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Arab leaders meet for their annual summit in Baghdad (Iraq) on 17 May and call for an immediate end to the Israel-Hamas conflict and for aid to enter Palestinian territories without conditions. The Suez Canal Authority (SCA) says in a statement on May 13 that it has cut fees for some ships crossing the Suez Canal in a bid to revive the key trade route after the United States (US) agrees to a ceasefire with Yemen's Houthi rebels. The Central Bank of Egypt (CBE) Monetary Policy Committee (MPC) cuts the interest and lending rate by 100 basis points to 24% and 25% respectively to boost economic growth before a probable new round of fiscal reforms this summer spurs renewed caution.

Arab League meets in Baghdad to discuss Gaza

Arab leaders met for their annual summit in **Baghdad (Iraq)** on 17 May, during which they called for an immediate end to the **Israel-Hamas** conflict and for aid to enter into **Palestinian** territories without conditions.¹ The summit was attended by several Arab and world leaders, including President **Abdel-Fattah El-Sisi** (2014-present), **Qatar's** Emir **Tamim Bin Hamad Al-Thani** (2013-present), **Spain's** prime minister **Pedro Sánchez** (2018-present) and **United Nations (UN)** secretary general **António Guterres**, among others.

El-Sisi noted during the summit that even if Israel succeeds in normalising relations with all Arab countries, peace in the **Middle East** will remain out of reach unless a Palestinian state is established based on international resolutions. This was a notable declaration as Egypt was the first Arab country to normalise relations with Israel.

The leaders at the summit also pledged to contribute to the reconstruction of Gaza when the war ends. An emergency Arab League summit held in **Cairo** on 4 March endorsed Egypt's \$53 billion reconstruction plan for Gaza, without displacing its roughly two million residents, in a move to counter a controversial plan put forth by **United States (US)** President **Donald Trump** (2025-present) (see *ARC Briefing Egypt Mar 2025*).² Trump has repeatedly suggested that Gaza's inhabitants should be moved to Egypt and **Jordan**, with each country taking a million inhabitants, before calling for the region to be turned into a "riviera of the Middle East" which the US will "take over" and "own".

However, the Baghdad summit comes two months after Israel terminated a ceasefire agreement with Palestinian militant group Hamas in January. In the past few days Israel has launched widespread attacks in Gaza and its military said on 25 May that it seeks to control 75% of the territory within two months and move its two million inhabitants into three designated areas as part of a new military offensive.³ Israeli prime minister **Benjamin Netanyahu** (2022-present) also said on 25 May that 10-day-old operation, codenamed **Gideon's Chariots**, aims to defeat Hamas and recover hostages held by the group.⁴ Netanyahu also said that Israeli forces, which currently controls around 40% of Gaza, will eventually take over all of the territory but did not provide further details.

Egypt is pushing to play a prominent role in the ceasefire negotiations as the conflict threatens its national security. Egypt is hesitant to allow Palestinian refugees into the country because of the public

¹ Bloomberg, 17 May 2025

² Al Jazeera, 4 Mar 2025

³ Wall Street Journal, 26 May 2025

⁴ Bloomberg, 25 May 2025

protests it could trigger - the Egyptian public sentiment is supportive of Palestinian rights, the country has limited resources to support mass refugees, even temporarily.⁵ Egypt is thus eager to participate in the negotiations to ensure that all possible measures are followed through to prevent further escalation of the conflict. However, Israel is currently expanding its operations in Gaza, and efforts by Egypt, Qatar and the US to mediate a new ceasefire and hostage release have proved fruitless thus far due to irreconcilable core demands from both parties.

Egypt cut canal fees to attract ships after US-Houthi deal

The **Suez Canal Authority (SCA)** said in a statement on 13 May that it has cut fees for some ships crossing the Suez Canal in a bid to revive the key trade route after the US agreed to a ceasefire with **Yemen's Houthi** rebels.⁶ The SCA said that vessels with a net tonnage of at least 130,000 tonnes, empty or laden, will be able to pay 15% less for a period of 90 days. The SCA further noted that the move, which came into effect on 15 May, seeks to encourage traffic to return to the canal due to the relative stability in the **Red Sea** region.

Reviving traffic to the shortest route between **Asia** and **Europe** is key for Egypt, whose revenue from the critical waterway had dropped significantly after more than 18 months of conflict in the Middle East. El-Sis confirmed in December that Egypt lost approximately \$7 billion in revenue in 2024 with the SCA confirming that the canal generated an annual revenue of \$3.99 billion in 2024, down from \$10.25 billion in 2023. Only 13,213 ships passed through the canal in 2024, compared to 26,000 ships in 2023 while daily transits through the Suez Canal averaged 34 vessels in April 2025 compared with about 77 in April 2023.⁷ Cargo traffic has declined since late 2023, when Houthi rebels began targeting Red Sea shipping vessels in solidarity with Hamas, disrupting a critical source of foreign currency. This forced many global shipping firms, including **Denmark**-headquartered **A.P. Moller - Maersk A/S (Maersk)**, to avoid the canal.

In a major development, Trump announced on 6 May that he had ordered a pause on his country's bombing campaign against the Houthis after the group agreed to halt attacks on US commercial vessels and warships.⁸ While the rebels appeared to confirm the **Oman**-brokered deal, they made it clear that aggression against US ally Israel would continue. However, it remains unclear when and whether shipowners will return to the Suez Canal, especially with the durability of the US-Houthi truce untested. Following the US-Houthi deal, Maersk chief executive officer (CEO), **Vincent Clerc**, said he thought the Red Sea region remains "*pretty far*" from being safe for vessels for the foreseeable future.⁹ SCA head, **Osama Rabie**, also said on 12 May that representatives of 25 shipping lines and maritime agencies had requested temporary incentives to help them offset rising insurance costs for ships operating in what they regard a high-risk zone.¹⁰ Rabie emphasised that they "*want more reinsurance*" as concerns remain that their ships will be attacked by Houthis.

A return to normal operations in the Suez Canal would provide a much-needed economic boost for Egypt as it navigates its worst economic crisis in decades. If the US-Houthi truce holds over the long term, it could help reduce regional security risks, encouraging shipping firms to restore more consistent traffic through the canal, helping Egypt recover revenues and reinforcing the canal's role as a key global trade route. However, an escalation in Israel's campaign in Gaza does not bode well for Egypt or stability in the region.¹¹

Egypt makes its second consecutive rate cut in a row before summer of reforms

The **Central Bank of Egypt (CBE) Monetary Policy Committee (MPC)** said in a statement on 22 May that it decided to cut the interest and lending rates by 100 basis points to 24% and 25%

⁵ Stimson, 18 Apr 2025

⁶ SCA, 13 May 2025

⁷ PortWatch, May 2025

⁸ Aljazeera, 6 May 2025

⁹ Bloomberg, 13 May 2025

¹⁰ Sada ElBalad, 12 May 2025

¹¹ ARC Source, local analyst, Cairo

respectively in a bid to boost economic growth before a probable new round of fiscal reforms this summer spurs renewed caution.¹² The MPC also said in its statement that cutting rates by 100 basis points balances the need to remain cautious about current risks and leave ample room available to further the monetary easing cycle, while still supporting the expected decline in inflation.

This was the MPC's second consecutive cut – in April, the MPC slashed the benchmark deposit rate by 225 basis points to 25% and the lending rate by the same amount to 26%, the country's first monetary easing in almost five years.¹³ Before the April cut, the MPC had maintained interest rates at a record high of 27.25% since March 2024 when it sharply devalued the pound by 40% to secure a global economic bailout from the **International Monetary Fund (IMF)** and other lenders totalling \$57 billion. Lowering rates will allow Egypt to push ahead with its plans for an economic revival and ease some of the Middle East's highest debt-servicing costs.

The **Central Agency for Public Mobilization and Statistics (CAPMAS)** reported on 10 May that core consumer price index (CPI) inflation in Egypt accelerated for a second month, with annual urban inflation in urban areas increasing to 13.9% in April from 13.6% in March and 12.8% in February. However, CPI has still almost halved from 24% in January, mainly due to the base-year effect.¹⁴ The increase in April's inflation rate is attributed to a cut in fuel subsidies.

Food and beverage prices, the largest single component of Egypt's inflation basket, increased by an annual 6% year-on-year in February from 6.6% in January. Overall consumer prices increased by 1.3% month-on-month in April, the smallest increase in four months, compared to 1.6% in March, which was the highest in six months. Annual core inflation, which strips out volatile and regulated items such as energy, accelerated to 10.4% in April from 9.4% the previous month. While consumer-price growth increased for the last two consecutive months, it remains less than half of its September 2023 peak of 38%. The CBE also said that while the upside risk to Egypt's inflation had eased compared to the MPC's April meeting, certain risks remain including:

*“Uncertainty regarding global trade protectionism, possible escalation of regional conflicts and higher-than-anticipated pass-through of fiscal consolidation to domestic prices”.*¹⁵

The IMF also said on 1 May that Egyptian authorities should tread carefully and “*be vigilant*” as it reduces rates due to the global uncertainty and potential inflationary impact from Trump's trade tariffs.¹⁶ Cairo-based investment bank **EFG Hermes'** head of research, **Mohamed Abu Basha**, also said on 22 May that the MPC may pause rates for the CBE's July and August meetings as expected changes in value-added tax (VAT) for some goods and services and further subsidy cuts will likely push authorities to act cautiously during the summer.¹⁷ Economists expect Egypt to slash rates by 600 to 800 cumulative basis points in stages this year.

Planner

2025 **Ras El-Hekma (Egypt)** Construction to begin on the \$35-billion Ras El-Hekma project;
2025 **Cairo (Egypt)** Further subsidy reductions expected;

Chronology

25 May 2025 **Cairo (Egypt)** *Egypt Today*. Foreign minister **Badr Abdelatty** attends the **Madrid Group Ministerial Meeting in Spain**, focused on the **Palestinian** cause, ending the war in **Gaza** and addressing the ongoing humanitarian crisis;

¹² CBE, 22 May 2025

¹³ Bloomberg, 22 May 2025

¹⁴ CAPMAS, 10 May 2025

¹⁵ CBE, 22 May 2025

¹⁶ IMF, 1 May 2025

¹⁷ Bloomberg, 22 May 2025

22 May 2025 **Cairo (Egypt)** *Egypt Today*. President **Abdel Fattah El-Sisi** holds a phone call with **United Kingdom's** prime minister **Keir Starmer** to discuss strengthening bilateral ties and the situation in **Gaza** amid the ongoing war;

21 May 2025 **Cairo (Egypt)** *Egypt Today*. President **Abdel Fattah El-Sisi** attends the 2025 wheat harvest at the **Future of Egypt** agricultural project, inaugurating the first phase of its industrial city, part of a broader plan to boost agricultural and industrial development;

20 May 2025 **Abidjan (Côte d'Ivoire)** *Abidjan Net*. An **Egyptian** business delegation arrives for a five-day mission, organised by the **Confédération Générale des Entreprises de Côte d'Ivoire** (general confederation of enterprises) with Ivorian governmental support, to strengthen economic ties and foster partnerships between the private sectors of **Egypt** and Côte d'Ivoire;

20 May 2025 **Cairo (Egypt)** *Daily News Egypt*. Petroleum and mineral resources minister **Karim Badawi** announces that Egypt aims to become a regional hub for mining industries by prioritising value-added projects, expanding local manufacturing, and boosting exports to generate foreign currency;

18 May 2025 **Cairo (Egypt)** *Egypt Today*. President **Abdel Fattah El-Sisi** meets with **United States (US)** senior advisor **Massad Boulos** to discuss regional developments and reaffirm the strategic Egypt-US partnership;

16 May 2025 **Cairo (Egypt)** *Bloomberg*. Egypt is buying large amounts of oil to run its power plants as the high cost of natural gas redraws the country's purchases of energy feedstocks;

15 May 2025 **Cairo (Egypt)** *Daily News Egypt*. **General Authority for Investment and Free Zones** CEO **Hossam Heiba** states during **Connecting Markets for the Future** conference that the government is developing strategies to enhance investment flows and trade across **Africa**, including launching a unified electronic licensing platform to simplify investor procedures and foster integrated partnerships with countries such as **Morocco**;

14 May 2025 **Cairo (Egypt)** *Egypt Today*. Planning, economic development and international cooperation minister **Rania A. Al-Mashat** meets with **International Monetary Fund** officials, led by **Ivanna Vladkova Hollar**, to review Egypt's economic recovery, ongoing reforms and strategies for securing external financing;

13 May 2025 **Cairo (Egypt)** *Daily News Egypt*. **Financial Regulatory Authority** chairperson **Mohamed Farid** participates **International Organization of Securities Commissions (IOSCO) Annual Meeting in Doha (Qatar)**, highlighting the importance of regional cooperation among capital market regulators to ensure stability and protect investor rights;

12 May 2025 **Cairo (Egypt)** *Bloomberg*. Egypt signs a ten-year deal for a floating liquefied natural gas import terminal, signalling the country's long-term dependency on fuel imports;

11 May 2025 **Cairo (Egypt)** *Daily News Egypt*. Parliamentary officials, led by agriculture minister **Alaa Farouk**, hold a high-level meeting to strategise expanding Egypt's agricultural investments across **Africa**, in line with President **Abdel Fattah El-Sisi's** directives, approving plans for a feasibility study to identify priority countries and a commitment to involve private investors and national banks to promote sustainable agricultural development through public-private partnerships;

11 May 2025 **Cairo (Egypt)** *Egypt Independent*. **Turkey** and Egypt hold their first high-level military dialogue meeting in Turkey, marking a step in normalising relations since their 2013 fallout, with both sides discussing expanded cooperation in defence industries and military training;

8 May 2025 **Cairo (Egypt)** *Egypt Today*. The **Animal Production Research Institute** emphasises expanding green spaces, shifting to renewable energy, and supporting **Egypt's** small farmers through sustainable practices and climate-resilient farm infrastructure;

8 May 2025 **Cairo (Egypt)** *Egypt Today*. President **Abdel Fattah El-Sisi** arrives in **Moscow (Russia)** to attend **Victory Day** celebrations on 9 May, joining a group of 29 foreign leaders;

7 May 2025 **Cairo (Egypt)** *The National*. The governments of **Qatar** and Egypt reaffirm their continued mediation efforts in the **Gaza** conflict, working closely with the **United States (US)** to alleviate the worsening humanitarian crisis as tensions escalate following Israel's announcement of expanded operations in Gaza;

6 May 2025 **Cairo (Egypt)** *Egypt Today*. **United States**-headquartered **S&P Global** reports that Egypt's **Purchasing Managers' Index (PMI)** fell to 48.5 in the last month, signalling the sharpest contraction in the non-oil private sector this year, driven by reduced consumer demand, rising input costs – particularly a 15% fuel price hike – and weaker global economic conditions;

4 May 2025 **Cairo (Egypt)** *Reuters*. Despite active mediation by Egypt and **Qatar**, efforts to secure a ceasefire between **Israel** and **Hamas** have reached a stalemate due to irreconcilable core demands from both parties;

1 May 2025 **Cairo (Egypt)** *Bloomberg*. The **International Monetary Fund** says Egypt should tread carefully as it lowers interest rates, due to global uncertainty wrought by **United States** President **Donald Trump's** tariff raises;

29 Apr 2025 **Luanda (Angola)** *Agência Angola Press*. President **João Lourenço** has begun a two-day official visit to **Egypt**, where he is expected to sign bilateral cooperation agreements in various fields including infrastructure and to assess investment prospects between the two countries;

29 Apr 2025 **Cairo (Egypt)** *Offshore Energy*. The **Egyptian Natural Gas Holding Company (EGAS)** has signed a preliminary memorandum of understanding with **ExxonMobil Egypt Upstream Limited**, a subsidiary of **United States**-headquartered energy giant **ExxonMobil**, to boost gas exploration off Egypt's **Mediterranean** coast;

28 Apr 2025 **Cairo (Egypt)** *Egypt Independent*. Official Egyptian sources have criticised **United States (US)** president **Donald Trump's** calls for free passage for US military and commercial vessels through the **Suez** and **Panama Canals**, describing them as another example of US bullying;

27 Apr 2025 **Cairo (Egypt)** *Bloomberg Independent*. Egypt is close to getting \$300m of budget support from the **Asian Infrastructure Investment Bank**.

About Africa Risk Consulting:

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