البنك المركزي المصري
CENTRAL BANK OF EGYPT

Central Bank of Egypt

Monetary Policy Report

Q3 – 2025

NOTE

The cut-off date for the data points included in this report is October 8, 2025. Some of the data presented is preliminary and may be subject to revision.

CBE Monetary Policy Framework*

The Central Bank of Egypt aims to promote a sound monetary and banking system and to ensure price stability. These goals are pursued in alignment with the general economic policy of the State, as outlined in the Central Bank and Banking System Law No. 194 of 2020. As part of its price stability mandate, the CBE is committed to achieving and maintaining low and stable inflation over the medium term.

Since 2017, the CBE has been gradually transitioning towards implementing an inflation-targeting (IT) regime (See Box 1). This framework utilizes policy tools to anchor inflation expectations, contain demand-side pressures, and second-round effects of supply shocks, aiming to achieve the set inflation targets. To achieve its mandate whilst transitioning to an inflation-targeting framework, the CBE sets several inflation targets in a way that transitions Egypt's economy gradually to an inflation rate that is consistent with price stability. In December 2024, the CBE announced its inflation targets for Q4 2026 and Q4 2028 at 7 percent (±2 percentage points) and 5 percent (±2 percentage points) on average, respectively.

The Monetary Policy Committee meets eight times a year to discuss macroeconomic developments and decide on the level of key policy rates (overnight deposit and lending rates and the rate of the main operation) consistent with achieving the set inflation targets and maintaining price stability over the medium-term. The overnight deposit and lending rates serve as the floor and ceiling of the CBE's corridor system within which the overnight interbank rate (CBE's operational target) fluctuates. A press release is published on the CBE website following every meeting, outlining the rationale behind the decisions made.

Monetary Policy Tools and Instruments

To achieve its price stability mandate, the CBE employs a range of instruments: the overnight deposit and lending facilities, the minimum reserve requirement for commercial banks, and deposit auctions. The CBE utilizes its monetary policy tools to steer the overnight interbank rate towards the level deemed consistent with: (1) minimizing deviations of inflation from the level considered consistent with price stability (inflation gap) and (2) minimizing volatility of real economic activity with respect to its full capacity utilization (output gap).

Recent Monetary Policy Committee Decision

In its recent meeting on October 2, 2025, the Monetary Policy Committee of the Central Bank of Egypt decided to cut the CBE's overnight deposit rate, overnight lending rate, and the rate of the main operation by 100 basis points to 21.00 percent, 22.00 percent, and 21.50 percent, respectively. The Committee also decided to cut the discount rate to 21.50 percent.

The MPC judged that a 100-basis point reduction in policy rates aligns with upholding an appropriate monetary stance that anchors inflation expectations and sustains the disinflation path. Going forward, the Committee will continue to evaluate the magnitude and pace of monetary easing on a meeting-by-meeting basis. MPC decisions remain a function of the forecast trajectory, incoming data, and the prevailing balance of risks. The MPC will continue to closely monitor economic and financial developments, and stands ready to adjust its policy instruments as needed to fulfil its price stability mandate, steering inflation towards its targets of 7 percent (± 2 p.p.) in Q4 2026, and 5 percent (± 2 p.p.) in Q4 2028, on average.

*See CBE Monetary Policy Framework for further details.

Box 1. Basic Institutional Design of an Inflation Targeting (IT) Regime

Main Features of an Inflation Targeting Regime

1. **Choice of Inflation Target:** there are two alternatives – headline inflation or core inflation.
2. **Target Definition:** can be a single point or a band. If the target is a band, it can either be a tolerance band with a point target or a tolerance range. If the set target is high compared to peer countries but considered transitional towards the rate consistent with price stability, then transitional targets should be set on a declining path.
3. **Target Horizon:** definition of the reference period for assessing the accomplishment of the inflation target.
4. **Existence of Escape Clauses:** establishment of situations that can justify the non-fulfilment of the inflation targets.
5. **Transparency:** methods of communication used by the monetary authority to inform the public about the conduct of the inflation targeting regime.

Types of Inflation Targets

1. **Point targets (the central bank targets a specific number):** it is effective in anchoring inflation expectations, by pinning it down over the medium-term to single digits.
2. **Tolerance bands around point targets:** the target itself is a specific number but the central bank tolerates certain deviations around the point target. It creates more flexibility for central banks, especially for emerging markets, to accommodate uncertainties such as the CBE's 7 percent (± 2 percentage points), on average, in Q4 2026.
3. **Tolerance ranges (the central bank targets any point within a specified range):** some central banks choose to adopt this concept to have more room to meet their inflation targets.

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Summary

This edition of the *Monetary Policy Report* covers the latest international and local developments during Q3 2025, and evaluates their implications for the domestic economy. It also presents the outlook for key macroeconomic indicators, including inflation and economic growth.

Globally, growth continued to recover in Q2 2025, and is expected to maintain its momentum in Q3 2025, albeit at a slower rate, mainly driven by emerging market economies. Global inflation is projected to continue moderating in Q3 2025, approaching central banks' inflation targets. Similarly, global commodity prices broadly declined in Q3 2025, with energy prices moderating and international food prices easing for the fourth consecutive month until September 2025. Accordingly, central banks in both advanced and emerging market economies cautiously proceeded with their easing cycles, leading to more accommodative global financial conditions and a notable surge in capital inflows to emerging markets. Moreover, S&P Global Ratings upgraded Egypt's long-term sovereign credit rating to 'B' from 'B-' in October 2025, given improving confidence in Egypt's economy, continued progress on ongoing reforms, higher growth, and stronger external indicators.

Domestically, inflation continued to ease in Q3 2025, continuing its downward trajectory observed since the beginning of the year. Annual headline inflation decelerated to an average of 12.5 percent in Q3 2025, down from 15.2 percent in Q2 2025, driven mainly by a strong decline in food inflation that reverted to its pre-2022 levels. Similarly, annual core inflation moderated to an average of 11.2 percent in Q3 2025 compared to 11.6 percent in the previous quarter. However, non-food inflation continues to exhibit relative persistence in Q3 2025, primarily driven by higher services, especially rents, alongside modest increases in administered prices. In general, the downward trajectory of inflation indicates the continued dissipation of shocks and the improvement in inflation expectations.

The CBE's nowcast for Q3 2025 points to a sustained recovery in economic activity, with growth projected to hover around 5.0 percent, mainly driven by non-petroleum manufacturing, tourism, and the Suez Canal. Meanwhile, real GDP at market prices grew by 5.0 percent in Q2 2025, marking its strongest growth rate since Q1 2022 and signaling a sustained recovery momentum in economic activity, with full-year growth averaging 4.4 percent in FY 2024/25 compared to 2.4 percent in previous year. This performance was primarily driven by the positive contributions of consumption and gross domestic investment, particularly private investment. Demand-side inflationary pressures are expected to remain contained, supported by the prevailing monetary stance and the estimated output gap trajectory. Regarding the labor market, real wages recorded positive growth for the fourth consecutive quarter in Q2 2025. However, the magnitude of the increase remains modest, with real wages still below their 2022 levels, suggesting limited inflationary pressures from the wage channel.

The current account deficit significantly narrowed by 41.0 percent in Q2 2025 compared to the corresponding period in the previous year, driven by sustained growth in workers' remittances, tourism, and transportation. However, this was offset by a widening hydrocarbon trade deficit, primarily driven by natural gas imports to meet domestic demand. Meanwhile, the financial account surplus recorded in Q2 2025 was mainly underpinned by sustainable non-debt financing from continued FDI inflows, which were sufficient to cover the current account deficit. Accordingly, the overall balance of payments registered a marginal deficit of USD 0.2 bn in Q2 2025.

In terms of money supply, M2 annual growth continued to decelerate in Q3 2025[1], averaging 22.6 percent, down from 24.2 percent in Q2 2025. Meanwhile, the banking system's NFAs increased significantly by a cumulative USD 3.0 bn, reaching USD 17.9 bn in August 2025, compared to USD 15.0 bn in June 2025. Such increase was primarily driven by commercial banks' NFAs due to increased FX resources, including sustained workers' remittances and net portfolio inflows. Likewise, real growth of L/C loans to the private sector continued its recovery for an eighth consecutive quarter, averaging 14.5 percent in Q3 2025, up from an average of 12.6 percent in Q2 2025.

Despite the CBE's resumption of its easing cycle in Q3 2025, bringing policy rate cuts to a cumulative 625 bps in 2025, the monetary stance remains appropriate to support the disinflation path. Approximately 97 percent of the policy rate cuts were transmitted to the interbank market, with the overnight interbank rate averaging 23.6 percent in Q3 2025, compared to 27.5 percent in Q1 2025, indicating an effective passthrough of key policy rate changes to the interbank market. Additionally, 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, and reflecting more accommodative global financial conditions and declining sovereign risk on account of a more sustainable macroeconomic position.

Looking ahead, annual headline inflation is expected to continue its downward trajectory, converging toward the CBE target of 7 percent (± 2 p.p.), on average, in Q4 2026. In turn, annual headline inflation is projected to average 14.0 and 10.5 percent in 2025 and 2026, respectively, compared to 28.3 percent in 2024. Nonetheless, the disinflation path remains susceptible to domestic and global upside risks, including a higher-than-expected passthrough of fiscal consolidation measures and re-escalation of geopolitical tensions.

With respect to real GDP growth, the CBE projects an acceleration to 4.8 and 5.1 percent, on average, in FYs 2025/26 and 2026/27, respectively, primarily driven by stronger performance across key sectors, including extractions, manufacturing, and services. This will also be supported by the projected progress in monetary easing, which will further reinforce real private sector credit growth going forward. The forecasted pick-up in growth also factors in a partial recovery in Suez Canal economic activity, assuming a gradual normalization of maritime transport in the Red Sea in light of the recent armistice in Gaza. Consequently, the output gap is expected to narrow over the forecast horizon, with output levels approaching potential by end of FY 2025/26.

[1] Q3 2025 is the average of July and August 2025.

1.Current Economic Conditions

1.1 Global Developments

Key Takeaways:

- Global growth is expected to continue its recovery throughout the remainder of 2025, albeit at a slower rate.
- While broadly easing, global inflation remains subject to upside risks stemming from trade policy and geopolitical uncertainty.
- Commodity markets broadly declined in Q3 2025, reflected in softening Brent crude and international food prices.
- Easing global financial conditions supported an increase in capital flows to emerging markets, as well as an improvement in CDS spreads across emerging markets.
- Central banks in both advanced and developing economies maintained a cautious approach towards monetary policy, with several continuing their easing cycles.

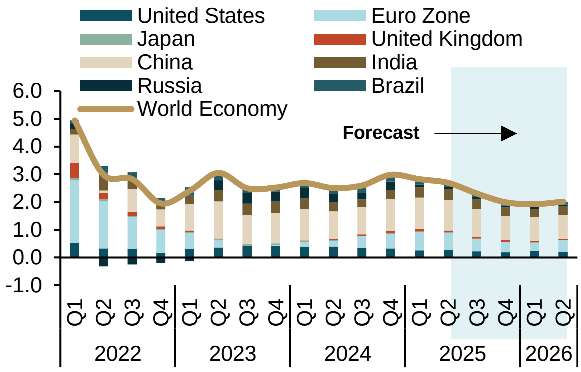
Global growth continued recovering slightly in Q2 2025 primarily driven by emerging market economies, and is expected to maintain its momentum in Q3 2025, albeit at a slower rate.[2] Nevertheless, the outlook remains subject to downside risks from recurring trade policy shifts and geopolitical developments.

Average global economic growth, weighted by Egypt's volume of trade with key trading partners, is projected to average 2.3 percent in Q3 2025, compared to 2.6 percent in Q3 2024 (Figure 1), and is expected to remain near these levels throughout the remainder of 2025 and 2026. A stabilization in global economic growth is expected to strengthen external demand, enhancing exports, tourism receipts, and remittances, thereby boosting Egypt's domestic growth. However, it is worthy of note that stronger external demand could lead to upward pressures on domestic inflation.

Figure 1

Economic Growth of Egypt's Trading Partners*

(In %, y/y)



Source: Bloomberg

**The series is weighted using Egypt's trade volume in FY 2023/24. Growth rates starting Q3 represent forecasts.*

Global inflation is expected to continue approaching central banks' inflation targets, recording 2.5 percent in Q3 2025 compared to 2.6 percent in Q3 2024 (Figure 2).[3] Over the medium term, inflationary pressures are expected to continue moderating across both advanced and emerging economies, supported by the lagged effects of tightening monetary policy and softening commodity prices. However, an escalation of trade policy uncertainty and renewed supply chain disruptions could pose upside risks to the disinflation outlook. For Egypt, the current global disinflationary trend could lower the risk of imported inflation, supporting domestic price stability and alleviating pressures on its external position.

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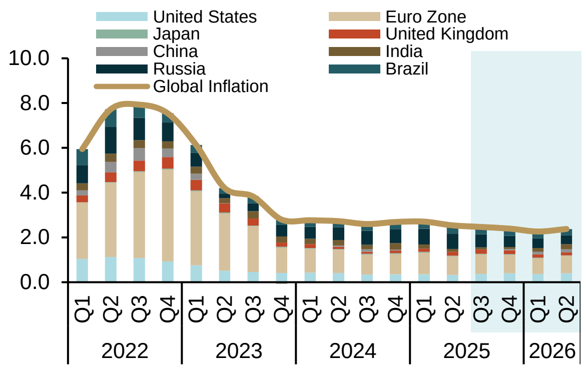
[2] Growth figures are projected according to Bloomberg data, weighted by CBE figures.

[3] Inflation figures are projected according to according to Bloomberg data, weighted by CBE figures.

Figure 2
Headline Inflation of Egypt's Trading Partners*
(In %, y/y)



Source: Bloomberg
** The series is weighted using Egypt's trade volume in FY 2023/24. Inflation rates starting Q3 represent forecasts.*

Figure 3
Brent Oil Price Developments
(In USD/bbl., daily prices)

Source: Bloomberg

Global commodity prices broadly declined in Q3 2025, with energy prices remaining broadly stable despite experiencing slight mid-quarter volatility triggered by renewed geopolitical tensions, and continued softening in international food prices.

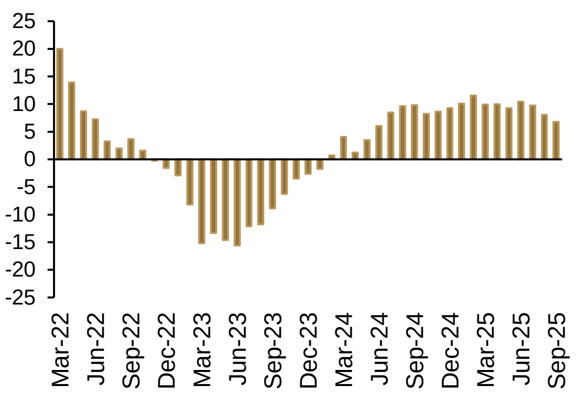
Brent crude prices remained broadly stable in Q3 2025, averaging USD 68.2 per barrel compared to USD 66.8 in Q2 2025, down from 78.7 in Q3 2024 (Figure 3). However, oil prices experienced temporary volatility during the quarter amid heightened geopolitical tensions, yet remained within the USD 60–70 per barrel range. Increased supply from OPEC+ member and non-member countries, as well as concerns about weakening global demand, helped mitigate upward pressures.

The energy market outlook appears tilted to the downside, reflecting tempered risk perceptions for oil-producing countries and the recent October 2025 OPEC+ decision to raise production. These factors, in addition to expectations of subdued demand growth, could further intensify downward pressure on oil prices as supply continues to outpace demand.

Passthrough from developments in international oil prices to Egypt's domestic price levels remains limited. However, a decline in oil prices would improve its oil trade balance, easing pressures on external and fiscal balances.

International food prices, measured using domestic CPI basket weights of core food items, eased in Q3 2025, averaging 8.2 percent compared to 9.9 percent in Q2 (Figure 4). This moderation was primarily driven by decreasing cereal and sugar prices, alongside softening dairy, vegetable oils, and poultry prices, which more than offset the uptick in beef prices.

Figure 4
International Food Prices
(In %, y/y, using domestic CPI basket weights of core food items)



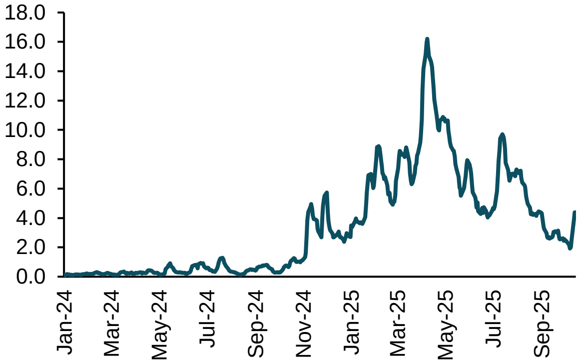
Sources: Central Bank of Egypt calculations; World Bank; and Food and Agriculture Organization of the United Nations.

Despite its improvement related to the previous quarter, global trade policy uncertainty remained elevated in Q3 2025 relative to the previous quarter, yet remaining well-below its April 2025 peaks. The Global Trade Policy Uncertainty Index indicates a fragile trade environment amid renewed US–China tensions and prospects of new reciprocal tariffs (Figure 5). Although there has been no large-scale escalation of trade protectionism, lingering policy ambiguity continues to weigh on trade momentum, with the world trade volume growth projected to slow to 2.9 percent in 2025–26, down from 3.5 percent in 2024.[4]

Figure 5

Global Trade Policy Uncertainty*

(Index level)



Source: Bloomberg

** An increase indicates rising uncertainty surrounding global trade policies.*

Looking ahead, an improvement in the global trade environment could ease tariff pressures and restore confidence in trade prospects across both advanced and emerging economies. However, if an improvement doesn't materialize, this could amplify the advantages of Egypt's relatively low tariff exposure, enhancing the competitiveness of non-oil exports and attracting higher FDI as production shifts to markets with favorable tariff conditions.

[4] According to IMF World Economic Outlook (WEO) figures.

Capital inflows to emerging markets rose by 8.2 percent in Q3 2025 compared to 0.7 percent in Q2 2025 (Figure 6). This increase was supported by a weaker US dollar, moderate easing of financial conditions in advanced economies, and improved global risk sentiment.

Figure 6

Emerging Markets Capital Flows[1]

(Index level, increase = inflows and vice versa)

Source: Bloomberg

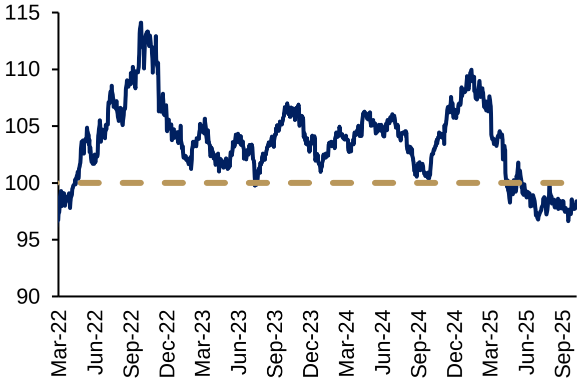
1 The EM Capital Flow Proxy Index mimics capital flows through emerging markets, and is constructed from four indices with varying weights: Commodity Index (Goldman Sachs), EM equity index (MSCI), EM bond spread index (EMBI), EM FX Carry Trade Index.

During Q3 2025, the US dollar continued its depreciation trend observed earlier in the year, with the US Dollar Index (DXY) declining by approximately 11 percent since the beginning of 2025 (Figure 7). This weakening reflects expectations of further Fed rate cuts, rising trade policy uncertainty, and investor portfolio rebalancing toward higher-yielding emerging market assets, as well as lower-risk assets such as gold.

Figure 7

U.S. Dollar Index (DXY)

(Index level, Increase = appreciation and vice versa)



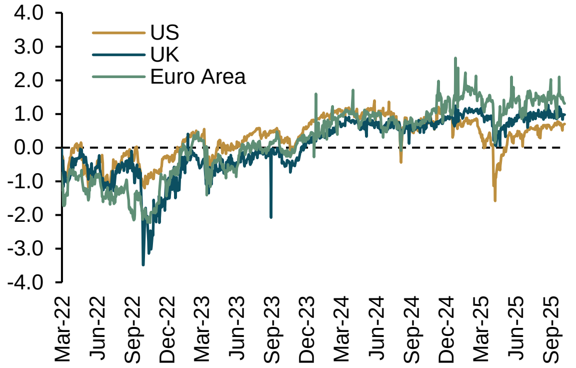
Source: Bloomberg.

The modest depreciation of the US dollar, coupled with a more accommodative monetary policy stance across major central banks, contributed to the easing of financial conditions in advanced economies in Q3 2025 (Figure 8). In turn, this improved external financing conditions for developing economies, stimulating capital inflows, easing external financing constraints, and supporting growth prospects.

Figure 8

Financial Conditions Index*

(Z-score)



Source: Bloomberg

** Positive values indicate more accommodative financial conditions, and vice versa.*

These external developments signal a shift in investor preferences towards emerging market assets. Looking ahead, a faster-than-anticipated pace of monetary easing in advanced economies, combined with improved investor sentiment, could further strengthen capital inflows into emerging markets, including Egypt.

Consistent with these shifts in the global investment climate, emerging market (EM) sovereign credit default swap (CDS) spreads broadly narrowed in Q3 2025 compared to Q2 2025, reflecting improved global risk sentiment and more favorable financial conditions. Economic recovery, contained inflationary pressures, and resilient external buffers further supported credit risk perceptions. Overall, CDS dynamics indicate a normalization of risk pricing across emerging markets following the heightened volatility of recent years.

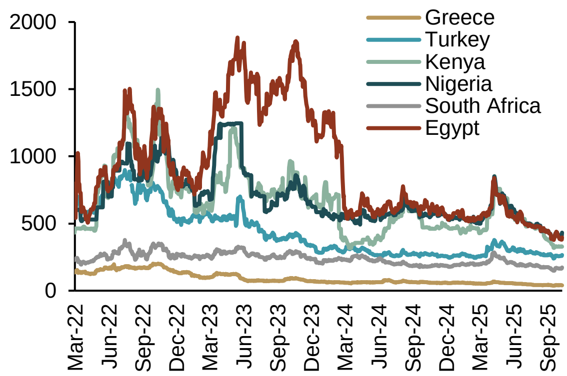
In line with broader emerging market trends, Egypt's 5-year CDS spread declined markedly in Q3 2025, reaching its lowest level in four years (Figure 9). This development signals a normalization in Egypt's sovereign credit risk and a strengthening of external confidence in the country's ability to manage its obligations.

Reinforcing this trend, S&P Global Ratings upgraded Egypt's long-term sovereign credit rating to 'B' from 'B-' in October 2025, given improving confidence in Egypt's economy, continued progress on ongoing reforms, higher growth, and stronger external indicators.

Figure 9

Egypt and Peers: 5-Year CDS Spreads

(Index level)



Source: Bloomberg

Central banks continued to adjust monetary policy in response to shifting global conditions. In Q3 2025, central banks in advanced economies gradually continued their easing cycles amid persistent risks (Figure 10, panel a). At its September 2025 meeting, the US Federal Reserve implemented its first policy rate cut of the year (25 bps), lowering the federal funds target range to 4.00–4.25 percent. Although additional rate cuts are anticipated, central banks are expected to proceed cautiously given global uncertainty and trade-related risks.

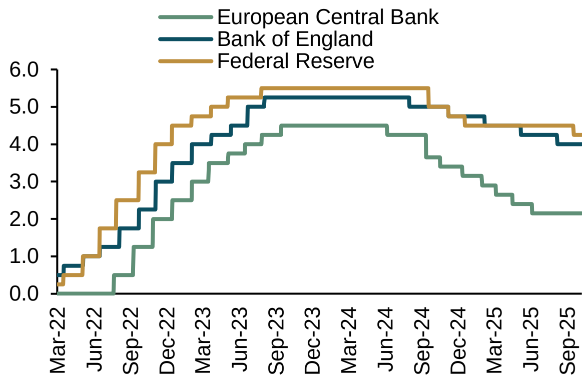
In emerging markets, monetary policy was broadly influenced by the easing in advanced economies; however, the overall stance remained cautious (Figure 10, panel b). Several emerging market central banks reduced policy rates to support economic activity amid easing inflationary pressures and improved external financing conditions. However, others opted to keep rates unchanged to safeguard the disinflation momentum.

Figure 10

Key Policy Rates in Major Central Banks

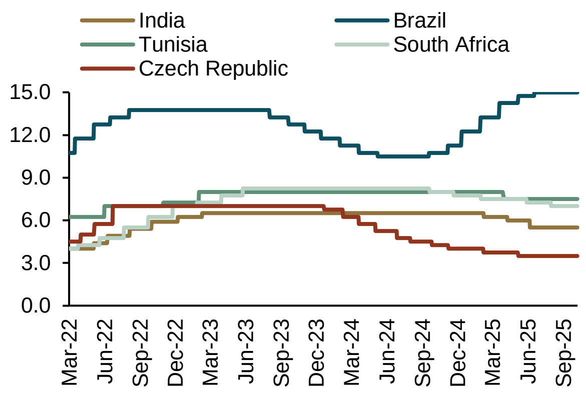
(In %)

a. Advanced Economies



Note: ECB rate refers to the main refinancing operation rate and the Federal Reserve rate refers to the ceiling of the federal funds target range.

b. Emerging Economies



Source: Bloomberg

Similarly, the Central Bank of Egypt has maintained its prudent, forward-looking approach, reducing its key policy rate to 21.5 percent at its October 2025 MPC meeting to support the ongoing disinflationary trajectory, while continuing to closely monitor domestic and external developments.

Recovery in global economic growth and stabilizing global inflation are expected to generate positive spillovers for the Egyptian economy. Recent moderation in global commodity prices, particularly oil, is likely to reduce imported inflation pressures, supporting Egypt's external balances and domestic price stability. Moreover, more accommodative global financial conditions, an improved risk appetite, and a weaker US dollar are expected to enhance the relative attractiveness of emerging market assets, bolstering capital inflows to emerging markets, including Egypt.

1.2 Domestic Developments

1.2.1 Inflation

Key Takeaways:

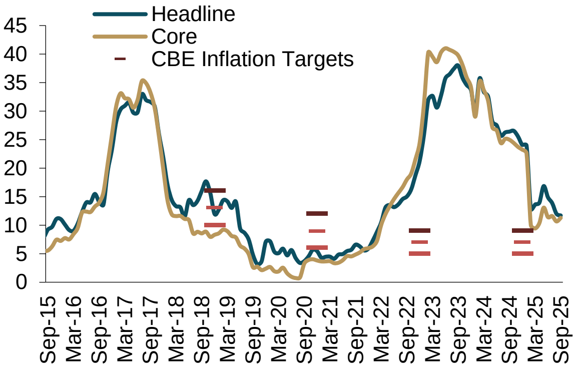
- In Q3 2025, both headline and core inflation decelerated, recording an average of 12.5 and 11.2 percent, respectively, driven by easing inflationary pressures and continued dissipation of earlier shocks. Recent inflation developments reflect a significant decline of around 14 percentage points compared to the same quarter of the previous year.
- Annual food inflation recorded 2.3 percent in Q3 2025, marking its lowest rate in more than four years (since Q2 2021). Meanwhile, annual non-food inflation remained relatively persistent at 19.8 percent in Q3 2025.

Annual headline and core inflation continued to ease in Q3 2025, underscoring the downward trajectory observed since the beginning of the year (Figure 11). Annual headline inflation decelerated to 12.5 percent in Q3 2025, down from 15.2 percent in Q2 2025 and 26.1 percent in Q3 2024, driven mainly by base effects and a sharp decline in food inflation, which reverted to its pre-2022 levels.

Figure 11

Headline and Core Inflation*

(In %, y/y)



Source: Central Agency for Public Mobilization and Statistics; and Central Bank of Egypt.

** Core inflation excludes administered prices and volatile food items from the CPI.*

Annual core inflation decelerated to 11.2 percent in Q3 2025 compared to 11.6 percent in the previous quarter and 24.8 percent in Q3 2024 (See Box 2 for a discussion on the differences between headline and core inflation measures). This comes as the sharp decline in food inflation continues to offset persistent pressures from non-food items.

Regarding monthly inflation dynamics, it relatively moderated in Q3 2025, as monthly headline inflation rates continued to decelerate. On average, monthly headline inflation recorded 0.6 percent in Q3 2025, compared to 1.0 percent in Q2 2025 and 1.5 percent in Q3 2024. Recent developments are largely driven by the dissipation of earlier food price shocks, which had been the predominant driver of monthly inflation.

In particular, headline inflation declined to -0.5 percent in July 2025, driven by notable declines in poultry and fresh fruit and vegetable prices that exerted downward pressure on the overall index. Similarly, food prices declined to -3.0 percent in July 2025, offsetting upward pressures from non-food inflation, particularly tobacco, LPG, and rents. Meanwhile, prices broadly stabilized in August 2025 as monthly inflation recorded 0.4 percent driven by the continued decline in food prices besides marginal increases in non-food prices.

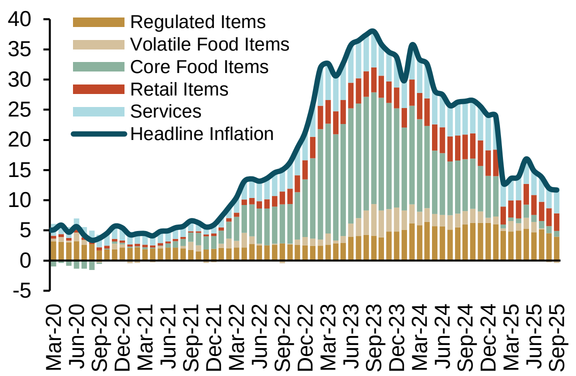
On the other hand, September 2025 witnessed a slight uptick, primarily driven by an increase of 10.4 percent in rents. This increase could be attributed to the amendments passed by the Egyptian Parliament to the Old Rental Law in July 2025. Nonetheless, September's monthly inflation remained below its level in 2024 (2.1 percent).

Overall, monthly inflation dynamics in Q3 2025 indicated subdued food inflation during the early weeks of the quarter, alongside renewed but contained pressures from regulated and service prices—particularly rents and tobacco. These pressures, however, were not strong enough to reverse the prevailing disinflationary trend (Figure 12).

Figure 12

Breakdown of Headline Inflation*

(In p.p., y/y)



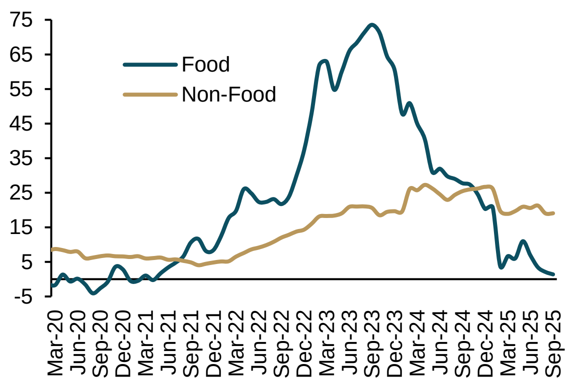
Source: Central Bank of Egypt calculations; and CAPMAS data.

A closer examination reveals that inflationary dynamics in Q3 2025 were shaped by opposing movements between food and non-food items (Figure 13). On one hand, the relative persistence of non-food inflation was primarily driven by services, particularly higher rents, alongside moderate increases in regulated prices. On the other hand, the aforementioned decline in food prices curbed inflationary pressures stemming from non-food prices.

Figure 13

Food and Non-Food Inflation

(In %, y/y)



Source: Central Bank of Egypt calculations; and CAPMAS data.

In line with the enactment of Law No. 157 of 2025 in June 2025, which amended VAT Law No. 67 of 2016, tobacco contributed significantly to inflation in Q3 2025. Tobacco prices rose cumulatively by 9.1 percent during the quarter, compared to almost no change in Q2 2025 and a mild cumulative increase of 0.9 percent in Q3 2024. Despite the increase in regulated prices, overall inflation developments reflected a pronounced deceleration, as the reversal of earlier food price shocks helped contain price increases in non-food items.

Although food inflation eased notably, headline inflation during Q3 2025 continued to reflect the impact of non-food items. This comes as annual food inflation recorded 2.3 percent in Q3 2025, down from 7.9 percent in Q2 2025, while non-food inflation remained relatively stable at 19.8 percent compared to 20.4 percent in Q2 2025.

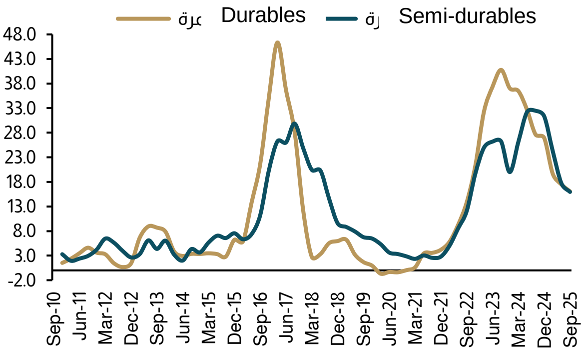
During the period between Q1 2022 and Q1 2024, food items - accounting for nearly one-third of the CPI basket - were the primary driver of inflation. However, since early 2024, non-food items have become the main contributor, driven by the persistence of non-food components. This reversal in trend reflects the faster dissipation of shocks in the food items relative to the non-food items. Hence, food inflation has declined sharply from its peak of 73.6 percent in September 2023 to 1.4 percent in September 2025, marking the lowest annual food inflation recorded since April 2021. On the other hand, non-food inflation has only declined slightly to 19.1 percent in September 2025 compared to 20.6 percent in September 2023, reflecting the persistent nature of non-food items.

Durable goods inflation (that of vehicles, appliances, etc.) has markedly decelerated since its peak of 40.8 percent in Q3 2023 to 16.1 percent in Q3 2025 (down by around 25 p.p.). The moderation was supported by several factors including the prevailing Monetary Policy stance, availability of foreign exchange to import investment and consumer goods, which pickedup during FY 2024/25, and the recent moderation in global commodity prices, all of which have contributed to containing imported inflation pressures. Additionally, Semi-durable goods inflation (that of clothing, footwear, equipment, etc.) also eased, declining from its peak of 32.5 percent in Q3 2024 to 16.0 percent in Q3 2025 (Figure 14).

Figure 14

Inflation of Durable and Semi-durable goods

(In %, y/y)



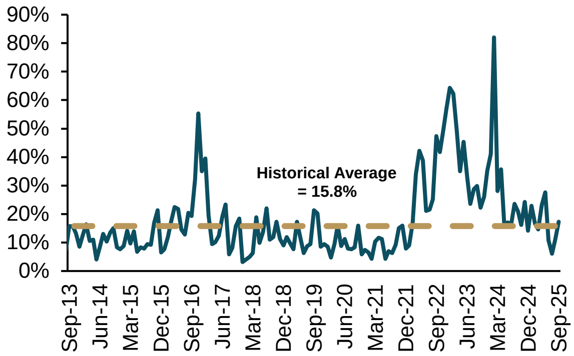
Source: Central Bank of Egypt calculations, using the Classification of Individual Consumption according to Purpose (COICOP 2018).

To gauge the dispersion of inflation rates across goods and services, the CBE uses a diffusion index. This index quantifies the extent of price changes and indicates the persistence of inflationary pressures above a monthly threshold of 2 percent. The index measures the share of CPI items recording a monthly inflation rate exceeding 2 percent relative to the total number of items in the CPI basket (Figure 15).

Figure 15

Diffusion Index

(Percent of items with m/m inflation above 2 percent, Index)



Source: Central Bank of Egypt calculations.

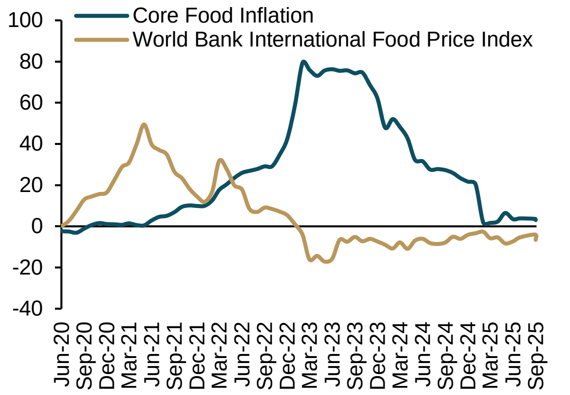
The diffusion index averaged 11.5 percent in Q3 2025, well-below its historical average of 15.8 percent and compared to an average of 20.5 percent in Q2 2025 and an average of 20.1 percent in Q3 2024. This indicates a continued recovery in inflation dynamics, with fewer items recording an inflation rate above 2 percent.

In Q3 2025, annual domestic core food inflation decelerated to an average of 3.5 percent, down from 4.1 percent in Q2 2025. This decline was supported by the stability in international food commodity prices. Nevertheless, the passthrough between international and domestic food prices varies. While global food price increases transmit to domestic markets with a lag (Figure 16), downward adjustments in international prices only moderate domestic inflationary pressures.

Figure 16

Core Food Inflation: Global Index vs. Local Dynamics

(In %, y/y)



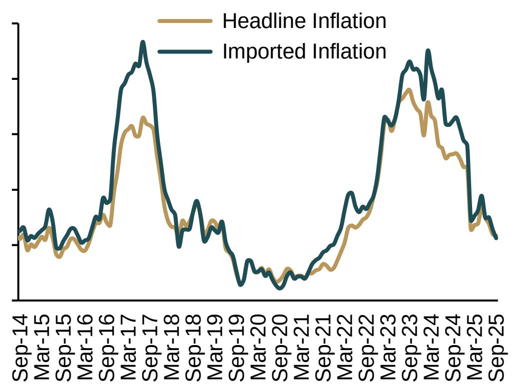
Source: Central Bank of Egypt calculations; CAPMAS data; and World Bank International Food Price Index.

Conventionally, imported inflation[5] and headline inflation move in tandem, diverging only during episodes when the prices of imported items increase independently from broader domestic price movements. Such divergences typically coincide with periods of exchange rate volatility, trade disruptions, or elevated international commodity prices (Figure 17).

Figure 17

Imported Inflation

(In %, y/y)



Source: Central Bank of Egypt calculations; and CAPMAS data.

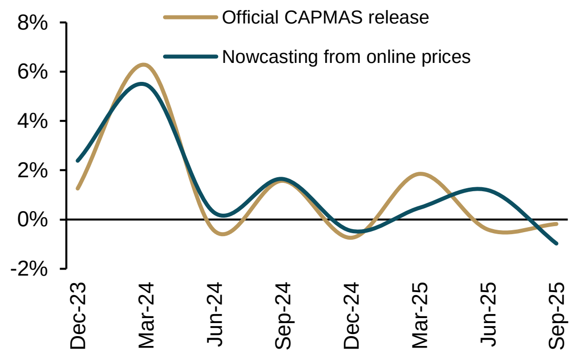
In Q3 2025, imported inflation moderated to an average of 13.1 percent, down from 16.7 percent in Q2 2025. This decline was consistent with the gradual deceleration in both headline and food inflation, and primarily reflected the stabilized exchange rate, which supported the ongoing dissipation of external shocks.

The CBE's nowcasts using online prices for core food items closely tracked the official CAPMAS inflation releases (Figure 18), as both series moved broadly in line over the observed period (including Q3 2025). Despite the temporary interruption witnessed in Q2 2025 - as both series reflected different directions - the CBE's nowcasting approach continued to capture the general trajectory of price movements across nearly all food categories.

Figure 18

Quarterly Inflation of Food items

(In %, q/q)



Source: Central Bank of Egypt calculations; and CAPMAS data. See Box 2 in Q1 2025 MPR

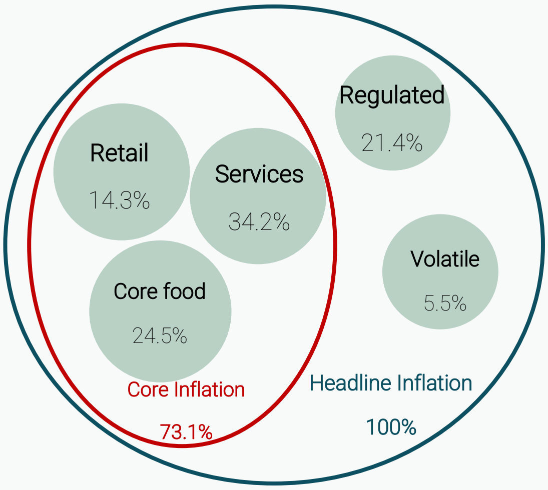
[5] Calculated through decomposing the CPI basket, which reveals that 18.0 percent of the basket consists of imported final goods or goods that rely on imported inputs, while the remaining share is domestically produced.

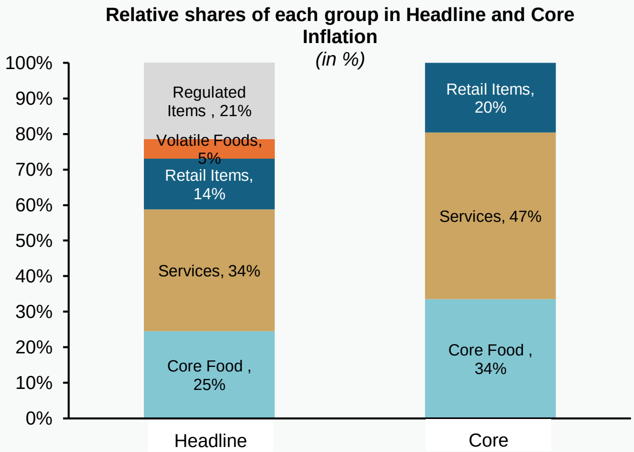
Box 2. Headline vs. Core Inflation

Unlike Headline inflation, Core inflation captures **only persistent price movements**, excluding the influence of transitory or volatile shocks. The most common approaches to measuring Core inflation include the exclusion-based method and the trimmed mean method. As published by the Central Bank of Egypt (CBE), Core inflation is calculated using an exclusion-based methodology. This approach removes the impact **of temporary price shocks** from the Headline CPI, allowing for the identification of underlying and persistent inflationary pressures.

In its Core measure, the Central Bank of Egypt removes the following components from the CPI basket:

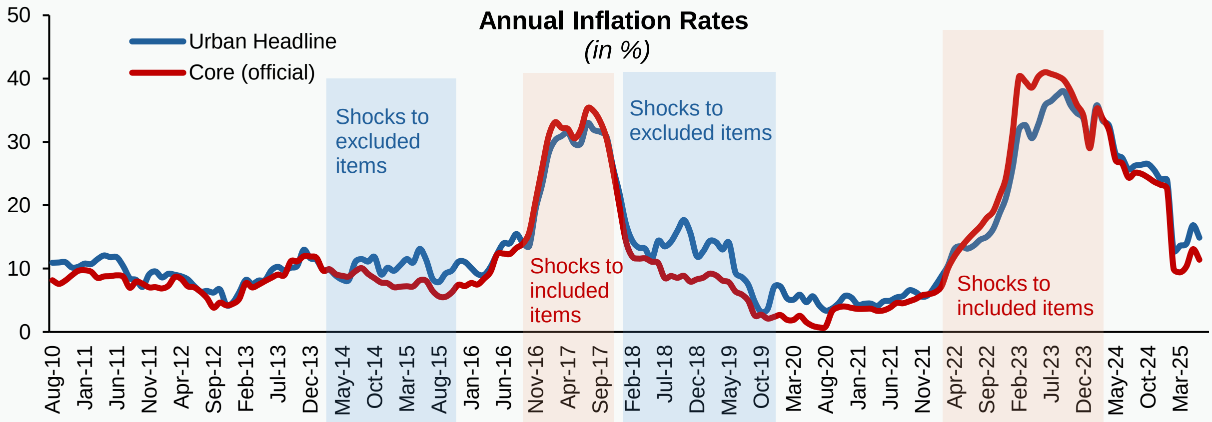
1. Volatile food items consisting of fresh fruits and vegetables
2. Regulated prices:
    a. Subsidized food items (rice, oil, bread, sugar, etc.);
    b. Public services (education, healthcare, communications, transportation); and
    c. Energy (electricity, petroleum products, natural gas, and other related services).





The CBE's Core measure typically walks in tandem with the headline rate, except when:

- **Shocks are concentrated in the excluded groups**. This was visible during 2014–2015 and 2018–2019, as the economic reform program relied heavily on fiscal consolidation measures, in addition to a surge in volatile food prices. **Therefore, core inflation rates were lower than headline rates.**
- **Shocks are concentrated in the included groups**. This was evident during 2016–17 and 2022–2023, where exchange rate volatility and international pressures resulted in higher prices of core food items and non-food imported items, **resulting in core inflation exceeding headline inflation.**



1.2.2 Real Sector

Key Takeaways:

- An estimated negative output gap indicating that demand-driven inflationary pressures are likely to remain contained, supporting the disinflationary trend in the short term.

- Based on high-frequency indicators, the CBE's nowcast for Q3 2025 points to a sustained recovery in economic activity, with growth projected to hover around 5.0 percent.

- Real GDP growth at market prices recorded 5.0 percent in Q2 2025, compared to 2.4 in Q2 2024. Accordingly, real growth averaged 4.4 percent in FY 2024/25, compared to 2.4 in FY 2023/24.

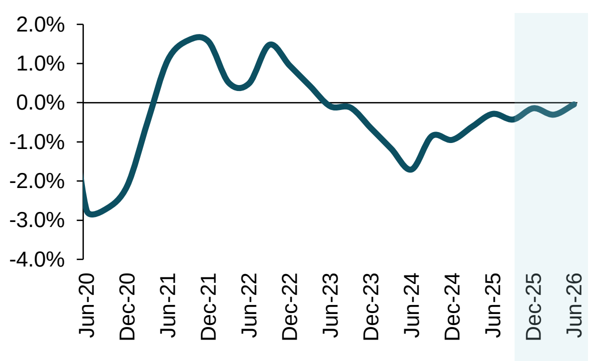
- The unemployment rate declined to 6.1 percent in Q2 2025, down from 6.5 percent in Q1 2024. As such, FY 2024/25 averaged 6.4 percent. Meanwhile, real wages continue to recover, albeit remaining close to their potential levels.

The estimated output gap remains in negative territory but is gradually narrowing, with the economy projected to converge to potential by the end of FY 2025/26 (Figure 19).

Figure 19

Output Gap

(In % of potential GDP)



Source: Ministry of Planning, Economic Development and International Cooperation (MPEDIC); Central Bank of Egypt Calculations.

Consequently, demand-side inflationary pressures are expected to remain contained, supporting the disinflation path over the short term. This downward path is further reinforced by the prevailing monetary policy stance. The following paragraphs will outline the high-frequency indicators employed to estimate Q3 2025 CBE nowcast in addition to the latest actual GDP developments for Q2 2025.

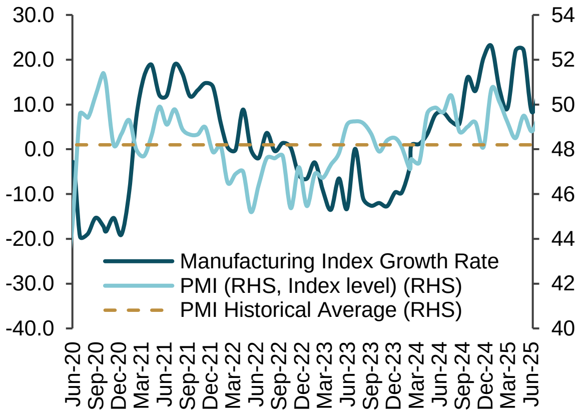
The CBE's nowcast for real GDP growth for Q3 2025 is estimated to record around 5.0 percent, in accordance with high frequency indicators of economic activity. These indicators cover approximately 60 percent of sectoral economic activity, offering a reliable estimate of overall economic performance.

In Q3 2025, the manufacturing index—a leading indicator closely correlated with non-petroleum manufacturing GDP—grew by 14 percent year-on-year (Figure 20). This reflects continued growth momentum, albeit at a slower pace than in Q2 2025, which recorded 18 percent. This growth is further supported by the performance of non-oil private sector activity in Q3 2025, as the PMI averaged 49.2, exceeding its long-term average of 48.2 since its first release in Q2 2011.

Figure 20

Manufacturing Index Growth

(In %, y/y, unless otherwise specified)



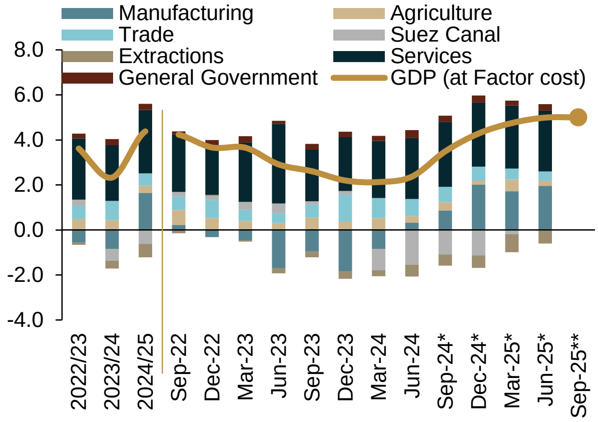
Source: CAPMAS and S&P Global.

Similarly, tourism GDP—proxied by tourist nights as a leading indicator—registered an annual increase of approximately 13.7 percent in Q3 2025, underscoring the sector's continued resilience amid geopolitical tensions. This growth reflects sustained efforts to diversify the tourist base and destinations, expand hotel capacity, and attract higher spending tourists by enhancing service quality, especially in the North Coast destinations. Consequently, both non-petroleum manufacturing and tourism remain the primary drivers of economic growth, contributing significantly by an estimated 2.3 p.p. to overall real GDP growth nowcast (Figure 21).

Figure 21

Contribution to Real GDP Growth at Factor Cost

(In p.p., y/y)



Source: MPEDIC

** Preliminary figures.*

*** September 2025 is the CBE nowcast (subject to revision).*

Meanwhile, leading indicators linked to Suez Canal activity signal an improvement in Suez Canal GDP in Q3 2025, marking its first expansion since Q4 2023. This reflects a marginal recovery in net tonnage transiting the Canal. Conversely, indicators associated with crude oil GDP point to a continued annual contraction in Q3 2025, extending the declines observed in Q2 and Q1. However, indicators correlated with natural gas production suggest a modest improvement in Q3 2025 compared to Q2 and Q1 2025. Overall, the extractions sector continues to weigh down on real GDP growth.

In Q2 2025, real GDP at factor cost grew at its fastest pace since Q1 2022, recording a 5 percent growth rate, driven by strong performance in non-petroleum manufacturing, tourism, and trade sectors. Combined, these sectors contributed 3.3 p.p. (equivalent to 66 percent of total recorded growth) compared to 1.5 p.p. in the corresponding quarter of 2024. The expansion in these sectors aligns with the growth in real local currency loans extended to manufacturing, services, and trade activities.

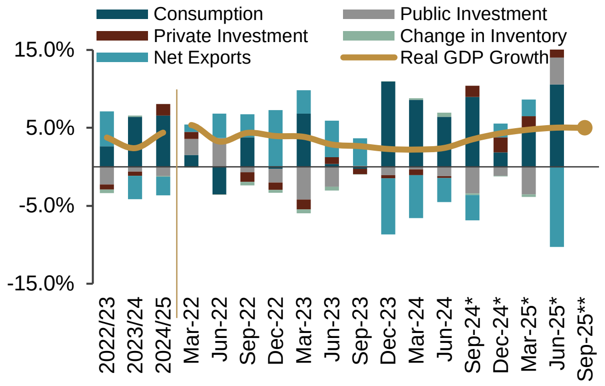
However, Suez Canal economic activity in Q2 2025 ceased to contribute negatively to growth for the first time since Q4 2023, reflecting a favorable base effect. Conversely, the extractions sector continued to weigh down on overall growth, albeit its contraction narrowed, with its contribution improving by 0.2 p.p. compared to Q1 2025. This improvement reflects the impact of partial settlement of arrears owed to foreign partners, encouraging the re-investment of proceeds and hence, the potential gradual revival of production volumes. Accordingly, real GDP at factor cost averaged 4.4 percent in FY 2024/25, driven by expansion in non-petroleum manufacturing, tourism, and trade.

Meanwhile, real GDP at market prices grew by 5.0 percent in Q2 2025, marking its strongest growth rate since Q1 2022 and signaling a sustained recovery momentum in economic activity (Figure 22). This performance was primarily driven by positive contributions of consumption and gross domestic investment. However, this positive performance was partially offset by the dampening effects of net exports of goods and services in the last quarter of FY 2024/25.

Figure 22

Contribution to Real GDP Growth at Market Prices

(In p.p., y/y)



Source: MPEDIC

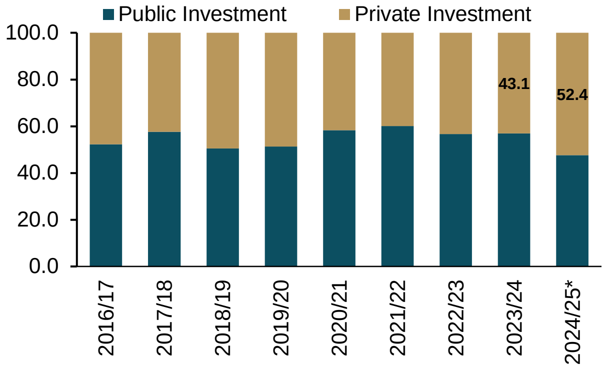
** Preliminary figures.*

*** September 2025 is CBE nowcast (subject to revision).*

Figure 23

Shares in Gross Fixed Investments

(In percent of gross fixed investments)



Source: MPEDIC

** Preliminary figures.*

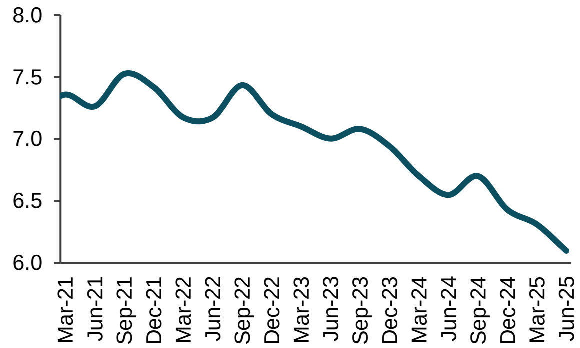
Hence, real GDP at market prices grew by 4.4 percent, compared to 2.4 percent in FY 2023/24, driven by the improving contribution of gross domestic investment by 1.2 p.p. compared to the previous year. The improvement is mainly attributed to the strong rebound in private investment, whose contribution turned positive for the first time since FY 2022/23, driven by a 26 percent growth year-on-year, also seen in its growing share to gross fixed investments (Figure 23). This comes following the exchange rate unification in March 2024, improving firms' ability to import requisite raw materials and intermediate goods for their production process, allowing them to fully utilize previously idle production capacity, and hence, propelling sustainable real GDP growth. Likewise, the contribution of net exports of goods and services improved by 0.6 p.p. compared to the previous year, though remaining in contractionary territory. Meanwhile, consumption remains a key driver of growth, contributing 6.6 p.p. in FY 2024/25 compared to 6.4 p.p. in FY 2023/24.

Regarding the labor market, the unemployment rate declined to 6.1 percent in Q2 2025, down from 6.5 percent in Q2 2024 (Figure 24). This year-on-year improvement was primarily driven by employment growth, which outpaced the number of new entrants into the labor force. Employment gains were concentrated in key sectors, including agriculture, manufacturing, and services, particularly construction and transportation, all of which continue to contribute positively to real GDP. Hence, unemployment rate averaged 6.4 percent in FY 2024/25, relative to 6.8 percent in FY 2023/24. The decline in unemployment is consistent with the anticipated pickup in economic activity in FY 2025/26, as labor market shifts typically precede broader developments in the economy (Box 3) for further analysis on the relationship between output and unemployment).

Figure 24

Unemployment Rate

(As a percent of labor force)



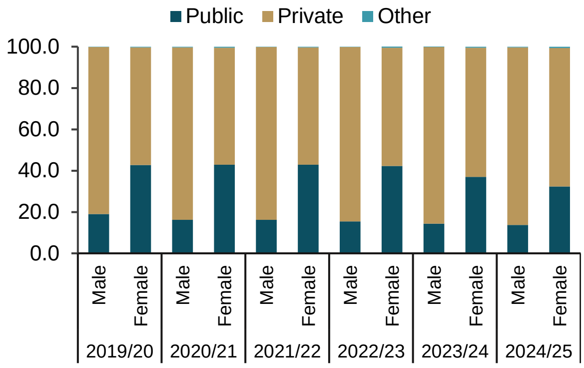
Source: CAPMAS

Furthermore, developments in the employment structure reflect the growing role of private investment supporting real economic growth. In FY 2024/25, the share of private sector employment rose by 4.9 p.p. compared to FY 2023/24, with the increase primarily concentrated among females (Figure 25).

Figure 25

Public and Private Employment Shares

(In % of total employment of the specified gender)



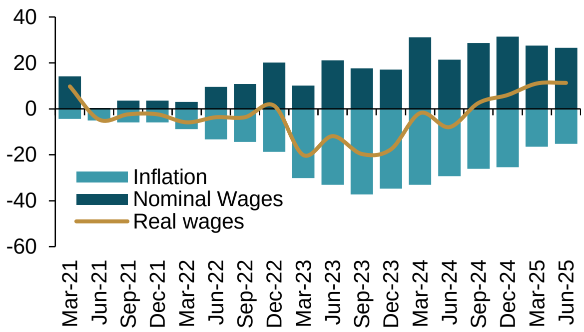
Source: CAPMAS

Meanwhile, real wages recorded positive growth for the fourth consecutive quarter in Q2 2025, marking a notable shift following a prolonged contraction that began in Q2 2021. This improvement reflects nominal wage growth outpacing inflation (Figure 26).

Figure 26

Real Wage Decomposition

(In %, y/y)



Source: CAPMAS

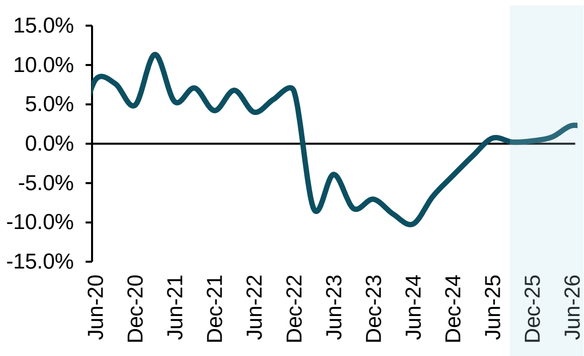
However, the magnitude of the increase remains modest, with real wages hovering near their potential levels, and still below their 2022 levels (Figure 27).

As such, inflationary pressures arising through the wage channel remain contained, as the current wage level reflects a gradual recovery of household purchasing power compared to the past two years. This assessment is consistent with the estimated output gap, which remains marginally negative, supported by the current tight monetary stance that reinforces the projected disinflation path over the short term.

Figure 27

Real Wage Gap

(In %, y/y)



Source: CAPMAS & CBE Calculations.

Box 3. Economic Activity and Employment: Does Okun's Law Hold for Egypt?

Economic activity is often intertwined with broader labor market trends. A contraction in economic activity typically lowers inflation and increases unemployment, which in turn feeds back into the economy, further reducing activity. These interactions are captured by Okun's Law (Okun, 1962)[1], which states that the change in the unemployment gap approximates one-third of the change in the output gap. This Box examines whether this relationship holds for Egypt, providing useful insights into how economic activity relates to employment dynamics.

I. Evolution of the Unemployment-Output Relationship

The output-unemployment relationship is studied through an estimate originally proposed by Okun: the gap model. It describes the relationship between the output gap—defined as the percentage deviation of real output from its potential level—and the unemployment gap, defined as the deviation of the unemployment rate from its potential level.[2] Looking at Egyptian data from Q1 2006 to Q2 2025, the relationship between the output gap and the unemployment gap appears evident. When the economy operated above its potential, particularly in the years preceding the 2011 Revolution and during the pre-COVID pandemic, unemployment levels tended to fall below their long-term trend, indicating a clear negative relationship between the output gap and the unemployment gap. These periods were marked by notable economic improvement and a declining unemployment gap. Conversely, during episodes of economic slowdown, notably the COVID-19 period, unemployment exceeded its potential level (Figure A). The correlation between the output gap and the unemployment gap is estimated at –0.64 (Figure B). A similar coefficient emerges when using the first differences of output and unemployment from one period to the next, following another original formulation of Okun's (Ball, Leigh, and Loungani, 2017)[3], confirming the validity of Okun's Law in Egypt, as deviations from potential output are mirrored in labor market conditions.

II. Empirical Support

To complement the previous relationship with empirical evidence, a regression analysis was conducted to test Okun's Law. Following Okun's framework, firms adjust their labor demand in response to changes in economic activity; therefore, the unemployment gap was regressed on the output gap. The findings indicate that a one-percentage-point increase in the output gap is associated with a decline of about 0.3 to 0.4 p.p. in the unemployment gap.[4] The previous empirical estimates are consistent with the broader literature, which highlights that the Okun coefficient varies across countries depending on labor market structures and adjustment dynamics. The coefficient estimated for Egypt is moderate relative to international benchmarks reported by Ball, Leigh, and Loungani (2017).

Figure A
Okun's Law: Output Gap and Unemployment Gap in Egypt

(In %)

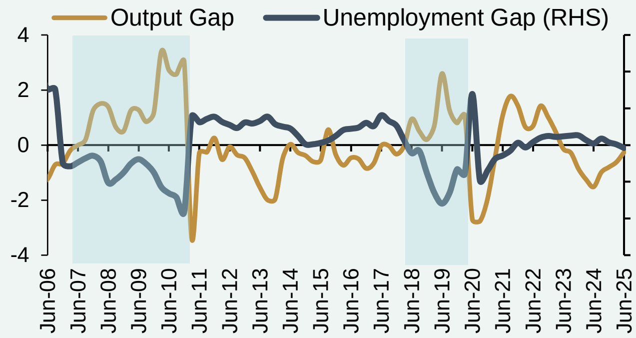
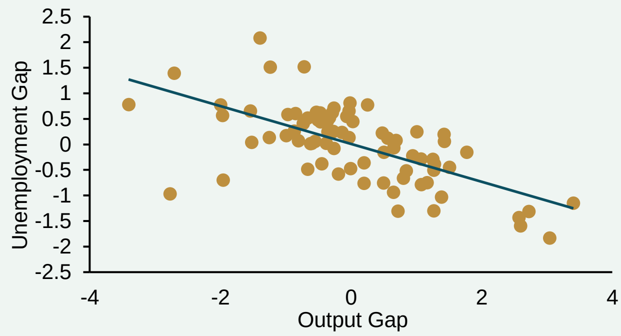


Figure B
Relationship Between Output Gap and Unemployment Gap in Egypt



Source: Central Bank of Egypt calculations.

[1] Okun, Arthur M. 1962. "Potential GNP: Its Measurement and Significance." Reprinted as Cowles Foundation Paper 190.

[2] Potential levels of output and of unemployment are calculated by applying the Hodrick-Prescott (HP) filter to seasonally adjusted quarterly output and unemployment data (see Box 2 in Q2 2025 MPR).

[3] Ball, L., D. Leigh, and P. Loungani. 2017. Okun's law: Fit at 50? Journal of Money, Credit and Banking, 49(7), 1413-1441.

[4] Several robustness checks confirmed the validity of these results. First, the regression was re-estimated using the first differences of unemployment and output instead of their deviations from long-term trends, and the coefficient on output remained stable. Another check consisted of including two additional lags of the output gap in the regression, and the results remained robust.

1.2.3 *External Sector*

Key Takeaways:

- In Q2 2025, Egypt's external position strengthened, supported by a significantly narrowing current account deficit, which was fully financed by the registered financial account surplus. Accordingly, the overall balance of payments is largely in equilibrium.
- The current account deficit narrowed significantly in Q2 2025 compared to the corresponding period in the previous year, driven by sustained growth in workers' remittances and services.
- The financial account recorded a surplus, supported by sustainable non-debt inflows, such as foreign direct investment, as well as short-term suppliers' credit.

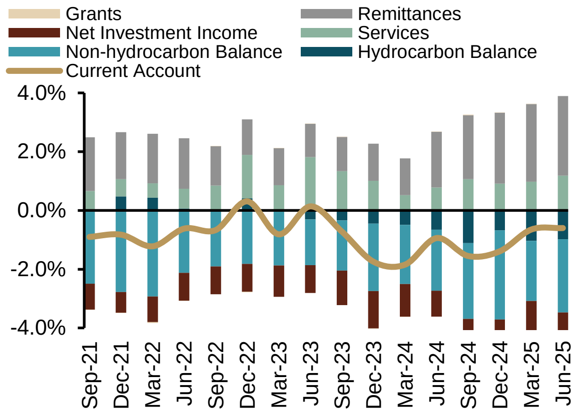
In Q2 2025, Egypt's external position showed further signs of strengthening. Although the recorded surplus on the capital and financial accounts was sufficient to cover the current account deficit, the overall balance of payments registered a marginal deficit of USD 0.2 bn, given net errors and omissions. These developments reflect a more resilient external position, supported by continued narrowing of the current account deficit, sustained inflows of foreign direct investment and accumulation of net foreign assets by banks. The analysis below addresses current account and financial account developments in Q2 2025, and their implications for Egypt's external position and net international reserve accumulation.

The current account deficit narrowed to USD 2.2 bn (0.6 percent of GDP[6]) in Q2 2025, improving by 41 percent compared to Q2 2024, when it stood at 0.9 percent of GDP (Figure 28). This represents the smallest deficit since Q2 2023, which signals easing pressures on foreign exchange resources to meet external payments. Thus, reducing external pressures on the nominal exchange rate contributed to a more sustainable macroeconomic position, thereby containing the passthrough from the imported inflation channel. This improvement was largely driven by a surge in workers' remittances, alongside higher services revenue, in particular from tourism and transportation. However, these gains were partially offset by widening hydrocarbon and non-hydrocarbon trade deficits, which continue to weigh on the overall current account performance.

Figure 28

Contribution to Current Account

(In % of GDP)



Source: Central Bank of Egypt

Notably, workers' remittances surged by 34 percent on an annual basis in Q2 2025, posting a record high of USD 10.0 bn. This increase reflects growing confidence in the domestic economy and the stabilization of macroeconomic conditions following the unification of the foreign exchange market in Q1 2024.

Additionally, the net services balance registered a surplus of USD 4.3 bn in Q2 2025, marking a 40

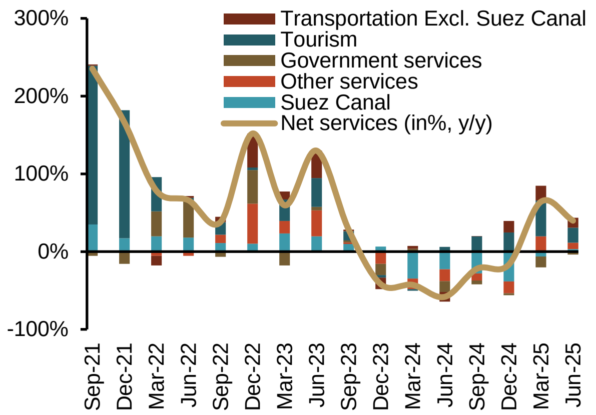
[6] In percent of the annual GDP in USD, derived by calculating the total sum of quarterly GDP released by the Ministry of Planning, Economic Development & International Cooperation after evaluating it in USD based on the average exchange rate for each quarter.

percent increase compared to Q2 2024. This strong performance was primarily driven by a 19 percent year-on-year growth in tourism revenues (Figure 29), highlighting the sector's resilience, growing potential capacity, and diversified tourist base amid ongoing regional tensions. The improvement in services was further supported by a 24 percent increase in transportation receipts, including Suez Canal revenues, which grew for the first time since Q1 2024, albeit marginally.

Figure 29

Contribution to Net Service Balance

(In p.p., y/y unless otherwise specified +ve = improvement)



Source: Central Bank of Egypt

Meanwhile, the non-hydrocarbon trade deficit widened by 11 percent in Q2 2025 compared to the corresponding quarter of the previous year, as the growth in non-oil imports outpaced that of non-oil exports. Import growth, however, was largely concentrated in requisite raw material and intermediate goods for the production process, consistent with the robust expansion observed in non-petroleum manufacturing GDP and the pick-up in gross domestic investment contribution to real GDP growth.

It is worth noting that despite imports growing at a faster pace than exports, the ratio of non-oil exports to non-oil imports reached 50 percent, which is significantly above its historical average of 35 percent. A higher ratio signals an improved capacity to generate sufficient foreign exchange earnings to finance import needs, thereby supporting the stabilization of the external position.

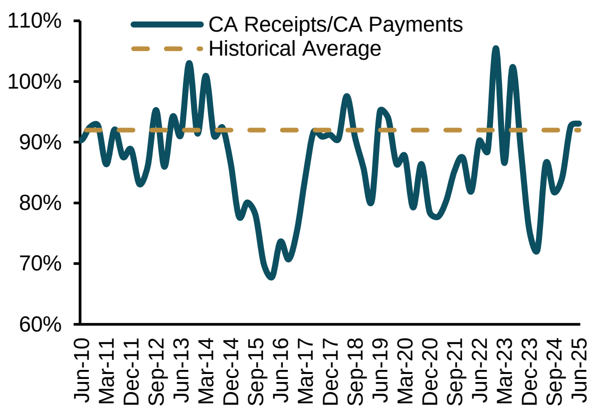
Similarly, the hydrocarbon trade balance recorded a deficit of USD 3.6 bn in Q2 2025, widening by 39 percent compared to Q2 2024, reflecting both higher natural gas and crude oil imports. The widening deficit was primarily driven by a significant increase in natural gas imports to meet domestic demand amid a 177 percent annual decline in domestic natural gas production.

Meanwhile, the net investment income deficit widened marginally by 5 percent year-on-year, posting USD 3.7 bn in Q2 2025, driven by a modest increase in income receipts that was offset by a larger increase in payments. Nonetheless, the ratio of interest payments to exports of goods and services continued its downward trend, declining to 8.6 percent in Q2 2025, from 11.8 percent in Q2 2024, signaling an improved ability of the economy to service its interest payments. Similarly, the coverage ratio of current account receipts to current account payments has been on a steady recovery path since the unification of the foreign exchange market in Q1 2024, surpassing its long-term average. This improvement reflects a stronger external position and enhanced sustainability of Egypt's balance of payments (Figure 30).

Figure 30

Current Account Receipts

(In % of Current Account Payments)



Source: Central Bank of Egypt

[7] Source: Joint Oil Database Initiative (JODI)

Accordingly, the current account deficit narrowed by 26 percent in FY 2024/25 to USD 15.4 bn, marking a notable improvement compared to FY 2023/24. This positive performance reflects a strong rebound in workers' remittances, as well as an annual improvement in services and investment income balances. Nevertheless, these favorable developments were partially offset by the widening trade deficit.

On the other hand, the financial account recorded a surplus of USD 2.6 bn in Q2 2025, compared to a substantial surplus in the corresponding quarter of 2024, which had been previously driven by the exceptionally strong FDI inflows pertaining to the Ras El-Hikma deal. The recorded surplus in Q2 2025 was mainly underpinned by sustainable non-debt financing from continued FDI inflows amounting to USD 2.4 bn, alongside short-term suppliers' credit of USD 1.1 bn, reflecting greater external confidence in the ability of domestic private sector borrowers to meet their short-term obligations.

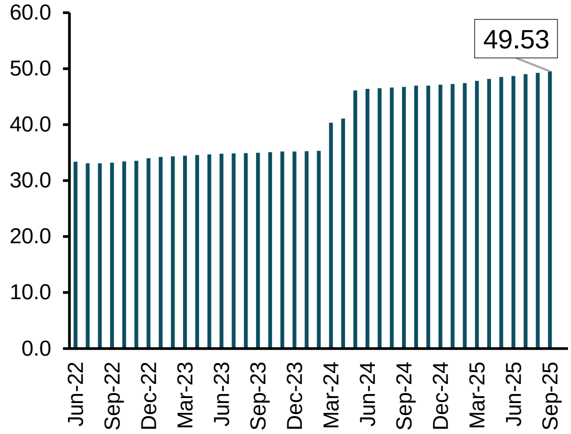
As such, the financial account recorded a substantial surplus of USD 10.2 bn in FY 2024/25, primarily driven by robust FDI inflows totaling USD 12.2 bn, compared to 11.4 in FY 2023/24 (excluding Ras El-Hikma proceeds). The 2024/25 FDI figure is the second-highest level on record excluding Ras El-Hikma inflows, reflecting an enhanced ability to finance external obligations through sustainable, non-debt sources. In addition, short-term suppliers' credit contributed positively to the surplus, signaling strengthened confidence among foreign partners in Egypt's capacity to meet short-term obligations and the continued dynamism of trade activity. These favorable developments, including banks' accumulation of foreign assets, contributed to a further strengthening of the country's overall external position.

Consequently, net international reserves (NIR) reached USD 48.7 bn by the end of June 2025, up from USD 46.4 bn by the end of June 2024. As of June 2025, the level of NIR covers around 6.4 months of imports, remaining well above the standard coverage level of three months. Furthermore, NIR continued its upward trend in the subsequent quarter, reaching USD 49.5 bn by the end of September 2025 (Figure 31).

Figure 31

Net International Reserves

(In USD bn)



Source: Central Bank of Egypt

1.2.4 Monetary Sector

Key Takeaways:

- Broad money (M2) annual growth continued to decelerate in Q3 2025[1], averaging 22.6 percent, down from 24.2 percent in Q2 2025.
- The banking system's NFAs, comprising the CBE and commercial banks, increased significantly by a cumulative USD 3.0 bn, reaching USD 17.9 bn in August 2025, compared to USD 15.0 bn in June 2025.
- Real growth of local currency (L/C) loans to the private sector continued its recovery for an eighth consecutive quarter, averaging 14.5 percent in Q3 2025, up from an average of 12.6 percent in Q2 2025.
- M2 growth is expected to remain on its broadly decelerating path to reach 22.6 percent and 20.7 percent in June 2026 and June 2027, respectively, compared to 23.1 percent in June 2025.

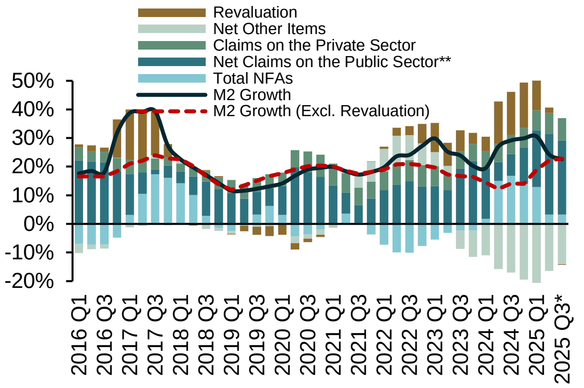
The analysis below outlines M2 growth in Q3 2025[1], highlighting key annual and monthly developments, changes in the banking system's net foreign assets and private sector credit, as well as M2 growth projections through June 2027.

On an annual basis, M2 growth continued to decelerate in Q3 2025, recording 22.6 percent on average, down from an average of 24.2 percent in Q2 2025 (Figure 32). This deceleration was primarily driven by a decline in the contribution of net claims on the public sector and supported by exchange rate appreciation during July and August 2025, compared to the same period in the previous year.

Figure 32

Contribution to M2 Annual Growth

(In p.p., y/y, aop)



Source: Central Bank of Egypt

**/ Q3 2025 is an average of July and August 2025.*

***/ Net claims on the public sector includes net claims on the government, net claims on public economic authorities, and claims on public sector companies.*

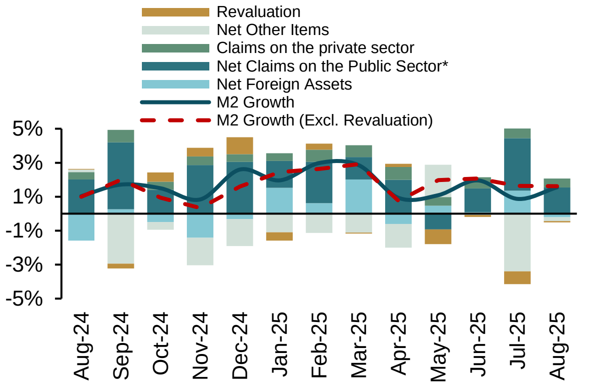
On a monthly basis, M2 growth registered 0.9 percent in July 2025 on the back of a notable monthly increase in the banking system's NFAs, coupled with the increase in the contribution of net claims on the public sector (Figure 33). This was partially offset by the exchange rate appreciation in July 2025 that put downward pressure on M2 monthly growth, which was also below the long-term average of 1.2 percent since 2010 (Figure 34). However, M2 recorded a monthly increase of 1.6 percent in August 2025, marginally above its long-term average of 1.3 percent, driven mainly by increased contributions from net claims on the public sector and claims on private sector.

[1]Q3 2025 is an average of July and August 2025.

Figure 33

Contribution to M2 Monthly Growth

(In p.p., m/m)



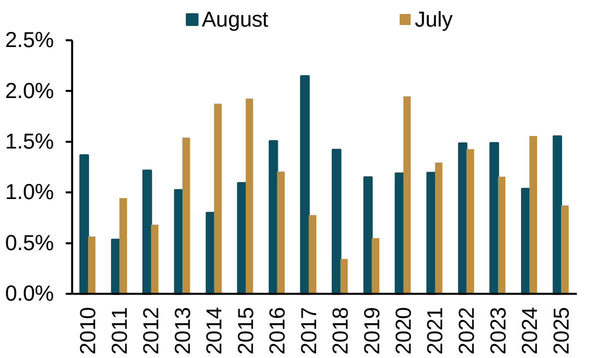
Source: Central Bank of Egypt

**/ Net claims on the public sector includes net claims on the government, net claims on public economic authorities, and claims on public sector companies.*

Figure 34

Historical M2 Monthly Growth

(In %)



Source: Central Bank of Egypt

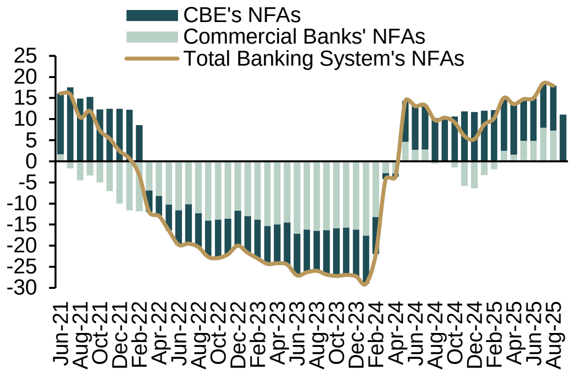
The banking system's NFAs increased significantly by a cumulative USD 3.0 bn, to reach USD 17.9 bn in August 2025, compared to USD 15.0 bn in June 2025 (Figure 35). Specifically, commercial banks' NFAs witnessed a marked increase by USD 3.1 in July 2025 to register USD 8.0 bn—its highest level since November 2014—before slightly declining by USD 0.7 bn in August 2025, reaching USD 7.3 bn, compared to USD 4.9 bn in June 2025.

[9] Nominal growth rates are deflated by the headline inflation rate.

Figure 35

Banking System's Net Foreign Assets

(Stocks, in USD bn)



Source: Central Bank of Egypt

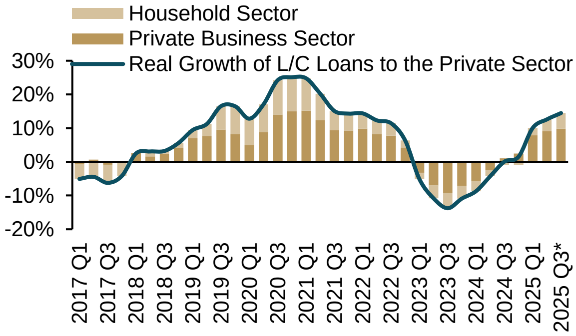
This cumulative increase in commercial banks' NFAs by USD 2.4 bn during June–August 2025 was mainly driven by the accumulation of foreign assets, supported by the increase in FX resources, including sustained workers' remittances and net portfolio inflows. Similarly, CBE's NFAs continued to increase for a fourth consecutive month, registering USD 11.1 bn in September 2025, up from USD 10.1 bn in June.

Concerning the private sector's growth dynamics, real growth[9] of L/C loans to the private sector continued its recovery for an eighth consecutive quarter, averaging 14.5 percent in Q3 2025, up from an average of 12.6 percent in Q2 2025 (Figure 36). This 1.9 p.p. increase was reflected in increased contributions from both the household and private business sectors and was supported by the disinflation path.

Figure 36

Contribution to Real Growth of L/C Loans to the Private Sector

(In p.p., y/y, aop)



Source: Central Bank of Egypt

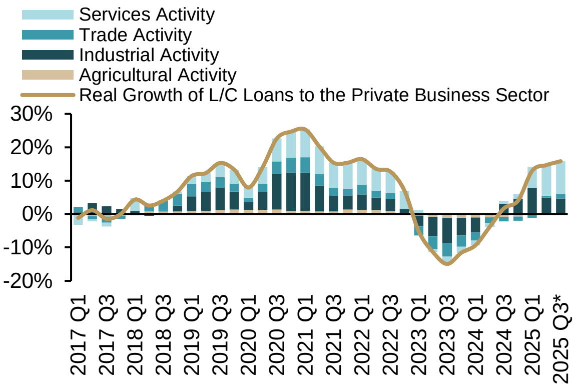
**/ Q3 2025 is an average of July and August 2025.*

Taking a closer look at the private business sector's growth dynamics, real growth of L/C loans to the private business sector also continued its upward trend for an eighth consecutive quarter to record an average of 15.8 percent in Q3 2025, compared to 14.7 percent in the previous quarter (Figure 37). This 1.2 p.p. increase was reflected in the increased contributions of trade and services—mainly financial services—with the latter being consistent with the continued growth in the service economic activity. However, this was partially offset by a decline in the contribution of industrial activity (mostly oil and gas), albeit remaining in positive territory for a fifth consecutive quarter.

Figure 37

Sectoral Contribution to Real Growth of L/C Loans to the Private Business Sector

(In p.p., y/y, aop)



Source: Central Bank of Egypt

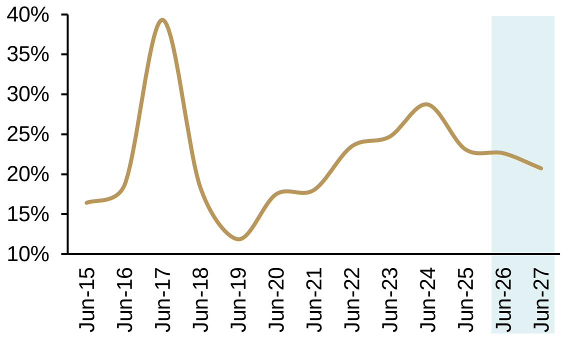
**/ Q3 2025 is an average of July and August 2025.*

M2 growth is expected to remain on its broadly decelerating path to reach 22.6 percent and 20.7 percent in June 2026 and June 2027, respectively, compared to 23.1 percent in June 2025 (Figure 38). This deceleration is expected to be driven by the decline in the contribution of net claims on the public sector in light of the continued revenue-based fiscal consolidation measures that are expected to reduce the fiscal deficit (percent of GDP) from an estimated 7.6 percent in FY 2024/25 to 7.3 percent and 5.5 percent in the subsequent two fiscal years.[10] This is also coupled with the expected increase in the availability of external financing sources.

Figure 38

Broad Money Forecasts

(In %, y/y, eop)



Source: Central Bank of Egypt, Monetary Policy Sector's estimates.

However, this is projected to be partially offset by an increase in NFAs, as the current account deficit narrows, supported by the continued strong performances of tourism receipts and workers' remittances, as well as the anticipated recovery in Suez Canal receipts. This is further complemented by an expected rise in FDI inflows, partially driven by the ongoing privatization program.

[10] Ministry of Finance Executive Budget Proposal for FY 2025/26.

1.2.5 Domestic Liquidity and Financial Conditions

Key Takeaways:

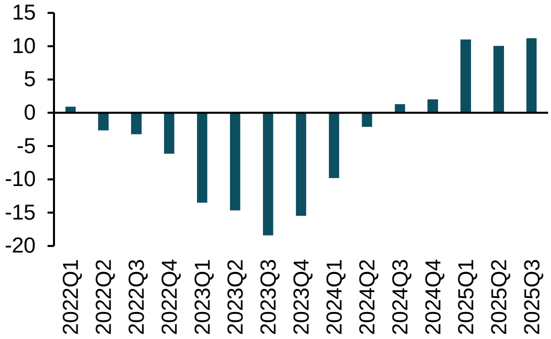
- The CBE has cautiously proceeded with its easing cycle in Q3 2025.
- Following cumulative policy rate cuts totaling 625 bps in 2025, the monetary policy passthrough to the banking system was rapid and effective, with the overnight interbank rate and the weighted average rate on new deposits exhibiting the strongest transmission.
- Excess liquidity declined in Q3 2025 to its lowest level since Q4 2016, prompting a pickup in interbank market activity.
- Egypt's yield curve began to normalize toward the short end of the curve during Q1 FY 2025/26, as the CBE continued its easing cycle, also prompting the MoF to extend debt maturities.
- Foreign investors continued increasing their exposure to Egypt's local debt market, particularly in longer-dated instruments, amid improved sentiment and easing expectations.
- Egyptian Eurobond yields continued to decline in Q1 FY 2025/26, supported by looser global financial conditions and strengthened domestic fundamentals.

In Q3 2025, the Central Bank of Egypt continued its cautious monetary policy easing, lowering the policy rate by 100 bps on October 2, 2025, bringing cumulative rate cuts to 625 bps in 2025. The monetary policy stance remains tight, with nominal interest rates above inflation, preserving positive real interest rates that help anchor inflation expectations (Figure 39).

Figure 39

Real Interest Rate

(In %, -ve = loose monetary stance and vice versa)



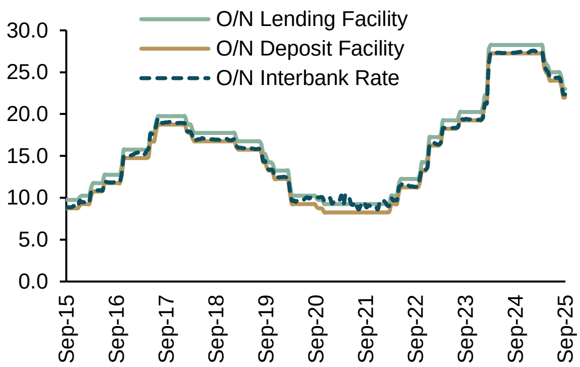
Source: Central Bank of Egypt

Following the cumulative 625-basis-point reduction in policy rates during April, May, August, and October 2025, the policy rate averaged 23.77 percent in Q3 compared to 27.75 percent in Q1 2025 (Figure 40). In response, the overnight interbank rate declined, with approximately 97 percent (0.97x) of the policy rate cuts passed through to the interbank market. The overnight interbank rate averaged 23.6 percent in Q3 2025, compared to 27.5 percent in Q1 2025, indicating an effective and rapid passthrough of monetary policy to the banking system.

Figure 40

O/N Interbank and CBE Policy Rates*

(In %, unless otherwise specified)



Source: Central Bank of Egypt

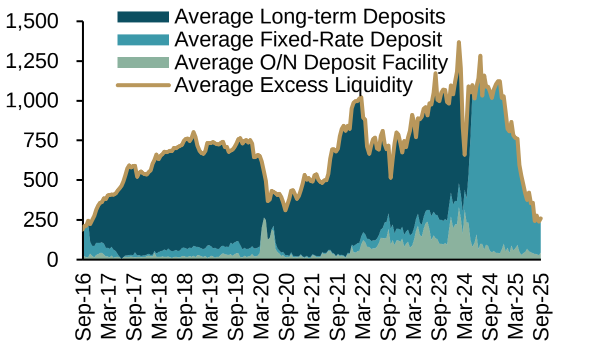
** Data for September 2025 is up until the maintenance period ending September 29, 2025.*

Egypt's average excess liquidity continued to decline in Q3 2025, reaching EGP 298 billion (equivalent to 0.3x the reserve requirement), down from EGP 828.5 billion (0.9x the reserve requirement) in Q1 2025, marking its lowest level since Q4 2016 (Figure 41).The decline in excess liquidity can be mainly attributed to: (1) net issuances of government securities, (2) an increase in cash in circulation outside the CBE.

Figure 41

Excess Liquidity*

(In EGP bn, aop)



Source: Central Bank of Egypt

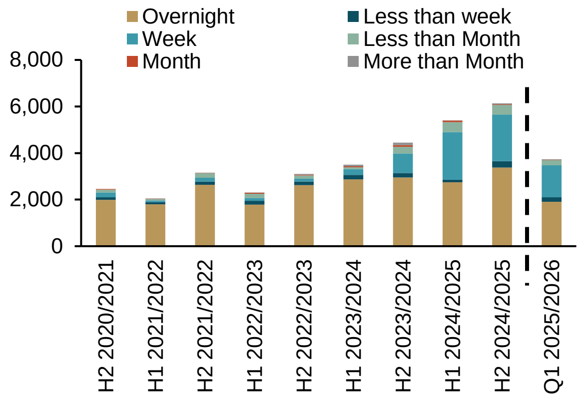
** Data for September 2025 is up until the maintenance period ending September 29 , 2025.*

In Q1 FY 2025/26, interbank market activity continued to strengthen, with total volumes increasing by EGP 545.1 billion compared to the previous quarter. Activity was mainly driven by overnight and one-week tenor transactions, reflecting banks' ongoing reliance on the interbank market for short-term liquidity management. Notably, the share of one-week tenor transactions rose further to 37 percent of total volume, up from an average of 6 percent in H2 FY 2020/21 and 19 percent in H2 FY 2023/24. This shift reflects banks' growing preference for one-week transactions in light of the full allotment policy and relatively tighter liquidity conditions in the market (Figure 42).

Figure 42

Interbank Volume

(In EGP bn)



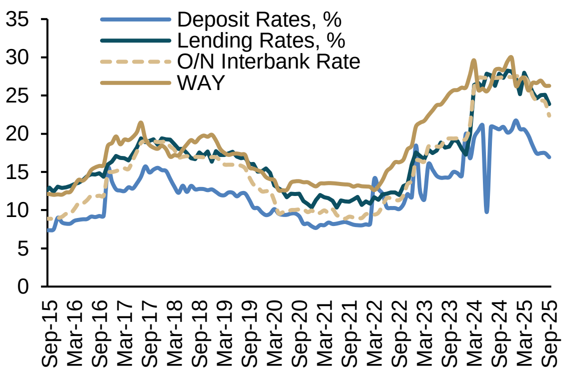
Source: Central Bank of Egypt

The banking sector began to adjust both deposit and lending rates following the 625-bps cumulative policy rate cuts in 2025. In Q3 2025, the weighted average rate on new deposits declined to 17.3 percent, while the rate on new loans fell to 24.5 percent, compared to 21.0 percent and 26.6 percent, respectively, in Q1 2025 (Figure 43). With respect to the overnight interbank rate, average new deposit rates showed a transmission ratio of approximately 0.95x in Q3 2025, while average new lending rates showed a transmission ratio of around 0.5x. This indicates higher interest rate passthrough to the banking sector, with the transmission of policy easing being stronger to deposit rates than to lending rates.

Figure 43

Selected Market Interest Rates

(In %, unless otherwise specified)



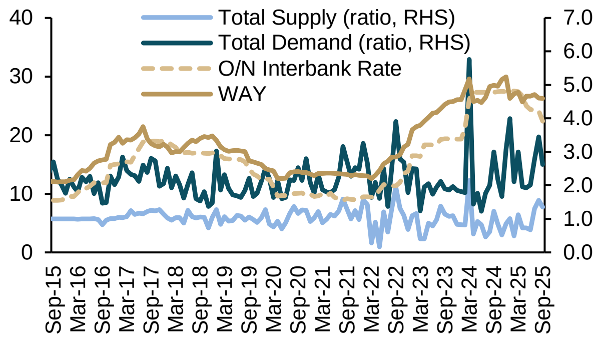
Source: Based on a banking sector survey that was conducted by the Central Bank of Egypt, up to September 30, 2025.

In Q3 2025, yields on local currency government securities, as measured by the weighted average yield (WAY) of accepted bids in treasury bills and bonds auctions, edged down to an average of 26.5 percent, compared to 27.0 percent in Q1 2025 (gross of tax), reflecting a modest market response following the CBE's policy rate cuts (Figure 44 and Figure 46). The coverage ratio (submitted-to-required bids), representing demand, remained broadly stable at 2.9x versus 3.0x in Q1, while the accepted-to-required ratio, representing supply, increased to 1.4x from 0.9x in Q1 2025. The decline in yields reflects the early transmission of monetary policy, with the adjustment driven primarily by a stronger supply-side response.

Figure 44

Market Yields of the Treasury's L/C Marketable Securities*

(In %, unless otherwise specified)



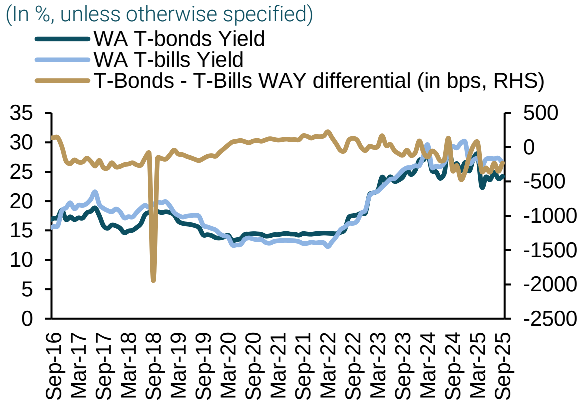
Source: Central Bank of Egypt

** Data is up to September 30, 2025.*

Figure 46

Yields and Spread of the Treasury's L/C Marketable Securities*

(In %, unless otherwise specified)



Source: Central Bank of Egypt

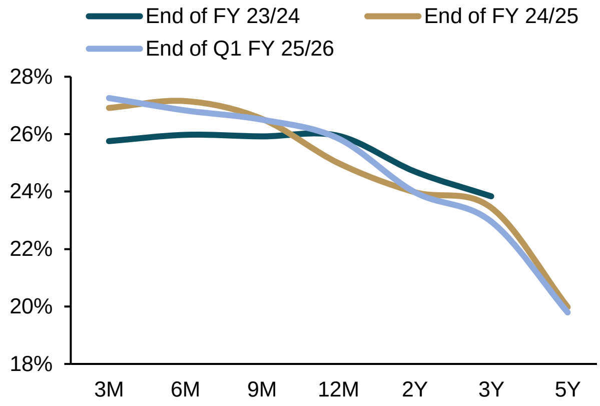
** Data is up to September 30th, 2025.*

In parallel, Egypt's yield curve began to exhibit signs of normalization, coinciding with the commencement of the CBE's monetary easing cycle. The 3M–12M spread narrowed from 192 bps to 141 bps. This flattening of the short end of the curve aligns with typical market behavior during an easing cycle, as short-term yields tend to adjust more swiftly to shifts in policy rates compared to longer-dated maturities, reflecting improved clarity on the interest rate trajectory (Figure 45).

Figure 45

Weighted Average of Primary Market Gross Yields

(In %)



Source: Central Bank of Egypt

As the CBE's monetary easing cycle facilitates an interest rate environment, whereby the Ministry of Finance shifted more of its issuances towards the longer end of the yield curve, with the objective of extending the average time to maturity of public debt and reducing rollover risk. The MoF increased its bond issuances to 20 percent of total issuances (bills and bonds) in Q1 FY 2025/26, up from 13 percent in the previous quarter. Meanwhile, the MoF plans to introduce local currency sukuks in Q2 FY 2025/26, as part of efforts to further diversify its funding sources.

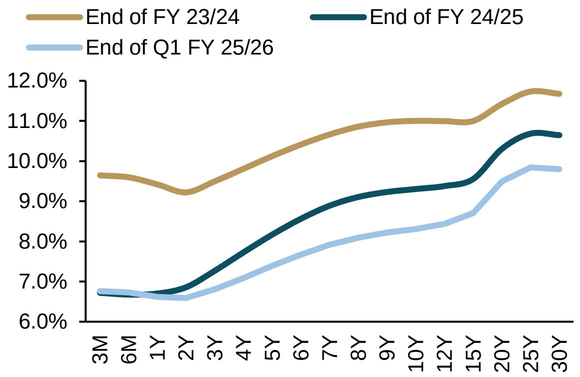
In line with the ongoing improvement in risk sentiment for Egypt, non-resident participation in the domestic debt market has continued to strengthen, with foreign investors increasingly allocating funds to longer-dated instruments, supported by expectations of further monetary easing and confidence in the continuity of Egypt's macroeconomic reform program.

In Q1 FY 2025/26, Egyptian Eurobond yields declined by an average of 66 basis points (Figure 47), continuing the downward trend that began at the start of the previous fiscal year. This significant decline was driven by a combination of both international and domestic factors. Globally, looser global financial conditions, driven by the Fed's decision to resume its policy easing cycle, boosted demand for emerging market assets, including Egyptian Eurobonds. Domestically, the strengthening of net international reserves, a persistent decline in inflation, and continued portfolio inflows further supported the downward movement in yields.

Figure 47

Egypt's Eurobond Yields

(In percent)



Source: Bloomberg

2. Outlook

This section presents the model-based medium-term macroeconomic projections, which together with their underlying global and domestic assumptions as well as the prevailing balance of risks, inform MPC decisions. To reflect recent global developments, global assumptions have been revised across the forecast horizon compared to the Q2 2025 MPR report. Trading partners' output gap[11] has been revised slightly upward for 2025 and 2026 relative to the Q2 2025 MPR, as global growth has shown greater resilience since the beginning of 2025. The global economy is now estimated to operate near potential in 2025, and is projected to slightly moderate in 2026. Trading partners' inflation estimates have been marginally revised downwards for 2025 and 2026. Moreover, the US federal funds rate is expected to ease gradually compared to the assumptions underlying the Q2 2025 MPR, pointing towards more accommodative global financial conditions across the forecast horizon.

Table (A)
Global assumptions factored into Egypt's Quarterly Projection Model
(in percent, average of period)

Variable	Q2 2025 MPR		Q3 2025 MPR	
	2025	2026	2025	2026
Trading partners' output gap *(proxy for foreign demand)*	-0.2	-0.3	0.0	-0.2
Trading partners' inflation rate *(proxy for imported inflation)*	2.6	2.7	2.5	2.6
U.S. interest rate *(Global financial conditions)*	4.3	3.9	4.2	3.5

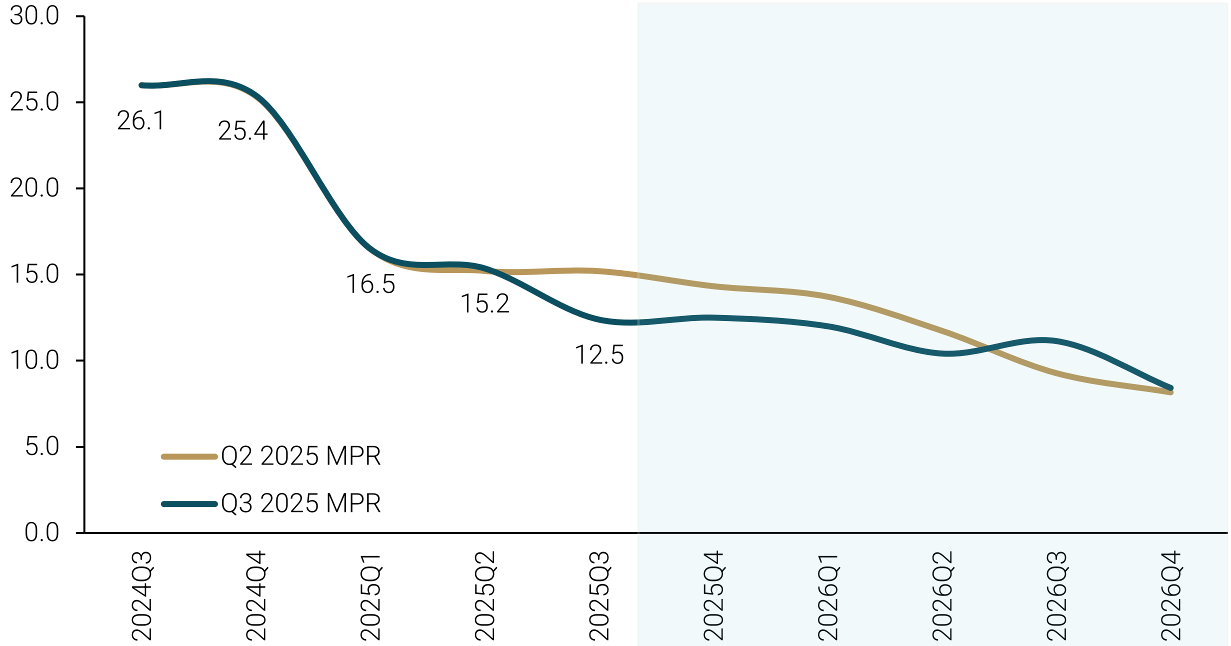
Source: Global Projection Model Network (GPMN)
Note: GPMN uses a global projection model, which provides monthly updated, model-based macroeconomic projections of 10 world's leading economies.

Domestically, assumptions are set corresponding to actual outturns, as well as near-term forecast figures that incorporate planned fiscal consolidation measures. The annual headline inflation forecast was revised downwards, given the lower-than-expected inflation print in Q3 2025, decelerating to an average of 12.5 percent compared to 15.2 percent in Q2 2025, marking the lowest quarterly reading since Q2 2022. Such developments reflect favorable monthly inflation outturns alongside the continuous improvement in exchange rate dynamics. Accordingly, annual headline inflation in the CBE baseline scenario declined by 0.5

[11] Calculated as a weighted average of Egypt's export volumes with trading partners.

p.p. on average over the forecast horizon, mainly driven by domestic developments, compared to the Q2 2025 MPR (Figure 48).

Figure 48
Baseline Annual Headline Inflation Forecast Comparison (Q2 2025 vs Q3 2025 MPR)
(in percent, y/y)



Source: Estimates from the Central Bank of Egypt's Quarterly Projection Model (see box 4 in Q1 and Q2 2025 MPR).

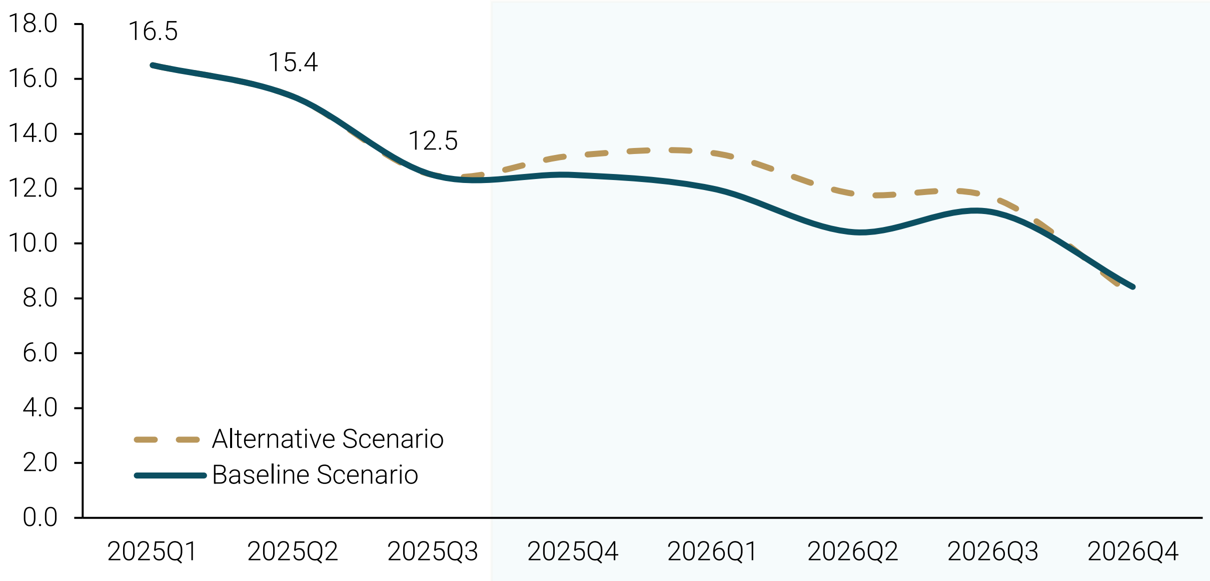
Over the forecast horizon, annual headline inflation is expected to continue its downward trajectory converging toward the CBE target range of 7 percent (± 2 percentage points), on average, in Q4 2026. Accordingly, annual headline inflation is expected to average 14.0 and 10.5 percent in 2025 and 2026, respectively, compared to 28.3 percent in 2024 (Figure 49). However, the disinflation path remains constrained by: (i) the impact of planned fiscal consolidation measures across the forecast horizon such as energy[12], tobacco, and electricity, and (ii) the expected persistence of annual non-food inflation.

Nonetheless, the disinflation path remains susceptible to domestic and global upside risks. Domestically, risks to headline inflation include a higher-than-expected passthrough of fiscal consolidation measures pertaining to energy, tobacco and electricity. Globally, headwinds may arise from a re-escalation of geopolitical tensions, contributing to higher inflationary pressures given the associated higher level of uncertainty and its impact on the domestic economy.

[12]Energy price increases for all octane variants, diesel, and LPG. However, its impact on domestic inflation is yet to materialize in October and November's 2025 inflation readings.

In this regard, an alternative scenario was devised to account for the implications of the aforementioned global upside risks incorporating a higher risk premium and its subsequent impact on the domestic inflation trajectory. Accordingly, annual headline inflation in the alternative scenario is expected to marginally increase in 2025 compared to the baseline, before declining starting Q2 2026. As such, annual headline inflation is expected to average 14.5 and 11.0 percent in 2025 and 2026, respectively, conditional on the monetary policy reaction function.

Figure 49
Annual Headline Inflation Forecast
(in percent, y/y)



Source: Estimates from the Central Bank of Egypt's Quarterly Projection Model (see box 4 in Q1 and Q2 2025 MPR).

Looking ahead, real GDP growth[13] is projected to accelerate in FYs 2025/26 and 2026/27, averaging 4.8 and 5.1 percent, respectively (Figure 50). This projected acceleration in growth is primarily driven by stronger performance across key sectors, including extractions, manufacturing, and services. The expected improvement in extractions is supported by multiple successful onshore and offshore discoveries of crude oil and natural gas, which are expected to gradually increase domestic production[14]. Moreover, the partial recovery in Suez Canal economic activity, assuming the gradual normalization of maritime transport in the Red Sea in light of the recent armistice in Gaza, is projected to support real GDP growth throughout

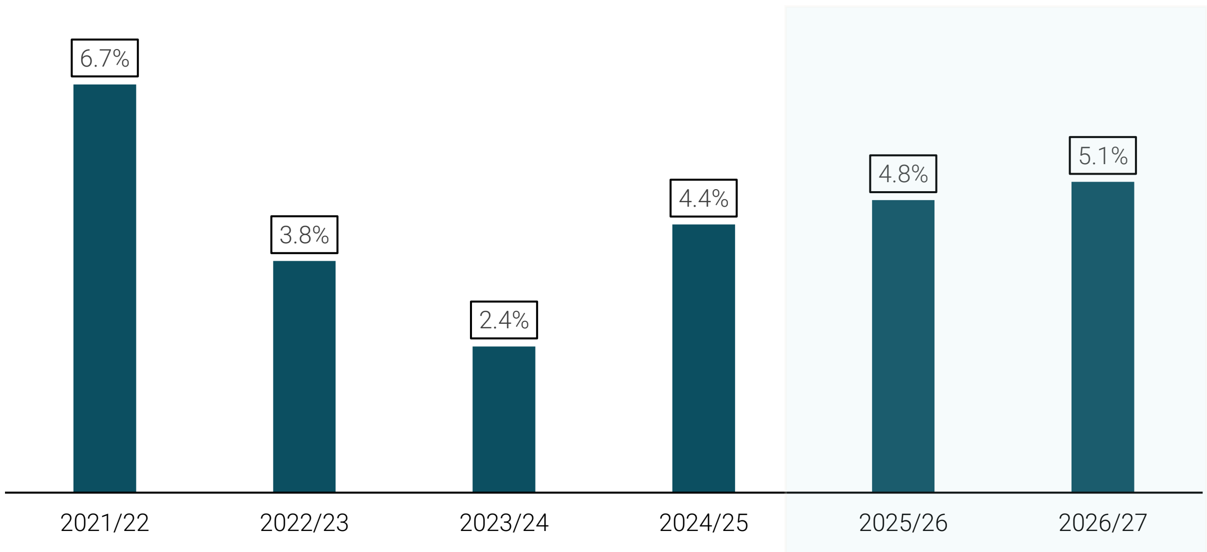
[13] GDP at market prices.

[14] Ministry of Petroleum and Mineral Resources.

the forecast horizon. Additionally, growth in other key sectors, such as manufacturing and services, is expected to continue in light of the projected progress in monetary easing, which will further support real private sector credit growth going forward.

Consequently, the estimated negative output gap is expected to narrow over the forecast horizon, with output levels approaching potential by end of FY 2025/26. For now, demand-side inflationary pressures are expected to remain contained, given the current monetary policy stance. However, faster-than-expected growth will pose upside risks to the inflation outlook, warranting a more cautious approach toward further monetary policy easing. In turn, the CBE remains committed to upholding an appropriate monetary stance, consistent with its reaction function, to safeguard the projected disinflation path amid prevailing uncertainties. Accordingly, current monetary conditions support a sustained decline in underlying inflation, anchor inflation expectations, and enable the achievement of the CBE inflation target by Q4 2026.

Figure 50
CBE Real GDP Forecast (Market Prices)
(in percent, y/y)



Source: Central Bank of Egypt

Given the forecasted disinflation path, favorable July and August inflation readings, and the prevailing balance of risks, the MPC judged that the resumption of the monetary easing—with a policy rate cut of 200-bps in its August meeting, followed by a 100-bps cut in October—aligns with an appropriate monetary stance that anchors inflation expectations and sustains the disinflation path. The CBE stands ready to adjust its policy instruments, consistent with its reaction function, to fulfill its price stability mandate, steering inflation towards its target of 7 percent (± 2 percentage points), on average, in Q4 2026.

3. Appendix

Table A1. Monthly and Annual Contributions to Urban Headline Inflation

	Weights*	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Monthly Contributions to Headline Inflation *(in p.p.)*														
Headline inflation, in %	100.0	2.1	1.1	0.5	0.2	1.5	1.4	1.6	1.3	1.9	-0.1	-0.5	0.4	1.8
Regulated Items	21.4	0.6	0.3	0.8	0.2	0.2	0.5	0.0	0.8	0.2	0.1	0.5	0.0	0.1
Fresh Fruits & Vegetables	5.5	0.8	-0.1	-0.6	-0.6	0.0	-0.3	1.0	-0.4	0.4	-0.1	-0.7	0.3	0.6
Core Food	24.5	0.3	0.6	-0.2	0.0	0.7	0.4	0.4	-0.3	0.2	-0.4	-0.4	-0.1	0.1
Retail	14.3	0.2	0.2	0.2	0.2	0.4	0.2	0.1	0.5	0.5	0.1	0.1	0.1	0.1
Services	34.3	0.2	0.2	0.3	0.4	0.2	0.5	0.2	0.6	0.5	0.1	0.1	0.0	0.9
Core Inflation**, in %	73.1	1.0	1.3	0.4	0.9	1.7	1.6	0.9	1.2	1.6	-0.2	-0.3	0.1	1.5
Annual Contributions to Headline Inflation *(in p.p.)*														
Headline inflation, in %	100.0	26.4	26.5	25.5	24.1	24.0	12.8	13.6	13.9	16.8	14.9	13.9	12.0	11.7
Regulated Items	21.4	6.0	6.2	6.2	6.3	6.0	4.9	4.8	5.0	5.3	4.7	5.2	4.5	4.0
Fresh Fruits & Vegetables	5.5	2.2	2.4	2.0	0.8	1.3	0.4	1.7	1.2	1.8	1.7	0.2	-0.3	-0.4
Core food	24.5	8.6	8.3	7.5	7.0	6.7	0.7	0.6	0.8	2.2	1.2	1.3	1.2	1.0
Retail	14.3	4.1	4.2	4.2	4.2	4.4	3.0	2.8	3.0	3.5	3.3	3.2	3.0	2.9
Services	34.3	5.5	5.4	5.6	5.8	5.6	3.9	3.6	3.9	4.1	4.1	4.1	3.6	4.3
Core Inflation**, in %	73.1	25.0	24.4	23.7	23.2	22.6	10.0	9.4	10.4	13.1	11.4	11.6	10.7	11.3

Source: Central Agency for Public Mobilization and Statistics (CAPMAS) and Central Bank of Egypt calculations
**Weights are derived from the 2017/2018 Household Income, Expenditure, and Consumption Survey (HIECS), starting with September 2019 data.*
*** The Core inflation index, constructed by the CBE, excludes fresh fruits and vegetables and regulated items from the headline index; it consists of services, retail, and core food items.*

Table A2. Contribution to Real GDP Growth at Factor Cost

	2022/23	2023/24	2024/25*	Jun-24	Sep-24*	Dec-24*	Mar-24*	Jun-25*
GDP Growth (at Market Prices)	3.8	2.4	4.4	2.4	3.5	4.3	4.8	5.0
GDP Growth (at Factor cost)	3.6	2.3	4.4	2.4	3.5	4.3	4.7	5.0
Agriculture, forestry, fishing and hunting	0.5	0.4	0.3	0.3	0.4	0.2	0.5	0.2
Industry	-0.7	-1.2	1.0	-0.2	0.4	1.5	0.9	1.4
Extractions	-0.1	-0.3	-0.6	-0.5	-0.5	-0.6	-0.8	-0.6
Oil	0.0	-0.1	-0.2	-0.2	-0.1	-0.2	-0.4	-0.3
Natural gas	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4
Other	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Manufacturing	-0.6	-0.8	1.6	0.3	0.9	2.0	1.7	2.0
Petroleum	-0.1	-0.2	0.0	-0.2	0.0	0.1	-0.2	-0.1
Non-Petroleum	-0.5	-0.6	1.7	0.5	0.9	1.9	1.9	2.1
Services	2.7	2.5	2.8	2.7	2.9	2.8	2.8	2.7
Construction	0.4	0.4	0.3	0.6	0.4	0.4	0.3	0.3
Real Estate Rental and Services	0.4	0.4	0.3	0.4	0.3	0.3	0.2	0.2
Transportation and Warehousing	0.2	0.3	0.4	0.5	0.9	0.5	0.0	0.1
Finance	0.1	0.2	0.4	0.1	0.3	0.4	0.7	0.3
Insurance 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Communication	0.4	0.4	0.4	0.3	0.3	0.3	0.5	0.4
Tourism	0.7	0.3	0.5	0.2	0.2	0.5	0.6	0.8
Educational, Health Care, and Other Services	0.4	0.4	0.3	0.4	0.3	0.3	0.3	0.4
Utilities 2/	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Information	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade	0.6	0.9	0.5	0.8	0.7	0.6	0.5	0.4
Suez Canal	0.3	-0.5	-0.6	-1.5	-1.1	-1.1	-0.2	0.0
General Government	0.2	0.3	0.3	0.4	0.3	0.3	0.2	0.3

**Preliminary figures*
Source: Ministry of Planning, Economic Development and International Cooperation
[1/]*Includes Social Insurance*
[2/]*Includes Electricity, Water and Sewage*

Table A3. Egypt's Balance of Payments (USD bn)****

Date	2022/23	2023/24	2024/25*	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24*	Dec-24*	Mar-24*	Jun-25*
Trade Balance	-31.2	-39.6	-51.0	-7.9	-10.7	-10.1	-10.8	-14.1	-13.4	-10.8	-12.7
Export proceeds	39.6	32.6	40.2	8.3	8.1	7.7	8.4	9.1	9.6	11.0	10.5
Petroleum exports	13.8	5.7	5.6	1.6	1.6	1.4	1.1	1.2	1.8	1.2	1.4
Other exports	25.8	26.8	34.6	6.7	6.5	6.3	7.3	7.9	7.8	9.9	9.0
Import payments***	70.8	72.1	91.2	16.3	18.8	17.8	19.2	23.1	23.1	21.9	23.1
Petroleum imports	13.4	13.4	19.5	2.9	3.4	3.4	3.7	5.4	4.2	4.8	5.0
Other imports	57.4	58.8	71.7	13.3	15.5	14.4	15.5	17.7	18.8	17.0	18.1
Services Balance	21.9	14.4	15.1	5.2	4.0	2.1	3.1	4.1	3.3	3.5	4.3
Receipts, of which:	34.6	30.2	32.1	9.0	7.9	6.4	7.0	8.4	7.9	7.6	8.2
Transportation	14.0	10.7	9.4	3.5	3.3	1.9	2.0	2.2	2.5	2.2	2.4
Of which: Suez Canal dues	8.8	6.6	3.6	2.4	2.4	1.0	0.9	0.9	0.9	0.8	1.0
Travel (tourism revenues)	13.6	14.4	16.7	4.5	3.3	3.1	3.5	4.8	3.9	3.8	4.2
Payments, of which:	12.6	15.9	17.0	3.8	3.9	4.3	3.9	4.3	4.6	4.2	3.8
Travel	5.0	5.1	3.9	1.5	1.5	1.3	0.8	0.8	1.1	1.0	0.9
Investment Income Balance	-17.3	-17.5	-15.8	-4.6	-5.0	-4.5	-3.5	-4.3	-3.7	-4.2	-3.7
Receipts	2.1	1.9	2.9	0.4	0.4	0.3	0.8	0.7	0.6	0.6	1.0
Payments	19.5	19.5	18.7	5.0	5.3	4.8	4.3	4.9	4.3	4.9	4.7
Of which: Interest paid	6.2	7.9	7.3	2.0	2.1	2.0	1.8	1.9	1.9	1.9	1.6
Current Transfers	21.8	21.9	36.3	4.5	4.9	5.0	7.5	8.4	8.8	9.3	9.9
Private (net)	21.9	21.9	36.2	4.5	4.9	5.0	7.5	8.3	8.7	9.3	9.9
Official (net)	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Balance of Current Account	-4.7	-20.8	-15.4	-2.8	-6.8	-7.5	-3.7	-5.9	-5.0	-2.3	-2.2
Capital & Financial Account	8.9	29.9	10.2	1.8	6.6	11.7	9.8	3.8	5.1	-1.2	2.5
Capital Account	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1
Financial Account	9.0	30.0	10.4	1.8	6.6	11.7	9.9	3.8	5.2	-1.2	2.6
Direct investment in Egypt (net)	10.0	46.1***	12.2	2.3	3.2	18.2	22.4	2.7	3.3	3.8	2.4
Portfolio investment in Egypt (net)#	-3.8	14.5	1.6	-0.5	0.8	14.4	-0.1	-0.4	-2.8	5.3	-0.5
Of which: Bonds	0.3	-1.6	1.1	-0.3	0.6	-0.7	-1.1	-0.1	0.3	1.9	-1.0
Other Investments (net)	3.4	-29.8	-2.8	0.1	2.9	-20.7	-12.1	1.6	4.8	-10.1	0.8
Net Borrowing	1.4	4.9	-0.7	1.5	4.0	-1.6	0.8	0.7	-1.3	-0.2	0.1
Medium- and Long-Term Loans (net)	-0.2	-2.8	-2.3	-0.7	-0.1	-1.6	-0.4	-1.1	0.0	-0.4	-0.9
Medium- and Long-Term Suppliers' Credit (net)	1.7	0.4	-1.2	-0.1	0.7	-0.1	-0.1	0.0	-0.9	-0.2	-0.1
Short term Suppliers' Credit (net)	0.0	7.2	2.8	2.4	3.4	0.1	1.4	1.8	-0.4	0.4	1.1
Other Assets	-4.8	-24.9	-9.1	-3.2	-2.0	-12.3	-7.4	0.0	4.6	-8.0	-5.7
Other Liabilities	6.7	-9.8	7.0	1.8	0.8	-6.8	-5.6	0.8	1.6	-1.8	6.4
Net Errors & Omissions	-3.3	0.6	3.1	1.3	-0.4	0.3	-0.6	1.1	0.4	2.1	-0.5
Overall Balance	0.9	9.7	-2.1	0.2	-0.6	4.5	5.6	-1.0	0.5	-1.4	-0.2
Change in CBE Reserve Assets (Increase -)	-0.9	-9.7	2.1	-0.2	0.6	-4.5	-5.6	1.0	-0.5	1.4	0.2

*Provisional.
**Including exports and imports of free zones.
***Including Ras El-Hikma Proceeds
****All tabulated figures are rounded to the nearest 1 decimal place. Therefore, the sum of the contributions may not add up to the aggregated totals.
#Includes net transactions in Egyptian Treasury bills and bonds, Egyptian government bonds issued abroad, and net transactions of non-residents in the stock market during the period under review.

Table A4. Monetary Survey and Central Bank Balance Sheet (in EGP bn)

	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jul-25	Aug-25
Monetary Survey							
Net Foreign Assets	251.7	-372.0	-834.6	626.6	741.8	900.5	870.4
Central Bank	225.2	-152.8	-304.9	494.5	499.6	511.2	517.3
Commercial Banks	26.4	-219.2	-529.7	132.1	242.2	389.3	353.1
Net Domestic Assets	5,104.9	6,986.5	9,082.8	9,991.9	12,331.1	12,286.3	12,517.8
Net Claims on the Government	3,166.1	3,971.8	5,076.3	5,918.2	8,415.4	8,692.6	8,820.2
Net Claims on Public Economic Authorities	353.5	453.2	766.3	1,205.8	1,707.2	1,744.6	1,782.0
Claims on Public Sector Companies	148.6	154.5	164.8	370.2	447.1	466.2	494.1
Claims on Private Sector	1,752.3	2,178.2	2,732.2	3,492.7	4,301.2	4,366.1	4,434.2
Other Items, net	-315.5	228.9	343.1	-995.0	-2,539.8	-2,983.2	-3,012.7
Broad Money (M2)	5,356.6	6,614.5	8,248.2	10,618.6	13,072.9	13,186.8	13,388.2
Domestic Currency Component (M2D)	4,706.4	5,768.4	6,732.0	8,090.9	9,981.0	10,116.2	10,318.6
Currency Outside Banks	673.4	778.6	1,009.2	1,227.0	1,381.0	1,400.8	1,398.2
Domestic Currency Deposits	4,033.1	4,989.8	5,722.9	6,863.9	8,600.0	8,715.4	8,920.4
Foreign Currency Deposits	650.2	846.1	1,516.2	2,527.7	3,091.9	3,070.6	3,069.6
Central Bank Balance Sheet							
Net Foreign Assets	225.2	-152.8	-304.9	494.5	499.6	511.2	517.3
Foreign Assets	625.1	611.5	1,045.8	2,161.9	2,351.6	2,329.9	2,334.4
Foreign Liabilities	-399.9	-764.3	-1,350.6	-1,667.3	-1,851.9	-1,818.7	-1,817.1
Net Domestic Assets	762.5	1,345.7	1,833.6	1,470.6	1,821.3	2,005.4	1,888.6
Net Claims on the Government	757.8	1,058.9	1,413.0	1,984.6	2,257.7	2,461.0	2,413.2
Net Claims on Public Economic Authorities	-37.8	-57.6	-72.8	-634.1	-606.4	-603.1	-600.6
Claims on Banks	377.3	400.0	530.4	875.1	938.6	888.7	831.3
Banks' Deposits in Foreign Currency	-135.1	-216.5	-508.5	-601.5	-682.4	-632.5	-674.4
Open Market Operations	-469.1	-735.8	-942.0	-1,117.0	-399.0	-181.9	-167.0
Other Items, net	269.4	896.6	1,413.6	963.6	312.9	73.2	86.1
Reserve Money	987.7	1,192.9	1,528.8	1,965.1	2,321.0	2,516.6	2,405.9
Currency Outside Banks	673.4	778.6	1,009.2	1,227.0	1,381.0	1,400.8	1,397.1
Reserves of Banks	314.4	414.3	519.6	738.2	939.9	1,115.7	1,008.8
Deposits in Domestic Currency	265.3	354.8	445.5	636.2	813.8	1,000.0	893.1
Cash in Vaults	49.1	59.5	74.1	102.0	126.1	115.8	115.8

Source: Central Bank of Egypt

Table A5. Market Developments (in %, aop, unless stated otherwise)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3
Policy Rates											
Mid-Corridor Rate	16.75	18.75	19.39	19.75	22.80	27.75	27.75	27.75	27.75	25.51	23.77
Interbank Rates											
Interbank WAR	16.46	18.35	19.03	19.37	23.27	27.35	27.40	27.46	27.52	25.41	23.62
Interbank O/N Rate	16.43	18.33	19.02	19.37	23.12	27.31	27.30	27.43	27.49	25.42	23.62
Interbank O/N, Average Volume (in EGP bn)	22.21	22.73	22.65	23.25	27.31	24.11	20.47	22.49	28.82	29.96	30.36
Interbank O/N, Share of Total Interbank Volume	85.10	84.24	83.92	80.41	74.16	58.29	47.05	54.90	58.66	51.71	51.25
Banking Sector											
Deposit Rates	15.36	15.44	14.27	14.79	19.03	20.66	20.75	20.53	20.97	18.62	17.29
Time Deposits	12.11	13.47	13.95	14.85	16.44	20.87	21.36	21.25	20.66	19.23	18.29
Short-term Deposits (<1Y)	12.13	13.26	13.98	14.93	16.52	20.91	21.41	21.40	21.00	19.23	18.40
Other Deposits	11.88	15.14	13.31	13.24	14.83	16.42	16.08	15.75	15.10	19.22	13.64
Saving Certificates	21.39	18.04	18.53	17.22	24.20	23.73	23.23	23.51	24.35	22.69	19.95
< 3 years	23.46	0.00	0.00	0.00	25.07	24.70	24.65	24.63	25.11	25.01	20.47
≥ 3 years	14.31	18.04	18.53	17.22	20.79	23.08	22.26	22.66	23.56	21.80	19.95
Saving Accounts	7.06	8.12	9.75	10.81	10.23	13.35	13.05	13.42	10.92	9.47	8.22
Lending Rates	17.13	17.76	18.49	18.56	21.10	26.99	27.42	27.89	26.58	25.57	24.78
W.A. Business Lending Rates	17.11	17.67	18.45	18.30	20.86	27.19	27.00	27.59	26.17	24.68	23.99
Short term Business	17.52	18.28	18.55	18.37	21.67	27.34	27.21	28.19	28.32	25.29	23.63
Long term Business	15.93	15.81	18.32	18.15	20.04	27.02	26.74	26.26	22.99	23.17	24.44
Retail Lending Rates	17.17	18.00	18.62	19.46	22.08	26.14	29.12	29.10	28.37	28.19	27.82
Local Debt Market											
T-bills Yield 1Y	22.01	23.78	24.85	26.53	29.92	25.94	26.21	26.24	25.37	24.91	25.74
Weighted Average T-bills Yield	21.24	23.17	24.55	25.78	28.19	25.86	28.20	29.75	26.94	26.71	26.98
Weighted Average T-bonds Yield	21.24	23.17	24.54	25.78	28.19	25.74	27.92	29.26	26.92	26.29	26.51
WAY[1/]	21.2	23.2	24.5	25.8	28.2	25.7	27.9	29.3	26.9	26.3	26.5
Spreads[2/]											
O/N Interbank - Mid Corridor Rate (in p.p.)	-0.32	-0.42	-0.37	-0.38	0.32	-0.44	-0.45	-0.32	-0.26	-0.09	-0.15
W.A. Lending rate - Mid Corridor Rate (in p.p.)	0.38	-0.99	-0.90	-1.19	-1.70	-0.76	-0.33	0.14	-1.17	0.06	1.01
Mid Corridor - W.A. Deposit Rate (in p.p.)	1.39	3.31	5.12	4.96	3.77	7.09	7.00	7.22	6.78	6.89	6.48

Source: Central Bank of Egypt.
1/ Government securities' yields are adjusted for tax.
2/ All rates are as of September 2025.

4. Abbreviations

bps	Basis points
bn	Billion
CAPMAS	Central Agency for Public Mobilization and Statistics
CBE	Central Bank of Egypt
CDS	Credit default swaps
CPI	Consumer Price Index
CY	Calendar year
DXY	U.S. Dollar Index
EGP	Egyptian pound
F/C	Foreign currency
FDI	Foreign direct investment
FX	Foreign exchange
FY	Fiscal year
GDP	Gross domestic product
L/C	Local currency
m/m	Month on month
M2	Broad money
MPC	Monetary Policy Committee
MPR	Monetary Policy Report
MPEDIC	Ministry of Planning, Economic Development, and International Cooperation
NFA	Net foreign assets
NIR	Net international reserves
O/N	Overnight
p.p.	Percentage points
QPM	Quarterly Projection Model
USD	United States dollars
W.A.	Weighted average
WAY	Weighted average yield of the treasury’s L/C marketable securities
y/y	Year on year