

AFRICA RISK CONSULTING

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Egypt asks the International Monetary Fund (IMF) to review the targets for the full duration of its expanded \$8 billion programme agreed on in March. The Central Agency for Public Mobilization and Statistics (CAPMAS) reports on 10 November that annual urban consumer inflation increased slightly to 26.5% from 26.4% in September due to a sharp rise in fuel prices. United States-headquartered rating agency Fitch Ratings revises Egypt's rating from "B" from "B-" with a stable outlook on 1 November. President Abdel Fattah El-Sisi (2014-present) attends the G20 and BRICS Summits.

IMF says Egypt loan programme review talks are progressing...

Prime minister **Mostafa Madbouly** confirmed on 20 November that Egypt asked the **International Monetary Fund (IMF)** to revise the timeline by which it agreed to implement key reforms for the full duration of its expanded \$8 billion programme agreed on in March.¹ Madbouly previously emphasised on 3 November that the talks are aimed at extending the implementation of economic measures called for under the country's loan programme and not to secure more funds.² Egyptian authorities have indicated their intent to adjust parts of their reform timetable if economic pressures persist.³ The government attributes these challenges partly to regional instability, as Egypt's proximity to **Gaza (Palestine)** and the impact of **Yemeni Houthi** attacks in the **Red Sea** have disrupted revenues from the **Suez Canal**, adding to their economic strain.⁴ Egypt and the IMF in March agreed on expanding the size of a loan programme \$3 billion to \$8 billion, first approved in December 2022, part of a vast global bailout as instability in the **Middle East** put a focus on the country's role as a regional powerbroker.

While speaking to reporters, Madbouly said that IMF officials, who arrived in Egypt on 3 November to begin their review of the country's 46-month loan programme, showed understanding of the "practical" requests made by authorities.⁵ He also said that the government had made "progress" during the talks that had moved in a "positive" direction but did not elaborate.⁶ The IMF, whose managing director **Kristalina Georgieva** also visited **Cairo** in the past week to discuss Egypt's loan programme, said in a statement released on 20 November that it had made "substantial progress" in discussions with Egyptian authorities, although further discussions are needed.⁷ The lender also said that talks will continue in the coming days to finalise an agreement on the outstanding policies and reforms necessary for completing the fourth review.⁸

The comments came as the IMF concluded its roughly two-week visit to Egypt to review the country's enactment of its expanded programme, which could unlock a \$1.3 billion loan tranche. The IMF also said in its statement that it agreed with Egyptian authorities on "the importance of strengthening the social safety net" including a cash transfer to support vulnerable groups facing rising living costs and recent energy price hikes, as well as to alleviate the effects of tight policies.⁹ The IMF further

¹ Reuters, 20 Nov 2024

² Bloomberg, 20 Nov 2024

³ Reuters, 20 Nov 2024; Bloomberg, 20 Nov 2024

⁴ Bloomberg, 20 Nov 2024

⁵ Reuters, 20 Nov 2024

⁶ Bloomberg, 20 Nov 2024; Reuters, 20 Nov 2024

⁷ International Monetary Fund, 20 Nov 2024

⁸ International Monetary Fund, 20 Nov 2024

⁹ International Monetary Fund, 20 Nov 2024

encouraged Egyptian authorities to expedite their privatisation plans and advance reforms aimed at creating a more competitive economic environment while reducing the state's dominant role in the economy.¹⁰

Additionally, the IMF highlighted the **Central Bank of Egypt (CBE)**'s commitment to maintaining a flexible exchange rate and stressed the importance of implementing tax reforms to support fiscal sustainability and economic stability.¹¹ While the IMF is yet to discuss the results of its review of Egypt's loan programme, indications are that they could ascent to some of the requests made by authorities to revise the conditions. A local resident told **Africa Risk Consulting Briefing (ARC Briefing)** that he is "*hopeful the review will bring about real change for the economy and not more empty promises*".¹²

Inflation increases slightly for a third straight month to 26.5%...

The **Central Agency for Public Mobilization and Statistics (CAPMAS)** reported on 10 November that annual urban consumer inflation increased slightly for a third month to 26.5% from 26.4% in September and 26.2% in August due to a sharp rise in fuel prices, pushing back the country's first interest rate cut since 2020.¹³ Prices gained 1.1% month-on-month in October from 2.1% in September.¹⁴ Food and beverage prices, the largest single component of Egypt's inflation basket, increased by an annual 27.3% compared to 27.7% in September.¹⁵

Inflation in Egypt had defied expectations by slowing after authorities devalued the pound in the first quarter, causing it to plunge by more than 40% against the **United States (US)** dollar. The country did this to secure more than \$57 billion in foreign investments and aid from the **United Arab Emirates (UAE)**, **IMF**, **European Union (EU)** and **World Bank** (see *ARC Briefing Egypt Mar 2024*). However, that trajectory hit an obstacle in August, as increases in fuel prices and electricity tariffs ended a five-month disinflationary streak. Authorities hiked fuel prices by an average of 9.2% in October, the third time they have done so this year, and quadrupled bread prices in June. The energy hikes are part of the government's broader strategy to reduce subsidies and improve its finances.¹⁶ Reducing the budget deficit by cutting subsidies, while replacing them with targeted social spending, is a key component of Egypt's IMF programme.

The expected impact of the energy hikes pushed the CBE to keep interest rates at 27.25% for a fifth consecutive meeting on 21 November. The **Monetary Policy Committee (MPC)** decided to maintain the benchmark deposit rate at 27.25% and the lending rate at 28.25% as it awaits the full inflationary impact of the third fuel price hike, likely only to be reflected in December, and the completion of a key IMF review.¹⁷ These factors led the MPC to take a cautious approach.

The CBE also said in September its current interest rate would remain appropriate "*until a significant and sustained decline in inflation is realised*."¹⁸ Authorities hiked rates by eight percentage points in two meetings early this year, but are now exercising caution after raising the prices of fuel in October. Egypt will likely not enact its first cut since the height of **Covid-19** until the first quarter of 2025.¹⁹ The acceleration in inflation is also likely to continue in November, with the latest fuel increase not yet fully reflected in CAPMAS' data.

Fitch upgrades Egypt

¹⁰ International Monetary Fund, 20 Nov 2024

¹¹ International Monetary Fund, 20 Nov 2024

¹² Source, local resident, Cairo

¹³ CAPMAS, 10 Nov 2024

¹⁴ CAPMAS, 10 Nov 2024

¹⁵ CAPMAS, 10 Nov 2024

¹⁶ BNN Bloomberg, 10 Nov 2024

¹⁷ Bloomberg, 21 Nov 2024

¹⁸ Central Bank of Egypt, 5 Sep 2024

¹⁹ Bloomberg, 21 Nov 2024

The US-headquartered rating agency **Fitch Ratings** on 1 November raised Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) to "B" from "B-" with a stable outlook, citing improvements in the country's financial position, bolstered by foreign investments, international support and tighter monetary conditions.²⁰ This is the first time since 2019 that Fitch has upgraded Egypt's credit rating, marking a positive step for the economic outlook despite ongoing challenges. Fitch noted that the country's external finances have been bolstered by the planned **Ras El-Hekema** development alongside other factors, including:

"Non-resident inflows into the debt market, and new IFI [International Financial Institution] financing, facilitated by improved policy settings, including greater exchange rate flexibility and tighter monetary conditions".²¹

While securing its expanded \$8 billion IMF programme has helped boost Egypt's credit rating, it is currently in talks with the lender to revise its loan deal amid increased regional pressures facing the country, which are currently severely impacting the economy (see above). **Arab League** secretary general **Ahmed Aboul Gheit** also said in October that Houthi operations in the Red Sea have cost Egypt \$6 billion in losses in the Suez Canal.²² Fitch also warned that further escalation of regional conflict represents a key risk for Egypt.²³

Fitch's upgrade of Egypt's credit rating reflects progress in fiscal reforms, regional tensions and global economic headwinds persist, underscoring the fragility of the country's recovery. Maintaining economic stability will require diligent reforms and strengthened resilience against external risks.

El-Sisi President El-Sisi attends G20 and BRICS Summit...

President **Abdel Fattah El-Sisi** (2014-present) returned to Egypt on 20 November after participating in the **G20 Summit in Rio de Janeiro (Brazil)** from 18 to 19 November.²⁴ This marked Egypt's fourth participation in a G20 Summit, following previous engagements in **China** (2016), **Japan** (2019) and **India** (2023).²⁵ During his participation at the event, El-Sisi emphasised Egypt's commitment to addressing global inequalities and achieving the Sustainable Development Goals (SDGs), especially amid rising global instability and post-pandemic poverty rates.²⁶

At the summit El-Sisi also met Brazilian counterpart **Luiz Inácio Lula da Silva** (2023-present), **Tanzania's** President **Samia Suluhu Hassan** (2021-present), **Nigeria's** President **Bola Tinubu** (2023-present), **Singaporean** prime minister **Lawrence Wong** (2024-present) and the crown prince of **Abu Dhabi** Sheikh **Khaled bin Mohamed bin Zayed Al Nahyan**, as he sought to bolster bilateral relations with their countries.²⁷ Discussions with da Silva culminated in the signing of a joint statement that formalised their countries' strategic partnership aimed at bolstering economic cooperation in trade, investment and development.²⁸ Just before his attendance, CAPMAS revealed on 18 November that trade between Egypt and G20 countries increased to \$61 billion in the first nine months of 2024 compared to \$55.6 billion in the same period last year.²⁹

El Sisi also attended the 16th **BRICS Summit** held in **Kazan (Russia)** from 22 to 24 October 2024.³⁰ It marked Egypt's inaugural attendance as a full member of the group since it was expanded on 24 August 2023 to **Iran, Saudi Arabia, Ethiopia, Egypt, Argentina** and the UAE.³¹ BRICS, founded in 2009 and whose founding members are Brazil, Russia, India, China and **South Africa**, accounts for

²⁰ Fitch Ratings, 1 Nov 2024

²¹ Fitch Ratings, 1 Nov 2024

²² Middle East Monitor, 14 Oct 2024

²³ Fitch Ratings, 1 Nov 2024

²⁴ State Information Service, 20 Nov 2024

²⁵ Scoop Empire, 20 Nov 2024

²⁶ Scoop Empire, 20 Nov 2024

²⁷ Daily News Egypt, 19 Nov 2024; The Citizen, 19 Nov 2024

²⁸ Scoop Empire, 20 Nov 2024

²⁹ Global Domain News, 18 Nov 2024

³⁰ New Arab, 22 Oct 2024

³¹ Morocco World News, 24 Aug 2023

25% of global gross domestic product (GDP) and is home to 40% of the world's population. The bloc is often viewed as a rival to the **G7** and other **Western**-led blocs, as well as an ideological and economic counterweight to the US and its allies.³²

During the summit, El Sisi outlined Egypt's commitment to multilateral cooperation and emphasised his government's efforts in promoting development through innovative solutions, particularly addressing the growing debt issues faced by developing countries and the shortage of funding necessary to achieve sustainable development goals.³³ He also advocated for enhanced collaboration in areas such as digital transformation, agriculture and renewable energy.³⁴ El-Sisi further highlighted the role of institutions like the **New Development Bank (NDB)** – the BRICS Bank - in supporting development projects and discussed the importance of financial settlements in local currencies to foster sustainable economic ties.³⁵ El Sisi also addressed pressing global issues, including socio-economic challenges faced by developing countries due to international conflicts.³⁶

El-Sisi's participation in the G20 and the BRICS Summit underscores Egypt's active engagement in global economic governance and multilateral platforms. These engagements reflect Egypt's strategic pursuit of diversified partnerships to address domestic and international challenges, while elevating its influence within established and emerging global power blocs.

Planner

2024 **Cairo (Egypt)** Further subsidy reductions expected;

Nov 2024 **Cairo (Egypt)** **International Monetary Fund (IMF)** mission to Cairo to announce outcome of the fourth review of **Extended Fund Facility (EFF)** loan programme;

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

Chronology

20 Nov 2024 **Cairo (Egypt)** *Bloomberg*. Egypt, which surprised the market with massive liquefied natural gas tenders this year, has abruptly turned away several imported cargoes this month due to lower power demand;

20 Nov 2024 **Cairo (Egypt)** *Reuters*. Egypt starts selling up to a \$110m stake in state-owned **United Bank**, its first initial public offering (IPO) in nearly three years, in a bid to continue its privatisation programme;

19 Nov 2024 **Cairo (Egypt)** *Africa Mining Market*. Economic development and international cooperation minister **Rania Al-Mashat** has announced \$9 billion in private funding through the **International Finance Corporation (IFC)** for the development of mining and infrastructure;

19 Nov 2024 **Dar es Salaam (Tanzania)** *The Citizen*. President **Samia Suluhu Hassan** held talks with **Egyptian** President **Abdel Fattah El-Sisi** on the sidelines of the **G20 Summit in Rio de Janeiro (Brazil)**;

18 Nov 2024 **Cairo (Egypt)** *Egypt Today*. President **Abdel Fattah El-Sisi** meets his **Brazilian** counterpart, **Luiz Inácio Lula da Silva**, during the **G20 Summit in Rio de Janeiro (Brazil)** to discuss growing bilateral ties;

15 Nov 2024 **Cairo (Egypt)** *Energetica*. Prime minister **Mostafa Madbouly** oversees the signing of two agreements for 5,200MW in renewable energy projects – one between **Egyptian Electricity Transmission Company (EETC)** and **United Arab Emirates-**

³² Morocco World News, 1 Aug 2022

³³ Egypt Today, 23 Oct 2024

³⁴ Egypt Today, 23 Oct 2024

³⁵ Egypt Today, 23 Oct 2024

³⁶ Egypt Today, 23 Oct 2024

headquartered **Alcazar** and another between **France**-headquartered **Volitalia** partnership with **United Arab Emirates**-headquartered **TAQA Arabia** and the Egyptian electricity ministry;

13 Nov 2024 **Cairo (Egypt)** *New Arab*. Egypt and **Turkey** hold talks as ties continue to warm, discussing the issues in the **Horn of Africa** and **Red Sea** regions;

11 Nov 2024 **Cairo (Egypt)** *Egypt Today*. Foreign affairs minister **Badr Abdel Aty** and his **Nigerian** counterpart, **Yusuf Maitama Tuggar**, discuss economic and political cooperation;

9 Nov 2024 **Cairo (Egypt)** *Egypt Today*. Military production minister **Mohamed Salah Eldin Mostafa** discusses cooperation with **Angola's** national defence minister, **João Ernesto dos Santos**;

6 Nov 2024 **Cairo (Egypt)** *Reuters*. A new study reveals that inflation in Egypt is estimated to have climbed to 27.0% in October from 26.4% in September, pushed up by higher education costs and a fuel price increase in the middle of the month;

3 Nov 2024 **Cairo (Egypt)** *WAM*. Prime minister **Mostafa Madbouly** announces that the **International Monetary Fund's (IMF)** fourth review of Egypt's loan programme will start on Tuesday after delays;

30 Octo 2024 **Cairo (Egypt)** *Bloomberg*. Prime minister **Mostafa Madbouly** says that Egypt's program to offer stakes in state-held companies in various sectors will be reviewed in light of the current "extraordinary" circumstances the country is facing;

28 Oct 2024 **Cairo (Egypt)** *Solar Quarter*. **Dubai**-headquartered **Amea Power** has completed installation of a 500MW solar project in **Kom Ombo**, which is expected to produce 1,500 GWh of electricity annually;

24 Oct 2024 **Cairo (Egypt)** *IMF*. **International Monetary Fund (IMF)** says the size of Egypt's \$8 billion loan programme remains appropriate despite President **Abdel Fattah El-Sisi's** warning that Egypt may need to re-evaluate the programme;

24 Oct 2024 **Cairo (Egypt)** *Middle East Monitor*. President **Abdel Fattah El-Sisi** meets with his **Iranian** counterpart, **Masoud Pezeshkian**, on 23 October to discuss the development of bilateral relations and diffusing regional tensions;

22 Oct 2024 **Cairo (Egypt)** *New Arab*. President **Abdel Fattah El-Sisi** attends the **BRICS Summit**, Egypt's first as a member of the bloc, praising ties between Egypt and **Russia**;

20 Oct 2024 **Cairo (Egypt)** *Al Arabiya*. Petroleum minister **Karim Badawi** says Egypt has revised its renewable energy target for 2040 from 58% to 40%, stating that natural gas will remain key to Egypt's energy mix;

16 Oct 2024 **Cairo (Egypt)** *Daily News Egypt*. **Iran's** foreign minister, **Abbas Araqchi**, arrives in Egypt for talks with officials, his first visit in several years amid regional tensions;

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