Arab Republic of Egypt

	2021	2022	2023	2024	2025	Forecasts 2026	Forecasts 2027
GDP growth (%)	3.3	6.7	3.8	2.4	4.4	4.2	4.8
CPI inflation (%)	4.5	8.5	24.4	33.3	20.4	13.2	11.1
Budget balance (% of GDP)	-7.0	-5.7	-5.8	-7.1	-6.6	-12.1	-8.9
Public debt (% of GDP)	89.9	88.5	95.9	90.9	86.8	87.0	84.9
Reference rate (%)*	8.3	11.2	18.2	26.1	23.7	19.1	16.5
Exchange rate (EGP/USD)*	15.7	16.5	25.8	36.3	49.7	49.5	54.3
Current account balance (% of GDP)	-4.4	-3.5	-1.2	-5.4	-4.2	-4.2	-4.6
External debt (% of GDP)	31.7	35.5	43.1	42.9	40.5	41.4	41.4

Note: * Annual average.
Source: CaixaBank Research, using data from Thomson Reuters Datastream and IMF forecasts.

Outlook

The policies implemented since 2024 within the framework of the IMF's Extended Fund Facility (EFF) have contributed to **macroeconomic stabilisation**, thanks to greater exchange rate flexibility, monetary and fiscal tightening, and the recovery of foreign currency inflows. GDP growth picked up to 4.4% in 2025, supported by private consumption, investment, tourism, remittances and non-oil manufacturing.

The IMF anticipates **growth of 4.2% in 2026 and 4.8% in 2027**, although the outlook remains subject to the lagged effects of the conflict in the Middle East on costs, confidence and investment. Moreover, the recovery continues without generating enough employment to absorb the growth of the labour force and the medium-term outlook depends on an effective reduction in the state's footprint in the economy.

The **conflict in the Middle East** is the main risk for recovery. As a net importer of energy, Egypt is exposed to rising oil and gas prices, and to possible disruptions in regional supply, with an impact on inflation, electricity production and the external balance. Risks also persist for tourism, capital flows and traffic through the Suez Canal, whose revenues remain well below pre-Red Sea disruption levels.

Economic policies

Inflation has slowed down significantly since the highs of 2024, although it remains elevated and exposed to the evolution of energy, food, exchange rates and administered prices. Headline inflation stood at 14.9% in July 2026 and the IMF anticipates that it will remain at high levels until the end of the year. The Central Bank suspended the monetary easing initiated in 2025 and kept the deposit rate at 19% in August, amid inflationary risks stemming from the conflict.

Public finances continue to be one of the main vulnerabilities. Stronger tax revenue collection and containment of spending have allowed the fiscal targets of the Extended Fund Facility (EFF) to be exceeded and progress to be made in the gradual reduction of the debt ratio. The primary balance stands at around 3% of GDP, although the total deficit and gross financing needs remain very high due to the heavy interest burden, which restricts the scope for investment and social expenditure. Fiscal consolidation is supported by enlargement of the tax bases, the reduction of energy subsidies and more active debt management.

The **current account deficit** was reduced to 4.2% of GDP in 2025, thanks to the strength of tourism and remittances, but rising energy prices could increase it to around 4.5%. The dependence on energy and food imports, lower natural gas production capacity due to operational problems and reduced revenues from the

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Suez Canal maintain external vulnerability. Foreign investment, multilateral disbursements and exchange rate flexibility have, however, improved foreign currency availability.

International reserves have continued to increase and exceed the IMF's adequacy metric, providing a stronger buffer against volatile episodes. However, high external obligations and dependence on portfolio flows continue to pose significant risks, especially in the face of tightening global financial conditions.

The seventh review of the IMF's Extended Fund Facility (EFF), completed in July 2026, enabled the disbursement of an additional USD 1.8 billion. The organisation acknowledges the advances made in macroeconomic stability, but warns of uneven progress regarding the **structural reform agenda**. The sale of public assets, a level playing field between state-owned and private enterprises and an improved business climate are key for increasing investment and sustaining growth close to 5% in the medium term.[1]

Credit rating agencies assess the improvement in macroeconomic stability and external flows. However, sovereign debt remains at a highly speculative grade, penalised by high funding needs, the cost of interest and exposure to regional shocks.

Exchange rate

The increased flexibility of the exchange rate regime has reduced the foreign currency shortage and favoured the return of remittances and foreign capital, but the **Egyptian pound** continues to be subject to downward pressure due to the inflation differential, the external deficit and geopolitical uncertainty. The currency weakened again after the escalation of the conflict in the Middle East, although the increase in reserves, multilateral disbursements and high interest rates have limited more disorderly movements. Maintaining an exchange rate determined by the market is a central condition of the IMF's Extended Fund Facility (EFF) and of investor confidence.

Risks

The risk outlook is **tilted to the downside**, with significant fiscal and external vulnerabilities, strong funding needs and direct exposure to regional instability. A prolonged conflict could increase energy and food prices, disrupt gas supplies, delay the recovery of the Suez Canal and tourism, cause capital outflows and prolong the restrictive nature of the monetary policy.

Additionally, we identified the following idiosyncratic risks:

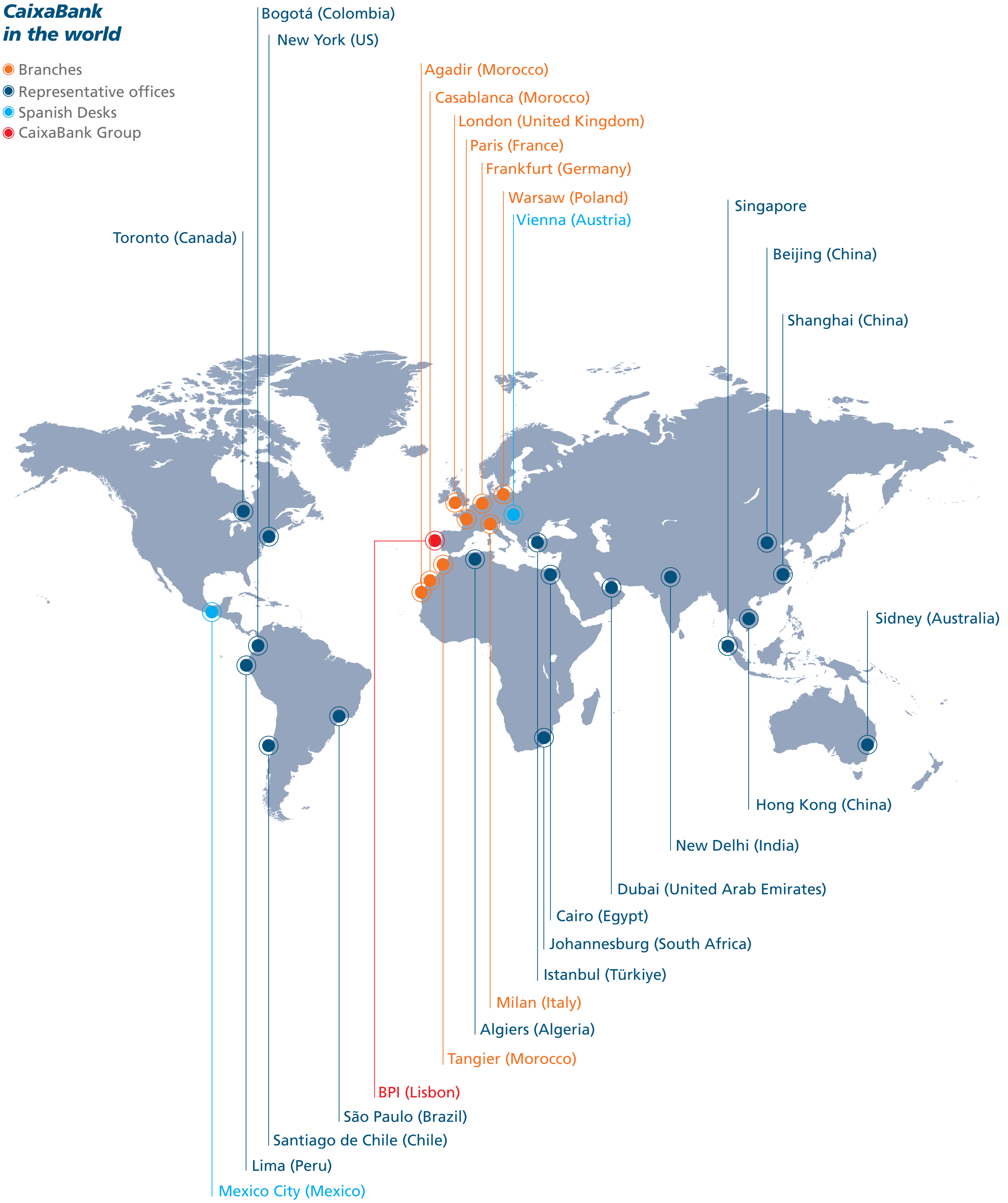
- The **banking system** remains solid, profitable and liquid, but its high exposure to public debt and the domination of state-owned banks reinforce the sovereign-bank nexus and limit private financing. The IMF recommends reinforcing risk management at state-owned banks.
- Premature easing of the policies or a reduced commitment to **exchange rate flexibility** could reactivate the foreign currency shortage, inflation and capital outflows. Delaying privatisations would perpetuate competitive distortions and reduce private investment.
- The **political situation** remains stable, although limited political competition, institutional weaknesses and insufficient accountability weight on governance and the business environment.
- In the **social sphere**, cumulative inflation, reduced subsidies and high informality have eroded purchasing power. The population displaced by regional conflicts adds pressure to housing, public services and social protection.
- Egypt is highly exposed to **climate risks**, especially water stress, rising temperatures and sea levels, and the vulnerability of the Nile Delta. The resilience mechanism agreed with the IMF seeks to reinforce its management and mobilise climate funding.

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	07/03/24
FitchRatings	B	1/11/24	Stable	01/11/24

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

[1] IMF (2026), «Arab Republic of Egypt: Fifth and Sixth Reviews Under the Extended Arrangement Under the Extended Fund Facility and First Review Under the Resilience and Sustainability Arrangement» and «Arab Republic of Egypt: Seventh Review Under the Extended Arrangement Under the Extended Fund Facility and Second Review Under the Resilience and Sustainability Facility Arrangement».

CaixaBank in the world



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