



البنك المركزي المصري
CENTRAL BANK OF EGYPT



Central Bank of Egypt

Monetary Policy Report

Q1 – 2026

NOTE

The cut-off date for the data points included in this report is April 17, 2026. Certain data points are preliminary and subject to revision.

CBE Monetary Policy Framework*

The Central Bank of Egypt (CBE) 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. 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 (MPC) 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 each 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 April 2, 2026, the Monetary Policy Committee of the Central Bank of Egypt decided to keep the key policy rates unchanged. The overnight deposit rate, overnight lending rate, and the rate of the main operation remain at 19.0 percent, 20.0 percent, and 19.5 percent, respectively. The discount rate was also maintained at 19.5 percent.

The Committee has opted to pause the easing cycle and adopt a wait-and-see approach, deciding to keep the CBE key policy rates unchanged to preserve the tight monetary policy stance, given the adequately positive real interest margin. This approach will help ensure inflation expectations remain anchored, pressures are contained, and disinflation is restored. Going forward, the Committee will evaluate its monetary stance based on evolving economic conditions, with policy decisions contingent on incoming data, the forecasted inflation trajectory, and the prevailing balance of risks. The Committee will continue to remain vigilant and stands prepared to adjust its policy instruments as needed to fulfil its price-stability mandate in the medium term.

*See [CBE Monetary Policy Framework](#) for further details.

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Summary

The Iran–US conflict has weighed on the global economy, reshaping outlooks worldwide, with Egypt feeling the impact. The resulting energy shock has intensified inflationary pressures through higher domestic energy prices, heightened uncertainty, and weakened investor sentiment. Consequently, the CBE revised its baseline inflation forecast upward, although the Egyptian economy remains resilient, supported by exchange rate flexibility, which acts as a shock absorber to preserve external buffers and mitigate the pass-through to economic activity. Amid this heightened uncertainty, the MPC decided at its April 2, 2026, meeting to pause its easing cycle in favor of a “wait-and-see” approach.

Globally, following a modest recovery in 2025, growth of Egypt’s trading partners slowed in Q1 2026 to an average of 2.25 percent. Inflation in Egypt’s trading partners also edged upward from 2.3 percent in Q4 2025 to an average of 2.4 percent in Q1 2026; this figure, however, masked a late-quarter acceleration driven by energy price spikes in March 2026. Over the medium term, inflationary pressures are expected to build across both advanced and emerging economies, as spillovers from the Iran-US conflict exert upward pressure on commodity prices and transportation costs. Meanwhile, the appreciation of the USD, combined with relatively restrictive monetary policies across major developed economies, contributed to tighter global financial conditions toward the end of Q1 2026, leading to notable but temporary capital outflows from emerging markets in March 2026.

Domestically, inflation dynamics in Q1 2026 were driven by a rebound in food inflation, reflecting the seasonal impact of Ramadan and Eid al-Fitr and spillovers from geopolitical tensions to international commodity prices. Conversely, Q1 2026 witnessed contained yet persistent pressures from the non-food group, especially regulated prices. Accordingly, the disinflation path was interrupted, with annual headline inflation reaching 13.5 percent in Q1 2026, up from 12.3 percent in Q4 2025. Meanwhile, annual core inflation exhibited a similar pattern, albeit with a weaker magnitude, rising to 12.6 percent in Q1 2026 from 12.1 percent in Q4 2025.

CBE nowcasting for Q1 2026 indicates that real GDP growth is estimated at around 4.9 percent, mainly driven by trade, communications, non-petroleum manufacturing, and agriculture sectors. Meanwhile, high-frequency indicators associated with the Suez Canal and tourism point to a continued improvement in both activities in Q1 2026, suggesting limited spillover effects from the ongoing conflict in the region. Real GDP at market prices grew by 5.3 percent in Q4 2025, up from 4.3 percent in Q4 2024, signaling sustained momentum in the recovery of economic activity, primarily driven by consumption and private investments. Nevertheless, demand-side inflationary pressures are expected to remain contained over a more extended horizon than previously projected, reflecting a downward revision to the real GDP growth forecast, and reinforced by the prevailing monetary policy stance.

In Q4 2025, Egypt’s external position remained resilient, with the balance of payments recording a marginal deficit of USD 0.5 bn. On the one hand, the current account deficit widened by 23 percent in Q4 2025 compared to Q4 2024 to stand at USD 6.2 bn (1.5 percent of GDP). This was driven by a larger trade deficit and a decline in the net investment income balance, which were partially offset by higher remittances and net service receipts from tourism, and the Suez Canal. On the other hand, the capital and financial account recorded a net inflow of USD 6.8 bn in Q4 2025—its highest level since Q2 2024—supported by significant FDI and portfolio inflows. This was also coupled with commercial banks accumulating USD 2.4 bn in net foreign assets, further supporting the exchange rate appreciation observed in Q4 2025. Consequently, net international reserves (NIR) reached USD 51.5 bn at end-December 2025, up from USD 49.5 bn at end-September 2025, and continued accumulation to register USD 52.8 bn by end-March 2026.

With regard to the monetary sector, annual M2 (broad money) growth continued its decelerating trend for the fourth successive quarter, averaging 18.5 percent in Q1 2026—the lowest rate since Q4 2021—down from an average of 21.5 percent in Q4 2025. Similarly, the banking system’s net foreign assets (NFAs), declined in Q1 2026 to reach USD 21.4 bn in March 2026, compared to USD 25.5 bn in December 2025. This decline was fully concentrated in commercial banks’ NFAs, which registered USD 5.8 bn in March 2026, compared to USD 12.2 bn in the previous quarter, on the back of notable net foreign portfolio outflows since mid-February 2026 due to the Iran-US conflict. On the other hand, real growth¹ in L/C loans to the private sector registered 7.7 percent in Q1 2026, compared to 11.8 percent in the previous quarter.

With respect to monetary policy transmission during Q1 2026, approximately 96 percent of the cumulative 825 bps policy rate cuts since April 2025 were transmitted to the interbank market, with the overnight interbank rate aligning with the policy rate at 19.5 percent in March 2026, indicating an effective transmission of policy changes to the interbank market. Furthermore, approximately 80 percent of the decline in the overnight interbank rate passed through to average new deposit rates in March 2026, compared to a 78 percent pass-through to average new lending rates. Meanwhile, Egyptian Eurobond yields increased by an average of 170 bps in Q1 2026 across all tenors, reflecting a limited decline in risk sentiment despite the Iran-US conflict. Nonetheless, foreign holdings of Egypt’s longer-tenor government bonds remained broadly stable in Q1 2026, with CDS spreads lower than their Q4 2025 levels, suggesting continued investor confidence in Egypt’s medium-term macroeconomic outlook and reform trajectory.

Against this backdrop, CBE projections have been revised upward, with annual headline inflation now expected to accelerate in Q2 2026 and remain elevated throughout the year, before resuming a downward trajectory in Q1 2027. Accordingly, annual headline inflation is expected to average 16.0–17.0 percent and 12.0–13.0 percent in CYs 2026 and 2027, respectively, compared to 14.1 percent in CY 2025. This path, therefore, suggests that annual headline inflation is likely to exceed the CBE’s target of 7 percent (± 2 p.p.), on average, in Q4 2026, before returning to single digits by H2 2027. Furthermore, the inflation trajectory remains susceptible to upside risks, including a prolonged conflict and stronger-than-anticipated pass-through of fiscal consolidation measures.

With respect to real GDP growth at market prices, forecasts have been revised moderately downward to 4.9 and 4.8 percent for FYs 2025/26 and 2026/27, respectively, compared to previous estimates of 5.1 and 5.5 percent. The downward revision is mainly driven by lower expected contributions from tourism and the Suez Canal. Nonetheless, non-oil manufacturing and services are expected to continue supporting overall real GDP growth over the forecast horizon, with extractive activities projected to improve, supported by successful onshore and offshore discoveries.

¹ Nominal growth rates are deflated by the annual headline inflation rate.

1. Current Economic Conditions

1.1 Global Developments

Key Takeaways:

- The Iran-US conflict has fueled a slowdown in global growth dynamics, amid heightened geopolitical uncertainty and increasing trade policy fragmentation.
- Global inflation is experiencing a gradual re-emergence of inflationary pressures, driven by higher commodity prices and rising transportation costs.
- Commodity prices came under renewed pressure in Q1 2026, as the closure of the Strait of Hormuz disrupted energy supply chains, with spillovers into international food prices.
- Global financial conditions have relatively tightened, while sovereign risk premiums remain contained amid heightened regional uncertainty.
- Central banks in both advanced and developing economies maintained a cautious approach in the conduct of monetary policy.

This section reviews recent global economic developments and evaluates their implications for Egypt. Specifically, it explores trends in global growth, inflation, commodity prices, and financial markets. The analysis underscores how these global dynamics influence Egypt's macroeconomic conditions and its external position.

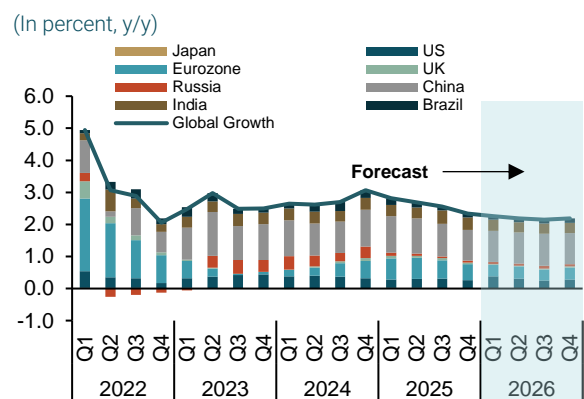
Global growth slowed in Q1 2026, after experiencing a modest recovery in 2025. This deceleration reflected spillovers from the Iran-US conflict, which disrupted maritime and air

transport and exerted upward pressure on international energy prices, driving up global food prices.

The recent growth slowdown² reflects divergent impacts, with energy-importing and conflict-affected economies weighing on global activity due to higher energy costs, trade disruptions, and elevated uncertainty stemming from the Iran–US conflict. The 2026 outlook remains tilted to the downside amid persistent geopolitical tensions and volatile global trade policies.

In this context, average global economic growth—weighted by Egypt's volume of trade with key trading partners—is projected to average 2.25 percent in Q1 2026, down from 2.34 percent in Q4 2025, and is expected to broadly stabilize around current levels over the course of 2026 (Figure 1). The slowdown in global activity will likely dampen external demand, with potential implications for exports, tourism receipts, and remittance inflows—consequently posing downside risks to Egypt's domestic growth.

Figure 1
Economic Growth of Egypt's Trading Partners*



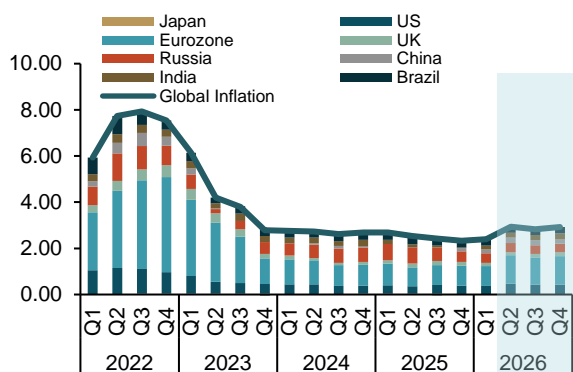
Source: Bloomberg.

*The series is weighted using Egypt's trade volume in FY 2023/24. Growth rates starting Q1 2026 represent forecasts.

² The IMF revised its 2026 global growth forecast downward by 0.2 p.p., WEO April 2026.

Alongside the growth slowdown, global inflation³ slightly increased to an average of 2.4 percent in Q1 2026, compared to 2.3 percent in Q4 2025 (Figure 2).⁴ While the quarterly average suggests a modest increase, it masks a late-quarter acceleration driven by energy price spikes in March 2026. Over the medium term, inflationary pressures are expected to build across both advanced and emerging economies, as the spillovers from the Iran–US conflict exert upward pressure on commodity prices and transportation costs. For Egypt, these developments, combined with increased trade policy uncertainty and potential supply chain disruptions, pose risks to the disinflation path and the external position.

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



Source: Bloomberg.
* The series is weighted using Egypt's trade volume in FY 2023/24. Inflation rates starting Q2 2026 represent forecasts.

Further underpinning this inflationary environment, global commodity prices broadly increased toward the end of Q1 2026, as the closure of the strait of Hormuz disrupted supply chains and pushed up global energy prices, which

in turn spilled over into higher international food prices.

In the energy market, Brent crude prices increased in Q1 2026, averaging USD 78.4 per barrel, compared to USD 63.1 in Q4 2025, and 75.0 in Q1 2025 (Figure 3, Panel a). Moreover, despite ample global supply, disruptions around the Strait of Hormuz that accounts for around 25 percent of global seaborne oil flows prevented significant volumes from reaching the market. Consequently, Brent crude surged past USD 100 per barrel in mid-March, its highest level in over four years, before moderating as ceasefire negotiations progressed.

Natural gas prices were not insulated from these disruptions, as reduced pipeline flows and constrained LNG availability tightened global supply conditions. As a result, European natural gas prices⁵ increased sharply by 33.2 percent in Q1 2026 to an average of EUR 40.1 per MWh, compared to EUR 30.1 per MWh in Q4 2025, and briefly surpassing EUR 60 per MWh by mid-March 2026 (Figure 3, Panel b).

Looking ahead, the energy market outlook remains volatile, even following the OPEC+ decision to slightly increase Brent oil production at its April meeting. However, energy prices remain contingent on the duration of the conflict and the restoration of key maritime export routes.

For Egypt, energy price shocks transmit through the economy via multiple channels. These include the current account—as oil-related commodities constitute a significant share of Egypt's import basket (represents 21.9% of total imports in CY 2025)—and imported inflation, as sustained Brent elevation raises trading-partner producer costs that feed through into Egypt's

3 The IMF revised its 2026 global inflation forecast upward by 0.6 p.p., WEO April 2026.

4 Inflation projections are according to Bloomberg data, weighted by Egypt's volume of trade with key trading partners.

5 As proxied by the Dutch Title Transfer Facility (TTF) benchmark prices.

import prices. Additionally, the fuel price indexation mechanism could trigger domestic price adjustments in line with international price developments.

In contrast, natural gas shocks transmit through electricity generation expenses, which feed into broader industrial production costs. Gas prices also directly affect construction materials—notably cement and steel—where natural gas is a key production input. Critically, natural gas is the primary input in fertilizer production, thus rising gas prices inflate the cost of maintaining regulated domestic fertilizer prices, ultimately feeding into domestic food prices.

Figure 3
Energy Price Developments*

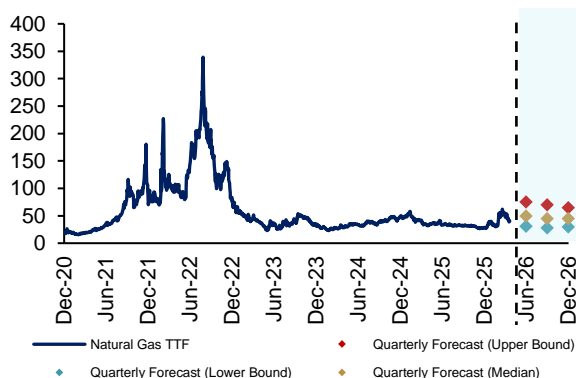
a. Brent Crude

(In USD/bbl., daily prices)



b. Natural Gas (TTF)

(In EUR/MWh., daily prices)



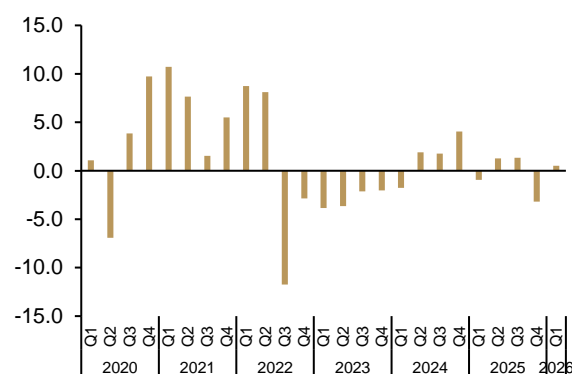
Source: Bloomberg.

* Data as of April 17, 2026.

With respect to food commodities, the FAO Food Price Index recorded an average of 0.52 percent in Q1 2026, compared to negative 3.2 percent in Q4 2025 (Figure 4). In particular, global food commodity prices exhibited heterogeneous behavior throughout Q1 2026, with increases (q/q) in vegetable oils by 5.3 percent, cereals by 3.2 percent, and meat products by 1.0 percent. Conversely, declines were registered in dairy prices by 11.0 percent, and sugar prices by 1.8 percent, partially offsetting the aforementioned increases. Overall, the quarterly outturn reflects a broad-based increase toward the end of the quarter, as prices increased in March amid heightened geopolitical tensions and resulting supply constraints.

Figure 4
FAO Food Price Index*

(In percent, Q/Q)



Source: Food and Agriculture Organization of the United Nations.

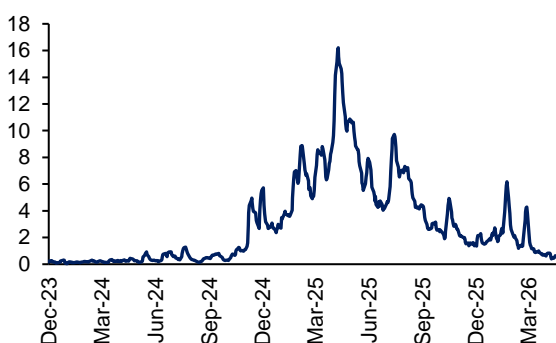
* Data as of April 17, 2026.

Critically, fertilizer prices—the key transmission channel between the energy shock and food inflation—have risen by approximately 19.4 percent in Q1 2026 compared to Q4 2025. This surge reflects the simultaneous impact of higher

gas input costs,⁶ disrupted Hormuz transit routes, and the removal of Iranian fertilizer supply from the market. While global food prices remain below the peaks observed during the 2022 Russia-Ukraine shock, the current transmission mechanism operates with a longer lag, as energy costs feed into fertilizer prices, which in turn raise farm input costs before reaching consumer food prices.

Turning to global financial and policy conditions, Global Trade Policy Uncertainty Index spiked during Q1 2026, though it remained well below the elevated peaks observed in mid-2025 (Figure 5). Looking ahead, global trade fragmentation could weigh on investor confidence, with potential adverse effects on investment flows across emerging markets.

Figure 5
Global Trade Policy Uncertainty*
 (Index level)

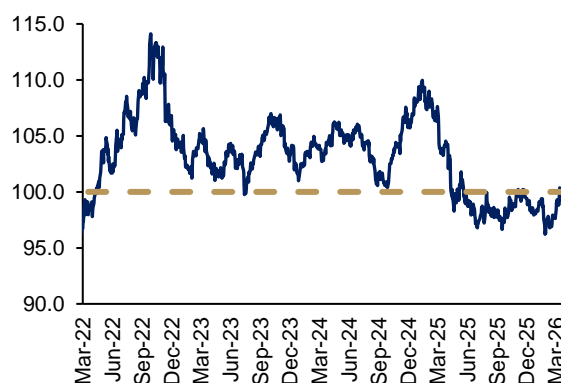


Source: Bloomberg.
 * An increase indicates rising uncertainty surrounding global trade policies. Data as of April 17, 2026.

Amid these developments, the USD experienced some volatility toward the end of Q1 2026, with the US Dollar Index (DXY) rising by approximately 0.6 percent compared to Q4 2025 (Figure 6). This modest appreciation was supported by safe-haven demand, alongside the Federal Reserve’s

decision to hold its policy rate unchanged. This prompted a reallocation of investor portfolios away from risk-sensitive emerging market assets toward safer, USD-denominated instruments.

Figure 6
US Dollar Index (DXY)*
 (Index level, Increase = appreciation and vice versa)



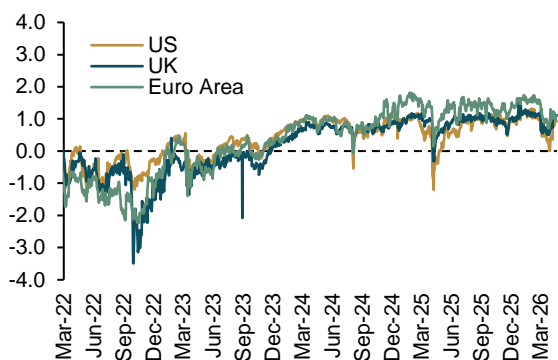
Source: Bloomberg.
 * Data as of April 17, 2026.

The relative strengthening of the USD, combined with relatively tight monetary policy across major advanced economies, contributed to more restrictive external financing conditions toward the end of Q1 2026.

The Financial Conditions Index points to a tightening in global financial conditions in Q1 2026 compared with the previous year (Figure 7). This relative tightening has increased external financing constraints for developing economies, weighing on capital inflows and raising the cost of external borrowing.

⁶ Natural gas is the main input in ammonia and urea production, both as feedstock and energy source, making production costs highly sensitive to gas prices.

Figure 7
Financial Conditions Index*
 (Z-score)



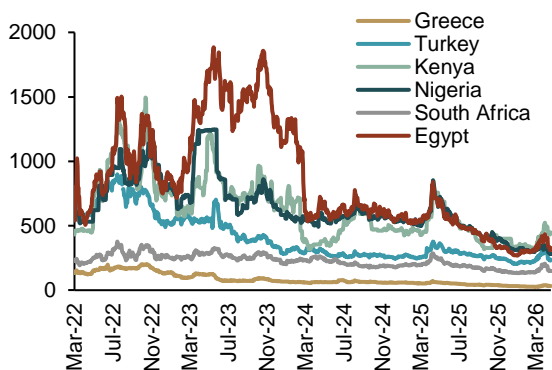
Source: Bloomberg.

* Positive values indicate more accommodative financial conditions, and vice versa. Data as of April 17, 2026.

Consistent with the developments in the global investment climate, emerging market (EM) credit default swap (CDS) spreads exhibited volatility toward the end of Q1 2026, yet remained below their Q4-2025 levels and significantly below those observed in Q1 2025, reflecting some resilience in the face of external shocks.

In line with broader emerging market dynamics, Egypt's 5-year CDS spread widened in early March amid heightened regional risk aversion, but recovered through the latter part of the quarter, closing Q1 2026 below Q4 2025 levels (Figure 8). Beyond indicating improved sovereign risk, the resilience in Egypt's CDS spreads reflects sustained confidence in the Egyptian economy.

Figure 8
Egypt and Peers: 5-Year CDS Spreads*
 (basis points)



Source: Bloomberg.

* Data as of April 17, 2026.

This is further supported by S&P's decision to maintain Egypt's sovereign rating at "B with a Stable Outlook" on April 10th 2026, despite the ongoing conflict, citing continued reform momentum, relatively resilient macroeconomic performance, and sustained policy commitment amid heightened global uncertainty. Together, these developments help lower risk premiums on Eurobonds and new issuance, improve market access, and reduce external borrowing costs.

Given the above developments, capital flows to emerging markets experienced a notable but temporary deterioration in March 2026, driven by heightened global risk aversion amid the Iran–US conflict. However, flows partially recovered in April as market sentiment relatively improved. As a result, despite the March dip, the emerging markets capital flows index increased by 8.2 percent in Q1 2026, compared with 8.5 percent in Q4 2025 (Figure 9).

Figure 9
Emerging Markets Capital Flows*
 (Index level, increase = inflows and vice versa)



Source: Bloomberg.

* The EM Capital Flow Proxy Index captures 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), and EM FX Carry Trade Index. Data as of April 17, 2026.

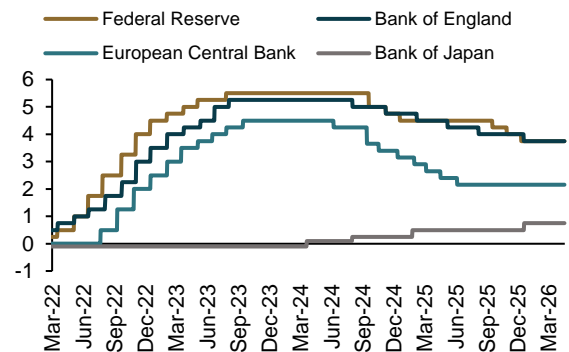
Against this backdrop, central banks in advanced economies paused their easing cycles in Q1 2026, opting to hold policy rates unchanged amid heightened uncertainty and evolving inflation risks (Figure 10, panel a). While further easing

remains expected, the pace is likely to be gradual given ongoing geopolitical tensions and energy market uncertainties.

Monetary policy responses in emerging markets remained broadly cautious (Figure 10, panel b), with most emerging central banks holding policy rates unchanged. However, some central banks exhibited divergent policy dynamics. Notably, the Central Bank of Colombia raised its policy rate by 100 basis points in response to persistent inflationary pressures, while the Central Bank of Brazil and the Bank of Mexico implemented modest rate cuts, consistent with their inflation outlook and aimed at supporting growth.

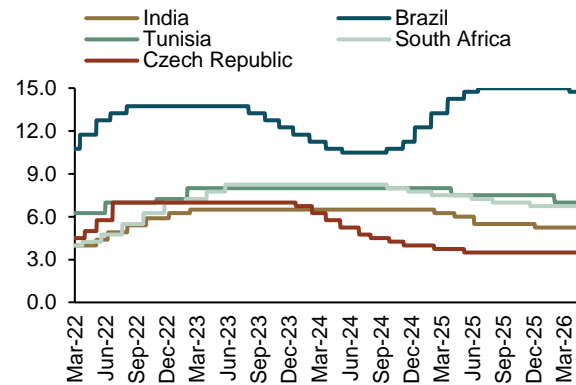
In this context, the CBE has maintained a prudent approach. Following two consecutive 100 basis point cuts—in December 2025 and February 2026—that brought the CBE’s key policy rate to 19.5 percent, the MPC opted to keep rates unchanged at its April 2026 meeting. This decision reflects the need to preserve a tight monetary policy stance amid heightened uncertainty, and closely monitor the evolving regional and global environment.

Figure 10
Key Policy Rates in Major Central Banks*
(In percent)
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.
*Data as of April 17, 2026.

Against this backdrop, Egypt’s improved macroeconomic fundamentals, policy credibility and sustained market confidence have provided a buffer against the external shock, as reflected in the resilience of CDS spreads and S&P’s maintaining of Egypt’s sovereign rating, placing the economy in a better position to absorb external shocks than in prior episodes (see Box 1). Nevertheless, the outlook remains contingent on the trajectory of regional tensions and their pass-through to energy markets, trade flows, and capital movements.

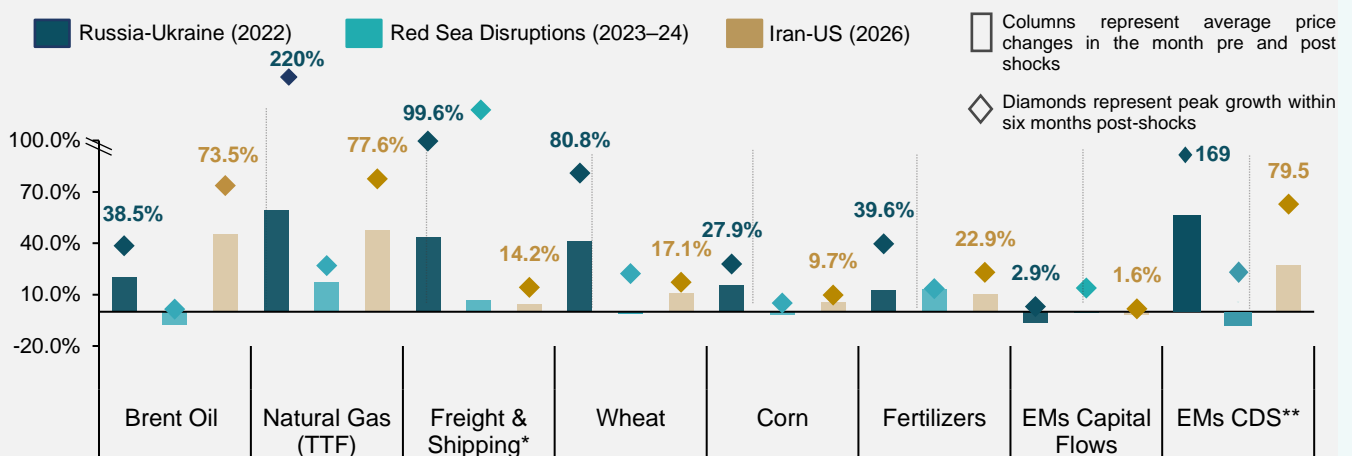
Box 1. The Iran-US Shock in Comparative Perspective

The ongoing Iran–US conflict represents the third major supply-side shock to the global economy in four years. Despite their distinct origins, the Russia-Ukraine conflict, the Red Sea disruptions, and the current conflict have been transmitted through overlapping channels, including energy prices, shipping costs, food markets, and financial flows. This box benchmarks the current shock against previous episodes to assess its magnitude and transmission channels, while also providing a brief assessment of Egypt’s capacity to absorb the shock through the lens of external and private sector indicators.

A. Comparative Shock Analysis

Each shock has been transmitted through a distinct combination of channels (Figure A). While the Russia–Ukraine conflict was primarily driven by supply disruptions affecting gas and food markets, the current shock stems mainly from the closure of the Strait of Hormuz, which accounts for around one quarter of global seaborne oil trade. As a result, the strongest spillover pathway has been through oil prices. Meanwhile, food price pressures are building indirectly through higher fertilizer costs, given that natural gas is a key input in fertilizer production. Similar to the Red Sea disruptions episode, the current shock is also chokepoint-driven, exerting pressure on freight and shipping costs, while potentially delaying the expected recovery in Egypt’s Suez Canal revenues.

Figure A. Breadth and Magnitude: Change in Global Commodity Prices and Financial Market Indicators



Source: Bloomberg.

Note: For the Iran-US shock, peak values reflect price developments through April 1, 2026.

* Freight & Shipping proxied by the Baltic Dry Index (BDI), a measure of global bulk commodity shipping costs across major sea routes.

** Calculated changes are in basis points; EMs 5-year CDS spread based on the Markit CDX Emerging Markets index, comprising 30 sovereign issuers across Latin America, Eastern Europe, Middle East & Africa, and Asia.

As shown in Figure (A), the current oil price shock has evolved faster than the abovementioned other shock episodes. Brent crude rose by 45 percent within one month, surpassing the 38.5 percent peak recorded during the Russia–Ukraine conflict over a six-month period, effectively compressing into weeks what the earlier shock unfolded over months. Unlike the Russia–Ukraine episode, which disrupted exports through sanctions and logistical constraints, the current shock combines direct GCC supply disruptions with the full closure of the Strait of Hormuz. Nevertheless, this oil shock remains relatively reversible, as a potential de-escalation could unwind part of the current risk premium embedded in prices.

Natural gas pressures, while less severe than during the Russia–Ukraine episode, are emerging in a more constrained market environment. Current gas price peaks are roughly one-third of those recorded in 2022; however, the market entered the current disruption with reduced Russian pipeline supply, limited spare capacity, and storage levels below seasonal patterns. Unlike oil supply disruptions, gas supply constraints tend to reverse more slowly, which might imply more persistent price pressures even if geopolitical tensions ease.

Food price dynamics differ across shock episodes, and the current relatively subdued readings do not necessarily imply a contained outcome going forward. While the Russia–Ukraine conflict was a direct food supply shock, transmission in the current episode is occurring indirectly through fertilizer costs, which recorded a peak growth of 22.9 percent by April 1, with the pass-through to food prices expected to materialize with a lag. Although current fertilizer prices remain around half the peak reached during the Russia–Ukraine conflict, there might be room for further upward pressures should the disruption persist.

A similar pattern is observed in financial conditions, with market indicators facing pressure alongside rising commodity prices. Emerging market capital flows declined and CDS spreads widened during the Russia–Ukraine war, reflecting heightened risk aversion and increased sovereign risk. The current shock mirrors this episode, although both the initial reaction and peak outflow levels remain relatively contained. This likely reflects market perceptions that the oil price spike is partially reversible and that the associated risk premium is not persistent.

In this regard, the Russia–Ukraine conflict remains the closest parallel to the current Iran–US shock, as both are predominantly supply-driven and energy-led, with broad spillovers across global inflation and financial conditions.

B. Egypt's Macroeconomic Positioning Ahead of the Iran-US Shock

The external sector entered the current shock from a significantly stronger position. Remittances rose from 6.8 percent of GDP in CY2021 to 10.2 percent of GDP in CY 2025,⁷ while exports increased from 7.9 percent to 10.5 percent of GDP over the same period. The current account deficit narrowed from 4.0 percent of GDP in CY2021 to 3.4 percent of GDP in CY2025. Regarding the financial account, foreign direct investment increased from 1.1 percent to 3.8 percent of GDP during the same period. Together, these improvements point to a strengthening external position characterized by more sustainable financial flows and higher current account receipts.

Financial buffers have strengthened considerably. The foreign currency reserves⁸-to-broad money ratio increased from 14.5 percent in CY2021 to 21.4 percent in CY2025, reflecting a considerable improvement in the external buffer coverage of domestic money supply and a corresponding reduction in exchange rate pressures. Commercial banks' net foreign assets position also improved from USD -10 bn in December 2021 to USD 12.2 bn in December 2025, a near USD 22 bn increase, indicating a stronger capacity to absorb external shocks.

Private sector conditions have improved. The private sector's share of total investments increased from 42.5 percent to 57.3 percent in CY2021 and CY2025, respectively. Business sentiment also strengthened, with the ECES Business Barometer⁹ rising from 48.3 to 56.8 during the same period, well above its historical

⁷Pre-shock figures are defined as CY 2021 figures for the Russia-Ukraine episode and CY 2025 figures for the Iran-US shock, and are applied consistently throughout this box.

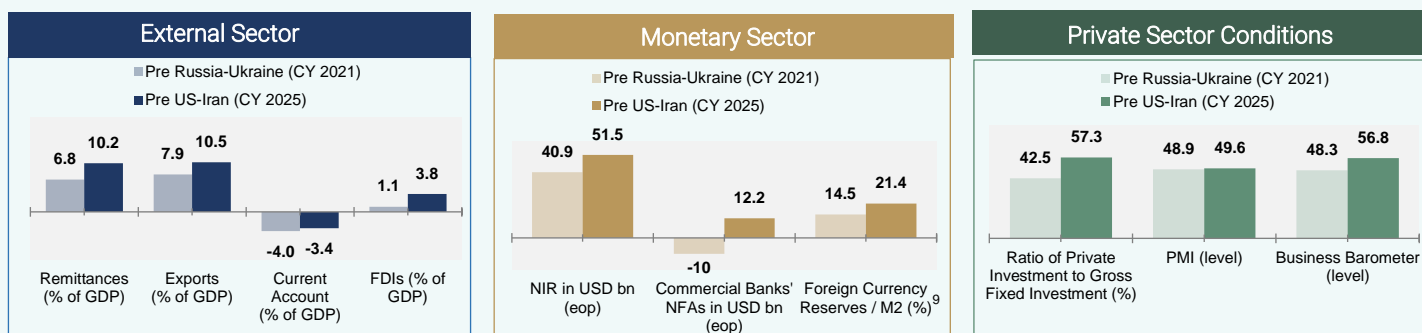
⁸Includes the net international reserves and deposits not included in official reserve assets.

⁹Business Barometer is a quarterly business indicator published by the Egyptian Center for Economic Studies (ECES), based on surveys of private sector firms across key economic sectors. Readings above 50 indicate improved business conditions, while readings below 50 indicate deterioration.

average of 50.5. Similarly, the Purchasing Managers' Index (PMI) improved from an average of 48.9 in CY2021 to 49.6 in CY2025, crossing the 50-point expansion threshold in Q4 2025 for the first time in over six years.

Overall, Egypt appears better positioned to absorb the current Iran–US shock than it was ahead of the Russia–Ukraine episode. Stronger external inflows, improved reserve adequacy, a substantially stronger banking sector foreign asset position, and enhanced private sector conditions have collectively strengthened the economy's shock-absorption capacity. At the same time, broader foreign currency earnings and stronger foreign reserve buffers reduce vulnerabilities to capital outflows and exchange rate pressures. While the repercussions of the current shock have not dissipated yet, the economy is entering this episode with materially stronger external buffers and greater resilience than in 2021.

Figure B. Select Macroeconomic Indicators, Pre Russia-Ukraine vs. Pre Iran-US



1.2 Domestic Developments

1.2.1 Inflation

Key Takeaways:

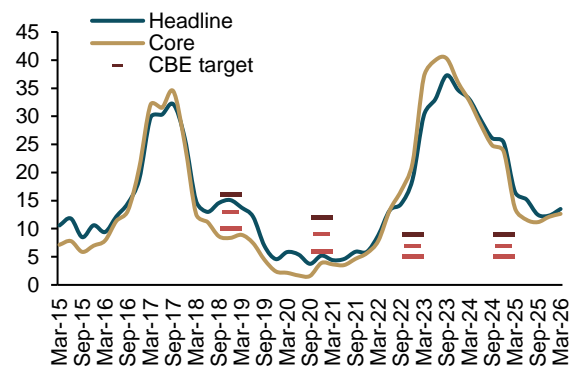
- Annual headline inflation accelerated to 13.5 percent in Q1 2026 from 12.3 percent in Q4 2025, reflecting elevated inflationary pressures stemming from global shocks, as well as seasonal domestic factors.
- Annual core inflation ticked up to 12.6 percent in Q1 2026, from 12.1 percent in Q4 2025, reflecting the spillover of shocks to core goods and services.
- Q1 2026 was marked by stronger inflation dynamics, with rebounding food prices and persistent non-food inflation.

This section assesses recent inflation dynamics in Egypt and the key factors shaping domestic prices. Specifically, it examines trends in headline and core inflation, along with developments in food and non-food inflation and across major CPI components. It also evaluates both domestic conditions and external price movements.

Annual headline inflation increased to 13.5 percent in Q1 2026, relative to 12.3 percent in Q4 2025. The increase reflected higher food prices, largely driven by a shock to both volatile and core food inflation. In particular, fresh vegetable and meat prices accelerated, as is typical during the month of Ramadan. Conversely, fresh fruit prices declined for the first time in years, after having risen steadily every quarter by an average of 40 percent since early 2023. However, the moderation in fresh fruit prices was not strong enough to offset the rising prices of fresh vegetables. Meanwhile, non-food inflation recorded 19.8 percent, maintaining stability around the 20 percent level since early 2025 due to its sticky nature.

Similar to headline inflation, annual core inflation rose to 12.6 percent in Q1 2026 from 12.1 percent in the previous quarter. The increase was driven mainly by higher food and services inflation, which outweighed the softening in retail inflation, leading to a slight acceleration in overall core inflation (Figure 11).

Figure 11
Headline and Core Inflation*
 (In percent, y/y, aop)



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

* Core inflation is measured by excluding administered prices and volatile food items from the CPI.

Monthly headline inflation developments in Q1 2026 indicated a broad-based increase in prices. Food items were the main driver this quarter, driven by an increase in poultry prices, alongside higher vegetable prices. This comes as both January and February were affected by the seasonal uptick in food prices, typically associated with Ramadan.

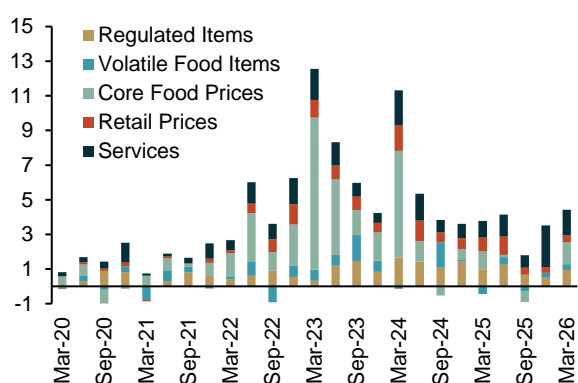
Regarding non-food items, services inflation also picked up due to (i) higher rents, reflecting spillovers from previous adjustments to the Old Rent Law, (ii) higher transportation fares following a hike in domestic fuel prices in March; and (iii) the annual increase in education tuition fees occurring every February (Figure 12).

During Q1 2026, food prices exerted upward pressure on headline inflation following a period of subdued inflation and declining prices in Q4 2025. On a quarterly basis, food prices rose by 4.4 percent in Q1 2026, compared to 0.6 percent in Q4 2025. This increase was primarily driven by the seasonal pickup in prices associated with Ramadan and Eid al-Fitr, which was most pronounced in poultry prices. In addition, fresh vegetable prices also surpassed their seasonal trends, reflecting a combination of stronger demand and supply constraints due to adverse weather conditions.

Figure 12

Breakdown of Quarterly Headline Inflation

(In p.p., q/q)



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

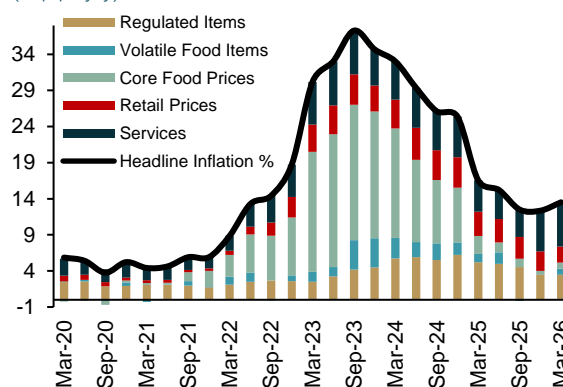
Meanwhile, non-food inflation decelerated to 4.4 percent (q/q) in Q1 2026 compared to 5.2 percent in Q4 2025, despite price adjustments to several regulated goods and services during the quarter. Fuel prices increased by 14.7 percent in March 2026 (m/m), as prices for gasoline, diesel, and natural gas for vehicles were hiked, feeding into transportation costs and other services and food items. Additional pressures stemmed from government adjustments to household energy prices, with natural gas and LPG prices rising by 28.7 percent and 18.2 percent, respectively. Inflation of regulated items was also affected by the seasonal increase in public education tuition fees and a repricing of tobacco products in February 2026 (Figure 12).

On an annual basis, the collective impact of regulated items and services continues to be the main driver of annual headline inflation, with their contribution adding up to 9.6 p.p. of a total headline figure of 13.5 percent in Q1 2026. This is due to: (i) persistent services inflation, which has remained stable for over a year; (ii) a renewed pickup in inflation of regulated items from the aforementioned price adjustments; and (iii) the dissipation of the impact of food items since early 2025, triggering a general deceleration in headline inflation and leaving non-food items as the main drivers (Figure 13).

Figure 13

Breakdown of Annual Headline Inflation

(In p.p., y/y)



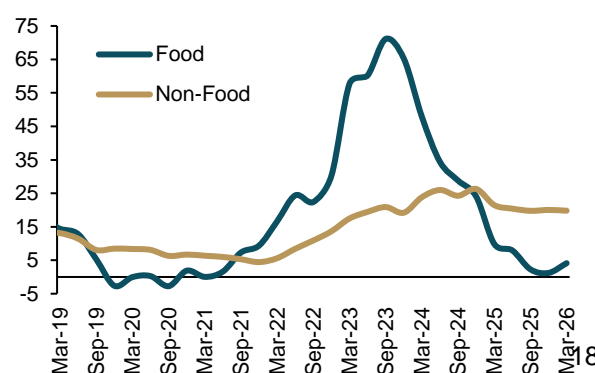
Source: Central Bank of Egypt calculations; and CAPMAS data.

At the aggregate level, food inflation rebounded to 4.1 percent in Q1 2026 after decelerating for over a year and reaching a low of 1.2 percent in Q4 2025. This pickup reflects the aforementioned seasonal impacts. Meanwhile, non-food inflation slightly eased to 19.8 percent from 20 percent in Q4 2025, on the back of a moderation in retail inflation (Figure 14).

Figure 14

Food and Non-Food Inflation

(In percent, y/y, aop)



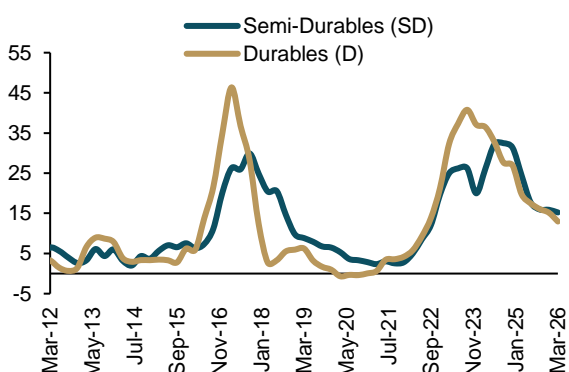
Source: Central Bank of Egypt calculations; and CAPMAS data.

Durable¹⁰ goods' annual inflation eased to 13.0 percent in Q1 2026, from 15.2 percent in Q4 2025. This deceleration came on the back of initially improving market sentiment and a stable exchange rate during January and February. However, the changing landscape in March 2026 added further inflationary pressures that dampened this deceleration over the quarter. Specifically, the escalation of geopolitical tensions and consequent exchange rate fluctuations in March 2026 resulted in higher prices of some durable goods, mainly vehicles. Similarly, semi-durable¹¹ annual inflation continued its downward trajectory, moderating to 15.2 percent in Q1 2026 from 15.9 percent in the previous quarter, consistent with the overall deceleration in non-food inflation during the same period (Figure 15).

Figure 15

Durable and Semi-durable Inflation

(In percent, y/y, aop)



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

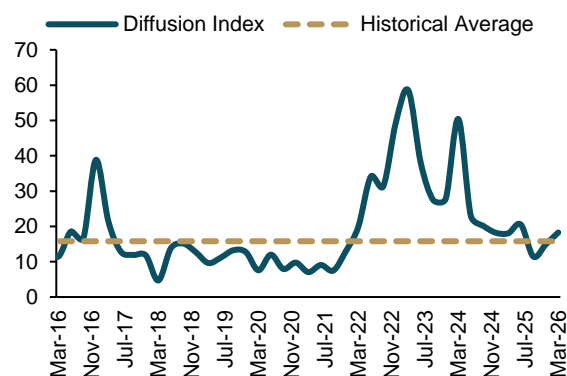
The CBE uses a diffusion index to monitor the dispersion of inflation rates across goods and services comprising the CPI basket. This index rose to an average of 18.3 percent in Q1 2026,

from 14.9 percent in Q4 2025, and above its historical average of 15.8 percent. The increase signals a wider dispersion of inflation, with a larger share of CPI items recording monthly inflation exceeding 2.0 percent. The uptick was primarily driven by higher inflation across volatile food, education-related services, and fuel products (Figure 16).

Figure 16

Diffusion Index

(Number of items with m/m inflation above 2 percent, as a share of CPI)



Source: Central Bank of Egypt calculations.

International food prices increased for the first time since Q1 2023. Concurrently, domestic core food inflation rose to 2.6 percent in Q1 2026, from 1.4 percent in Q4 2025. This uptick reflects the combined impact of the pass-through of external price pressures –as global food inflation was vulnerable to disruptions amid surging energy costs due to escalating geopolitical tensions– and pre-existing domestic factors, such as seasonal patterns and adverse weather conditions (Figure 17).

¹⁰ Durable goods are non-perishable consumer products that have a long service life of more than three years, such as cars, communication equipment, household appliances, and furniture. They represent 1.5 percent of the urban CPI basket.

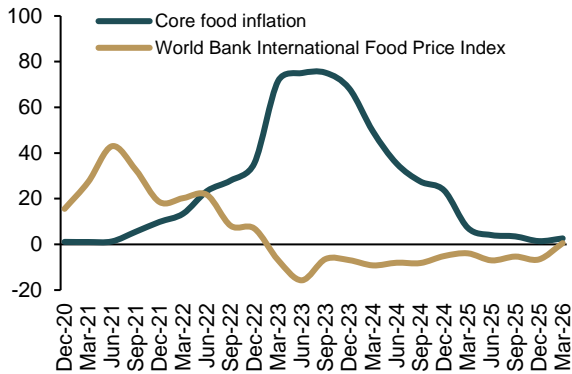
¹¹ Semi-durable goods are non-perishable consumer products with a short service life that are frequently upgradable such as clothing,

footwear, and household tools. They represent 5.5 percent of the urban CPI basket.

Figure 17

Food Inflation: Global vs. Domestic Dynamics

(In percent, y/y)



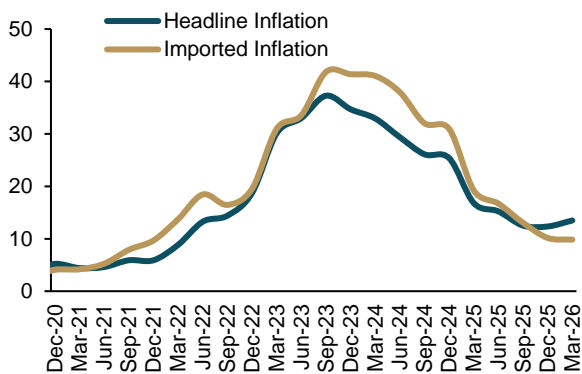
Source: Central Bank of Egypt calculations; CAPMAS data; and World Bank International Food Price Index.

Imported inflation remained relatively stable at 9.8 percent, compared to 10.2 percent in Q4 2025.¹² While imported and headline inflation typically move in tandem, the increase in headline inflation during Q1 2026 was met with relative stability in imported inflation. This is largely because developments in headline inflation in Q1 2026 reflected primarily an inflation in price-regulated items, and in other domestically produced goods and services, while import prices have remained fairly stable (Figure 18).

Figure 18

Imported Inflation

(In percent, y/y, aop)



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

¹² Imported inflation doesn't represent the import price index from external trade data, but it represents a sub-basket of the urban CPI comprising

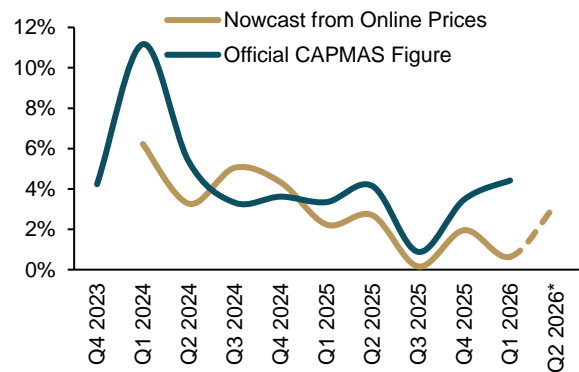
To ensure timely analysis, the CBE nowcasts inflation rates prior to their official release. These nowcasts rely on online prices that broadly mimic the composition of the official CAPMAS CPI basket, and includes more varieties. This index has captured the general direction of overall price movements fairly well, despite occasional lags.

In Q1 2026, the nowcast projected a slight pickup in headline inflation compared to the previous quarter, while official figures came higher. This divergence resulted from the main drivers of official inflation in January and February being services and education fees, which are hard to capture via online sources. In April 2026, nowcasts suggest monthly headline inflation to pick up moderately, driven by food items, mainly bread, grains, beef, poultry and vegetables (Figure 19).

Figure 19

Nowcasting Headline Inflation

(In percent, q/q)



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

See Box 2 in Q1 2025 MPR.

*Q2 2026 includes only April 2026.

goods that are entirely imported or assembled domestically from imported components.

Box 2. Inflation Expectations Survey

Anchoring inflation expectations is the cornerstone of the Central Bank of Egypt's operational framework, especially in light of the transition to an inflation-targeting regime and the ongoing efforts to enhance its monetary policy framework and analytical toolkit. Accordingly, the CBE places significant emphasis on assessing market sentiment and measuring the effectiveness of the monetary policy transmission mechanism through an evaluation of short- and medium-term inflation expectations across various economic agents. To achieve this goal, and in partnership with the World Bank, the CBE established the Survey of Professional Forecasters (SPF)¹³. This survey is designed to offer a gauge of inflation expectations among professional forecasters. The SPF aims to highlight how these expectations are influenced by present dynamics and how they respond to the actions taken by the CBE. This insight is derived from the perspectives of professional economists and financial analysts participating in this collaborative effort.

I. Survey of Professional Forecasters (SPF) Design and Target Audience

The SPF targets experts affiliated with both financial and non-financial institutions—including research houses, banks, academic institutions, and accounting and audit firms—across the private and public sectors, along with international institutions. It specifically focuses on respondents actively engaged in regular macroeconomic analysis and forecasting. The survey consists of several modules covering their short- and medium-term expectations of inflation rates, the upcoming actions of the Monetary Policy Committee, and a range of additional key macroeconomic indicators such as unemployment, nominal wage growth, and real GDP growth, along with their assessment of the national economy's performance and outlook.

During the survey's pilot phase, the questionnaire and respondent list were refined to ensure alignment with the target audience, followed by two successful additional rounds. The response rate is deemed consistent with prevailing practices among peer central banks. The SPF targets around 17 foreign and 19 domestic institutions. The first round collected estimates starting Q4 2025, while the second round began in Q1 2026 and incorporated expectations extending through 2029.

II. SPF Key Findings: Inflation Expectations and MPC Decisions

In order to assess the market's projection of inflation rates and their degree of confidence in these estimates, the survey captures respondents' level of certainty as a percentage likelihood of inflation rates falling within specific ranges. Findings from Round 1 showed a downward trend in inflation expectations over the horizon. Results from Round 2, conducted in late February, show that respondents expect annual inflation for Q1 2026 to fall within the 10-15 percent range with the highest degree of certainty (100 percent), consistent with the actual Q1 2026 inflation rate of 13.5 percent. As expected, this degree of certainty diminishes over longer horizons, reflecting greater uncertainty surrounding medium-term projections relative to near-term expectations. By Q4 2026, respondents expect annual headline inflation to range between 5 percent and 10 percent with a 38 percent probability, broadly aligning with the CBE's target of 7 percent (± 2 p.p.), on average, in the same quarter. However, amid heightened geopolitical risks,

¹³ The collaboration came under technical assistance from World bank and cooperation with third-party field agency Baseera–The Egyptian Center for Public Opinion Research—which handled the dissemination of the survey.

inflation expectations have recorded an upward adjustment, with more than 40 percent probability assigned to inflation falling within the 10-15 percent range in Q4 2026.

At a more disaggregated level, findings show that respondents expect annual food inflation to remain between 0 and 5 percent with a high degree of certainty (41 - 63 percent) during 2026; however, upside risks are visible through rising probability that the rate will fall between 5 percent and 15 percent by Q4 2026. Conversely, downside risks are weaker with only 13 percent confidence that the annual food inflation will fall into the negative territory during H1 2026.

With respect to monetary policy decisions, in Round 2 expectations of keeping policy rates unchanged came higher in the near term. Specifically, for the April 2, 2026, MPC meeting, 67 percent of respondents expected that the CBE would keep policy rates on hold, while 31 percent expected a rate cut.

Overall, results from the first two rounds of SPF were broadly in line with CBE forecasts.

CBE is currently preparing for the upcoming SPF round set to cover Q2 2026. Additionally, to complement professional assessments with insights from a broader perspective, the Central Bank of Egypt is currently developing a household survey aimed at capturing public perceptions regarding future inflation.

1.2.2 Real Sector

Key Takeaways:

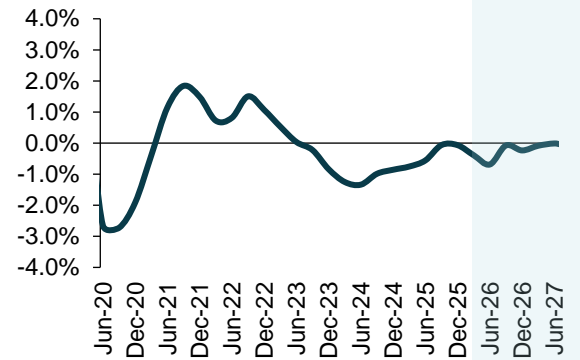
- The estimated output gap trajectory suggests that demand-driven inflationary pressures are likely to remain contained in the short term, supported by the prevailing monetary stance.
- The CBE nowcast for Q1 2026 points to a slight moderation in economic activity, with real GDP growth projected at around 4.9 percent.
- Real GDP growth at both market prices and factor cost accelerated to 5.3 percent in Q4 2025, compared to 4.3 percent in Q4 2024.
- The unemployment rate registered 6.2 percent in Q4 2025, down from 6.4 in the corresponding quarter of 2024. Meanwhile, real wages continued to recover in Q4 2025, albeit remaining below their pre-2022 levels, indicating limited inflationary pressures from the wage channel.

While the estimated output gap remains below potential, it is expected to close more gradually than previously projected, reflecting a downward revision to the real GDP growth forecast in view of the impact of the Iran–US conflict. The economy is now projected to converge to potential by H1 2027 (Figure 20). Consequently, demand-side inflationary pressures are expected to remain contained over a more extended horizon than previously projected, reinforced by the prevailing monetary policy stance.

The following analysis outlines the high-frequency indicators employed to estimate the Q1 2026 CBE nowcast, in addition to the latest actual data for GDP and labor market developments in Q4 2025.

Figure 20
Output Gap¹⁴

(In percent of potential GDP)



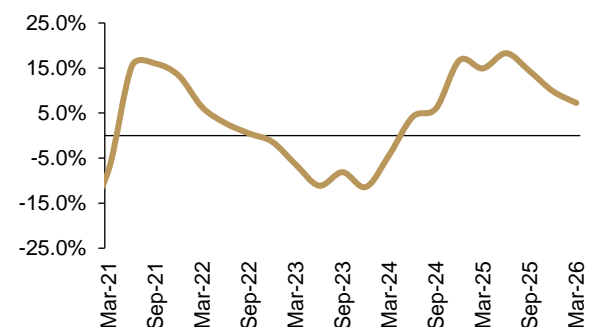
Source: Ministry of Planning & Economic Development (MPED) and CBE calculations.

The CBE nowcast for Q1 2026 indicates that real GDP growth is estimated at around 4.9 percent, in accordance with high-frequency indicators of economic activity. These indicators capture around 60 percent of sectoral economic activity, offering a reliable preliminary estimate of real GDP growth.

In Q1 2026, the manufacturing index—a high-frequency indicator strongly correlated with non-petroleum manufacturing economic activity—grew by 2.9 percent¹⁵ year-on-year (Figure 21). This signals a moderation in the growth momentum, partially driven by an unfavorable base effect. Consequently, the softening in non-petroleum economic activity underpins the slight moderation in the CBE’s real GDP growth nowcast for Q1 2026.

Figure 21
Manufacturing Index Growth

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



Source: CAPMAS.

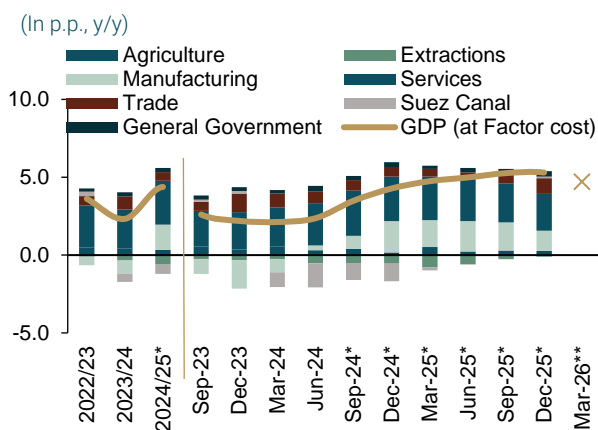
¹⁵ Estimate based on available high-frequency data for January and February 2026.

¹⁴ See Box 2 in the [Q2 2025 MPR](#) for further details on the computation of the output gap.

Similarly, the number of fixed-line subscribers—a high-frequency indicator for communications economic activity—recorded a 6 percent growth in Q1 2026 relative to Q1 2025. This growth signifies a potential growing trend for this sector, aligning with continued efforts to expand access to ICT training programs,¹⁶ highlighting the sector’s strengthening human capital base. The expansion is further reinforced by ongoing digital infrastructure upgrades, including the official launch of 5G mobile services. These developments boosted the sector’s productive capacity, complemented by ongoing digital transformation initiatives, including the introduction of a new electronic vehicle license renewal service in Q1 2026.

Consequently, both non-petroleum manufacturing and communications economic activities constitute the main drivers of growth, alongside trade and agriculture. Together, these sectors contribute approx. 60% of the total real GDP growth nowcast figure for Q1 2026 (Figure 22).

Figure 22
Contribution to Real GDP Growth at Factor Cost



Source: MPED.

* Preliminary figures.

** March 2026 is a CBE nowcast (subject to revision).

Meanwhile, high-frequency indicators associated with Suez Canal and tourism point to a continued improvement in both activities in Q1 2026, growing by 23 and 8 percent year-on-year, respectively. This performance suggests that, thus far, spillover effects from the ongoing conflict in the Middle East have not materially affected tourist nights or net tonnage transiting through the Canal. In parallel, indicators of natural gas production continue to reflect an improvement¹⁷ in Q1 2026 relative to Q1 2025. Nevertheless, the extractions sector as a whole continues to weigh on overall real GDP growth, remaining in contractionary territory, albeit at a gradually declining pace.

Regarding Q4 2025 actual outturns, real GDP at factor cost grew by 5.3 percent compared to 4.3 percent in Q4 2024, driven by strong performance in non-petroleum manufacturing, trade, communications, and tourism sectors. Combined, these sectors contributed 3.4 p.p. (64 percent of the recorded growth figure). Notably, the expansion in these sectors aligns with the real growth in local currency loans extended to manufacturing, services, and trade activities.

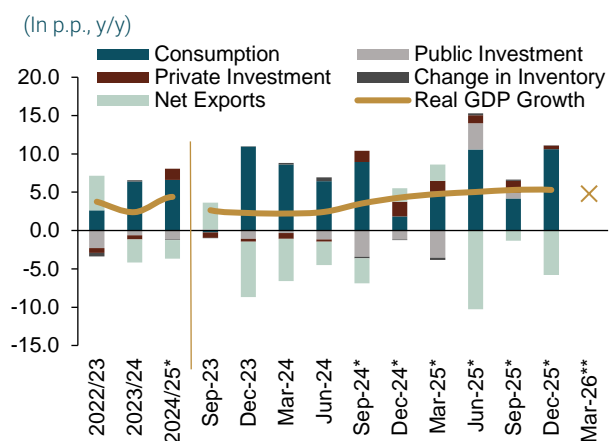
Furthermore, Suez Canal activity in Q4 2025 contributed positively for the second quarter since Q4 2023, reflecting a gradual recovery in net tonnage transiting through the Canal prior to the outbreak of the Iran–US conflict. In contrast, the extractions sector continued to weigh on overall growth; however, the pace of contraction continued to ease, with its contribution improving by 0.5 p.p. compared to Q4 2024. This moderation was primarily driven by the receding negative contribution of natural gas extraction.

¹⁶ Source: MCIT Yearbook.

¹⁷ Estimate based on available January and February 2026 high frequency data.

Similarly, real GDP at market prices grew by 5.3 percent in Q4 2025, accelerating from 4.3 percent in Q4 2024, signaling a sustained recovery momentum in economic activity (Figure 23). This outturn was primarily driven by consumption and gross domestic investments, which propelled growth relative to the corresponding period last year.

Figure 23
Contribution to Real GDP Growth at Market Prices

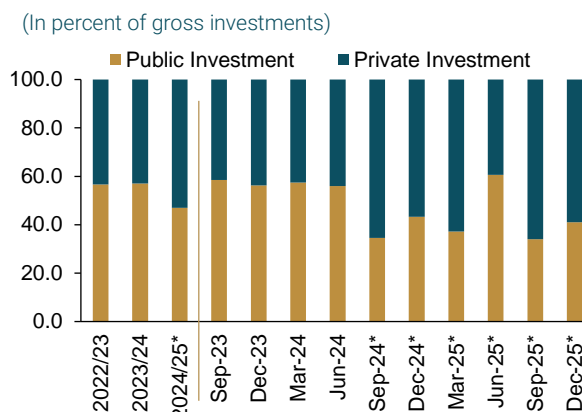


Source: MPED. * Preliminary figures.
** March 2026 is a CBE nowcast (subject to revision).

In Q4 2025, the contribution of consumption increased by 8.8 p.p. compared to Q4 2024. This development reflects an increased propensity to consume, consistent with the cumulative 825 bps of monetary easing, facilitating retail and corporate financing, and hence supporting consumption and investment spending.

Similarly, the contribution of gross domestic investments remained positive, primarily driven by private investment, which grew by 7 percent year-on-year. This was also reflected in its growing share in gross investments¹⁸, which increased by 2.3 p.p. compared to Q4 2024 (Figure 24).

Figure 24
Shares in Gross Investments¹⁸



Source: MPED. * Preliminary figures.

Meanwhile, the contribution of net exports of goods and services recorded negative 5.7 p.p. in Q4 2025, compared to 1.8 p.p. in Q4 2024, primarily due to a 14 percent annual real growth in imports in tandem with a 12 percent annual decline in exports. Notably, the increase in imports was concentrated in intermediate goods essential for the production process; as such, this increase was a function of accelerating real GDP growth.

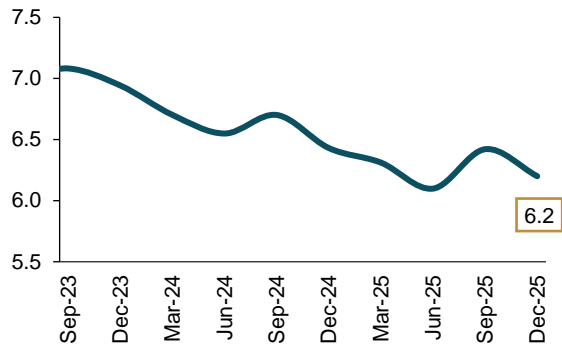
Regarding the labor market, the unemployment rate declined marginally to 6.2 percent in Q4 2025, compared to 6.4 percent in Q4 2024 (Figure 25). The year-on-year improvement was mainly driven by employment creation in agriculture, trade and non-petroleum manufacturing, all of which continue to contribute positively to real GDP growth. Moreover, the downtick in unemployment is in line with the projected acceleration in real GDP growth for FY 2025/26 compared to the previous fiscal year, as labor market shifts typically precede broader developments in the economy.

¹⁸ Total investments excluding change in inventory.

Figure 25

Unemployment Rate

(In percent of the labor force)



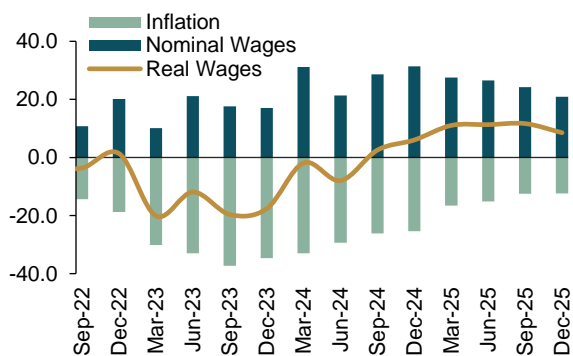
Source: CAPMAS.

Meanwhile, real wage growth registered 8.5 percent in Q4 2025, up from 6.0 percent in the corresponding period of the previous year. This improvement is due to a deceleration in inflation that outweighed moderating nominal wage growth. Nevertheless, the magnitude of the wage increase remains modest, with the real wage index remaining below its 2022 levels, as the current period of positive growth has not fully offset the previous period of negative growth (Figure 26), reflecting limited inflationary pressures from the wage channel. This assessment is consistent with the estimated negative output gap supported by the current monetary stance.

Figure 26

Real Wage Decomposition

(In percent, y/y)



Source: CAPMAS.

1.2.3 External Sector

Key Takeaways:

- Capital and financial account inflows were sufficient to finance the current account deficit in Q4 2025. Thus, the overall balance of payments remained largely in balance, recording only a marginal deficit.
- The current account deficit widened in Q4 2025 on annual basis, driven by larger non-hydrocarbon and hydrocarbon trade deficits, alongside the net investment income deficit. These developments were partially offset by increasing remittances and a rising net service surplus.
- Financial account inflows were underpinned by FDI, as well as portfolio investment, which were partially offset by the accumulation of net foreign assets by commercial banks, supporting the observed exchange rate appreciation in Q4 2025.

The analysis below examines developments in the current and financial accounts in Q4 2025 and assesses their implications for Egypt’s external position and net international reserve accumulation.

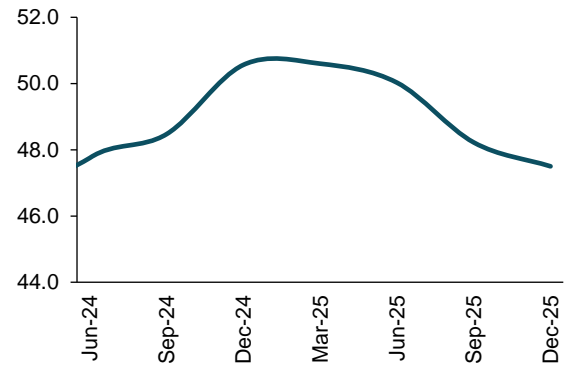
Although the current account deficit widened by 23 percent in Q4 2025 compared to Q4 2024, the capital and financial account inflows were sufficient to finance the deficit, underpinned by FDI and portfolio investment inflows. This mitigated external pressures on the nominal exchange rate, as evidenced by the continued appreciation of the Egyptian pound in Q4 2025 (Figure 27). Both exchange rate appreciation and declining global inflation have contained imported inflationary pressures in the corresponding quarter. Nevertheless, the overall balance of payments recorded a marginal USD

0.5 bn deficit, after accounting for net errors and omissions.

Figure 27

Nominal Exchange Rate

(Levels, USD/EGP)



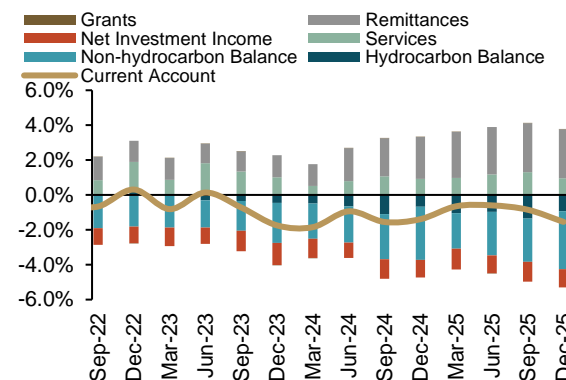
Source: Central Bank of Egypt.

The current account deficit widened to USD 6.2 bn (equivalent to 1.5 percent of GDP)¹⁹ in Q4 2025, and compared to 1.4 percent of GDP in Q4 2024 (Figure 28).

Figure 28

Contribution to Current Account

(In percent of GDP)



Source: Central Bank of Egypt.

The widening of the current account deficit was primarily driven by larger non-hydrocarbon and hydrocarbon trade deficits, as well as a widening net investment income deficit. However, these

¹⁹ In percent of annual GDP (in USD), derived by calculating the total sum of quarterly GDP released by the Ministry of Planning & Economic

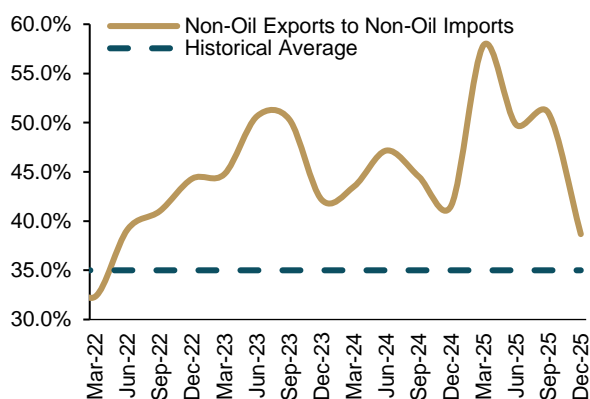
Development after evaluating it in USD based on the average exchange rate for each respective quarter.

unfavorable developments were partially offset by increasing remittances and a rising net services surplus, underpinned by higher tourism and Suez Canal receipts in particular.

The non-hydrocarbon trade deficit widened by 21 percent in Q4 2025 relative to the corresponding period in 2024, registering USD 13.4 bn. The year-on-year growth in non-hydrocarbon imports outpaced that of exports, with imports growing by 16 percent, compared to 8 percent growth in exports.

Accordingly, the ratio of non-hydrocarbon exports to imports registered 39 percent in Q4 2025, remaining above its 35 percent historical average (Figure 29). Although the decline in the ratio compared to Q3 2025 aligns with the typical seasonal pattern for non-oil imports during the fourth quarter, the drop was notably more pronounced in Q4 2025 due to a concurrent decrease in exports. Notably, the increase in imports was mainly concentrated in intermediate goods essential for the production process; and as such was a function of accelerating real GDP growth, which recorded 5.3 percent in Q4 2025.

Figure 29
Non-oil Exports to Non-oil Imports Ratio
 (In percent of non-oil imports)



Source: Central Bank of Egypt.

Similarly, the hydrocarbon trade deficit increased by 55 percent compared to Q4 2024, reaching USD 3.8 bn in Q4 2025. This widening was driven by a decrease in export quantities, coupled with

an increase in import quantities, mainly concentrated in natural gas and crude oil to meet rising domestic demand amid a 7 percent decline in domestic natural gas production.

Furthermore, net investment income deficit witnessed a 15 percent increase year-on-year in Q4 2025, registering a deficit of USD 4.2 bn. The widening deficit is a result of a larger increase in the value of payments compared to receipts, with interest payments rising by 11 percent. Nonetheless, the ratios of interest payments to both exports of goods and services, as well as current account receipts, remained stable at around 11 percent and 7 percent, respectively, compared to the corresponding period in 2024. Hence, these ratios remain below the peak levels recorded in Q1 2024.

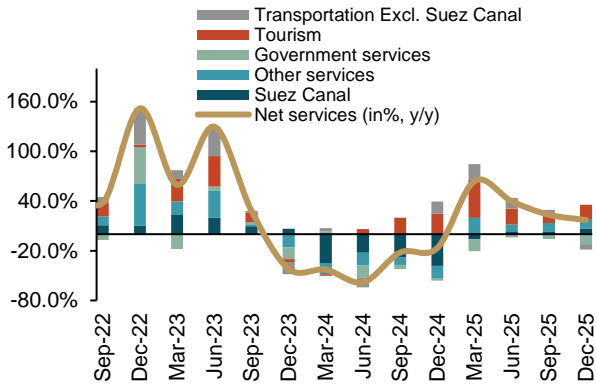
On the other hand, remittances continued to post record highs in Q4 2025, increasing by 29 percent year-on-year to USD 11.3 bn, and maintaining the robust growth momentum observed since the unification of the exchange rate in Q1 2024. The exchange rate unification re-directed flows back into the banking system, while the ongoing facilitation of cross-border payments via digital payments continues to support the flow of remittances from Egyptians working abroad.

Moreover, the services surplus expanded by 17 percent compared to Q4 2024, registering USD 3.9 bn in Q4 2025 (Figure 30). This expansion was mainly driven by the 22 percent annual growth in tourism receipts, underscoring the sector's resilience, expanding capacity, and increasingly diversified tourist base. Services performance was further bolstered by a 26 percent annual increase in Suez Canal receipts, which registered a positive growth rate for the third consecutive quarter since Q1 2024. Combined, the increasing remittances and the increasing services surplus served to mitigate the widening of the current account deficit.

Figure 30

Contribution to Net Services Balance

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



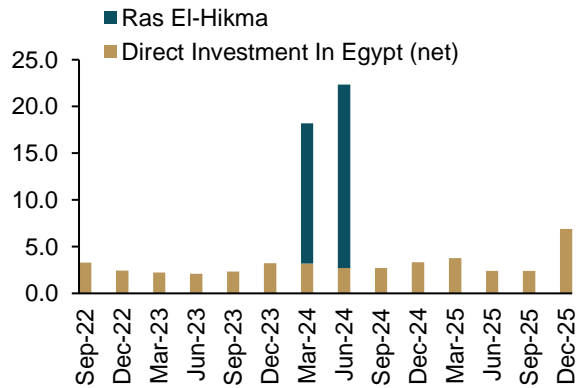
Source: Central Bank of Egypt

On the other hand, the capital and financial account recorded a net inflow of USD 6.8 bn, its highest level since Q2 2024, which coincided with the Ras Al-Hikma investment deal (Figure 31).

Figure 31

Net Foreign Direct Investment in Egypt

(In USD bn)



Source: Central Bank of Egypt.

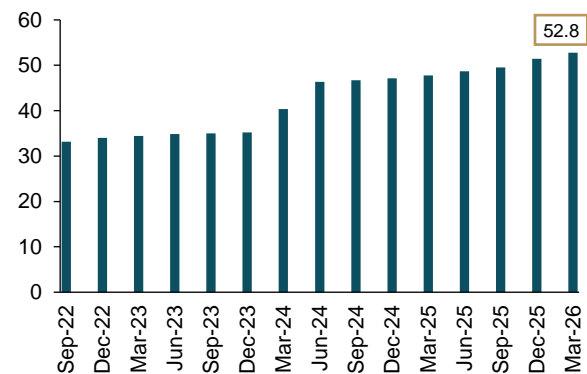
The registered figure was mainly underpinned by strong net FDI inflows totaling USD 6.9 bn (including USD 3.5 bn from the Alam Al-Roum investment deal), alongside USD 3.2 bn in net portfolio inflows. Notably, these inflows were partially offset by outflows related to positive developments in the banking system. Specifically, commercial banks accumulated USD 2.4 bn in net foreign assets, further supporting the observed exchange rate appreciation in Q4 2025.

Consequently, net international reserves (NIR) reached USD 51.5 bn at end-December 2025, up from USD 49.5 bn at end-September 2025. As of December 2025, NIR covers around 6.3²⁰ months of imports, well above the international benchmark of three months. Furthermore, NIR continued its upward trend in the subsequent quarter, reaching USD 52.8 bn by end-March 2026, underscoring the resilience of Egypt’s external buffers (Figure 32).

Figure 32

Net International Reserves

(In USD bn)



Source: Central Bank of Egypt.

²⁰ Calculated using the four-quarter rolling sum of imports ending December 2025.

1.2.4 Monetary Sector

Key Takeaways:

- Annual M2 (broad money) growth continued its decelerating trend for the fourth successive quarter, averaging 18.5 percent in Q1 2026, the lowest growth rate in 4 years, down from an average of 21.5 percent in Q4 2025.
- The banking system's net foreign assets (NFAs), comprising the CBE and commercial banks, declined in March 2026 to reach USD 21.4 bn, compared to USD 25.5 bn in December 2025, heavily impacted by the repercussions of the Iran-US conflict.
- Real growth of local currency (L/C) loans to the private sector continued its deceleration trend since Q3 2025 to register an average of 7.7 percent in Q1 2026, yet remains above its historical average.
- Annual M2 growth is expected to pick up moderately to reach 26.9 percent by June 2026, before declining notably toward 13.6 percent by June 2027, compared to 23.1 percent in June 2025.

The following analysis outlines M2 growth dynamics in Q1 2026, highlighting key annual and monthly developments as well as changes in the banking system's net foreign assets and private sector credit. It also provides annual M2 growth projections through June 2027.

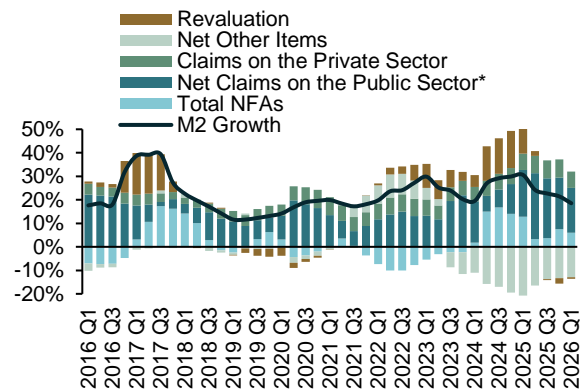
On an annual basis, M2 growth continued its decelerating trend for the fourth successive quarter to register an average of 18.5 percent in Q1 2026, the lowest growth rate since Q4 2021, and down from an average of 21.5 percent in Q4 2025. (Figure 33). This deceleration was driven by declining contributions from net claims on the public sector and net foreign assets, with the latter driven by a notable combined decrease during February and March 2026. However, this was partially offset by the less negative contribution from the revaluation effects of foreign currency (F/C) components in M2. Despite the exchange rate fluctuations in March

2026 resulting from the repercussions of the Iran-US conflict, the revaluation effects still contribute negatively to annual M2 growth in Q1 2026 due to the notably lower exchange rate levels during January and February 2026 compared to the same period in previous year, more than offsetting the upward pressures on annual M2 growth arising from the exchange rate fluctuations in March.

Figure 33

Contribution to Annual M2 Growth

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



Source: Central Bank of Egypt.

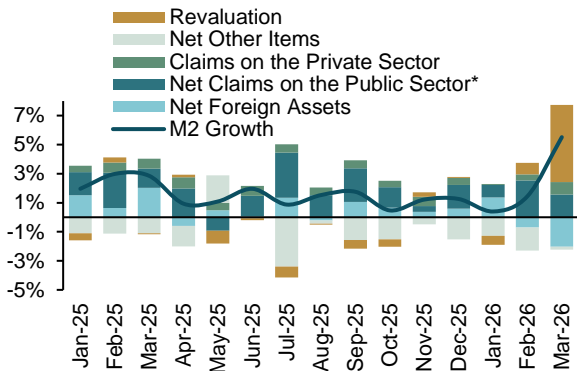
* Net claims on the public sector comprise net claims on the government, net claims on public economic authorities, and claims on public sector companies.

On a quarterly basis, M2 growth recorded 7.5 percent between December 2025 and March 2026 (Figure 34). This expansion was primarily driven by revaluation effects stemming from the exchange rate fluctuations in March 2026. Additionally, quarterly M2 growth was positively impacted by higher contributions from net claims on the public sector and claims on the private sector, driven by the increase in loans to the services and industrial sectors. However, the expansion was partially offset by a reduced contribution from net foreign assets, resulting from the notable combined decrease during February and March 2026.

Figure 34

Contribution to Monthly M2 Growth

(In p.p., m/m)



Source: Central Bank of Egypt.

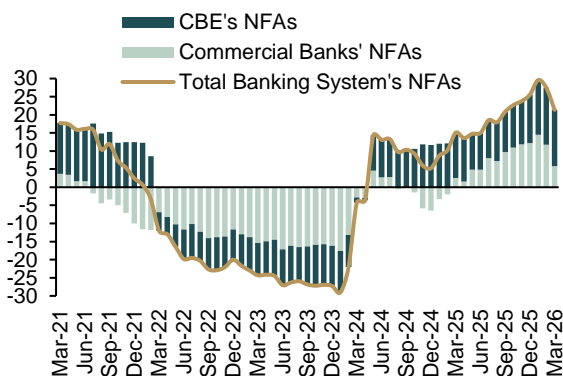
* Net claims on the public sector comprise net claims on the government, net claims on public economic authorities, and claims on public sector companies.

The banking system's NFAs began in 2026 with a significant increase of USD 4 bn in January, before declining by a combined USD 8.2 bn in February and March to stand at USD 21.4 bn, compared to USD 25.5 bn in December 2025 (Figure 35). This reversal was primarily due to the repercussions of the Iran-US conflict and the resulting notable net foreign portfolio outflows since mid-February 2026, in response to escalating tensions even prior to the onset of hostilities.

Figure 35

Banking System's Net Foreign Assets

(Stock, in USD bn, eop)



Source: Central Bank of Egypt.

This decline was fully concentrated in commercial banks' NFAs, which decreased by a cumulative USD 8.7 bn in February and March to stand at USD 5.8 bn in March 2026, down from USD 12.2 bn in December 2025. Conversely, CBE's NFAs remained resilient throughout Q1 2026, increasing by a cumulative USD 2.2 bn to stand at USD 15.5 bn in March 2026, compared to USD 13.3 bn in December 2025.

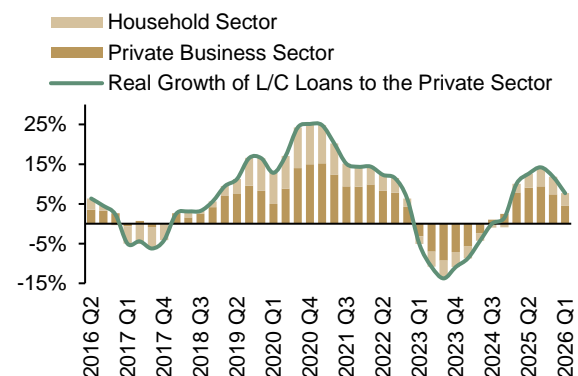
Notably, the robust NFAs position prior to the Iran-US conflict of USD 29.6 bn in January 2026—the highest in 14 years—provided a substantial buffer against the implications of the current external shock. This stands in stark contrast to the significantly weaker position of USD 0.7 bn in January 2022 prior to the onset of the Russia-Ukraine conflict.

Real growth²¹ of L/C loans to the private sector remained in positive territory for the seventh successive quarter in Q1 2026 to stand at 7.7 percent, compared to 11.8 percent in the previous quarter (Figure 36). This is consistent with the normalization trend following the significant recovery from the subdued economic activity experienced during FYs 2022/23 and 2023/24. Nevertheless, the real growth rate in Q1 2026 remains above the 15-year historical average of 4.5 percent, despite its recent slowdown since Q3 2025.

Figure 36

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

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

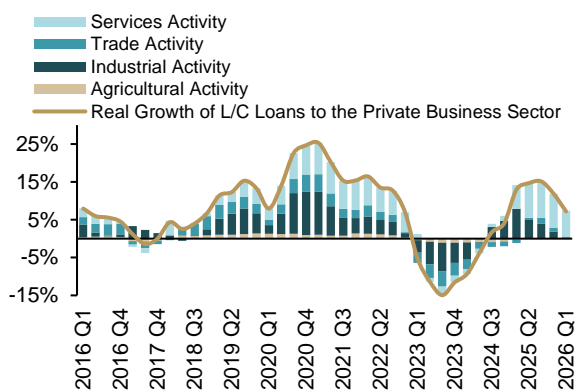


Source: Central Bank of Egypt.

²¹ Nominal growth rates are deflated by the annual headline inflation rate.

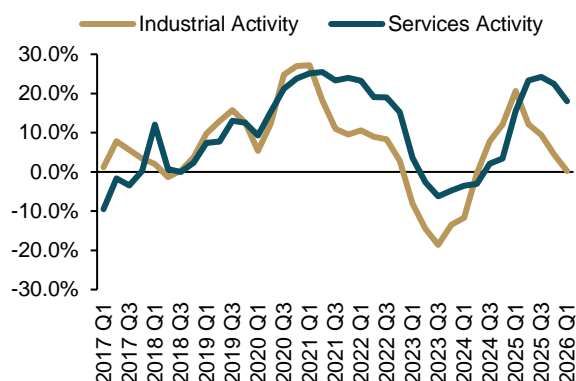
Similarly, real growth of L/C loans to the private business sector also declined in Q1 2026 to register 7.2 percent, compared to 11.9 percent in Q4 2025 (Figure 37). The decline in Q1 2026 was mostly reflected in lower positive contributions from services and industrial activities—mainly driven by real estate, communication, food & beverages, and construction materials subsectors, while being partially offset by the pick-up in the contribution of electronics and industrial goods. Nonetheless, the services sector remains the main contributor to real growth of L/C loans to the private business sector for the fourth consecutive quarter, consistent with the economic activity indicators during the same period. This also reflects the services sector’s relative inelasticity to previous shocks and its slower recovery from them, especially compared to the industrial sector whose credit (and economic activity) are more sensitive to shocks and thus rebounds faster from them (Figure 38 & Figure 39).

Figure 37
Sectoral Contribution to Real Growth of L/C Loans to the Private Business Sector
(In p.p., y/y, aop)



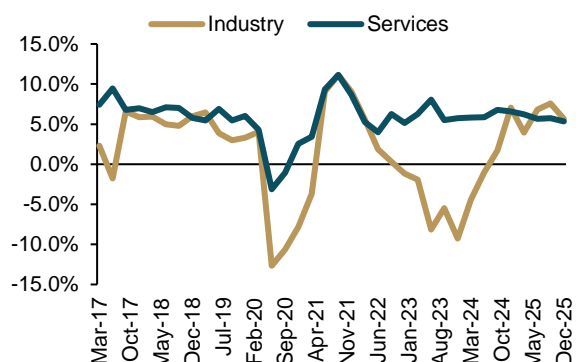
Source: Central Bank of Egypt.

Figure 38
Real Growth of L/C Loans to Industrial and Services Activities
(In percent, y/y, aop)



Source: Central Bank of Egypt.

Figure 39
Real GDP Growth of Industry and Services Sectors
(In percent, y/y)



Source: MPED

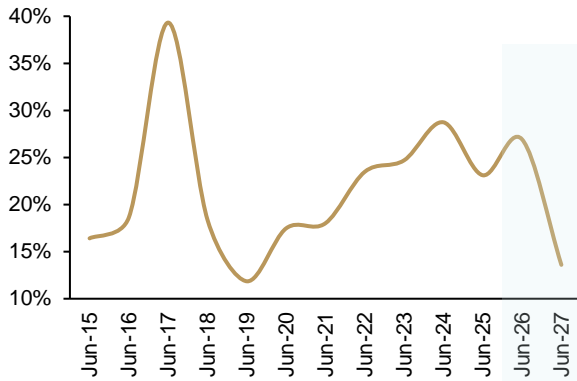
Annual M2 growth is expected to pick up moderately to reach 26.9 percent by June 2026, compared to 23.1 percent in June 2025 and 20.0 percent in March 2026 (Figure 40). This is despite the projections of lower contribution of net claims on the public sector, supported by the continued revenue-based fiscal consolidation measures that are estimated to reduce the overall fiscal deficit (percent of GDP) from 7.2

percent in FY 2024/25 to 7.0 percent and 4.9 percent in the subsequent two fiscal years.²²

Figure 40

Broad Money Forecast

(In %, y/y, eop)



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

However, this is expected to be partially offset by anticipated higher contributions from claims on the private sector in light of ongoing government efforts to improve the business environment and foster private sector-led economic growth. Annual M2 growth is also projected to decline significantly in FY 2026/27 to reach 13.6 percent by June 2027, primarily driven by the expected lower contribution of net claims on the public sector.

²² Ministry of Finance Mid-year Report for FY 2025/26 and the Medium-term Fiscal Strategy (2026/27–2029/30).

1.2.5 Domestic Liquidity and Financial Conditions

Key Takeaways:

- The CBE cautiously continued its easing cycle in Q1 2026, albeit maintaining a sufficiently tight monetary stance.
- Following the cumulative rate cuts totaling 825 bps since the start of the easing cycle in April 2025, monetary policy pass-through to money market and banking conditions was effective.
- Excess liquidity in Q1 2026 declined to its lowest level since Q4 2015, while the interbank transactions' volume remained broadly stable in the same quarter.
- Egypt's yield curve remained broadly stable, with short-term yields initially declining on expectations of monetary easing, before rising again amid geopolitical risks.
- Despite the decline in foreign investor holdings, positions in Egypt's longer-dated local debt instruments remained stable, indicating continued confidence in Egypt's medium-term outlook.
- Egyptian Eurobond yields increased in Q1 2026, reflecting the deterioration in risk sentiment amidst the Iran-US conflict.

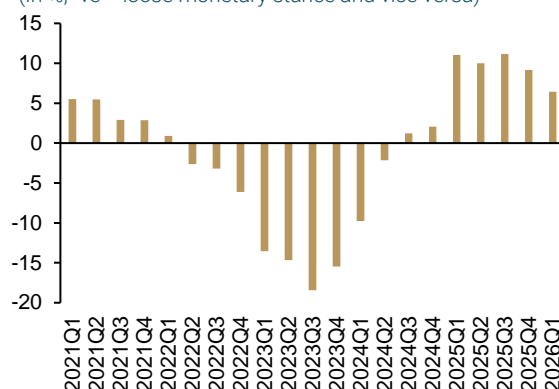
This section reviews developments in financial conditions and domestic liquidity, assessing the impact of monetary policy decisions on the financial system and the effectiveness of the transmission to key market rates and the broader financing conditions. It also considers investor behavior and yield curve dynamics across domestic and international markets.

In Q1 2026, the CBE continued its monetary easing cycle, reducing its key policy rates by 100 bps in February 2026, bringing the cumulative rate cuts to 825 bps as of March 2026 since the start of the easing cycle in April 2025. Nevertheless, nominal interest rates remain higher than inflation, preserving positive real interest rates and a tight monetary stance, helping to anchor inflation expectations (Figure 41).

Figure 41

Real Interest Rate

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



*Real interest rates are calculated as the difference between the current-period interbank rate and inflation rate.

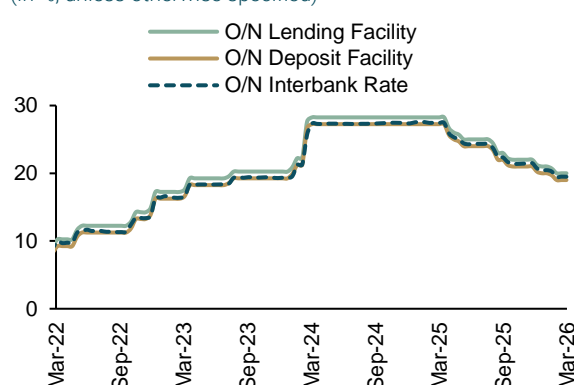
Source: Central Bank of Egypt.

Following the cumulative rate cuts, the policy rate reached 19.5 percent in March 2026 compared to 27.8 percent in March 2025 (Figure 42). Approximately 96 percent of the policy rate cuts passed through to the interbank market, with the overnight interbank rate aligning with the policy rate at 19.5 percent in March 2026 (versus 27.4 percent in March 2025). This indicates an effective pass-through of monetary policy to the money market.

Figure 42

O/N Interbank and CBE Policy Rates*

(In %, unless otherwise specified)

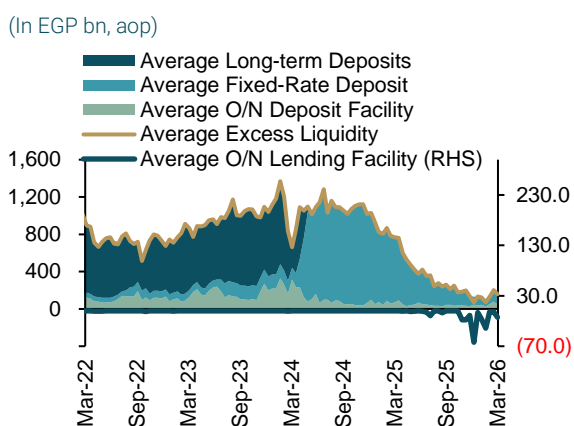


Source: Central Bank of Egypt.

*Data for March 2026 until the maintenance period ending March 30, 2026.

Egypt's average excess liquidity continued to decline in Q1 2026, reaching EGP 134.7 bn (equivalent to 11.7 percent of the reserve requirement). This is down from EGP 828.5 bn (90 percent of the reserve requirement) in Q1 2025, before the beginning of the rate-cutting cycle (Figure 43). This marks its lowest level since Q4 2015, and is mainly attributed to the net issuance of government securities. The contraction in excess liquidity was accompanied by an average central bank overnight (O/N) lending of EGP 12.3 bn in Q1 2026. This represents a decline from the Q4 2025 average of EGP 15 bn, though remaining above previously near-zero levels.

Figure 43
Excess Liquidity*

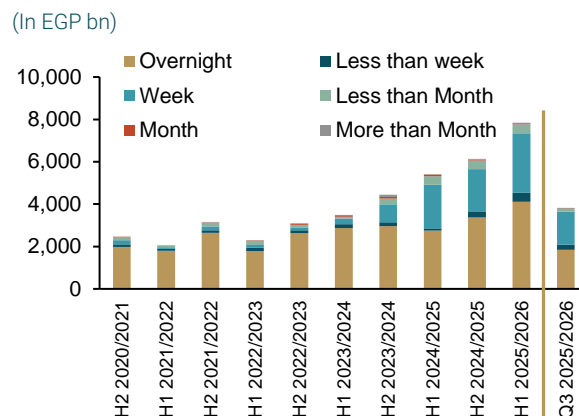


Source: Central Bank of Egypt.

* Data for March 2026 until the maintenance period ending March 30, 2026.

Turning to interbank market activity, trends remained broadly stable compared to H1 FY 2025/26 (Figure 44). Trading was predominantly concentrated in overnight and one-week tenors, capturing approximately 90 percent of the total interbank volume, and highlighting banks' continued reliance on the interbank market for short-term liquidity management. Specifically, the share of one-week-tenor transactions increased moderately to around 41 percent of the total volume in Q3 FY 2025/26, up from 36 percent in H1 FY 2025/26. This persistent upward trend reflects the impact of the full-allotment policy implemented in April 2024.

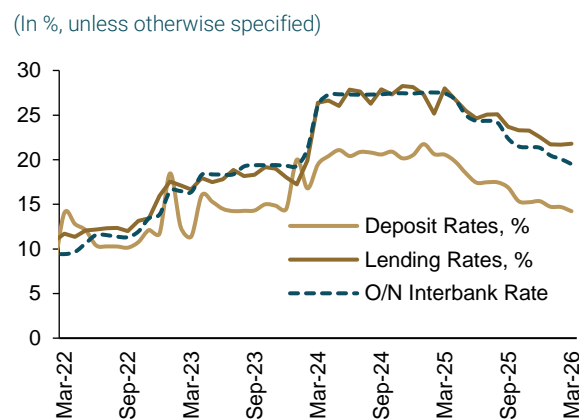
Figure 44
Interbank Volume



Source: Central Bank of Egypt.

The banking sector began to adjust both deposit and lending rates following the 825-bps cumulative policy rate cuts implemented since April 2025. In March 2026, the weighted average rate on new deposits declined to 14.2 percent, while the rate on new loans fell to 21.8 percent, compared to 20.6 percent and 28 percent, respectively, in March 2025 (Figure 45).

Figure 45
Selected Market Interest Rates



Source: Based on a banking sector survey conducted by the CBE, up to March 31, 2026.

With respect to the overnight interbank rate, approximately 80 percent of its decline passed through to average new deposit rates in March 2026, compared to 78 percent to average new lending rates. This indicates an almost equally strong transmission of key policy rate cuts to deposit rates and lending rates. Furthermore, the spread between new lending rates and the

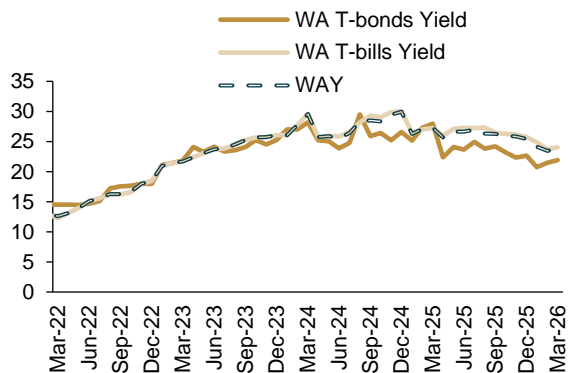
interbank rates has remained low, reflecting broadly accommodative financing conditions.

In Q1 2026, yields on local-currency government securities—as measured by the weighted average yield (WAY) of both accepted bids in Treasury bill and bond auctions—edged down to an average of 23.8 percent in Q1 2026. This compared with 26.9 percent in Q1 2025 (gross of tax) before the start of the monetary easing cycle (Figure 46). The decrease reflects a moderate market response to the CBE’s cumulative 825 bps policy rate cuts since April 2025. The WAY closely tracks the weighted average yield of Treasury bills, which is underpinned by the significantly higher weight of accepted Treasury bills relative to Treasury bonds in total issuance. Furthermore, yields on Treasury bills have generally exceeded those on Treasury bonds since the beginning of the easing cycle.

Figure 46

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

(In percent, unless otherwise specified)



Source: Central Bank of Egypt.

*Data until March 31, 2026

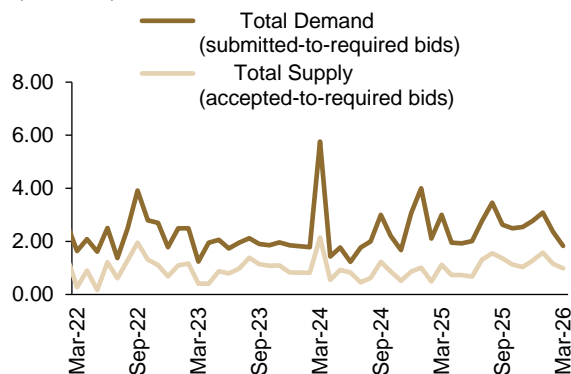
The coverage ratio (submitted-to-required bids) declined from 3.0x in Q1 2025 to 2.4x in Q1 2026, indicating continued investor appetite despite a slight moderation in demand for government securities (Figure 47). However, the accepted-to-required ratio—indicative of supply—increased from 0.9x to 1.2x over the same period, suggesting improved acceptance of government securities at lower yields. Overall, the decline in

yields points to an early transmission of the monetary easing cycle.

Figure 47

Supply and Demand for Treasury’s L/C Marketable Securities*

(As a ratio)



Source: Central Bank of Egypt.

* Data until March 31, 2026.

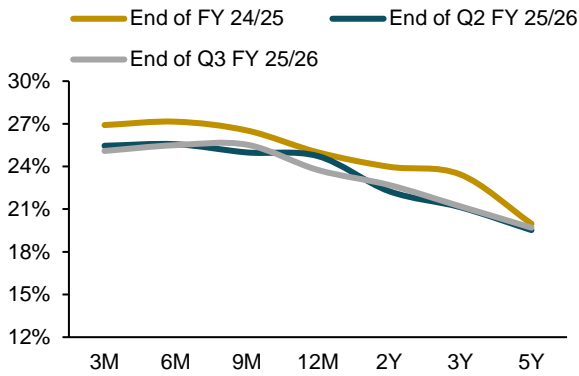
Furthermore, the Ministry of Finance (MoF) continued to deepen and diversify its local debt market, introducing retail bond issuances during Q1 2026 as part of its broader funding diversification strategy. While issuances remained largely driven by market conditions, the MoF’s medium-term strategy targets lengthening the maturity profile of domestic debt to mitigate rollover risks and enhance debt sustainability.

Overall, yields remained broadly stable throughout Q1 2026, declining at the beginning of the period on the back of expectations of continued monetary easing, before partially retracing—particularly at the short end of the curve—amid heightened geopolitical risks (Figure 48). This dynamic suggests that, despite overall stability in yields, geopolitical risks had a more pronounced impact on short-term instruments, with the increase in T-bills yields exceeding that of longer tenors at the onset of the heightened uncertainty period.

Figure 48

Weighted Average of Primary Market Gross Yields

(In %)



Source: Central Bank of Egypt.

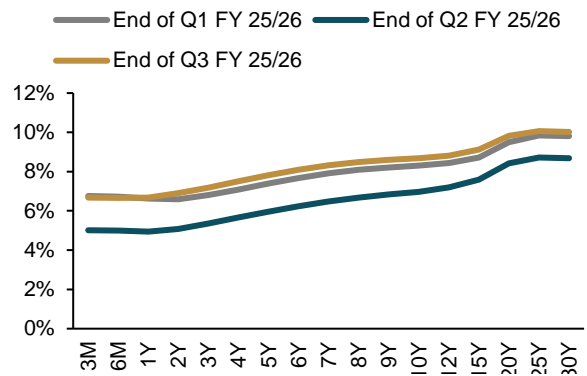
Despite recent global volatility, foreign participation in Egypt’s domestic debt market has shown relative resilience. While foreign holdings of Treasury bills have declined—largely reflecting short-term risk-off sentiment amid heightened geopolitical tensions in line with broader trends across emerging markets—positions in longer-dated government bonds remained broadly stable. This suggests continued investor confidence in Egypt’s medium-term macroeconomic outlook and reform trajectory.

In Q3 FY 2025/26, Egyptian Eurobond yields increased by an average of 170 bps (Figure 49), reflecting a limited decline in risk sentiment despite the Iran-US conflict. While the risk aversion triggered regional outflows and capital flight from emerging markets, spreads partially stabilized later, as positive signals of a potential de-escalation in the conflict improved investor sentiment and supported partial renewed inflows.

Figure 49

Egypt’s Eurobond Yields

(In %)



Source: Bloomberg.

2. Outlook

Key Takeaways:

- The outbreak of the Iran–US conflict has created a shift in the inflation outlook, leading to an upward revision of the forecast compared to Q4 2025 MPR. In 2026, annual headline inflation in the baseline scenario is now forecasted to average 16.0–17.0 percent, up from the Q4 2025 MPR’s estimate of 11.0 percent.
- Meanwhile, real GDP growth forecasts have been revised downward to 4.9 and 4.8 percent for FYs 2025/26 and 2026/27, respectively, compared to previous estimates of 5.1 and 5.5 percent.
- The baseline inflation outlook for 2026 suggests that annual headline inflation is projected to accelerate in Q2 2026, before resuming its declining trajectory starting Q1 2027, while real GDP is projected to moderate as of H1 2026 until year-end.

This section outlines the model-based medium-term macroeconomic projections (See Box 3 for further details on the CBE’s Forecasting and Policy Analysis System). These forecasts, along with their underlying assumptions and the prevailing balance of risks, form the basis of MPC decisions.

Since February 2026, the outbreak of the Iran–US conflict has weighed on the global economic outlook. The conflict triggered a global energy shock, reflected in higher energy prices, alongside heightened uncertainty and a risk-off sentiment, particularly for net oil importing emerging markets like Egypt. Accordingly, global assumptions have been updated across the forecast horizon to account for the impact of the conflict on the global economy (see Table a).

Table (a) Global assumptions factored into Egypt’s Quarterly Projection Model (in percent, average of period)				
Variable	Q4 2025 MPR		Q1 2026 MPR	
	2026	2027	2026	2027
Trading partners’ output gap <i>(proxy for foreign demand)</i>	0.0	-0.1	-0.2	-0.1
Trading partners’ inflation rate <i>(proxy for imported inflation)</i>	2.4	2.5	2.6	2.4
US interest rate <i>(proxy for global financial conditions)</i>	3.5	3.2	3.5	3.2

Source: Global Projection Model Network (GPMN).

Note: GPMN uses a global projection model that provides updated monthly macroeconomic projections for 10 of the world’s leading economies.

Output gap estimates for Egypt’s trading partners have been revised downward for 2026 relative to the Q4 2025 MPR. Output is now expected to operate below potential, reflecting weaker growth prospects amid the ongoing regional conflict. With respect to inflation in trading partners, projections have been revised upward for 2026, driven by the surge in oil and commodity prices, indicating the supply-side nature of the current shock. Estimates for global financial conditions, proxied by US interest rates, have remained broadly unchanged, as inflation continues to exceed target rates, potentially slowing down or pausing monetary easing cycles in light of the implications of the current global energy shock. Overall, these updated global assumptions have marginally contributed to the domestic inflation trajectory, on average, across the forecast horizon.

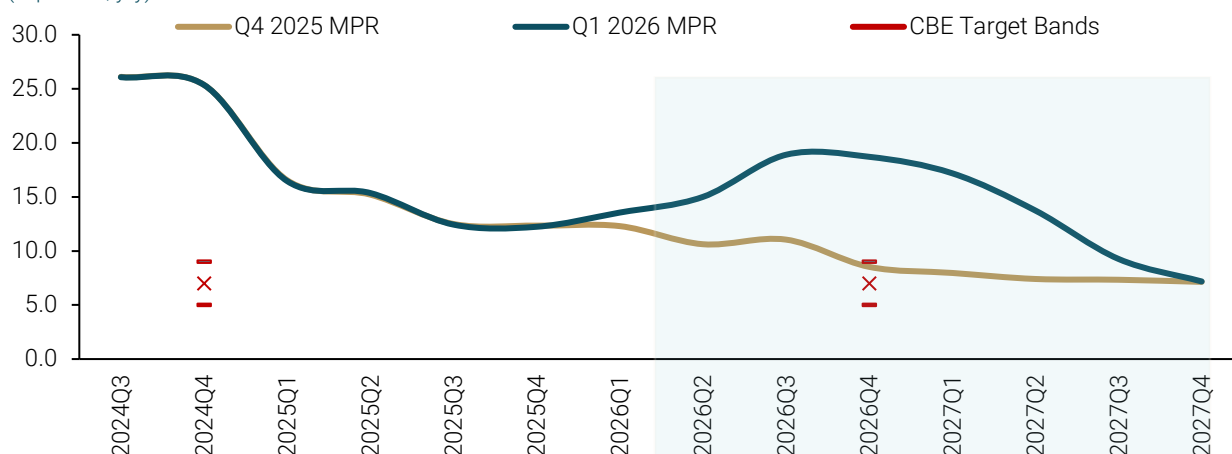
The inflation outlook is informed by actual outturns, conditioned on near-term forecast figures, and supported by a set of domestic assumptions that underpin the forecast. Compared to the Q4 2025 MPR, the outbreak of the Iran–US conflict has created a shift in the inflation outlook, leading to an upward revision of the forecast (Figure 50). This reflects the resulting global energy price shock and risk-off sentiment, the economic implications of which have been considerably larger than anticipated in the alternative scenario outlined in the Q4 2025 MPR. The conflict induced exchange rate fluctuations as well as necessitated fiscal consolidation measures—pertaining to domestic energy prices—which have jointly put upward pressure on inflation. As a result, inflation readings for March 2026, and consequently Q1 2026 as a whole, have come in above the expectations set out in the Q4 2025 MPR.

Given the magnitude of the shock and the considerable uncertainty surrounding both its duration and impact, a baseline scenario was devised to assume a resolution of the conflict by end of Q2 2026. This assumption is predicated on the restoration of maritime traffic through the Strait of Hormuz, a subsequent normalization in global energy prices, and a gradual unwinding of the risk-off sentiment. The baseline scenario further incorporates potential fiscal consolidation measures.

Figure 50

Baseline Annual Headline Inflation Forecast Comparison (Q4 2025 vs. Q1 2026 MPR)

(in percent, y/y)



Source: Estimates from the Central Bank of Egypt’s Quarterly Projection Model (see CBE Quarterly Projection Model box in the Q1 and Q2 2025 MPRs).







Given the above, and across the forecast horizon, the baseline scenario points to annual headline inflation accelerating in Q2 2026 and remaining elevated through 2026, before gradually resuming its declining trajectory starting Q1 2027. This trajectory, therefore, suggests that annual headline inflation is likely to exceed the CBE's target of 7 percent (± 2 p.p.), on average, in Q4 2026. The baseline scenario envisages annual headline inflation returning to single-digit territory as of H2 2027. Accordingly, annual headline inflation is expected to average 16.0 percent and 12.0 percent in CYs 2026 and 2027, respectively, compared to 11.0 percent and 8.0 percent for the same CYs in the Q4 2025 MPR. However, the inflation trajectory remains susceptible to upside risks, particularly a prolonged conflict, as well as stronger-than-anticipated pass-through of fiscal consolidation measures, among other risks as outlined in Table (b).

The outbreak of the Iran–US conflict has caused the upside risks identified in the Q4 2025 MPR to materialize, prompting a notable reassessment of the balance of risks. The severity of these risks is a function of the magnitude of global energy shock spillovers, which in turn depends on the persistence of the disruption. In this context, global inflation risks are skewed to the upside, driven primarily by a sustained increase in energy prices, as well as continued volatility in food prices that may emanate from supply-side-related disruptions, elevated freight insurance premia, as well as increasing fertilizer prices. These developments, if materialized, are likely to exert upward pressure on imported inflation. Furthermore, a reversal of monetary easing by central banks in advanced economies, may lead to tighter global financial conditions relative to expectations, and consequently, reduce capital flows to emerging markets.

However, these upward pressures may reverse, most notably in the event of a quicker-than-expected resolution of the conflict between the US and Iran. This would include the reopening of the Strait of Hormuz, which will contribute to restoring stability in global energy and commodity markets. Such developments, alongside a gradual recovery in maritime traffic through the Suez Canal, would support more favorable exchange rate dynamics and compress sovereign risk premia, in turn, would contribute to a lower inflation trajectory than envisaged in the baseline scenario.

Table (b)

Domestic and Global Risks to Inflation Outlook

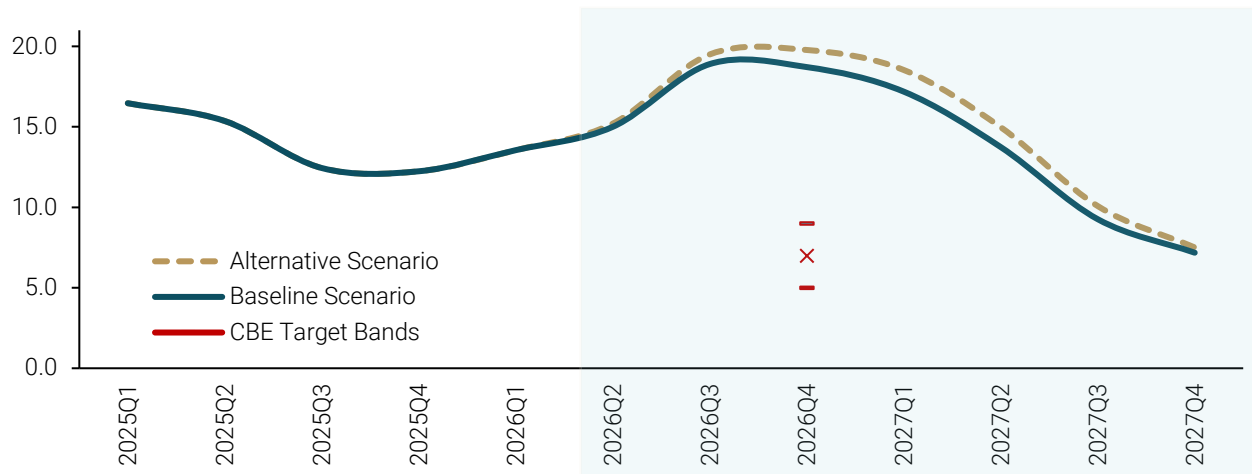
Domestic	Impact on Inflation Trajectory	Global	Impact on Inflation Trajectory
Higher-than-expected pass-through from fiscal consolidation measures		Prolonged regional geopolitical tensions	
		Elevated global energy and food prices	
Improved sovereign risk sentiment (Reversal of capital outflows, leading to exchange rate appreciation)		A reversal of monetary easing by central banks in advanced economies, (Tighter global financial conditions contrary to expectations)	
Gradual recovery of Suez Canal (Higher foreign exchange receipts)			

In this regard, an alternative scenario was devised to account for the potential implications of the aforementioned upside risks. This scenario assumes that the Iran–US conflict will not be resolved until the end of 2026, meaning that the impact of the current global energy shock will persist, adversely impacting domestic energy prices and exchange rate dynamics, further raising the inflation trajectory. Under the alternative scenario, annual headline inflation is projected to accelerate throughout 2026 to higher levels compared to the baseline scenario (Figure 51), before gradually converging to single digits, on average, by H2 2027. As such, annual headline inflation is expected to average 17.0 and 13.0 percent in 2026 and 2027, respectively, given a tighter monetary stance relative to the baseline scenario.

Figure 51

Annual Headline Inflation Forecast (Alternative vs. Baseline)

(in percent, y/y)



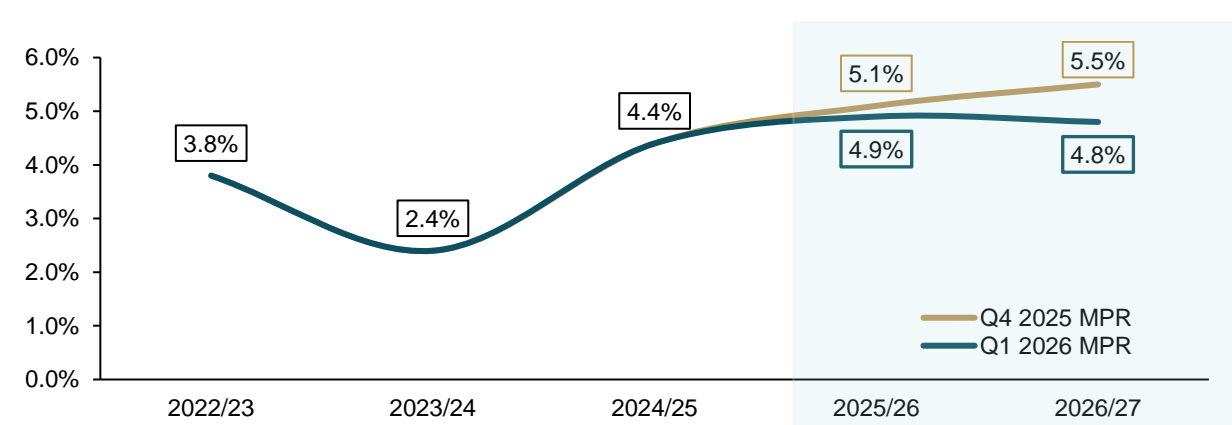
Source: Estimates from the Central Bank of Egypt's Quarterly Projection Model (see CBE Quarterly Projection Model box in the Q1 and Q2 2025 MPRs).

With respect to output, real GDP growth forecasts have been revised downward to 4.9 and 4.8 percent for FYs 2025/26 and 2026/27, respectively, compared to previous estimates of 5.1 and 5.5 percent (Figure 52). The revision reflects the implications of the Iran–US conflict for domestic economic activity. The downward revision is primarily driven by a weaker contribution from tourism, based on the assumption that tourist nights will decline given widespread airspace closures, particularly at the main air travel-route hubs. In addition, the outlook reflects a potentially weaker contribution from Suez Canal activity, as the previously projected gradual recovery in net tonnage has been deferred to Q1 2027, as opposed to Q3 2026. Nonetheless, non-oil manufacturing and services are expected to continue supporting overall real GDP growth over the forecast horizon. Moreover, extractions' activity is expected to improve, supported by successful onshore and offshore discoveries that are anticipated to boost Egypt's crude oil and natural gas production over the medium term.

Figure 52

CBE Real GDP Forecast (Market Prices)

(in percent, y/y)



Source: Central Bank of Egypt.

Accordingly, estimates indicate that output remains below potential, indicating that demand-side inflationary pressures are expected to remain subdued in the short term, with the output gap expected to remain negative for longer than previously projected, converging toward its potential level by H1 2027. This revision reflects the downward adjustment in real GDP forecasts in light of the implications of the Iran–US conflict on domestic economic activity.

MPC Decisions

Since April 2025, the MPC adopted a monetary easing cycle until its meeting on February 12, 2026, cutting policy rates by cumulative 825 bps. This was driven by the progression of the disinflation process and supported by prevailing positive real interest rates and favorable exchange rate dynamics. In its meeting on April 2, 2026, however, the Committee decided to adopt a wait-and-see approach, pausing the monetary easing cycle. This decision underscores the CBE's commitment to achieving its price stability mandate and restoring the disinflation trajectory.

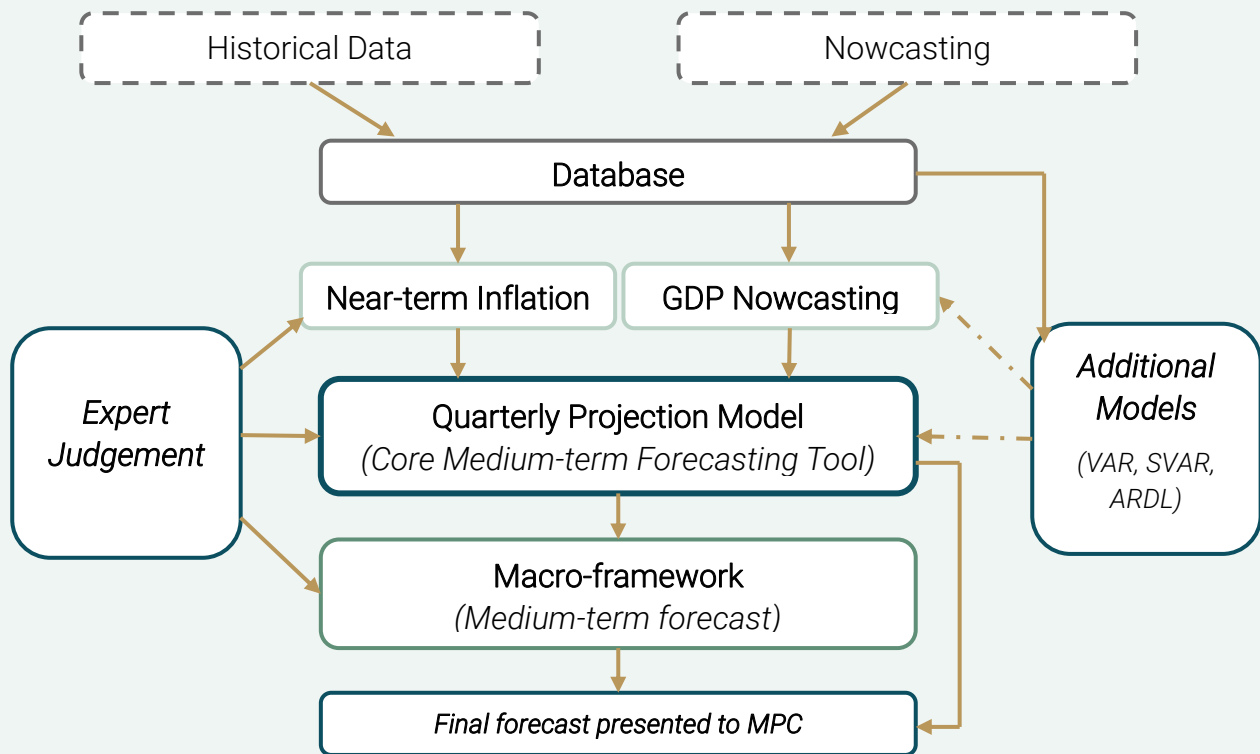
In its statement on April 2, 2026, the MPC noted that the upside risks outlined in its February statement have materialized, as the Iran–US conflict disrupted a period of relatively stable inflation, interrupting the disinflation path. Accordingly, the Committee decided to keep CBE key policy rates unchanged to preserve a tight monetary policy stance, given the adequately positive real interest margin. This decision comes on the back of the aforementioned conflict, which triggered a global energy shock and a risk-off sentiment. The resulting pressures have manifested domestically through fiscal consolidation measures and exchange rate fluctuations, leading to higher inflation readings, as reflected in the March 2026 print. The Committee reiterated, however, that the exchange rate continues to act as a primary shock absorber, mitigating the pressures emanating from the conflict on domestic economic activity and external buffers, despite its pass-through to higher inflation in the short run.

Going forward, the Committee will continue to base its decisions on evolving economic conditions, the forecast trajectory, and the balance of risks surrounding the outlook, and will not hesitate to utilize its policy instruments as needed to restore the disinflation trajectory and maintain its price stability mandate.

Box 3. The CBE's Forecasting and Policy Analysis System (FPAS)

As part of its transition to an inflation-targeting regime, the CBE conducts its monetary policy decision-making through a comprehensive assessment of macroeconomic conditions. This assessment is data-driven, covering actual outturns, forecast trajectory over the monetary policy horizon, and the balance of risks surrounding the outlook. To that end, the CBE leverages the FPAS, which is a structured framework for interpreting economic developments and articulating a coherent narrative for developments in the Egyptian economy. Within this system, the technical inputs presented to the MPC are generated through a structured and recurring FPAS, which is composed of a suite of quantitative models that produce forecasts and scenario analyses to support the monetary policy decision-making process.

Figure (a): The CBE's FPAS Process



The FPAS Pillars

The CBE's FPAS (see Figure a) incorporates several analytical tools, including near-term and medium-term forecasting methods, as well as additional econometric models, as detailed below.

- **The Near-term Forecasting Tools**

The FPAS cycle begins with an assessment of the latest data releases and high-frequency indicators¹ to analyze recent economic developments. These inputs are used to produce near-term forecasts for domestic macroeconomic variables, namely inflation and real GDP growth rates, which then serve as **initial conditions**², informing the medium-term core forecasting model.

¹ High frequency indicators that are used to inform the future developments of economic activity.

² Initial conditions are defined as the inputs of the first point in the forecast horizon.

▪ The Medium-term Forecasting Tools

At the core of the FPAS lies the QPM, the CBE's core forecasting tool³ used to generate monetary policy recommendations. The QPM captures the fundamentals of the Egyptian economy, as well as interactions among key macroeconomic variables over the medium-term. Forecasts generated by the QPM are based on the initial conditions from the near-term forecast and a set of key domestic and global⁴ economic assumptions. The baseline scenario, informed by the aforementioned assumptions, reflects the scenario that appears most likely given the available set of information. Nevertheless, given the inherent uncertainty surrounding the economic outlook, alternative scenarios are then devised to account for potential risks and policy trade-offs.

Additionally, a macroeconomic framework is employed to capture the interactions among key macroeconomic variables over the medium-term. The macroeconomic framework is built on key macroeconomic identities, behavioral equations, and consistency checks across the real, fiscal, external, and monetary sectors. This framework is based on an enhanced version of the IMF's financial programming macro-framework, which includes multiple satellite models to predict specific indicators for various economic sectors, and accounts for linkages between macroeconomic variables.

▪ Additional Econometric Models

These tools are used to cross check stylized facts about the Egyptian economy through VAR, SVAR, and ARDL models⁵, such as, but not limited to, estimating interest and exchange rate pass-through, and the monetary policy transmission mechanism to key macroeconomic indicators.

Expert Judgment and Periodic ex-Post Evaluation

Expert judgment, grounded in sound understanding of domestic economic developments, remains central throughout the process, ensuring that analysis and forecasts reflect evolving conditions and information not fully captured by econometric and modelling techniques. Moreover, periodic ex-post evaluation is embedded in the FPAS, contributing to continuous learning and ongoing refinements, thereby reducing forecasting errors. This reinforces a forward-looking, data-driven decision-making process, bolstering the predictive power of monetary policy modelling in an uncertain and evolving environment.

³ For further details, see the CBE Quarterly Projection Model Box in Q1 and Q2 2025 MPR.

⁴ Global assumptions are sourced from the Global Projection Model Network (GPMN), which uses a global projection model that provides updated monthly, model-based macroeconomic projections for 10 of the world's leading economies.

⁵ Vector Auto-regressive (VAR), Structural Vector Auto-regressive (SVAR), and Auto-regressive Distributed Lag (ARDL) models.

3. Appendix

Table A1. Contributions to Urban Headline Inflation

	Weights*	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Quarterly Contributions to Headline Inflation (in p.p. q/q)										
Regulated Items	21.4	1.7	1.4	1.1	1.4	1.0	1.2	0.7	0.5	0.9
Fresh Fruits & Vegetables	5.5	-0.1	0.0	1.5	0.1	-0.4	0.4	-0.3	0.3	0.3
Core Food	24.5	6.1	1.2	-0.5	0.6	1.0	0.1	-0.6	0.0	1.3
Retail	14.3	1.5	1.2	0.6	0.6	0.8	1.0	0.4	0.3	0.4
Services	34.3	2.0	1.6	0.7	0.8	1.0	1.3	0.7	2.4	1.5
Quarterly Headline Inflation, q/q in %	100	11.2	5.3	3.3	3.6	3.3	4.1	0.9	3.5	4.4
Quarterly Core Inflation**, q/q in %	73.1	13.1	5.2	1.1	2.9	3.9	3.4	0.7	3.7	4.4

Quarterly Contributions to Headline Inflation (in p.p. y/y)										
Regulated Items	21.4	5.7	5.9	5.5	6.2	5.2	5.0	4.5	3.5	3.5
Fresh Fruits & Vegetables	5.5	2.8	2.1	2.3	1.7	1.2	1.6	-0.2	0.0	0.8
Core food	24.5	15.2	11.4	8.8	7.6	2.5	1.4	1.1	0.5	0.8
Retail	14.3	4.0	4.4	4.1	4.2	3.4	3.2	3.0	2.7	2.2
Services	34.3	5.3	5.5	5.4	5.6	4.3	4.0	4.0	5.6	6.1
Quarterly Headline inflation, y/y in %	100	33.0	29.4	26.1	25.4	16.5	15.2	12.5	12.3	13.5
Quarterly Core Inflation**, y/y in %	73.1	32.7	28.5	24.8	23.8	13.6	11.6	11.2	12.1	12.6

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 CBE core inflation index consists of services, retail and core food items, while excluding fresh fruits and vegetables as well as regulated items.

Table A2. Contribution to Real GDP Growth at Factor Cost

	2022/23	2023/24	2024/25*	Dec-24*	Mar-25*	Jun-25*	Sep-25*	Dec-25*
GDP Growth (at Market Prices)	3.8	2.4	4.4	4.3	4.8	5.0	5.3	5.3
GDP Growth (at Factor cost)	3.6	2.3	4.4	4.3	4.7	5.0	5.3	5.3
Agriculture, forestry, fishing and hunting	0.5	0.4	0.3	0.2	0.5	0.2	0.3	0.3
Industry	-0.7	-1.2	1.0	1.5	0.9	1.4	1.5	1.2
Extractions	-0.1	-0.3	-0.6	-0.6	-0.8	-0.6	-0.3	-0.1
Oil	0.0	-0.1	-0.2	-0.2	-0.4	-0.3	-0.1	0.0
Natural gas	-0.2	-0.3	-0.4	-0.4	-0.5	-0.4	-0.2	-0.1
Other	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Manufacturing	-0.6	-0.8	1.6	2.0	1.7	2.0	1.8	1.3
Petroleum	-0.1	-0.2	0.0	0.1	-0.2	-0.1	0.0	0.1
Non-Petroleum	-0.5	-0.6	1.7	1.9	1.9	2.1	1.8	1.2
Services	2.7	2.5	2.8	2.8	2.8	2.7	2.5	2.4
Construction	0.4	0.4	0.3	0.4	0.3	0.3	0.2	-0.3
Real Estate Rental and Services	0.4	0.4	0.3	0.3	0.2	0.2	0.3	0.3
Transportation and Warehousing	0.2	0.3	0.4	0.5	0.0	0.1	0.2	0.4
Finance	0.1	0.2	0.4	0.4	0.7	0.3	0.4	0.4
Insurance 1/	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1
Communication	0.4	0.4	0.4	0.3	0.5	0.4	0.4	0.7
Tourism	0.7	0.3	0.5	0.5	0.6	0.8	0.4	0.5
Educational, Health Care, and Other Services	0.4	0.4	0.3	0.3	0.3	0.4	0.3	0.3
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	0.6	0.5	0.4	0.7	1.0
Suez Canal	0.3	-0.5	-0.6	-1.1	-0.2	0.0	0.0	0.1
General Government	0.2	0.3	0.3	0.3	0.2	0.3	0.2	0.3

Source: Ministry of Planning & Economic Development

*Preliminary figures

^{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*	Dec-24*	Mar-25*	Jun-25*	Sep-25*	Dec-25*
Trade Balance	-31.2	-39.6	-51.0	-13.4	-10.8	-12.7	-14.6	-17.1
Export proceeds	39.6	32.6	40.2	9.6	11	10.5	11.1	9.8
<i>Petroleum exports</i>	13.8	5.7	5.6	1.8	1.2	1.4	1.3	1.4
<i>Other exports</i>	25.8	26.8	34.6	7.8	9.9	9	9.8	8.4
Import payments**	70.8	72.1	91.2	23.1	21.9	23.1	25.7	26.9
<i>Petroleum imports</i>	13.4	13.4	19.5	4.2	4.8	5	6.4	5.2
<i>Other imports</i>	57.4	58.8	71.7	18.8	17	18.1	19.3	21.8
Services Balance	21.9	14.4	15.1	3.3	3.5	4.3	5.0	3.9
Receipts	34.6	30.2	32.1	7.9	7.6	8.2	9.4	8.9
Transportation	14	10.7	9.4	2.5	2.2	2.4	2.3	2.5
<i>Of which: Suez Canal dues</i>	8.8	6.6	3.6	0.9	0.8	1.0	1.0	1.1
Travel (tourism revenues)	13.6	14.4	16.7	3.9	3.8	4.2	5.5	4.8
Payments	12.6	15.9	17	4.6	4.2	3.8	4.4	5.0
Travel	5	5.1	3.9	1.1	1	0.9	1.0	1.4
Investment Income Balance	-17.3	-17.5	-15.8	-3.7	-4.2	-3.7	-4.4	-4.2
Receipts	2.1	1.9	2.9	0.6	0.6	1.0	0.6	0.8
Payments	19.5	19.5	18.7	4.3	4.9	4.7	5.0	5.0
<i>Of which: Interest paid</i>	6.2	7.9	7.3	1.9	1.9	1.6	1.8	2.1
Current Transfers	21.8	21.9	36.3	8.8	9.3	9.9	10.7	11.3
Private (net)	21.9	21.9	36.2	8.7	9.3	9.9	10.7	11.3
Official (net)	-0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Balance of Current Account	-4.7	-20.8	-15.4	-5.0	-2.3	-2.2	-3.2	-6.2
Capital & Financial Account	8.9	29.9	10.2	5.1	-1.2	2.5	-0.4	6.8
Capital Account	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Financial Account	9.0	30	10.4	5.2	-1.2	2.6	-0.3	6.9
Direct investment in Egypt (net)	10.0	46.1	12.2	3.3	3.8	2.4	2.4	6.9
Portfolio investment in Egypt (net)#	-3.8	14.5	1.6	-2.8	5.3	-0.5	1.8	3.2
<i>Of which: Bonds</i>	0.3	-1.6	1.1	-0.3	1.9	-1.0	-0.3	0.4
<i>Other Investments (net)</i>	3.4	-29.8	-2.8	4.8	-10.1	0.8	-4.3	-3.0
Net Borrowing	1.4	4.9	-0.7	-1.3	-0.2	0.1	1.8	-0.1
Medium- and Long-Term Loans (net)	-0.2	-2.8	-2.3	0.0	-0.4	-0.9	-1.0	0.9
Medium- and Long-Term Suppliers' Credit (net)	1.7	0.4	-1.2	-0.9	-0.2	-0.1	0.0	-0.2
Short term Suppliers' Credit (net)	0.0	7.2	2.8	-0.4	0.4	1.1	2.8	-0.7
Other Assets	-4.8	-24.9	-9.1	4.6	-8.0	-5.7	-6.6	-4.6
Other Liabilities	6.7	-9.8	7.0	1.6	-1.8	6.4	0.5	1.6
Net Errors & Omissions	-3.3	0.6	3.1	0.4	2.1	-0.5	2.0	-1.1
Overall Balance	0.9	9.7	-2.1	0.5	-1.4	-0.2	-1.6	-0.5
Change in CBE Reserve Assets (Increase -)	-0.9	-9.7	2.1	-0.5	1.4	0.2	1.6	0.5

*/Provisional.

**/Including exports and imports of free zones.

***/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.

Table A4. Monetary Survey and Central Bank Balance sheet (stocks, eop, in EGP bn)

	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Sep-25	Dec-25	Mar-26
Monetary Survey								
Net Foreign Assets	251.7	-372.0	-834.6	626.6	741.8	996.1	1,216.2	1,164.9
Central Bank	225.2	-152.8	-304.9	494.5	499.6	529.6	634.9	847.1
Commercial Banks	26.4	-219.2	-529.7	132.1	242.2	466.6	581.4	317.7
Net Domestic Assets	5,104.9	6,986.5	9,082.8	9,991.9	12,331.1	12,626.7	12,811.5	13,909.8
Net Claims on the Government	3,166.1	3,971.8	5,076.3	5,918.2	8,415.4	9,059.4	8,736.7	9,454.3
Net Claims on Public Economic Authorities	353.5	453.2	766.3	1,205.8	1,707.2	1,786.4	2,558.4	3,067.6
Claims on Public Sector Companies	148.6	154.5	164.8	370.2	447.1	504.8	510.8	529.4
Claims on Private Sector	1,752.3	2,178.2	2,732.2	3,492.7	4,301.2	4,498.4	4,712.5	4,995.8
Other Items, net	-315.5	228.9	343.1	-995.0	-2,539.8	-3,222.4	-3,706.9	-4,137.3
Broad Money (M2)	5,356.6	6,614.5	8,248.2	10,618.6	13,072.9	13,622.8	14,027.8	15,074.6
Domestic Currency Component (M2D)	4,706.4	5,768.4	6,732.0	8,090.9	9,981.0	10,575.8	11,024.3	11,519.7
Currency Outside Banks	673.4	778.6	1,009.2	1,227.0	1,381.0	1,418.1	1,443.6	1,576.6
Domestic Currency Deposits	4,033.1	4,989.8	5,722.9	6,863.9	8,600.0	9,157.7	9,580.8	9,943.0
Foreign Currency Deposits	650.2	846.1	1,516.2	2,527.7	3,091.9	3,047.0	3,003.4	3,555.0
Central Bank Survey								
Net Foreign Assets	225.2	-152.8	-304.9	494.5	499.6	529.6	634.9	847.1
Foreign Assets	625.1	611.5	1,045.8	2,161.9	2,351.6	2,324.6	2,407.4	2,768.1
Foreign Liabilities	-399.9	-764.3	-1,350.6	-1,667.3	-1,851.9	-1,795.0	-1,772.5	-1,920.9
Net Domestic Assets	762.5	1,345.7	1,833.6	1,470.6	1,821.3	1,739.0	1,791.0	1,616.1
Net Claims on the Government	757.8	1,058.9	1,413.0	1,984.6	2,257.7	2,370.1	1,980.9	1,966.6
Net Claims on Public Economic Authorities	-37.8	-57.6	-72.8	-634.1	-606.4	-606.4	-214.7	-247.2
Claims on Banks	377.3	400.0	530.4	875.1	938.6	851.5	941.4	1,031.7
Banks' Deposits in Foreign Currency	-135.1	-216.5	-508.5	-601.5	-682.4	-640.5	-581.4	-660.4
Open Market Operations	-469.1	-735.8	-942.0	-1,117.0	-399.0	-268.6	-120.3	-123.3
Other Items, net	269.4	896.6	1,413.6	963.6	312.9	32.9	-214.9	-351.2
Reserve Money	987.7	1,192.9	1,528.8	1,965.1	2,321.0	2,268.5	2,425.9	2,463.3
Currency Outside Banks	673.4	778.6	1,009.2	1,227.0	1,381.0	1,418.1	1,443.6	1,576.6
Reserves of Banks	314.4	414.3	519.6	738.2	939.9	850.4	982.3	886.6
Deposits in Domestic Currency	265.3	354.8	445.5	636.2	813.8	739.2	875.9	768.9
Cash in Vaults	49.1	59.5	74.1	102.0	126.1	111.3	106.4	117.7

Source: Central Bank of Egypt.

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

	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
Policy Rates (%) ⁽¹⁾								
Mid-Corridor Rate (A)	27.75	27.75	27.75	27.75	25.51	23.77	21.44	19.98
Interbank Rates (%) ⁽¹⁾								
Interbank WAR	27.4	27.4	27.5	27.5	25.4	23.6	21.4	20.0
Interbank O/N rate (B)	27.3	27.3	27.4	27.5	25.4	23.6	21.4	20.0
Interbank O/N average volume, EGP billion	24.1	20.5	22.5	28.8	30.0	30.4	33.8	31.8
Interbank O/N share of total interbank volume	58.3	47.1	54.9	58.7	51.7	51.3	53.4	48.3
Banking Sector ⁽²⁾								
Deposit Rates (C)	20.7	20.8	20.5	21.0	18.6	17.3	15.3	14.6
Time Deposits	20.9	21.4	21.3	20.7	19.2	18.3	16.8	15.9
Short-term Deposits (<1Y)	20.9	21.4	21.4	21.0	19.2	18.4	16.9	15.9
Other Deposits	16.4	16.1	15.8	15.1	19.2	13.7	13.2	17.5
Saving Certificates	23.7	23.2	23.5	24.4	22.7	19.9	17.5	16.8
< 3 years	24.7	24.7	24.6	25.1	25.0	20.5	17.3	16.7
≥ 3 years	23.1	22.3	22.7	23.6	21.8	19.9	17.5	16.8
Saving Accounts	13.4	13.1	13.4	10.9	9.5	9.0	7.4	6.4
Lending Rates (D)	27.0	27.4	27.9	26.6	25.6	24.7	23.0	21.7
W.A. Business Lending Rates	27.2	27.0	27.6	26.2	24.7	23.9	22.2	20.3
Short term business	27.3	27.2	28.2	28.3	25.3	23.6	22.2	20.8
Long term business	27.0	26.7	26.3	23.0	23.2	24.4	22.2	19.2
Retail	26.1	29.1	29.1	28.4	28.2	27.7	27.6	26.1
Local Debt Market ⁽³⁾								
T-Bill yield 1Y	25.9	26.2	26.2	25.4	24.9	25.7	25.4	23.6
Weighted Average T-bill yield	25.9	28.2	29.8	26.9	26.7	27.0	26.0	24.3
Weighted Average T-bond yield	24.3	26.3	26.3	26.8	23.6	24.2	22.8	21.3
WAY, 1/	25.7	27.9	29.3	26.9	26.3	26.5	25.7	23.8
Spreads								
O/N Interbank-Mid-Corridor rate % (B-A)	-0.44%	-0.45%	-0.32%	-0.26%	-0.09%	-0.15%	-0.04%	-0.03%
W.A. Lending rate-O/N Interbank rate % (D-B)	-0.32%	0.12%	0.46%	-0.90%	0.14%	1.08%	1.59%	1.78%
O/N Interbank rate- W. A Deposit Rate % (B-C)	6.65%	6.56%	6.90%	6.52%	6.80%	6.37%	6.09%	5.40%

Source: Central Bank of Egypt.

1/ Policy rates and interbank rates are quarterly averages of interbank working days rates.

2/ Banking sector rates are quarterly averages of monthly rates.

3/ Local debt market yields are quarterly averages of auction yields (gross of tax).

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	US 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
y/y	Year on year



البنك المركزي المصري
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