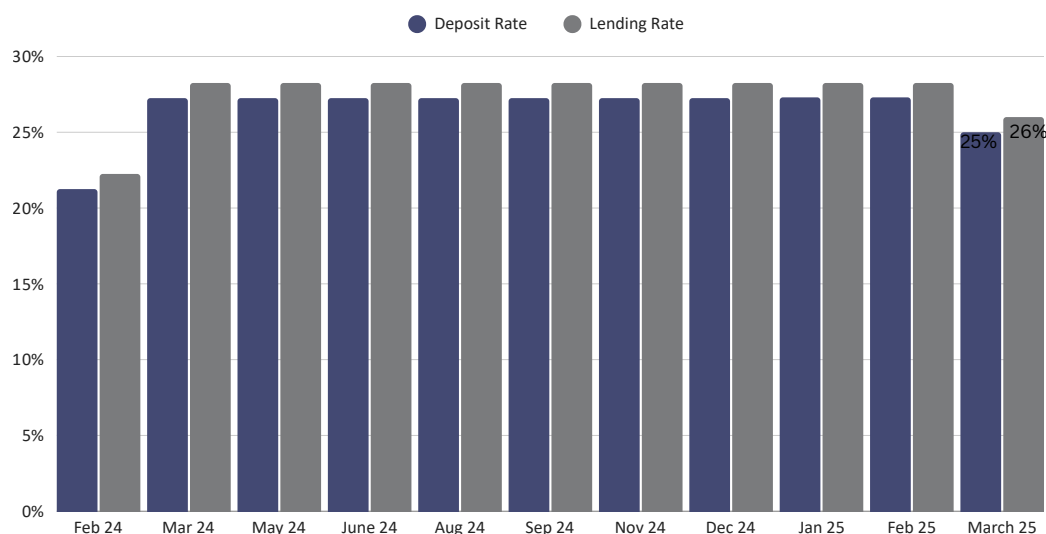


Egypt's net foreign reserves rose to **USD 47.78 billion** at the end of March 2025, marking a **USD \$364 million increase from February**. This extends the country's 31-month streak of consecutive monthly reserve growth, reinforcing its improving external position.



IN FIGURES

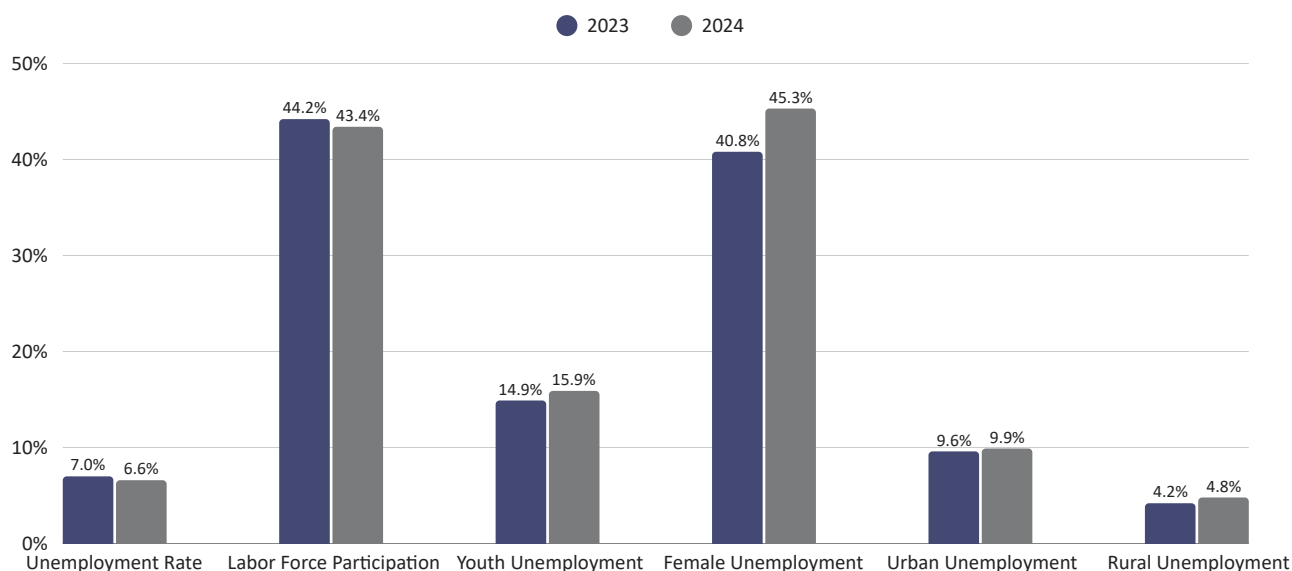
➤ Interest Rates



Source: CBE

The Central Bank of Egypt (CBE) has decreased the interest rate, where the overnight deposit rate is **25.00%**, the overnight lending rate is **26.00%**, and the main operation rate is **25.50%**.

➤ Key Labor Market Indicators: 2023 vs 2024



Source: CAPMAS

Egypt's unemployment rate dropped by **0.4** percentage points in **2024**, signaling some labor market improvement. However, labor force participation fell by **0.8** points, with youth and female unemployment rising by **1.0** and **4.5** points, respectively. Urban and rural unemployment also increased, highlighting job opportunities and economic diversification challenges.

Labor Force



Increased to 32.0 million

by 2.9%, up from 31.2 Million

**Construction
Employment Share
13.5%**

**Manufacturing
Employment Share
13.2%**

Employment Rate 2024

**Agriculture
Employment Share
13.7%**

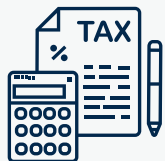
**Wholesale & Retail
Trade Employment
Share 15.5%**





POLICY UPDATES

EGYPT'S NEW UNIFIED TAX SYSTEM TO SIMPLIFY FEES



Egypt is set to replace multiple fees with a single 2-3% tax on net income, aimed at simplifying the tax system and reducing administrative burdens for businesses. A new digital platform will streamline tax and fee collection, boosting transparency, speeding up customs clearance, and encouraging investment, particularly SMEs.

EGYPT'S NEW LABOR LAW: KEY FEATURES AND CHANGES



Egypt's long-awaited new Labor Law introduces several key updates, including open-ended contracts as the default, clarity on annual raises, and new protections for working parents. It formalizes modern work formats like remote and part-time jobs, establishes specialized labor courts, and streamlines dispute resolution, while also enhancing labor rights and workers' protections.

EGYPT'S FINANCING NEEDS TO RISE 25% IN FY 2025-26 TO EGP 3.6 TRILLION



Egypt's financing gap is expected to grow by over 25% to EGP 3.6 trillion in the next fiscal year due to decreased non-tax revenues and increased social spending. The government plans to cover the deficit through local debt issuances and foreign borrowing. Tax revenues are targeted to rise to EGP 2.6 trillion with new facilitation laws.

EGYPT'S VAT REFORMS: PHASING OUT EXEMPTIONS TO BOOST REVENUE



Egypt plans to scale back VAT exemptions on sugar, training services, and soap detergents as part of its fiscal strategy. The changes aim to raise additional revenue, simplify the tax system, and improve competitiveness for local manufacturers.



ROAD AHEAD

Egypt's economic trajectory is guided by a reform agenda focused on fiscal discipline, private sector growth, and social protection. Central to this is overhauling the tax system, simplifying procedures, and broadening the tax base, in line with the IMF-backed program. These reforms aim to increase public revenue and create a more transparent, business-friendly environment.

Inflation is expected to ease due to tighter monetary policies and reduced supply chain pressures, boosting private consumption and stabilizing the economy. Structural reforms will help enhance domestic demand.

Strategically, Egypt is strengthening its international partnerships, including with Italy, in various sectors such as infrastructure, transportation, and education. These growing ties are vital for fostering long-term industrial development, leveraging Italy's expertise in sectors like logistics and technology, and boosting trade and investment between the two countries.

Egypt aims to strengthen fiscal discipline with a primary surplus and reduced debt-to-GDP ratio. Support from the IMF's reviews and potential financial disbursements will bolster foreign reserves and investor sentiment.

Notably, Egypt is strengthening its international partnerships, including with Italy, in various sectors such as infrastructure, transportation, and education. These growing ties are vital for fostering long-term industrial development, leveraging Italy's expertise in sectors like logistics and technology, and boosting trade and investment between the two countries.

In conclusion, Egypt's reform approach, focused on infrastructure, human capital, and private sector engagement, is expected to foster sustainable, inclusive economic growth in the years ahead.

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Expertise is leveraged by our seasoned professionals to shape government policies and foster meaningful stakeholder communication. Beyond conventional roles, IPA serves a distinguished think tank, delving deep into MEA's political landscape, regulatory frameworks, and socioeconomic dynamics to enact positive societal change.

Dedicated to the economic and public policy landscape of Egypt and MEA region, invaluable insights and strategic guidance are provided by IPA. Our expertise is seen as a beacon of knowledge, guiding through the evolving business environment, ensuring endeavors are rooted in wisdom and poised for success



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