Egypt and IMF reach staff level agreement on the fifth and sixth reviews

Egypt and the IMF reached a staff-level agreement on the fifth and sixth reviews under the Extended Fund Facility (EFF) and the first review under the Resilience and Sustainability Facility (RSF), reflecting continued progress in Egypt's economic reform program. The IMF noted stronger economic growth, improved external balances supported by tourism, remittances, and non-oil exports, and higher foreign reserves. Fiscal performance remained solid with increasing primary surplus and rising tax revenues, alongside continued efforts to reduce debt while protecting social spending. Monetary policy remains appropriate to support disinflation, while the Egyptian authorities reaffirmed their commitment to further fiscal discipline, tax reforms, and structural measures aimed at strengthening private sector–led growth and improving the business

At the conclusion of the discussions, the IMF Mission Chief for Egypt issued the following remarks:

Economic Growth

"Stabilization efforts have delivered important gains, and the Egyptian economy is showing signs of robust growth. This stability has been achieved amid a challenging regional security environment and heightened global uncertainty. Economic activity picked up to 4.4% in FY 2024/25, from 2.4% the previous year. The recovery was broad-based, supported by robust performance in non-oil manufacturing, transportation, finance and tourism. Economic activity accelerated further in Q1 FY2025/26, reaching 5.3% (y/y)".

Fiscal Policy

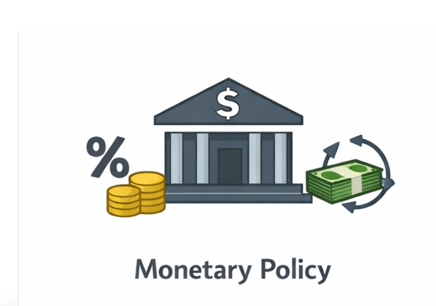
"Fiscal performance has remained robust, with a primary balance surplus of 3.5% of GDP in FY 24/25. Despite strong performance of tax revenues that grew by 36% in FY 2024/2025 and 35% during July-November 2025/26, through reforms to widen the tax base, improve voluntary tax compliance, and streamline exemptions. The tax-to-GDP ratio remained at modest levels by international standards in FY24/25 (12.2% of GDP). Thus, continued efforts are needed to close the tax-to-GDP gap and place gross budget sector debt on a firm downward path while safeguarding targeted social spending".

"The authorities reiterated their commitment to maintain fiscal discipline, reduce gross financing needs, and place budget sector debt on a sustained downward path. In this regard, they are targeting a primary balance surplus (including net acquisition of financial assets) of 4.8 percent of GDP this fiscal year, and 5 percent of GDP in FY 26/27. The cabinet is also expected to approve a growth-friendly package of tax reforms in January 2026 to increase tax collections by about one percent of GDP next fiscal year".

Balance of Payments

"The balance of payments has improved markedly, despite adverse external developments. In particular, the current account deficit narrowed, as both remittances and tourism receipts remained buoyant, and non-oil exports registered strong growth. External financial conditions eased significantly in 2025, with the stock of non-resident inflows into local-currency debt rising to around USD 30 billion, and foreign currency reserves reaching USD 56.9 billion".

Monetary Policy



"The central bank of Egypt (CBE) has maintained an appropriately tight monetary policy stance, pursuing a cautious and gradual monetary easing to sustain disinflation efforts. Going forward, this careful management of the easing cycle should continue, as month-on-month inflation readings suggest that disinflationary pressures are not yet firmly entrenched. Headline urban inflation edged up slightly to 12.3% (y/y) in November after hitting a 40-month low in September. This is the result of tight fiscal and monetary policies, the elimination of FX shortages, and the dissipating impact of earlier exchange rate depreciation".

Private Sector Empowerment

"The authorities and IMF team discussed the objectives of the National Narrative for Economic Development, which prioritizes a reform agenda aimed at transforming Egypt's growth model toward a more competitive, private sector driven economy. The authorities have also taken steps to improve the ease of doing business, especially on trade facilitation and streamlining tax related procedures, where private sector participants have acknowledged the results already achieved in this area".

Ministry of Foreign Affairs, Emigration, and Egyptian Expatriates
E-mail: Economic.Affairs@mfa.gov.eg