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Central Agency for Public Mobilization and Statistics (CAPMAS) reports on 10 December that annual urban consumer inflation decreased for the first time since July, reaching 25.5% in November from 26.5% in October. Prime minister Mostafa Madbouly announces on 11 December that Egypt will offer stakes in at least ten state-owned companies in 2025, moving forward with an International Monetary Fund (IMF) plan to reduce the government's role in the economy. Egyptian security officials and leaders of Palestinian militant group Hamas hold talks on 1 December in a new push for a ceasefire in Gaza (Palestine).

Inflation cools for first time since July to 25.5% in November

The **Central Agency for Public Mobilization and Statistics (CAPMAS)** reported on 10 December that annual urban consumer inflation had decreased for the first time since July, reaching 25.5% in November from 26.5% in October, 26.4% in September and 26.2% in August.¹ The inflation rate is the lowest level recorded since December 2022, reversing a three-month acceleration trend despite a recent cut in fuel subsidies.² The monthly inflation rate was 0.5%, down 1.1% in October and 2.1% in September.³ Food and beverage prices, the largest single component of Egypt's inflation basket, increased by an annual 24.6% from 27.3% in October and 27.7% in September.⁴ Core inflation, a gauge used by the **Central Bank of Egypt (CBE)** which strips out volatile and regulated items, eased to 23.7%.⁵ CAPMAS noted that while there were inflationary pressures from recent hikes in fuel and cigarettes, this was partially mitigated by a 1.9% month-on-month decrease in food costs and a positive base effect.⁶

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)**, the **International Monetary Fund (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, improve its finances and revamp an economy emerging from a foreign-currency crunch.⁷ Reducing the budget deficit by cutting subsidies, while replacing them with targeted social spending, is a key component of Egypt's IMF programme.

Another key component of Egypt's \$8 billion IMF loan programme is enacting a flexible foreign exchange following the devaluation in March. After being stable in the preceding months, the pound experienced a significant weakening in early November and is trading at a record low of 50.5 to the US dollar.⁸ US-based **Goldman Sachs Group** economist for the **Middle East and North Africa (MENA)**, **Farouk Soussa**, said on 10 December that,

¹ CAPMAS, 10 Dec 2024; Daily News Egypt, 10 Dec 2024

² CAPMAS, 10 Dec 2024; Egypt Today, 10 Dec 2024

³ CAPMAS, 10 Dec 2024; Daily News Egypt, 10 Dec 2024

⁴ CAPMAS, 10 Dec 2024; Egypt Today, 10 Dec 2024

⁵ CAPMAS, 10 Dec 2024

⁶ CAPMAS, 10 Dec 2024; BNN Bloomberg, 10 Dec 2024

⁷ BNN Bloomberg, 10 Nov 2024; BNN Bloomberg, 10 Dec 2024

⁸ BNN Bloomberg, 10 Dec 2024

“The slide in the pound does raise questions about the impact on inflation, but it’s still too early to say whether there will be a lasting effect.”⁹

Egypt and the IMF are currently discussing a review of the country’s loan programme. Prime minister **Mostafa Madbouly** confirmed on 20 November that Egypt had asked the lender 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 (see *ARC Briefing Egypt Nov 2024*).¹⁰ Madbouly had 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.¹¹ The IMF said in November that although there had been “*substantial progress*” in talks, more consultations were needed before it could unlock a \$1.3 billion tranche.¹²

Despite the latest cooldown in inflation, the CBE may maintain interest rates at 27.25% for a sixth consecutive policy meeting when it convenes on 26 December. The **Monetary Policy Committee (MPC)** will want to see a “*significant and sustained decline in inflation*” and await the completion of the key IMF review before enacting a rate change.¹³ Egypt is likely to refrain until the first quarter of 2025 from enacting its first cut since the height of **Covid-19**.

Egypt to offer stakes in at least 10 state-held firms in 2025

Prime minister Mostafa Madbouly announced during a televised press conference on 11 December that Egypt will offer stakes in at least ten state-owned companies in 2025, moving forward with an IMF plan to reduce the government’s role in the economy.¹⁴ Madbouly said the firms, which include **Banque du Caire** and **AlexBank**, will either be offered on the local stock market or to strategic investors.¹⁵ He had previously said on 5 December that government would sell stakes in four military companies as it continues its privatisation programme.¹⁶ These have since been identified as mineral-water bottler **Safi**, fuel distributors **Wataniya** and **Silo Food**, as well as **Chill Out**, a network of gas-station convenience stores.¹⁷ Madbouly said that Wataniya and Safi could be listed on the **Egyptian Exchange** by the middle of 2025 but did not provide further details.¹⁸ He further noted that other companies or assets to be offered include the **Gabal El-Zeit** 580-megawatt wind farm, **Misr Pharma**, **Chemical Industries Development** and **Alamal Alsharif Plastics**.¹⁹

Authorities on 4 December also finalised the sale of a 30% stake in a state-owned bank, **United Bank**, representing the country’s first major privatisation since the pound’s devaluation in March, aimed at addressing a foreign currency crisis and securing an expanded \$8-billion loan programme from the IMF.²⁰ The sale of part of United Bank raised more than \$90m.²¹ Madbouly’s announcement indicates renewed momentum in Egypt’s effort to divest from over two dozen assets and strengthen government finances. The IMF has consistently encouraged authorities to reduce state involvement, including military participation, in the economy and to create more opportunities for private sector competition.²² However, it remains uncertain how much revenue the privatisation efforts will ultimately generate and whether the pending IMF review (as referenced above) could impact the proposed timeline.

⁹ BNN Bloomberg, 10 Dec 2024

¹⁰ Reuters, 20 Nov 2024

¹¹ Bloomberg, 20 Nov 2024

¹² International Monetary Fund, 20 Nov 2024

¹³ Central Bank of Egypt, 5 Sep 2024

¹⁴ Egypt Independent, 12 Dec 2024; Yahoo Finance, 11 Dec 2024

¹⁵ Bloomberg, 11 Dec 2024; Egypt Independent, 12 Dec 2024

¹⁶ New Arab, 5 Dec 2024

¹⁷ Egypt Independent, 12 Dec 2024, Zawya, 12 Dec 2024

¹⁸ Bloomberg, 11 Dec 2024

¹⁹ Zawya, 12 Dec 2024; Bloomberg, 11 Dec 2024

²⁰ Zawya, 12 Dec 2024; Yahoo Finance, 11 Dec 2024

²¹ Yahoo Finance, 11 Dec 2024; Zawya, 12 Dec 2024

²² Bloomberg, 11 Dec 2024

Egypt hosts Hamas in new Gaza ceasefire effort

Egyptian security officials and leaders of the **Palestinian** militant group, **Hamas**, held talks on 1 December in a new push for a ceasefire in **Gaza** (Palestine).²³ The visit by Hamas to **Cairo** is the first since the US announced on 27 November that it would restart talks in collaboration with Egypt, **Qatar** and **Turkey** to reach a ceasefire in Gaza that would include a hostage deal.²⁴ Qatar on 9 November informed Hamas and **Israel** that it would stall its efforts to mediate a ceasefire and hostage release deal until they demonstrate “*willingness and seriousness*” to resume negotiations.²⁵ However, **White House** security advisor **Jake Sullivan** said on 1 December that the possibility of both a ceasefire and a hostage deal in Gaza were now more likely,

*“[Hamas] are isolated. [Lebanese Shia Islamist political party and paramilitary group] Hezbollah is no longer fighting with them, and their backers in Iran and elsewhere are preoccupied with other conflicts. So I think we may have a chance to make progress.”*²⁶

However, Sullivan said he would not predict when exactly it could happen as mediators have “*come so close so many times and not gotten across the finish line*”.²⁷ Negotiators have struggled in previous rounds to resolve a major rift between Hamas and Israel, which vows to fight until the Palestinian armed group is destroyed.²⁸ Meanwhile, Hamas demands that any ceasefire must result in a cessation of fighting and a complete withdrawal of Israeli troops from Gaza. Israeli foreign minister **Gideon Saar** said on 1 December that while there was some indication of progress toward a hostage deal, his country’s conditions for ending the conflict remain unchanged.²⁹ The current war in Gaza broke out on 7 October 2023 after Hamas fighters launched an attack on southern Israel and killed approximately 1,200 people. In response, Israel launched a ground and air assault, which Gaza health officials estimate has left more than 44,400 dead and displaced nearly all of the enclave’s population.³⁰

While there is greater optimism for a ceasefire and a hostage deal in the Gaza conflict, recent history highlights the immense challenges in achieving one, as both Hamas and Israel remain resolute in their conditions. Nonetheless, reaching such an agreement would be a significant step toward regional stability.

Egypt is deeply invested in the Gaza conflict ending for both humanitarian and strategic reasons. Sharing a border with Gaza at the **Rafah** crossing, Egypt is directly affected by the humanitarian crisis there, including the loss of life, destruction and displacement. The conflict has also destabilised the region, negatively impacting Egypt’s economy, including significant revenue losses from the **Suez Canal** due to disruptions such as **Yemeni Houthi** attacks on shipping vessels. Egypt on 12 May also formally joined the case filed by **South Africa** against Israel with the **International Court of Justice (ICJ)**, a decision driven by the growing scale of Israel’s operations in Gaza (*see ARC Briefing Egypt May 2024*). Given that Egypt is also a major supporter of the Palestinian cause, the conflict has greatly strained bilateral relations with Israel, which are expected to worsen the longer the conflict continues.

Key things to watch in 2025

As Egypt heads into 2025, its economic trajectory will be shaped by ongoing inflation management, privatisation efforts and fiscal reforms under its \$8 billion expanded IMF loan programme. Inflation cooled to 25.5% in November but continued pressure from a weakened pound and energy price hikes may challenge stability. The CBE is expected to maintain high interest rates until inflation shows a consistent decline, indicating that a rate cut could most likely come in the first quarter of 2025. At the

²³ Reuters, 1 Dec 2024; Al Jazeera, 1 Dec 2024

²⁴ Reuters, 1 Dec 2024; Al Jazeera, 1 Dec 2024

²⁵ NPR, 9 Nov 2024; Al Jazeera, 9 Nov 2024

²⁶ CNN, 1 Dec 2024

²⁷ CNN, 1 Dec 2024

²⁸ Al Jazeera, 16 Aug 2026; Bloomberg, 16 Aug 2024

²⁹ Reuters, 1 Dec 2024

³⁰ Reuters, 1 Dec 2024

same time, Egypt's privatisation plan, which includes selling stakes in at least ten state-owned companies, will be crucial for reducing state control over the economy and meeting IMF targets, although the revenue generated and the impact on timelines remain uncertain.

Additionally, Egypt's role in mediating the Gaza conflict remains vital for regional stability, as the humanitarian crisis continues to affect both Egypt's economy and its relations with Israel. These economic and geopolitical developments will play a pivotal role in shaping Egypt's future.

Planner

2024/2025 **Cairo (Egypt)** Further subsidy reductions expected;
 26 Dec 2024 **Cairo (Egypt) Monetary Policy Committee (MPC)** policy meeting;
 2025 **Ras El-Hekma (Egypt)** Construction to begin on the \$35 billion Ras El-Hekma project;

Chronology

10 Dec 2024 **Cairo (Egypt)** *Middle East Monitor*. Egyptian authorities have reportedly placed the country under an "undeclared state of high alert" following the ousting of **Syria's** former president, **Bashar Al-Assad**;

10 Dec 2024 **Cairo (Egypt)** *Egypt Today*. Planning, economic development and international cooperation minister **Rania Al-Mashat** announces that Egypt is set to launch a strategic charter in Q1 of 2025 designed to support and encourage startups and aims to provide increased startup investment from \$500m to \$5 billion;

10 Dec 2024 **Cairo (Egypt)** *Middle East Monitor*. The foreign ministry says it condemns **Israel's** seizure of the buffer zone within **Syrian** territory, noting that it is occupying Syrian land illegally;

5 Dec 2024 **Cairo (Egypt)** *New Arab*. Prime minister **Mostafa Madbouly** confirms government will sell stakes in four military-owned companies on the stock market as it continues its privatisation programme;

5 Dec 2024 **Cairo (Egypt)** *Anadolu Agency*. **Palestinian** militant group **Hamas** says it has accepted an Egyptian proposal to form a joint Palestinian committee to run the **Gaza Strip** after the ongoing war with **Israeli**;

4 Dec 2024 **Cairo (Egypt)** *Egypt Today*. Foreign affairs minister **Badr Abdelatty** meets with his **Ugandan** counterpart, **Henry Okello**, to host a second round of bilateral political consultations;

4 Dec 2024 **Cairo (Egypt)** *Bloomberg*. Egypt concludes its initial public offering of 30% of state-owned **United Bank**, a step forward in an **International Monetary Fund**-backed drive to sell off state assets and boost the economy;

3 Dec 2024 **Cairo (Egypt)** *AfDB*. **African Development Bank (AfDB)** board of directors approves a loan of \$170m to support the development of the 1.1GW **Suez Wind Project**;

3 Dec 2024 **Cairo (Egypt)** *Middle East Monitor*. Foreign minister **Badr Abdelatty** confirms that Egypt rejects any **Israeli** military presence on the **Palestinian** side of the **Rafah** border crossing and in the **Philadelphi Corridor**;

1 Dec 2024 **Cairo (Egypt)** *Bloomberg*. **United States (US)** president-elect **Donald Trump** warns the **BRICS** countries that he will require commitments that they will not move to create a new currency as an alternative to using the US dollar and repeats threats to levy a 100% tariff;

1 Dec 2024 **Cairo (Egypt)** *Daily News Egypt*. Egypt and **Mali** pledge to strengthen bilateral relations in security, development and trade;

1 Dec 2024 **Cairo (Egypt)** *Reuters*. Security officials hold talks with **Hamas** leaders in a renewed push for a ceasefire;

30 Nov 2024 **Libreville (Gabon)** *Daily News*. Transitional president **Brice Oligui Nguema** meets with **Egypt's** President **Abdel Fattah El-Sisi** to discuss bilateral ties and enhancing cooperation;

27 Nov 2024 **Cairo (Egypt)** *Reuters*. **Israeli** military says it shot down a drone which was carrying weapons and crossed from Egypt into Israel;

25 Nov 2024 **Cairo (Egypt)** *Zawya*. **Egyptian-Chinese Entrepreneurs Association** secretary general **Mohamed Alaa** announces an Egyptian-Chinese investment alliance in an agricultural complex in the new valley with an investment of \$7 billion;

25 Nov 2024 **Cairo (Egypt)** *MENAFN*. **Poland**-headquartered **Henfra** announces a \$1.6 billion investment in the establishment of a green ammonia production facility in Egypt with the intention of a final investment totalling \$10.6 billion and production of 100,000 tonnes per year by 2030;

24 Nov 2024 **Cairo (Egypt)** *Bloomberg*. Egypt, which recently diverted several incoming liquefied natural gas shipments, is reviewing its energy import needs amid a fall in domestic power demand and a drive to trim spending;

About Africa Risk Consulting:

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