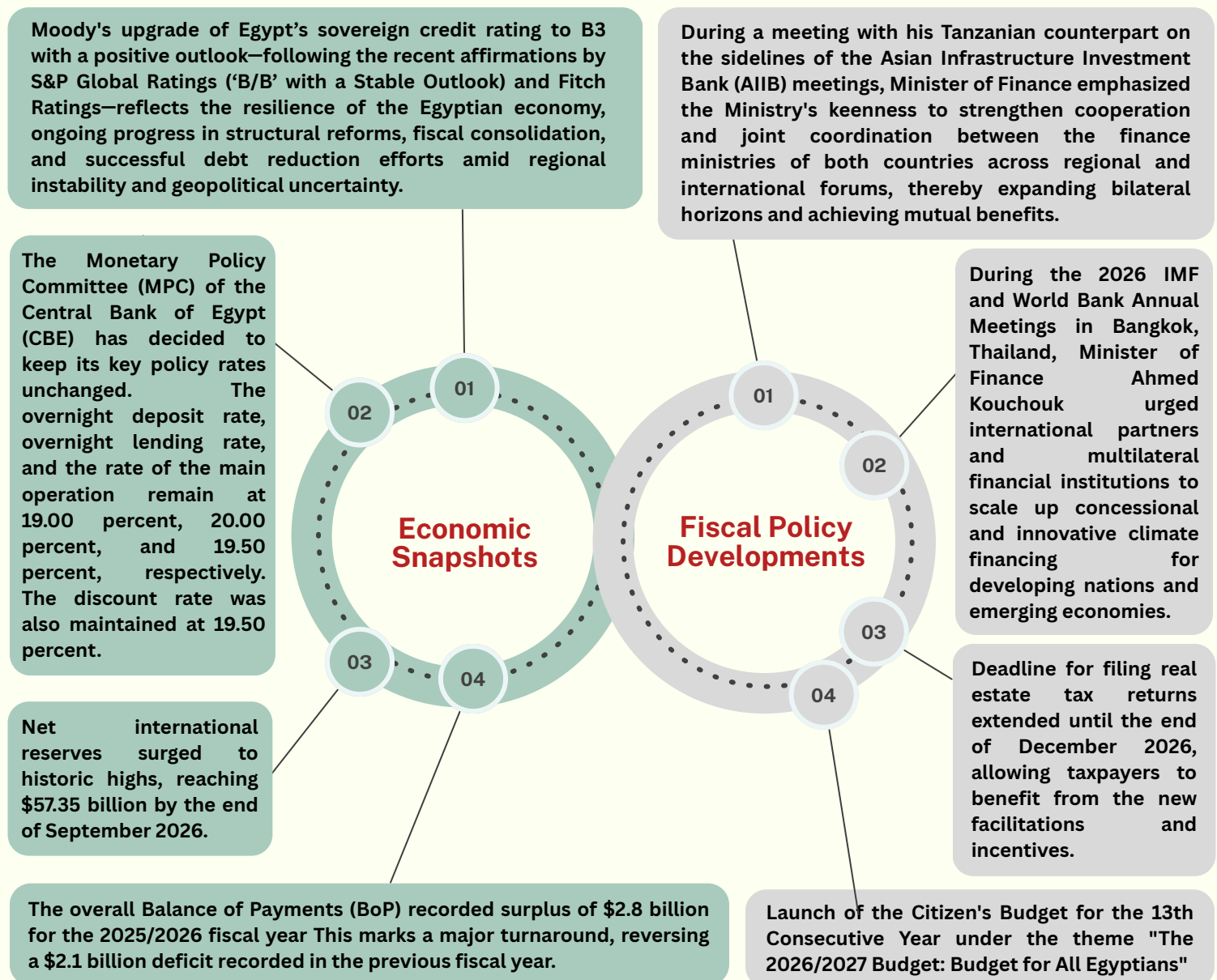


Executive Summary

Latest Economic and Fiscal Policy Developments



Latest Fiscal Policy Developments

◆ Deadline for filing real estate tax returns extended until the end of December 2026, allowing taxpayers to benefit from the new facilitations and incentives.

- In a rapid response to feedback from experts, media figures, and citizens, Minister Ahmed Kouchouk also extended the window for submitting tax dispute settlement applications, granting a 6-month waiver on delay penalties valid until April 2, 2027.
- He further clarified that the 6-month extension for tax dispute settlements applies to outstanding disputes between taxpayers and the Real Estate Tax Authority. This encompasses cases filed or currently under review across all court levels—regardless of their litigation status—as well as tax disputes registered with or being considered by Tax Appeal Committees at any stage of the dispute.



◆ **During a meeting with his Tanzanian counterpart on the sidelines of the Asian Infrastructure Investment Bank (AIIB) meetings, Minister of Finance emphasized the Ministry's keenness to strengthen cooperation and joint coordination between the finance ministries of both countries across regional and international forums, thereby expanding bilateral horizons and achieving mutual benefits.**

- Ahmed Kouchouk expressed satisfaction with Egyptian investments in the Tanzanian market, which demonstrate the capacity of Egyptian corporations to execute major development and infrastructure projects. He noted that Egypt seeks to unlock and back more opportunities for the Egyptian private sector in Tanzania, stressing the importance of deepening bilateral cooperation in the energy and infrastructure sectors to drive economic growth and development in both nations. And finally, both expressed interest in sharing insights on diversifying financing instruments, and developing local capital markets.



◆ **During the 2026 IMF and World Bank Annual Meetings in Bangkok, Thailand, Minister of Finance Ahmed Kouchouk urged international partners and multilateral financial institutions to scale up concessional and innovative climate financing for developing nations and emerging economies.**

- Minister Kouchouk pointed out that a flexible approach to climate change is essential for ensuring a just transition toward a low-carbon development trajectory. He highlighted the urgent need to introduce innovative, low-cost financial instruments to mitigate financing risks in emerging markets and developing economies, thereby supporting both financial and climate stability.
- Furthermore, he underscored the necessity of integrating climate considerations into financial initiatives designed to stimulate economic activity in vital and productive sectors, noting the essential role of fiscal policies in accelerating the green transition. He added that attracting and engaging private sector participation in sustainable projects requires creating attractive, eco-friendly investment opportunities that steer the economy toward long-term sustainability.



◆ **Launch of the Citizen's Budget for the 13th Consecutive Year under the theme "The 2026/2027 Budget: Budget for All Egyptians"**

- Minister of finance Ahmed Kouchouk affirmed that the Citizen's Budget report is issued to simplify complex financial data, share strategic directions, and outline public spending priorities. By breaking down the state budget into clear and accessible figures, this report serves as a core tool to enhance fiscal literacy, promote accountability, and empower citizens to actively monitor state targets in coordination with government authorities.

- He added that citizens are the true owners, contributors, and beneficiaries of the national budget, giving them the right to understand how state resources are managed and how spending is prioritized. This proactive communication, explanation, and disclosure of information form an essential pillar for building public trust and fostering effective community participation.
- This year's budget adopts a balanced vision that places both citizens and investors at the core of its priorities. It elevates allocations for health and education—signaling a clear commitment to human development while prioritizing production, exports, and the funding required to sustain a more competitive economy.



Latest Economic Developments

- ◆ **Moody's upgrade of Egypt's sovereign credit rating to B3 with a positive outlook—following the recent affirmations by S&P Global Ratings ('B/B' with a Stable Outlook) and Fitch Ratings (B with Stable Outlook)—reflects the resilience of the Egyptian economy, ongoing progress in structural reforms, fiscal consolidation, and successful debt reduction efforts amid regional instability and geopolitical uncertainty.**

Minister of Finance highlighted that these developments mirror a strong balance between growth prospects and sustained economic momentum. Key highlights include:

- **Robust GDP Growth:** Real GDP growth reached 5.1% during the 2025/2026 fiscal year, accelerating from 4.4% in the previous fiscal year, strongly driven by the manufacturing, telecommunications, and tourism sectors.
- **Private Sector Momentum:** The private sector continues to regain its footing, currently accounting for 65% of total investments and achieving elevated growth rates.
- **Fiscal Discipline & Flexibility:** Public finance management operates with high flexibility to revitalize the economy and drive growth while strictly adhering to a path of fiscal discipline, durable primary surpluses, and debt reduction.



◆ **The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) has decided to keep its key policy rates unchanged. The overnight deposit rate, overnight lending rate, and the rate of the main operation remain at 19.00 percent, 20.00 percent, and 19.50 percent, respectively. The discount rate was also maintained at 19.50 percent.**

- This decision comes considering the marginal ease in annual headline inflation to 14.5 percent in August 2026, primarily driven by declining food inflation, which offset increases in electricity tariffs and housing rents. Meanwhile, annual core inflation remained relatively stable at 14.9 percent in August 2026, reflecting broadly stable price developments across core food, retail items and services.



◆ **Net international reserves surged to historic highs, reaching \$57.35 billion by the end of September 2026.**

- Despite recent global economic developments and challenges, Egypt has successfully enhanced its resilience against external pressures while bolstering the stability of its banking sector and national economy. This was reflected in the surge in Net International Reserves (NIR) reaching approximately USD 57.350 billion by the end of September 2026, marking the highest level in history. Similarly, Net Foreign Assets in the banking sector rose in August 2026 to reach USD 31.2 billion, the highest level since 2011, supported by an increase in foreign currency resources.



◆ **The overall Balance of Payments (BoP) recorded surplus of \$2.8 billion for the 2025/2026 fiscal year. This marks a major turnaround, reversing a \$2.1 billion deficit recorded in the previous fiscal year.**

- This turnaround was driven by an improvement in the capital and financial account, which recorded a net inflow of approximately \$23.2 billion, compared to roughly \$10.2 billion in the previous fiscal year. This expansion was propelled by Foreign Direct Investment (FDI) achieving a net inflow of approximately \$18 billion, alongside portfolio investments securing a net inflow of around \$4.2 billion.
- For the current account, remittances from Egyptians working abroad grew by 29.6% during FY 2025/2026, reaching approximately \$47.3 billion. Concurrently, non-oil merchandise export revenues rose by 7.8% to register roughly \$37.3 billion. Furthermore, the services surplus expanded by 10.5% to reach approximately \$16.7 billion, supported by recovering tourism revenues and the initial restoration of Suez Canal transit fee revenues toward their historical baselines.



Real Sector

Economic Growth Rate During Fiscal Year 2025/2026

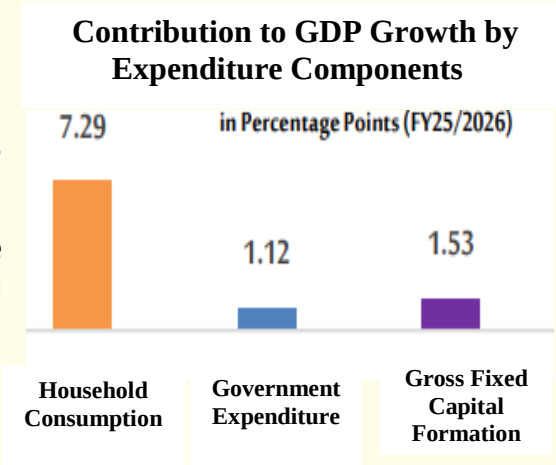
(According to the Ministry of Planning and Economic Development)

GDP at Current Prices of FY25/26:

- The value of Gross Domestic Product (GDP) at current prices increased to LE 21.47 trillion during the fiscal year 2025/2026, compared to LE 18.14 trillion in the fiscal year 2025/2024.

Real Growth Rate of FY25/26:

- The real growth rate of the Egyptian economy witnessed a notable increase, reaching approximately 5.1% during FY 2025/2026, compared to 4.4% in FY 2024/2025.
- This reflects the resilience and sustainability of the Egyptian economy's growth amidst regional tensions, driven primarily by the improvement in productive and service sectors in line with state targets to boost high value-added sectors.
- On the expenditure side, the rebound in domestic demand—supported by improved household consumption and investment—helped drive economic growth rates during FY 2025/2026. This aligns with the cumulative monetary easing of 825 basis points implemented since April 2025, which stimulated consumption by lowering borrowing costs, facilitating financing for individuals and businesses, and subsequently supporting both consumer and investment spending. However, recently this was subsequently followed by continued tight monetary policy decisions to keep interest rates unchanged, in order to counter inflationary pressures stemming from escalating global uncertainty amid the Iranian-American conflict.
- Furthermore, the diversification of growth sources reflects a strengthening of the foundations for sustainable growth.



Contribution of Economic Sectors to Achieved Growth (During Fiscal Year 2025/2026)

- Non-Petroleum Manufacturing: Continued to lead the economic growth engine during the fiscal year 2025/2026, achieving a contribution rate of about 1.14 percentage points of the growth achieved during 2025/2026.
- Wholesale and Retail Trade: Followed with about 0.7 percentage points.
- Communications and Information Technology (CIT): Followed with a contribution of 0.6 percentage points.

Annual Growth Rates of Economic Sectors (During Fiscal Year 2025/2026)

- Suez Canal: Witnessed a clear recovery to become one of the highest-growing activities, achieving 23.3% during the fiscal year 2025/2026 amid regular navigation movement in the canal.
 - This recovery is primarily linked to the gradual return of navigation companies' confidence in transiting through the Suez Canal, following the relative improvement in security conditions in the Red Sea, in addition to the Suez Canal Authority adopting flexible marketing and pricing policies, incentives, and transit fee discounts to attract ships, alongside the Authority's efforts to diversify revenue sources and add new marine and logistical services. This contributed to a 23.7% increase in canal revenues, reaching about \$4.67 billion during the fiscal year 2025/2026, alongside a 22.4% increase in ship tonnage to record about 590.8 million tons.
- Communications and Information Technology: Continued to achieve unprecedented growth rates reaching about 19.3%,
 - Emphasizing efforts to increase digital services exports and expand outsourcing services, as well as expanding digital service provision centers in Egypt.
 - This was driven by increased revenues of telecommunications companies, the development of communication and internet networks through the expansion of fiber optics, the launch of 5G services, and increasing the number of telecom towers, in parallel with the drive to attract new investments in data centers, cloud computing, and artificial intelligence.
- Non-Petroleum Manufacturing: Achieved an annual growth rate of 9.1% during the fiscal year 2025/2026,

- Reflecting the continuation of the industrial recovery in a number of key industries that showed high resilience in facing local and external demand.
- This was evident in the increase in the average growth rate of the Industrial Production Index to 8% during the fourth quarter of the fiscal year 2025/2026, driven by growth in several industries, including: automotive and vehicles (45%), chemical products (33%), wood (26%), machinery and equipment (17%), rubber and plastic products (8%), with continued growth in food industries (3.7%) and beverages (8%).
- **Petroleum Refining**: Shifted from contraction to growth for the first time since 2021/2022, with a growth rate of 8.7% during the fiscal year 2025/2026,
 - Supported by efforts to develop refineries, raise the efficiency of crude and petroleum product transport networks, and expand storage and trading capacities.
 - This resulted in raising the operational efficiency of Egyptian refineries to about 80%, maximizing the utilization of available productive capacities to support securing local market needs and electricity generation plants from fuel and petroleum products, and reducing reliance on imports, which contributed to supporting the stability of the electrical grid and providing energy to various state sectors during the summer season.
- **Insurance Sector**: Achieved an annual growth rate of 9.5% during the fiscal year 2025/2026
 - In light of efforts to stimulate the insurance market, raise the efficiency of new insurance products, and increase their attractiveness to ensure product diversification and expand beneficiary segments, supporting the stability of the insurance market and increasing its contribution to the economy.
- **Restaurants and Hotels**: Achieved an annual growth rate of 6.5% during the fiscal year 2025/2026,
 - Confirming the continued improvement in tourism indicators for the year as a whole
 - Incoming tourist arrivals increased by 11.1% to reach about 19.3 million tourists compared to 17.4 million tourists during the previous fiscal year, and tourist nights increased by 8.2% to about 194 million nights compared to 179.3 million nights.
- **Electricity Sector**: Achieved an annual growth rate of 5.3% during the fiscal year 2025/2026,

- Reflecting the electricity sector's capability to keep pace with economic growth and meet the needs of productive and service sectors, driven by improved infrastructure and the development of generation and transmission capacities.
- **Transportation and Storage:** Achieved growth of 4.3% during the fiscal year 2025/2026,
 - Reflecting improved cargo handling movement and Egypt's growing role as a regional hub for trade and logistical services.
- **Construction and Building:** Achieved an annual growth rate of 2.3% during the fiscal year 2025/2026,
 - In light of the continued implementation of infrastructure projects and urban expansion, alongside growing activity in energy, electricity, renewable energy, and water projects, which represent one of the most important drivers of demand for construction work.
 - Urban, industrial, and logistical development projects also contributed alongside infrastructure network development and expansion in new cities.

On the Expenditure Side (During Fiscal Year 2025/2026)

- The achieved economic growth during FY25/26 (5.1%) was primarily driven by the recovery of domestic demand:
 - Private and Household Consumption: Contributed about 7.3 percentage points to the achieved growth, reflecting the continued strength of domestic demand.
- Government Current Spending: Contributed about 1.12 percentage points.
- Investment and Inventory: Contributed 1.5 percentage points.
- Net Exports: Recorded a contribution of -4.9 points.

Total Implemented investments (During Fiscal Year 2025/2026)

- Total Investments at Current Prices: Rose to reach about EGP 3 trillion compared to about EGP 2.34 trillion during the previous fiscal year.
- Total Investments at Constant Prices: Reached EGP 1.28 trillion, with a growth rate of 11.6%, compared to EGP 1.15 trillion in the previous year.

Private Sector Contribution to Economic Activity (During Fiscal Year 2025/2026)

- Private investments were the primary driver of total investment growth during the fiscal year 2025/2026, achieving a growth rate of 14.4% compared to the previous year, versus 8.4% for public investments.
 - This reflects the growing role of the private sector in investment activity, as the contribution rate of private investment exceeded 55% of total investment, supporting the expansion of the economy's productive capacity and enhancing opportunities to achieve more sustainable growth rates during the upcoming period.

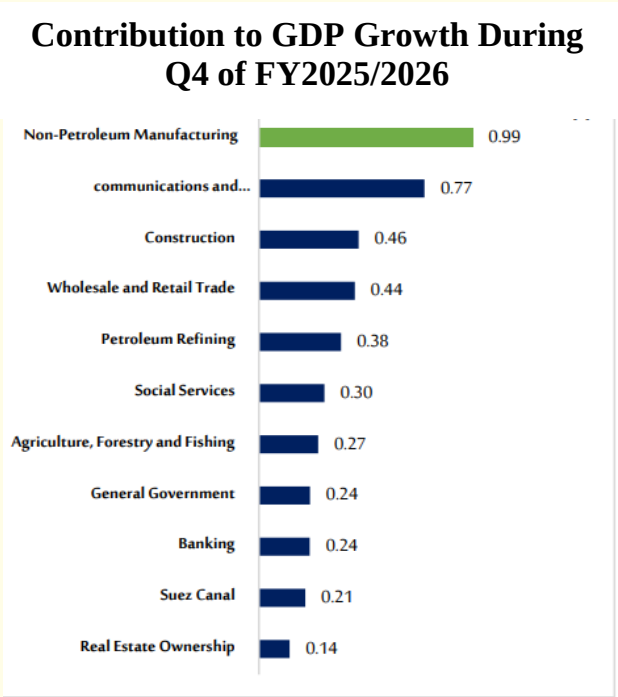
Economic Growth Rate During Q4 of FY25/26

(According to the Ministry of Planning and Economic Development)

- The economic growth rate achieved 4.7% during the fourth quarter of the fiscal year 2025/2026, as a result of improved performance in several activities, most notably the manufacturing sector, information and communications technology, and the Suez Canal.

Economic Growth at Sectoral Level (Q4 of FY25/26)

- Focusing on economic performance during the fourth quarter of FY25/26, non-petroleum manufacturing led the growth path with a contribution approaching 1 percentage point of the total growth achieved during the quarter, with a growth rate of about 8%.
- Communications and information technology contributed about 0.8 percentage points to growth, recording a growth rate of 24.3%.
- The Suez Canal activity captured the highest growth rate during the fourth quarter of 2025/2026, achieving about 33.8% compared to the contraction recorded last year.



- Extraction activity shift to positive growth for the first time since the second quarter of the fiscal year 2022/2023, with an estimated growth rate of about 0.7%, resulting from petroleum activity achieving positive growth for the second consecutive quarter reaching about 3.3% compared to a contraction of about -6.5% during the corresponding quarter of the previous fiscal year.
- The rate of contraction in natural gas activity eased to record about -7.8% compared to a contraction rate of -17.5% during the corresponding quarter of the previous fiscal year.

Economic Growth on the Expenditure Side (Q4 of FY25/26)

- Private and household Consumption: Contributed about 8.7 percentage points to growth during the fourth quarter of 2025/2026.
- Investment and Inventory: Witnessed a noticeable improvement, reaching about 2.3 percentage points compared to about 0.7 percentage points in the corresponding quarter, reflecting the growing role of investment in supporting economic growth.
- Net Exports: Recorded a contribution of -7.4 percentage points during the fourth quarter of 2025/2026.
- Investment Structure: Data indicate that total investment growth during the fourth quarter was primarily driven by the increase in private investments, which recorded a growth rate of 13.8% compared to the same period of the previous year, while public investments increased by only 12.6% compared to the previous year.

Performance Indicators of the Egyptian Economy during Q3 of the FY 25/26 (January–March 25/26)

(According to the Ministry of Planning and Economic Development).

The Egyptian Economy achieved remarkable growth rate of 5% during the third quarter of the current fiscal year 2025/2026, compared to 4.8% during the corresponding quarter of the previous fiscal year.

At the sectoral level (of the third quarter of the FY25/26):

- Suez Canal activity recorded a remarkably positive performance, becoming the highest-growing activity, achieving a growth rate of 23.6%. (This performance reflects the Authority's success in maintaining the regularity of navigation traffic and the continuous efficient provision of maritime services despite the current regional tensions, confirming the Canal's resilience and ability to continue performing its vital role in global trade movement).

- The Communications and Information Technology sector continued its outstanding performance achieving a growth rate of 20.3%. (This positive performance is attributed to the expansion of telecommunications and digital technology services, as well as the growing demand for internet services and digital applications, reflecting the acceleration of the digital transformation and the sector's increasing role in supporting economic growth).
- The Petroleum sector witnessed a positive turnaround during the third quarter of the fiscal year 2025/2026, achieving a positive growth rate of 0.7% for the first time since the first quarter of the fiscal year 2023/2024. (This performance is attributed to the increase in local production of crude oil, condensates, and butane gas, reflecting signs of improvement in the activity of this vital sector).

The contribution of sectors to economic growth (of the third quarter of the FY25/26):

- Manufacturing activity continued its pivotal role in supporting economic growth, recording the largest contribution to GDP growth to around 1 percentage point out of the total growth rate of 5%.
- Communications and Information Technology came in second place with a contribution of 0.7 percentage points.
- Followed by Wholesale and Retail Trade activity with a contribution of 0.7 percentage points, reflecting the diversity of growth sources and the continued positive performance of several major economic sectors.

Total Implemented investments (during the third quarter of the FY25/26):

- Total implemented investments reached LE 637 billion during the third quarter of the fiscal year 2025/2026, compared to about LE 531 billion during the corresponding period of the fiscal year 2024/2025, achieving an increase of around LE 106 billion, reflecting noticeable improvement in investment activity and the continuous momentum of investment across various economic sectors.

Private sector's contribution to economic activity:

- The private sector's contribution to investment showed a continuous growth, rising from an average between 35% and 39% during the fiscal year 2023/2024 to more than 50% during the fiscal year 2024/2025. This high percentage continued during the first three quarters of the fiscal year 2025/2026, reflecting the success of government efforts aimed at enhancing the role of the private sector as the main driver of investment and economic growth.

- Public investments witnessed a relative decline in their share of total overall investments, reflecting the state's direction toward paving the way more extensively for the private sector to participate in implementing developmental projects and driving the wheel of sustainable economic growth.

At the expenditure level (of the third quarter of the FY25/26):

- Household consumption drove economic growth, which contributed about 6.1 percentage points to the growth rate, compared to a contribution of 4.8 percentage points during the corresponding quarter of the fiscal year 2024/2025.
- Meanwhile, the contribution of current government expenditure rose to 3.1 percentage points compared to 0.3 percentage points during the comparison period, reflecting the positive role of government expenditure in supporting economic activity and enhancing growth rates.
- At the same time, the contribution of investment and changes in inventory improved to record 0.9 percentage points, compared to a negative contribution of 2.4 percentage points during the comparison period, which indicates a noticeable improvement in investment activity and an increase in confidence in the Egyptian economy.

Egypt's Economic Performance during Q2 of FY 2025/2026

The Egyptian economy recorded its highest growth rate during the second quarter of the current fiscal year 2025/2026, reaching 5.3%. This represents the largest increase since the third quarter of FY 2022/2021, resulting from the ongoing implementation of structural, fiscal, and monetary reform packages. These reforms have bolstered macroeconomic stability and enhanced the economy's ability to adapt to both internal and external challenges. (according to the Ministry of Planning and Economic Development).

Sectoral Growth Performance during Q2 of the current fiscal year, was led by:

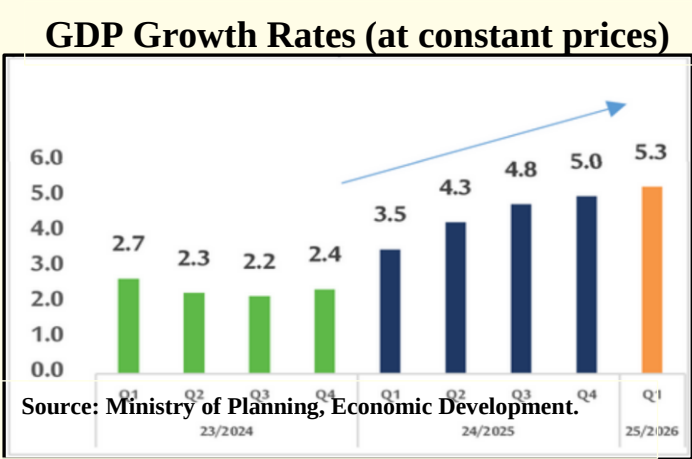
- Suez Canal: 24.2%
- Restaurants and Hotels: 14.6%
- Non-Petroleum Manufacturing: 9.6%
- Wholesale and Retail Trade: 7.1%
- Transportation and Storage: 6.4%
- Electricity: 5.6%
- Healthcare: 4.6%
- Education: 3.3%

Key Growth Drivers in Q2 of FY25/26

- Non-Petroleum Manufacturing:
This sector was the largest contributor to growth in Q2 of FY25/26, adding 1.2 percentage points to the total growth of 5.3%. The 9.6% growth in this sector is attributed to the success of industrial localization policies and the promotion of finished and semi-finished exports.
- Tourism and Hospitality:
The "Restaurants and Hotels" sector continued its strong performance. Efforts to revitalize the sector led to a significant surge in tourist arrivals; Egypt welcomed approximately 19 million tourists in 2025, a record-breaking figure that reflects the growing strength of Egypt as an international destination.
- Financial Services:
The banking sector grew by 10.73% and insurance by 12.85%, supporting financial inclusion efforts through the expansion of banking and insurance services.
- Suez Canal:
The sector witnessed the beginning of a partial recovery in Q2 of FY25/26. This followed a gradual return to stability in the Red Sea region and Suez Canal Authority efforts to encourage navigation.
- Oil and Gas:
The contraction in these sectors narrowed due to intensified drilling and exploration programs, which boosted production in recent months. Furthermore, facilities were provided to support foreign partners, including the settlement of a significant portion of their financial dues during the current fiscal year.

As for Q1 of FY25/26, Egypt GDP growth rate rose notably recording 5.3%, compared to 3.5% during the first quarter of the previous fiscal year.

This was mainly driven by the witnessed performance of high-productivity sectors, most notably the non-petroleum sector industry, which achieved a growth rate of 14.5%, the Information and Communications Technology (ICT) sector by 14.5%, and the tourism sector by 13.8%. In addition, Suez Canal activity recorded a positive growth rate for the first time since the second quarter of the fiscal year 2023/2024, achieving 8.6% in



Q1 of FY25/26. Other activities also recorded an acceleration in growth rates in Q1 of FY25/26, including construction and building, which achieved 3.3%, insurance activity, 8.9%, electricity, 5.4%, and transportation and storage, 3.9%.

The strong performance of the Egyptian economy during Q1 of FY25/26, was a result of the continued implementation of the National Structural Reform Program, which aims to support the real economy and enable the private sector, by implementing more than 60 structural reforms during the period from July 2024 to October 2025 (according to the Ministry of Planning and Economic Development).

At the Sectoral Level in Q1 of FY25/26:

- The growth of non-petroleum manufacturing activity in Q1 of FY25/26 is attributed to the improvement in domestic and foreign demand, in addition to improving the industrial business environment, especially in light of the continued implementation of structural reforms. Where, Motor vehicle manufacturing achieved a growth rate of 50% during Q1 of FY25/26, the chemical materials and products industry achieved 44%, the beverage industry achieved 37%, the furniture industry achieved 34%, the pharmaceutical, chemical, and medicinal preparations industry achieved 19%, and the ready-made garments industry achieved 17%.
- As for the Information and Communications Technology activity, growth in Q1 of FY25/26 was driven by the state's strategy to transform it from a service sector into a productive sector based on technology and the outsourcing industry, in addition to its role in promoting Egyptian digital exports. Massive investments in digital infrastructure, along with a significant increase in the average internet speed, contributed to enhancing the spread of digital services and expanding the user base.
- The growth of the tourism sector during Q1 of FY25/26 was also boosted as a result of continuous support directed to raising the quality of services and tourist infrastructure, developing the transport system, attracting tourist delegations to Egypt, and promoting Egyptian tourism. This also includes employing artificial intelligence technologies to attract wider segments of visitors.

At the Expenditure Level in Q1 of FY25/26:

- Investment recorded a positive contribution of 2.45 percentage points in Q1 of FY25/26, a development that reflects the improvement in capital formation, which is an indicator of restored investment confidence and the growing role of capital formation in supporting the growth of the Egyptian economy.

Total Investments (at constant prices- Billion EGP)

Category	Q1 24/25	Q1 25/26
Inventory	20.9	24.9
Private investment	133.1	167.6
Public investment	70.2	86.3
Total	224.2	278.8

Source: Ministry of Planning, Economic Development.

 - Total investments rose to EGP 278.7 billion at constant prices, compared to EGP 224.3 billion in the previous year, achieving a growth rate of 24.2%.
 - Private investment achieved notable growth of 25.9%, capturing 66% of total investment, which is the highest level in comparable periods.
 - Meanwhile, public investment accounted for 34% of total investments. This indicates a clear trend towards reducing public investments and focusing on priority projects, while allowing greater space for the private sector.- Exports recorded a strong performance in Q1 of FY25/26 across commodity groups. Where, ready-made garments exports rose by (24.8%), and processed food exports grew by (29.9%). While, Semi-finished goods exports also achieved strong growth of (21.4%), driven by the increase in exports of oils and fats.

Summary of Egypt's Economic Performance by expenditure– Historical Perspective since FY21/22:

- Egypt's GDP growth has been driven by different components of aggregate demand.
- The strong performance of GDP growth in FY21/22 compared to the previous year, was largely influenced by base effects, as it came after the significant slowdown caused by the COVID-19 pandemic. Once the impact of the pandemic subsided, the economy experienced a sharp rebound in 2021/22.
- In FY 2022/23, net exports turned to be the main driver of economic growth, supported by the rise in volume of exports, and imports as a result of the

depreciation of exchange rate in 2023. Consequently, to restore exchange rate flexibility, the Central Bank of Egypt implemented **corrective measures, notably the unification of the exchange rate.** As a result, private consumption began to recover starting 2024.

- Meanwhile, among the corrective actions in FY22/23, the CBE adopted a **tight monetary policy to contain the inflationary pressures**, which was largely driven by the global increase in food and fuel prices. **The monetary policy stance has started tightening significantly following the significant 800 bps hike in Q1 2024, with real interest rate turning positive in Q3 2024 for the first time since Q1 2022 and remained on an upward trajectory since then on the back of the decline in inflation rates.**
- In FY 2024/25, the CBE has turned policy to **easing cycle in order to stimulate aggregate demand, especially by encouraging both private consumption and investment.** This policy shift is expected to **support stronger economic growth in the upcoming period.**
- Meanwhile, structural reforms are planned to **localize industry and rely on domestic production, targeting increased investments in green projects, while opening new horizons to attracting foreign investments in a way that contributes to achieving sustainable economic growth path, and improving the standard of living of Egyptian citizens.**

Fiscal Sector

Over the past previous years, the Egyptian government has taken notable reforms aimed at enhancing the Egyptian economy, while raising the efficiency of public finance via reprioritizing public spending and revenues mobilization, while ensuring diversity of sources of financing. In addition to supporting social welfare programs, and enhancing human development, such as; health and education to increase the productivity and standard of living of Egyptian citizens, and raises the efficiency of infrastructure and services provided to citizens.

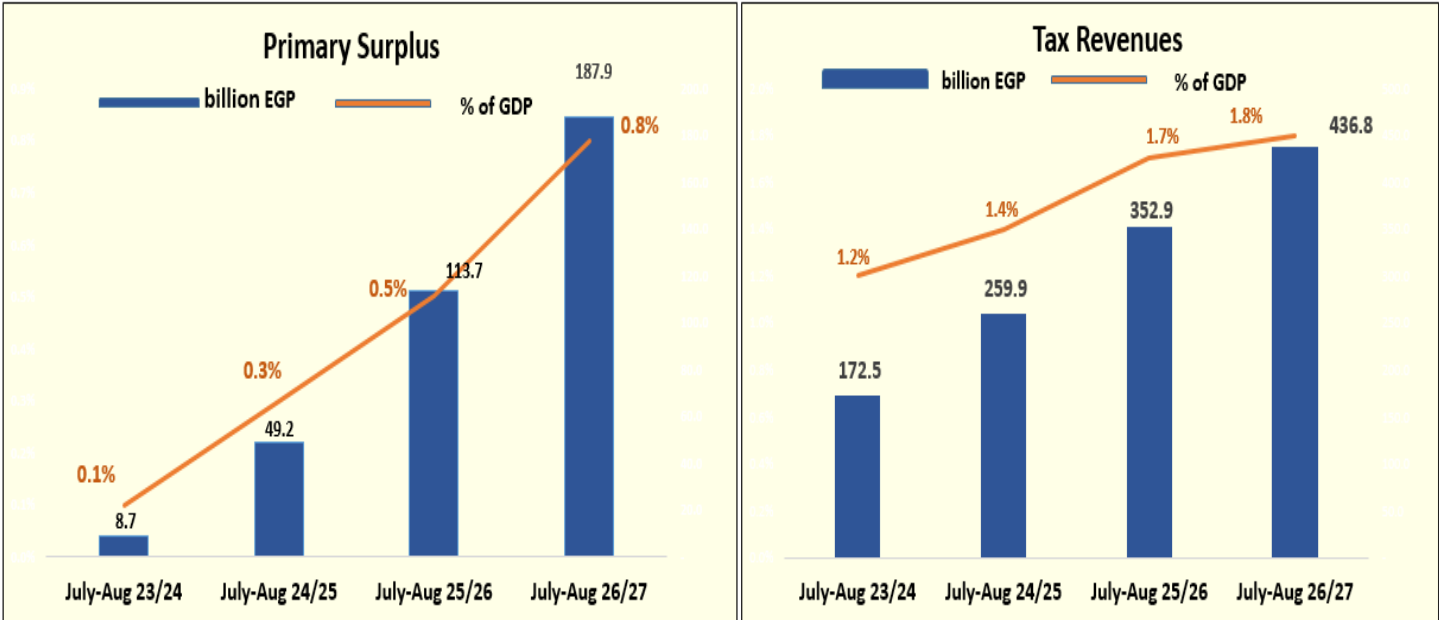
Meanwhile, the recent reforms taken by the Ministry of finance, including the announcement of the “first and second phase of tax facilitation”, which focuses on improving tax administration, simplifying tax procedures, has been reflected in the improvement witnessed in fiscal performance during the period July-August 2026/2027, as follows:

- Total Overall budget deficit has declined in nominal terms by LE 40.7 billion, and has declined in percent of GDP by 0.4% to record 1.3% of GDP during the period July- August

26/27, compared to 1.7% of GDP during the same period of last year. Meanwhile, primary surplus rose notably by an annual increase of 65.2% to reach LE 187.9 billion (0.8% of GDP) during July- August 26/27, compared to LE 113.7 billion (0.5% of GDP) during the same period of last year.

Those developments are mainly attributed to the following factors:

- The notable increase in tax revenues by 23.8% to record LE 436.8 billion (1.8% of GDP) during the period of study, driven by the rise in receipts of most tax chapters in light of improved confidence with business community, while reaping the benefits of the introduced “bunch of tax incentives” (which is a permanent and ongoing reform), especially concerning income tax and commercial and industrial activity taxes, driven by the facilities granted to small and medium-sized enterprises (SMEs). In addition to the amendments adopted to the Value Added Tax (VAT) law, which led to an increase in the collection of VAT on domestic goods and services, while the digitalization of the tax system has enhanced tax collections, and widened the tax base.
- Fiscal consolidation efforts exerted to contain public spending via diversifying sources of finances, while enhancing ceiling on the unified treasury accounts. In addition to, imposing ceiling on public investments worth LE 1.56 trillion for the FY26/27.



On the Revenues Front:

Total revenues increased by LE 135.5 billion (34.1 percent growth) to record around LE 533.2 billion during the period of study, compared to LE 397.8 billion during the same period of last year. Tax revenues constituted 81.9 percent of total revenues, while non-tax revenues accounted for 18.1 percent.

- Tax Receipts constituted around LE 436.8 billion of total revenues, increasing by LE 83.8 billion (23.8 percent growth), mainly driven by:

- **Receipts from Income Taxes rose by around LE 43 billion (49.4 percent growth) to reach around LE 130.1 billion during the period of study.**
 - ✓ **mainly driven by the increase in receipts from tax on domestic salaries by LE 10.5 billion (43.6 percent growth) to reach around LE 34.6 billion during the period of study.**
 - ✓ **and taxes on industrial & commercial profits payable by Individuals rose by LE 4.1 billion (43.2 percent growth) to reach LE 13.6 billion during the period of study.**
 - ✓ **and taxes on professional income rose by LE 1.1 billion (55 percent growth) to reach LE 3 billion during the period of study.**
 - ✓ **and tax receipts on corporate profits rose by LE 26.9 billion (52.8 percent growth) to reach LE 78.1 billion during the period of study, of which mainly;**
 - **Tax receipts from Other Companies rose by around LE 22.4 billion (70.1 percent growth) to reach around LE 54.4 billion during the period of study.**
 - **Tax receipts from Suez Canal rose by around LE 4.5 billion (23.8 percent growth) to reach LE 23.7 billion during the period of study.**
- **Receipts from Value Added Taxes rose by LE 32.4 billion (22.1 percent growth) to reach LE 179.3 billion during the period of study.**
 - ✓ **driven by the increase in receipts from value added taxes on goods by LE 14 billion (15.5 percent growth) to reach LE 104.4 billion during the period of study (mainly due to the increase in value added tax receipts from imported goods by LE 7.5 billion to reach around LE 66.7 billion, and the increase in value added tax receipts from local commodities by LE 6.5 billion to reach LE 37.8 billion).**
 - ✓ **and the increase in receipts from value added tax on services by LE 3.4 billion (22.7 percent growth) to reach LE 18.5 billion during the period of study, of which:**
 - **Hotel and restaurant services VAT receipts rose by LE 0.6 billion to reach around LE 3.4 billion during the period of study.**
 - **Operating services for others rose by LE 1.9 billion to reach LE 9.1 billion during the period of study.**

- **International & local communication services VAT receipts rose by LE 0.7 billion** to reach LE 3.8 billion during the period of study.
- **Other Services VAT receipts rose by LE 0.2 billion** to reach LE 2.2 billion during the period of study.
- ✓ **Receipts from excises on domestic commodities rose by LE 9.3 billion (36 percent growth)** to reach LE 35.2 billion during the period of study.
- ✓ **and the increase in Stamp tax fees by LE 3.6 billion (70.3 percent growth)** to reach LE 8.6 billion during the period of study
- ✓ **and the increase in receipts from taxes on use of goods by LE 1.7 billion (27 percent growth)** to reach LE 7.9 billion during the period of study.
- ✓ **and the increase in receipts from development fees by LE 0.4 billion (11.9 percent growth)** to reach LE 3.6 billion during the period of study.
- **Receipts from property taxes rose by around LE 18.3 billion (23 percent growth)** to reach LE 97.7 billion during the period of study, compared to around LE 79.5 billion during the same period of last year.
 - ✓ **in light of the increase in receipts from Tax on T-bills and bonds' payable interest by LE 18.1 billion (24.3 percent growth)** to reach around LE 92.3 billion during the period of study.
 - ✓ **the increase in property tax receipts on fees on cars by around LE 0.2 billion (7.5 percent growth)** to reach around LE 3.4 billion during the period of study.
- **Meanwhile, Tax receipts from International Trade reached LE 24.7 billion** during the period of study.
- **While, Other taxes receipts reached LE 4.9 billion** during the period of study
- **Non-Tax Revenues (18.1 percent of total revenues) rose by LE 51.6 billion to reach LE 96.5 billion during the period of study of which;**
- **Other Revenues increased by LE 51.9 billion (119.4 percent growth)** to reach LE 95.4 billion during the period of study, of which:
 - **Property Income rose by LE 11.2 billion (91.5 percent growth) to reach LE 23.4 billion during the period of study, of which:**
 - **On Re-lending (includes interests of foreign loans re-lent by the treasury)** rose by LE 10.1 billion to record LE 13.8 billion during the period of study.
 - **Economic authorities' dividends** rose by LE 0.5 billion to record LE 3.1 billion during the period of study.

- **Suez Canal dividends** rose by LE 1 billion to record LE 1 billion during the period of study.
- **Profits of securities** rose by LE 1.1 billion to record LE 1.1 billion during the period of study.
- **Proceeds from Sales of Goods and Services** rose by LE 2.3 billion to reach LE 15.7 billion during the period of study.
- **Miscellaneous Revenues** increased by LE 37.5 billion to record LE 55 billion during the period of study, compared to LE 17.5 billion during the same period of the last year, including current miscellaneous revenues which recorded LE 48.2 billion, and capital miscellaneous revenues recorded LE 6.9 billion during the period of study. **It is worthy to note that Miscellaneous revenues have inched during the period July-August 2026/2027 mainly in light of the exceptional one-off increased receipts from Alam El Roum Project during the period of study.**
- **Grants** reached LE 1 billion during the period of study.

On Public Spending Side:

Total expenditures rose by LE 94.1 billion (12.5% growth) to reach LE 849.1 billion during the period July-August FY26/27, compared to LE 755 billion during the same period last year.

Compensation of Employees

- **Wages and Compensation for Employees** rose by LE 10.4 billion (9.8 percent growth) to reach around LE 116.8 billion during the period of study.

Purchases of goods and services

- **Purchases of goods and services** rose by LE 7 billion (35.6 percent growth) to reach around LE 26.8 billion during the period of study, **of which:**
 - **Water and lighting** spending rose by LE 8 billion to reach LE 8.9 billion during the period of study (in light of the increase in public spending on lighting during the period of study).

Interest Payments

- **Interest Payments** reached LE 512.2 billion during the period of study. MOF is exerting efforts to enhance debt management, and diversifying sources of finances.

Subsidies, grants & social benefits

- **Subsidies, grants, and social benefits rose by around LE 15.3 billion (14.8 percent growth) to record LE 118.7 billion** during the period of study.
 - ✓ **Spending on treasury contribution to pensions** rose by LE 4.6 billion (12.2 percent growth) to reach LE 42.5 billion during the period of study.
 - ✓ **Spending on GASC** rose by LE 12.8 billion to reach LE 25.6 billion during the period of study.
 - ✓ **Spending on Electricity subsidy** rose by LE 11.5 billion to reach LE 25.5 billion during the period of study.

Purchases of non-financial assets

- **Purchases of non-financial assets rose by LE 16.5 billion to record 36 billion** during the period of study. The increase in Purchases of Non-Financial assets during the period of study mainly reflects the return of levels of investment financed by treasury to normal historical levels before the FY24/25, which is an exceptional year, at which public spending had witnessed dramatic reduction. It is worthy to note that MOF is committed according to the enacted budget law of FY26/27 to maintain ceiling on public investments worth LE 1.56 trillion for the FY26/27.

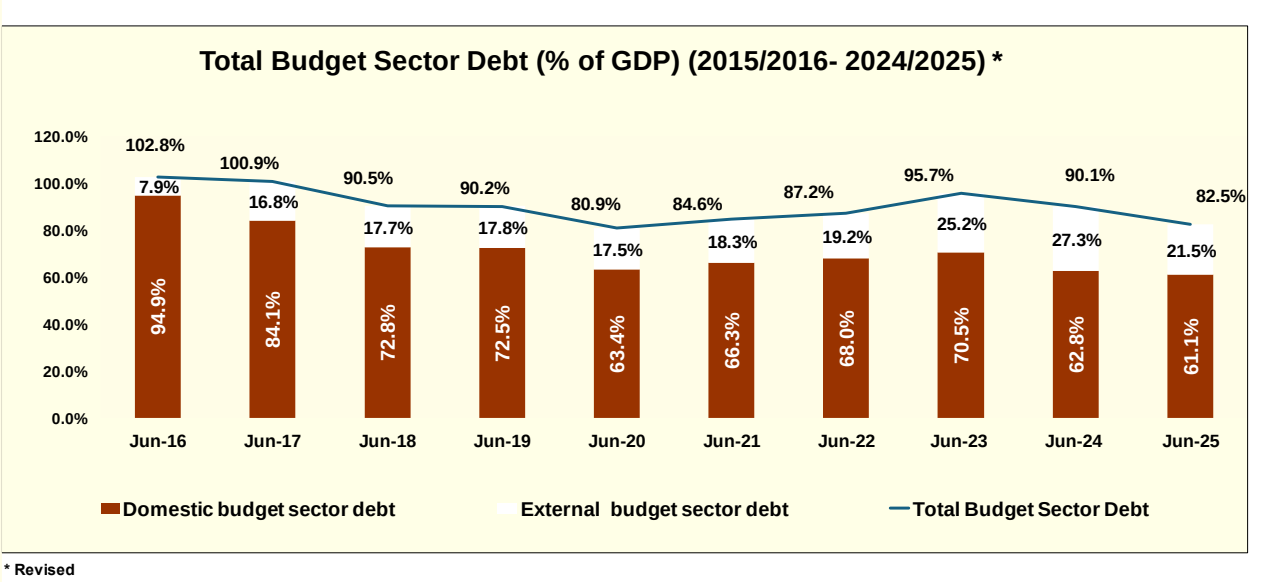
Fiscal Sector Performance during July-Aug 26-27

(LE billion)

	July-Aug	
	2025/26	2026/27
Revenues	397,768	533,240
Taxes	352,940	436,771
Grants	1,344	1,046
Other Revenues	43,484	95,422
Expenditure	754,946	849,087
Wages and Compensation of Employees	106,368	116,761
Purchase of Goods and Services	19,744	26,772
Interest Payments	478,829	512,226
Subsidies, Grants and Social Benefits	103,467	118,731
Other Expenditures	27,065	38,609
Purchases of Non-financial Assets (investments)	19,473	35,988
Cash Balance	-357,179	-315,848
Net Acquisition of Financial Assets	7,914	8,480
Overall Budget Balance	-365,093	-324,328
Primary Budget Balance	113,737	187,899
Budget Primary Surplus/or Deficit (%of GDP)	0.5%	0.8%
Budget Overall Balance (%of GDP)	-1.7%	-1.3%

Debt of Budget Sector

Fiscal policies have achieved tangible progress in improving debt indicators. The debt-to-GDP ratio for budget sector fell from **95.7%** in FY2022/2023 to about **82.5%** in FY2024/2025. Furthermore, external debt was reduced by approximately **US\$ 4 billion**, creating "fiscal space" to increase spending on health, education, and social protection.



Innovative Financing and Market Confidence

The Ministry of Finance continues to adopt innovative solutions, such as **debt-for-investment swaps** and debt-to-human-development swaps. Key market indicators reflect rising investor confidence:

- **CDS Compression:** The 5-year Credit Default Swap (CDS) rate dropped significantly to below **270 points** in January 2026 (down from 1,858 points in October 2023).
- **Bond Yields:** Yields on international bonds fell by **300 to 400 basis points** compared to the same period last year.

Debt Portfolio Performance (H1 2025/2026)

1. **Shift to Long-term Maturities:** 273-day and 364-day Treasury Bills now represent **38%** of local issuances, up from 17% last year.
2. **Lower Borrowing Costs:** Average yields on local government securities decreased by **2.5%** during the first half of the current fiscal year.

3. **External Debt Reduction:** External debt balances preliminary decreased by **\$2 billion** in H1, aligning with the strategy to reduce external debt by \$1-2 billion annually.
4. **Sovereign Sukuk:** Egypt issued its first local sovereign Sukuk in November 2025, which was **5x oversubscribed**, reaching a value of **EGP 14.9 billion**.

Medium-Term Debt Strategy (2026-2029)

MOF Launched the MTDS strategy in January 2026, which aims to ensure fiscal sustainability through four primary targets:

- **Debt-to-GDP Target:** Reducing the budget sector debt to a range of **71% - 73%** by FY2028/2029.
- **Maturity Extension:** Increasing the **Average Time to Maturity (ATM)** of the portfolio to between **4.5 - 5.0 years**.
- **Currency Mix:** Ensuring that approximately **80%** of the debt is denominated in **local currency**.
- **Commitment to reducing the net external debt** balance by \$1 - 2 billion annually.



The MTDS can be downloaded via the following link:

<https://assets.mof.gov.eg/files/d0ff5080-ff5d-11f0-9f87-81a186cc11a4.pdf>

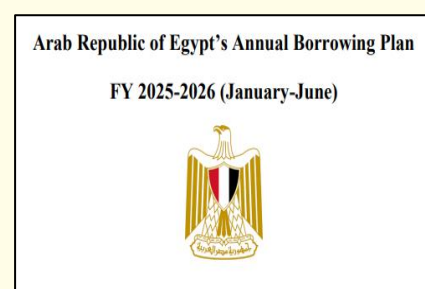
Risk Management Framework

The strategy proactively addresses three main risk categories:

- **Refinancing Risk:** Mitigated by reducing reliance on short-term T-bills (91 and 182 days) in favor of long-term bonds.
- **Exchange Rate Risk:** Minimizing foreign currency exposure by repaying external debt and prioritizing domestic financing.
- **Interest Rate Risk:** Balancing the portfolio between fixed and floating rates, leveraging expected declines in inflation to lower the cost of new borrowing.

Annual Borrowing Plan: In January 2026, the Ministry also released the "Annual Borrowing Plan for the Republic of Egypt," detailing the government's financing roadmap for the second half of FY2025/2026 (January – June 2026). The report can be downloaded via the following link:

<https://assets.mof.gov.eg/files/40629c30-ff7b-11f0-b5c9-070a2d0550c2.pdf>



Monetary Survey

The corrective actions taken by the Central bank of Egypt in March 2024 to restore macroeconomic stability, enhance foreign currency inflows, and contain inflationary pressures, which includes adopting **exchange rate unification**, were the major reforms taken by CBE.

Portfolio inflows have rebounded, mainly driven by improved market sentiment, rebound in workers' remittances, and the steadfast support of multilateral institutions, coupled with the unprecedented receipts from Ras El-Hikma investment deal in March 2024, and receipts from Alam El Roum Project in 2026.

The compounded effects of the surge in foreign currency inflows have thereby driven improvements in Net Foreign Assets (NFAs) which returned back to positive territory since May 2024.

In May 2026, Domestic Liquidity M2 annual growth continued to decelerate, to 19.6 percent, down from 20 percent in March 2026, to register LE 15.3 trillion in May 2026 (of which, Net Domestic Assets NDA reached LE 14.1 trillion, and Net Foreign Assets NFAs reached LE 1.2 trillion at end of May 2026)

On the Assets Side

- **The deceleration in M2 was mainly driven by a decline in Net Claims on the Public sector**, which has recorded annual growth rate of 23.3 percent in May 2026, compared to 26.8 percent in March 2026 **(in light of the continued fiscal consolidation, and enhancing the efficiency of public spending)**.
 - **Total Net Domestic Assets (NDA)** recorded (LE 14.1 trillion) at end of May 2026 (of which **Net Claims on the Public sector** reached LE 12.3 trillion, and **Claims on Private sector** recorded LE 5.2 trillion in May 2026)
- **This was partially offset by the increases in Net Foreign assets NFAs**, which has recorded annual growth rate of 63.6% percent in May 2026, compared to 53.3 percent in March 2026 **(mainly driven by the increase in Commercial Banks NFAs supported by the solid receipts from workers' remittances and net portfolio inflows)**.
 - **Enhancing exchange rate flexibility, and increased confidence in the Egyptian economy have enhanced the resilience of the Egyptian economy in the face of external shocks** (leading to a significant rise in the banking

sector's Net Foreign Assets, as was revealed by latest data of August 2026). NFAs reached \$31.2 billion in August 2026, compared to \$23 billion in May 2026, and compared to \$21.4 billion in March 2026.

- ✓ driven by the rise in the Central Bank's Net Foreign Assets by \$1 billion over the previous month, to reach \$18.8 billion in August 2026.
 - ✓ and a higher monthly increase in Commercial Banks' Net Foreign Assets by \$1.8 billion over the previous month, to reach \$12.5 billion in August 2026.
 - ✓ This has boosted Net International Reserves to reach \$57.2 billion in August 2026 and \$57.3 billion in September 2026, covering 6.2 months of merchandise imports, thus exceeding the international benchmark of three months.
- **In addition, Claims on the Private Sector rose in May 2026** (which has recorded an annual growth rate of 23.4% in May 2026, compared to 22.8% in March 2026, reaching LE 5.2 trillion in May 2026 (mainly driven by the rise in Credit to the Private Sector to the services and industrial sectors).
- ✓ The annual growth rate of Credit to the Private Sector is significantly higher than the 15-year historical average of 4.5%, which contributed to a recovery in domestic demand, leading to improvements in household consumption and investment, driving economic growth rates during the fiscal year 2025/2026.
 - ✓ This comes in line with the cumulative monetary easing of 825 basis points implemented since April 2025. However, recently this was subsequently followed by continued tight monetary policy decisions to keep interest rates unchanged, in order to counter inflationary pressures stemming from escalating global uncertainty amid the Iranian-American conflict.

On the Liabilities Side

The distribution of Domestic Liquidity M2, amounting to LE 15.3 trillion in May 2026, includes (LE 11.9 trillion in local currency and LE 3.4 trillion in foreign currency), of which:

- Deposits in local currency reached LE 10.2 trillion in May 2026.
 - Local Currency in Circulation reached LE 1.7 trillion in May 2026.
- **On the other hand, total Foreign Currency Deposits recorded LE 3.4 trillion in May 2026.**

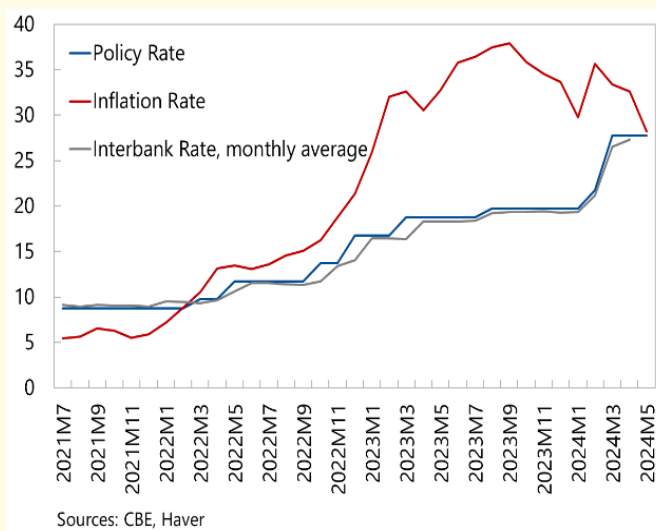
- It is worth noting that total non-government deposits reached 80.7% of total deposits in the banking sector, and the loan-to-deposit ratio recorded 67.4% at the end of May 2026.

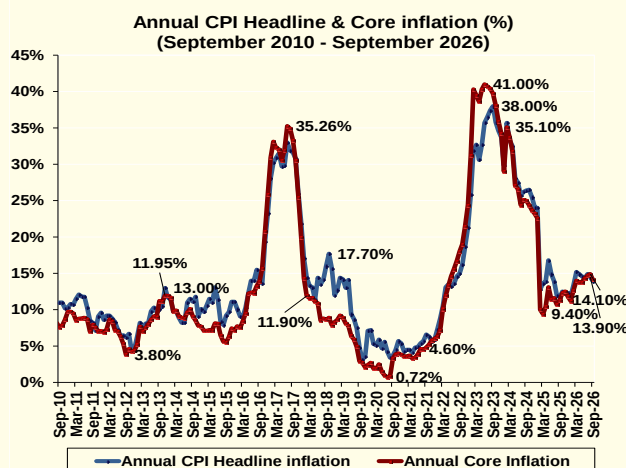
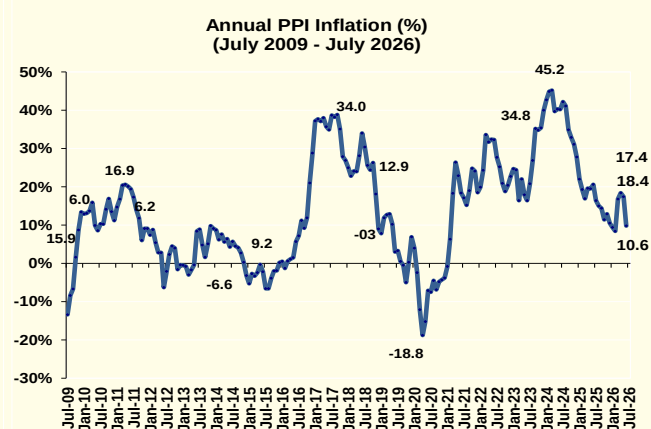
The CBE adopted cumulative monetary easing of 825 basis points implemented since April 2025, which stimulated consumption by lowering borrowing costs, facilitating financing for individuals and businesses, and subsequently supporting both consumer and investment spending. "This was subsequently followed by continued tight monetary policy decisions by the Monetary Policy Committee to keep interest rates unchanged, in order to counter inflationary pressures stemming from escalating global uncertainty amid the Iranian-American conflict."

- Recently, The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) decided on 24th of September 2026 to keep the CBE's overnight deposit rate, overnight lending rate, and the rate of the main operation at 19.0 percent, 20.0 percent, and 19.50 percent, respectively. The Committee also decided to keep the discount rate at 19.50 percent.
- Egyptian Eurobond yields declined by an average of 110 basis points during the period (April-June 2026), extending their downward trend observed since the start of FY 2024/25, reflecting improved investor confidence in the Egyptian economy.

Inflation

- The monetary reforms have helped keeping inflation expectations well anchored, pushing inflation into a declining trend.
- **Inflation has generally trended downwards** since September 2023, after reaching an all-time high of 38 percent, annual headline urban inflation decreased to record 13.9 percent in September 2026.
- Annual Core Inflation recorded 14.1 percent in September 2026, compared to 14.9 percent during last month.





Balance of Payments (External Sector developments) ***during the FY 2025/2026,*** ***(According to the Central Bank of Egypt CBE)***

The balance of payments turned to overall surplus of approximately \$2.8 billion during FY 2025/2026 (compared to an overall deficit of about \$2.1 billion during the previous year).

This was primarily driven by the capital and financial account achieving a net inward flow of about \$23.2 billion during 2025/2026, in light of Foreign Direct Investment (FDI) in Egypt achieving a net inward flow of about \$18.0 billion, and portfolio investments in Egypt recording a net inward flow of about \$4.2 billion.

The current account deficit reached approximately \$22.5 billion during FY 2025/2026, while the increase in the current account deficit was curbed by the growth of remittances from Egyptians working abroad, which increased at an annual growth rate of 29.6%, in addition to a rise in the services balance surplus at an annual growth rate of 10.5% during FY 2025/2026 (supported mainly by an increase in both tourism revenues and Suez Canal transit toll proceeds, which have begun to recover part of their previous levels).

As detailed data reveal the following developments:

First: Current Account in FY2025/2026

Number of factors contributed to curbing the current account deficit during FY25/26 as follows:

- Remittances from Egyptians working abroad increased by 29.6% to record about \$47.3 billion in FY25/26 (compared to about \$36.5 billion last year).
- Tourism revenues increased by 10.3% to record about \$18.4 billion (compared to about \$16.7 billion).
- Suez Canal transit toll revenues increased by 21.6% to reach about \$4.4 billion compared to about \$3.6 billion, due to an increase in both net tonnage by 22.4% to reach 590.8 million tons, and the number of transiting vessels by 9.8% to record about 13.6 thousand vessels.

The non-oil trade balance deficit registered about \$46.6 billion in FY 2025/2026 (compared to about \$37.1 billion in the previous year), in light of non-oil imports increasing by a larger margin than non-oil exports.

- The increase in imports was concentrated in intermediate goods, accounting for 55.2% of the total increase in non-oil imports (notably, these are important for the production process, contributing to higher economic growth rates).
- Meanwhile, non-oil merchandise export proceeds increased by about \$2.7 billion at a rate of 7.8% to reach about \$37.3 billion during FY 2025/2026 (compared to about \$34.6 billion during the previous year). The increase was concentrated in exports of fresh, chilled, or cooked vegetables, gold, ready-made garments, household electrical appliances, and fresh or dried fruits.

The oil trade deficit reached about \$4.4 billion during FY25/26, as a result of higher oil imports.

- Meanwhile, oil exports rose by about \$1.0 billion at a rate of 18.1% (with the increase concentrated in the fourth quarter by \$955.8 million) to record about \$6.6 billion compared to about \$5.6 billion, due to higher exports of both petroleum products by about \$1.2 billion and natural gas by \$206 million (driven by increased exported quantities of both).

The investment income deficit reached about \$21.2 billion (compared to about \$15.8 billion) during the FY25/26.

Second: Capital and Financial Account in FY2025/2026

Capital and financial transactions resulted in a net inward flow of about \$23.2 billion during FY 2025/2026 (compared to a net inward flow of about \$10.2 billion), according to the following key developments:

- Foreign Direct Investment (FDI) in Egypt recorded a net inward flow of about \$18.0 billion compared to about \$12.2 billion, as follows:
 - Foreign direct investments received by non-oil economic sectors resulted in a net inward flow of about \$17.8 billion (compared to about \$11.6 billion), according to the following key developments:
 - Investments received for the establishment of new companies or capital increases of existing companies recorded a net inward flow of about \$8.8 billion (primarily as a result of inflows received during the October/December 2025 period within the framework of executing the Allam El Roum deal, amounting to \$3.5 billion), compared to about \$5.5 billion.
 - Retained earnings for the period achieved a net inward flow of about \$6.2 billion (compared to about \$4.2 billion).
 - Investments received for the purchase of real estate by non-residents achieved a net inward flow of about \$2.8 billion (compared to about \$1.9 billion).
 - Proceeds from the sale of companies and productive assets to non-residents achieved a net inward flow of \$433.2 million (compared to \$399.8 million).
 - On the other hand, loans provided by parent companies for investment purposes achieved a net repayment of \$480.4 million (compared to a net repayment of \$381.6 million).
 - Foreign direct investments in the oil and mineral wealth sector recorded a net inward flow of about \$190.2 million (compared to \$598.3 million),

primarily as a result of higher inflows to the sector (representing new investments by foreign companies, recording about \$6.7 billion compared to about \$6.2 billion).

- Portfolio investments in Egypt achieved a net inward flow of about \$4.2 billion (compared to about \$1.6 billion).
- The change in foreign assets of banks and non-reserve assets of the Central Bank recorded an increase in net outward flow (representing an increase in assets) to reach about \$9.7 billion compared to about \$5.6 billion.
- The change in liabilities of the Central Bank of Egypt recorded a net outward flow (representing a decrease in liabilities) of \$695.8 million (compared to a net inward flow of about \$3.6 billion).
- Medium and long-term loans and facilities recorded net utilization of about \$1.9 billion (compared to net repayments of about \$3.5 billion), with total utilization recording about \$9.0 billion (compared to about \$8.9 billion), while total repaid installments recorded about \$7.1 billion (compared to about \$12.4 billion).