



ARAB REPUBLIC OF EGYPT

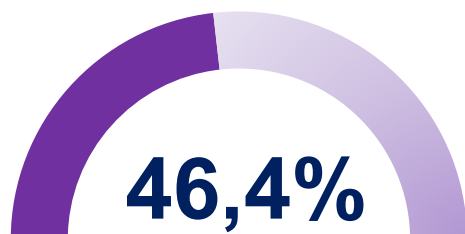
SOVEREIGN CREDIT RATING

11 NOVEMBER 2025

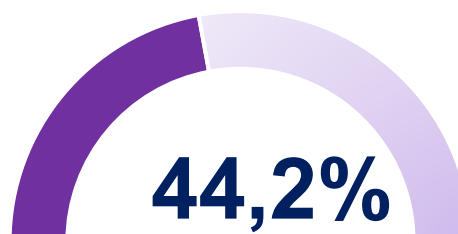


RATING ACTION

SAR Sovereign Rating Model Creditworthiness Score



LCR Creditworthiness Score



FCR Creditworthiness Score

On 11 November 2025, Sovereign Africa Ratings (SAR) assigned the Arab Republic of Egypt's local currency long-term and short-term issuer credit ratings of BB- and B1, and foreign currency long-term and short-term issuer credit ratings of B+ and B2, respectively. The outlook on the ratings is stable.

Date	Rating Category	Rating	Outlook
Local Currency Ratings			
11 November 2025	Long-term	BB-	Stable
11 November 2025	Short-term	B1	Stable
Foreign Currency Ratings			
11 November 2025	Long-term	B+	Stable
11 November 2025	Short-term	B2	Stable

RATING RATIONALE

The ratings for the Arab Republic of Egypt reflect a precarious balance between the nation's considerable structural strengths and its ingrained credit weaknesses. Key strengths supporting the rating include a large, diversified economy that provides a degree of resilience against sector-specific shocks; a long and unblemished record of servicing external debt; and a recent, substantial influx of external financing from Gulf partners and an expanded International Monetary Fund (IMF) program. This support has materially improved near-term liquidity and provided a crucial window for the authorities to implement a renewed agenda of orthodox monetary and fiscal reforms.

These strengths, however, are counteracted by a significantly high public debt burden and debt metrics scoring above comfort thresholds. The government's interest payments consume a considerable share of government revenue, creating a condition of fiscal rigidity that reduces its capacity for essential public

services and developmental spending. This fiscal fragility is compounded by external vulnerabilities, evidenced by a persistent current account deficit that signals a structural dependency on foreign capital. The recent, necessary shift to a flexible exchange rate has, in the near term, amplified exchange rate risk given the notable portion of government debt denominated in foreign currency. Furthermore, institutional weaknesses, including transparency concerns, moderate regulatory effectiveness, and the opaque role of state-owned enterprises (SOEs), hinder private sector development, create significant contingent liability risks for the sovereign, and undermine long-term policy predictability and effectiveness.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects SAR's expectation that the balance of risks facing Egypt will remain broadly stable over the next 12 to 18 months. The outlook is based on the view that the recent surge in external financing will provide a sufficient buffer for the authorities to manage near-term external debt maturities and maintain stability in the foreign exchange market. This financial condition is expected to anchor the government's adherence to its IMF-backed reform agenda, which includes maintaining a flexible exchange rate, pursuing primary fiscal surpluses, and advancing a state-divestment program aimed at fostering private sector activity. Further evidence of this positive momentum includes Egypt's successful return to the international Sukuk market in October 2025, issuing \$1.5 billion at an attractive blended rate of 7.215%, reflecting strong investor confidence. These outcomes are underpinned by concrete results from the reform program, including a 4.2% real GDP growth in FY24/25, driven by a 70% y-o-y surge in private investment (now exceeding 50% of total investment) and a 35% y-o-y increase in tax revenues.

The potential for a positive rating action is currently limited by the immense scale of the required fiscal adjustment and the social and political risks associated with implementing austerity measures amidst a high-inflation environment. The path to placing the high debt burden on a sustainable downward trajectory is long and fraught with execution risks; however, the sovereign has started on this path as a result of the stated budget objectives of the authorities and pressure from external debt providers.

Conversely, while significant downside risks persist, they are currently mitigated by the strong external support package. A downgrade could be triggered by a reversal of key policy reforms, such as a return to exchange rate management, or a failure to meet fiscal targets, which would erode the credibility of the reform program and jeopardise external funding. A significant deterioration in the regional geopolitical environment that disrupts trade, tourism, or energy flows also remains a key downside risk. However, these risks are considered to be balanced by the near-term financial strength provided by international partners.

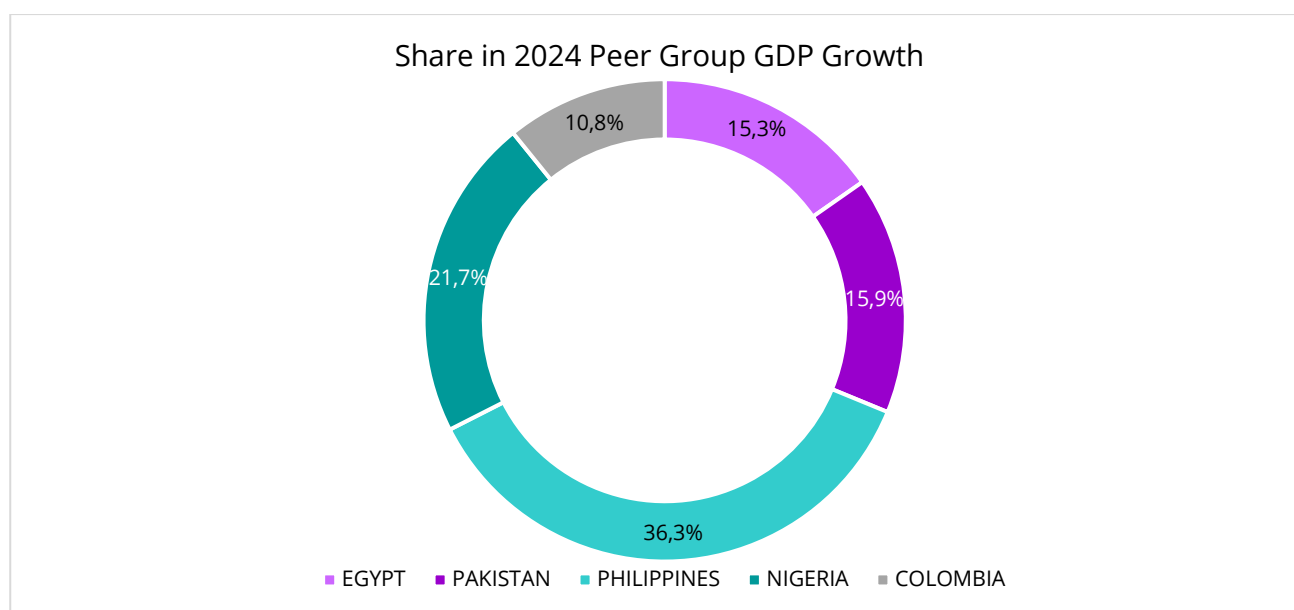
RATING DISCUSSION

Economic Strength Pillar

GDP Growth

The Egyptian economy, while one of the largest and most diversified in the Middle East and Africa, is navigating a period of significant macroeconomic adjustment. Egypt's economy has demonstrated a degree of resilience, recording positive growth even during the global downturn of 2020, a year in which all of its selected peers (Pakistan, the Philippines, Nigeria, and Colombia) experienced contractions. Growth accelerated to 6.7% in 2022 before moderating to 2.4% in 2024 amid significant macroeconomic adjustments. This growth rate places Egypt fourth in the peer group, lagging behind the Philippines (5.7%), Pakistan (2.5%), and Nigeria (3.4%). SAR projects that the country's GDP growth will average between 4.2% and 4.6% in 2025, which is in line with the previous three-year average (2022-2024) of 4.3%, demonstrating a relatively stabilised economy.

Figure 1: Share in 2024 Peer Group GDP Growth



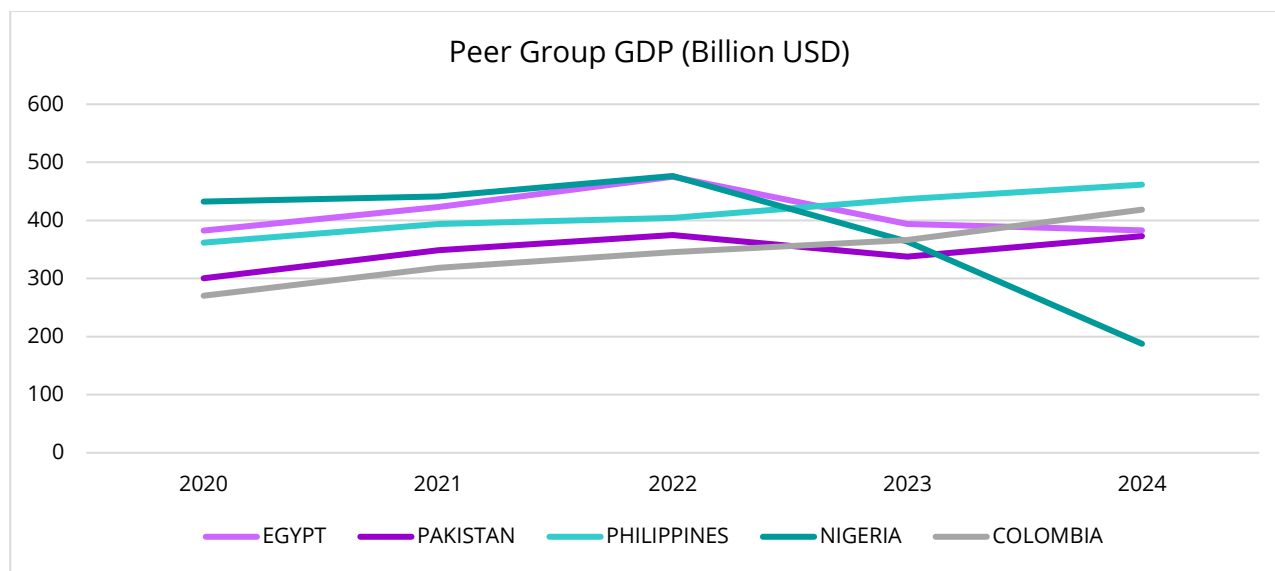
Source: SAR's calculations based on the International Monetary Fund (IMF) Data

The Egyptian economy's trajectory reflects a complex interplay of necessary but painful domestic reforms, evolving international market dynamics, and long-standing structural issues. After a period of strong post-pandemic growth that peaked at 6.7% in 2022, the economy has entered a phase of relative stability. This stabilisation is driven by efforts to control high inflation and manage external account pressures and public finances. While these measures are critical for long-term stability, they are expected to weigh on economic activity in the near term, reflected in the moderation of economic growth between 2025 and 2026.

Egypt's economic scale remains a key credit attribute. In a peer group of large emerging markets including Pakistan, the Philippines, Nigeria, and Colombia, Egypt's GDP of US\$383 billion in 2024 constitutes a substantial 21% of the group's total GDP, ranking it third in size. This large domestic market provides a foundational level of economic resilience and regional importance.

The sharp decline in GDP per capita (decreased from \$ 4 587.17 in 2022 to \$ 3 570.31 in 2024) is particularly concerning, as it indicates that economic output is failing to keep pace with a combination of population growth and the severe depreciation of the Egyptian pound. This erosion of real income carries social and financial risks, which can in turn constrain the government's ability to implement necessary economic reforms if these risks are realised. The economy is large, and ranks second amongst its peers in terms of forecasted real GDP growth rate at 4.2%, trailing The Philippines (5.4%).

Figure 2: Peer Group GDP



Source: SAR's calculations based on the International Monetary Fund (IMF) Data

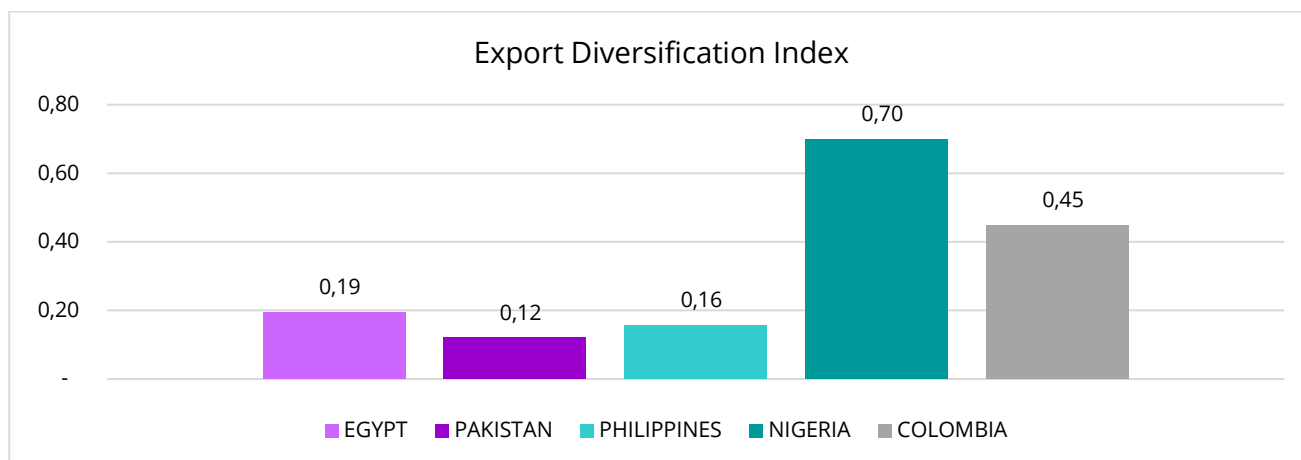
Export Diversification Index

Egypt has a well-diversified export base, which includes:

- **Minerals and Fuels:** Processed fuels and minerals such as liquefied natural gas (LNG), refined petroleum, crude petroleum, gold, nitrogenous fertilisers, and phosphate rock.
- **Manufactured Goods:** Textiles, apparel, building materials, pharmaceuticals, chemical products, engineering and electronic goods.
- **Agricultural Products:** A variety of agricultural goods, including citrus fruits, vegetables, legumes, and herbs and spices.
- **Services:** Significant revenues are also generated from service exports, most notably from the Suez Canal and tourism.

While this diversity provides some resilience against price shocks in any single commodity, the fundamental issue is one of scale and competitiveness. The collective earnings from these export sectors have proven chronically insufficient to finance the country's import needs and cover its large external financing gap. This imbalance points to issues beyond the composition of exports. It suggests underlying challenges in productivity, trade logistics, and overall international competitiveness, which may have been exacerbated by years of an overvalued exchange rate. The persistent current account deficit is the primary driver of Egypt's recurrent need for external financing and a key factor behind its vulnerability to shifts in global investor sentiment. Addressing this core weakness will require not just maintaining export diversity but fundamentally enhancing the scale and competitiveness of Egypt's tradable sectors.

Figure 3: Export Diversification Index (2024)



Source: UN Trade and Development (UNCTAD) Data

The Export Diversification Index values are indicative of the extent to which each country's exports are diversified, with higher values indicating relatively lower diversification.

Current Account Balance

Egypt's current account balance is a point of credit weakness, reflecting structural vulnerabilities in its external sector. The country has run a persistent deficit for years. After a temporary improvement in 2023, when the deficit narrowed to -1.2% of GDP, it is projected to widen significantly to -5.4% in 2024 and further to an average of -6.2% between 2025 and 2026. This deficit underscores a structural imbalance where the demand for imported goods and services, combined with external debt service payments, consistently outstrips export earnings and other foreign currency receipts. This creates a constant and high demand for external financing, making the economy highly vulnerable to shifts in global investor sentiment and the volatility of capital flows. Furthermore, the floating of the Egyptian Pound has led to increased costs in imports and decreased revenues in exports.

The core driver of the current account deficit is that Egypt consistently imports more goods than it exports.

- **Non-Oil Trade Deficit:** There is a structural deficit in non-oil trade, which recently widened to \$37.1 billion in the 2025 fiscal year. This is fuelled by high import demand for essential commodities like wheat and soybeans, as well as industrial inputs and consumer goods such as spare parts for cars and tractors. While non-oil exports have been growing significantly, they have not been sufficient to offset the large import bill.
- **Oil Trade Deficit:** The oil trade balance has recently deteriorated to a deficit of \$13.9 billion from \$7.6 billion in the previous year. This was caused by a \$6.1 billion rise in petroleum imports (to \$19.5 billion), mainly for natural gas and petroleum products, combined with a slight decline in petroleum exports to \$5.6 billion due to lower exported volumes of crude and natural gas.

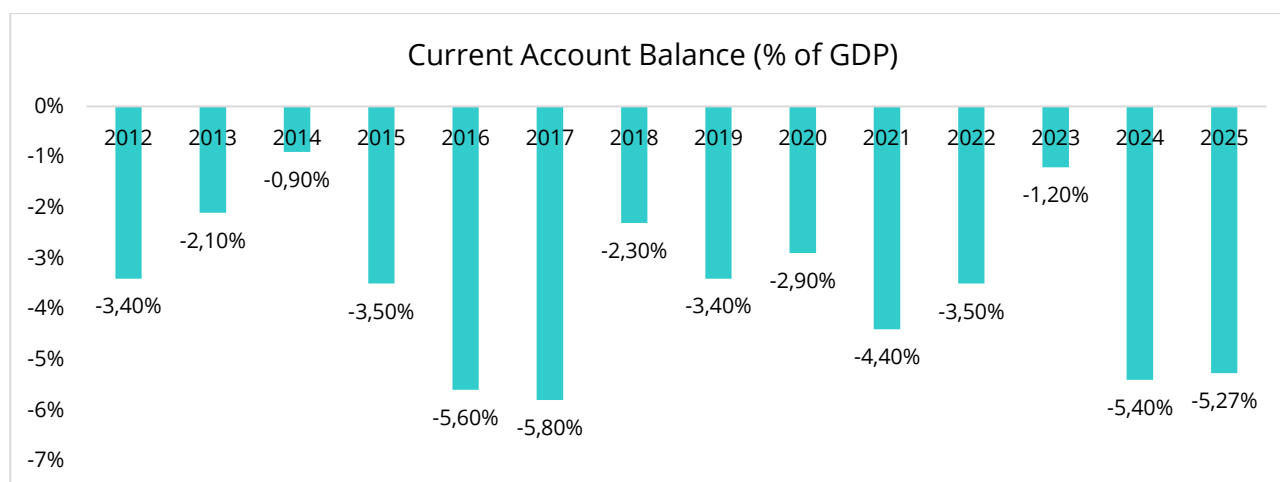
At the same time, the services balance is traditionally a source of surplus for Egypt.

- **Plummeting Suez Canal Revenues:** The Suez Canal, a vital source of foreign currency, was severely impacted by Red Sea disruptions. For the full fiscal year, revenues fell by 45.5% to \$3.6 billion (down from \$6.6 billion the prior year). This sudden loss of a major, stable income source put significant pressure on the current account.

- **Strong Tourism (A Partial Offset):** On a positive note, tourism revenues have remained strong, rising 16.3% to \$16.7 billion for the fiscal period, which has helped to partially mitigate the losses from the Suez Canal.
- **Growing ICT Surplus (A Positive Contributor):** The Information and Communications Technology (ICT) sector is a key source of foreign currency and a high-growth area. Digital exports, primarily from outsourcing services, jumped to \$6.9 billion in 2024. The sector was one of the fastest growing in the economy during the 2024/2025 fiscal year, expanding by 13.8% and providing a significant positive contribution to the services balance.
- **Remittances:** There has been a surge in remittances from Egyptians working abroad. These transfers surged by 55.3% in FY 2024/2025 to a record \$36.5 billion. This influx, likely driven by renewed confidence and the unification of the exchange rate, was the single most important factor in financing the trade gap and narrowing the overall current account deficit.

Egypt's current account is projected to remain in a deficit; however, this is expected to narrow in the near future. This forecast is based on the improvements being realised in the non-oil trade sectors and growing remittances.

Figure 4: Current Account Balance



Source: The International Monetary Fund (IMF) Data

General Government Revenue

Egypt's general government revenue (as a % of GDP) was 18.3% in 2024, which is slightly below the peer group median of 18.94%. SAR projects that Egypt's general government revenue will remain relatively stable in the medium term, averaging 19% between 2025 and 2026. While the revenue base is comparable to its peers, it is considered low for an emerging market and insufficient to cover the state's high expenditure and debt service obligations. It is also important to consider that this figure was likely bolstered by significant one-time revenues, such as those from the Ras El Hekma investment deal. This suggests that the underlying, recurring revenue-generating capacity of the state is weaker than the headline number implies. However, this headline figure also masks an important positive underlying trend: core tax collection is improving. Buoyed by reform efforts and a devalued currency increasing the EGP value of customs, Egypt's tax revenues surged by over 35% in FY 2024/2025. This indicates that efforts to broaden the tax base are beginning to yield results, even if the total revenue picture is skewed by the prior year's one-off inflows.

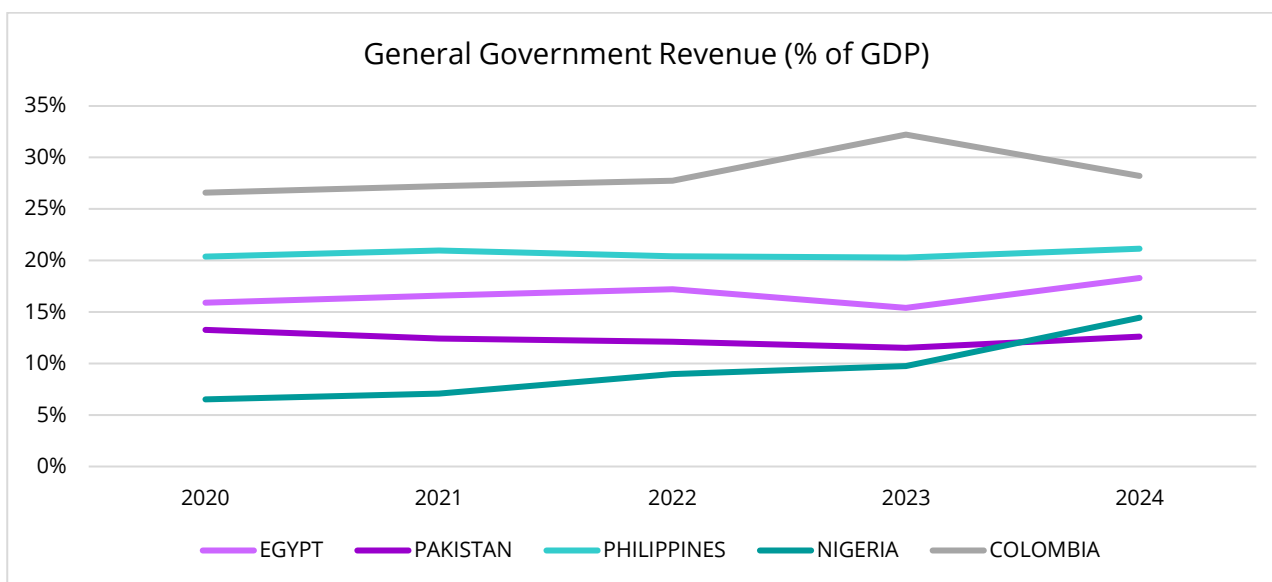
Although the 18.3% figure is near the peer median, it lags significantly behind some emerging markets like Colombia (28.2%) and the Philippines (21.1%). This comparison underscores the assessment that Egypt's revenue base is low for an emerging market of its size and economic complexity. This structural weakness in revenue generation is the primary reason why the government's finances are under pressure, and initiatives to increase tax collection have become necessary to bolster the revenue generation efforts.

The fundamental issue is not just the level of revenue, but its insufficiency relative to the state's expenditure and debt service obligations. This mismatch is illustrated by two critical metrics that consider the debt service capacity of a sovereign:

- **Debt-to-Revenue Ratio:** With a gross government debt-to-revenue ratio approaching 500%, the government's total debt is nearly five times its annual revenue. This demonstrates an imbalance between the stock of debt and the capacity to service it from recurring income.
- **Interest Cost-to-Revenue Ratio:** The most significant consequence of this imbalance is the debt affordability issue. With interest payments consuming nearly 60% of government revenue, the state is caught in a debt distress situation. As the vast majority of income is immediately diverted to service existing debt, there are inadequate funds for essential public services like education and healthcare, social safety nets, and productive investment.

This fiscal rigidity is a core credit challenge because it eliminates the government's capacity to absorb economic shocks, limits potential growth, and perpetuates a cycle of borrowing to meet obligations. The Egyptian government is attempting to address this structural revenue deficit through measures like broadening the tax base and improving tax administration.

Figure 5: General Government Revenue



Source: SAR's calculations based on the International Monetary Fund (IMF) and World Bank Data

Financial Strength Pillar

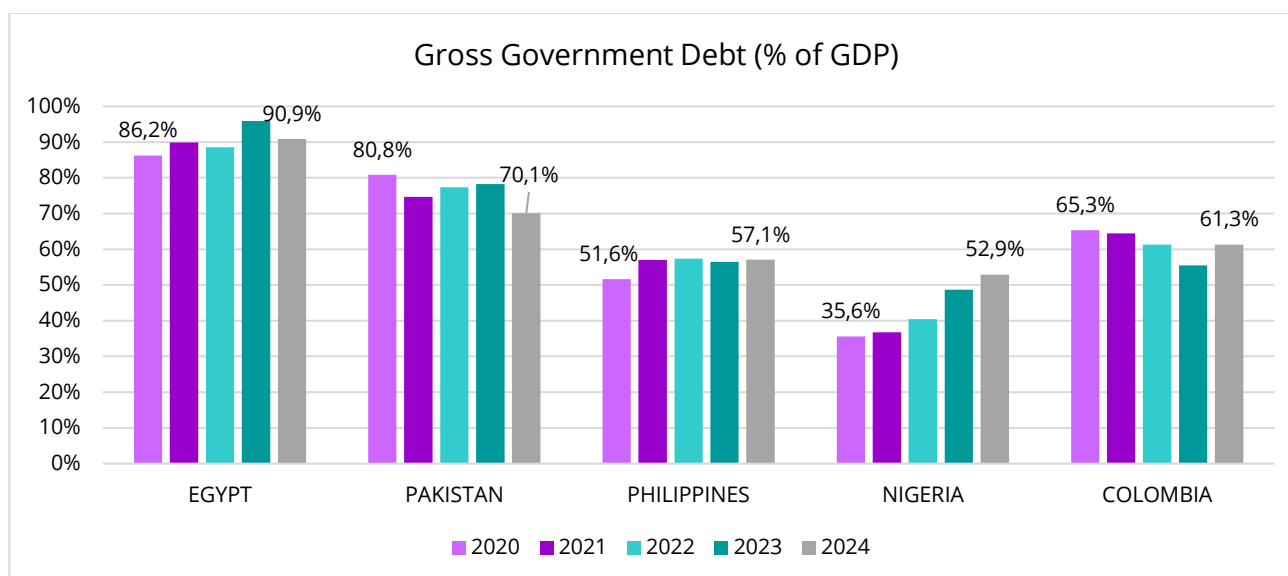
Gross Government Debt

Egypt's financial strength is constrained by a significantly high public debt stock. Gross general government debt reached 90.9% of GDP in 2024 and is projected to average 83% between 2025 and 2026. This level of debt limits fiscal flexibility and elevates sovereign risk. When compared to its peers, Egypt's debt-to-GDP ratio is a clear outlier. In 2024, the ratio is substantially higher than that of Colombia (61.3%), the Philippines (57.1%), and Nigeria (52.9%). The true depth of the crisis is only revealed when the debt is measured not against the total economic output of the country (GDP), but against the government's revenue, which is essential to service debt.

This substantial debt level creates a condition of fiscal dominance, where the state's immense financing needs heavily influence and constrain the conduct of monetary policy. This situation may create a precarious cycle if the government's borrowing needs continue as this can lead to inflationary pressures and keep domestic interest rates elevated, which in turn crowds out private sector investment, stifles economic growth, and makes it even more difficult to achieve debt sustainability.

Although the government has measures in place to address the rising debt pile, these measures have yet to substantially reduce the debt level. In fact, the debt would have increased as a result of the recent sukuk issuances. Even as the additional debt is aimed at infrastructure development instead of consumption, the debt levels remain a key concern. Another measure that the Egyptian government is making use of to address the debt issue is the issuance of more treasury bonds instead of treasury bills in order to mitigate the risk associated with debt maturity in the near term.

Figure 6: Gross Government Debt



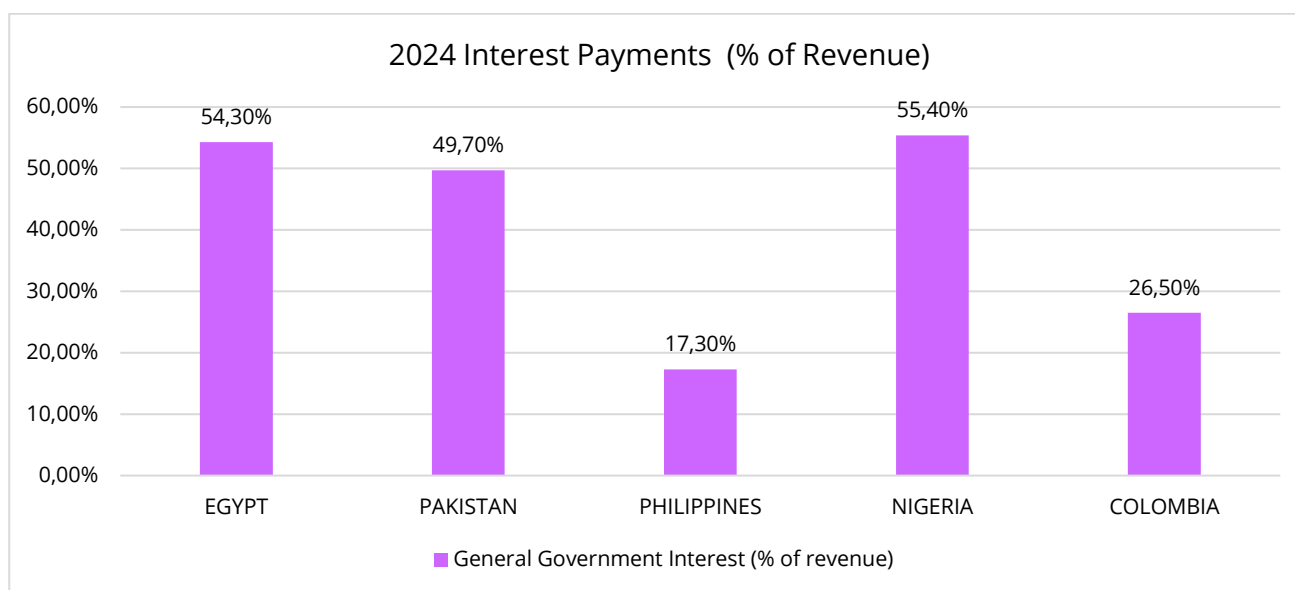
Source: SAR's calculations based on the International Monetary Fund (IMF) Data

Interest Payments to Revenue

The interest payments to revenue ratio paints a concerning picture of the sovereign's repayment capacity. This ratio stands at 54.3% in 2024 and an average of 70.2% between 2025 and 2026, indicating that the additional debt will have a negative impact on the overall interest payments made in the near term, as the interest payments are forecast to make up almost three-quarters of the government revenue.

The forecast average for this ratio is 70.2% for the period 2025 to 2026. This figure is staggering and indicates that nearly three-quarters of every Egyptian pound collected by the government would immediately be consumed by interest payments, leaving a minimal residual for all other state functions, including public sector wages, social safety nets, education, healthcare, and infrastructure investment. Peer comparison underscores the commentary above: Egypt's interest burden is higher than that of the Philippines (17.3%) and Colombia (26.5%) and comparable with that of Nigeria (55.4%) and Pakistan (49.7%).

Figure 7: Interest Payments to Revenue



Source: SAR's calculations based on the International Monetary Fund (IMF) and World Bank Data

Currency Denomination of Debt

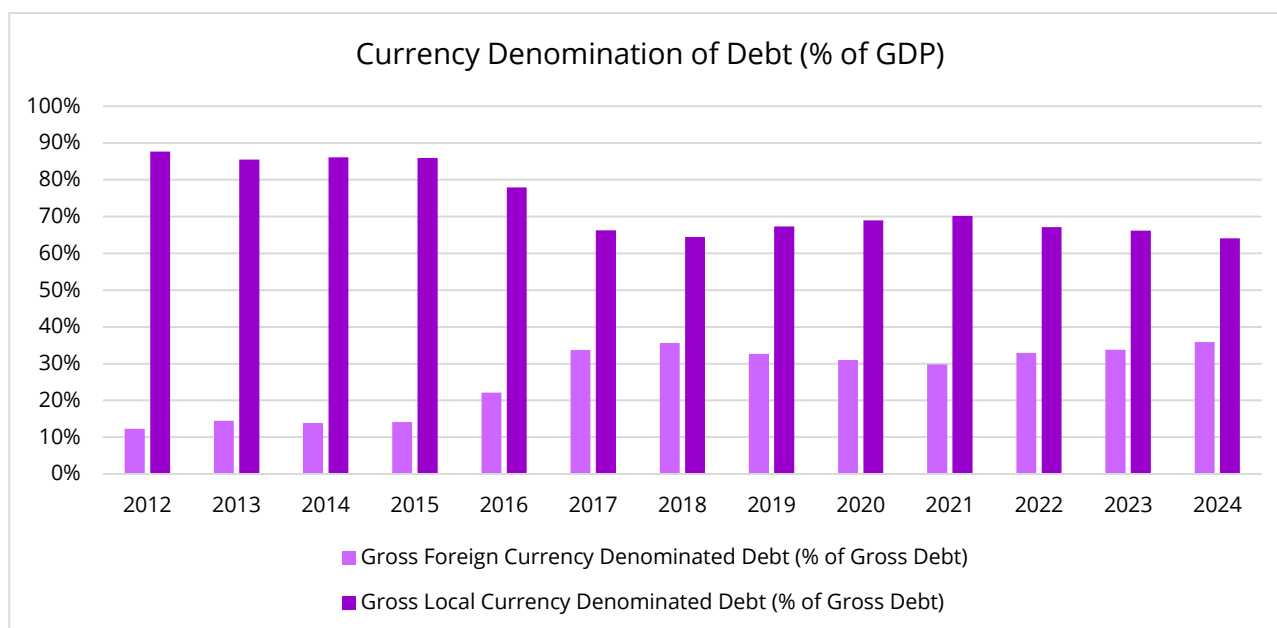
Adding another layer of vulnerability to Egypt's fiscal profile is the structure of its debt. A growing portion is denominated in foreign currency. This share has been on an upward trend, rising from 32.9% in 2022 to 35.9% in 2024. This high level of exposure creates a direct and powerful link between currency fluctuations and fiscal stability.

The recent devaluation of the Egyptian pound following the move to a flexible exchange rate in 2024 is a clear manifestation of this risk. This devaluation automatically inflates the local currency value of the external debt stock and its associated interest payments. For a government already facing a debt

affordability issue, where interest payments consume nearly two-thirds of all revenue, this immediate increase in the debt service burden causes a direct deterioration in all key debt metrics.

When compared to its peer group, Egypt's exposure to foreign currency debt is significant and places it among the more vulnerable nations, with Nigeria (41%), Pakistan (44.5%), the Philippines (32%), and Colombia (30%). While Egypt's ratio is not the absolute highest, it is comparable to high-risk peers like Pakistan and Nigeria.

Figure 8: Currency Denomination of Debt



Source: SAR's calculations based on Central Bank of Egypt (CBE), the Ministry of Finance (MoF), and the International Monetary Fund (IMF) Data

Contingent Liabilities

Beyond the direct debt on its financial statement, Egypt faces a very high risk from contingent liabilities, which are potential future obligations that are not yet included in the national debt. The primary source of this risk is the country's large state-owned enterprise (SOE) sector, which includes a significant number of military-owned firms.

According to the World Bank, these liabilities have increased, reaching 34% of GDP by June 2024. The probability that these potential liabilities may become actual government debt is due to the following factors:

- **Poor Financial Performance:** Many SOEs are characterised by poor performance, inefficiency, and a reliance on state support and sovereign guarantees to continue operating. This history of financial struggle suggests an elevated likelihood of requiring future bailouts.
- **Lack of Transparency and Oversight:** There is a systemic lack of transparency, particularly concerning military-owned enterprises. There is no formal requirement for these entities to report their contingent liabilities to the central government, making it difficult to assess the full risk to public finances.

Table 1: Contingent Liabilities

Company	Estimated Exposure
Egyptian General Petroleum Corporation (EGPC)	Government guarantees on behalf of the EGPC account for half of the state's entire guarantee portfolio. The Ministry of Finance has explicitly approved guarantees for loans to help the EGPC repay its debts to international oil companies.
EgyptAir Holding Company	The state has repeatedly provided financial backing for the national airline. The President of Egypt has issued laws authorising the Minister of Finance to guarantee multi-billion EGP loans for EgyptAir to help it meet its financial obligations.
New Urban Communities Authority (NUCA)	The government provided a sovereign guarantee for a \$2.76 billion loan taken by NUCA to finance the construction of the Central Business District in the New Administrative Capital.
Administrative Capital Urban Development Company (ACUD)	This company, co-owned by the Ministry of Defence and NUCA, finances the New Administrative Capital megaproject through state-backed loans that are not recorded in the state budget, representing a significant off-balance-sheet liability.

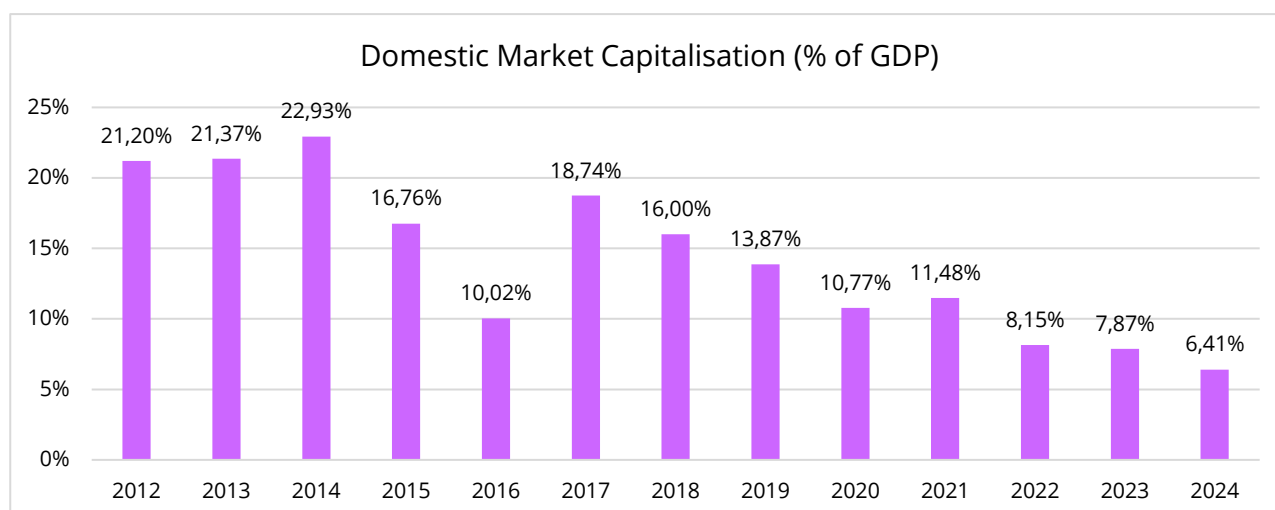
Source: The Tahrir Institute for Middle East Policy

Debt Repayment Record

Egypt's debt repayment record, measured in years since a default or restructuring event, stood at 149 years as of 2025. This exceptionally long and uninterrupted history of honouring its sovereign debt obligations is a key strength of the country's credit profile and a significant intangible asset. This long-standing commitment to meeting its financial obligations fosters a degree of investor confidence. It underpins the country's continued, albeit expensive, access to international capital markets, even during periods of economic and fiscal stress.

Domestic Market Capitalisation

Figure 9: Domestic Market Capitalisation



Source: SAR's calculations based on World Bank Data

Egypt's domestic market capitalisation underscores the relative shallowness of its financial markets compared to the size of its economy and other emerging nations. With a market capitalisation to GDP ratio of 6.4% in 2024, the Egyptian Exchange (EGX) is significantly underdeveloped compared to the world average. While the market's absolute value in local currency has reached historic peaks, its valuation in US dollars remains modest, reflecting the impact of significant currency devaluations. The market is largely driven by a few blue-chip companies listed on the EGX30 index, and its future growth and depth are heavily dependent on the government's stated plans to privatise state-owned enterprises (SOEs) to attract new investment and broaden the potential range of listed companies. When compared to its peer economies, Egypt's capital market lags in both scale and depth. At an estimated domestic market capitalisation of \$42.5 billion, the financial markets are underdeveloped.

Egypt's peers' domestic market capitalisation is as follows:

- The Philippines, for instance, has a much more developed equity market with a market capitalisation of approximately \$234 billion, equivalent to 52% of its GDP. The market benefits from a higher number of listed companies, a robust retail investor base, and strong performance in key sectors like technology and energy.
- Colombia has a market capitalisation of around \$92 billion, which represents about 17.4% of its GDP. While its market is also smaller than some regional peers, it is more than double the size of Egypt's in US dollar terms.
- Nigeria has a market capitalisation of approximately \$42.7 billion, which represents 23.3% of its GDP. The market has experienced a surge, driven by government reforms, new high-profile listings, and strong corporate earnings, making it one of the best performing markets in Africa in 2024.
- Pakistan has a market capitalisation of around \$50 billion, which represents about 14% of its GDP. The Pakistan Stock Exchange was one of the world's best performing markets in 2024, recording strong gains driven by macroeconomic stabilisation, aggressive interest rate cuts, and a stable currency.

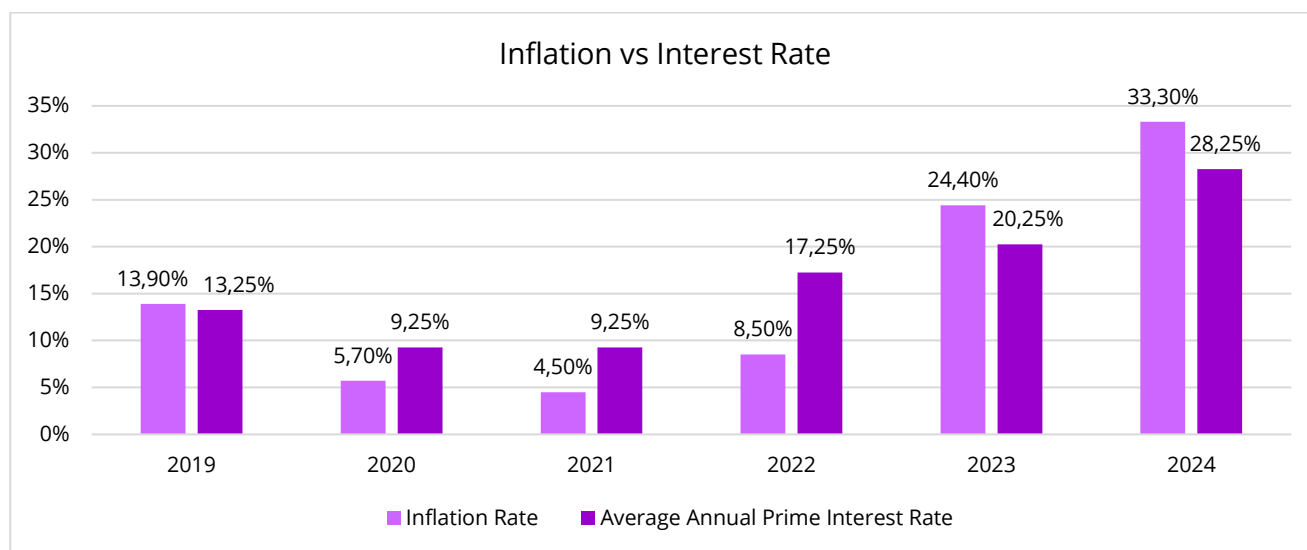
Inflation and Interest Rates

Egypt has a long history of volatile and relatively high inflation, which erodes real incomes, deters savings and investment, and complicates monetary policy. The data reveals a particularly severe inflationary period beginning in 2023 and projected to continue into the medium term. After reaching 28.3% in 2024, the inflation rate is forecast to average 17% between 2025 and 2026. The drivers of this inflation are multifaceted, stemming from external and domestic pressures. A key factor has been the significant depreciation of the Egyptian pound, which increases the cost of imported goods.

In response to these inflationary pressures, the Central Bank of Egypt (CBE) has been compelled to pursue an aggressive monetary tightening policy. This has involved substantial interest rate hikes, with the lending rate reaching 28.25% in 2024. The objective of this policy is to curb inflation by cooling domestic demand, anchor inflation expectations, and support the currency by making it more attractive for investors to hold Egyptian pound-denominated assets. A contractionary monetary policy through increasing interest rates is, however, ineffective in controlling cost-push inflation, specifically imported inflation.

The aggressive rate hikes, while necessary to combat inflation, have a severe and immediate negative impact on the government's budget. With a massive stock of domestic debt, the higher interest rates dramatically increase the government's debt servicing costs. This dynamic is at the heart of Egypt's fiscal distress. With interest payments already consuming nearly 60% of all government revenue, any increase in interest rates directly worsens this ratio. This leaves the government in a difficult position: it must maintain high interest rates to control inflation, but doing so exacerbates the debt affordability issue, further squeezing out essential spending and perpetuating the need for more borrowing. This interconnectedness makes Egypt's fiscal position acutely sensitive to monetary policy decisions and underscores the fragility of its financial stability.

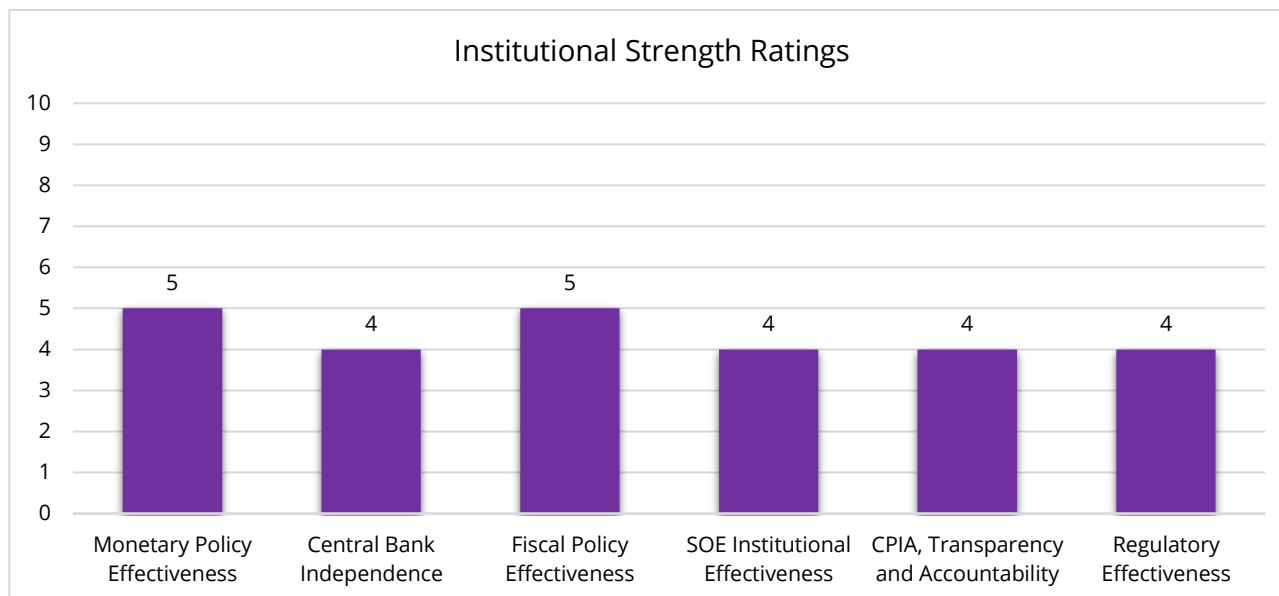
Figure 10: Inflation and Interest Rate



Source: SAR's calculations based on the International Monetary Fund (IMF) Data

Institutional Strength Pillar

Figure 11: Institutional Strength Ratings



Source: SAR's calculations

Monetary Policy Effectiveness

The Central Bank of Egypt (CBE) has recently demonstrated a commitment to orthodox policies, earning a moderate score for effectiveness. In response to severe inflationary pressures, the CBE has implemented aggressive but necessary measures, including significant interest rate hikes and the crucial decision to float the Egyptian pound to unify the exchange rate and eliminate the parallel market. These actions show that the necessary policies and procedures are in place. However, with inflation remaining exceptionally high and the economy still in a delicate period of stabilisation, the full, positive impact of these measures is yet to be realised. The effectiveness is therefore considered moderate, reflecting a situation where the correct policy tools are being used, but the scale of the underlying economic challenges remains immense. Forecasts suggest that while inflation will gradually decline through 2025 and 2026, it will remain a major challenge, suppressing economic growth and eroding the purchasing power of consumers.

Central Bank Independence

The weak score is justified by the high level of political influence that structurally constrains the CBE's full independence, even as it has been granted more operational room to manage the recent crisis. The primary source of this influence is the government's severe fiscal pressures and its vast, persistent financing needs. In the past, the CBE's direct lending to government agencies and the Ministry of Finance's use of overdraft facilities have contributed to a loose monetary stance, directly linking fiscal needs to monetary expansion. While the CBE has recently been empowered to raise interest rates sharply, this autonomy is largely a function of crisis management. The underlying dynamic, where the government is the largest borrower in the economy and its fiscal health is acutely sensitive to interest rate changes, means that political considerations regarding the cost of debt service and the need for financing will always weigh heavily on monetary policy decisions. This structural reality prevents the CBE from operating with the full independence characteristic of a stronger institutional framework.

Fiscal Policy Effectiveness

Egypt's fiscal policy effectiveness is rated as moderate because, while a formal framework and long-term objectives like Egypt Vision 2030 exist, their implementation and achievement are severely undermined by the Egyptian debt structure. The core problem is the state of debt service capacity: with interest payments consuming nearly 60% of all government revenue, the budget is in a state of extreme fiscal rigidity. This means there is virtually no discretionary fiscal space available for the productive public investment in education, health, and infrastructure that is necessary to achieve the goals of Vision 2030. Consequently, fiscal policy is reduced to managing the immediate debt crisis rather than steering long-term development. The government has demonstrated an ability to achieve primary surpluses; however, this is not factored because the overarching debt burden renders the broader fiscal framework only partially effective.

SOE Institutional Effectiveness

The institutional environment for state-owned enterprises (SOEs) is weak, failing to provide the supportive legislative and institutional environment needed to encourage private investment and standing in stark contrast to Vision 2030's goal of a "private-sector-led economy". This reflects a landscape where a large, opaque, and privileged state sector crowds out private investment and poses a significant fiscal risk. The Egyptian economy is characterised by the pervasive presence of SOEs, including a large number of military-owned firms, in nearly every sector. These entities often benefit from preferential treatment, including tax exemptions, privileged access to credit, and the direct awarding of public contracts, which creates a distorted and uneven playing field for private competitors. The poor financial performance of many SOEs and their reliance on state support create substantial contingent liability risks for the sovereign, estimated to be as high as 34% of GDP.

Transparency and Accountability

Transparency and accountability are rated as weak due to major systemic deficiencies in transparency and public accountability that create an unpredictable business environment and conceal the true extent of fiscal risks. The lack of transparency is most acute in two areas: the finances of SOEs and the fragmented nature of the state budget. The financial operations of military-owned enterprises are particularly opaque, with no clear oversight mechanisms. Furthermore, the proliferation of special funds and the ability of economic authorities to take on state-backed debt that does not appear in the central government's budget significantly constrain parliamentary oversight and obscures the comprehensive view of public expenditure.

Regulatory Effectiveness

The regulatory environment is assessed as weak because, despite reforms on paper, the reality for businesses remains challenging and unpredictable. While the government has passed laws aimed at improving the business climate, such as the 2017 Investment Law, their effectiveness is undermined by poor and inconsistent implementation. Investors and private businesses continue to face significant obstacles, including excessive bureaucracy, uneven enforcement of laws, and inadequate protection of property rights. The most significant regulatory challenge is the lack of competitive neutrality, where the dominant role of state and military-owned enterprises distorts markets and deters private investment. This large gap between the stated policy of encouraging private enterprise and the reality of an uneven playing field is a hallmark of a weak regulatory framework.

Environmental, Social, and Governance Pillar (ESG)

Environmental

Egypt's environmental profile is a study in contrasts. The country's ambitions are not matched by effective implementation, creating significant long-term risks. This is reflected in the 2024 Environmental Performance Index (EPI), where Egypt ranked 99th globally out of 180 countries with a score of 43.7, placing it 8th among countries in the Greater Middle East. This places Egypt in the middle of its peer group. It performs better than Pakistan (ranked 176th) and Nigeria (167th), which face more severe environmental challenges. However, it lags significantly behind Colombia (ranked 67th), which demonstrates a stronger overall environmental performance. On the one hand, Egypt has demonstrated ambition by establishing national frameworks like the National Climate Change Strategy 2050 and hosting high-profile events such as COP27. However, these initiatives are undermined by weak on-the-ground execution. The enforcement of environmental regulations is often lax, hindered by prevailing economic pressures and significant bureaucratic hurdles that prioritise short-term growth over long-term sustainability.

In the 2025 Climate Change Performance Index (CCPI), Egypt ranked 20th out of 67 countries, an improvement from 22nd place the previous year, placing it in the "medium" performance category. Egypt received a "high" rating for GHG Emissions in the CCPI, reflecting its relatively low per capita emissions. It has initiated ambitious mitigation efforts, particularly in the renewable energy sector, with large-scale solar projects and green hydrogen ambitions. However, the CCPI gives Egypt a "very low" rating for its share of renewable energy in actual use (around 5%), highlighting continued investment in fossil fuels.

The country's strong focus on adaptation is born out of necessity. As a nation highly vulnerable to climate impacts like sea-level rise in the Nile Delta and increasing water scarcity, Egypt has invested in significant projects for water management, desalination, and coastal protection. Official environmental reporting for Egypt is minimal and largely limited to fulfilling international commitments.

Table 2: Environmental Performance

Category	Score	Notable Insights
Overall EPI Score	43.7	Shows a slight improvement with a 10-year change of +4.5, but the overall performance remains in the lower half of ranked countries.
Air Quality	31.7	Remains a significant challenge. While there are slight gains, scores for PM2.5 exposure (10.3) and ozone exposure (26.3) are still very low, indicating persistent health risks.
Sanitation & Drinking Water	47.7	While access to sanitation has a moderate score (53.0), access to safe drinking water is lower (41.4), indicating gaps in essential services.
Heavy Metals (Lead)	28.9	Low performance, suggesting continued risk of lead exposure, which poses a serious threat to public health, especially for children.
Waste Management	17.6	This points to major deficiencies in solid waste collection, recycling, and preventing plastic pollution.

Biodiversity	47.5	There is some protection of marine habitats, but the species protection index and terrestrial biome protection still require significant improvement.
Climate Change	40.4	The score reflects challenges in mitigating greenhouse gas emissions, with a particularly low score for projected emissions in 2050 (5.5).
Fisheries	32.4	The low score, particularly in fish stock status, indicates significant pressure from overfishing and unsustainable fishing practices.
Agriculture	48.9	While there is a fair score for sustainable nitrogen management, metrics for pesticide pollution risk are very low (44.4), indicating high environmental impact from agriculture.
Water Resources	55.9	While wastewater collection is relatively high (91.8), the score for wastewater treatment is very low (32.1), meaning much of the collected water is not properly treated before discharge.

Source: Based on Environmental Performance Index and Climate Change Performance Index Data

Social

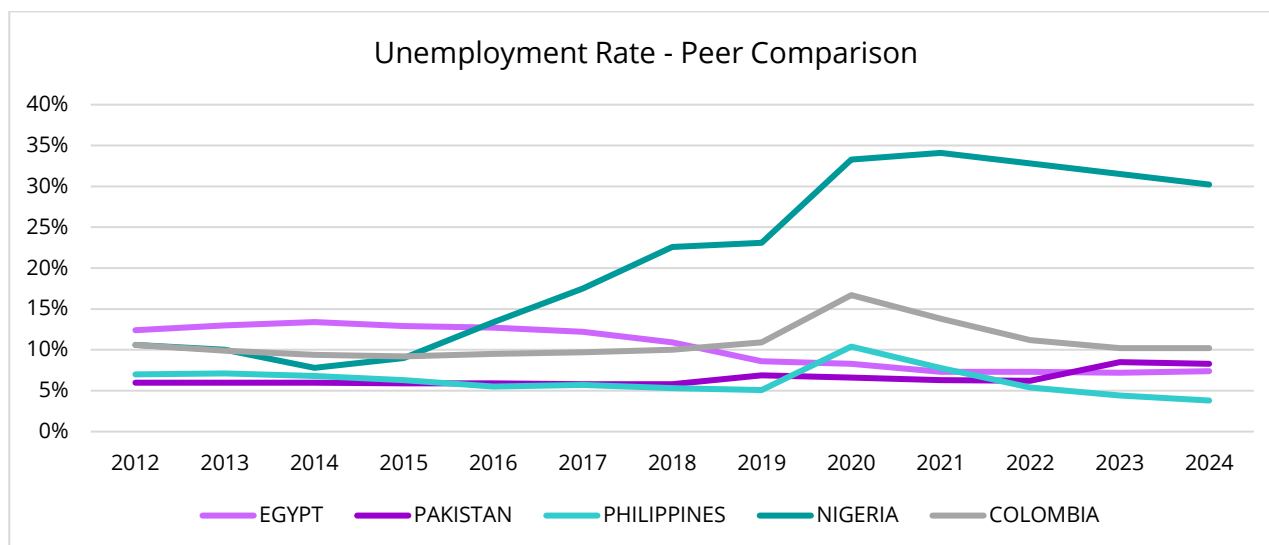
Social factors present a mixed but challenging picture, with progress in some areas offset by significant underlying tensions that constrain the rating. The state's development philosophy, as outlined in Egypt Vision 2030, is guided by the principle of "Human-Centred Development," which places the well-being and quality of life of the Egyptian citizen at the core of all development efforts. Egypt's 2023 Human Development Index (HDI) score of 0.754 places it in the "high human development" category and shows improvement from the previous year. This score is above the average for Arab countries (0.719). Egypt's HDI score is significantly higher than that of its peers in the "low human development" category, such as Pakistan (0.540) and Nigeria (0.548). It is, however, slightly below that of Colombia (0.788), which is also in the "high" category.

While massive state-led investment has resulted in impressive new infrastructure, this coexists with major deficiencies in older, overburdened systems in existing cities. Physical access to services like electricity is widespread, with data showing 100% of the population has access. However, the quality of public health and education remains low after decades of underinvestment, and recent subsidy reforms have made affordability a major challenge for many citizens.

Social stability is pressured by a challenging labour market and persistent inequality.

- **Unemployment:** The national unemployment rate was forecast at 7.4% for 2024, which is moderate compared to some peers. More recent official data showed a drop to 6.6% in 2024, a positive development, although youth and female unemployment remain significantly higher. Egypt's unemployment situation is moderate compared to its peers. It is significantly better than the chronically high rate in Nigeria (30.2%) but is roughly double the rate in the Philippines (3.8%), indicating remaining slack in the labour market.
- **Housing:** Despite a massive construction boom, particularly in new cities, Egypt suffers from a significant shortage of adequate and affordable housing for its low- and middle-income groups. This has led to the persistence of large informal settlements and represents a key social challenge.

Figure 12: Unemployment Rate

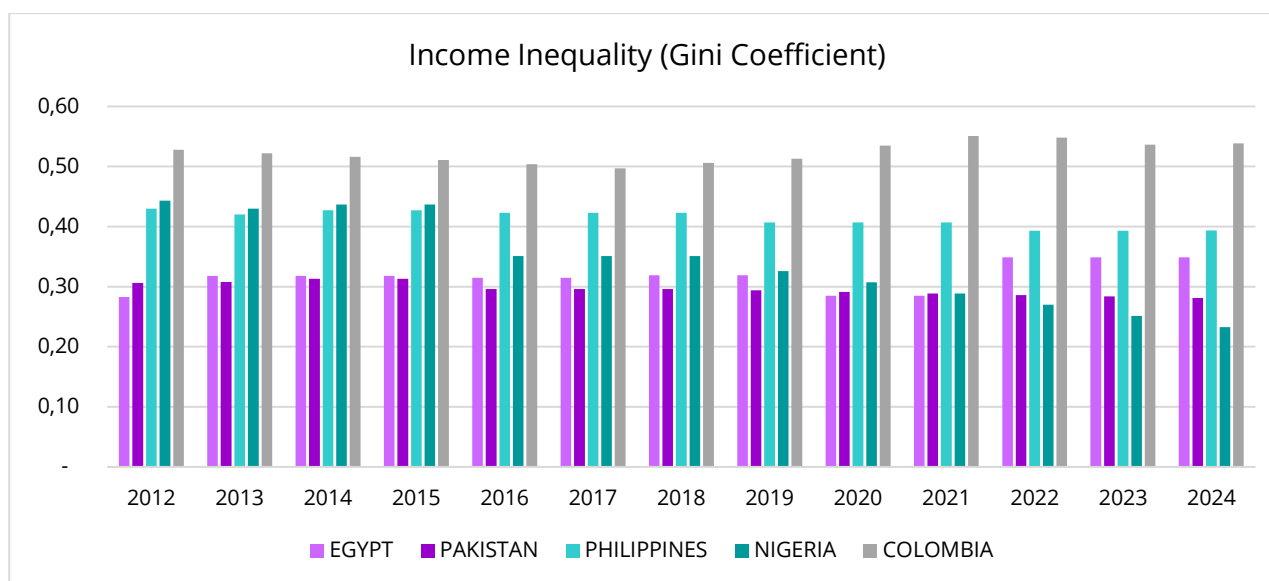


Source: SAR's calculations based on the International Monetary Fund (IMF) and Statistica Data

Labour Rights: This is an area of profound weakness and a direct contradiction to the goal of ensuring inclusion and equal opportunities for all social groups. The 2024 ITUC Global Rights Index places Egypt among the 10 worst countries in the world for working people, assigning it a rating of 5 (No guarantee of rights). The report highlights severe restrictions on the right to strike, the impediment of union registration, and the arbitrary detention of unionists. This dire situation is shared by some of its peers. The Philippines and Colombia also received a rating of 5, placing them in the same category as Egypt. Pakistan and Nigeria fared only slightly better with a rating of 4 (Systematic violations of rights), indicating that weak protection of labour rights is a common and severe challenge across this peer group.

Income Inequality: Inequality remains high. The Gini coefficient for income was estimated at 34.9% in 2024, indicating a significant gap between the rich and poor.

Figure 13: Income Inequality (Gini Coefficient)



Source: SAR's calculations based on World Bank Data

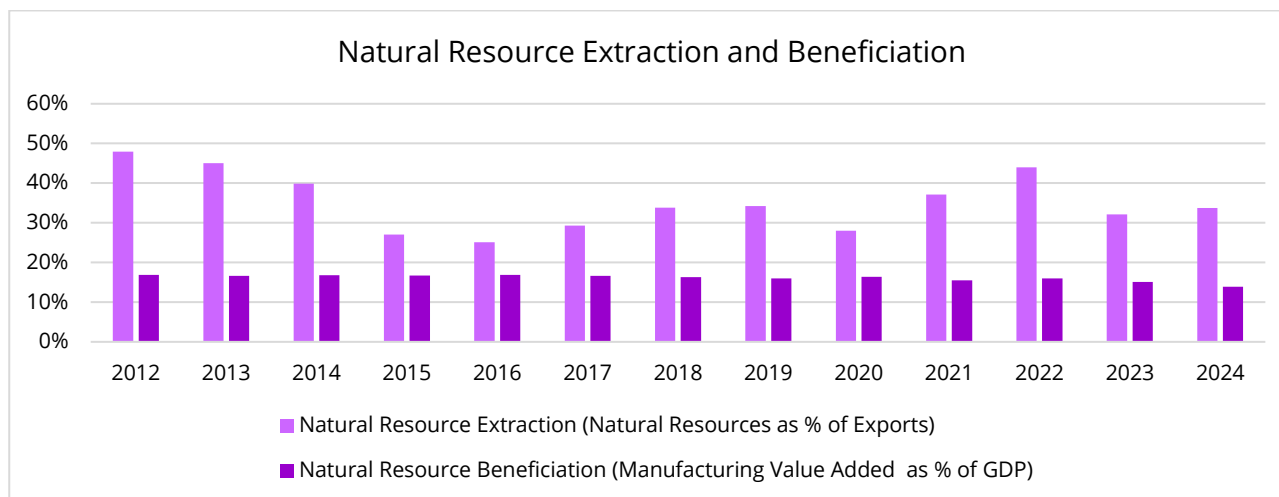
Governance

The quality of institutions and fiscal management are inextricably linked and represent the core of the country's credit challenges. The Political Stability Index from the World Bank provides a stark measure of this risk, with Egypt scoring -0.87 in 2023 (on a scale of -2.5 to 2.5), indicating a high perception of instability. This directly translates into weak fiscal management, evidenced by the government's significantly high debt burden and limited revenue-raising capacity. With a government debt-to-GDP ratio of 90.9% and interest payments consuming nearly 60% of revenue in 2024, the state's fiscal position is one of acute distress, creating significant solvency risks. Egypt's political stability risk is high, but lower than that of Pakistan (-1.91) and Nigeria (-1.82), which face more acute security and political challenges. Its score is comparable to Colombia (-0.99) and the Philippines (-0.80).

The World Bank's Government Effectiveness Index for 2023 gives Egypt a score of -0.24, which, while an improvement, remains below the global average and indicates weaknesses in the quality of public services, policy implementation, and civil service independence. Decades of underinvestment, a result of fiscal space being crowded out by debt service, have led to low-quality outcomes in critical sectors like public education and healthcare. Egypt's government effectiveness is weak but stronger than that of Pakistan (-0.66) and Nigeria (-0.93). However, it lags significantly behind the positive scores of Colombia (0.04) and the Philippines (0.18), which demonstrate more effective governance and public service delivery. The political landscape is marked by enforced stability under a highly centralised government. While this prevents widespread unrest in the short term, it masks underlying social tensions and a lack of genuine political participation or responsiveness. From a governance perspective, this top-down approach is a weakness, as it points to a lack of institutional legitimacy and resilience to shocks.

Natural Resource Pillar

Figure 14: Extraction and Beneficiation



Source: SAR's calculations based on World Bank and Trading Economics Data

Egypt's management of its natural resources receives a moderate assessment, reflecting a partial but not fully realised strategy of value addition. This assessment is anchored by the country's significant processing capacity in the hydrocarbon sector. Egypt is a major producer of refined petroleum products, petrochemicals, and fertilisers, and has established itself as a key regional hub for liquefied natural gas (LNG) exports. This demonstrates a clear capacity for value addition beyond simple extraction in this critical sector. However, this strength is not replicated across the full spectrum of its natural resources. The beneficiation of other resources, such as minerals from mining, is noted as being far less developed. While income from processed hydrocarbons is substantial, the overall economic benefit from its natural resources is constrained by this uneven approach to moving up the value chain. Egypt's low reliance on raw material exports provides a distinct advantage over several of its peers. Nigeria, for example, is highly dependent on unprocessed resources, with fuel exports consistently making up around 80% of its merchandise exports.

Table 3: Exports

Year	Natural Resource Exports (% of Total Exports)	Key Exported Resources
2018	33.8%	Crude petroleum, gold, and agricultural products (e.g., oranges, potatoes).
2019	34.2%	Crude petroleum, natural gas, and gold.
2020	28%	Gold and crude petroleum.
2021	37.1%	Natural gas and crude petroleum.
2022	44%	Natural gas, crude petroleum, and gold.
2023	32.1%	Natural gas, crude petroleum, and gold.
2024	33.7% (est.)	Natural gas, crude petroleum, and gold.

Source: SAR's calculations

Beneficiation

Egypt's plans for its natural resources are guided by its overarching Egypt Vision 2030 strategy, which aims to create a competitive, balanced, diversified, and knowledge-based economy by maximising value added. The strategy looks to leverage its natural resource advantages, with a particular focus on transitioning to renewable energy and establishing itself as a regional energy hub. The most concrete and ambitious element of this vision is the National Low-Carbon Hydrogen Strategy, launched in August 2024. This strategy signals a clear intent to move beyond traditional hydrocarbon processing and build a next-generation value chain based on renewable resources. This strategy represents a forward-looking plan to not only diversify the country's energy-related industrial base but also to position Egypt as a pivotal player in the future global green energy market.

Key ambitions of the hydrogen strategy include:

- **Global Market Leadership:** To capture between 5 and 8% of the global tradable hydrogen market by 2040.
- **Economic Impact:** To boost Egypt's GDP by up to \$18 billion and create over 100,000 jobs by 2040.
- **Leveraging Existing Strengths:** The plan is designed to build on Egypt's competitive advantages, including its world-class solar and wind resources, its strategic geographic location, and its existing infrastructure for ammonia production and export.

Other key future plans also include:

- **Aggressive Renewable Energy Targets:** The government is committed to raising the share of renewable energy in its total generation mix to 20% by FY 2025/2026 and to 42% by 2030. This represents a major strategic shift that will reduce domestic reliance on fossil fuels and free up more natural gas for export.
- **Mega-Projects in Solar and Wind:** This transition is being driven by large-scale projects. A prime example is the Obelisk 1-gigawatt solar project, which includes a 200MWh battery storage system and is set to be Africa's largest solar plant. This project is heavily backed by the African Development Bank and other development partners. The government also plans to design and locally engineer five new concentrated solar power (CSP) plants.
- **Becoming a Regional Energy Hub:** Egypt is actively expanding its electricity grid interconnections with neighbouring countries. Plans are underway to upgrade links with Sudan, Jordan, and Libya, and to complete major new connections with Saudi Arabia (3,000 MW capacity) and an undersea interconnector with Cyprus and Greece (1,000 MW).

Egypt's performance and future plans are best understood in the context of its emerging market peers:

- **Nigeria and Colombia:** Both countries are major commodity exporters but demonstrate a significantly lower level of beneficiation than Egypt. Nigeria's exports are overwhelmingly dominated by crude petroleum and petroleum gas, which together account for over 80% of its total exports. Similarly, Colombia's exports are led by mineral fuels (crude petroleum, coal briquettes), which represent over 50% of its export earnings. Their MVA as a percentage of GDP is lower than Egypt's, at approximately 13.5% for Nigeria and 10.1% for Colombia, indicating a higher reliance on exporting unprocessed resources.

- **Pakistan:** Presents a different model, being a net importer of the hydrocarbon resources that Egypt processes. Its primary strength lies in agricultural beneficiation, where it has developed a strong value chain processing raw cotton into textiles and knitwear, which are its main exports. With an MVA as a percentage of GDP of around 13.1%, Pakistan shows a comparable, albeit different, capacity for value addition.
- **Philippines:** Has the highest MVA as a percentage of GDP in the peer group, at approximately 15.7%. However, its manufacturing strength is concentrated in electronics, which largely involves assembling imported components into finished goods rather than processing its own natural resource endowments. The extractive sector contributes less than 1% to its GDP and under 8% to its exports.

Infrastructure Development Pillar

Egypt's massive, state-directed infrastructure drive is a central pillar of its economic strategy, but it is also a primary source of credit risk. The assessment reveals a disconnect between the ambition and inputs of the infrastructure program and its economic rationale and long-term sustainability. As these projects divert scarce resources from productive sectors, such as export-oriented industries, toward real estate and non-tradable assets, they create few sustainable long-term jobs and face significant commercial viability risks due to niche demand. Furthermore, the inputs for this ambition create a key vulnerability: the program is financed with foreign currency denominated debt, while the projects themselves generate revenue only in local currency (EGP). This creates a currency mismatch, increasing sovereign credit risk by making debt repayment dependent on volatile, unrelated sectors.

This pillar highlights a government that is highly effective at initiating and financing large-scale projects but demonstrates significant weakness in justifying their economic viability and planning for their future upkeep.

Table 4: Infrastructure Investment Snapshot

Sector	Key Projects & Metrics	Investment Value	Strategic Implications
Suez Canal	Widening and deepening the southernmost 30 km section and creating a 10 km dual channel.	USD 3B	Secures a primary source of national income and reinforces Egypt's role in global trade.
New Cities	A 700 km ² smart city to house ministries and a population of 6.5 million.	USD 58B+	Alleviates pressure on Cairo, creates a modern, efficient hub for government and business.
Renewable Energy	Multiple Memorandums of Understanding signed for green hydrogen/ammonia plants in the SCZone, e.g., Benban Solar Park (1.65 GW) and Gabal el-Zayt Wind Farm (580 MW).	USD 40B+	Positions Egypt as a global energy hub for green fuels, diversifies the energy mix, and leverages natural advantages (sun, wind) for export to Europe and Asia.
Railways	A 2,000 km network connecting the Red Sea to the Mediterranean and southern cities. Cairo Metro Line 4 expansion.	USD 23B	Creates a "Suez Canal on rails", fundamentally transforming logistics, boosting domestic tourism, and connecting ports with production centres.
Ports	Major expansion and modernisation of Alexandria and Dekheila ports. Ain Sokhna Port upgrades to integrate with the SCZone and the new high-speed rail line.	USD 3B+	Enhances maritime competitiveness, supports the Suez Canal corridor, and develops regional transshipment hubs.
Airports	Modernisation of Cairo International Airport (CAI). Expansion of Sphinx International Airport (SPX) to serve West Cairo and tourism. Development of regional airports like Berenice on the Red Sea.	Not disclosed	Boosts tourism capacity, improves internal connectivity, and solidifies Cairo's status as a major regional aviation hub.

Water Security	A multi-phase plan to build dozens of desalination plants. Bahr El-Baqar Wastewater Plant, treating 5.6 million m ³ /day for agricultural use in Sinai.	USD 8B	Critically mitigates water scarcity and reliance on the Nile River, supports agricultural expansion in the desert, and ensures long-term national resource security.
Digital Infrastructure	New data centre projects by major international players in the NAC and SCZone and Subsea Cable expansion which leverages Egypt's geography connecting Africa, Asia, and Europe as a data corridor.	Not disclosed	Develops the high-growth digital economy, secures data sovereignty, and establishes Egypt as a key node in global data traffic.

Source: Suez Canal Authority, Egyptian State Information Service, Ministry of Transport, World Bank, International Monetary Fund, and Middle East Economic Digest

The government acts as the primary visionary for giga-projects, creating a framework that private sector partners and international allies can then invest in. This strategy aims to use infrastructure not just for modernisation, but as a tool to create entirely new economic zones and corridors. This strategy is defined by a dual focus of completing foundational projects that create immediate impact while laying the groundwork for a future green economy.

Investment Commitment

Egypt's investment commitment reflects a significant contradiction. On the one hand, the government has demonstrated a powerful commitment to infrastructure through massive absolute spending and a high rate of project implementation. On the other hand, this has been set against a backdrop of a historically declining investment-to-GDP ratio, which raises questions about the long-term sustainability and economic effectiveness of the spending.

Over the last decade, the government has dedicated a massive 10 trillion EGP to update and improve the nation's infrastructure. This trend is set to accelerate, with the Economic and Social Development Plan for fiscal year 2025/2026 targeting a record EGP 3.5 trillion in total investments, the highest in the country's history. This spending is directed at critical sectors. For instance, the FY2025/2026 plan earmarks EGP 100 billion in public investments for the electricity and renewable energy sector alone. This level of absolute spending demonstrates a clear and tangible commitment to executing its national development strategy.

Despite these enormous absolute figures, the investment level relative to the size of the economy has been a point of concern. A World Bank analysis noted that over the 15 years leading up to the current infrastructure push, investment had seen a "substantial decline," which was at odds with the country's growth goals. More recent data from the Global Infrastructure Hub places Egypt's infrastructure investment at 3.8% of GDP, which is below the lower-middle-income country average of 5.4%. The government is now actively working to reverse this trend. The FY2025/2026 development plan projects that the total investment-to-GDP ratio will rise to 17.1%.

Table 5: Infrastructure Delivery (2020–2025)

Metric	Measurement
Total Infrastructure Investment (2025)	Estimated at over USD 200 billion cumulatively (10% of GDP).
Private Sector Share	Varies significantly by sector, averaging around 30-40%. Most active in Renewable Energy (approaching 90% FDI).
Completion Rate (Major Projects)	High for priority projects, estimated at 60–70% for the phases scheduled within this period (e.g., NAC Phase 1, High-Speed Rail's "Green Line", Bahr El-Baqar plant).
Budget Adherence	Challenged by significant cost overruns, primarily driven by the devaluation of the Egyptian Pound (EGP) and high inflation, which increased the cost of imported materials and machinery.
Execution Efficiency	Characterised by high speed of execution, especially on state-led projects managed by military-affiliated entities that can bypass bureaucracy.
Project Management Challenges	The primary challenges are securing foreign currency for financing and imports, managing the impact of inflation on budgets, and the immense logistical task of coordinating multiple simultaneous giga-projects.
Governance Reforms	Key reforms include the establishment of The Sovereign Fund of Egypt (TSFE) to co-invest with the private sector, the activation of the Public-Private Partnership (PPP) framework, and creating a special regulatory environment for the Suez Canal Economic Zone (SCZone).
Sector Highlights	Exceptional progress in the New Administrative Capital's construction. Securing major financing and advancing construction on the High-Speed Rail network. Attracting massive international investment commitments for the emerging Green Hydrogen sector.

Source: Ministry of Planning and Economic Development, World Bank, International Monetary Fund, and Middle East Economic Digest

Egypt excels in the rapid, state-led execution of giga-projects but struggles with the immense financial burden and cost overruns driven by high debt and currency devaluation. The country is leveraging its Sovereign Fund and special economic zones to attract foreign direct investment and de-risk projects for private partners, although a successful transition from a construction-focused model to one of profitable operation is now critical to ensure long-term sustainability.

Innovative Financing Models

Egypt has developed a sophisticated and diverse strategy to fund its ambitious national infrastructure projects, moving beyond traditional financing. This approach mobilises capital from domestic, international, private, and sovereign sources through three main channels. Egypt uses a robust legal and institutional framework to facilitate PPPs as a core part of its strategy. Supported by a specific law (Law No. 67 of 2010) and managed by a dedicated PPP Central Unit, this model has attracted significant investment. Between 2010 and 2023, Egypt successfully completed 45 PPP projects valued at \$13.2 billion in critical sectors like energy, transport, and water, with more projects currently in development. Egypt is a regional leader in using specialised bonds to attract new types of investors for sustainable development. Key achievements include:

- **Sovereign Green Bonds:** Issued the first in the MENA region in 2020, raising \$750 million for clean transport and renewable energy projects.
- **Sustainability Panda Bonds:** Became the first African nation to issue these in the Chinese market, raising approximately \$479 million.
- **Sovereign Sukuk (Islamic Bonds):** Created a framework to attract Sharia-compliant investment, successfully raising a total of \$1.5 billion across two issuances.

The government actively leverages state-owned assets through The Sovereign Fund of Egypt (TSFE). The fund's primary role is to structure deals that attract private investment into these assets. The most significant example is the landmark \$35 billion Ras El Hekma deal with the UAE's sovereign wealth fund, ADQ. This strategic co-development partnership, in which Egypt retains a 35% profit share, provided a massive injection of foreign currency that was crucial for stabilising the economy.

Economic Impact Analysis

Egypt's economic impact analysis is rooted in a profound and widely criticised disconnect between the massive scale of Egypt's infrastructure investments and the lack of transparent, publicly available evidence justifying their economic viability. This opacity creates significant uncertainty about the long-term returns on these projects and elevates the associated fiscal risks.

Table 6: Economic Impact

Sector	Investment (2024/2025)	GDP Impact
Transport (Highways, Rail)	USD 42.6B (multi-year)	1.8% of GDP
Suez Canal	USD 1.2B	1.5% – 2% of GDP
Sanitation & Water	USD 1.63B	0.4% of GDP
Real Estate & Construction	USD 20B (private and public)	15% – 17% of GDP
Telecommunications & IT	USD 1.6B	1.6% of GDP
Renewable Energy	USD 2.8B	0.7% of GDP
Tourism	USD 1B (private investment focus)	12% of GDP

Source: Ministry of Planning and Economic Development, Ministry of Finance, Central Bank of Egypt

Table 7: Job Impact

Sector	Job Impact	Commentary
Transport (Highways, Rail)	High	Projects like the high-speed rail network and Cairo Metro imply the creation of tens of thousands of jobs in construction, engineering, and long-term operations.
Suez Canal	High	Potential to generate up to 1 million jobs over the next fifteen years.
Sanitation & Water	Moderate	Vital infrastructure projects also have a strong employment impact, with single projects like the Bahr El-Baqar Wastewater Treatment Plant projected to provide 100,000 job opportunities.
Real Estate & Construction	Very High	Largest direct employer, with over 4 million jobs in 2024.
Telecommunications & IT	Moderate to High	The number of tech specialists is targeted to increase from 130,000 to 550,000 by 2026, with the offshoring sub-sector alone aiming for 500,000 jobs.
Renewable Energy	Moderate	This emerging sector is creating thousands of skilled jobs for engineers and technicians, highlighted by the 10,000 opportunities created at the Benban Solar Park.
Tourism	Very High	This sector supported 2.7 million jobs in 2024 and is projected to grow to 3.8 million jobs by 2035.

Source: Ministry of Planning and Economic Development, Central Agency for Public Mobilisation and Statistics, Suez Canal Authority, and Information Technology Industry Development Agency

Maintenance and Upkeep Plans

Egypt's massive infrastructure program suffers from a weakness in maintenance and upkeep. This is considered the Achilles' heel of its development strategy, risking turning new assets into long-term liabilities. The core of the problem lies in a governmental focus that is on new builds and project completion rather than on the entire lifecycle of an asset. The emphasis is on the high-profile, tangible results of construction (new roads, bridges, power plants, and cities). While these projects are executed with ambition, the less glamorous but equally critical budgetary allocations for routine and preventative maintenance are systematically underfunded and deprioritised. This approach has several severe consequences:

- **Rapid Asset Depreciation:** Without adequate and timely maintenance, the value and functionality of new infrastructure can depreciate rapidly. A newly paved highway can develop potholes and structural issues within a few years, a state-of-the-art water treatment plant can lose efficiency, and the complex systems of a new smart city can fall into disrepair.
- **Increased Future Costs:** Deferred maintenance is invariably more expensive than proactive upkeep. Minor issues that could be fixed with small, regular expenditures can escalate into major failures that require complete overhauls or reconstruction, costing multiples of the original maintenance budget.

- **Creation of Future Liabilities:** The failure to fund maintenance effectively means that today's assets risk becoming tomorrow's liabilities. Instead of contributing to economic growth, they become a drain on public finances, requiring further debt-fuelled spending to repair or replace them.

In response, the Prime Minister has instructed the creation of a joint task force from the planning and finance ministries to map the country's maintenance needs and establish clear guidelines to sustain the infrastructure drive. The Minister of Finance has also stated a readiness to expand investment in maintenance and align standards with international benchmarks. However, these plans are still in their early stages, and a long history of underfunding has created a significant maintenance backlog that will be difficult and expensive to clear.

Community Engagement and Impact

While Egypt demonstrates a capacity for best-practice, participatory engagement on certain internationally-backed projects, this is starkly contrasted by a top-down, non-participatory, and often exclusionary approach on its largest domestic mega-projects. This inconsistency reveals a critical weakness in the social sustainability of the country's overall infrastructure strategy. When partnering with multilateral institutions like the World Bank and the European Union, Egypt has shown it can implement effective community engagement frameworks that yield positive social outcomes. These projects are often characterised by their focus on improving existing communities and their requirement for inclusive consultation. These examples demonstrate that the institutional capacity for effective community engagement exists within Egypt. This approach is evident in several key areas:

- **Upper Egypt Local Development Program (UELDP):** Supported by the World Bank, this program empowers local governorates by consulting directly with citizens and businesses on their priorities. This method has tangibly benefited over 8.2 million people and 50,000 businesses.
- **Urban and Heritage Renewal:** Projects to upgrade informal settlements and heritage sites, such as in Historic Cairo, have used participatory workshops and planning. This has transformed residents into active decision-makers, with over 70% reporting an increased sense of ownership and engagement.
- **Sanitation and Service Delivery:** Programs in this sector focus on decentralising services, making local water and sanitation companies more accountable to the communities they serve.

In stark contrast, the government's flagship domestic mega-projects, particularly those related to new city development, are characterised by a top-down approach that lacks meaningful public consultation and has significant negative social impacts.

- **The New Administrative Capital (NAC):** The \$59 billion New Administrative Capital is a primary example. It is described as an "exclusionary process" that caters to a single social class, developed with a profound lack of transparency or public involvement. Critics argue that it represents a severe disconnect from citizen needs, diverting immense capital away from urgent priorities in existing cities like Cairo.

- **Slum Development and Forced Relocation:** Under the guise of slum development, the government's strategy has involved the forced relocation of communities from centrally located, high-value informal settlements to the outskirts of the city. This process, which targeted an estimated 850,000 people between 2016 and 2021, severed residents' social and economic ties to make way for luxury real estate and business hubs, prioritising land value over the rights of existing communities.

Table 9: Infrastructure Project Impact on Key Social Indicators

Indicator	Status	Infrastructure Influence
Access to Drinking Water	98.2%	Driven by the Haya Karima (Decent Life) initiative, which is heavily investing in extending and upgrading water networks and purification plants in rural villages.
Access to Electricity	100%	Maintained by a robust national grid and significant investments in power generation, including the Benban Solar Park and other large-scale energy projects.
Access to Basic Sanitation	96.8%	Also a key target of the Haya Karima initiative, which is rapidly constructing and upgrading wastewater treatment plants and sanitation networks across rural Egypt.
Formal Employment	800 000 – 900 000 jobs	National mega-projects in transport, construction (e.g., New Administrative Capital), and the Suez Canal Economic Zone are the primary engines of job creation.
Digital Connectivity	80%	Propelled by the "Digital Egypt" strategy, focusing on major investments in fibre-optic cable expansion and upgrading telecommunications infrastructure to enhance nationwide broadband access.

Source: World Bank, United Nations Development Programme, and UNICEF

RATING SENSITIVITIES

Factors That Could Lead to a Rating Upgrade

Sustained and Structural Fiscal Consolidation: This is the most critical factor for an upgrade. The core of Egypt's credit weakness is its catastrophic debt affordability, with interest payments consuming nearly 60% of all government revenue. A one-time revenue event, like the Ras El Hekma deal, does not solve this structural problem. An upgrade would require the government to achieve and maintain a primary budget surplus (the fiscal balance excluding interest payments) over several years. This would demonstrate a fundamental shift in fiscal management and would be the only sustainable way to put the country's debt on a downward trajectory. This would necessitate politically difficult but essential reforms to structurally increase the very low revenue-to-GDP ratio, which stood at 18.3% in 2024, and improve tax administration. A consistent primary surplus would lead to an unambiguous and firm downward trend in the government debt-to-GDP ratio (forecast at 90.9% for 2024) and, more importantly, the debt-to-revenue ratio (496.7% in 2024), signalling a genuine improvement in solvency.

Durable Improvement in the External Position: Egypt's external vulnerabilities are a key rating constraint, reflected in a persistent and large current account deficit, which is forecast to average -6.2% of GDP between 2025 and 2026. A positive rating action would require a material and durable narrowing of this deficit. Crucially, this improvement must be driven by sustainable factors, such as strong growth in non-hydrocarbon exports and a significant increase in non-debt-creating capital inflows, particularly Foreign Direct Investment (FDI). An increase in FDI would signal a shift to a more sustainable growth model, reducing the country's reliance on volatile portfolio flows (hot money) and external borrowing to finance its external gap. This would strengthen Egypt's resilience to shifts in global investor sentiment and reduce the constant pressure on its foreign exchange reserves.

Tangible Governance and Structural Reforms: Underlying Egypt's macroeconomic challenges are deep-rooted institutional weaknesses. An upgrade would be supported by the successful implementation of structural reforms that demonstrably improve the investment climate and reduce fiscal risks. The most important of these is a transparent, comprehensive, and accelerated privatisation program for state-owned enterprises (SOEs), especially military-owned firms. This would directly address the massive risk posed by contingent liabilities, which have grown to 34% of GDP as of June 2024. Successfully divesting these assets would not only reduce this off-balance-sheet risk but would also level the playing field, crowding in private investment and improving economic efficiency. This would need to be accompanied by measurable improvements in governance indicators related to regulatory quality, rule of law, and control of corruption, which currently score weakly in the SAR model.

Factors That Could Lead to a Rating Downgrade

Policy Reversal and Loss of Credibility: The current stability is heavily dependent on the credibility of the government's reform agenda and the associated support from the IMF and other international partners. A reversal of key policy commitments, particularly a return to a managed exchange rate regime or a significant relaxation of fiscal discipline, would severely damage this credibility. Such a move would likely halt the flow of crucial financial support, which is essential for covering Egypt's large financing needs. This could lead to a rapid depletion of the newly acquired foreign exchange reserves and precipitate a renewed and more severe balance of payments crisis, leading to a downgrade.

Failure to Secure Continued External Financing: Egypt's large and persistent current account deficit means it has substantial external financing needs that will continue for the foreseeable future. While the recent influx of capital has provided a significant buffer, it does not eliminate this underlying requirement. An inability to secure continued financing from multilateral and bilateral partners over the medium term, whether due to policy missteps or a shift in the geopolitical landscape, would be a major trigger for a downgrade. This would quickly erode the country's external liquidity position and call into question its ability to service its external debt obligations.

Crystallisation of Contingent Liabilities: The very high risk from the SOE sector is a major vulnerability. A scenario in which the government is forced to assume the liabilities of one or more large, distressed SOEs would be a severe fiscal shock. Given the extremely limited fiscal space, where nearly two-thirds of revenue is already consumed by interest payments, the government has virtually no capacity to absorb such a shock. The crystallisation of a significant portion of the 34% of GDP in contingent liabilities would lead to an abrupt and unmanageable increase in the sovereign's direct debt burden, potentially overwhelming its repayment capacity and triggering a downgrade.

KEY RATING INDICATORS

Table 2: Key Risk Indicators

Variable	2022	2023	2024	2025 (est.)	2026 (est.)
GDP Growth Rate (%)	6,7%	3,8%	2,4%	4,2%	3,9%
GDP per Capita (US\$)	4587,2	3743,6	3570,3	3827,4	3883
Share in Peer Group GDP	22,9%	20,7%	21,0%	19,7%	19,4%
Share in World GDP	1,14%	1,14%	1,14%	1,13%	1,13%
Export Diversification Index	0,20	0,20	0,19	0,19	0,19
Current Account Balance as Percentage of GDP (%)	-3,5%	-1,2%	-5,4%	-5,3%	-8%
General Government Revenue (% of GDP)	17,2%	15,4%	18,3%	18,1%	19,9%
Gross Government Debt (% of GDP)	88,5%	95,9%	90,9%	85,6%	80,5%
Gross Government Debt (% of Revenue)	514,5%	622,7%	496,7%	473,8%	404,1%
General Government Interest (% of Revenue)	33,1%	43,8%	54,3%	64,9%	75,5%
General Government Fiscal Balance (% of GDP) Fiscal Balance/GDP	-6,2%	-6%	-3,6%	-2,7%	-0,8%
Gross Foreign Currency Denominated Debt (% of Gross Debt)	32,9%	33,8%	35,9%	37,2%	39%
Gross Local Currency Denominated Debt (% of Gross Debt)	67,1%	66,2%	64,1%	62,8%	61%
Contingent Liabilities (% of GDP)	21%	28,7%	34%	29,8%	31,1%
Debt Repayment Record (Years Since Default or Restructuring Event)	146	147	148	149	150
Inflation Rate	8,5%	24,4%	28,3%	11,7%	7%
Exchange Rate Stability (GDP Based on Purchasing Power Parity)	397,3%	478,7%	513,8%	579,7%	625,1%
Domestic Market Capitalisation (% of GDP)	8,1%	7,9%	6,4%	5,7%	4,5%
Broad Money Supply Growth Rate (%)	27,1%	20,0%	31,1%	16,4%	18,3%
Foreign Currency Reserves (% of Total External Debt)	19,7%	19,7%	23,6%	24,9%	27,9%
Independence of Central Bank (Transparency and Independence Index)	5	5	4	4	4
Regulatory Effectiveness (Regulatory Quality Index)	4	4	4	4	4
Fiscal Policy Effectiveness	5	4	5	5	5
Monetary Policy Effectiveness (CPIA Financial Sector Rating)	4	4	4	5	5

SOE Institutional Effectiveness	5	4	4	4	3
Transparency and Accountability	4	4	4	4	3
Environmental Regulations and Enforcement (Environmental Protection Index)	4,5	4	4	4	4
Climate and Natural Disaster Risk Exposure (Climate Change Policy Index)	4	4,5	5,5	5,5	5,5
Unemployment Rate (%)	7,3%	7,2%	7,4%	7,4%	7,5%
Income Inequality (Gini Coefficient)	34,9%	34,9%	34,9%	33,7%	33,7%
Social and Environmental Impact of Natural Resource Extraction (Ecosystem Vitality Index)	4,5	3,5	4	4	4
Labour Rights and Standards	5	5	5	5	5
Human Development Index (HDI, 0 to 1)	0,751	0,754	0,764	0,769	0,775
Political Effectiveness (Political Stability Index)	3,7	3,9	4	4	4
Governance Practices (Government Effectiveness Index) (-2,5 to 2,5)	4,7	5	5	5	5
Natural Resource Extraction (Natural Resources as % of Exports)	44%	32,1%	33,7%	36,2%	38,9%
Natural Resource Beneficiation (Manufacturing Value Added as % of GDP)	16%	15,1%	13,9%	13,7%	14,2%
Energy Generation and Availability (% of Population with Access to Electricity)	100%	100%	100%	100%	100%
Investment Commitment	6	6	6	6	6
Project Implementation Rate	6	6	6	6	6
Diversity and Scope of Projects	8	8	8	8	8
Innovative Financing Models	9	9	9	9	9
Sustainability and Environmental Consideration	6,5	6,5	6,5	6,5	6,5
Economic Impact Analysis	3	3	3	3	3
Maintenance and Upkeep Plans	4	4	4	4	4
Community Engagement and Impact	4	4	4	4	4

Rating Methodology

The principal methodology used in this rating methodology was published and is available at:
[Sovereign Rating Methodology](#)

Credit Rating Update

The rated entity did participate in the rating process.
SAR had access to publicly available and internal data and information during the rating process.
SAR confirms that the credit rating has been disclosed to the rated entity.
The rated entity did not request that SAR conduct this credit rating assessment.

Rating Definitions

[SAR Rating Definitions](#)

Rating History

Initial Rating Date	11 November 2025	Current Rating Date	11 November 2025
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Information and Data

SAR confirms that data and information adequacy were sufficient to conduct this credit rating assessment. Data and information from reputable sources were used during the credit rating process. The quality of the data and information has been validated via cross-referencing against various data sources for consistency.

Glossary of Terms

Term	Definition
Actualisation / Crystallisation	The event where a potential, or contingent, liability becomes a real and immediate financial obligation for the government (e.g., the government having to pay a state company's defaulted loan).
Balance of Payments Crisis	A severe economic situation where a country cannot afford to pay for its essential imports or service its foreign debt, often caused by a rapid outflow of money.
Beneficiation	The process of treating a raw material (like crude oil) to add value before selling it (e.g., refining it into gasoline instead of exporting it raw).
Blue-Chip Companies	Large, well-established, and financially sound companies that are generally market leaders in their respective industries.
Contingent Liabilities	Potential debts that may become actual government obligations if a specific event occurs, such as the failure of a state-owned enterprise whose debt is implicitly guaranteed by the state.
Cost-Benefit Analysis	A systematic process used to analyse the financial and social pros and cons of a major project to determine if its benefits outweigh its costs.
Credit Rating Action	Any of the following is a credit rating action: 1. The process through which a credit rating is given to a rated entity or obligation, including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated rating process, a provisional note is removed from a credit rating. 3. A change to a credit rating (i.e., upgrade or downgrade). 4. Placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e., credit rating confirmation). The assignment of, or modification of, an outlook linked to a rated entity or several credit ratings. 5. A credit rating affirmation. 6. A credit rating withdrawal.
Current Account Balance	Exports of goods and services minus imports of the same, plus net factor income, plus official and private net transfers.
Currency Denomination of Debt	The currency in which a loan must be repaid. Debt in a foreign currency (e.g., U.S. dollars) is riskier because if the local currency weakens, it costs more to pay back.
Debt Affordability Metrics	Financial ratios that measure a government's ability to manage its debt payments, such as the Interest-to-Revenue Ratio, which shows how much of the government's income is spent just on interest.
Devaluation	A significant drop in the value of a country's currency compared to other currencies, making imports more expensive.
Discretionary Fiscal Space	The room a government has in its budget to spend on new policies after covering all its mandatory expenses, like debt payments and salaries.
Domestic Market Capitalisation	The total value of all the shares of all the companies listed on a country's stock exchange indicating the size of its financial market.
Execution Risks	The potential for a project or reform plan to fail due to problems during its implementation, such as political opposition or poor management.
External Financing Gap	The amount of foreign currency a country needs to obtain from external sources (like loans or investments) to meet all its spending needs.
External Vulnerabilities	A country's susceptibility to economic shocks from outside its borders, such as changes in global investor sentiment or commodity prices.
Fiscal Consolidation	Government policies aimed at reducing deficits and debt accumulation, typically achieved by cutting spending or increasing revenue.

Fiscal Dominance	A situation where a country's central bank is forced to set monetary policy (like interest rates) based on the government's need to finance its debt, rather than on controlling inflation.
Fiscal Rigidity	A condition where a government's budget is "locked in" by mandatory spending (like massive interest payments), leaving little flexibility for other priorities.
Flexible Exchange Rate	A currency system where the value of a country's currency is determined by market supply and demand, without direct government intervention.
Foreign Direct Investment (FDI)	A long-term investment made by a company from one country into business interests in another country, considered a stable source of capital.
Giga-projects	Extremely large-scale, ambitious, and expensive investment projects designed to have a transformative economic impact.
Issuer Credit Rating	An opinion from a rating agency on the ability and willingness of an entity (like a government) to meet its financial obligations in full and on time.
ITUC Global Rights Index	An annual report by the International Trade Union Confederation that rates countries on their respect for workers' rights. It ranks countries on a scale of 1 (best) to 5+ (worst) based on violations of rights in law and practice, covering areas like collective bargaining, strikes, free speech, and assembly.
Macroeconomic Adjustment	A period of significant policy changes to correct major economic imbalances (like high inflation) often leading to slower economic growth in the short term.
Monetary Policy	Actions undertaken by a central bank, primarily setting interest rates, to manage the money supply and influence economic activity.
Monetary Tightening	A policy where the central bank raises interest rates to combat high inflation.
Outlook (on a rating)	An indication of the potential direction of a credit rating over the next 12-18 months. Stable means the rating is unlikely to change.
Parallel Market (for currency)	An unofficial, or black, market where foreign currency is traded at a rate different from the official government-set rate.
Portfolio Flows ("Hot Money")	Short-term investments in a country's financial assets (stocks and bonds) that can be pulled out quickly, causing instability.
Primary Fiscal Surplus	The budget balance (revenue minus spending) before accounting for interest payments on debt. A surplus is necessary to begin paying down debt.
Public-Private Partnership (PPP)	A long-term arrangement between a government agency and a private company to provide a public asset or service.
Services Balance	The part of a country's trade balance that tracks services (like tourism and shipping fees) rather than physical goods.
Solvency	The ability of a government or company to meet its long-term financial obligations.
Sovereign	A national government. A sovereign rating is a credit rating for a country's government.
State-Owned Enterprise (SOE)	A commercial company that is owned, either wholly or in part, by the government.
Tradable Sectors	The parts of an economy that produce goods and services that can be traded internationally (exported or imported).
Value Chain	The full range of activities required to bring a product from its raw state to the end customer. "Moving up the value chain" means performing more complex, profitable activities.



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