Influence Public Affairs

ECONOMIC PULSE
OF EGYPT

January 2025

SYNTHESIS

Egypt's economy in **Q1 FY 2024/2025** reflected mixed performance as the country navigated trade imbalances, financial reforms, investment growth, and sectoral challenges. While **FDI inflows increased**, the economy faced a widening **trade deficit, declining Suez Canal revenues**, and continued external borrowing. Despite these challenges, macroeconomic reforms, customs facilitation measures, and monetary policies indicate a long-term strategy to improve Egypt's competitiveness and financial stability.

The non-oil trade deficit increased by **$3.2 billion**, reaching **$9.8 billion**, up from **$6.6 billion** in the previous year. This was primarily due to a sharp rise in non-oil merchandise import payments, which grew by **$4.4 billion to $17.7 billion,** compared to **$13.3 billion** a year earlier. Meanwhile, non-oil merchandise export proceeds increased by **$1.2 billion**, reaching **$7.9 billion**, up from **$6.7 billion**.

The oil trade deficit widened significantly by **$2.9 billion,** reaching **$4.2 billion**, compared to **$1.3 billion**. This was driven by a surge in oil imports, which increased by $**2.5 billion, reaching $5.4 billion**. Within this category, oil products imports rose by **$1.5 billion**, while natural gas imports increased by **$1.2 billion**. However, crude oil imports declined by **$191.9 million.**

On the export side, oil exports fell by $415.8 million, reaching $1.2 billion. The decline was mainly due to a $526.6 million drop in crude oil exports and a $24.2 million decrease in natural gas exports, despite a $135.0 million increase in oil products exports.

SYNTHESIS

FDI inflows improved, reaching **$2.7 billion in Q1 FY 2024/2025,** up from **$2.3 billion** in the previous year. **Non-oil FDI** was a key driver, **increasing to $2.9 billion**, fueled by investments in real estate, industrial projects, and capital expansion. However, **FDI in the oil sector** saw net outflows of **$175.7 million**, reflecting lower foreign investment in energy exploration.

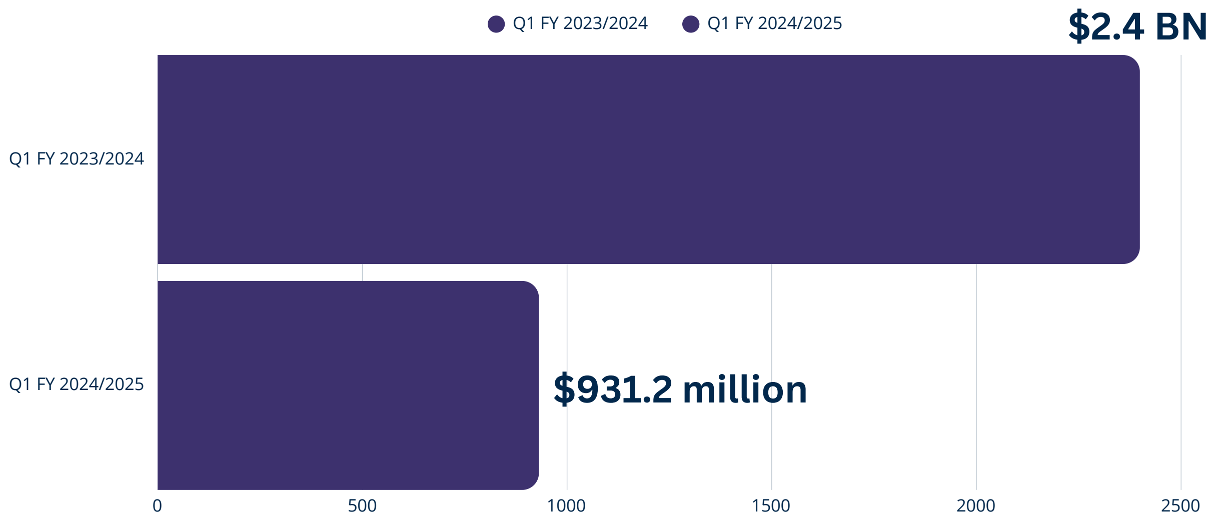
Egypt's Purchasing Managers' Index (PMI) for **January 2025 rose to 50.7,** indicating expansion in the **non-oil private sector** for the first time in over four years. This growth was driven by rising demand, increased output, and easing inflationary pressures. Inflation is projected to decline to **14.5% by the end of 2025**, according to Morgan Stanley, supporting expectations for monetary policy easing. **The Egyptian pound is also expected to stabilize between 48-52 per USD,** improving confidence in foreign exchange management and economic stability.

Suez Canal revenues in **Q1 FY 2024/2025** dropped to **$931.2 million**, marking a **61.2% decline from $2.4 billion** in Q1 FY 2023/2024. This sharp decline was attributed to ongoing Red Sea tensions, which led to a **68.4% drop in net tonnage and a 51% decrease in the number of transiting vessels.** The substantial revenue loss has impacted Egypt's foreign currency reserves and service sector earnings, prompting the government to explore alternative revenue sources through industrial and logistics investments.

Egypt is implementing customs reforms to cut clearance times, lower trade costs, and save **$284 million annually**. The Single Window system will digitalize customs operations, supporting the goal of **$145 billion in exports by 2030** and **increasing private sector investment to 65%.**

UPDATES IN FIGURES

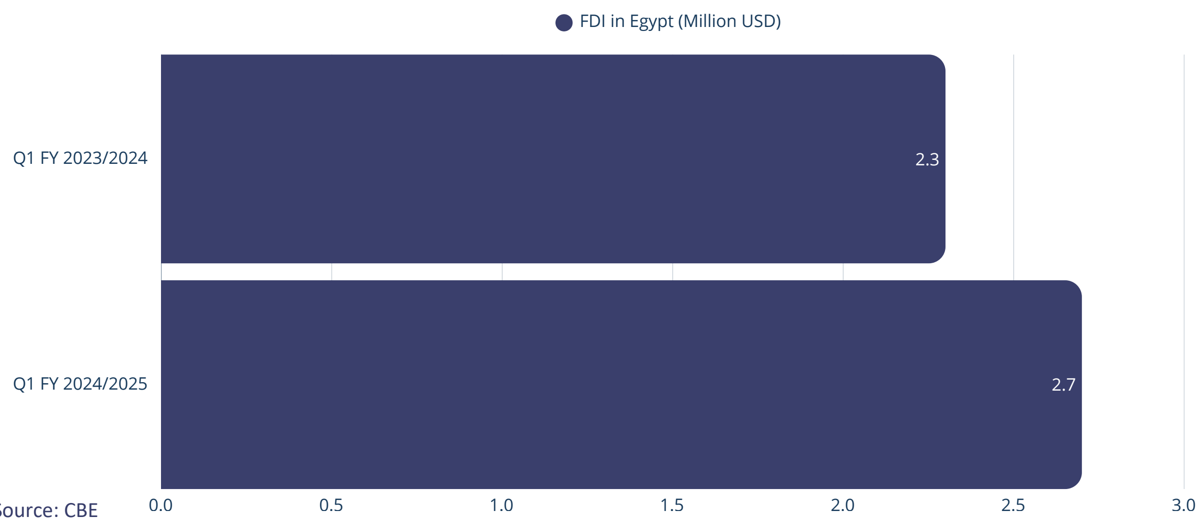
Suez Canal Revenues Q1 FY2024\2025



Source: CBE

Suez Canal revenues dropped sharply by **61.2% due to Red Sea tensions**, which led to a **68.4%** decline in net tonnage and a **51.0% drop** in the number of transiting vessels. Many shipping companies diverted their routes, significantly impacting Egypt's service revenues.

Egypt's FDI Q1 FY2024\2025

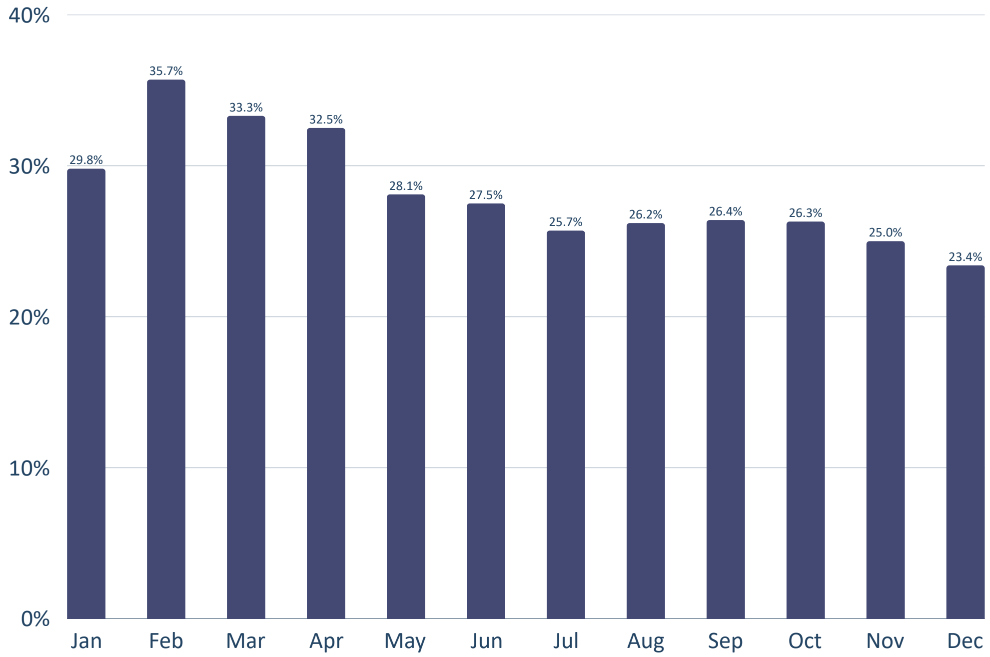


Source: CBE

FDI inflows rose to $2.7 billion in **Q1 FY 2024/2025**, up from $2.3 billion. **Non-oil FDI drove growth,** reaching $2.9 billion, boosted by real estate, industrial projects, and capital expansion. In contrast, **oil sector FDI** saw net outflows of $175.7 million.

UPDATES IN FIGURES

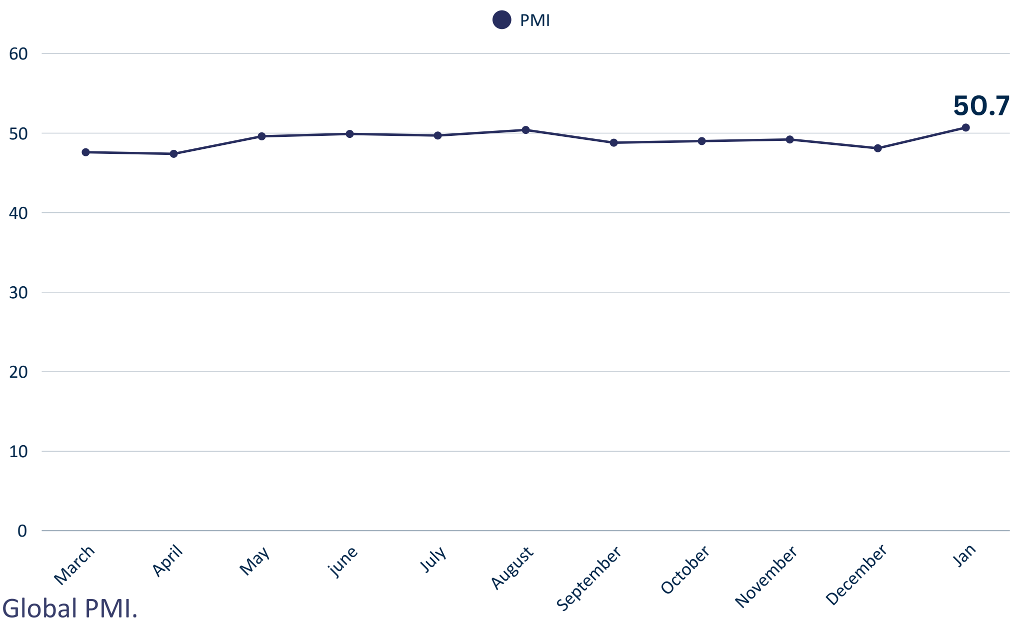
Monthly Inflation Trends



Source: CAPMAS

Egypt's inflation fluctuated, starting at **29.8%** in Jan, **peaking at 35.7%** in Feb, then declining to **32.5% in Apr and 25.7%** in Jul. A slight uptick in Aug (26.2%) stabilized in **Oct 26.3%** before dropping to **25.0%** in **Nov and 23.4% in Dec**, the year's lowest.

Private Sector Performance



Source: S&P Global PMI.

Egypt's PMI for **January 2025 rose to 50.7**, signaling expansion after fluctuations in 2024. It started at **48.1 in Jan 2024**, dipped to **47.1 in Feb**, peaked at **50.4 in Aug**, and closed at **48.1 in Dec**, reflecting a contraction before the rebound.

Trade Balance

Q1 FY2024\2025

Non-Oil Trade Deficit

Increased by $3.2 billion

to $9.8 billion, up from $6.6 billion.

Oil Imports

Increased **$5.4 billion**

Oil Exports

Decreased to $1.2 billion

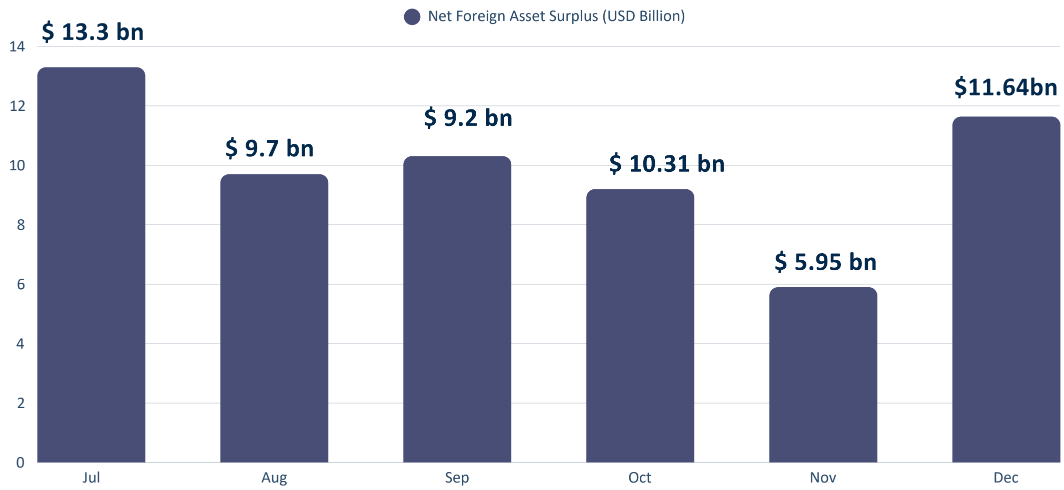
Oil Trade Deficit

Widened by $2.9 billion

to $4.2 billion, from $1.3 billion.

UPDATES IN FIGURES

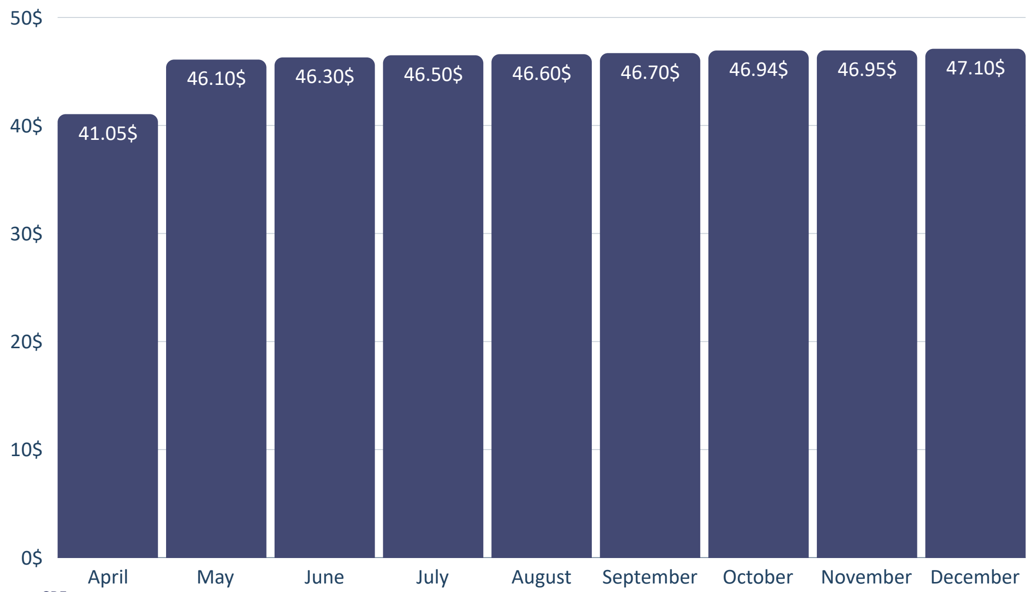
Net Foreign Asset Surplus



Source: CBE

Egypt's Net Foreign Assets fluctuated in the second half of 2024. Starting at **13.3 in July**, it dropped to **9.7 in August** and **5.9 in November**, the lowest point. However, it rebounded to **11.6 in December**, showing signs of recovery toward year-end.

Net International Reserves



Source: CBE

Egypt's **Net International Reserves** showed steady growth in 2024. Starting at **$41.05B in April**, reserves saw a sharp rise to **$46.10B in May**, followed by gradual increases, reaching **$46.94B in October and $47.10B** in December, marking the year's highest level.

POLICY UPDATES

EGYPT'S FINANCIAL AUTHORITY PROPOSES NEW RULES FOR INVESTMENT AND VC FUNDS

FRA proposed amendments to the Capital Market Law to simplify the establishment of private equity and venture capital funds. These changes will allow funds to operate under any approved corporate structure, increasing investment flexibility and attracting local and foreign investors. The reforms aim to boost capital markets, venture capital activity, and economic growth.

EGYPT'S CENTRAL BANK SELLS $1.06 BILLION IN USD-DENOMINATED T-BILLS

CBE issued $1.06 billion in USD-denominated treasury bills (T-bills) with a 364-day maturity. The auction attracted 27 bids worth $1.24 billion, with accepted yields ranging from 4.25% to 5.30%. This follows several similar issuances in 2024, reflecting Egypt's diversified financing approach to reduce debt and manage budget deficits.

EGYPT-SAUDI ARABIA TRADE VOLUME GROWS 18.8% IN 2024

Trade between Egypt and Saudi Arabia increased by 18.8% to $6.5 billion in 2024, up from $5.5 billion in 2023. Egypt now ranks as Saudi Arabia's seventh-largest trading partner, while Saudi investments in Egypt total $37 billion across 6,830 companies. Egyptian investments in Saudi Arabia stand at $5 billion across 805 companies, with further investments expected in 2025.

MORGAN STANLEY'S ECONOMIC OUTLOOK FOR EGYPT

Morgan Stanley projects Egypt's inflation to fall to 14.5% by the end of 2025, lower than the market consensus of 16-18%. While the current account deficit remains high, strong FDI inflows and IMF-backed reforms are expected to stabilize Egypt's macroeconomic environment.

ROAD AHEAD

Egypt is actively advancing its economic agenda with a focus on sustainable growth and enhanced global competitiveness. Initiatives like the development of key energy projects, including the **Zohr Field and BP's Raven project**, are set to boost natural gas production, underscoring Egypt's commitment to strengthening its role as a regional energy leader.

Building on this momentum, the Government has recently approved **five petroleum concession agreements**, which secure an investment of approximately **$225.3 million to drill 40 new wells for oil and natural gas exploration**. These energy sector expansions are part of a broader strategy that includes significant investment in revitalizing the textile industry, with major projects such as the redevelopment of the Misr Spinning & Weaving Company in Mahalla, aimed at increasing exports and modernizing traditional sectors.

Egypt is implementing comprehensive fiscal and monetary reforms supported by the IMF to ensure economic stability. These measures are designed to **stabilize inflation, exchange rates, and interest rates, contributing to a robust economic framework**. Effective management of the national debt, highlighted by strategic issuance of **USD-denominated treasury bills and proactive debt settlements**, has improved Egypt's financial health, reflecting a commitment to fiscal prudence and economic resilience.

Addressing **structural economic challenges remains a priority**. Egypt is focused on reducing import dependency by bolstering local manufacturing and expanding private sector engagement. Strategic efforts to safeguard foreign currency reserves are vital, especially with potential vulnerabilities in revenue streams such as those from the Suez Canal.

In pursuit of enhanced international competitiveness, Egypt is streamlining customs processes and leveraging digital technology to improve trade operations. These reforms are intended to simplify the business environment and promote an export-driven economic model, which is crucial for reducing the trade deficit and fostering economic diversification.

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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