NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

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Egypt Economic Update 2025

MARKET INTELLIGENCE REPORT

Summary

- After a period of high volatility, Egypt has successfully stabilised its currency market. This follows the floating of the Egyptian pound on 6 March 2024 and receipt of USD$46.1 billion in foreign direct investment in the past year.
- New Zealand exporters and Egyptian importers observe improved processing of goods at ports, prompter repatriation of funds and emerging opportunities in niche areas.
- The Egyptian government is focused on implementing fiscal and monetary reforms, including a simplified tax regime; increasing the role of the private sector; enhancing competitiveness; and reducing barriers to trade and investment. The Minister of Trade and Investment has said he wants to shift Egypt to an export-led economy, leveraging its strategic location as a manufacturing and exporting hub to Europe, the Middle East and Africa.
- Gross domestic product (GDP) growth improved in Q1 FY 2024-2025 at 3.5%, compared to 2.7% during the same quarter of FY 2023-2024.
- Egypt's annual headline inflation rate dropped from 23% in January 2025 to 12.5% in February 2025, the lowest since March 2022.

- In March 2025, the IMF Board completed its fourth review of Egypt’s USD$8 billion loan programme, approving the release of US$2billion. The IMF Board also approved US$1.3billion for Egypt under the Resilience and Sustainability Facility.
- On 2 April 2025, the EU Parliament approved a €5 billion macro-financial assistance package for Egypt as loans, €1 billion of which has already been disbursed. In approving the loans, it underscored ‘Egypt’s critical economic and financial situation and its role as an important stabilising presence amid geopolitical tensions in an increasingly volatile region’.
- In 2025, Egypt will be looking to: lower inflation and interest rates, improving access to credit; boost exports to service external debt; progress reforms to bring about a ‘level playing field’; divest several public assets to make way for the private sector; and continue attracting long-term investments, particularly in renewables, mining, manufacturing and construction.
- Egypt remains vulnerable to volatility in short-term capital inflows and the on-going impact of external shocks (e.g. loss of Suez Canal revenues).

Report

Egypt is New Zealand's 30th largest export market and 2nd largest in Africa. In the year ending September 2024, New Zealand goods and services exports to Egypt were NZD$281.3 million, and imports from Egypt were NZD$23.9 million. The total value of bilateral trade was NZD$305.2 million.

Egypt's macroeconomic shifts in 2024-2025

Early 2024 was characterised by foreign currency shortages, a runaway parallel market, delays in the repatriation of funds, and investor hesitancy due to the volatility of the Egyptian pound. This was exacerbated by fears of regional instability triggered by the Israel-Gaza and Israel-Lebanon conflicts. In March 2024, the Central Bank of Egypt floated the Egyptian pound, effectively closing the parallel market and stabilising the exchange rate. This coincided with a major UAE investment of USD$35 billion for the development of Egypt's Mediterranean coastline. The pound has remained relatively stable in the year since, at approximately EGP 50 to USD1. Egypt made headway in paying arrears owed to foreign oil companies over the past year, and a further USD$6.5 billion in arrears is scheduled to be repaid by June 2025.

Following a period of higher inflation in 2024, the Central Bank of Egypt (CBE) has tightened monetary policy and raised interest rates by 6%. Credit rating agencies have responded positively. In November 2024, Standard & Poor's retained Egypt's B-/B rating with a positive outlook, while Fitch Ratings upgraded Egypt's long term foreign currency issuer default rating from B- to B with a stable outlook. Ratings were based on USD$11.4 billion increase in foreign currency reserves in the first nine months of 2024, which reached USD$46.9 billion by the end of October 2024.

Egyptian Policy Reforms

In July 2024 Egypt initiated several fiscal and monetary reforms to support its long-term vision of establishing a transparent, competitive, and investor-friendly market. The reforms focus on building macroeconomic and fiscal resilience, enhancing competitiveness, and reducing barriers to investment and trade. These will support Egypt's desire to increase the role of the private sector and to shift to an export-led economy. In this context, the government is working to simplify and reduce tax and administrative costs for businesses, decrease customs clearance times, and streamline border procedures. Early indications suggest some progress has been made in these areas

In approving its fourth review in March 2025, the IMF Board urged Egypt 'to step up their structural reform efforts to promote higher, sustainable, inclusive, and job-led growth. They emphasized the need to take decisive measures to re-start divestment efforts, firmly reduce the state's footprint, and level the playing field', stating 'these efforts will enable the private sector to become the primary engine of growth'.

Opportunities for New Zealand Companies

Construction – Iron and Steel – Building Materials

The construction sector in Egypt is expanding, with multiple large-scale residential and commercial real estate projects and major infrastructure initiatives. In June 2024 around 5,000 private companies were operating in the building materials business. Egypt's total imports of iron and steel in 2023 reached USD$4 billion and have been growing at an average of 10% annually since 2019. In the first half of 2024, building materials made up 18.2% of Egypt's total imports, with iron and steel dominating 38.6% of building materials imports. Egypt's top iron and steel import partners in 2023 were China, the United Kingdom and Russia, with import shares of 15.7%, 13.7% and 13% respectively. New Zealand companies face a 3% tariff rate on exports to Egypt (compared to existing export markets such as 12.9% to Bangladesh and 5.9% to the United Arab Emirates).

Agriculture Technology

Agriculture contributes 11% to Egypt's GDP and accounts for 25-28% of all jobs. Egypt's exports of citrus, fruit, roots and tubers reached USD$3.9 billion in 2023. In the period January – October 2024, agriculture exports increased (YOY) by 32%. The government has adopted the Sustainable Agricultural Development Strategy for 2030, aiming to promote sustainable agriculture, increase water and land productivity, and meet food security needs. New Zealand agri-tech solutions may be appropriate for Egyptian companies focused on maximising yield, profitability, and competitiveness. Technology solutions for soil salinity, and energy and water savings technologies are in demand due to the prevalence of farming on reclaimed land with soil salinity and a reliance on irrigation.

Education

Egypt's Ministry of Education, Learning and Technical Education is exploring opportunities in pre-university education and improving educational policies. There is demand for the following: best practices in using AI for measuring student's progress; developments in testing and school learning systems; best practices in measuring school performance; and latest teaching methods and integrating special needs education.

Macroeconomic forecast

- In January 2025, the World Bank retained its forecast of 3.5% GDP growth in FY2024/2025 and increased its projection for FY2025/2026 to 4.2%. The projection is based on forecast growth in private consumption, reducing inflation and strong inflows of remittances.

- Investment by Gulf partners, particularly in infrastructure development, may strengthen Egypt's economy but the current account deficit will likely continue in the short to medium term. This will be driven by high energy imports as domestic demand outstrips domestic production. The Egyptian Ministry of Petroleum and Mineral Resources is offering incentives to energy companies to invest, explore and increase generation, including of renewables. This is to accelerate Egypt's plan to become a net exporter of liquified natural gas (LNG) by 2027.

- Debt servicing is expected to decrease in 2027 as the government targets an external debt to GDP ratio of 88% in FY2024-2025 and below 80% by FY2026-2027. Egypt committed to this as part of its IMF loan package. Egypt is required to service debt repayments estimated around USD$44 billion between 2025-2026.

- Egypt is aiming to grow tourism revenues to USD$30 billion by the end of FY2025 (up from USD$15.3 billion in 2024), with a target of 30 million visitors per annum by 2032. Tourism growth will be complemented by increased investment in hotel capacity and tourism infrastructure, with a projected additional 200,000 hotel rooms in planning.

- Limited resumption of Suez Canal traffic has also exacerbated the deficit. The continued Houthi attacks on commercial shipping in the Suez Canal are causing Egypt to lose USD$800 million per month in expected Suez Canal revenues.

- There are numerous incentives for Egypt to lift its productive sectors and boost exports, and the challenge will be materialising long-term investment in the productive sectors over 'hot money'. Potential risks to Egypt's growth include slow progress on structural reforms to level the playing field, an energy deficit, and a potential for the further devaluation of the pound.

- External shocks are likely to remain a contributing factor, in particular, regional security concerns could impact its tourism revenues negatively, as will on-going avoidance of the Suez Canal by commercial shipping. As with all trading nations, Egypt will continue to be impacted by fluctuating commodity prices in international markets, ongoing regional tensions, and a more uncertain global trade environment.

New Zealand-Egypt Bilateral Trade

New Zealand's top 5 imports from Egypt (YE September 2024)	Value of imports
Fruits and Nuts	NZD$1.71 million
Mineral substances	NZD$1.71 million
Food preparations	NZD$1.62 million
Carpets	NZD$1.19 million
Vegetables	NZD$1 million

New Zealand's top 5 exports to Egypt (YE September 2024)	Tariff rate	Value of exports
Dairy	5%	NZD$236.24 million
Albuminoidal substances; modified starches and glues	6%	NZD$24.55 million
Meat and offal	7%	NZD$6.55 million
Wool	13%	NZD$4.09 million
Pharmaceuticals	24%	NZD$1 million

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