CareEdge Global assigns 'Stable' outlook to the rating of the Arab Republic of Egypt

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge B-' (Unsolicited)

Issuer rating	CareEdge B-/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of the Arab Republic of Egypt (Egypt) while reaffirming the Long-Term Foreign Currency rating of 'CareEdge B-' (Unsolicited).

Outlook: Stable

Egypt's stable outlook reflects CareEdge Global's expectation that the ongoing reforms shall improve the business environment and sustain the inflows of foreign direct investments (FDI). Further, the efforts to strengthen fiscal sustainability (through domestic revenue mobilization, elimination of costly energy subsidies, and a comprehensive debt management strategy) should contain the rise of Debt to GDP levels over the medium term. In addition, prudent monetary policy decisions by the Central Bank of Egypt (CBE), ongoing exchange rate reforms, and expectations of disbursements under the IMF program should continue to reduce foreign currency liquidity pressures.

In the near term, however, disruptions in the Red Sea may continue to remain a drag on the country's services surplus, and alongside rising import demand, these may lead to a deterioration in the current account deficit (CAD).

Upside scenario

The ratings could be improved if there is a sustained improvement in annual economic growth, coupled with an improvement in the debt to GDP ratio and fiscal profile. CareEdge Global expects that ongoing tax reforms may lead to an improvement in the government revenue to GDP ratio, and a normalization of Suez Canal revenues can provide comfort to Egypt's external position.

Downside scenario

A downgrade could result from a further deterioration in the country's external position, particularly in the form of a decline in gross reserves and FDI inflows. Rising regional tensions could also adversely impact the economy, tourism, and Suez Canal activity. These could increase Egypt's vulnerability to external shocks. A downgrade may also stem from a significant deterioration in the GGG debt-to-GDP ratio from the current level of 91%.

Rationale

CareEdge Global has also reaffirmed the Long-Term Foreign Currency Rating of 'CareEdge B-' (Unsolicited). Egypt's credit profile primarily reflects its relatively weak external structure and fiscal profile. On average, the CAD averaged nearly 4% of GDP in the past decade while Egypt's Net International Investment Position (NIIP) deteriorated to -76% of GDP in 2024, increasing vulnerability to external shocks despite improving gross reserves. Meanwhile, the gross general government debt (GGG) to GDP ratio has remained high, climbing from 80% in 2019 to an estimated nearly 91% of GDP in 2024.

However, its resilient economic growth and financial sector's stability partly offset these challenges. Egypt's economic growth averaged 4.3% over the past decade despite regional and global disruptions. The financial sector has maintained comfortable capital adequacy while the non-performing loans to gross loans ratio has been on a downward trend and eased to 2.7% in 2024. Furthermore, exchange rate reforms, foreign currency inflows, and healthy relationship with multilateral institutions and the Gulf countries have supported Egyptian banks' foreign currency liquidity.

Key Rating Drivers

Economic Structure & Resilience

The Egyptian economy is amongst the largest economies in Africa (Nominal GDP of USD 383 billion in 2024) with a relatively diversified economy, and a moderate GDP per capita. Growth has remained resilient at an average of 4.3% over the past decade. However, several exogeneous shocks including the ongoing Israel-Hamas conflict, high inflation, tight credit conditions and a move to austerity constrained economic growth in 2024. Indeed, real GDP growth slowed to 2.4% in 2024 from 3.3% in the previous year. Regional conflicts have weighed on Suez Canal revenue, while there has been a structural decline in gas output that has turned Egypt into a net importer of gas since late 2023.

While economic growth slowed in 2024, it is expected to recover over the medium term and grow by 5% in 2028 as the adjustment phase of reforms passes and the drag on Suez Canal revenues dissipates amid an expectation for a gradual recovery in activity. Furthermore, being part of the IMF Extended Fund Facility (EFF) Program should also help boost the pace of economic reforms, particularly with regards to accelerating and deepening the efforts to reduce the state footprint, and thus, improve the business environment.

Fiscal Strength

Government finances face multiple challenges, including a strained tax revenue base and rising expenditure pressures driven by interest payments that were nearly 50% of government revenue in 2024. The GGG debt to GDP ratio has remained high, climbing from 80% in 2019 to an estimated 91% of GDP in 2024. Furthermore, Egypt has persistently recorded large fiscal deficits, and in year numbers show that the fiscal deficit will more than double in FY25, widening to 7.3% of GDP despite an estimated primary surplus of 3.1% of GDP.

Non-tax revenue continues to reap the windfall gains from the historic deal signed in February 2024, where the UAE, through a consortium led by Abu Dhabi's sovereign wealth fund ADQ, committed USD 35 billion to invest in Ras El-Hekma. This deal reflects Egypt's strong relationship with the Gulf countries. Since the deal is one off in nature, however, it is imperative for Egypt to broaden its tax base for sustainable revenue generation to provide support to its weak fiscal profile.

Gross general government debt-to-GDP remains high despite easing to 91% in 2024 from 96% in 2023. The draft FY 2026 budget presented in mid-April, however, projects a steep drop in public debt and a primary surplus around 4% of GDP. GGG debt is expected to decline to around 86.6% of GDP by FY26, driven by the continued commitment towards achieving positive primary surpluses and sustained economic growth. Over the medium-term, the reduction of debt will also be aided by adherence to the IMF programme, which necessitates Egypt to focus on fiscal tightening, including tax reforms through the newly amended tax law to eliminate tax loopholes and broaden the tax revenue base.

The focus on fiscal tightening also includes the removal of energy subsidies, while ensuring adequate social protection spending. GGG debt could also decline from the continued use of divestment proceeds from the partial sale of SOEs. Committing to a credible consolidation strategy is key to restoring public finance health and reduce debt servicing costs.

External Position & Linkages

The CAD widened to 5.4% of GDP in 2024 from 1.2% in 2023, led by strong import growth that outpaced exports and resulted in a wider trade deficit. Moreover, the services surplus narrowed amid a sharp decline in Suez Canal Revenues that offset strong tourism revenue and remittances, indicating that disruptions in the Red Sea continue to adversely weigh on Egypt's external position. The CAD to GDP ratio is expected to widen to nearly 6% in 2025 amid slowing global trade while an improvement in addressing import backlogs will keep import growth strong. Over the medium term, however, full absorption of a weak exchange rate may increase the cost of imports and weigh on import growth while CareEdge Global expects a gradual recovery in Suez Canal revenue.

Near-term external financing risks have eased due to the disbursements totalling USD 3.2 billion under the IMF EFF Programme between March 2024 to March 2025. Moreover, a strong boost came in the form of a significant foreign investment advance of USD 35 billion (8.8% of GDP) in February 2024 from ADQ as well as various other donor support from the European Union amongst others. Part of the Ras El hekma deal with ADQ included deposits with the central bank. As such, the the real value of the deal was USD 24 billion, which is the value of the land allocated for the project, in addition to 35% of the profits. The remaining USD 11 billion comprises of existing UAE deposits held with the central bank, which boosted foreign currency reserves and liquidity. Indeed, Egypt's reserves covered 6.8 months of imports in 2024, up from 4.8 months in 2023.

Furthermore, the country has also seen the return of sizeable non-resident inflows, supporting its external position. Finally, the country has addressed foreign currency shortages by improving liquidity and devaluing the Egyptian Pound as part of the exchange rate reforms that were recommended by the IMF. However, high externally held debt continues to make Egypt vulnerable to external shocks.

Monetary & Financial Stability

The Central Bank of Egypt allowed the currency (Egyptian Pound) to weaken in February 2024 to meet IMF prerequisites that required a move towards a free-floating exchange rate regime, to gain access to the IMF EFF Program. The government has sought IMF assistance to stabilize the economy, implementing subsidy removals and structural reforms.

Headline inflation rose to 16.8% YoY in May 2025, down from an annual average of 28.4% in 2024. However, inflation remains well above the upper bound of the CBE near-term target range of 7%±2%. Price pressures in May stemmed from a 15% increase in fuel prices while food CPI remains elevated despite being on a downward trend. The aftermath of the devaluation of the Egyptian Pound as part of the monetary and exchange rate reforms also continues to weigh on inflation. Nonetheless, Egypt continues to enjoy positive real interest rates after the CBE hiked policy rates by a cumulative 800bps to 27.25% between January and March 2024. This has opened space for policy rate easing, allowing the CBE to reduce the policy rate by a cumulative 325bps since the start of 2025.

The banking sector remains resilient, with assets amounting to around 117% of GDP (2023). There is some growth potential given low levels of financial inclusion. Banks maintain a stable deposit-based funding structure and have good liquidity in local currency while foreign currency liquidity pressures have eased. Non-performing loans are contained at around 2.7% in 2024 as a share of gross loans. Nonetheless, banks remain heavily exposed to government debt (accounting for more than 50% of total assets).

Institutions & Quality of Governance

The country has previously encountered both external conflicts and internal protests. Internally, the government had to deal with sporadic protests linked to unemployment and rising inflation. Meanwhile external conflicts in the Middle East continue to pose a threat to regional stability. Positively, however, the government has a good history of completing both fiscal and economic reforms under previous IMF programs. Under the current IMF programs, the government aims to rectify structural inefficiencies, for which confidence in the government’s effectiveness is still pending. Overall, there has been a broad-based improvement in governance indicators.

Egypt– Select Indicators											
	Unit	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 F**	**2026 F**	**2027 F**	**2028 F**
Economic Indicators												
Nominal GDP	USD Billion	263.2	317.9	382.5	423.3	475.2	393.8	383.1	347.3	389.0	432.8	480.6
GDP Per Capita (Constant-PPP)	USD	15 772	16 344	16 642	16 930	17 795	18 183	18 255	18 569	18 986	19 505	20 094
Real GDP Growth	%	5.3	5.5	3.6	3.3	6.7	3.8	2.4	3.8	4.3	4.8	5.1
GFCF/GDP	%	16.5	18.2	14.1	13.2	15.2	11.5	13.6	-	-	-	-
Gross Domestic Savings/GDP	%	8.8	12.2	8.8	6.4	10.2	10.6	8.8	-	-	-	-
Exports (G&S)/GDP	%	18.0	16.6	12.5	10.6	15.1	19.1	11.7	-	-	-	-
Working-Age (15-64) Population (% Share in Total)	%	62.0	62.0	62.1	62.2	62.3	62.5	62.6	62.9	-	-	-
Old-Age (65+) Population (% Share in Total)	%	4.5	4.6	4.7	4.8	4.8	4.9	5.0	5.2	-	-	-
Fiscal Indicators – General Government												
Fiscal Balance/GDP	%	-9.0	-7.6	-7.5	-7.0	-5.7	-5.8	-7.1	-12.1	-10.1	-7.6	-5.6
Revenue/GDP	%	19.7	19.3	18.2	18.6	19.2	17.0	15.8	16.7	18.0	19.0	18.8
Expenditure/GDP	%	28.6	26.9	25.7	25.5	24.9	22.7	22.9	28.9	28.0	26.6	24.5
GG Gross Debt/GDP	%	87.9	80.1	86.2	89.9	88.5	95.9	90.9	86.6	85.1	82.0	78.7
GG External Debt (by Creditor)/GG Gross Debt	%	20.8	24.1	23.4	22.5	19.7	22.5	22.7	-	-	-	-
Interest/Revenue	%	47.0	48.6	43.8	39.2	37.1	34.6	47.0	-	-	-	-
External Indicators												
Current Account Balance/GDP	%	-2.3	-3.4	-2.9	-4.4	-3.5	-1.2	-5.4	-5.8	-3.7	-3.2	-3.1
FDI, Net Inflows/GDP	%	3.1	2.8	1.5	1.2	2.4	2.5	11.9	-	-	-	-
Outstanding FPI Liabilities/GDP	%	10.5	12.5	11.5	12.2	6.6	8.0	-	-	-	-	-
NIIP/GDP	%	-59.6	-55.4	-53.0	-54.9	-52.2	-67.3	-75.8	-	-	-	-
Foreign Exchange Reserves	USD Billions	41.8	44.6	39.0	39.8	32.1	33.1	34.3	-	-	-	-
Import Cover	Months	6.6	6.8	6.5	5.1	4.0	4.8	6.8	-	-	-	-
External Debt/GDP	%	36.7	35.4	33.8	34.4	34.3	42.7	40.2	-	-	-	-
Monetary and Financial Indicators												
CPI Inflation	%	20.9	13.9	5.7	4.5	8.5	24.4	33.3	19.7	12.5	10.0	6.7
Exchange Rate (Average)	LC per USD	17.8	16.8	15.8	15.6	19.2	30.6	45.3	-	-	-	-
Non-Performing Loans/Total Gross Loans	%	4.3	4.2	3.9	3.5	3.2	3.3	2.7	-	-	-	-
Private debt, loans and debt securities/GDP	%	25.0	22.3	25.6	28.1	31.7	-	-	-	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global. **Note:** F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status
The rating is unsolicited.

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B-/Stable	June 27, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B-	October 03, 2024

Criteria Applied
CareEdge Sovereign Rating Methodology

Analytical Contacts
Kiran Kavala
kiran.kavala@careedgeglobal.com

Sihle Boyce
Sihle.Boyce@careedgesouthafrica.com

Girisha Algoo
girisha.algoo@careratingsafrica.com

Media Contact
Mradul Mishra
mradul.mishra@careedge.in

About Us
CareEdge Global IFSC Limited (CareEdge Global) is a full-service Credit Rating Agency (CRA) with a mission of **Empowering Global Capital Market Participants Through Unrivalled Insights and Expertise.** As the first CRA registered and authorized by the International Financial Services Centres Authority (India), CareEdge Global is uniquely positioned to provide comprehensive ratings on a global scale. A part of the CareEdge Group, which is a knowledge-based analytical organisation offering a wide range of services in Credit Ratings, Analytics, Consulting, and Sustainability. Established in 1993, our parent company, **CARE Ratings Limited (CareEdge Ratings)**, stands as India's second-largest rating agency.

Disclaimer
This disclaimer applies to each credit rating report and/ or credit rating rationale ('report') that is provided by CareEdge Global IFSC Limited ('CareEdge Global').

Ratings from CareEdge Global are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/ instruments or to make any investment decisions. The report is not a solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CareEdge Global assumes no obligation to update its opinions following publication in any form or format although CareEdge Global may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment and experience of the investor, user, its management, employees, advisors and/ or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. Therefore, the report is not intended to and does not constitute an investment advice. The report should not be the sole or primary basis for any investment decision. CareEdge Global is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CareEdge Global. CareEdge Global does not act as a fiduciary by providing the rating.

Any unsolicited ratings assigned by CareEdge Global are based on publicly available information as CareEdge Global may or may not have access to documents / information or participation from management of such issuers. While CareEdge Global has obtained information from sources it believes to be reliable, CareEdge Global does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/ or relies on in its reports. CareEdge Global ratings are subject to a periodic review, which may lead to revision in ratings. CareEdge Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CareEdge Global has in place a ratings code of conduct and policies for managing conflict of interest.

Neither CareEdge Global nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents guarantee the accuracy, completeness or adequacy of the report, and shall not have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. CareEdge Global DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CareEdge Global or its associated entities or persons be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

This report does not constitute an offer of services. This report is solely for use in the jurisdiction of IFSCA, GIFT City in Gandhinagar. Without limiting the generality of the foregoing, nothing in the report is to be construed as CareEdge Global providing or intending to provide any services in jurisdictions where CareEdge Global does not have the necessary licenses and/ or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CareEdge Global and the user.

For latest rating information on any instrument of any company rated by CareEdge Global, you may visit our website www.careedgeglobal.com.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CareEdge Global.

CareEdge Global IFSC Limited
(A subsidiary of CARE Ratings Ltd.)
Unit No. 06, 11 T-2, Block-11, GIFT SEZ, Gift City, Gandhi Nagar, Gujarat – 382355
CIN-U66190GJ2024PLC151103