

CareEdge Global upgrades the rating of the Arab Republic of Egypt to 'CareEdge B/Stable'

Issuer rating (Long-Term Foreign Currency)	CareEdge B/Stable (Unsolicited) [Upgraded from CareEdge B-/Stable]
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CareEdge Global has upgraded the Long-Term Foreign Currency Rating of the **Arab Republic of Egypt** to '**CareEdge B/Stable**' (Unsolicited) from '**CareEdge B-/Stable**'.

Rationale

The rating upgrade reflects tangible reform efforts undertaken by the government since 2024, such as foreign exchange (FX) liberalisation and positive messaging to the private sector, both of which have crowded in necessary investment. These efforts boosted growth significantly to 4.4% in FY25 from 2.4% in FY24. Thus far in H1 FY26, growth has reached 5.3% YoY. Notably, the non-oil manufacturing sector has seen double-digit growth alongside enhanced private sector investment. Growth is projected at 4.7% and 5.4% in FY26 and FY27, respectively, though downside risks remain due to the war between the US-Israel and Iran.

On the fiscal side, the government achieved its highest primary surplus on record in FY25, at 3.5% of GDP. It has employed various strategies to reduce debt, including revenue mobilisation to expand the tax base and digitalisation of systems. Recurrent expenditures have been lower, while infrastructure spending has been maintained in real terms. Further, the government has channeled a proportion of proceeds from asset monetisation towards debt reduction. Overall, these efforts have lowered the gross general government (GGG) debt-to-GDP ratio by 12% between FY23 and FY25.

The external position has also improved significantly. Both tourism and remittances posted record high growth in FY25. Egypt continues to attract foreign direct investment (FDI), with reserves at an all-time high at USD 52.7 billion in February 2026.

Egypt's reforms-led sustained momentum is expected to help it withstand the impact of the war between the US-Israel and Iran more effectively than in previous episodes of regional instability. Foreign exchange (FX) unification now acts as an important shock absorber, while the country's reserve buffers are at an all-time high. Further, the government's debt management strategy displays a proactive approach towards achieving debt sustainability. Finally, the government has implemented measures to mitigate the current crisis, the adequacy of which we will continue to monitor.

Outlook: Stable

Egypt's stable outlook reflects the expectation that the government's ongoing reform efforts will continue to improve the real economy, public finances, as well as the external position. Egypt has displayed the ability to navigate several regional crises. The government's proactive

approach in dealing with the current Middle East (ME) crisis, the floating currency, and the strong reserve position provides support to absorb shocks.

Downside scenario

We could revise the outlook to negative if the economy faces FX shortage again, either due to a prolonged conflict in the ME, or if the government's commitment to policy reform loses momentum. On the fiscal side, if the government falters in its debt management strategy, leading to increase in debt over the medium term, downgrade risks will heighten. Further, a downgrade could be triggered if the government is unable to pay back the upcoming redemptions because of reserve depletion, rising interest rate costs, or an inability to raise debt.

Upside scenario

Egypt's credit rating could improve if real economic growth exceeds 5% over the near-to-medium term. Upside triggers also include deleveraging at a quicker rate, driven by directing divestment proceeds towards debt reduction, and a sustained improvement in the external position through sustained growth in tourism, remittances, or a narrowing oil trade deficit.

Key rating drivers

Economic structure & resilience

The Egyptian economy is among the largest in Africa (with a nominal GDP estimated at USD 349 billion in 2025). It is relatively diversified and has a moderate GDP per capita of USD 18,661 (constant PPP in 2025). While growth has remained resilient, averaging 4.2% over 2014-2024, the economy faced external shocks between 2022 and 2024, including the Russia-Ukraine war and the Israel-Hamas conflict, which resulted in high inflation and FX shortages. These challenges were exacerbated by a loss in revenues from the Suez Canal due to regional instability. Resultantly, growth slowed to 2.4% in FY24 from 3.8% in FY23.

Proactive reforms undertaken by the government, including the liberalisation of the exchange rate and positive signalling to the private sector, alongside the anchor provided by the International Monetary Fund (IMF) programme have seen the economy grow 4.4% in FY25. So far in H1 FY26, growth has reached 5.3% YoY.

Growth was driven by information and communication technology (ICT), non-oil manufacturing and tourism sectors, all of which achieved double-digit expansion. Notably, private sector investment staged a strong rebound, at 66% of total investment in Q1 FY26 from 47.9% in Q1 FY22. The oil sector also saw a notable turnaround; while it remains in contraction, it is less severe than in FY25.

Growth is projected at 4.7% in 2026 and 5.4% in 2027, underpinned by sustained macroeconomic stability and continued implementation of economic and structural reforms aimed at strengthening the real economy and expanding productive capacity. Nonetheless, significant downside risks to the outlook persist. The war between the US-Israel

and Iran once again poses significant risks to growth through its potential impact on inflation (given higher oil and wheat prices), FX shortages and the Suez Canal revenues (which contributed positively to GDP in H1 FY26). The fertiliser industry, in particular, remains vulnerable to significant price shocks and this could dampen the impact of the country's planned expansion of fertiliser production, including projects linked to Misr Phosphate Company.

The government has taken measures to steer the economy through the crisis. To preserve FX liquidity, FX swaps and hedging contracts have been utilised, while energy and food security has been ensured by accelerating new energy sources, such as the connection to the Saudi electricity network, tapping into wheat reserves. Furthermore, social measures have been expanded to protect vulnerable households. However, a prolonged regional conflict beyond FY26 could lead to enduring impacts.

Fiscal strength

Government finances have faced several challenges, including a strained tax revenue base and rising expenditure pressures because of interest payments of around 72.6% of government revenue in FY25. The GGG debt-to-GDP ratio climbed from 80% in 2019 to 96% in FY23 and 91% in FY24.

Nonetheless, public finances substantially improved in FY25 thanks to the government's fiscal management. Notably, Egypt achieved the highest primary surplus on record in FY25, at 3.5% of GDP, largely aided by 35% YoY tax revenue growth achieved through revenue mobilisation efforts, such as expanding the tax base. Recurrent expenditures have also been lower and infrastructure spending has been maintained in real terms. GGG debt decreased 12% between FY23 and FY25, as the government employed multiple strategies, including decreasing its external debt by USD 1-2 billion annually, diversifying debt instruments, and channelling a proportion of divestment proceeds towards debt reduction.

These efforts are set to continue in FY26, with the government sustaining its revenue mobilisation efforts and targeting an annual 1% increase in the tax-to-GDP ratio. The government plans to increase the primary surplus to 4% of GDP in FY26. So far, in Q1 FY26 it achieved a primary surplus of 0.9% and in Q2 FY26, it has achieved 1.8% of GDP. The GGG debt-to-GDP ratio is projected to decrease to 82% of GDP in FY26 from 84% in FY25. Deleveraging will partly be aided by 100% of the divestment proceeds received from the Qatari deal (USD3.5 billion) channeled towards debt reduction.

The ME conflict has prompted the government to protect its fiscal position. On the revenue side, the government will look towards enhancing mobilisation efforts through its proposed property tax reforms and finalising the second package of tax facilitation. It is also mandated to channel at least 50% of all future divestment proceeds into the fiscus.

On the expenditure side, cost containment measures include rationalising non-priority spending for the remainder of FY26, with around EGP 40 billion in targeted savings. Further, there are unused contingency reserves, estimated at EGP 50-70 billion, which can be channeled elsewhere. The gains from the use of oil hedging contracts will be used to support the energy sector. The government will also allocate money to the most vulnerable households by providing social safety nets.

On the debt side, the government will continue active debt management to reduce gross financing needs by increasing issuances and extending the average maturity of new issuances. The government remains proactive in managing its external debt obligations (27% of total GGG debt). For the remainder of FY26, the government faces ~USD 4 billion in foreign loan redemptions. It aims to raise ~USD 2 billion from international markets, while accelerating concessional financing of ~USD 3.5-4.5 billion planned for FY26 from the European Union (EU), IMF and other partners.

External position & linkages

The current account deficit (CAD) narrowed to ~4.2% of GDP in FY25 from 5.4% in FY24. The CAD has a structural non-oil trade deficit, while the oil trade balance has been in deficit since 2022. Hydrocarbon activity came under pressure domestically, partly due to arrears owed to international energy companies by the state-owned Egyptian General Petroleum Corporation (EGPC). Nonetheless, arrear backlogs have been easing as the government has provided the utility with some support. The CAD was also impacted by falling revenues from the Suez Canal. Nonetheless, secondary income from remittances and tourism have reached record highs, cushioning the CAD.

Egypt continues to attract FDI and reserves are at an all-time high, at USD 52.7 billion in February 2026.

Looking ahead, the CAD is expected to come under pressure due to the ME conflict. This is expected to dent the already muted revenues from the Suez Canal, drive up import costs (due to spikes in wheat and oil prices), and adversely impact the tourism sector.

As mentioned, the government has implemented measures to address these vulnerabilities, while its comfortable reserve position and floating exchange rate provide additional buffers. The government plans to access the international bond market and move forward with the concessional loans noted earlier. Further, to ensure energy and food security in FY26, the government is using hedging contracts to cover almost half of the country's essential imports.

The efficacy of the government's efforts needs monitoring over the near-to-medium term amid a volatile environment.

Monetary & financial stability

Following FX liberalisation by the Central Bank of Egypt (CBE), the exchange rate regime has been fully flexible for over two years now. This will also act as a critical shock absorber to manage portfolio outflows amid the ME conflict.

Headline inflation eased to 11.9% YoY in January 2026 from 12.3% in December 2025 and the peak of 35.7% in February 2025. Nonetheless, inflation remains above the CBE's target of between +/-2% and 7%. The recent spike in oil and wheat fertiliser prices will once again push inflation up. Nonetheless, the CBE's consistent inflation-targeting approach, combined with the government's proactive measures, should provide the impetus to curb inflation. We will continue to monitor these developments.

The banking sector remains resilient, with assets exceeding 100% of GDP. Low levels of financial inclusion suggest room for growth, while a stable deposit-based funding structure ensures good local currency liquidity. Although foreign currency liquidity pressures have eased, we believe banks are well placed to weather the spillover effects of the ongoing conflict. Nonetheless, banks remain heavily exposed to government debt (accounting for more than 50% of total assets).

Institutions & quality of governance

The country has historically faced both external conflicts and internal protests. Domestically, the government has managed sporadic protests linked to unemployment and rising inflation. Concurrently, the ME conflict continues to challenge regional stability. On a positive note, the government has experience in navigating regional crises and we expect efforts to be sustained in 2026. The government also has a good history of executing fiscal and economic reforms under previous IMF programmes.

Egypt – Select indicators									
	Unit	2020	2021	2022	2023	2024	2025	2026 F	2027F
Economic Indicators									
Nominal GDP	USD billion	382.5	423.3	475.2	393.8	383.1	349.3	399.5	438.7
GDP per capita (constant-PPP)	USD	16641.7	16930.5	17795.1	18183.5	18254.6	18660.8	19116.3	19616.4
Real GDP growth	%	3.6	3.3	6.7	3.8	2.4	4.4	4.7	5.4
GFCF/GDP	%	17.0	16.3	18.0	15.1	11.7	18.0		
Gross domestic savings/GDP	%	11.6	9.5	13.0	14.3	6.1			
Exports (G&S)/GDP	%	12.5	10.6	15.1	19.1	16.4			
Working age (15-64) population (% share in total)	%	61.8	62.1	62.3	62.6	62.9	63.2	63.5	63.8
Old age (65+) population (% share in total)	%	4.7	4.7	4.8	5.0	5.1	5.3	5.4	5.6
Fiscal indicators – general government									
Fiscal balance/GDP	%	-7.5	-7.0	-5.7	-5.8	-7.1	-12.4	-10.7	-8.1
Revenue/GDP	%	18.2	18.6	19.2	17.0	15.8	16.6	17.7	18.8
Expenditure/GDP	%	25.70	25.54	24.94	22.74	22.93	28.96	28.42	26.87
GG gross debt/GDP	%	86.2	89.9	88.5	95.9	90.9	87.0	85.0	82.4
GG external debt (by creditor)/GG gross debt	%	23.4	22.5	19.7	22.5	30.0	26.6		
Interest/revenue	%	40.4	35.1	33.2	37.0	40.7	72.6	64.3	
External indicators									
Current account balance/GDP	%	-2.9	-4.4	-3.5	-1.2	-5.4	-4.2	-4.3	-4.3
FDI, net inflows/GDP	%	1.5	1.2	2.4	2.5	12.0	3.7	4.0	3.9
Outstanding FII liabilities/GDP	%	11.5	11.7	6.6	8.0	11.6			
NIIP/GDP	%	-53.0	-54.4	-52.2	-67.3	-75.8			
Foreign exchange reserves	USD billion	38.97	39.82	32.14	33.07	44.92			
Import cover	Months	5.56	4.38	3.33	3.87	4.54			
External debt/GDP	%	33.77	34.38	34.28	42.67	40.48	46.90		
Monetary and financial indicators									
CPI inflation	%	5.7	4.5	8.5	24.4	33.3	20.4	11.8	9.6
Exchange rate (average)	LC per USD	15.8	15.7	19.2	30.7	45.4	49.3		
Non-performing loans/total gross loans	%	3.9	3.5	3.2	3.3	2.7	2.1		
Private debt, loans and debt securities/GDP	%	25.64	28.14	31.68	30.87	27.23			

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. The latest available data for 2024

Solicitation Status

The rating is unsolicited, but with limited interaction with relevant authorities of the government.

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge B/Stable	April 01, 2026
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](#)

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CIN-U66190GJ2024PLC151103