

Arab Republic of Egypt



	2020	2021	2022	2023	2024	Forecasts		
						2025	2026	2027
GDP growth (%)	3.6	3.3	6.7	3.8	2.4	4.3	4.5	4.7
Inflation, CPI (%)	5.7	4.5	8.5	24.4	33.3	20.4	11.8	9.6
Budget balance (% of GDP)	-7.5	-7.0	-5.7	-5.8	-7.1	-12.4	-10.7	-8.1
Public debt (% of GDP)	86.2	89.9	88.5	95.9	90.9	87.0	85.0	82.4
Reference rate (%)*	9.5	8.3	11.2	18.2	26.1	23.8	18.4	13.8
Exchange rate (EGP/USD)*	16.1	15.7	16.5	25.8	36.3	49.7	51.5	54.1
Current account balance (% of GDP)	-2.9	-4.4	-3.5	-1.2	-5.4	-5.1	-4.3	-4.3
External debt (% of GDP)	32.2	31.7	35.5	43.1	42.9	42.8	41.0	42.8

Notes: * Annual average.

Source: CaixaBank Research, based on data from Thomson Reuters Datastream and IMF forecasts (WEO, October 2025).

Outlook

Within the framework of the IMF's Extended Fund Facility (EFF), the policies implemented since 2024 have contributed to **macroeconomic stabilisation**, including the unification and liberalisation of the exchange-rate regime, higher interest rates to rein in record inflation, and a gradual reduction in the public sector's prominent role in production activities. The economy recovered in 2025, with **GDP growing by about 4.5%**, driven by renewed private consumption and supported by strong tourism, a rebound in international remittances, and job creation in the services sector (aggregate unemployment is around 7%).

Large urban development projects (on the Ras Al Hekma Peninsula for tourism, funded by the UAE, and the New Administrative Capital east of Cairo) are helping to revitalise private investment, while public investment continues to be adjusted downward from its high share (75%). The peace agreements in Gaza could ease disruptions to maritime traffic through the **Suez Canal**, which, since 2024, have caused a marked fall in foreign-currency fiscal revenues and have been a drag on economic growth.

Economic policies

Lower oil prices, a more contained exchange-rate depreciation, and the introduction of a Central Bank target band ($7\pm 2\%$ in Q4 2026 and $5\pm 2\%$ in Q4 2028) will continue to support the **moderation of inflation**. However, inflation will remain **at high rates** (above 10% in 2026), driven by persistent food-price pressure, constraining gradual reductions in the interest rate, which will continue in double digits at least until 2027.

The higher cost of financing has pushed **the public deficit above 10% of GDP in 2025**. However, stronger growth, increased revenues from privatisations, planned tax-structure reforms and subsidy rationalisation are expected to contribute to a **reduction in public debt over the coming years**.

Reduced oil and gas production and exports, higher imports of goods and services, and the loss of Suez Canal revenues have widened the **current account deficit** to above 5% of GDP since 2024, and a gradual correction is expected as planned reforms improve overseas competitiveness. The increase in foreign direct investment has enabled the recovery of **international reserves**, which would now cover more than six months of imports, although these reserves have once again been exceeded by short-term external debt, the sharp growth of which has worsened financial liquidity metrics.

In the medium term, the IMF estimates that if the government formed in July 2024 consolidates the **agenda of structural reforms** (reducing the size of the central government, improving the business climate, advancing competition and governance, and greater openness to private investment, especially in strategic sectors), GDP growth could gradually converge towards rates of 5% per annum.¹ **Credit rating agencies** have been increasingly reflecting this improved economic outlook, although long-term Egyptian sovereign debt remains a highly speculative asset.

Exchange rate

High inflation and external imbalances continue to exert downward pressure on the **Egyptian pound**, though it is expected to depreciate at a moderate pace over the coming years (around 5% per annum against the dollar in 2026–2027). Foreign capital flows, bolstered by the easing of the exchange rate regime in recent years, have enabled greater currency stability compared to other emerging markets.

Risks

The risk outlook is **tilted to the downside**, with significant external, fiscal and banking vulnerabilities, structural deficiencies, and potential hotspots in the social sphere.

Conditioned by its fiscal and external imbalances, substantial funding needs, and a strong sovereign-bank financial nexus, the economy remains vulnerable to **global risks**, such as renewed episodes of trade or geopolitical uncertainty, tighter financial conditions in international markets, and changes in commodity prices. Moreover, **regional risks** have diminished following the peace agreement in Gaza, although the situation remains fragile and is significantly affecting trade with Middle Eastern partners and economic activity in the Red Sea.

Additionally, we identified the following unsystematic risks:

- The **banking system**, though profitable and liquid, remains highly exposed to public debt and is dominated by state banks (two-thirds of total assets), thereby constraining private-sector intermediation and increasing vulnerability to shocks, such as the recent rise in uncovered foreign-currency lending to public entities.
- The **political situation** has remained stable since President El-Isis was re-elected in December 2023 with about 90% of the vote. However, governance remains weak owing to the absence of a genuine opposition, and accountability mechanisms require strengthening.
- In the **social sphere**, the decline in purchasing power, together with high youth unemployment and widespread informal employment, means subsidy withdrawal needs to be gradual and accompanied by measures to protect the most vulnerable groups. Furthermore, since 2023, the country has experienced a significant influx of Sudanese and Gazan refugees, placing additional demographic pressure on rental prices and on the cost of the consumer basket.

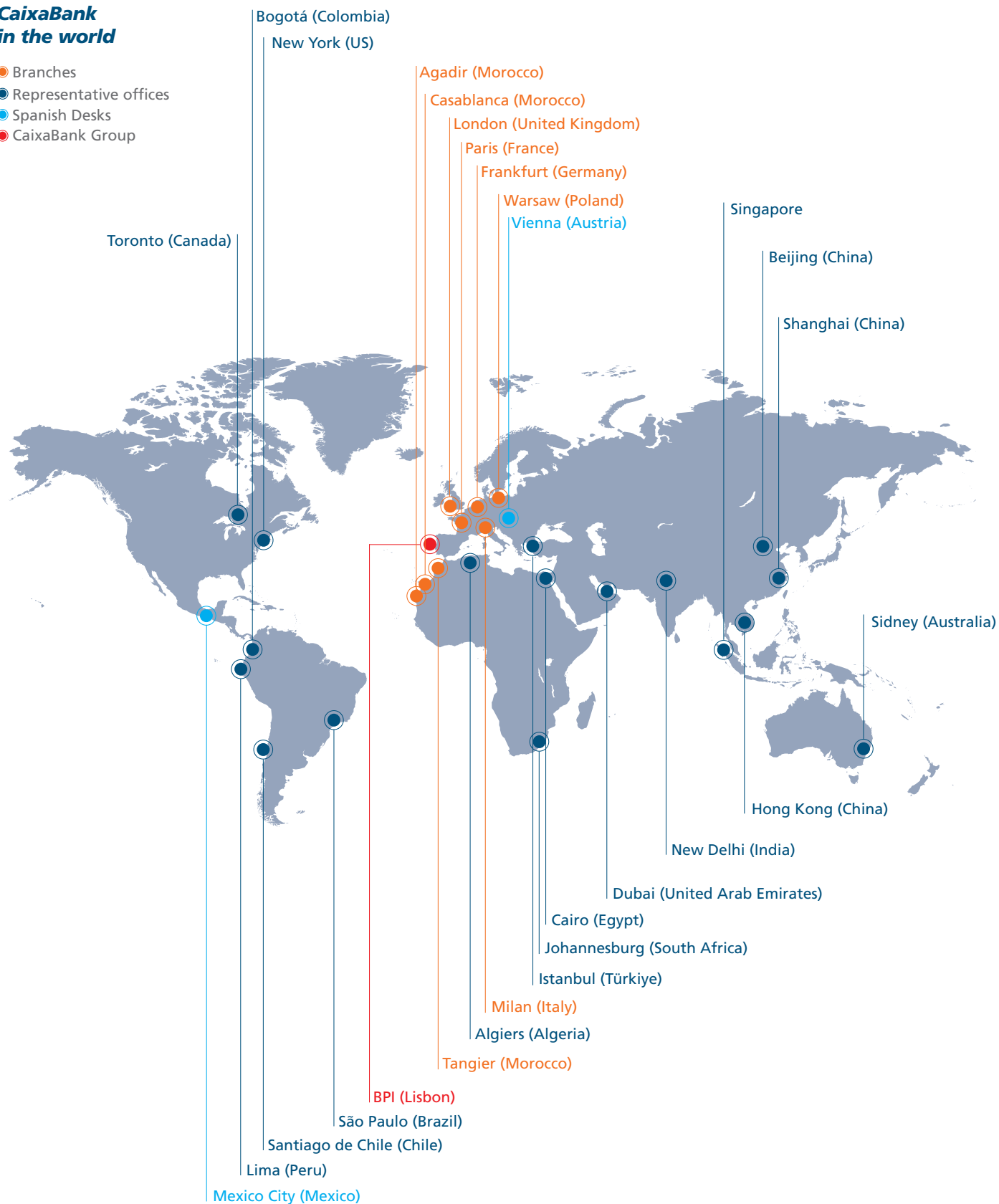
Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD & POOR'S	B	10/10/25	Stable	10/10/25
MOODY'S	Caa1	5/10/23	Positive	7/03/24
FitchRatings	B	1/11/24	Stable	1/11/24

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

¹ IMF (2025), «Arab Republic of Egypt: 2025 Article IV Consultation, Fourth Review Under the Extended Arrangement Under the Extended Fund Facility» IMF Staff Country Reports 25/186.

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