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Egypt Summary 26 February 2025

President Abdel-Fattah El-Sisi (2014-present) calls on the international community to draft a plan to rebuild the war-torn Gaza (Palestine) without displacing Palestinians from Gaza, going against United States (US) President Donald Trump's (2025-present) suggestions. Annual urban consumer inflation slows marginally for a third consecutive month in January to 24% from 24.1% in December, complicating the timing the first interest rate cut since 2020. Suez Canal Authority (SCA) managing director and chairman Osama Rabie says on 23 February that 47 ships have been rerouted to the key supply route since the start of the month, indicating a tentative recovery in traffic following last month's ceasefire between Hamas and Israel.

Egypt rejects US plan to take part in the forced displacement of Palestinians

During a 19 February press conference with **Spain's** prime minister, **Pedro Sánchez** (2018-present), President **Abdel-Fattah El-Sisi** (2014-present) called on the international community to draft a plan to rebuild the war-torn **Gaza (Palestine)** without displacing Palestinians "from their lands".¹ El-Sisi's plea comes after **United States (US)** President **Donald Trump** (2025-present) 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".² The Egyptian Presidency confirmed on 12 February that Jordan's King **Abdullah** (1999-present) informed El-Sisi during a phone call that Gaza must be rebuilt without displacing Palestinians.³ Despite Egypt and Jordan's rejection of the plan, Trump doubled down, stating he says they will accept the plan and even threatened to withdraw aid from the two US-allied **Arab** countries if they refused.⁴ The US distributed \$1.3 billion in military aid to Egypt in 2024 and sanctioned the potential sale of more than \$5 billion worth of arms to the country.⁵

Trump's proposal has caused a major rift in US-Egyptian relations and El-Sisi will reportedly not travel to **Washington** (US) for discussions at the **White House** as long as the agenda included plans to displace Palestinians from Gaza.⁶ The plan also angered other **Arab** leaders, including those from **Saudi Arabia** and the **United Arab Emirates (UAE)**, with UAE's President Sheikh **Mohammed bin Zayed Al Nahyan** (2022-present) informing US secretary of state **Marco Rubio** on 19 February that the UAE has also rejected Trump's proposal.⁷ Saudi Arabia, which also rejected Trump's proposal, is currently leading urgent Arab efforts to develop an alternative plan for Gaza and its future.⁸ The proposed ideas will be reviewed in **Riyadh** (Saudi Arabia) by officials from Egypt, Saudi Arabia, Jordan, UAE, Palestine and **Qatar**, and then will be presented at an **Arab League** summit in **Cairo** on 27 February. The role of Saudi Crown Prince, **Mohammed bin Salman**, is expected to be key in drafting the new proposal, which may include a **Gulf**-led reconstruction fund, a deal to form a national Palestinian committee to govern Gaza without the Palestinian militant group **Hamas** and a movement towards a two-state solution.⁹

¹ Reuters, 19 Feb 2025

² Al Jazeera, 4 Feb 2025

³ Egyptian Presidency, 12 Feb 2025

⁴ Bloomberg, 11 Feb 2025

⁵ Reuters, 19 Feb 2025

⁶ Middle East Monitor, 12 Feb 2025

⁷ WAM, 19 Feb 2025

⁸ Reuters, 14 Feb 2025

⁹ Reuters, 19 Feb 2025

While military aid from the US is vital for Egypt's security, the country is prepared to forego it, as Trump's proposal to displace Palestinians threatens Egypt's national interest.¹⁰ Cairo views the expulsion of Palestinians from Gaza as a major threat to its domestic security, potentially fuelling extremism and providing a pretext for future Israeli attacks, and as "*an injustice in which we cannot participate*".¹¹ A local analyst also described the proposal as "*beyond ridiculous and inhumane on so many levels*":

*"But one big takeaway is that it has finally pushed the Arab League to take ownership of the situation in Gaza, which was not clearly obvious before".*¹²

Interest rates held for seventh consecutive meeting

The **Central Agency for Public Mobilization and Statistics (CAPMAS)** reported on 10 February that annual urban consumer inflation slowed marginally for a third consecutive month in January to 24% from 24.1% in December and 25.5% in November, complicating the timing for the **Central Bank of Egypt (CBE)** to enact the country's first interest rate cuts since 2020.¹³ Monthly inflation increased to 1.5% from 0.2% in December after it had decreased from 0.5% in November.¹⁴ Food and beverage prices, the largest single component of Egypt's inflation basket, increased by an annual 20.8% in January from 20.3% in December. Food prices increased by 2.1% month-on-month in January after decreasing by 1.5% in December. Meanwhile, core inflation, a gauge the CBE uses which strips out volatile and regulated items, slowed to 22.6% in January from to 23.2% in December.¹⁵

The headline figure remains relatively high, reflecting the two-year economic crisis Egypt endured before securing a \$57 billion global bailout in the form of 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*). The slight slowdown in inflation in January suggests that Egyptians are still feeling the effects of recent price hikes on fuel, electricity, cigarettes and other essentials. Authorities hiked fuel prices three times in 2024, with the latest hike in October by an average of 9.2%, 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. Reducing the budget deficit by cutting subsidies, while replacing them with targeted social spending, is a key component of Egypt's expanded \$8 billion IMF programme agreed upon in March 2024.

CBE's **Monetary Policy Committee (MPC)** said on 20 February that it decided to maintain interest rates at a record high of 27.25% for a seventh consecutive policy meeting due to an increase in upside risks that could impact inflation.¹⁶ It attributed the elevated risks to the increasingly uncertain regional and global outlook caused by the impacts of US protectionist trade policies and geopolitical tensions.¹⁷ Despite this, CBE forecasts inflation to decline substantially in the first quarter of 2025 due to its tight monetary policy and a favourable base effect.¹⁸ Such a trajectory increases the likelihood of the country's first interest rate cut since the height of **Covid-19**. The MPC said in September that it needs to see a "*significant and sustained decline in inflation*", which could come by the end of Q1, before enacting a cut.¹⁹ The MPC, which will convene its next monetary policy meeting in April, has an objective of achieving 7% inflation, with a margin of plus or minus two percentage points, by the end of 2026.²⁰

¹⁰ Royal United Services Institute, 12 Feb 2025

¹¹ Middle East Monitor, 12 Feb 2025

¹² Source, local analyst, Cairo

¹³ CAPMAS, 10 Feb 2025

¹⁴ CAPMAS, 10 Feb 2025

¹⁵ CAPMAS, 10 Feb 2025

¹⁶ CBE, 20 Feb 2025

¹⁷ CBE, 20 Feb 2025

¹⁸ CBE, 20 Feb 2025

¹⁹ Central Bank of Egypt, 5 Sep 2024

²⁰ Central Bank of Egypt, 26 Dec 2024

Dozens of ships return to Suez Canal after Hamas-Israel ceasefire

The **Suez Canal Authority (SCA)** managing director and chairman **Osama Rabie** confirmed on 23 February that 47 ships had been rerouted to the key supply route since the start of the month, indicating a tentative recovery following last month's ceasefire between Hamas and **Israel**, which prompted **Yemeni Houthi** rebels to reduce attacks on vessels from the US and **United Kingdom (UK)** in response to the ceasefire.²¹ Rabie highlighted that ships chose to use the Suez Canal instead of the longer route through **South Africa's Cape of Good Hope**, around Africa's southern tip.²² He added that SCA's consultations with clients and shipping line "shows positive indicators for the return of stability in the Red Sea region" but did not provide giving comparative figures or further details.²³

Rabie also forecast earlier this month, on 10 February, that if the Gaza ceasefire holds up, traffic through the Suez Canal to return to normal levels by late March and fully recover by mid-2025.²⁴ When Rabie made the statement, 32 vessels a day passed through the Suez Canal, in comparison to 75 that transited through the canal before the start of the Hamas-Israel war on 7 October 2023.²⁵ However, foreign trade and investment minister **Hassan El Khatib** warned on 22 January that, "it's not going to be an immediate switchback to the Suez Canal as we envisage" and that authorities will watch the situation and discuss with shipowners.²⁶

Cargo traffic through the Suez Canal, one of the world's key trade routes, 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. Suez Canal revenues fell at least 60% due to conflict and El-Sisi said on 26 December that events in the Red Sea and regional challenges led to Egypt losing approximately \$7 billion in revenues from the Suez Canal in 2024.²⁷

The ceasefire in Gaza that began on 26 January offers hope that the attacks will eventually stop, though a full recovery in canal traffic is unlikely to happen immediately.²⁸ 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 Israel-Hamas ceasefire 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.

Planner

27 Feb 2025 **Cairo (Egypt)** Emergency **Arab** summit to discuss developments in **Gaza**;
 Apr 2025 **Cairo (Egypt)** **Monetary Policy Committee (MPC)** policy meeting;
 2025 **Ras El-Hekma (Egypt)** Construction to begin on the \$35 billion Ras El-Hekma project;
 2025 **Cairo (Egypt)** Further subsidy reductions expected;

Chronology

24 Feb 2025 **Cairo (Egypt)** *Lusaka Times*. **Zambia's** President **Hakainde Hichilema** arrives in Cairo for an official state visit where he will meet with President **Abdel-Fattah El-Sisi**;
 23 Feb 2025 **Cairo (Egypt)** *Syrian Presidency*. **Syrian** presidency says in a statement that the country's new President **Ahmed al-Sharaa** has received an invitation from his Egyptian

²¹ Bloomberg, 23 Feb 2025

²² Suez Canal Authority, 23 Feb 2025

²³ Suez Canal Authority, 23 Feb 2025

²⁴ Bloomberg, 23 Feb 2025

²⁵ Bloomberg, 23 Feb 2025

²⁶ Bloomberg, 10 Jan 2025

²⁷ Reuters, 26 Dec 2024

²⁸ Reuters, 16 Jan 2025

counterpart **Abdel-Fattah El-Sisi** to attend an emergency **Arab League** summit in Cairo on 4 March;

20 Feb 2025 **Cairo (Egypt)** *Reuters*. Saudi Crown Prince **Mohammed bin Salman** invites the leaders of **Gulf Arab** countries, including Egypt and **Jordan**, for a meeting in **Riyadh** to discuss the situation in **Gaza (Palestine)**;

17 Feb 2025 **Cairo (Egypt)** *Bloomberg*. Egypt and **Cyprus** signed deals for the re-export and commercialisation of Cypriot gas, agreements that are key for Cairo in its push to become a regional energy exporter as its own output suffered declines in the past couple of years;

12 Feb 2025 **Cairo (Egypt)** *Reuters*. President **Abdel Fattah El-Sisi** will reportedly not travel to the **United States (US)** for consultations if the agenda includes US President **Donald Trump's** plan to move **Palestinians** out of **Gaza**;

11 Feb 2025 **Cairo (Egypt)** *Daily News Egypt*. Foreign ministry says it will present a comprehensive plan for the reconstruction of the **Gaza Strip**, aimed at guaranteeing that **Palestinians** remain on their land and in accordance with their legitimate legal rights;

11 Feb 2025 **Cairo (Egypt)** *Bloomberg*. **United States (US)** President **Donald Trump** says **Israel** should call off its ceasefire with **Hamas** if hostages are not returned, raising concerns over the durability of the six-week truce in **Gaza**, while also threatening to cut off aid in a bid to get Egypt and **Jordan** to accept **Palestinian** refugees;

10 Feb 2025 **Cairo (Egypt)** *The Nation*. Foreign ministry announces an emergency **Arab** summit will be held on 27 February to discuss the developments following **United States (US)** President **Donald Trump's** suggestion that the US take over the **Gaza Strip** and resettle **Palestinians** elsewhere in the region;

9 Feb 2025 **Cairo (Egypt)** *Reuters*. The foreign ministry says that Egypt disapproves of the statements made by **Israeli** Prime Minister **Benjamin Netanyahu** in **United States** media accusing Egypt of preventing **Gazans** from leaving the territory;

5 Feb 2025 **Cairo (Egypt)** *Anadolu Agency*. President **Abdel Fattah El-Sisi**, in a phone call with **France's** President **Emmanuel Macron**, emphasises the need for a two-state solution for **Palestine** and **Israel**;

5 Feb 2025 **Cairo (Egypt)** *Bloomberg*. President **Abdel-Fattah El-Sisi** says his country plans to quickly roll out efforts intended to reconstruct **Gaza**, in an apparent response to **United States (US)** President **Donald Trump's** proposal of displacing **Palestinians** from the war-ravaged enclave;

4 Feb 2025 **Cairo (Egypt)** *Daily News Egypt*. Egypt's ambassador to **Tanzania**, **Sherif Ismail**, inaugurates the **Egypt-Tanzania Business Forum**, marking the start of an Egyptian trade mission to Tanzania;

4 Feb 2025 **Cairo (Egypt)** *Egypt Today*. **Central Bank of Egypt** receives 27 offers totalling \$1.241 billion for a local treasury bill tender with a 4.25% interest rate and a maturity date of 3 February 2026;

3 Feb 2025 **Cairo (Egypt)** *Jeune Afrique*. Prime minister **Mostafa Madbouly** sends a letter to **Burkina Faso's** prime minister **Jean Emmanuel Ouédraogo** via Egypt's ambassador to Burkina Faso, **Sherif Nada**, assuring him of his support in the fight against terrorism;

1 Feb 2025 **Cairo (Egypt)** *Al Jazeera*. **Gaza's** health ministry confirms that the **Rafah** border crossing into Egypt has opened for the first time in nearly nine months to allow patients to travel to Egypt for medical treatment;

30 Jan 2025 **Cairo (Egypt)** *Egypt Today*. Egypt and **Kenya** announce elevated ties with a 12-point cooperation agreement;

29 Jan 2025 **Cairo (Egypt)** *Gulf Today*. President **Abdel-Fattah El-Sisi** and **Jordan's King Abdullah II** reject any forced displacement of **Gazans** following **United States** president **Donald Trump's** suggestion that the **Palestinians** could be moved to the two Arab countries;

29 Jan 2025 **Cairo (Egypt)** *Iraqi News*. Prime minister **Mostafa Madbouly** and his **Iraqi** counterpart, **Mohammed Shia Al-Sudani**, will sign 11 memoranda of understanding (MoUs) following Madbouly's visit to **Baghdad** (Iraq);

29 Jan 2025 **Cairo (Egypt)** *Bloomberg*. Egypt issues \$2 billion with its first dollar-bond deal in almost two years, as the country emerges from its worst economic crisis in decades;

29 Jan 2025 **Cairo (Egypt)** *Zawya News*. Petroleum ministry announces discovery of eight million barrels of oil in the **Gulf of Suez** following an exploratory drilling operation by **UAE**-headquartered **Dragon Oil**;

26 Jan 2025 **Cairo (Egypt)** *Anadolu Agency*. Egypt and **Somalia** announce they have agreed to cooperate in the fight against the **al-Shabaab** terrorist group;

About Africa Risk Consulting:

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