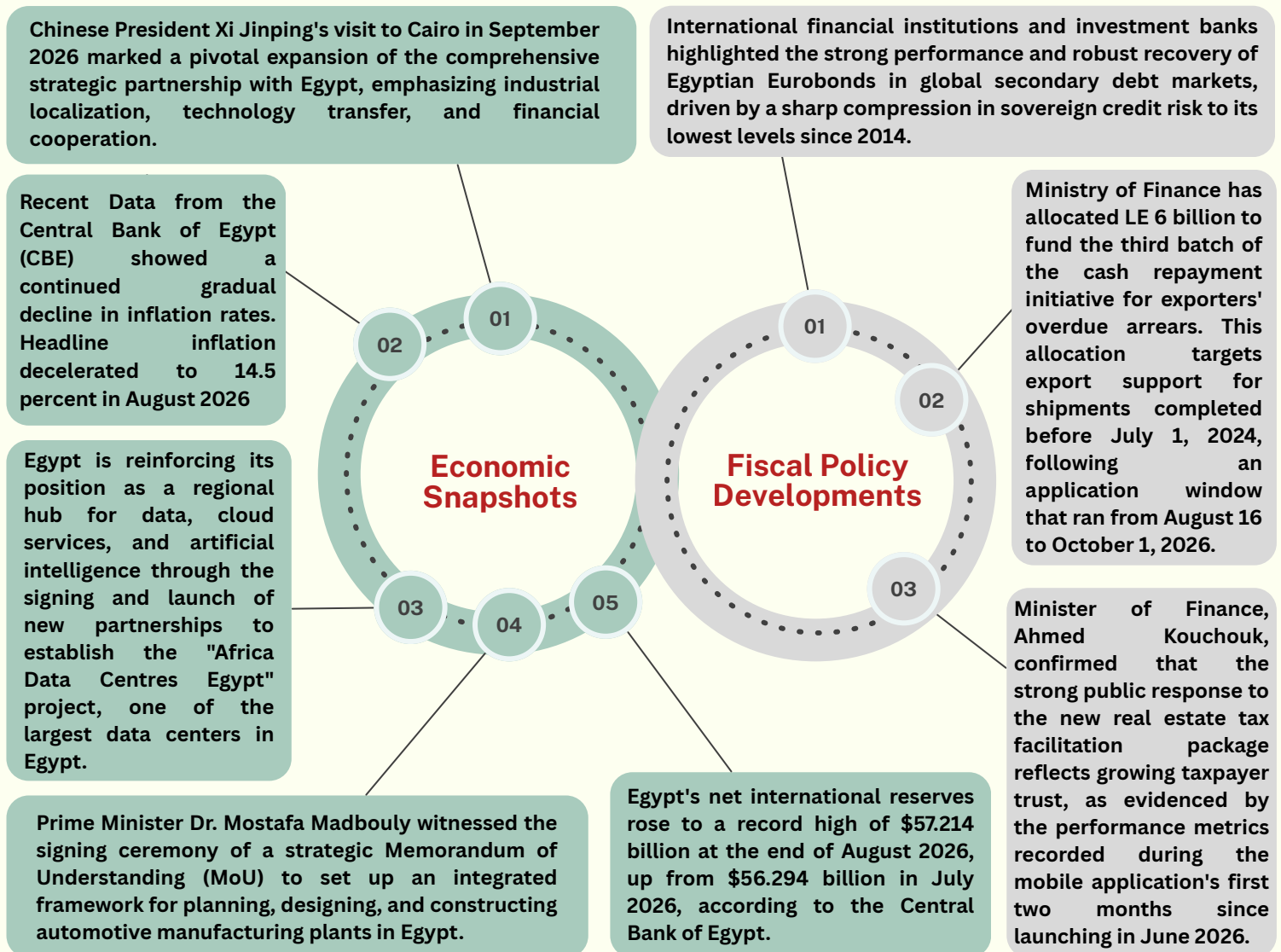


Executive Summary

Latest Economic and Fiscal Policy Developments



Latest Fiscal Policy Developments

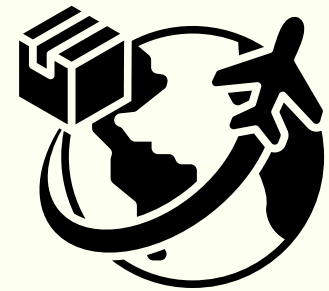
- ◆ International financial institutions and investment banks highlighted the strong performance and robust recovery of Egyptian Eurobonds in global secondary debt markets, driven by a sharp compression in sovereign credit risk to its lowest levels since 2014. This positive momentum is underpinned by a series of improving macroeconomic indicators and fiscal metrics, including accelerating real GDP growth, rising net international reserves, and a significant decline in projected external debt-service obligations over the coming years.
- Fitch Ratings highlighted that Egypt has emerged as Africa's largest issuer of outstanding sukuk, accounting for 48% of the continent's total sovereign sukuk inventory. This milestone underscores Egypt's strategic capability to leverage diversified debt instruments to fulfill its sovereign financing requirements.

- Concurrently, J.P. Morgan reported a sharp compression in the yield spread demanded by investors on foreign-currency-denominated Egyptian sovereign debt, which fell to 322 basis points by the third week of August 2026. This contraction reflects a significant decline in sovereign risk premiums and renewed market confidence in Egyptian debt assets.
- Additionally, Moody's Ratings affirmed Egypt's long-term credit reliability, noting that the country has maintained a flawless track record with zero defaults on its sovereign bond or loan obligations since 1983.



◆ LE 6 billion to fund the third batch of the cash repayment initiative for exporters' overdue arrears.

- Minister of Finance, Ahmed Kouchouk, confirmed that the government targets allocating EGP 6 billion to disburse the third tranche of overdue export rebates in cash for shipments executed prior to July 1, 2024. Eligible exporting companies wishing to benefit from this installment can submit their requests starting August 16, 2026, through October 1, 2026, with cash payments scheduled for direct disbursement on October 22, 2026.
- This initiative is backed by a solid track record, as the government has disbursed over EGP 80 billion to exporters over the past six years, and is aiming to fully settle all remaining arrears within the next two years, supported by an EGP 48 billion appropriation earmarked in the current fiscal year's budget to accelerate export incentives and resolve liquidity bottlenecks.
- Furthermore, Ministry of Finance is coordinating directly with Ministry of Investment and Foreign Trade to modernize the broader export development framework. This structural alignment aims to streamline trade operations, enhance the competitiveness of national goods, and drive sustainable, non-oil export growth across target international markets.



◆ Minister of Finance, Ahmed Kouchouk, confirmed that the growing taxpayer trust was shown in the strong public response to the new real estate tax facilitation package, and in the performance metrics recorded during the mobile application's first two months since its launch in June 2026.

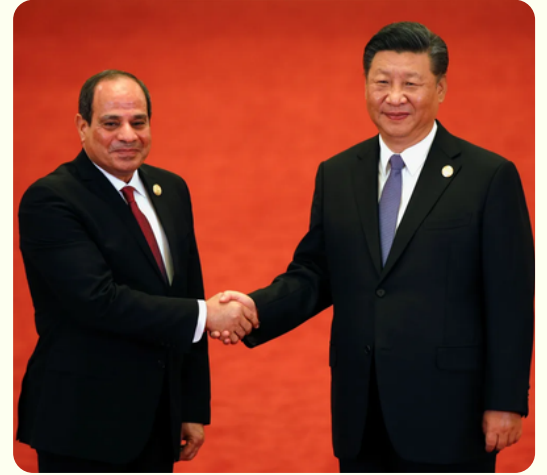
- Deployed in June 2026, the digital platform achieved notable success with 612,000 newly created electronic accounts and processing 490,000 tax declarations covering over one million property units. This total includes 636,000 residential units, 188,000 non-residential units, and more than 6,000 specialized commercial and industrial facilities.
- In addition to expanding digital engagement, taxpayers have voluntarily remitted LE 28 million in advance real estate tax payments to benefit from the incentives offered under the new facilitation framework.



Latest Economic Developments

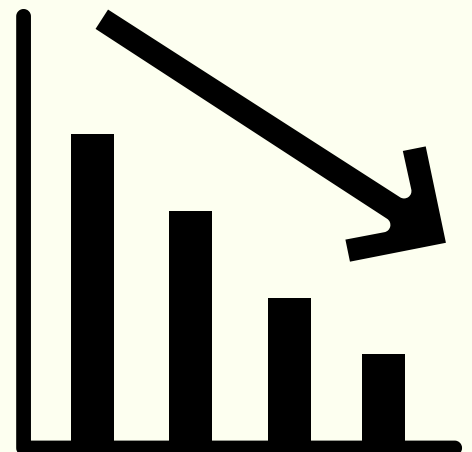
◆ Chinese President Xi Jinping's visit to Cairo in September 2026 marked a pivotal expansion of the comprehensive strategic partnership with Egypt, emphasizing industrial localization, technology transfer, and financial cooperation.

- The Egyptian-Chinese Summit held in Cairo marked a pivotal milestone in advancing bilateral relations toward broader economic, investment, and technological integration. Discussions focused on aligning Egypt's "Vision 2030" with China's "Belt and Road Initiative" (BRI), solidifying political and technical coordination to serve mutual long-term development objectives.
- A central pillar of the summit was industrial localization and technology transfer, with both nations agreeing to expand Chinese investments within the Suez Canal Economic Zone (TEDA). The partnership prioritizes high-tech industries, electric vehicle (EV) manufacturing, renewable energy projects, and green hydrogen infrastructure. The Chinese delegation also commended Egypt's national megaprojects—highlighting the New Administrative Capital and smart transport networks—while pledging new concessionary financing packages to support ongoing developmental initiatives.
- To address external pressures and foster economic resilience, both sides explored key mechanisms to balance bilateral trade. Efforts include expanding Egyptian agricultural and industrial exports to Chinese markets alongside deepening financial cooperation through local currency settlement frameworks (EGP/RMB), significantly easing foreign exchange constraints for both economies.



◆ Annual Inflation Eases on Lower Food and Beverage Prices, the Largest Component of the Inflation Basket

- Recent Data from the Central Bank of Egypt (CBE) showed a continued gradual decline in inflation rates. Headline inflation decelerated to 14.5 percent in August 2026, compared to 14.9 percent in July 2026, and down from its peak in September 2023 recording 38 percent (when inflation began its upward trajectory in January 2023, impacted by a shortage of foreign currency at the time).
- Meanwhile, core inflation registered 14.9% in August 2026, compared to 14.7% in July 2026.



◆ Egypt is reinforcing its position as a regional hub for data, cloud services, and artificial intelligence through the signing and launch of new partnerships to establish the "Africa Data Centres Egypt" project, one of the largest data centers in Egypt.

- The signing of those strategic partnerships marks the official launch of "Africa Data Centres Egypt," an initiative designed to construct one of the nation's largest data centers alongside Egypt's first Sovereign Artificial Intelligence (AI) facility. Built to global standards for performance and cybersecurity, this hyperscale complex will deliver cloud services and big data hosting to domestic and international organizations, reinforcing Egypt's position as a regional epicenter for digital infrastructure, cloud computing, and AI services.
- A core pillar of the project is the deployment of a specialized Sovereign AI center, ensuring that sensitive national data is securely processed and analyzed within state borders. This infrastructure will facilitate the development of indigenous AI models to optimize decision-making across critical strategic sectors, including healthcare, education, and finance.
- Furthermore, these investments are set to drive the localization of advanced technologies and cloud computing while generating specialized technical job opportunities for Egyptian tech talent and boosting the local digital innovation ecosystem.



◆ Prime Minister Dr. Mostafa Madbouly witnessed the signing of a strategic Memorandum of Understanding (MoU) between the Ministry of Industry, the Sovereign Fund of Egypt (TSFE)—affiliated with the Ministry of Investment and Foreign Trade—China's Jiangsu Changhu Smart Equipment Co., and FIDIA Automotive Engineering Systems S.R.L.

- The agreement establishes a comprehensive framework to plan, design, and build automotive manufacturing plants and transport equipment facilities across Egypt. Aligning directly with the National Automotive Development Strategy (NADS), this partnership aims to transform Egypt into a major regional hub for vehicle manufacturing, assembly, and export to African and regional markets.
- The initiative focuses on transferring advanced global engineering expertise to design sustainable, state-of-the-art production lines and industrial complexes. By attracting global suppliers and feeder industries, the project seeks to deepen local manufacturing integration, optimize supply chains, and substitute imports to conserve foreign exchange. In support of this venture, the government reaffirmed its commitment to offering competitive investment incentives and setup facilities, securing foreign direct investment (FDI) while creating thousands of direct and indirect jobs for Egyptian engineering and technical talent.



◆ Egypt's net international reserves reached a record high of \$57.214 billion at the end of August 2026, up from \$56.294 billion in July 2026, according to the Central Bank of Egypt.

- This performance marks a month-on-month expansion of over \$900 million, representing a growth rate of roughly 1.6%. Compared to August 2025, when reserves stood at \$49.3 billion, the NIR expanded by approximately \$8 billion, delivering a YoY growth rate exceeding 16%.



Real Sector

Economic Growth Rate during FY 2025/2026

(According to the Ministry of Planning and Economic Development)

-The Egyptian economy recorded a notable growth rate of 5.1% during FY 2025/2026, compared to 4.4% in FY 2024/2025. This reflects the resilience and sustainability of Egypt's economic growth amid regional tensions, primarily driven by the accelerated growth of the industrial, trade, and telecommunications sectors, which collectively led the achieved growth rate by 48% in FY 2025/2026.

-Suez Canal activity experienced a clear recovery to become one of the fastest-growing sectors, achieving 23.3% growth in FY 2025/2026.

-This was accompanied by a rebound in information and communications technology (ICT), continued high growth in non-oil manufacturing at around 9%, and a shift in petroleum refining to positive growth of 8.7%—compared to a 1.9% contraction in the previous fiscal year—driven by a significant increase in sector production. Additionally, the restaurants and hotels sector grew by 6.5% during FY 2025/2026, supported by sustained improvements in tourism activity and demand for related services.

Economic Growth Rate during Q4 of FY 2025/2026

(According to the Ministry of Planning and Economic Development)

-The economic growth rate reached 4.7% in Q4 of FY 2025/2026, driven by improved performance across several sectors, most notably manufacturing, the Suez Canal, and petroleum refining.

-Non-oil manufacturing was the primary contributor to GDP growth in Q4 of FY 2025/2026. Telecommunications continued to record high growth rates as the second fastest-growing sector in Q4 at 24.3%, fueled by increased revenues from telecom companies, rising digital service exports, and substantial investments in digital infrastructure, reinforcing the sector's role in driving digital transformation and economic expansion.

-Suez Canal activity sustained its recovery, recording a strong growth rate of 33.8% in Q4 of FY 2025/2026, while petroleum refining grew by 22.4%. Meanwhile, the extractive sector saw an unprecedented surge, returning to positive growth in Q4 of FY 2025/2026 for the first time since Q2 of FY 2022/2023, following improved performance in the oil and gas sectors.

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

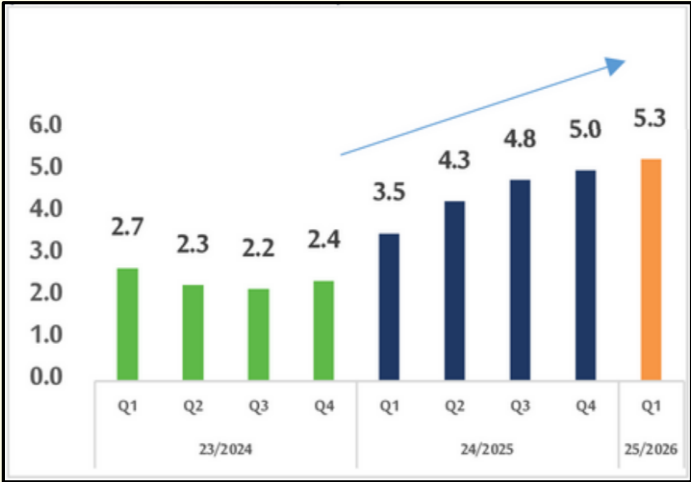
- **Non-Petroleum Manufacturing:**
This sector was the largest contributor to growth in Q2 of FY25/26, adding 1.2 percentage points to the total growth of 5.3%. The 9.6% growth in this sector is attributed to the success of industrial localization policies and the promotion of finished and semi-finished 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%.

GDP Growth Rates (at constant prices)



Source: Ministry of Planning, Economic Development.

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:

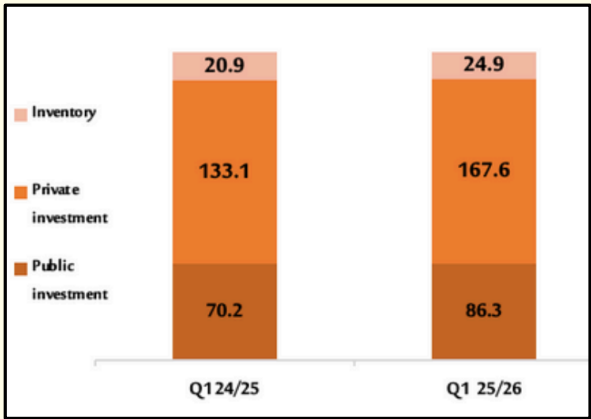
- The growth of non-petroleum manufacturing activity in Q1 of FY25/26 is attributed to the improvement in domestic and foreign demand, in addition to improving the industrial business environment, especially in light of the continued implementation of structural reforms. Where, Motor vehicle manufacturing 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 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%.

Total Investments (at constant prices- Billion EGP)



Source: Ministry of Planning, Economic Development.

- 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.

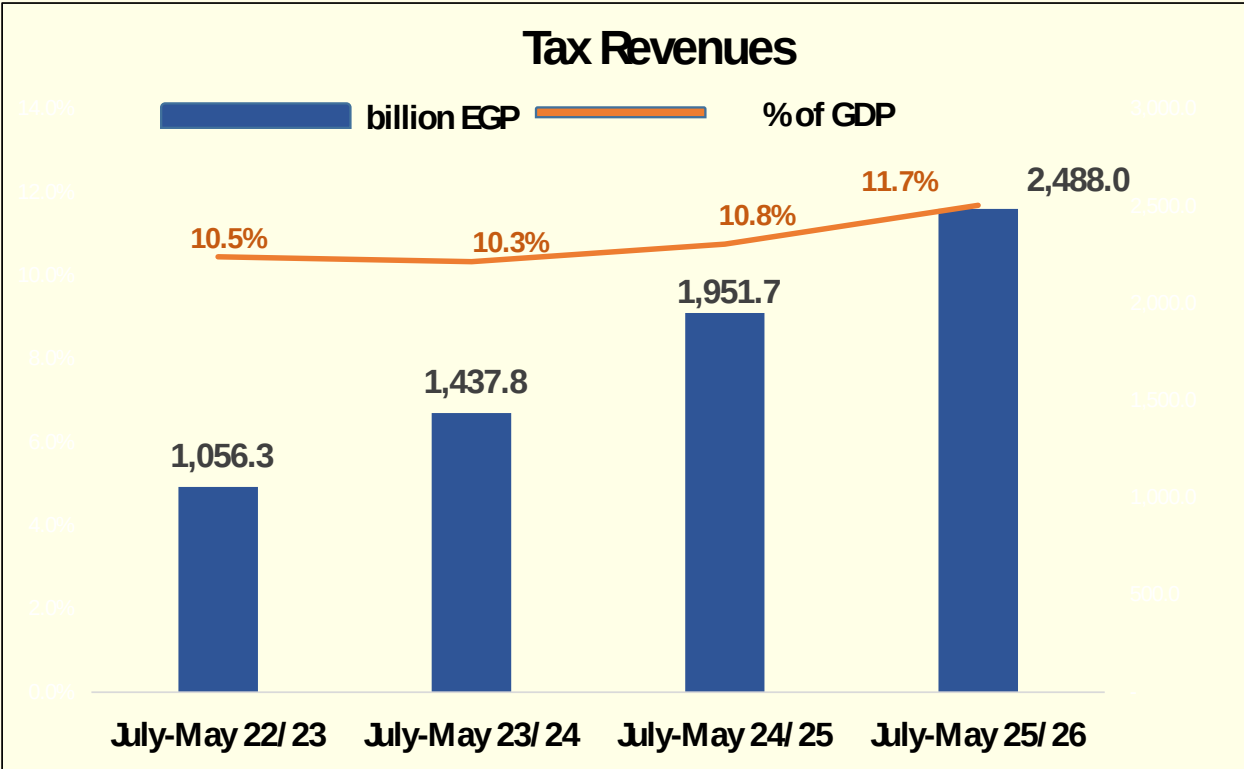
Meanwhile, the recent reforms taken by the Ministry of finance, including the announcement of the “first and second phase of tax facilitation”, which focuses on improving tax administration, simplifying tax procedures, has been reflected in the improvement witnessed in fiscal performance during the period July-February 2025/2026, as follows:

- Total Overall budget deficit has declined in nominal terms by LE 51 billion, and has declined in percent of GDP by 1.2% to record 5.3% of GDP during the period July- May 25/26, compared to 6.5% of GDP during the same period of last year. Meanwhile, primary surplus rose notably by an annual increase of 70% to reach LE 985.1 billion (4.6% of GDP) during July- May 25/26, compared to LE 580.4 billion (3.2% 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 27.5% to record LE 2488.0 billion (11.7% 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 1.2 trillion for the FY25/26.



On the Revenues Front:

Total revenues increased by LE 730.2 billion (32.5 percent growth) to record around LE 2976.7 billion during the period of study, compared to LE 2246.6 billion during the same period of last year. Tax revenues constituted 83.6 percent of total revenues, while non-tax revenues accounted for 16.4 percent.

- Tax Receipts constituted around LE 2488.0 billion of total revenues, increasing by LE 536.3 billion (27.5 percent growth), mainly driven by:

- Receipts from Income Taxes rose by around LE 242.9 billion (34.4 percent growth) to reach around LE 949.6 billion during the period of study.
 - ✓ mainly driven by the increase in receipts from tax on domestic salaries by LE 53.3 billion (31.5 percent growth) to reach around LE 222.9 billion during the period of study.
 - ✓ and taxes on industrial & commercial profits payable by Individuals rose by LE 37.8 billion (31.2 percent growth) to reach LE 159.0 billion during the period of study.

- ✓ **and taxes on professional income rose by LE 6.3 billion (44.4 percent growth) to reach LE 20.5 billion during the period of study.**
- ✓ **and tax receipts on corporate profits rose by LE 145.3 billion (37.2 percent growth) to reach LE 536.0 billion during the period of study, of which mainly;**
 - **Tax receipts from Other Companies rose** by around LE 109.2 billion (38.1 percent growth) to reach around LE 396.1 billion during the period of study.
 - **Tax receipts from Suez Canal rose** by around LE 17.0 billion (20.3 percent growth) to reach LE 100.7 billion during the period of study.
- **Receipts from Value Added Taxes rose by LE 200.1 billion (24.3 percent growth) to reach LE 1024.7 billion during the period of study.**
 - ✓ **driven by the increase in receipts from value added taxes on goods by LE 53.1 billion (11.4 percent growth) to reach LE 518.7 billion during the period of study (mainly due to the increase in value added tax receipts from imported goods by LE 17.0 billion to reach around LE 337.1 billion, and the increase in value added tax receipts from local commodities by LE 36.1 billion to reach LE 181.6 billion).**
 - ✓ **and the increase in receipts from value added tax on services by LE 44.3 billion (42.9 percent growth) to reach LE 147.6 billion during the period of study, of which:**
 - **Hotel and restaurant services VAT receipts rose by LE 25.0** to reach around LE 39.4 billion during the period of study.
 - **Operating services for others rose by LE 6.6 billion** to reach LE 52.5 billion during the period of study.
 - **International & local communication services VAT receipts rose by LE 9.1 billion** to reach LE 32.5 billion during the period of study.
 - **Other Services VAT receipts rose by LE 3.6 billion** to reach LE 23.2 billion during the period of study.
 - ✓ **Receipts from excises on domestic commodities rose by LE 71.4 billion (49.2 percent growth) to reach LE 216.6 billion during the period of study.**
 - ✓ **And the increase in receipts from development fees by LE 2.9 billion (17.6 percent growth) to reach LE 19.3 billion during the period of study.**
 - ✓ **and the increase in Stamp tax fees by LE 22.4 billion (44.9 percent growth) to reach LE 72.3 billion during the period of study**
 - ✓ **and the increase in receipts from taxes on use of goods by LE 4.2 billion (10.9 percent growth) to reach LE 42.6 billion during the period of study.**
 - ✓ **and the increase in receipts from taxes on specific services by around LE 1.7 billion (27.8 percent growth) to reach LE 7.6 billion during the period of study.**

- **Receipts from property taxes rose by around LE 60.7 billion (20.1 percent growth) to reach LE 362.6 billion during the period of study, compared to around LE 301.9 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 55.5 billion (20.0 percent growth) to reach around LE 332.7 billion during the period of study.**
 - ✓ **the increase in property tax receipts on fees on cars by around LE 3.1 billion (21.0 percent growth) to reach around LE 17.8 billion during the period of study.**
 - ✓ **the increase in building tax receipts by around LE 2 billion (36.6 percent growth) to reach around LE 7.5 billion during the period of study.**
- **Moreover, Tax receipts from International Trade rose by LE 17.7 billion (16.4 percent growth) to reach LE 125.7 billion during the period of study.**
- **Moreover, Other taxes receipts rose to reach LE 25.4 billion during the period of study in light of the increase in tax receipts on movable capital revenues from C.B.E to reach around LE 25.4 billion during the period of study.**
- **Non-Tax Revenues (16.4 percent of total revenues) rose by LE 193.9 billion to reach LE 488.7 billion during the period of study of which;**
- **Grants rose by LE 5.6 billion to record LE 15.1 billion during the period of study (in light of increased grants from general government units to record LE 11.9 billion, and from foreign governments to record LE 2.4 billion).**
- **Other Revenues increased by LE 188.3 billion (66.0 percent growth) to reach LE 473.6 billion during the period of study, of which:**
 - **Proceeds from Sales of Goods and Services rose by LE 43.1 billion to reach LE 131.8 billion during the period of study.**
 - **Property Income recorded LE 69.9 billion during the period of study, of which;**
 - **Economic authorities' dividends rose by LE 5.3 billion to record LE 20.4 billion during the period of study.**
 - **Public enterprise sector companies' dividends rose by LE 3.2 billion to record LE 8.2 billion during the period of study.**
 - ✓ **Revenues from mining rose by LE 1.2 billion to record LE 4.8 billion during the period of study.**
- **Miscellaneous Revenues increased by LE 167.0 billion to record LE 267.3 billion during the period of study, compared to LE 100.3 billion during the same period of the last year, including current miscellaneous revenues which recorded LE 238.2 billion, and capital miscellaneous revenues recorded LE 29.1 billion during the period of study.**

It is worthy to note that Miscellaneous revenues have inched during the period July-May 2025/2026 mainly in light of the exceptional one-off increased receipts from Alam El Roum Project worth LE 166.8 billion.

On Public Spending Side:

Total expenditures rose by LE 642.2 billion (18.8% growth) to reach LE 4050.9 billion during the period July-May FY25/26, compared to LE 3408.7 billion during the same period last year.

Compensation of Employees

- **Wages and Compensation for Employees rose by LE 60.9 billion (11.5 percent growth) to reach around LE 589.9 billion during the period of study.**

Purchases of goods and services

- **Purchases of goods and services rose by LE 36.4 billion (24.7 percent growth) to reach around LE 183.7 billion during the period of study, of which:**
 - **Maintenance** spending rose by LE 3.0 billion (21.6 percent growth) to reach LE 18.7 billion during the period of study.
 - **Public transportations** rose by LE 0.7 billion (9.3 percent growth) to reach LE 8.5 billion during the period of study.
 - **Various Services spending** rose by LE 7.4 billion to reach LE 30 billion during the period of study.

Interest Payments

- **Interest Payments reached LE 2118.3 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 75.8 billion (12.9 percent growth) to record LE 661.9 billion during the period of study.**
 - ✓ **Spending to promote exports** rose by LE 11.4 billion to record LE 22.4 billion during the period of study.
 - ✓ **Spending on direct cash transfers (Takaful & Karama)** rose by LE 8.0 billion (20.5 percent growth) to reach LE 46.9 billion during the period of study.
 - ✓ **Spending on treasury contribution to pensions** rose by LE 11.7 billion (8.3 percent growth) to reach LE 152.5 billion during the period of study.

- ✓ **Expenses for treatment of Egyptian Citizens** rose by LE 2.2 billion (17.9 percent growth) to reach LE 14.3 billion during the period of study.

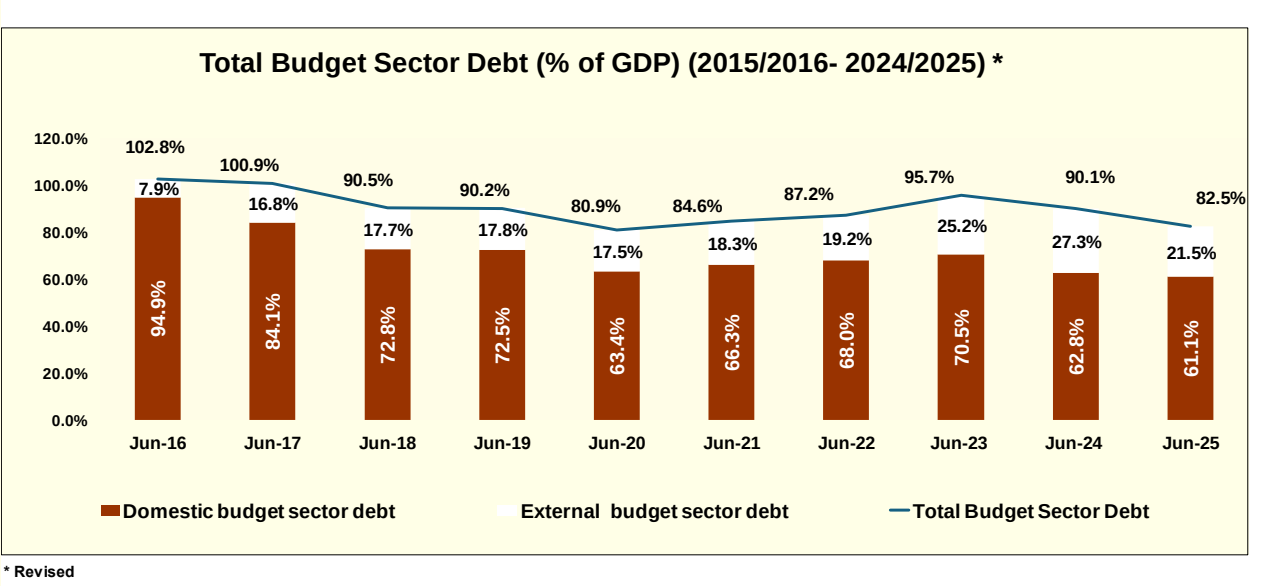
Purchases of non-financial assets

- **Purchases of non-financial assets rose by LE 87 billion to record 320.6 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 FY25/26 to maintain ceiling on public investments worth LE 1.2 trillion for the FY25/26.

Fiscal Sector Performance during July-May 25-26		
	(LE billion)	
	July-May	
	2024/25	2025/26
Revenues	2,246,566	2,976,729
Taxes	1,951,685	2,487,988
Grants	9,516	15,099
Other Revenues	285,364	473,642
Expenditure	3,408,747	4,050,948
Wages and Compensation of Employees	529,011	589,878
Purchase of Goods and Services	147,231	183,655
Interest Payments	1,764,829	2,118,281
Subsidies, Grants and Social Benefits	586,078	661,851
Other Expenditures	147,988	176,659
Purchases of Non-financial Assets (investments)	233,610	320,624
Cash Balance	-1,162,181	-1,074,219
Net Acquisition of Financial Assets	22,226	58,959
Overall Budget Balance	-1,184,407	-1,133,178
Primary Budget Balance	580,422	985,103
Budget Primary Surplus/or Deficit (%of GDP)	3.2%	4.6%
Budget Overall Balance (%of GDP)	-6.5%	-5.3%

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**.

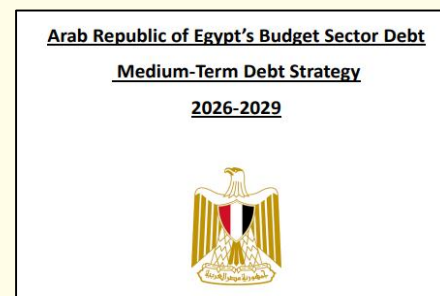
Medium-Term Debt Strategy (2026-2029)

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>



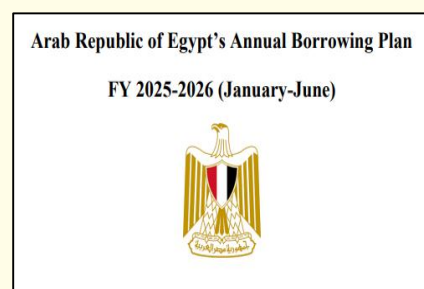
Risk Management Framework

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 Q4 of 2025, M2 annual growth continued to decelerate, averaging 21.5 percent, down from an average of 22.7 percent in Q3 2025.*
 - ✓ **This deceleration was driven** by a decline in the contribution of net claims on the public sector as well as the revaluation effects in light of the relative exchange rate appreciation during Q4 2025, compared to the same period in previous year. However, this was partially offset by the higher contribution of the banking system's NFAs on the back of the notable pick-up by a cumulative of USD 4.7 bn during Q4 2025.
 - ✓ **On a monthly basis, M2 growth registered** 0.5, 1.2, and 1.3 percent in October, November, and December 2025, respectively. The combined 3.0 percent increase in M2 between December and September 2025 was driven by the increases in NFAs of the banking system, net claims on the public sector, and claims on the private sector on the back of the pickup in L/C loans to the services and industrial activities.
- ✓ *On the Assets Side*
 - **The banking system's net foreign assets (NFAs), comprising the CBE and commercial banks,** increased by a cumulative USD 4.7 bn during Q4 2025 to stand at USD 25.5 bn in December 2025, **the highest level since July 2012**, compared to USD 20.8 bn in September 2025. This increase was partially driven by the higher commercial banks' NFAs, which accounted for USD 2.4 bn of the cumulative increase to reach USD 12.2 bn in December 2025, its highest level since February 2014. Such increase was mainly reflected in the accumulation of

foreign assets and supported by the increase in FX resources, including sustained workers' remittances and net portfolio inflows.

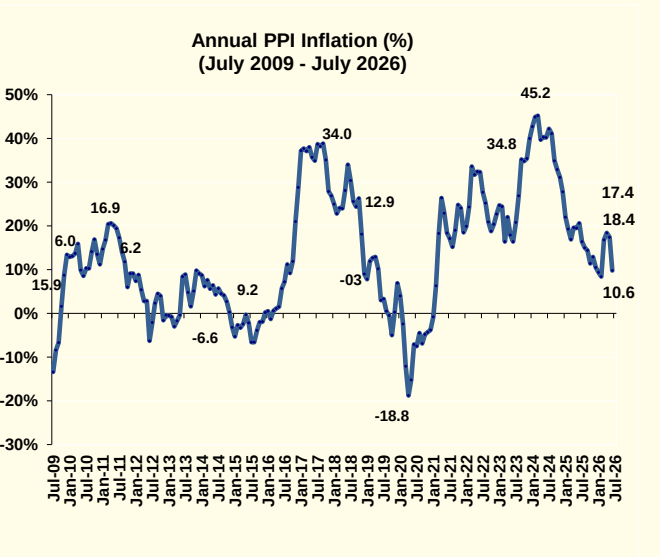
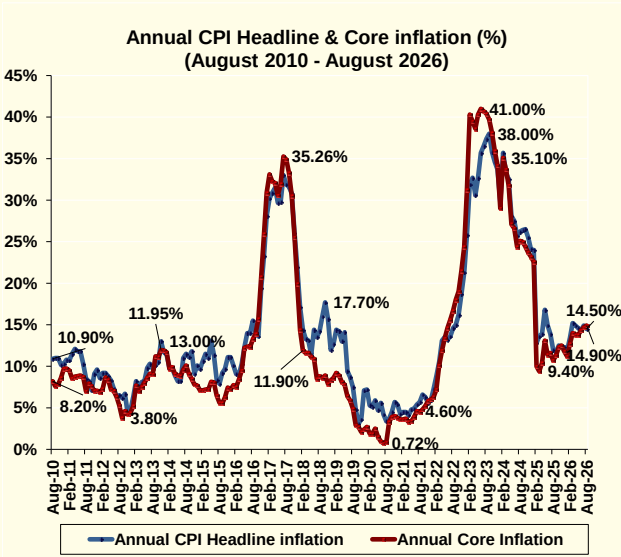
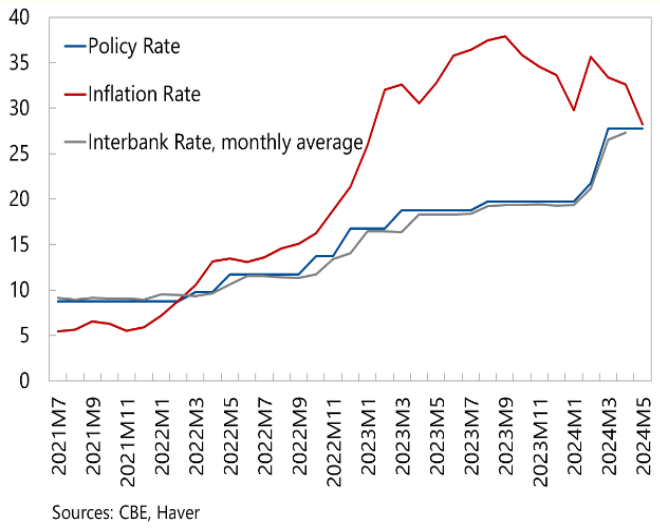
- **Similarly, the CBE's NFAs continued to increase for the eighth consecutive month**, registering USD 13.3 bn in December 2025 and USD 15.1 bn in January 2026-its highest level since September 2021-partially driven by the pickup in international gold prices. Accordingly, the banking system's NFAs increased by a cumulative USD 20.3 bn during 2025, consistent with the improving external position and the observed exchange rate appreciation since April 2025.
- ✓ **Net domestic assets (NDA)** recorded (LE 12.8 trillion) at end of December 2025 (a slight increase by 1.5% compared to September 2025 (Q3) **(in light of the continued fiscal consolidation measures)**).
- ✓ **Net Claims on Government, and public sector recorded LE 11.8 trillion** in December 2025.
- ✓ **Claims on Private Sector LE 4.7 trillion** in December 2025.
 - **Real growth of local currency (L/C) loans to the private sector remained positive for the sixth successive quarter**, to stand at an average of 11.8 percent in Q4 2025, compared to 14.1 percent in Q3 2025.

✓ *On the Liabilities Side*

- **Total domestic currency rose by LE 4.2% in December 2025 compared to September 2025, to record LE 11 trillion in December 2025,**
 - **Domestic Currency Deposits** recorded LE 9.6 trillion in December 2025.
 - **Total Currency Outside Banks** recorded LE 1.4 trillion in December 2025.
- **Foreign currency deposits reached LE 3 trillion in December 2025.**
- **It is worthy to note that out of total deposits, 80.3 percent belonged to the non-government sector, and Loans-to-deposits Ratio has reached 65.3 percent at end of December 2025.**

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 14.5 percent in August 2026.
- Annual Core Inflation recorded 14.9 percent in August 2026, compared to 14.7 percent during last month.



The CBE adopted continuous steady policy rate for the fifth time in a row.

- ✓ Recently, The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) decided on 24th of August 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 66 basis points in Q3 2025, extending their downward trend observed since the start of FY 2024/25, reflecting improved investor confidence in the Egyptian economy.

- ✓ Egypt's yield curve began to normalize toward the short end of the curve during Q1 FY 2025/26, also prompting MoF to extend debt maturities.

External Sector

External Sector developments during the period July/March of FY 2025/2026, (according to the Central Bank of Egypt CBE).

The capital and financial account registered an increase in the net inflows to record US\$ 9.9 billion in the reporting period, as FDI in Egypt witnessed a net inflow of US\$ 13.0 billion (of which US\$ 3.5 billion represented inflows recorded during the period October/December 2025 under the execution of the Alam El-Roum deal). Meanwhile, portfolio investments in Egypt registered a net outflow of US\$ 4.4 billion (as the period January/March 2026 that coincided with the conflict outbreak in the region witnessed a net outflow of US\$ 9.5 billion in portfolio investments).

On the other hand, the current account deficit reached US\$ 14.6 billion during the period of study. Meanwhile, net unrequited current transfers rose by 31.1 percent to US\$ 34.7 billion, mainly due to the surge in the remittances from Egyptians working abroad. Likewise, the services surplus rose by 19.2 percent to reach US\$ 12.9 billion due to the increase in both tourism revenues and Suez Canal transit receipts, as the latter began to regain its former levels. While, merchandise trade deficit recoded US\$ 47.8 billion during the period of study.

As a result, the balance of payments overall deficit almost stabilized at US\$ 1.8 billion during the period July/March of FY 2025/2026, compared to US\$ 1.9 billion in the same period of previous fiscal year.

- The details of the Current account balance reveal improvement in the following areas:
 - Remittances of Egyptians working abroad increased by 32.0 percent to record US\$ 34.9 billion (against US\$ 26.4 billion).
 - Tourism revenues rose by 14.9 percent to US\$ 14.4 billion (against US\$ 12.5 billion).
 - Suez Canal transit receipts increased by 22.1 percent to US\$ 3.2 billion (against US\$ 2.6 billion), due to the increase in both the net tonnage by 18.5 percent to 426.9 million tons and the number of transiting vessels by 7.6 percent to 10.0 thousand vessels.
- The following factors have curbed the improvements in the current account balance during July/March of FY 2025/2026:
 - The non-oil trade deficit increased by US\$ 6.7 billion or 23.8 percent to register US\$ 34.7 billion (against US\$ 28.0 billion), mainly because the pickup in the non-oil imports surpassed that in the non-oil exports, as shown below:
 - Non-oil merchandise imports rose by US\$ 8.3 billion or 15.6 percent to US\$ 61.9 billion (up from US\$ 53.6 billion). This growth was primarily driven by imports of intermediate goods, which accounted for 44.3 percent of the total increase in non-oil imports. It is worth mentioning that these goods are vital for the production process, stimulating higher economic growth.

- On the other hand, non-oil merchandise exports increased by US\$ 1.7 billion or 6.6 percent to US\$ 27.3 billion (up from US\$ 25.6 billion). The increase was mainly seen in the exports of fresh/chilled/cooked vegetables; household electric appliances; ready-made clothes; and fresh/dried fruits.
- The oil trade deficit widened by US\$ 2.8 billion or 26.8 percent to US\$ 13.1 billion (against US\$ 10.3 billion), essentially as a result of the increase in oil imports, as follows:
 - Oil imports went up by US\$ 2.8 billion or 19.5 percent to US\$ 17.3 billion (against US\$ 14.5 billion), as the imports of natural gas and crude oil increased by US\$ 2.6 billion and US\$ 831.1 million, in order (due to increased imported quantities for each), while imports of oil products fell by US\$ 603.2 million (due to the decrease in the imported quantities).
 - However, oil exports edged up by US\$ 55.0 million, reaching US\$ 4.2 billion, driven by higher exports of both natural gas and oil products by US\$ 234.1 million and US\$ 151.1 million, respectively (due to increased exported quantities for each). Meanwhile, exports of crude oil declined by US\$ 330.2 million (as exported quantities decreased).
- Investment income deficit widened by 18.2 percent, reaching US\$ 14.4 billion (against US\$ 12.2 billion). This was an outcome of the increase in investment income payments by US\$ 2.3 billion to US\$ 16.4 billion and the rise in investment income receipts by US\$ 103.1 million to US\$ 2.0 billion.

The capital and financial account registered a net inflow of about US\$ 9.9 billion during the period under review (against a net inflow of US\$ 7.7 billion in the same period of the previous fiscal year).

- Foreign direct investment in Egypt recorded a net inflow of about US\$ 13.0 billion (against about US\$ 9.8 billion for the same period in the previous year) as follows:
 - FDI to non-oil sectors recorded a net inflow of US\$ 13.5 billion, due to the following key developments:
 - **Greenfield investments or capital increases of existing companies** recorded a net inflow of US\$ 7.2 billion, primarily driven by inflows during the period October/December 2025, in light of the implementation of the Alam El-Roum deal valued at US\$ 3.5 billion (against US\$ 4.3 billion).
 - **Net investment inflows for real-estate purchases by nonresidents** rose to US\$ 1.6 billion.
 - **Reinvested earnings** went up to achieve a net inflow of US\$ 4.5 billion (against US\$ 3.1 billion during the corresponding period).
 - **Proceeds from selling local entities to non-residents** registered a net inflow of US\$ 430.9 million (against US\$ 396.1 million during the corresponding period).
 - FDI to the oil and mineral resources sector achieved a net outflow of about US\$ 482.4 million (against a net inflow of US\$ 669.6 million), as a result of the lower inflows

(representing greenfield investments by foreign companies) to reach US\$ 4.3 billion (against US\$ 5.0 billion), and higher outflows (representing the cost recovery for exploration, development and operations previously incurred by foreign partners) to record US\$ 4.8 billion (against US\$ 4.3 billion).

- **Portfolio investment in Egypt recorded a net outflow** of US\$ 4.4 billion (against a net inflow of US\$ 2.1 billion). This was mainly attributed to the net outflow of US\$ 9.5 billion recorded during the period January/March 2026, coinciding with the outbreak of the conflict in the Middle East.
- **The change in banks' assets and the CBE's non-reserve assets** showed an improvement in net outflow (representing an increase in assets) to post US\$ 3.4 billion, against only US\$ 156.2 million.
- **Medium- & long-term loans and facilities registered a net disbursement** of US\$ 2.7 billion (against a net repayment of US\$ 2.6 billion), as total disbursements recorded US\$ 8.2 billion (against US\$ 7.5 billion), and total principal repayments reached US\$ 5.5 billion (against US\$ 10.1 billion).
- **The change in the CBE's liabilities recorded a net outflow** (representing a decrease in liabilities) of US\$ 1.7 billion, against a net inflow of US\$ 429.9 million.