



Egypt Monthly Report

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CHAPTER 1

Egypt's Monthly Macroeconomic Barometer

Recent Economic Indicators and Fourth-Quarter Scenarios

Egypt enters the new fiscal year with stronger domestic data and a harder external setting. Real GDP grew 5.1% in fiscal year 2025/2026, up from 4.4% a year earlier, while urban headline inflation eased to 14.5% in August from 14.9% in July. Net international reserves reached a record \$57.2 billion at the end of August, remittances from Egyptians abroad reached a record \$47.3 billion over the fiscal year, and the S&P Global Purchasing Managers' Index rose to 49.6, its highest level in 7 months. Against these readings, the June trade deficit widened to \$7.5 billion, core inflation rose to 14.9%, and the pound moved from about EGP 50.1 per dollar in mid-August to about EGP 51.5 by mid-September. Brent crude climbed from an average of about \$88 per barrel in August to about \$105 in the second week of September, as talks between Washington and Tehran stalled and more than 10 million barrels per day of Gulf output remained shut in. The key question for the coming quarter is how far this energy shock will test these gains.

On the real side, the Ministry of Planning and Economic Development reported growth of 4.7% in the fourth quarter of fiscal year 2025/2026, covering April to June 2026, down from 5.0% in the third quarter and 5.3% in each of the first 2 quarters. The full-year result of 5.1% was the strongest in 4 years and came above the 4.6% expected by the IMF, the 4.3% expected by the World Bank and the 5.0% projected by the Central Bank of Egypt in August. Non-oil manufacturing grew 9% over the year and was the largest single contributor. Petroleum refining expanded 22.4% in the fourth quarter and 8.7% over the year, telecommunications grew 24.3% in the fourth quarter, and restaurants and hotels grew 6.5% for the year. The extractive sector returned to positive growth in the fourth quarter for the first time since the second quarter of fiscal year 2022/2023. The quarterly path shows a gradual slowdown as the re-

gional war weighed on activity, but the mix of growth has shifted toward productive and tradable sectors, which gives the recovery a firmer base.

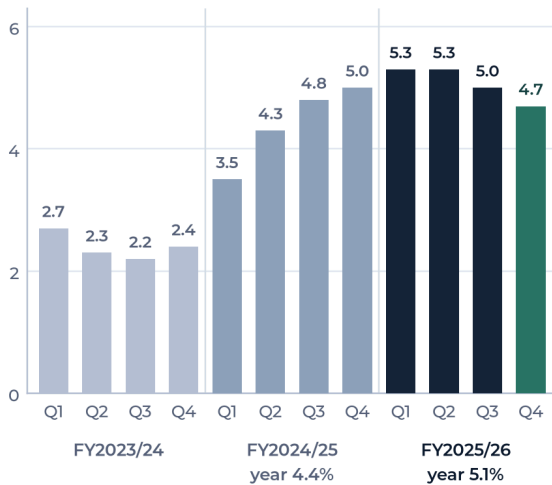
Inflation came in below expectations in August. Urban headline inflation fell to 14.5% from 14.9%, under the 15.5% expected by analysts, and nationwide inflation eased to 12.7% from 13.0%. Prices rose by only 0.1% during the month. The main support came from food, whose prices fell 1.1% in August, the third monthly decline in a row, bringing annual food inflation down to 6.3% from 8.0% in July. Housing, water, electricity, gas and fuel rose 1.8% on the month and 42.8% on the year after the household electricity tariff increase of about 12% in late July. Transport rose 24.4% on the year and education 18.7%. Core inflation, which excludes fruit, vegetables and regulated prices, rose to 14.9% from 14.7%, with a monthly reading of 0.3% after 0.0% in July. This gap shows that the easing in headline inflation rests mainly on food, while underlying price pressure is still building. The point matters because global food prices are rising again. The FAO Food Price Index reached 133.3 points in August, its highest level since November 2022 and 1.9% above July, with cereals up 2.2% and sugar up 11.9%.

The Central Bank of Egypt kept its overnight deposit and lending rates at 19.00% and 20.00%, and its main operation rate at 19.50%, on 20 August, its fourth hold in a row. The 100 basis point cut in February remains the only move this year. In its second-quarter Monetary Policy Report, the Bank raised its growth forecast to 5.0% for fiscal year 2025/2026 and 4.9% for 2026/2027. It expects inflation to average 16.6% in fiscal year 2026/2027 under its baseline, 15.2% if regional tensions ease and 17.8% if they intensify, before falling to 8.1% in 2027/2028 and returning to its target of 7%, plus or minus 2 points, in the second half of 2027. With the deposit

Real GDP growth by quarter and sector, FY2023/24–FY2025/26

Egypt; fiscal years run from July to June

Real GDP, % y/y, by fiscal quarter



Sector growth, %

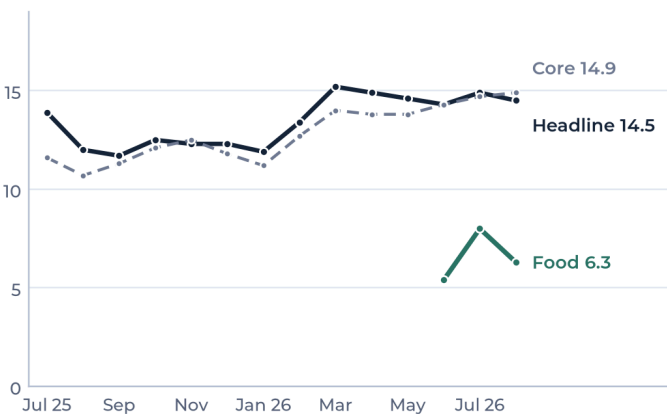


Figure 1.1. Quarterly growth rose through FY2024/25, held at 5.3% in the first half of FY2025/26 and eased to 4.7% in April–June. Non-oil manufacturing grew 9% over the year. Refining is shown for the fourth quarter and the year, telecommunications for the fourth quarter. Source: Ministry of Planning, Economic Development and International Cooperation.

Urban inflation and selected components, July 2025–August 2026

Egypt; year-on-year percentage change

Urban inflation, % y/y



August 2026, % y/y by group

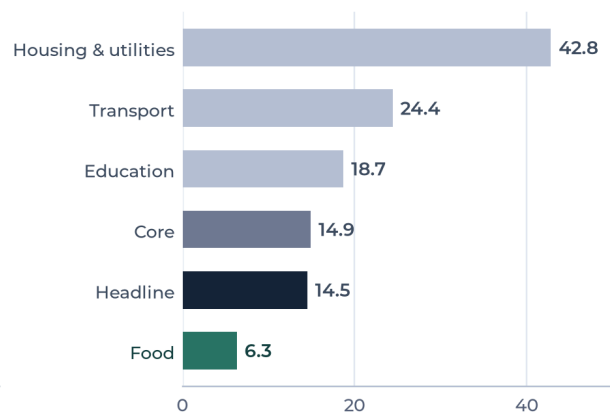


Figure 1.2. Headline urban inflation eased to 14.5% in August as food inflation fell to 6.3%, while core inflation rose to 14.9%. Housing, water, electricity, gas and fuel rose 42.8% on the year. Food inflation is shown for the three months for which the urban series was located. Source: Central Bank of Egypt; CAPMAS.

rate at 19% and headline inflation at 14.5%, the real policy rate stands above 4%, which gives the committee room to wait at its meeting on 24 September. Firmer core prices and higher oil prices argue for patience.

The public accounts continue to show a wide gap between the balance before interest payments and the balance after them. In the first 11 months of fiscal

year 2025/2026, from July 2025 to May 2026, the primary surplus reached EGP 985.1 billion, or 4.6% of GDP, up 70% from EGP 580.4 billion, or 3.2% of GDP, a year earlier. The overall deficit narrowed to EGP 1.133 trillion, or 5.3% of GDP, from 6.5%. Revenues rose 32.5% to EGP 2.976 trillion, led by tax receipts of about EGP 2.5 trillion, while interest payments reached EGP 2.12 trillion, equal to 52.3% of total spending. The full-year outturn has not yet been

published, but updated IMF estimates put the primary surplus for the year at about EGP 1.02 trillion, or 4.8% of GDP, and gross budget-sector debt at 82.4% of GDP, down from the 83.8% projected in the previous review.

For fiscal year 2026/2027, the budget sets spending at EGP 5.177 trillion, or 21.1% of GDP, and revenues at EGP 4.055 trillion, or 16.5% of GDP, with a primary surplus target of about 5.0% of GDP and an overall deficit target of 4.9%. Social spending remains a clear priority. Subsidies, grants and social benefits rise 12% to EGP 832.3 billion, including EGP 175.3 billion for food subsidies covering more than 60 million people and EGP 55.3 billion for Takaful and Karama, social security and child allowances. Wages rise 18.1% to EGP 822.8 billion, while interest payments reach EGP 2.419 trillion. The budget-sector debt ratio is targeted at 78.1% of GDP by June 2027. The main test for this framework is that it was built on Brent at \$75 per barrel and an average rate of EGP 47 per dollar. Brent is now about 40% higher and the pound about 10% weaker than assumed. Both gaps raise the cost

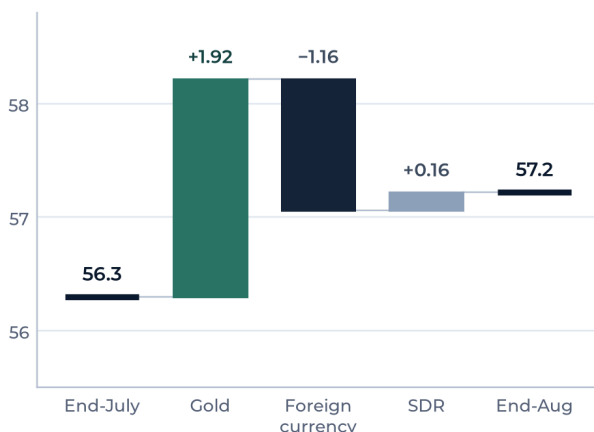
of fuel imports, energy support and external interest in pound terms. Domestic fuel prices have not changed since March, and the next fuel pricing decision will show how this pressure is shared.

Egypt's external buffers stood at record levels at the end of August. Net international reserves rose by \$920 million to \$57.2 billion, the 48th monthly increase in a row and almost \$8 billion above their level a year earlier. Gold holdings rose by \$1.919 billion to \$19.058 billion, almost entirely because of higher gold prices, and now make up about 33% of reserves. Special Drawing Rights rose by \$160 million to \$606 million. The foreign currency part of reserves, however, declined by \$1.158 billion to \$37.553 billion. The August gain therefore reflects valuation rather than new cash inflows, and the fall in liquid foreign currency is consistent with external debt payments and import needs during the month. The overall reserve level remains comfortable, and the IMF assessed reserves at 119% of its adequacy measure at the end of June.

Change and composition of international reserves, August 2026

Egypt; US\$ billion

Change in August, US\$ bn (axis from 55.5)



Components, end-month 2026; line = total

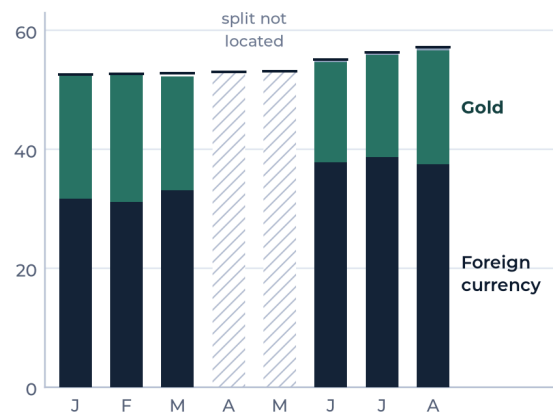


Figure 1.3. Reserves rose US\$0.92 billion in August to US\$57.2 billion. Gold added US\$1.92 billion while the foreign-currency component fell US\$1.16 billion. Gold's share of reserves was 39% in January, 30% in June and 33% in August. SDR holdings are stacked where located; hatched months: the component split was not located. Source: Central Bank of Egypt.

The banking system's net foreign assets rose to \$28.418 billion in July from \$27.965 billion in June. In pound terms the increase was 5.5%, but in dollar terms it was only 1.6%, since the exchange rate used in official statistics moved from EGP 49.28 to EGP

51.19 per dollar. Foreign currency deposits rose from EGP 3.264 trillion to EGP 3.425 trillion, but at each month's exchange rate this is a move from about \$66.2 billion to about \$66.9 billion, a real gain of about \$0.7 billion. Broad money, M2, rose 1.6% in

July to EGP 15.499 trillion, with local currency deposits up to EGP 10.443 trillion and currency outside banks down to EGP 1.631 trillion. The pound, after trading in a narrow range of EGP 50.0 to 50.2 in mid-August, crossed EGP 51 in early September and reached about EGP 51.5 by mid-month, a decline of close to 3%. This move came at the same time as the oil price surge and a proposed US measure, issued on 28 August, against the 5 UAE branches of Banque Misr, which the central banks of Egypt and the UAE addressed in a joint statement confirming normal operations. The measure is still a proposal and does not cover the bank's operations in Egypt, but it adds a compliance factor for correspondent banks.

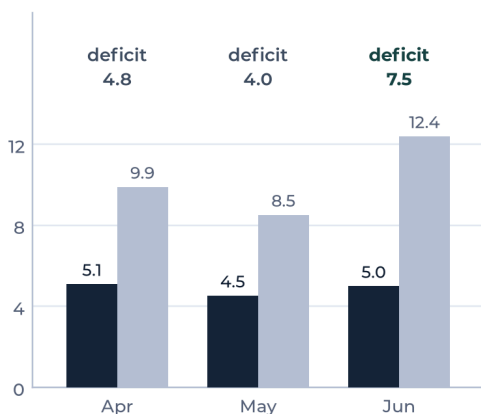
The external sector is where the energy shock is most visible. Customs data from CAPMAS show the June trade deficit at \$7.5 billion, up from \$3.99 billion in

May and 58.5% above June 2025. Imports rose 49.4% on the year to \$12.4 billion, led by a 141% rise in crude oil imports and a tripling of LNG purchases to about \$1.43 billion, while exports rose 37.4% to \$5.0 billion, helped by increases of 128% in petroleum products, 77.1% in fresh fruit and 47.7% in ready-made garments. On a balance of payments basis, the central bank reported a current account deficit of \$5.1 billion, or 1.2% of GDP, in the first quarter of 2026, more than double its level a year earlier, while the overall balance recorded a small surplus of \$0.3 billion. The IMF now estimates the current account deficit for fiscal year 2025/2026 at about 4.5% of GDP, close to \$19.6 billion. The 2 data sets differ in coverage and valuation, but both point in the same direction: a higher energy import bill is widening the trade gap.

Merchandise trade and Brent crude prices, 2025–2026

Egypt; US\$ billion and US\$ per barrel

Exports (navy), imports (grey), US\$ bn



Brent crude, US\$ per barrel, monthly average

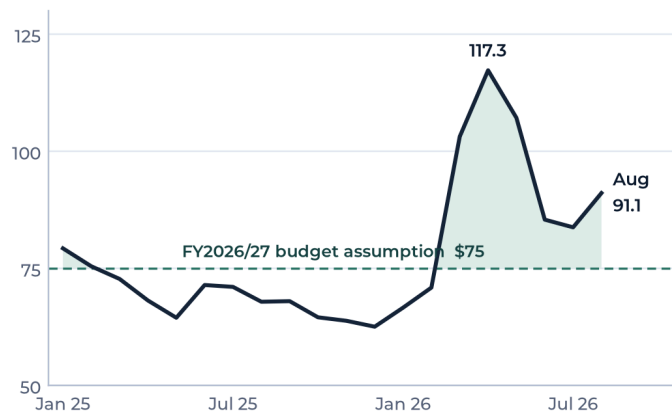


Figure 1.4. The deficit rose from US\$3.99 billion in May to US\$7.5 billion in June as imports reached US\$12.4 billion. Deficits are the published figures and do not reconcile exactly with the rounded export and import values. Brent has averaged above the US\$75 assumed in the FY2026/27 budget in every month since March 2026 (shaded). Source: CAPMAS monthly foreign trade bulletin; US Energy Information Administration (Brent spot).

Foreign currency inflows continue to cushion this gap. Remittances from Egyptians abroad reached \$47.3 billion in fiscal year 2025/2026, up 29.6% from \$36.5 billion, with June alone bringing \$4.2 billion, 15.6% more than a year earlier. Suez Canal revenue reached \$505 million in July, 42% above July 2025 and the highest monthly figure since December 2023, as 1,340 ships crossed the canal, including 526 oil tankers. Part of this increase reflects oil shipments rerouted through the Red Sea while the Strait of

Hormuz remains closed, which means the gain is linked to the same crisis that is raising Egypt's energy costs. In the first 9 months of fiscal year 2025/2026, tourism revenue rose 14.9% to \$14.4 billion and net foreign direct investment reached \$13.0 billion. On the other side, about \$9.5 billion in portfolio investment left the country after the war began in late February, and total external debt stood at \$164.8 billion at the end of March.

The Purchasing Managers' Index gave the most encouraging signal of the month. The index rose to 49.6 in August from 46.8 in July, the mildest decline in business conditions since January. Output and new orders still fell, but at slower rates, and new orders showed their smallest drop since February. Employment rose for the first time since October 2025, and the pace of hiring was the second fastest in the survey's history, while business confidence stayed at its highest level since June 2022. At the same time, input costs picked up again with higher oil and raw material prices, and some firms cut purchases because of cash flow limits and shipping delays. On credit ratings, no agency changed its view during the month. Moody's rates Egypt at Caa1 with a positive outlook, while S&P Global and Fitch rate it at B with a stable outlook. The next reviews are likely to focus on the effect of the oil shock on the current account and debt service.

For September 2026, urban headline inflation is expected to ease to between 13.6% and 14.2%, with a central estimate of 13.9%. The main factor is the base effect. Prices rose 1.8% in September 2025, so a monthly increase of 1.0% to 1.5% this September, re-

flecting the school season, the lagged effect of the electricity tariff increase, the recent decline in the pound and higher global food prices, would still lower the annual rate. Core inflation is likely to stay between 14.6% and 15.2%. The main upside risks are a fuel price adjustment before the end of the month and a faster pass-through from the exchange rate.

For the first quarter of fiscal year 2026/2027, covering July to September 2026, real GDP growth is expected at 4.3% to 4.7%, with a central estimate of 4.5%. The recovery in the Purchasing Managers' Index, stronger Suez Canal traffic, steady remittances and continued growth in manufacturing and refining all support activity. On the other hand, the comparison base is high, since growth reached 5.3% in the same quarter last year, and the rise in oil prices in September increases costs for firms and households.

The exchange rate is where these forces meet. The matrix below sets out 4 paths for the pound against the dollar over October to December 2026. The probabilities are judgemental estimates rather than model results, and each path is tied to triggers that can be observed as the quarter unfolds.

TABLE 1: EGP/USD SCENARIO MATRIX, OCTOBER–DECEMBER 2026 (PROBABILITIES ARE JUDGEMENTAL ESTIMATES)

SCENARIO	PROBABILITY	MAIN TRIGGERS	EGP/USD RANGE	RESERVES AND INFLATION PATH
Constructive	20%	US–Iran agreement and gradual reopening of Hormuz; Brent back below \$85; eighth IMF review completed on schedule; portfolio inflows return to local debt	49.0 – 51.0	Reserves above \$58 billion with the foreign currency component rebuilding; headline inflation near 12% by December; rate cuts of 100–200 basis points begin
Base Case	50%	Talks stalled but contained; Brent between \$90 and \$105; remittances above \$4 billion a month; Suez revenue near \$500 million a month; US measure stays limited to UAE branches	51.0 – 53.5	Reserves stable at \$56–58 billion; headline inflation between 13% and 15%; policy rates held through year-end
Adverse	22%	Brent above \$115 for several weeks; domestic fuel price increase; new portfolio outflows of \$4–6 billion; delay in the eighth IMF review	53.5 – 57.0	Reserves ease to \$53–55 billion; headline inflation 16%–18%; rates held longer or raised
Severe	8%	Escalation reaching Red Sea shipping lanes; Brent above \$130; sharp fall in tourism and canal traffic; wider correspondent banking caution	57.0 – 63.0	Reserves fall below \$52 billion; headline inflation above 19%; emergency policy response

The base case, with the highest weight, assumes that the pound continues its gradual adjustment within a range of EGP 51.0 to 53.5, as record remittances, higher canal receipts and a large reserve stock balance a wider energy import bill. The constructive case depends mainly on a political settlement that lowers oil prices and brings portfolio investors back to local debt, which would let the pound recover part of its recent decline and open the way for rate cuts. The adverse case would follow a lasting oil price above \$115 per barrel, which would raise the import bill, test the budget assumptions and slow portfolio inflows, moving the pound toward EGP 57. The severe case has a low probability but a high impact. The key signals to watch are Brent prices, the monthly foreign currency component of reserves, the outcome of the 24 September policy meeting, the timing of the eighth IMF review and any decision on domestic fuel prices.

In summary, Egypt ended fiscal year 2025/2026 with growth of 5.1%, record reserves of \$57.2 billion and record remittances of \$47.3 billion, while urban inflation eased to 14.5% in August and the Purchasing Managers' Index rose to 49.6. Public finances continue to improve, with a primary surplus of 4.6% of GDP in the first 11 months. The main pressures come from abroad: Brent near \$105, a June trade deficit of \$7.5 billion, core inflation at 14.9% and a pound that weakened to about EGP 51.5. Most of the reserve gain came from gold, while the foreign currency component declined. Inflation is expected near 13.9% in September and growth near 4.5% in the July to September quarter. The pound is most likely to trade between EGP 51.0 and 53.5 in the fourth quarter, with oil prices and regional diplomacy as the deciding factors.

CHAPTER 2

Egypt's Real-Estate Export Market

Role of Real Estate in Foreign-Currency Inflows

Egypt's real estate sector is being redefined from a domestic savings market into an instrument of external finance. The state now treats property sales paid for in foreign currency as a source of hard currency alongside remittances, tourism and the Suez Canal. Private estimates value overall real estate activity at about \$122.7 billion in 2024, with projections of about \$180.9 billion by 2030, an implied annual growth rate of about 6.7%. This measures the whole market and is not comparable with annual foreign

currency sales. Property exports, meaning sales to non-resident buyers settled in foreign currency, were estimated at about \$1.6 billion in 2025, and industry representatives expect them to exceed \$2 billion in 2026. Some developers speak of a potential \$30 billion a year, about 20 times the current level. That figure is an industry ambition rather than an official target, and no published timeline explains how it could be reached.

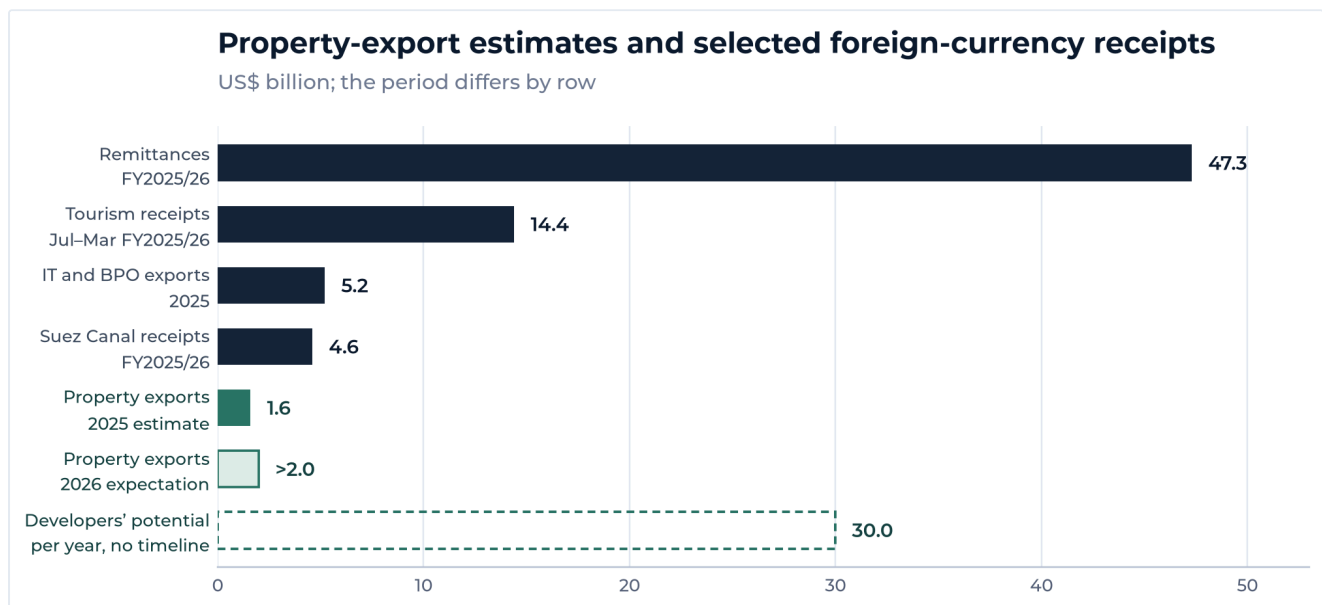


Figure 2.1. Estimated sales of property to non-residents, settled in foreign currency, against the receipts the state now groups them with. Periods differ and the bars are not additive. Property-export figures are industry estimates, and the US\$30 billion is a developers' ambition rather than an official target. Source: Central Bank of Egypt; Suez Canal Authority; ITIDA; industry estimates.

The March 2024 exchange rate unification lowered the dollar price of Egyptian assets, while the state, facing heavy external debt payments and reduced canal income, began to treat land as a balance-sheet

asset that could be monetised. In political-economy terms, land is now used not only to house a growing population but also to support the external position.

Components of Property-Related Foreign-Currency Inflows

A clear analysis requires separating 4 channels that are often grouped together. The first is purchases by foreign individuals, the narrowest definition of property exports. The second is purchases by Egyptians abroad, which draw on remittances that reached a

record \$47.3 billion in fiscal year 2025/2026. Market reports suggest that part of these savings goes into homes in Greater Cairo and on the coast, but no official data measure that share. The third is sovereign and corporate foreign direct investment in large

coastal developments. The fourth is the sale of state land, including land priced in dollars for foreign companies. They differ in accounting treatment and durability and should not be added together.

The 2 largest sovereign transactions also differ in structure. The UAE's \$35 billion Ras El Hekma agreement combined about \$24 billion in new cash with the conversion of about \$11 billion in existing UAE

deposits. Qatari Diar's Alam El Roum project carries a total announced investment of \$29.7 billion spread over many years, while the direct payment for the land was \$3.5 billion. Both also reflect Gulf interest in the stability of the most populous Arab state. It is plausible that they also encourage private Gulf buyers, although transaction data to confirm this effect are not available.

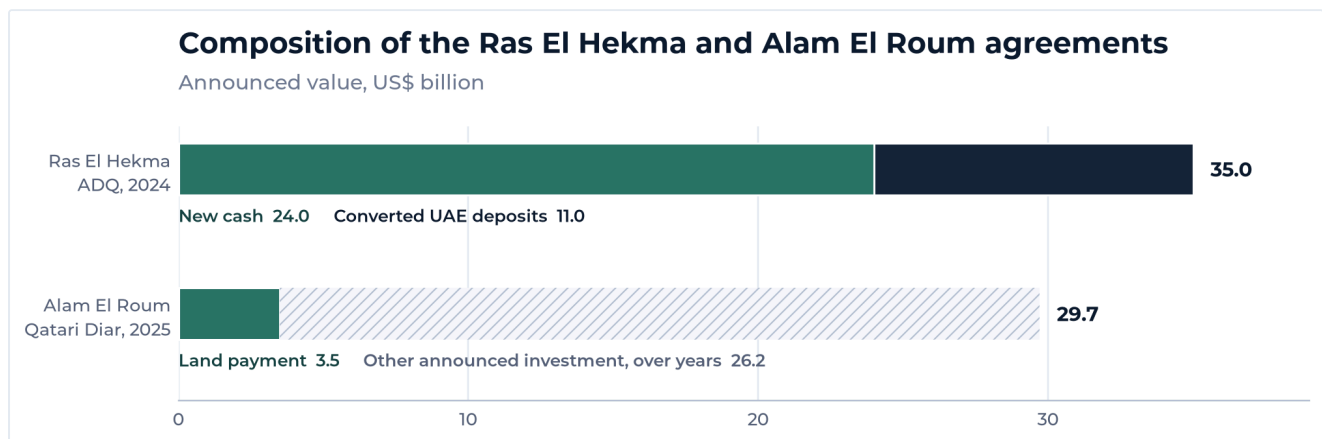


Figure 2.2. Ras El Hekma combined US\$24 billion for development rights with the conversion of US\$11 billion of existing UAE deposits. Of Alam El Roum's US\$29.7 billion announced value, the cash payment for the land was US\$3.5 billion; the remainder is investment spread over many years. Source: ADQ announcement (February 2024); Qatari Diar announcement (November 2025).

Residency, Citizenship and Land-Ownership Rules

Buying property worth \$300,000 in approved projects allows a foreign investor to apply for citizenship, subject to review and approval, provided the money is transferred from abroad and the asset is held for 5 years under the programme's conditions. This holding condition is separate from Law 230 of 1996, which limits foreign individuals to 2 residential properties and restricts their resale for 5 years. Residency thresholds start at \$50,000.

Law 11 of 2024 is often described as opening desert land to full foreign ownership, but its scope is narrower. It removes the Egyptian ownership requirement for land allocated to foreign investors for investment activity under the Investment Law, through the investment authority and after security approvals. Outside this exception, the general restrictions remain in place. Central bank rules require that property sold to foreigners be paid for in foreign currency transferred into Egyptian banks, so that inflows settle in the domestic banking system.

Institutional Mechanisms for Property Exports

The Egyptian Real Estate Export Platform, known as Property Egypt, has started operating in New Alamein, where its first phase lists more than 3,000 units, each with a unique property identification number. Buyers abroad can review legal status and complete contracts and payments electronically, and later phases are planned for other new cities. Its main value is narrowing the trust gap.

The Financial Regulatory Authority has added 2 instruments. Decision 125 of 2025 regulates digital platforms for subscription and redemption in real estate investment fund units. Decision 179 of 2025, amended in 2026, allows real estate development and investment companies to convert into real estate fund companies, with minimum equity of EGP 500 million and borrowing capped at 60% of net asset

value. The government has also approved the sale of land to foreign companies priced in dollars, although

no confirmed figure has been published for proceeds from this channel.

Geographic Distribution of Real-Estate Demand

Demand is concentrated in 2 zones. The Mediterranean coast is being repositioned from a summer destination for Egyptian families into a year-round resort market. Alam El Roum prices villas from about EGP 48 million to more than EGP 100 million, and Talaat Moustafa Group's SouthMed project had

reached cumulative sales of about EGP 520 billion by August 2026. The North Coast accounted for 33% of sales by the top 10 developers in the first half of 2026, second only to East Cairo at 47%. These are sales to all buyers, most of them Egyptian, rather than property exports.

Geographic distribution of top-ten developer sales, H1 2026

Share of sales, % (one square = 1%)

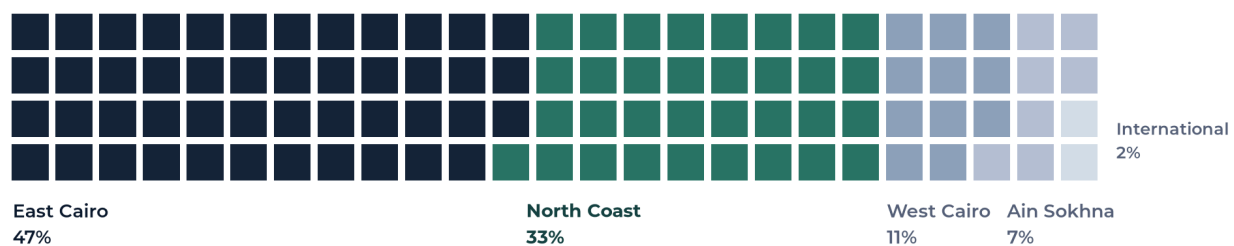


Figure 2.3. East Cairo and the North Coast took 80% of sales by the ten largest developers in the first half of 2026. These are sales to all buyers, not property exports. International sales were 2%. Source: The Board Consulting, as reported by Egypt Business.

Greater Cairo forms the second zone. The New Administrative Capital hosts more than 100,000 delivered housing units and a \$3.8 billion business district. The Red Sea offers some of the highest rental yields, but foreign access in Sinai and around the Gulf

of Aqaba is governed by special rules. Ownership there generally takes the form of long-term usufruct rights, with initial terms, renewal conditions and requirements that vary by purpose and location, and it requires security approvals.

Developer Financing and Delivery Risk

The strongest constraint on property exports lies inside the sector's own financing model. Developers sell units off-plan with small down payments and instalments over 7 to 10 years. In practice, developers act as mortgage lenders. When the pound fell and material costs rose, fixed instalments no longer covered construction costs, and developers raised prices by 20% to 30% in the first half of 2025. A preliminary count cited by a member of an official follow-up committee put the number of developers behind schedule at about 450, reportedly a small share of active

projects. The Ministry of Housing is now compiling a full inventory and studying financing tools for smaller developers rather than relying only on land withdrawal. Bank credit near 20% offers limited relief.

For foreign buyers, who cannot easily monitor sites or pursue claims from abroad, delivery risk is the main deterrent. This is why the proposal to make escrow accounts mandatory for off-plan sales, tying buyer payments to construction progress, carries strategic weight beyond consumer protection.

Property Titles, Taxation and Market Competitiveness

The final registered title, known as the Green Contract, is issued only after a building is completed and registered. Since most foreign purchases are off-

plan, buyers depend on private contracts for years. On taxes, individuals who are not in the property trade pay a 2.5% tax on the value of a property sale.

Rental income falls under the progressive personal income tax, with a top rate of 27.5%. Dubai levies no tax on sales or rental income and charges a one-time 4% transfer fee, which keeps the gap in income taxation significant. Law 3 of 2026 exempts primary

homes from annual property tax when their net annual rental value is below EGP 100,000, equivalent to a market value of about EGP 8 million, a measure that mainly benefits domestic owners.



Figure 2.4. Egypt levies 2.5% on the gross value of a sale and taxes rent at progressive rates up to 27.5%, after a 50% statutory deduction. Dubai charges a one-time 4% registration fee and no tax on sales or rental income. The two sale charges have different bases and payers. Source: Egyptian Tax Authority; PwC Worldwide Tax Summaries; Dubai Land Department.

Effects of Regional Conflict on Costs and Demand

The regional war affects the sector in 2 opposite directions. On the cost side, higher shipping, insurance and oil prices raise material costs and support tight monetary policy. On the demand side, Egypt benefits from its position as a large and relatively stable state in a region affected by conflict in Sudan, Gaza,

Lebanon and Syria. Buyers from these areas are likely to value security and residency as much as yield, although no survey data isolate their motives. A prolonged escalation would tilt the balance toward the cost side.

Policy Requirements and Medium-Term Outlook

Market reports for the first half of 2026 indicate that some buying decisions have shifted from hedging against price rises toward end-use and long-term returns, and leading developers describe this as a return to normal after the exceptional years of 2023 and 2024. In the base case, primary sales remain strong, supported by remittances and Gulf capital, while resale activity stays slow and smaller developers under pressure consolidate. In the adverse case, a wider escalation that disrupts Red Sea shipping would weaken canal income, the pound and supply chains, and could lead to defaults among developers that depend on off-plan cash flows.

The price advantage alone will not close the distance between \$2 billion and \$30 billion. The decisive factors are institutional: mandatory escrow accounts, earlier and legally binding titles for off-plan units, a review of the 5-year resale restriction in Law 230 of 1996, wider use of real estate funds, and local production of construction inputs. If these reforms advance, property could become a steady export sector alongside remittances and tourism. If they lag, it is likely to remain a source of periodic, deal-driven inflows whose scale depends on regional politics as much as on market fundamentals.

CHAPTER 3

Egypt's Artificial Intelligence Sector

National AI Strategy and Economic Objectives

Egypt is treating artificial intelligence less as a technology sector and more as a tool of economic statecraft. The second edition of the National AI Strategy, launched in January 2025 and running to 2030, links technology directly to macroeconomic goals. Its targets include raising the contribution of information and communications technology to 7.7% of GDP,

training 30,000 AI specialists, supporting more than 250 successful AI companies and making AI products available to 36% of the population in daily life. Its central shift is from importing foreign systems toward what officials call sovereign AI, meaning models, data and infrastructure developed and controlled at home.

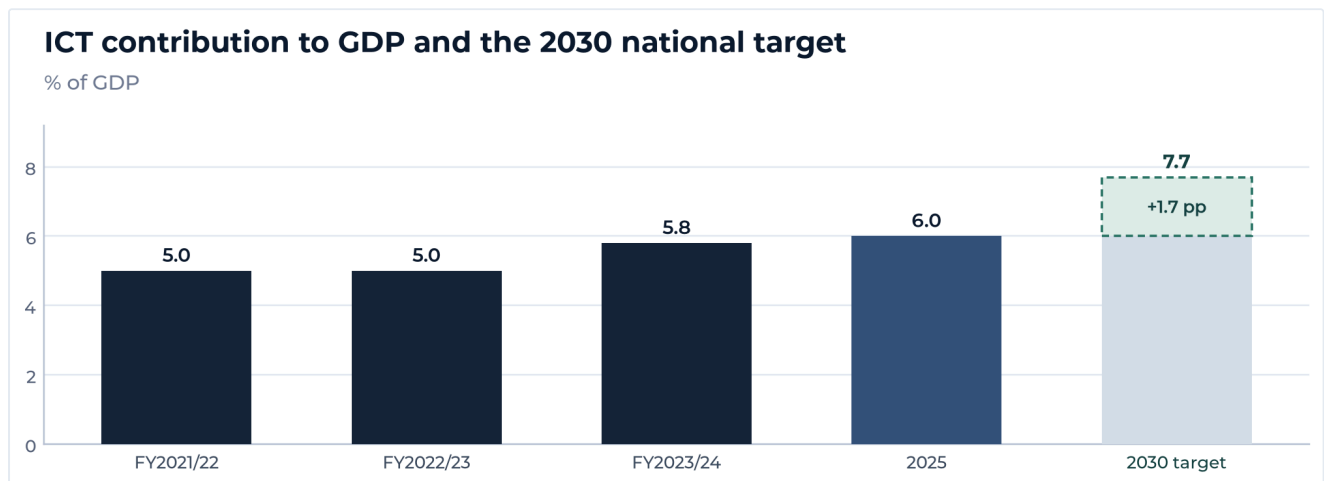


Figure 3.1. The National AI Strategy 2025–2030 targets an ICT contribution of 7.7% of GDP, against 6% in the government's most recent statement, which does not name a fiscal year. Earlier values are for fiscal years (July–June). Source: Ministry of Communications and Information Technology; ITIDA; National AI Strategy 2025–2030.

For a country with a large young population, recurring foreign currency pressure and a services-heavy export base, AI offers 3 potential gains: new export revenue from digital services, higher productivity in a large public administration, and stronger state capac-

ity. The strategic question is whether a state-led model can build a competitive private ecosystem, or whether activity will remain concentrated in government projects and a small group of well-funded firms.

Institutional and Legal Framework for Sovereign AI

The Ministry of Communications and Information Technology leads execution, the National Council for Artificial Intelligence coordinates across ministries, and the Information Technology Industry Development Agency handles investment promotion and digital exports.

The legal framework combines control with openness. The Personal Data Protection Law of 2020, with

executive regulations issued in 2025, restricts transfers of personal data to countries with weaker protection standards. This supports sovereignty but raises the cost of foreign cloud services. The strategy also aims to issue a dedicated AI law, while the 2023 Charter for Responsible AI remains a set of voluntary guidelines. In February 2026, the Ministerial Group for Entrepreneurship launched the National Startup Charter, which introduced the first officially adopted

unified definition of a startup and a financing initiative that aims to mobilise \$1 billion over 5 years through government resources, guarantees and

co-investment with venture funds and private investors. This is a mobilisation target rather than allocated funding.

Data Infrastructure and Dependence on Imported Computing

Egypt's geography gives it a structural asset. The corridor between the Red Sea and the Mediterranean carries a large share of the submarine cables linking Europe, Asia and Africa.

Data centre capacity is expanding with investment from competing global partners. Huawei Cloud opened Egypt's first local public cloud region in 2024 with a planned \$300 million over 5 years. On 9 September 2026 the government announced a data centre project using NVIDIA technology, to be built by Vodafone Business, Elsewedy Electric and Cassava Technologies. It starts with 20 megawatts and about \$200 million over a first phase of 3 years, and targets 200 megawatts and about \$1 billion at full capacity. The project includes a sovereign AI facility that will offer GPU capacity as a service while keeping data inside Egypt. The announcement came a week after the Chinese president's visit to Cairo, during which Huawei's interest in building a data centre was reported. Cairo is therefore working with both

American and Chinese technology, which gives it room to balance between the 2 camps but also exposes it to the tightening rules that govern access to advanced chips.

The main weakness lies in the economics of computing rather than in customs rules. Egypt does not manufacture advanced semiconductors, and computing equipment generally enters at zero customs duty but carries 14% value added tax. The heavier constraints are the dollar pricing of hardware and cloud services, the decline of the pound toward EGP 51.5 per dollar, borrowing costs near 20% that make large hardware purchases hard to finance, and US licensing rules for advanced chips. These factors push many startups to rent computing power from providers abroad. The result is a tension at the heart of the strategy: the goal is sovereign AI, yet cost and financing conditions encourage data and spending to move outside the country. The new sovereign facility may ease this tension, depending on its pricing.

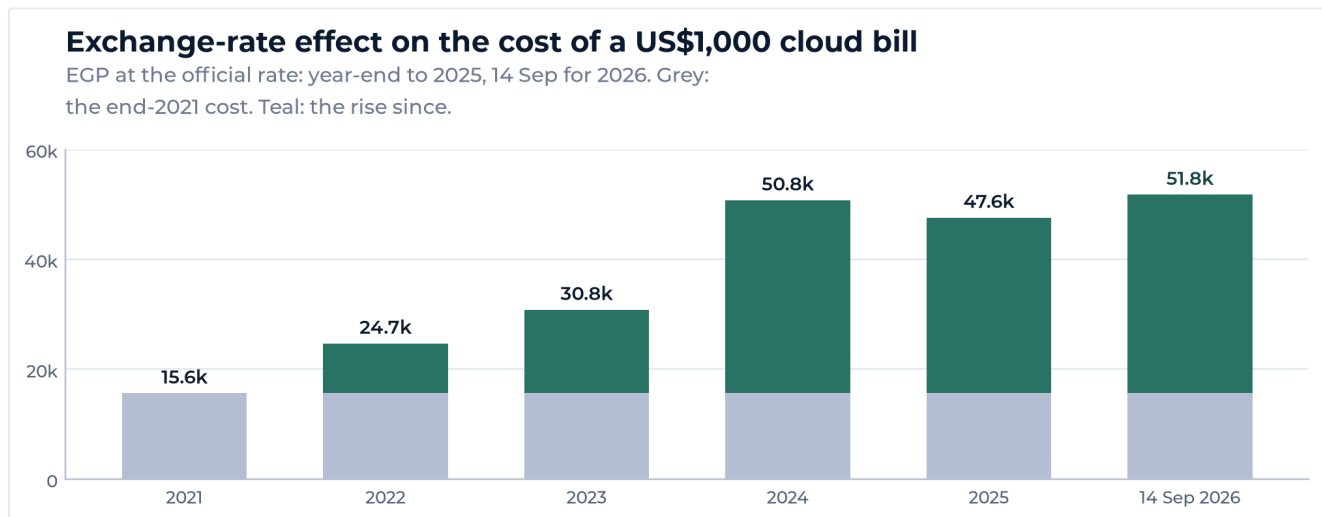


Figure 3.2. A bill priced at US\$1,000 cost about EGP 15,640 at the end of 2021 and EGP 51,801 on 14 September 2026, 3.3 times as much, before VAT and before any change in the dollar price itself. Source: Central Bank of Egypt official buying rate.

AI Skills, Employment and Outsourcing

Talent remains Egypt's strongest card. Universities produce more than 700,000 graduates a year, and a substantial share study science-related fields, although this broad category includes medicine, pharmacy, agriculture and the natural sciences, and should not be read as a ready pool of software and AI engineers.

The outsourcing sector turns talent into foreign currency. Exports of IT and business process outsourcing services reached \$5.2 billion in 2025, more than double their level 3 years earlier, with more than 195,000

employees and a target of \$8 billion by 2028. Generative AI is changing the sector's foundations. A study by the Egyptian Center for Economic Studies, based on a sample of job advertisements, estimated that about 52% of the tasks within clerical support roles could be automated; this measures exposure of tasks, not the loss of 52% of jobs. The sector is moving toward work such as data labelling, training Arabic language models and customer experience engineering, and agreements with global operators point to up to 75,000 new jobs, although not all of these will be high-skilled or linked to AI.

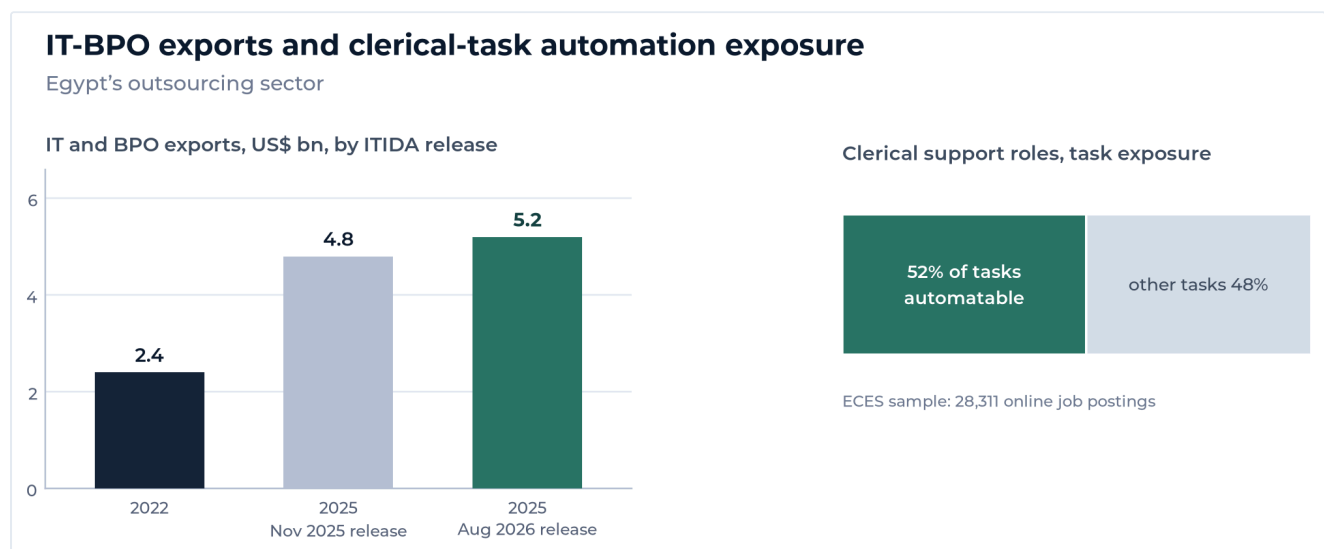


Figure 3.3. ITIDA published US\$2.4 billion for 2022. For 2025 it published US\$4.8 billion in November 2025 and US\$5.2 billion in August 2026, with no reconciliation between the two. The 52% measures the share of tasks within clerical support roles that could be automated, not the share of jobs that would be lost. Source: ITIDA; Egyptian Center for Economic Studies, Working Paper 246.

Wages add a further layer. Senior engineers working remotely for foreign firms earn \$1,800 to \$5,000 a

month. This brings foreign currency into households, but local startups struggle to match these salaries.

AI Startup Financing and Capital Structure

Egypt has one of the deeper startup ecosystems in Africa and the Middle East, although funding has slowed. According to MAGNiTT, Egyptian startups raised \$142 million across 24 deals in the first half of 2026, 29% less than a year earlier, making Egypt the third-largest market in the region by that measure. Other databases report different figures. About 30% of startup funding in 2025 came through debt and similar instruments, a share that may reflect a limited

number of fintech and consumer finance firms able to issue debt or securitise portfolios rather than a broad trend.

Applied AI firms show where comparative advantage lies. Intella, which specialises in Arabic dialect speech recognition, raised a \$12.5 million Series A in 2025 with Saudi Aramco's Wa'ed Ventures among its investors. FlapKap, which uses AI credit models to finance small businesses, raised \$34 million in equity

and debt in 2024. Both operate through regional corporate structures outside Egypt. This pattern combines Egyptian engineering capacity with Gulf capital

and markets, but it also means that part of the legal and financial value of Egyptian innovation is recorded abroad.

Government Adoption: Karnak and Public-Sector Digitisation

The state is the largest early adopter. In February 2026 the government launched Karnak, a national large language model developed by the ministry's Applied Innovation Center by enhancing leading open-source models with Egyptian and Arabic data. It can run inside local data centres, which allows sensitive public data to stay in the country. Applications built on Karnak include an AI tutor for secondary schools and a legal and regulatory assistant for citizens and small firms, and a public chat version entered its pilot phase in late summer 2026. Separate

national AI projects announced alongside it target early detection of diabetic eye disease and breast cancer.

In parallel, mandatory electronic invoicing and automated customs risk assessment give the state near real-time visibility of transactions. These systems are digitisation and data infrastructure rather than proven AI applications, but they create the data base on which analytical tools can later be built to widen tax collection and formalise economic activity.

Regional Position and Arabic-Language Capabilities

Egypt cannot match the UAE and Saudi Arabia in sovereign capital or computing power, but it competes on talent, cost and language. It ranks first in Africa in the Oxford Insights Government AI Readiness Index. Its most distinctive asset is linguistic. The Egyptian dialect is widely understood across the Arabic-speak-

ing world, and global models still perform less well in Arabic dialects. This gives Egypt a credible path to become an engineering base where Arabic AI is built and tested, even if much of the capital and final demand sit in the Gulf.

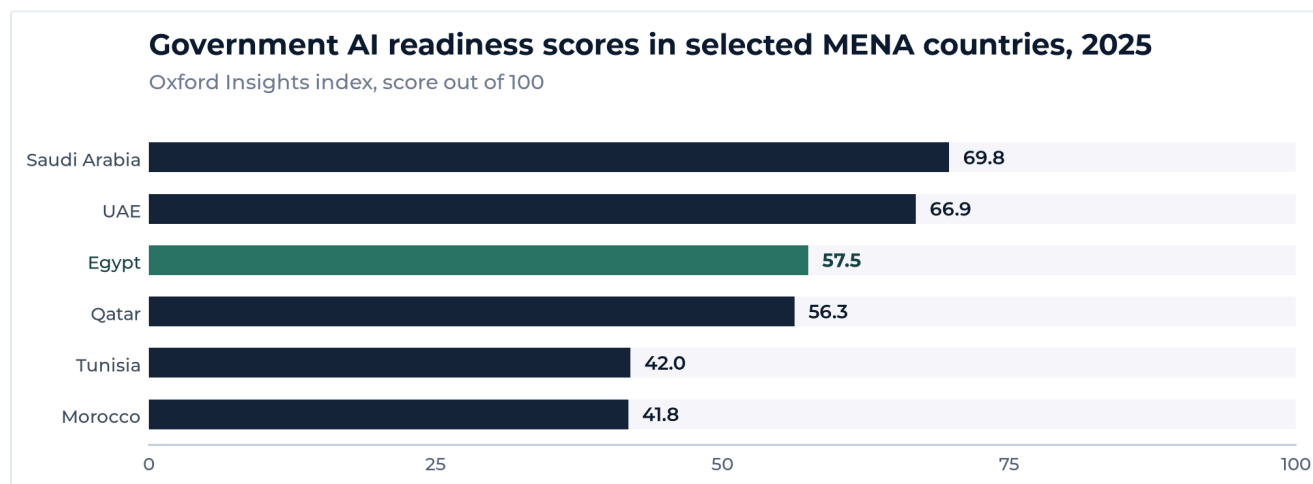


Figure 3.4. Egypt scores 57.5, below Saudi Arabia and the UAE and above Qatar, Tunisia and Morocco. The 2025 methodology changed, so scores are not comparable with earlier editions. Source: Oxford Insights, Government AI Readiness Index 2025 (published January 2026).

Constraints on AI Sector Development

Four constraints stand out. First, currency movements raise the cost of cloud services, software and computing inputs priced in dollars, while most start-up revenue is earned in pounds. Second, access to ad-

vanced chips depends on foreign licensing and expensive financing. Third, academic research does not yet move easily into commercial products. Fourth, Gulf firms recruit senior Egyptian engineers and founders.

Policy Requirements and Medium-Term Outlook

Reaching the strategy's goals depends on policy choices more than on market demand. A 2017 PwC model estimated that AI could add about \$42.7 billion to Egypt's economy by 2030, but that figure is an old scenario estimate rather than a current forecast. The more relevant measures today are practical: pricing sovereign computing capacity at levels startups can afford, turning the \$1 billion financing target into operating co-investment vehicles, passing a dedicated

AI law that gives investors legal clarity, and linking university research to commercial funding. If these steps advance, Egypt can move from exporting low-cost labour to exporting Arabic-language AI products and services, strengthening its services balance and its regional role. If they lag, the country risks remaining a supplier of skilled labour to ecosystems whose value is captured elsewhere.