Egypt Investment Climate Assessment & Outlook 2026

Macroeconomic Performance, Structural Reforms & Outlook for Investors

Egypt At A Glance — Africa's Second-Largest Economy

Macroeconomic Scale

GDP: $430 billion (2026, IMF)

Population: 110 million

Represents the largest Arab economy by population and a massive domestic consumer market.

Credit Ratings (2025 Upgrades)

S&P: B (Stable)

Fitch: B (Stable)

Moody's: Caa1 (Positive)

All major agencies upgraded Egypt or improved its outlook in 2025 following decisive macroeconomic reforms.

Strategic Positioning

Suez Canal: Handles 12-15% of global trade.

Acts as the primary gateway connecting Africa, the Middle East, and Europe, anchoring global supply chains.

International Support Package (2024)

Secured a comprehensive **$50 billion** financing buffer to anchor economic stabilization:

- **UAE (ADQ):** $35 Billion (Ras El Hekma)
- **IMF: $8 Billion** (Extended Fund Facility)
- **European Union:** $8 Billion
- **World Bank:** $6 Billion

Long-Term Trajectory

Goldman Sachs Projection: Expected to be among the top 10 global economies by 2075, driven by demographic dividends and sustained reform momentum.

Sources: IMF, OECD, World Bank, Central Bank of Egypt, Government of Egypt, S&P Global, Moody's

GDP Growth Trajectory — Recovery Demonstrates Reform Momentum

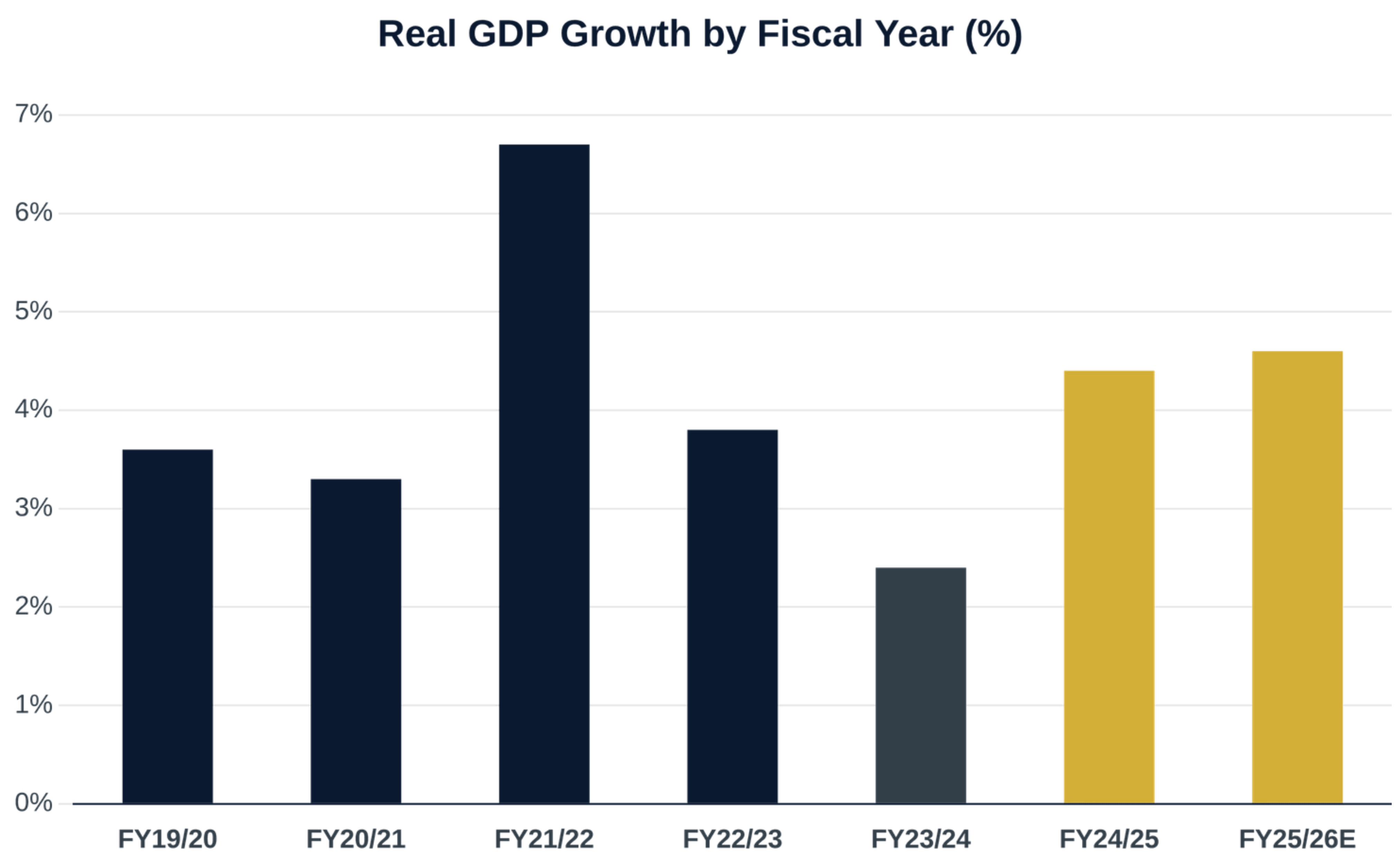
KEY INSIGHT

Growth bottomed at **2.4%** in FY2023/24 amid a severe currency crisis, then rebounded strongly to **4.4%** in FY2024/25 following decisive macroeconomic adjustments.

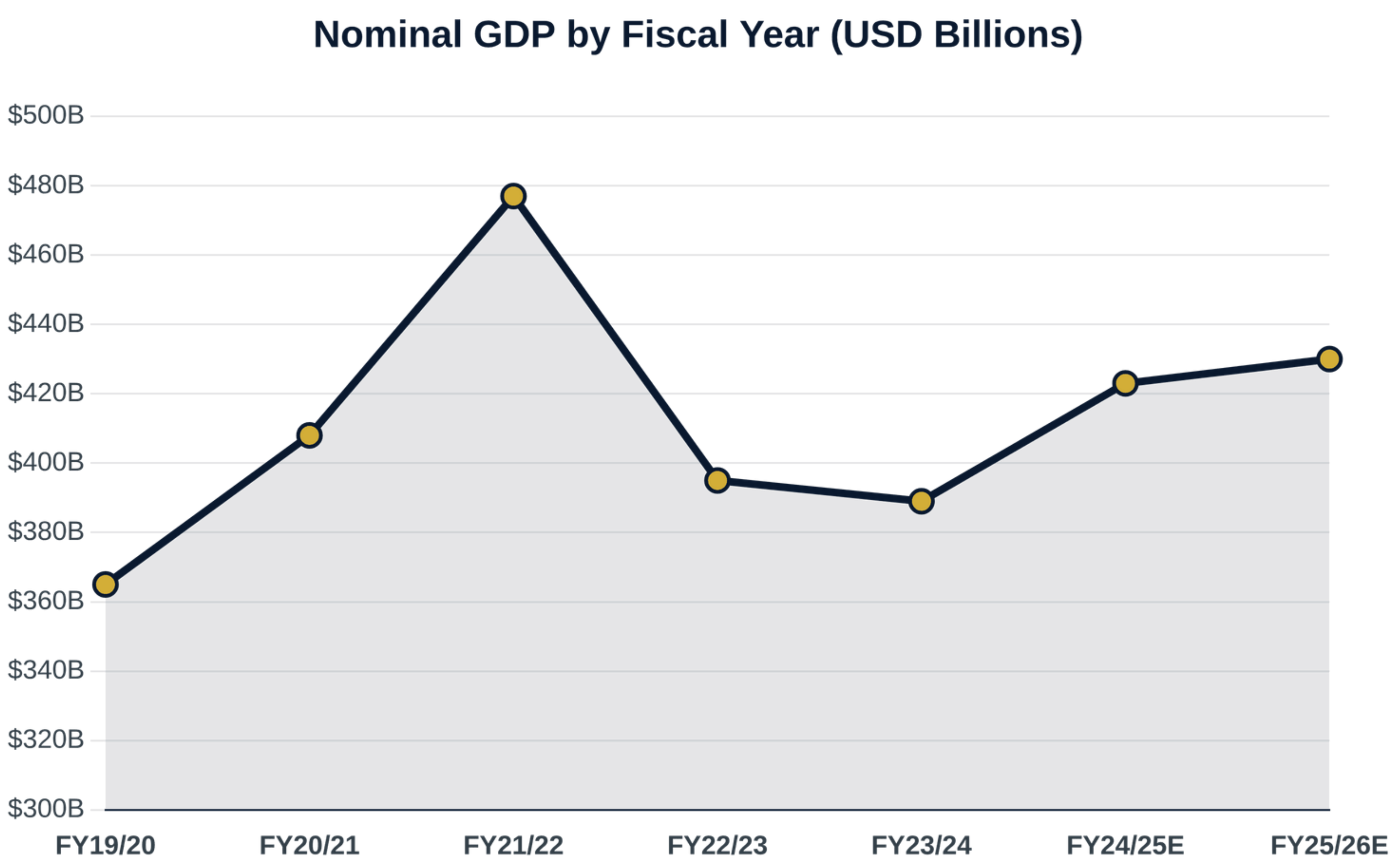
CURRENT MOMENTUM

Q1 FY2025/26 reached **5.3%** y/y, marking the fastest pace of expansion in three years.

The recovery is broad-based across manufacturing, transportation, finance, and tourism sectors. The World Bank recently raised its FY2025/26 forecast to **4.6%**.



GDP In Current Prices — Currency Adjustment Reshaping Output



KEY INSIGHT

Nominal GDP in USD declined from a **$477B peak** in FY2021/22 to **$389B** in FY2023/24 due to successive devaluations.

CURRENCY IMPACT

The Egyptian Pound adjusted from **EGP 15.7/USD** in early 2022 to **~49/USD** by March 2024.

The economy is now recovering in dollar terms as the exchange rate stabilizes and real growth accelerates. The IMF projects **$430B** for 2026.

Budget Deficit Narrowing — Fiscal Discipline Anchored By Record Tax Revenue

PRIMARY SURPLUS MAINTAINED

Despite elevated interest payments (~11% of GDP), Egypt maintains a primary surplus of **3.5-3.6% of GDP** — among the strongest in emerging markets, demonstrating underlying fiscal discipline.

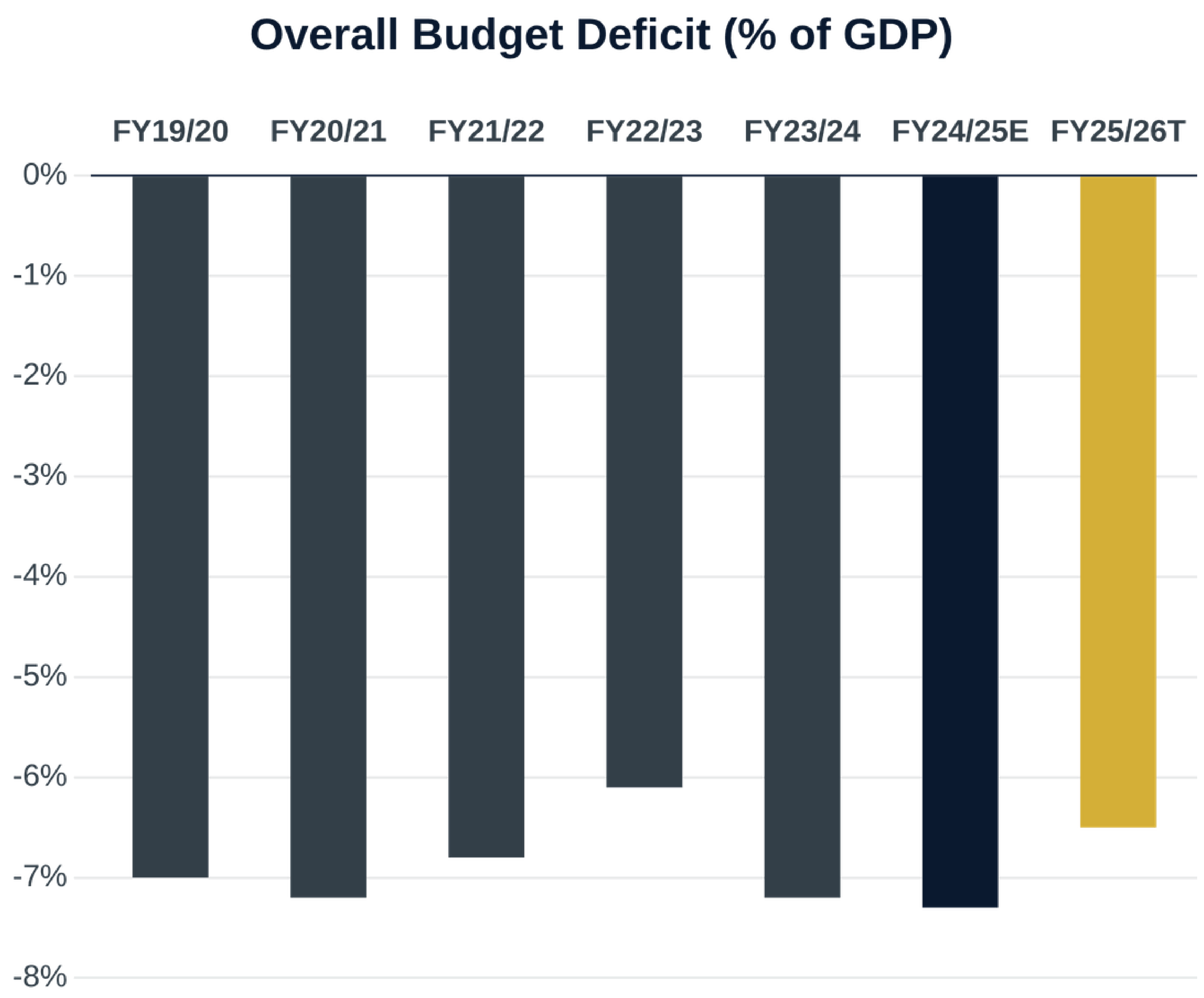
RECORD TAX REVENUE

Tax revenue grew **36%** in FY2024/25 and **35%** in H1 FY2025/26 through base-widening and compliance reforms.

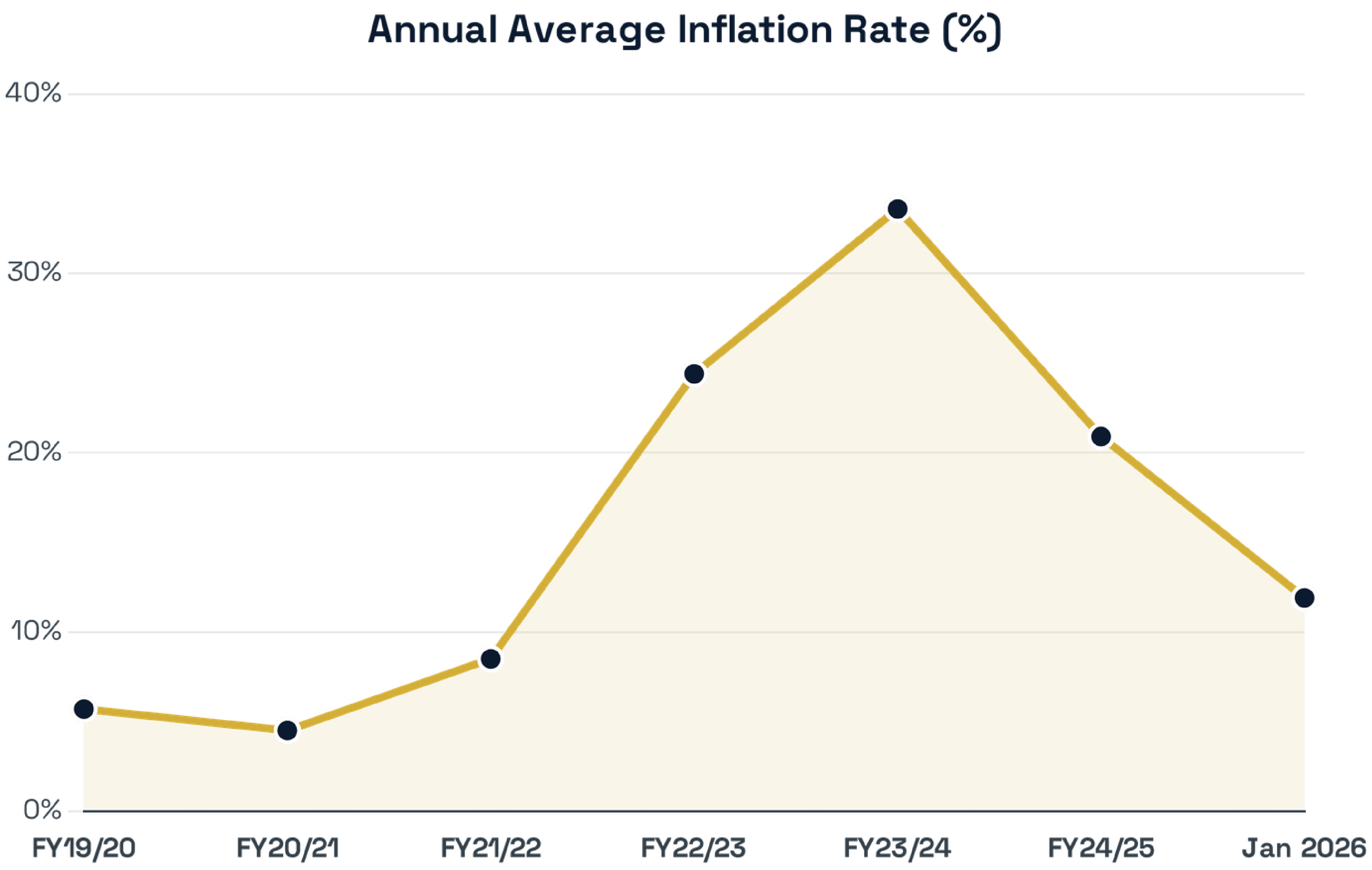
The tax-to-GDP ratio reached **12.6%**, with a target of adding +1 percentage point via a new reform package.

FUTURE TARGETS

The FY2026/27 budget targets a smaller overall deficit alongside a planned **$1 Billion** reduction in foreign debt, signaling a commitment to deleveraging.



Inflation Declining Sharply — From 33.6% Peak To Below 15%



PEAK & DRIVERS

Inflation peaked at **38%** in September 2023, driven primarily by successive currency devaluations and elevated global food and energy prices.

POLICY RESPONSE

Aggressive monetary tightening (deposit rate at **27.25%**) combined with exchange rate stabilization brought inflation down to **11.9%** by January 2026 — a 40-month low. Latest inflation stands at 14.6% in June 2026.

OUTLOOK & RISKS

The CBE targets **7%** by Q4 2026. However, the ongoing Iran conflict poses upside risks through potential energy price shocks and exchange rate volatility.

CBE Interest Rate Corridor — Aggressive Tightening To Measured Easing

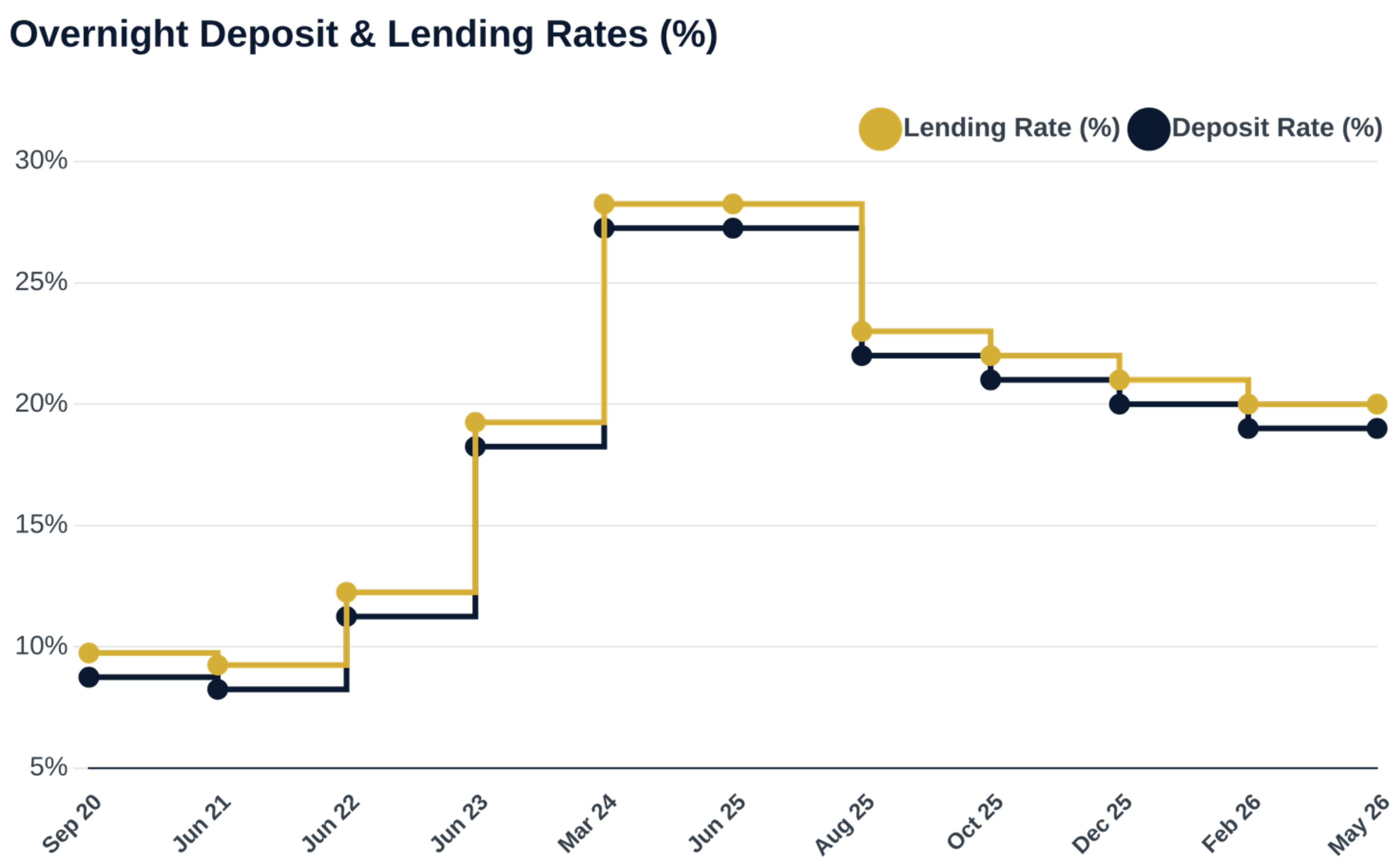
AGGRESSIVE TIGHTENING

The CBE raised rates by a cumulative **1,900 bps** between March 2022 and March 2024 to combat inflation and support the currency float.

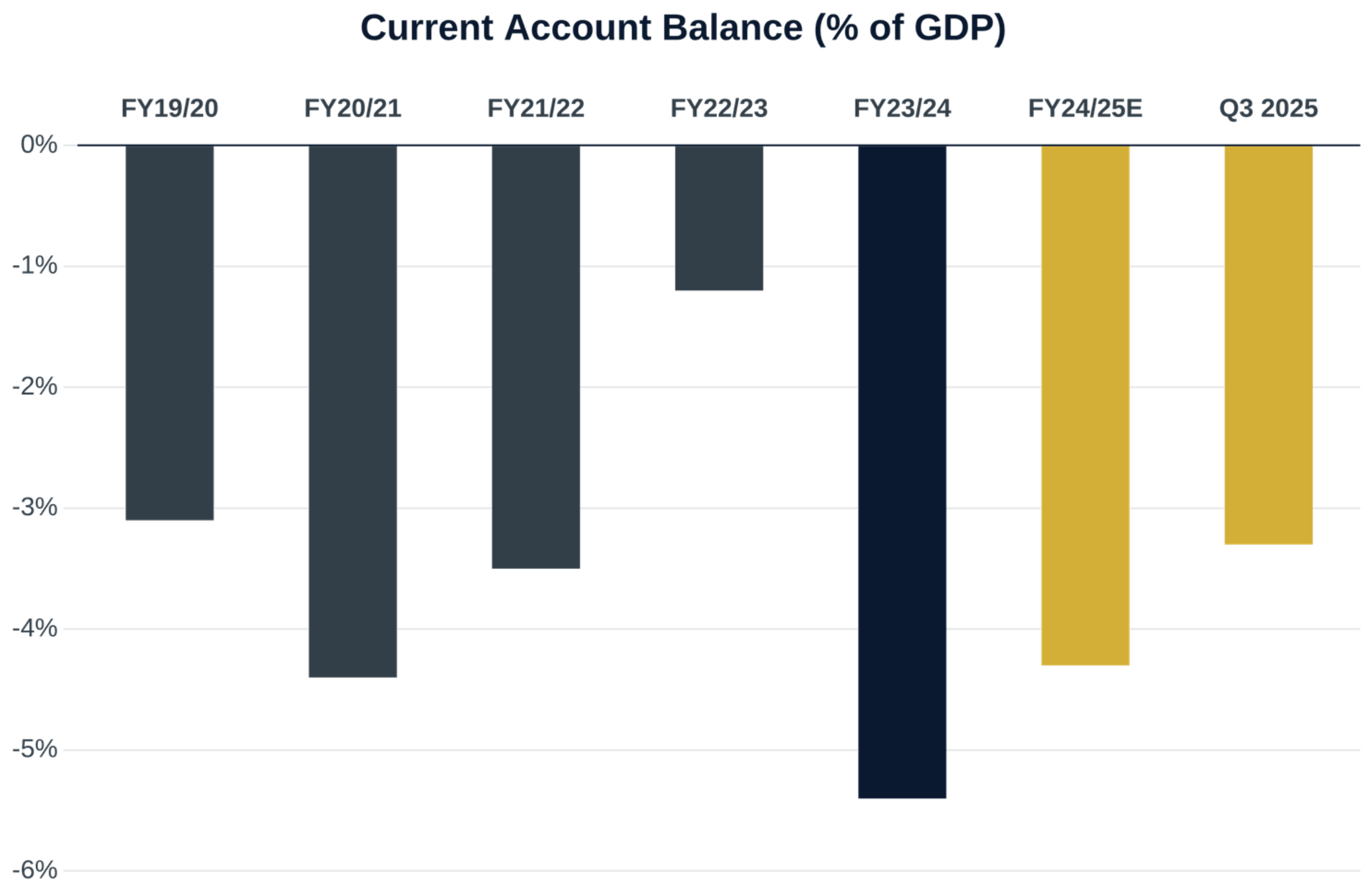
MEASURED EASING

The easing cycle began in August 2025 with **500 bps** of cuts through February 2026. The cycle was paused in April 2026 due to the Iran conflict's inflationary risks.

Projections suggest rates trending toward **14%** by 2027 as disinflation continues.



Current Account Deficit — Structural Improvement Despite Shocks



STRUCTURAL IMPROVEMENT

The deficit narrowed significantly in FY2024/25, driven by record remittances (**$36.5B**, +66%), buoyant tourism (**$16.7B**), and strong non-oil export growth.

RECENT PERFORMANCE

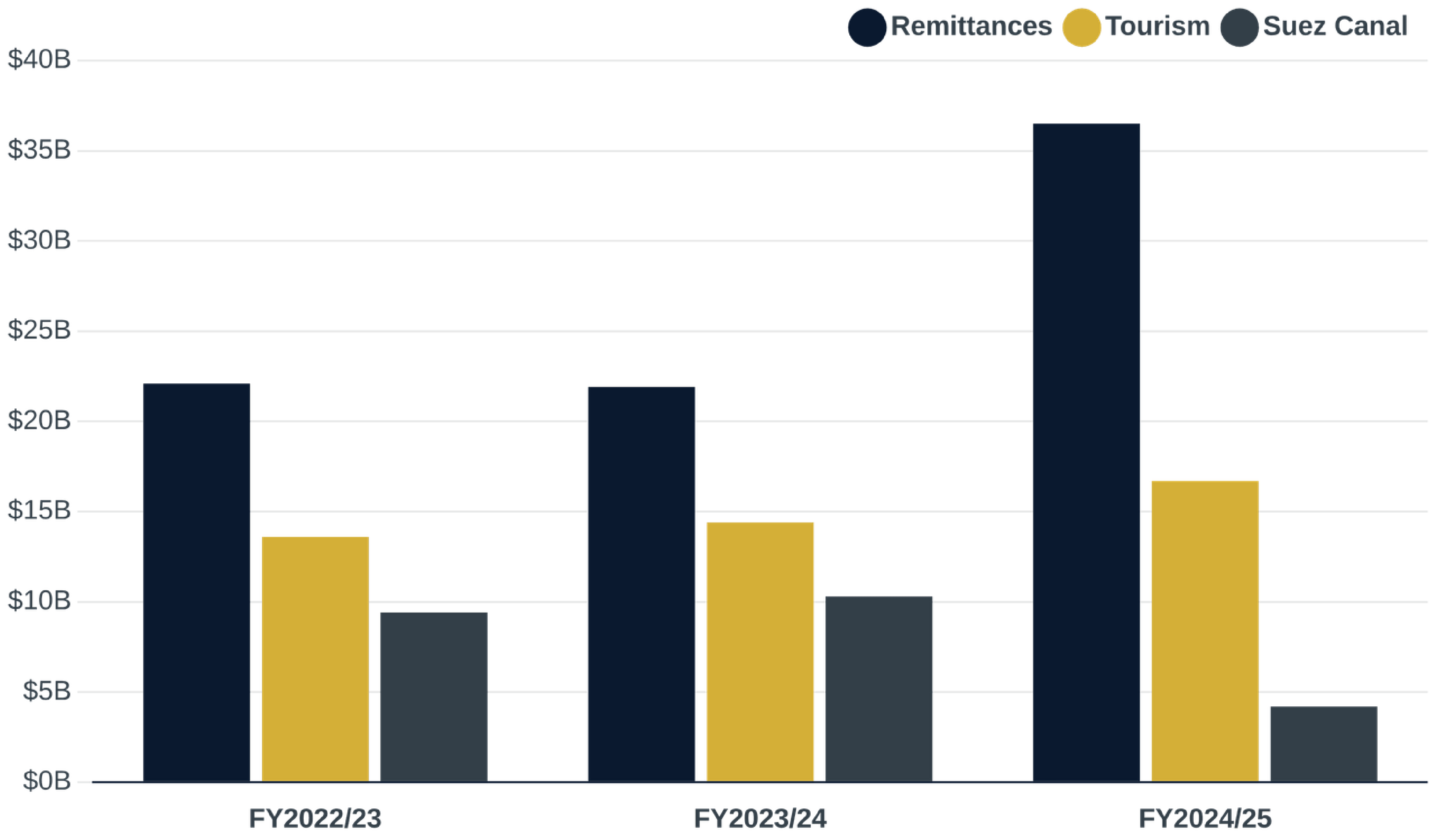
Capital Economics reports the deficit narrowed to just **3.3% of GDP** by Q3 2025 (on a four-quarter sum basis) — the smallest shortfall in years.

EXTERNAL RISKS

The ongoing Iran conflict threatens this improvement through severe **Suez Canal revenue losses** and potential declines in European tourist arrivals.

Key Revenue Pillars — Diversified But Vulnerable To Disruption

Major Foreign Currency Revenues (USD Billions)



KEY INSIGHT

Egypt's foreign currency earnings are highly diversified. Remittances surged **66%** in FY2024/25 after the float eliminated the parallel market premium.

However, the Iran conflict threatens all pillars simultaneously — a scenario not seen since 2011. The pre-war strength provides a buffer, but prolonged conflict would materially erode the current account.

2026 VULNERABILITY RISKS

- **Remittances:** Declining due to Gulf conflict impacts.
- **Tourism:** Potential 40% decline in European arrivals.
- **Suez Canal:** Revenues projected at only $3-4B (down 70%).
- **Non-oil Exports:** Facing severe Red Sea trade disruptions.

Foreign Direct Investment — Record Inflows Signal Renewed Confidence

THE RAS EL HEKMA MEGA-DEAL

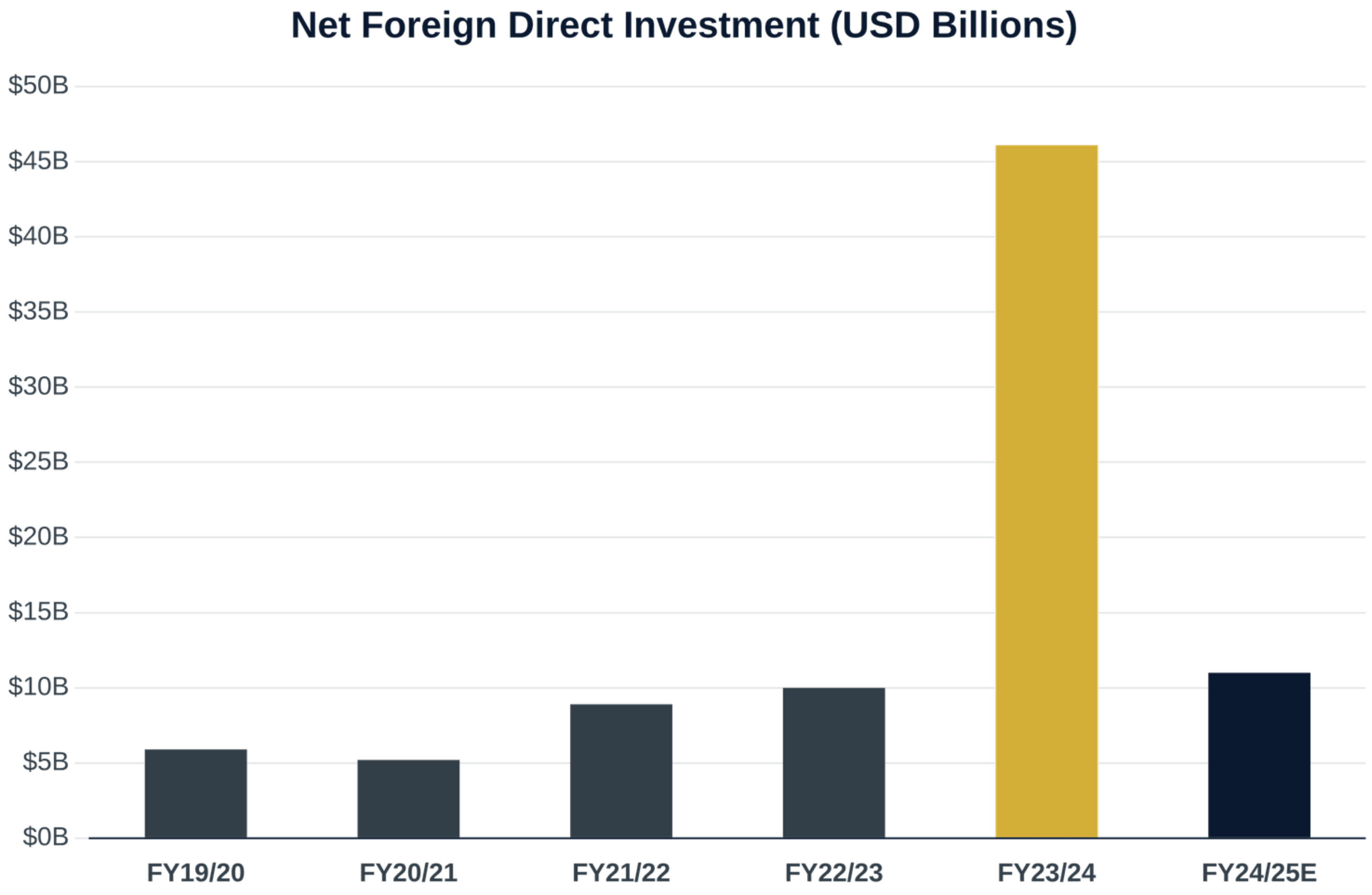
FY2023/24 saw a record **$46.1B** in FDI, dominated by the **$35B** Ras El Hekma deal with Abu Dhabi's ADQ — the largest single foreign investment in Egypt's history.

NORMALIZED GROWTH

Excluding this mega-deal, normalized FDI of **~$11B** still represents a significant increase over pre-2022 levels. Egypt remains Africa's largest FDI recipient and ranks 9th globally.

OECD FDI QUALITIES REVIEW

The OECD FDI Qualities Review (2026) confirms Egypt attracts relatively **high-productivity FDI** that enhances aggregate competitiveness and integrates local firms into global value chains.



FDI Strategy — Shifting To High-Productivity Sectors

National FDI Strategy

Egypt is executing a strategic pivot to shift reliance toward sectors with high productivity rates, aiming to diversify economic growth and enhance competitiveness.

- **Sector Selection:** Priority sectors are being identified based strictly on their **added value** and **export potential**.
- **Investment Target:** Projected total investments to reach **EGP 3.7 Trillion** in FY 2026/2027.
- **GDP Ratio:** Expects the investment-to-GDP ratio to reach **17%**, rising to **20%** by the end of the medium-term plan.
- **Policy Integration:** Focus on integrating industrial and investment policies, building institutional capacity, and linking investment to structural reforms.

World Bank Partnership

The World Bank is actively supporting strategy implementation through global value chain studies and data analysis under the **$7 Billion (2023–2027)** strategic partnership framework.

In May 2026, the WB approved a new **$1 Billion financing package** to strengthen macroeconomic stability, support job creation, and advance private-sector-led growth amid regional conflicts.

Recent FDI Performance

Egypt's attractiveness is accelerating. The country ranked **9th globally** for FDI inflows in 2024, attracting about **$47 Billion** (up from 32nd place in 2023).

Momentum continues: In the first half of FY2025/26, Egypt's capital and financial account recorded a net inflow of **$6.5 Billion**, while gross FDI inflows reached **$9.3 Billion**.

Economy Since January 2024 — A Decisive Reform Pivot

FEB 2024

$35B Ras El Hekma deal signed with UAE (ADQ) — effectively eliminating the immediate foreign exchange crisis.

MAR 2024

CBE **floats the pound** and raises rates 600bp; IMF expands program to **$8B** — black market premium eliminated overnight.

MAR-DEC 2024

Foreign reserves rebuild from $35B to **$47B**; EU pledges €7.4B support package; World Bank approves $6B.

2025

Inflation halved; S&P upgrades to **B (Stable)**; easing cycle begins; remittances surge 66% to $36.5B; reserves reach $57B.

FEB 2026

IMF completes 5th & 6th reviews, disburses $2B; EGP appreciates to **46.8/USD** (strongest since May 2024).

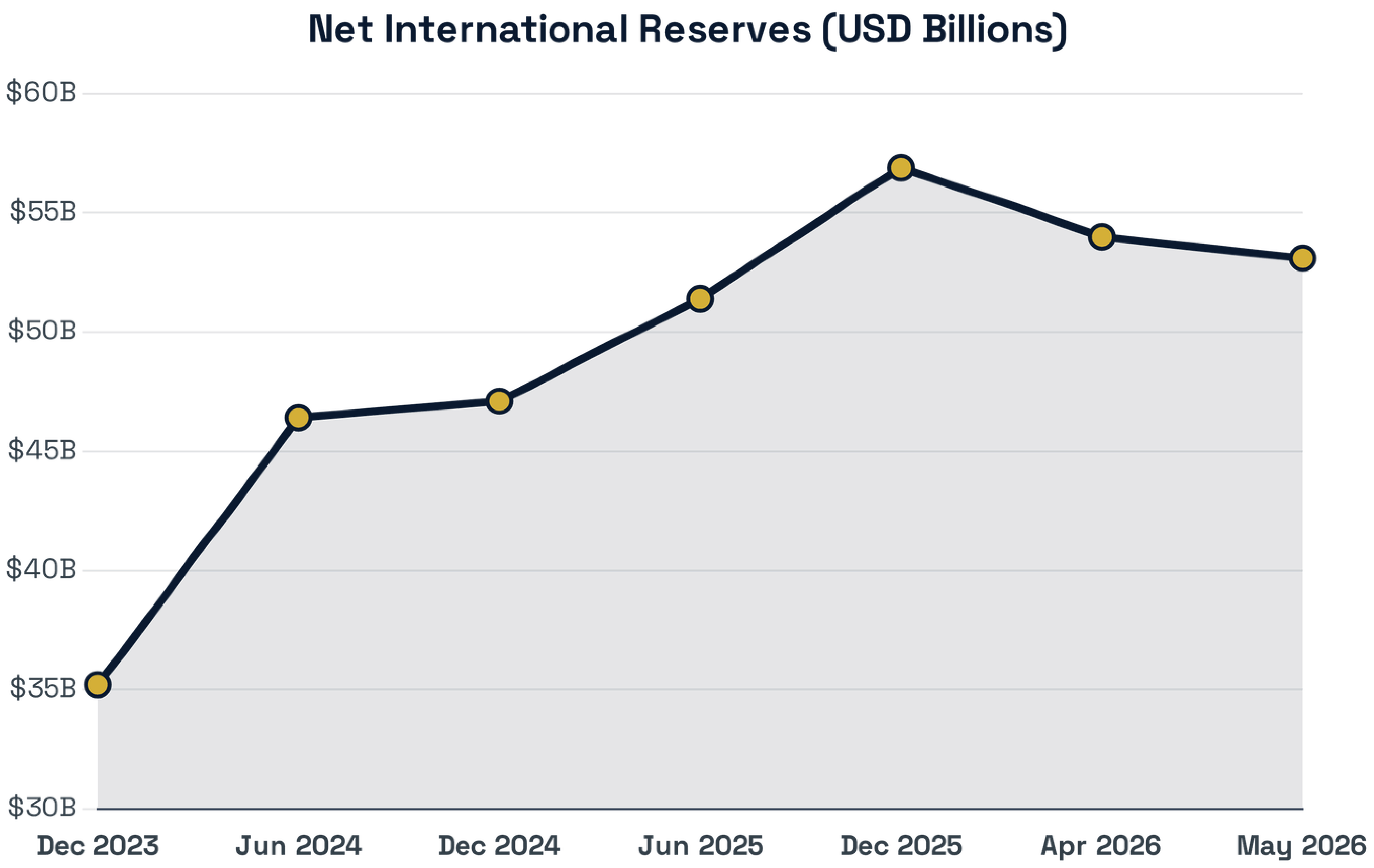
KEY INSIGHT

The March 2024 reforms represented a decisive break from years of managed exchange rate policy.

The combination of the **currency float**, massive **FDI injection**, and **IMF program expansion** restored market confidence, eliminated the parallel market, and rebuilt reserves to record levels.

The economy transitioned from crisis to recovery within 12 months.

Foreign Reserves At Record Levels — $54 Billion Buffer



RESERVE GROWTH

Reserves nearly doubled from **$35B** (Dec 2023) to **$57B** (Dec 2025), currently covering **7.7+ months** of merchandise imports. Latest reserves stood at USD55.1 bn end of June 2026.

POLICY COMMITMENT

Despite the Iran conflict triggering capital outflows, reserves have been preserved above **$53B** — demonstrating the CBE's commitment to the float rather than burning reserves to defend the currency.

SHOCK ABSORPTION

This massive liquidity buffer provides significant protection against further external shocks, anchoring investor confidence during regional turbulence.

Iran War Impact — Severe Shock Met With Strengthened Buffers

CHANNEL	PRE-WAR LEVEL	WAR IMPACT	MAGNITUDE
Suez Canal Revenue	~$11B (2025)	$3-4B (2026E)	**-70%**
Tourism Revenue	$16.7B (2025)	Potential -40%	**-$6-7B**
Capital Outflows	Net inflows	$8-10B+ outflows	**Significant**
Exchange Rate	46.8 EGP/USD	~52 EGP/USD	**-10% depreciation**
Remittances	$41.5B (2025)	Declining (Gulf attacks)	**TBD**
Oil Import Costs	Baseline	+EGP 1B per $1/bbl increase	**Rising**

KEY INSIGHT

Egypt faces a multi-channel shock: Suez revenues could fall **70%**, tourism risked at **40%**, and **$8B**+ in portfolio outflows.

The economy entered with record reserves (**$57B**), a floating exchange rate, and disciplined fiscal policy—buffers that support shock absorption.

Egypt has not been directly targeted and Moody's kept a **positive outlook** in April 2026, indicating resilience.

Policy Response To The Conflict — Fiscal Conservatism & Monetary Prudence

Monetary Policy

CBE paused the easing cycle (held at **19%**) to anchor inflation expectations.

Crucially, the CBE allowed the EGP to **depreciate 10%** rather than burning foreign reserves to defend a fixed rate.

Fiscal Policy

FY2026/27 budget targets a **smaller deficit** and a planned **$1B** foreign debt reduction.

Simultaneously increased food subsidies and expanded Takaful & Karama cash transfers to shield vulnerable populations.

External Financing

Proactively raised **$1.5B** from the Islamic Development Bank for food security.

Issued a **$1B** sovereign bond and secured bilateral bank financing to ensure uninterrupted food and energy imports.

Diplomatic Strategy

Actively supporting regional ceasefire efforts while maintaining strong **Gulf solidarity**.

Deployed military assets (Rafale jets to UAE) to signal commitment to regional security partnerships.

Institutional Maturity

Egypt's policy response demonstrates institutional maturity gained through the 2024 reform experience.

Rather than reverting to fixed exchange rate defense or fiscal expansion, authorities are allowing **market adjustment** while protecting vulnerable populations and maintaining debt reduction targets.

IMF 7TH REVIEW MISSION: MAY 2026

IMF Program — On Track With Strong Reform Implementation

PROGRAM OVERVIEW

$8 Billion EFF

Extended Fund Facility (46 months, approved Dec 2022, expanded Mar 2024)

6 of 8 Reviews

Completed successfully (5th & 6th reviews finalized in February 2026)

$1.3 Billion RSF

Resilience and Sustainability Facility (1st review completed)

May 2026

7th review mission conducted (report expected mid-June)

"No New Program"

PM Madbouly confirmed Egypt will not need a new IMF program after Dec 2026

Monetary & Fiscal Policy

- Maintain an **appropriately tight monetary stance**; proceed with cautious easing to sustain disinflation.
- Target a primary surplus of **5% of GDP** in FY2026/27 to place debt on a downward path.
- Implement growth-friendly tax reforms to increase collections by **+1% of GDP**.

Structural Reforms (Critical Priority)

- Accelerate the **privatization and divestment** program to reduce the state's economic footprint.
- Avoid new or expanded State-Owned Enterprise (SOE) activities.
- **Level the playing field** to transition toward a private sector-driven growth model.

Social Protection

- **Safeguard and prioritize** social spending amid fiscal consolidation.
- Expand allocations to the **Takaful & Karama** cash transfer program to protect vulnerable households from inflation.

IMF 5th & 6th Reviews — Stabilization Entrenched, Reforms Uneven

$2.3B	4.4%	$59.2B	12 of 14
FUNDS UNLOCKED (FEB '26)	FY24/25 GDP GROWTH	FX RESERVES (DEC '25)	STRUCTURAL BENCHMARKS MET

PROGRAM STATUS & FISCAL TRAJECTORY

- **EFF Extension:** The 46-month Extended Fund Facility has been extended through December 2026 to accommodate delays and ensure reform completion.
- **Fiscal Discipline:** The government targets a primary surplus of **4% of GDP** for FY2025/26, stepping up to **5%** for FY2026/27.
- **Debt Reduction:** Public debt-to-GDP declined from 97.2% (FY23/24) to **91.8%** (FY24/25), showing progress toward a downward trajectory.
- **Monetary Stance:** Tight monetary policy and exchange rate flexibility restored stability, reducing inflation to 11.9% (Jan 2026).

CRITICAL VULNERABILITIES & LAGS

- **Debt Burden:** Debt service remains oppressive, consuming **~83% of tax revenues**, limiting fiscal space for development.
- **Financing Needs:** External financing needs are elevated at $13B for FY25/26 and $4B for FY26/27, sustaining reliance on market issuances.
- **Divestment Delays:** State divestment progress is slow; only **$1.5B** has been raised against a $6.5B target, hindering private sector crowding-in.
- **Level Playing Field:** IMF noted that military involvement in economic sectors continues to hinder fair competition despite removal of SOE tax exemptions.

IMF 7th Review — Staff-Level Agreement Reached (June 2026)

THE BIG PICTURE

On June 29, 2026, the IMF and Egypt reached a staff-level agreement, validating the government's proactive management of regional shocks.

$1.6B

PENDING UNLOCK ($1.5B EFF, $136M RSF)

$7.2B

TOTAL DISBURSEMENTS POST-APPROVAL

The IMF noted that the economic impact of the Middle East conflict has remained **"relatively contained"** due to timely and decisive policy adjustments.

ECONOMIC & FISCAL PERFORMANCE

Growth Momentum: Real GDP growth accelerated to **5%** in Q3, bringing the average for the first three quarters of the fiscal year to **5.2%**.

Fiscal Outperformance: The government's fiscal execution was remarkably strong. By end-March 2026, both **primary balance** and **tax revenue targets** were exceeded.

Inflation Challenge: Headline urban inflation remained elevated at 14.6% in May, projected to rise slightly to 15.8% by the end of the fiscal year.

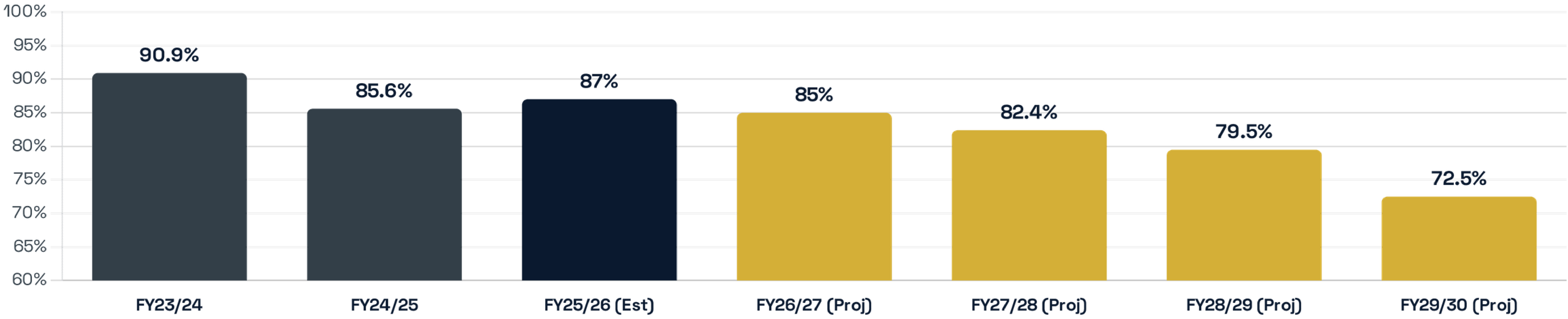
POLICY STANCE & NEXT STEPS

Monetary Defense: The IMF emphasized maintaining tight monetary policy and utilizing exchange rate flexibility as the **"first line of defense"** against external shocks and geopolitical spillovers.

Privatization Push: Swift implementation of the State Ownership Policy is critical for private sector-led growth. Demonstrating progress, the Cabinet granted **four state-owned companies** preliminary listings in June.

Primary Surplus: The projected primary surplus is expected to rise further to **5% of GDP** in the 2026/27 fiscal year.

Debt Sustainability — Downward Trajectory Vs. High Vulnerabilities



IMF ASSESSMENT & TRAJECTORY

Overall Assessment: The IMF assesses Egypt's public debt as **"sustainable but not with high probability"**, requiring strict adherence to the reform program.

Projected Decline: Debt-to-GDP is projected to fall steadily from a peak of 90.9% in FY23/24 down to **72.5% by FY29/30**, marking the lowest level since 2016.

Fiscal Anchors: Achieving this trajectory is heavily reliant on maintaining robust primary surpluses (targeting 4% to 5% of GDP) and dedicating divestment proceeds to debt reduction.

FINANCING VULNERABILITIES

Gross Financing Needs: GFN remains exceptionally high (historically ~37% of GDP). Heavy reliance on short-term domestic debt exposes the budget to significant **rollover and interest rate risks.**

External Pressures: External financing needs are projected to climb to **$30.4B** before easing. The financing gap widened to $8.2B for FY25/26 and $6.1B for FY26/27.

Debt Service Burden: With debt service consuming approximately **83% of tax revenues**, fiscal space for productive investments remains severely constrained.

Medium-Term Debt Management Strategy (2026–2029)

The Ministry of Finance's MTDS aims to secure stable, predictable financing while aggressively mitigating rollover and exchange-rate risks through a structural shift toward longer maturities and domestic sources.

CORE TARGETS BY FY28/29

71–73%

Target Debt-to-GDP ratio, driven by primary surpluses and divestment proceeds.

4.5–5.0 Yrs

Target Average Time to Maturity (ATM), up from the current 3.5 years.

9–11%

Target cumulative reduction in Gross Financing Needs (GFN) as a % of GDP.

DOMESTIC MARKET DEEPENING

- **Increasing LCY Share:** Strategy targets increasing the share of domestic budget sector debt to **80%** by FY28/29 (up from 74%).
- **Extending Yield Curve:** Ongoing expansion of long-term domestic bills and bonds to mitigate severe refinancing (rollover) risks.
- **Instrument Diversification:** Successful issuance of the first domestic **LCY sovereign Sukuk** (Nov 2025), which was 5x oversubscribed, attracting a new investor base and lowering 3-year yields.

EXTERNAL DEBT DELEVERAGING

- **Absolute Reduction:** Strategy mandates reducing the external debt stock by **$1–$2 Billion annually** (already decreased by $3.9B between June 2023-2025).
- **Concessional Focus:** Prioritizing concessional external financing over expensive commercial market issuances.
- **Market Confidence:** Active management and macro stabilization led to a massive drop in 5-year CDS, from **1,858 bps** (Oct 2023) down to roughly **299 bps**.

Tax Reforms 2025–2026 — Stimulating Compliance & Investment

A STRATEGIC SHIFT IN PHILOSOPHY

Egypt is fundamentally transforming its tax system from a **punitive approach** to a **compliance-focused model**.

These reforms are designed to build trust, aggressively streamline processes, and reduce bureaucratic friction.

The ultimate goal is to position **tax transparency** as a competitive advantage and a primary catalyst for private sector economic growth.

FIRST FACILITATION PACKAGE

Target: Small businesses, startups, and the informal sector.

Focus: Settling existing historical disputes and providing strong incentives for unregistered entities to formalize their operations without fear of retroactive penalties.

SECOND FACILITATION PACKAGE

Target: Specific industrial sectors, large investors, and compliant businesses.

Focus: Stimulating compliance through competitive advantages and privileges. Introduces a **"White List"** system to simplify future interactions with Tax Authorities.

REAL ESTATE & DIGITALIZATION

Overhaul: Simplifies procedures for filing declarations, increases the exemption limit for primary residences, and allows tax write-offs.

Electronic Filing: Launches an electronic application for returns and grants a grace period to settle arrears without late payment penalties.

VAT & CUSTOMS STANDARDS

VAT Reforms: Implements targeted reforms to support national industry, including significantly **faster VAT refunds** for businesses.

Customs: Applies international tax standards and adjusts tariffs to encourage investment, reduce smuggling, and decrease clearance time and costs.

Egypt In Global Rankings — Strengths In Scale, Gaps In Governance

Key Strengths (Top Third)

Market Size (WEF)	23rd
Infrastructure (WEF)	52nd
Logistics Performance (WB)	58th
Travel & Tourism (WEF)	61st
Institutions (WEF)	82nd

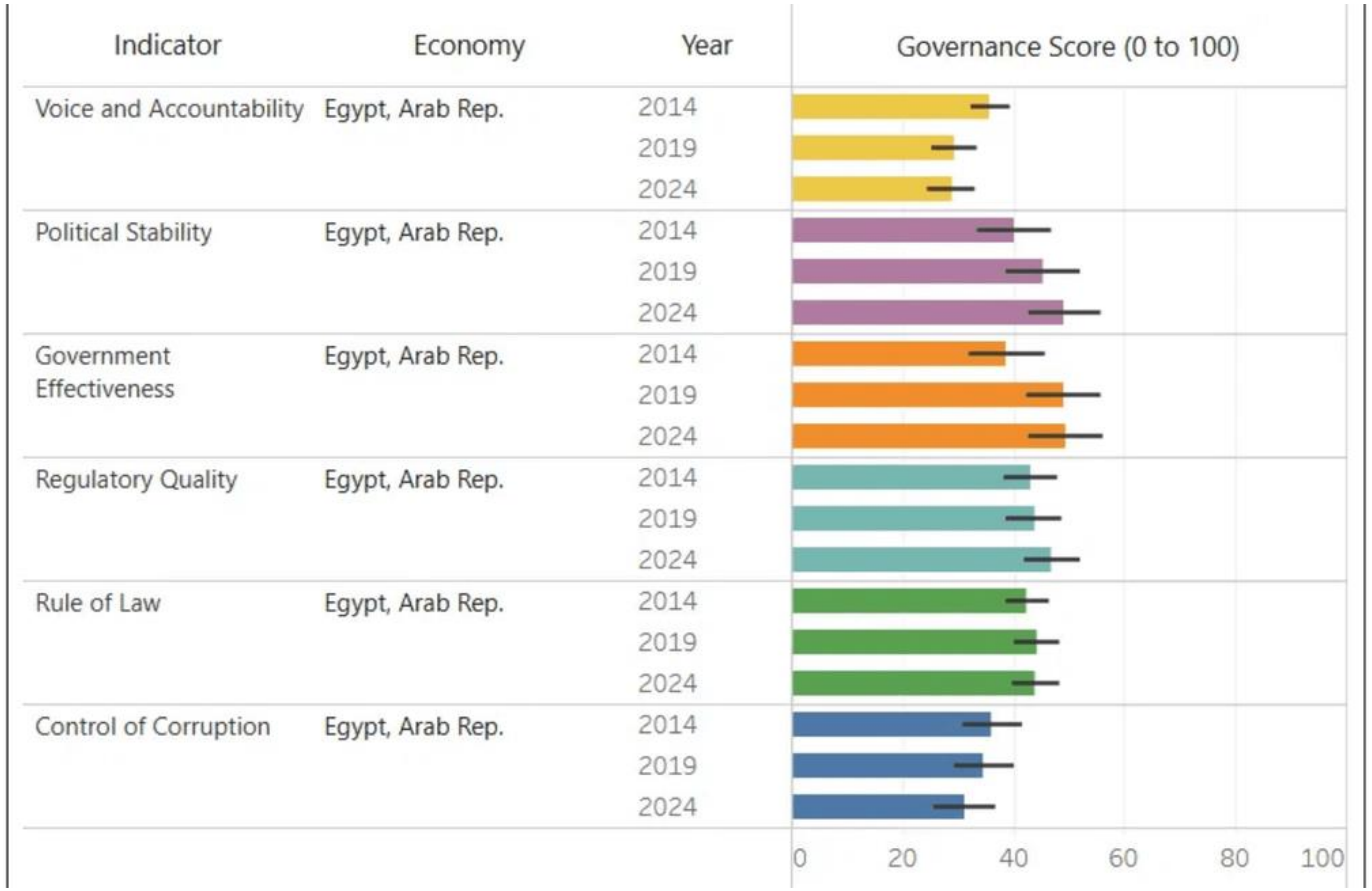
Areas For Improvement (Bottom Third)

Labor Market (WEF)	126th
Ease of Doing Business (WB)	114th
ICT Adoption (WEF)	106th
Regulatory Quality (WB WGI)	26.9
Control of Corruption (WB WGI)	24.5

Investor Insight: Egypt offers a massive domestic market and rapidly improving hard infrastructure (logistics, transport). However, the data reveals that structural bottlenecks remain in **labor market flexibility**, **digital adoption**, and **regulatory quality**. The government's 2025-2026 reform packages are explicitly targeting these lower-performing areas to unlock private sector growth.

Source: NilePulse.live (July 2026), aggregating WEF, World Bank, UNDP, and EIU data.

World Bank Governance Indicators (2014–2024)



KEY OBSERVATIONS

Relative Strengths: Government Effectiveness (~35–42 percentile) and Rule of Law (~30–40) remain Egypt's strongest governance dimensions relative to peers.

Regulatory & Gaps: Regulatory Quality showed a small improvement (+1 point) in 2023/24. Voice & Accountability and Political Stability remain the weakest indicators.

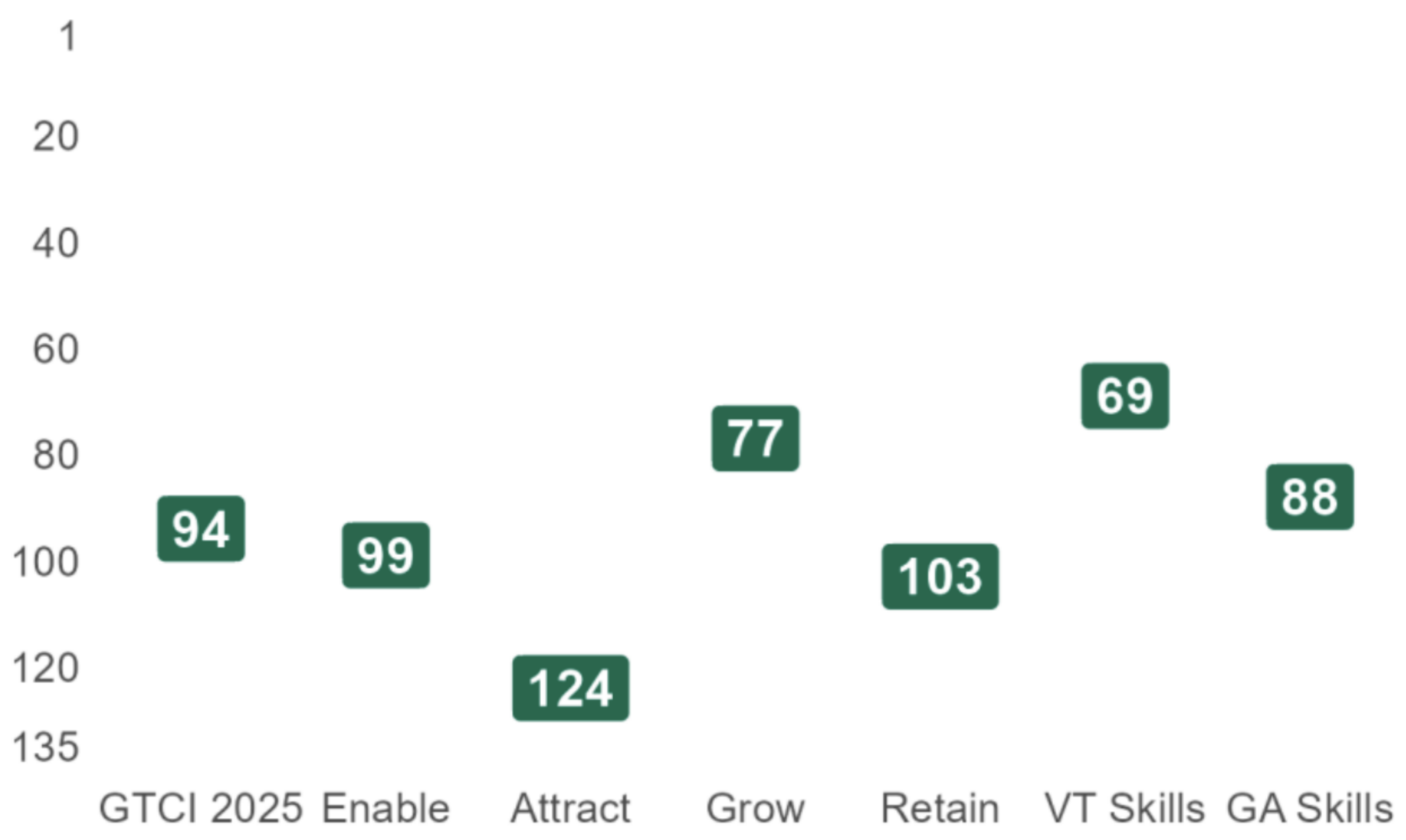
INVESTOR INTERPRETATION

The profile is typical of a large emerging market in structural transition; the key metric for investors is **trajectory**.

Recent upward movement in Government Effectiveness and Regulatory Quality since 2014 suggests reforms are beginning to register, but a stronger 2025–2026 agenda is needed to close persistent gaps.

Global Talent Competitiveness — Education & Skills Strengths

Figure 1: Egypt global ranking (GTCI sample of 135 countries)



Egypt's Rank by GTCI Pillar (2025)

Figure 4: Evolution of GTCI rank for Egypt, 2015-2025

Evolution of GTCI Rank (2014-2025)

PERFORMANCE METRICS (2025)

Overall Rank: Egypt ranks **94th out of 135** countries globally, maintaining a relatively stable long-term trend.

Relative Outperformance: Egypt outperforms its lower-middle-income group average in most pillars and in **10 of 14 sub-pillars.**

Core Strengths: Strong showings in Formal Education, Mid-level Skills, and Vocational/Technical Skills.

INVESTOR IMPLICATIONS

Egypt's large, educated workforce and solid vocational training base are **clear strategic assets** for labor-intensive, manufacturing, and outsourcing sectors.

However, the weak "Attract" pillar (ranked 124th) reflects persistent challenges in external openness and the domestic business landscape.

This data underscores why government's regulatory and business climate reforms are critical to unlocking Egypt's human capital.

500 Reforms Implemented — Accelerating Private Sector-led Growth

Between May 2022 and December 2024, the Egyptian government implemented **~500 structural reform measures** across six key pillars, explicitly designed to dismantle bureaucratic obstacles and empower the private sector.

INVESTMENT CLIMATE

189

REFORM MEASURES (38%)

Export Support: Injection of EGP 70 billion to clear arrears and support over 2,500 exporting companies.

Tax Incentives: Sweeping tax exemptions and structured incentives for targeted, high-priority sectors.

INDUSTRIAL SUPPORT

134

REFORM MEASURES (27%)

Financing Access: Launch of an EGP 30 billion initiative (Dec 2024) specifically for priority industrial sectors.

Logistics Efficiency: Transition to 7-day port operations, drastically reducing customs clearance times.

MEASURABLE IMPACT

74.8%

PRIVATE SECTOR SHARE OF GDP

GDP Contribution: The private sector's contribution to GDP surged to nearly 75% in FY 2022/2023, validating the State Ownership Policy.

Investment Share: The private sector's share of total national investments increased to 37% in FY 2023/2024.

2026 Landmark Reforms — Accelerating The Momentum

COMPETITION LAW OVERHAUL — APRIL 2026

Parliament approved extensive amendments to the Egyptian Competition Law, aligning it with international best practices.

Key Change: Introduces a mandatory **pre-merger notification system** and strengthens anti-monopoly enforcement to create a transparent, level playing field for foreign investors.

STATE OWNERSHIP POLICY 2.0 — JUNE 2026

Draft of "Deepening Reform and Maximizing Impact 2026–2030" unveiled. This is the clearest signal yet of the state's commitment to privatization.

Execution: Demonstrating immediate action, the Cabinet granted **four state-owned companies** preliminary stock exchange listings in June.

EGYPT'S ECONOMIC NARRATIVE — JUNE 2026

A newly unveiled strategic framework setting aggressive macro targets to boost growth and empower the private sector.

The Targets: Achieve **7% GDP growth** by 2030. Increase total investments to 18% of GDP, with a mandate for the private sector to drive **65% of total national investment.**

SECOND TAX PACKAGE — JULY 2026

Parliament approved the second facilitation package, specifically targeting industrial sectors and large-scale investors.

The Impact: Reduces business costs, improves corporate liquidity, and introduces a **"White List"** system to drastically simplify interactions with the Tax Authority for compliant businesses.

OECD Product Market Regulation — Gaps & Reform Momentum

KEY FINDINGS (OECD SURVEY 2024)

Egypt's PMR (based on 2017 data) score indicates higher regulatory restrictiveness than the OECD average across all dimensions.

Primary Structural Barriers:

- Complex regulatory procedures and licensing requirements.
- Limited trade openness and cumbersome customs processes.
- High state control and intervention in the economy.
- **700+ State-Owned Enterprises (SOEs)** with combined assets representing ~50% of GDP across 33 state entities.
- Business dynamism remains below regional and global averages (low entry and exit rates).

REFORM PROGRESS

60+ structural reforms incorporated into GDP indicators since July 2024.

Key actions include the **elimination of SOE tax exemptions** (Law 159/2023), the rollout of the Golden License program, the Nafeza single window for trade, and the National Licensing Re-engineering Program (targeting end-2026).

KEY INSIGHT

While Egypt's regulatory environment remains more restrictive than OECD peers, the **pace of reform has accelerated significantly** since 2024.

The OECD notes that recent reforms are "likely to have led to some improvement," with private sector participants acknowledging tangible results in trade facilitation and tax streamlining.

Business Dynamics — Low Churn Rates Signal Barriers To Entry

INFORMALITY & THE MISSING MIDDLE

70% of young manufacturing firms and **58%** of young service firms operate informally.

SMEs represent a significantly smaller share of the economy than the OECD average, creating a structural **"missing middle"**.

FIRM DEMOGRAPHICS

Young firms (0-2 years) make up **15%** of manufacturing and **18%** of services — aligning with OECD averages.

Female-owned firms remain critically low: only **4%** in manufacturing and **10%** in services.

INCORPORATION TRENDS

New incorporations are rising steadily: from **22,000** (FY2018/19) to **32,447** (FY2022/23).

However, Limited Liability Company (LLC) starts per adult population remain among the lowest compared to regional peers.

KEY INSIGHT

Egypt's business dynamics reveal a dual economy: formal sector entry rates are low by international standards, while informality remains pervasive.

The **"missing middle"** — a severe shortage of medium-sized firms — suggests that significant regulatory and financial barriers prevent small firms from scaling up.

However, the upward trend in new company registrations indicates that recent reforms to the one-person company structure and unified licensing are beginning to address historical entry barriers.

SOURCE: OECD BUSINESS DYNAMICS REVIEW, MAY 2026

Quality Of Regulations & Competitiveness — Mixed Signals

INDEX	RANK/SCORE	YEAR
World Bank Regulatory Quality	26.89 percentile	2023
Global Innovation Index	86th / 139	2025
Global Talent Competitiveness	94th / 135	2025
Index of Economic Freedom	146th / 184	2024
S&P Credit Rating	B (Stable)	2025
HDI (Human Development)	0.754 (High)	2025

KEY CHALLENGES (US STATE DEPT 2025)

- Excessive bureaucracy and lack of transparency.
- Uneven enforcement of laws and regulations.
- Cumbersome customs procedures (though improving with the Nafeza single window).
- Intellectual property rights enforcement gaps.
- Shortage of skilled labor in specific high-tech sectors.

KEY INSIGHT: THE IMPLEMENTATION GAP

Egypt's competitiveness rankings reflect the legacy of decades of heavy state intervention and regulatory complexity.

However, the trajectory is improving: S&P's upgrade, Moody's positive outlook, and the OECD's acknowledgment of reform progress signal that institutional investors are recognizing the **direction of travel**.

The gap between **reform announcement and implementation** remains the primary risk for investors.

Banking Sector — Sound Fundamentals Provide Stability Anchor

CAPITAL ADEQUACY

19.2%

Capital Adequacy Ratio sits well above the Basel III minimum requirement of **10.5%**, providing a massive shock absorption buffer.

ASSET QUALITY

2.0%

Non-Performing Loan (NPL) ratio is among the **lowest in emerging markets**, reflecting conservative lending practices.

PRIVATE SECTOR CREDIT

3.59T

Total credit extended to the private sector reached **EGP 3.59 Trillion** (April 2026), showing steady growth.

MARKET STRUCTURE

State-led

Dominated by state-owned banks. The IMF recommends **third-party reviews** to enhance competition and efficiency.

KEY INSIGHT

Egypt's banking sector provides a stability anchor during turbulent times. High capital buffers and low NPLs mean the system can absorb shocks without systemic risk.

However, banks historically prefer lending to the government over the private sector — a structural issue the IMF continues to flag.

The CBE's Reserve Requirement Ratio (RRR) cut from **18% to 16%** (February 2026) aims to free up liquidity specifically for private sector lending.

Investment Opportunities — Strategic Sectors & National Priorities

Renewable Energy

Solar, wind, and green hydrogen production facilities.

DRIVER: 2030 TARGETS, EU CBAM, GULF INVESTMENT

Manufacturing

Automotive assembly, pharmaceuticals, and advanced textiles.

DRIVER: IMPORT SUBSTITUTION, EXPORT GROWTH

Tourism & Hospitality

Hotels, luxury resorts, and cultural tourism infrastructure.

DRIVER: 17.8M VISITORS TARGET (2025)

Digital Economy

Fintech solutions, e-commerce platforms, and smart cities.

DRIVER: YOUNG POPULATION, MOBILE PENETRATION

Infrastructure

Transport networks, water management, and logistics hubs.

DRIVER: $515B PROJECT PIPELINE

Real Estate

New administrative cities and coastal developments (Ras El Hekma).

DRIVER: URBANIZATION, GULF INVESTMENT

Key Enablers

Egypt's **$515 billion** project finance pipeline is the largest in Africa, offering massive scale for institutional capital.

The **Golden License** program offers streamlined, single-approval processes for strategic projects, bypassing traditional bureaucratic hurdles.

Structural enablers include a young workforce (**60% under 30**), a highly strategic geographic location, and a rapidly growing domestic market of **110 million** consumers.

Outlook & Risk Assessment — Cautiously Optimistic

KEY RISK	PROBABILITY	IMPACT	MITIGANT
Prolonged Iran conflict	Medium	High	Diversified revenues, reserves buffer
Inflation re-acceleration	Medium	Medium	CBE credibility, tight stance
Privatization delays	Medium	Medium	IMF conditionality, fiscal pressure
Global recession	Low-Med	High	Domestic demand, young population
Political instability	Low	High	Strong state institutions

BASE CASE (CEASEFIRE BY END 2026)

- **GDP Growth:** 4.0-4.6% (FY25/26), recovering to 4.5-5.0% (FY26/27).
- **Inflation:** Declining toward 7% target by late 2026/early 2027.
- **Rates:** Resumption of easing cycle toward 14% by 2027.
- **Ratings:** Moody's upgrade to B- likely; potential further S&P/Fitch upgrades.
- **Revenues:** Suez Canal and tourism revenues recover in 2027.

INVESTMENT THESIS

Egypt's investment case rests on the continuation of **structural reforms** and the resolution of regional conflict.

The economy has demonstrated resilience through the initial war shock, but a prolonged conflict would test fiscal and external buffers.

For investors with a **3-5 year horizon**, Egypt offers compelling value given its reform trajectory, demographic dividend, and strategic positioning — provided the reform momentum is sustained.

Summary: Key Takeaways

Core Strengths

- **Macro Buffers:** Record foreign reserves ($57B) and a flexible exchange rate absorb external shocks effectively.
- **Financial Stability:** A highly capitalized banking sector with low NPLs anchors the broader economy.
- **Scale & Pipeline:** A $515B project pipeline supported by a 110M consumer market and strategic geographic location.

Primary Challenges

- **Geopolitical Exposure:** The regional conflict severely impacts critical Suez Canal and tourism revenues.
- **Business Dynamics:** Pervasive informality and a structural "missing middle" stifle SME scaling and formal entry.
- **Implementation Gap:** Translating high-level regulatory reforms and privatization targets into on-the-ground reality.

The Investment Thesis

Egypt is navigating a severe regional shock with unprecedented **institutional maturity**, opting for market adjustments over artificial currency defense.

While near-term volatility remains high due to external conflicts, the fundamental enablers—demographics, infrastructure, and IMF-backed reforms—are strengthening.

Verdict: Compelling value for capital with a **3-5 year horizon**, provided reform momentum is sustained.

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