ECES
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The Egyptian Center
for Economic Studies

Business Barometer

Issue 77 October - December 2025

Performance Evaluation during the period October – December 2025
and Outlook for the period January – March 2026
from the Business Community's point of view

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Business Barometer

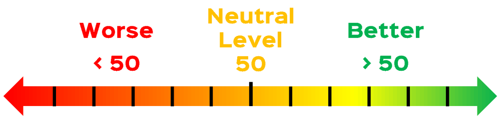
Issue 77 October – December 2025

Contents

Executive Summary

This edition of Business Barometer presents a periodic assessment conducted by the Egyptian Center for Economic Studies of a sample of 120 private sector firms covering various sectors and sizes. It reflects the business community's opinion on developments in a range of variables, specifically: Production, domestic sales, exports, inventory, capacity utilization, prices, wages, employment, and investment during the quarter October-December 2025, as well as their outlook for the quarter January-March 2026, alongside a comparison of the results with those of the previous quarter (July-September 2025) and the corresponding quarter (October-December 2024).[1] The following is a brief overview of the key findings of the report for the quarter under study (October - December 2025).

Evaluating performance and exploring the outlook based on the overall index[2]



- The Business Barometer Index (BBI) for performance in the quarter under review and outlook in the upcoming quarter continued to rise.

According to size:

- Large firms are driving the rise in the BBI, while small and medium-sized enterprises have experienced slower recovery.

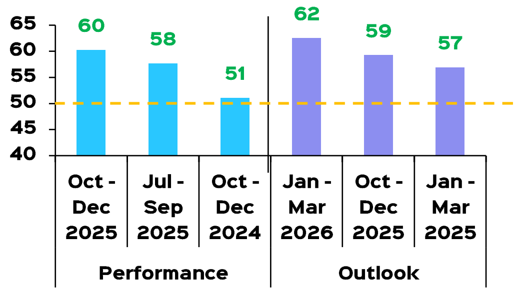
Sectorally:

- The BBI improved across all sectors during the current quarter, with financial services and telecommunications accounting for the best performance.

Challenges:

- Notable mitigation in the challenges associated with lack of clarity regarding future economic policy directions, and an improvement in the tax and customs regimes.
- The construction sector faces the greatest challenges across sectors, with small and medium-sized enterprises (SMEs) suffering the most.

The performance of the BBI for the quarter under study exceeded the neutral level by 10 points, due to the recovery of production, domestic sales, exports, and capacity utilization across firms and sectors. This is a result of the relative stability of the geopolitical situation in the Middle East, increased demand for Egyptian products in foreign markets, and recovery of local markets with the start of the school year and the month of Ramadan.



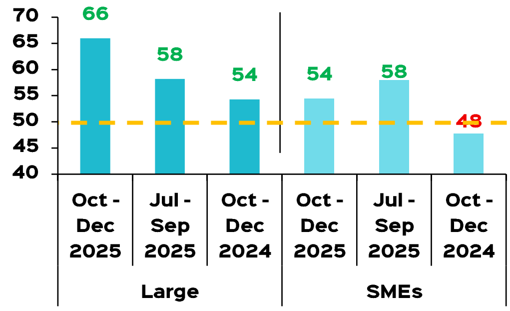
The *outlook index* exceeded the **neutral level** by 12 points, reflecting expectations of continued improvement in economic activity during the upcoming quarter. Estimates indicate continued recovery in production and sales, albeit at a slower pace compared to the previous quarter, in addition to expectations of rising export and wage indices in the upcoming period.

[1] Data were compiled during the period January to mid-February 2026.

[2] It is worthy of note that during the analysis for this issue, the new US tariffs were still in place and the recent Iranian conflict had not yet begun.

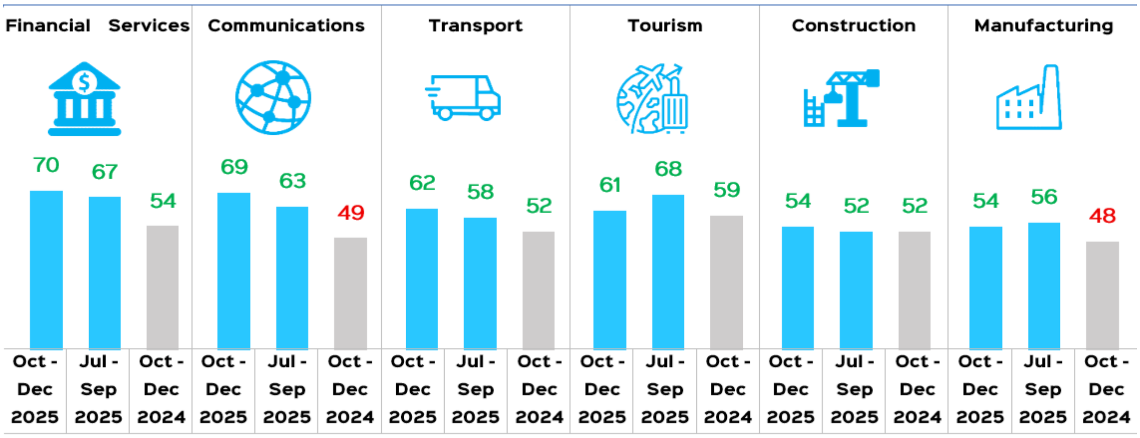
According to size:

The BBI for large firms has significantly exceeded the neutral level, reflecting improved production, domestic sales and exports, along with higher rates of capacity utilization. Meanwhile, the recovery of small and medium-sized enterprises (SMEs) was slower, despite their index exceeding the neutral level, primarily due to weak exports during the current quarter.



Sectorally:

Improved BBI across **all sectors** during the current quarter, with **financial services** achieving the best performance.



The **manufacturing industries'** recovery continued, albeit at a slower pace compared to the previous quarter, recording a rise above the **neutral level** by 4 points. This is due to the improvement in production and export indicators, increased seasonal domestic sales in the ready-made garment, food, and engineering industries sub-sectors, as well as high demand for Egyptian products, whether as a result of the truce in Gaza and the ability to meet export orders on time, or due to higher customs duties giving Egyptian products a price advantage.

The **financial services sector** experienced the best performance, recording values exceeding the **neutral level** by 20 points. This can be ascribed to the high trading volumes resulting from the Central Bank of Egypt's continued implementation of monetary easing, in addition to repeal of the capital gains tax on stock market transactions, aimed at encouraging investment in the money market. Higher trading volumes helped stabilize macroeconomic indicators and strengthen investor confidence in the Egyptian economy, leading to upgrading of Egypt's credit rating by international rating agencies.

Challenges and priorities from the perspective of the business community:

A notable decline in the challenges associated with lack of clarity regarding future economic policy directions, and an improvement in the tax and customs regimes.

The challenges related to **rising energy and water costs** topped the list of constraints, as the continuous rise in energy and water prices leads to increased production costs, especially for energy and water-intensive activities, thereby presenting an additional burden on firms. This was followed by high **inflation**, despite a significant decline compared to the previous quarter. **Dealing with government agencies came in third**, due to its negative impact on the business community resulting from slow procedures, bureaucracy, and employee behavior, as well as the multiplicity of judicial officers in government agencies, thus opening the door to the spread of corruption and unofficial payments. In fourth place came the difficulty in attaining qualified labor, which places an additional burden on firms through increasing their spending on training and qualification as a result of the gap between the outputs of the education and training system on one hand, and the needs of the labor market on the other.

Firms believe that a key priority is to revisit energy and water tariffs and the frequency of their hikes, while also checking inflation and facilitating government procedures in a way that contributes to improving the business environment and attracting more investments.

Main Macroeconomic Developments:

Globally: Economic growth has stabilized and financial conditions are improving, but potential risks are increasing due to escalating geopolitical tensions, supply chain disruptions, and continued uncertainty related to trade policies.[3]

Domestically: Continued cautious improvement in macroeconomic conditions driven by recovery in economic growth and a decline in the current account deficit, while external debt and its interest payments are rising, requiring an acceleration of structural reforms that stimulate real sector growth and enhance competitiveness.

[3] For more details on global, regional, and local financial conditions, see the Egyptian Center for Economic Studies report, "Financial Markets Snapshot," Issue 26 (2026), https://eces.org.eg/wp-content/uploads/2026/02/Financial-Markets-Snapshot-Issue-26.pdf

About ECES

The Egyptian Center for Economic Studies (ECES) is an independent, non-profit think tank that conducts specialized economic research, drawing on international experience and constructive discussions among various stakeholders. ECES's main objective is to propose sound economic policies, and institutional and legislative reforms that contribute to sustainable development in Egypt, all on the basis of combined economic efficiency and social justice.

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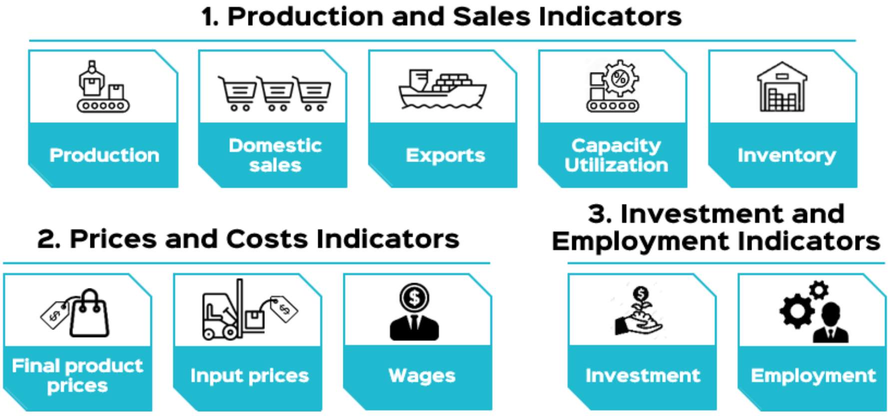
Report Details

Business Barometer Methodology

To complement its efforts in providing integrated information that reflects the developments witnessed by the Egyptian economy in general and the business community in particular, the Egyptian Center for Economic Studies (ECES) has been issuing its Business Barometer (BB) since 1998. The BB provides a quarterly assessment of the performance of a sample of private firms covering various sectors and sizes. This assessment reflects the opinion of the business community regarding developments across a set of variables during the quarter under review, and sheds light on its outlook for the development of the same set of variables in the next quarter.



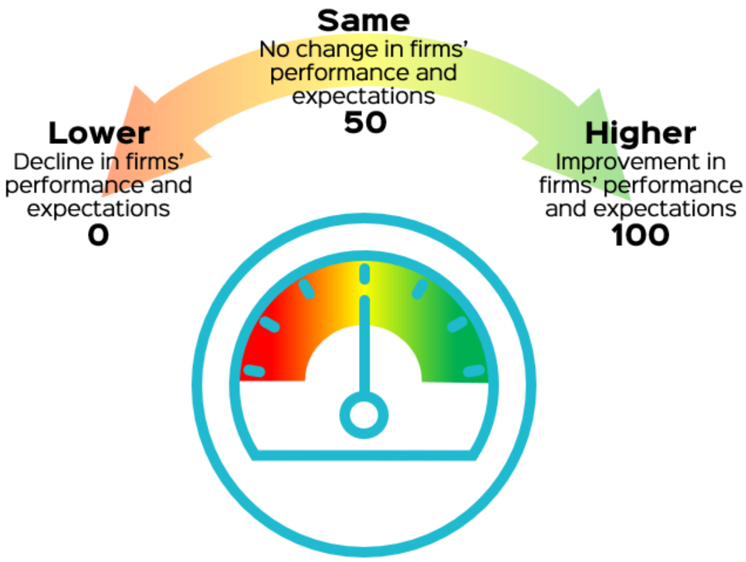
The significance of this issue of the Business Barometer increases in light of the challenges the business community has faced since early 2020, starting with the COVID-19 pandemic, followed by a recovery accompanied by various challenges in 2021, the Russian-Ukrainian war in early 2022, and most recently, the war in Gaza and geopolitical unrest in the Red Sea since October 2023, which has exacerbated these challenges. Therefore, it is important to track the impact of these developments.

This report presents an evaluation of the sample firms' performance during the quarter (April-June 2024) and their outlook for the quarter (July-September 2024).

The report begins with an overview of the macroeconomy at both the global and local levels, it then presents the performance evaluation and outlook at the level of the overall index, followed by to the constraints faced by the business community during the study period, and the priorities for improving the business climate from the sample firms' perspectives. Finally, the report concludes with an evaluation of performance and outlook at the level of the sub-indices.

The Business Barometer is based on the results of a periodic survey conducted by the center every three months on a fixed sample of 120 private sector firms distributed as follows:

- The analysis evaluates the performance of the sample firms during the study period and their outlook for the next quarter, compared to the results of the previous quarter and the corresponding quarter of the previous year.
- Performance and outlook are evaluated on two levels: the overall index results and the sub-indices' results.
- The Business Barometer Index represents a simple average of a set of sub-indices for the variables mentioned in the questionnaire. The overall index takes values greater than, less than, or equal to the neutral level (50 points).



The index is calculated for each variable using this equation:

$$X = \frac{I + S}{100 + S} \times 100$$

where I is the share of firms reporting an increase and S the share of firms reporting "same."

Regarding the constraints and priorities for improving the business climate:

Firms evaluate the severity of each constraint, with the rating ranging from zero (not impactful) to four (highly impactful). Firms are allowed to choose more than one constraint. Regarding the priorities for improving the business climate, firms rate the priorities, with the rating for each axis ranging from zero (not important) to four (high priority). Firms are allowed to choose more than one axis as a priority for improving the business climate.

Next, a weighted average is calculated based on the number of firms and their evaluation of the constraint/priority across the entire sample.

All averages for constraints/priorities are re-evaluated to range between zero and one, followed by normalization of the new averages for all constraints/priorities. This allows for ranking the constraints/priorities in descending order according to their severity, with 100% being the most severe constraint and the highest priority.

Macroeconomic Overview

Globally: Global economic growth is stabilizing with financial conditions improving, but potential risks are increasing due to escalating geopolitical tensions, supply chain disruptions, and continued uncertainty related to trade policies.

Despite a high level of uncertainty, global economic growth remained at 3.3%, an increase of 0.2 percentage points compared to last October's forecast. This performance is attributed to several factors, including the easing of trade tensions following the trade truce between China and the US, along with fiscal and monetary incentives and continued accommodative financial conditions. The investment boom in the information technology sector, particularly in artificial intelligence, specifically in the US and China, contributed to supporting this growth, in addition to the rise in global trade in technology-related exports. However, growth of global trade remains modest, and is expected to reach around 2.6% in 2026—lower than that recorded in 2025.[4]

Forecasts point to a continued slight decline in global inflation from 4.1% in 2025 to around 3.8% in 2026, driven by slowing demand and declining prices for many basic commodities globally. However, the inflation path remains uneven between countries; advanced economies, including the US and the EU, have seen a significant decline in inflation as a result of tight monetary policies, while inflation dynamics in emerging markets remained varied, reflecting the specific factors and drivers of each country. Nevertheless, major central banks have largely maintained a cautious approach in adjusting their monetary policies.

The US dollar continued its downward trend, declining against major global currencies amid expectations of lower inflation and divergent monetary policy directions. This downturn helped ease financial conditions in advanced economies, reduced external financing constraints, and supported capital flows to emerging markets.[5]

Commodity markets continued to show mixed trends, as supply and demand conditions changed and market sentiment fluctuated across major commodity groups; energy prices saw a notable decline, while precious metals and some agricultural commodities made significant gains. Oil and natural gas prices fell amid expectations of weak demand and abundant supply, despite geopolitical concerns. In contrast, gold prices rose, supported by heightened uncertainty and the continued resort of investors to safe-haven assets. As for the agricultural markets, their performance was mixed, with rice and meat prices rising as a result of increasing supply pressures.[6]

Domestically: Continued cautious improvement in macroeconomic conditions, driven primarily by a recovery in economic growth and a decline in the current account deficit, while external debt and its interest burdens are rising, requiring an acceleration of structural reforms that stimulate real sector growth and enhance competitiveness.

The following section reviews key developments and published data regarding the most important macroeconomic indicators of the Egyptian economy up to the date of publication of this report:

The Executive Board of the International Monetary Fund concluded the fifth and sixth reviews under the Extended Fund Facility arrangement with Egypt, as well as the first review under the Resilience and Sustainability Facility, enabling the Egyptian government to access approximately US$2.3 billion. The IMF confirmed that Egypt's macroeconomic conditions have improved as a

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[4] IMF, *World Economic Outlook* (Washington, DC: International Monetary Fund, January 2026

[5] Central Bank of Egypt, *Monetary Policy Report*, fourth quarter 2025, February 2026.

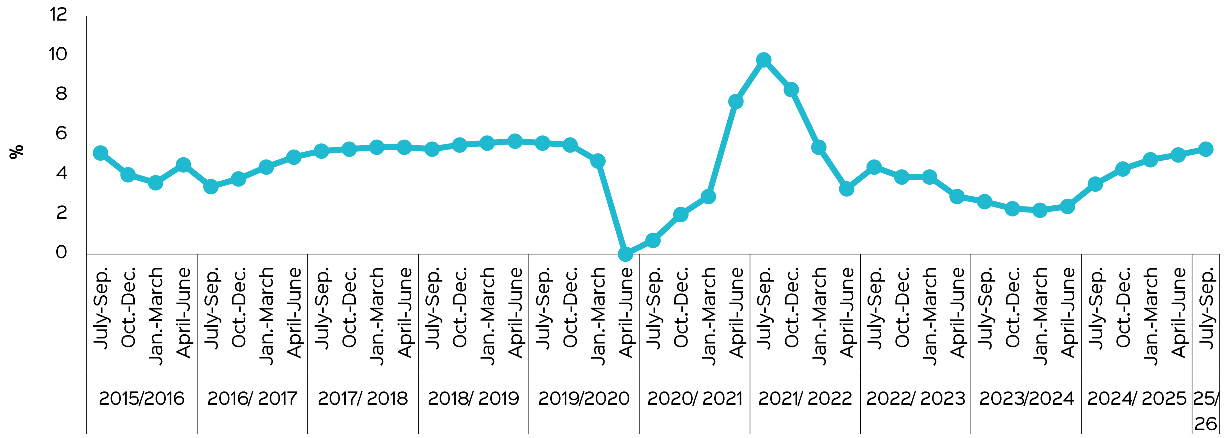
[6] For more details on global, regional, and local financial conditions, see the Egyptian Center for Economic Studies report, "Financial Markets Snapshot," Issue 26 (2026), https://eces.org.eg/wp-content/uploads/2026/02/Financial-Markets-Snapshot-Issue-26.pdf

result of tight monetary and fiscal policies, along with a flexible exchange rate, which contributed to restoring macroeconomic stability, reducing inflation, and strengthening the external position. However, progress in deepening structural reforms is not balanced, and it remains necessary to accelerate their implementation, particularly reducing the state's economic footprint and achieving equal opportunities, to ensure sustainable and inclusive private sector-led growth.[7]

I. GDP Growth

GDP growth continued its upward trend, recording 5.3% in the first quarter (July-September) of FY 2025/2026, its highest level in three years, reflecting stability of macroeconomic conditions, improved performance of the non-petroleum manufacturing, tourism, communications and information technology sectors, in addition to the start of recovery in Suez Canal activity following alleviation of geopolitical tensions in the Red Sea. On the expenditure side, the higher growth reflects an improved contribution of both private investment and net exports to output during Q1 of FY 2025/2026 (Ministry of Planning and Economic Development, 2025).[8]

Figure 1: Real GDP Growth (2015/2016 – Q2 2024/2025)



Source: Ministry of Planning and Economic Development

II. Inflation

The annual rate of headline inflation during Q4 of 2025 recorded a slight decrease of about 2% compared to Q3 of the same year, reaching 12.3%. This reflects a decrease in food prices, which eased inflationary pressures on non-food and regulated prices. Conversely, the rise in regulated prices led to an increase in annual core inflation by about 8%, reaching 12.1% during Q4 of 2025 compared to the previous quarter.

With the expected continuing downward trend in inflation, the Central Bank of Egypt decided to cut the key policy rates by 100 basis points twice in a row, on December 25, 2025, and then on February 12, 2026. This brought the overnight deposit and lending rates and the main operation rate to 19.0%, 20.0%, and 19.5%, respectively, and the discount rate to 19.5%. The reserve requirement ratio was also reduced from 18% to 16% to calibrate liquidity conditions within the banking system, maintain the effectiveness of monetary policy, and ensure the impact of these decisions is optimally transmitted to financial markets and the broader economy.[9]

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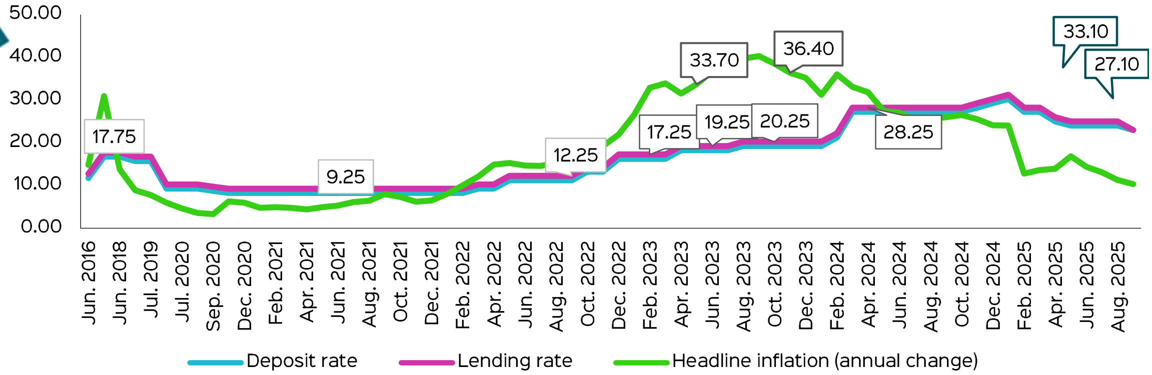
[7] IMF. 2025 "IMF Staff Reaches Staff-Level Agreement on Egypt's Fifth and Sixth Review Under the Extended Fund Facility and First Review Under the Resilience and Sustainability Fund." Washington, DC: International Monetary Fund.
[8] Ministry of Planning, Economic Development and International Cooperation. 2025. *Quarterly GDP Bulletin – First Quarter of Fiscal Year 2025/2026.* Cairo: Ministry of Planning, Economic Development and International Cooperation: https://moic.gov.eg/ar/news/2642
[9] The Central Bank of Egypt. 2025 *Press releases of the Monetary Policy Committee on December 25, 2025 and February 12, 2026.*

Figure 2: Inflation and Key Interest Rates



Sources: Central Bank of Egypt, Monthly Statistical Bulletin; Press release on the exceptional meeting of the Monetary Policy Committee on March 6, 2024; CAPMAS, Monthly Bulletin of Consumer Price Indices, various issues.

III. Foreign transactions

The balance of payments recorded an overall deficit of about $1.6 billion during Q1 (July-September) of FY 2025/2026, compared to $991.2 million in the corresponding quarter of FY 2024/2025. Despite this deficit, the current account deficit decreased by 45.2% from $5.9 billion in Q1 of FY 2024/2025 to $3.2 billion in Q1 of FY 2025/2026. In contrast, the capital account recorded a net outflow of $366.4 million in Q1 of FY 2025/2026, compared to a net inflow of about $3.8 billion in the same quarter of FY 2024/2025. The following is a review of the main developments in the balance of payments (Central Bank of Egypt 2026).[10]

Current Account Transactions:

The current account deficit has declined, driven by an increase in remittances from Egyptian workers abroad, an increase in tourism revenues, as well as a decrease in the non-petroleum trade deficit. However, the pace of this improvement in the current account deficit was limited by the increase in the deficit in both the petroleum trade balance and the investment balance, as follows:

- Remittances from Egyptians working abroad increased by 29.8% compared to the first quarter of the previous fiscal year, reaching approximately $10.8 billion.
- Tourism revenues increased by 13.8% to reach approximately $5.5 billion, driven by a rise in the number of tourist nights.
- Suez Canal revenues increased by 12.4% to reach approximately $1.05 billion on increased net tonnage and the number of transiting ships.
- The non-oil trade deficit decreased by about $390.2 million to reach $9.5 billion, as a result of the increase in export revenues exceeding the increase in import payments.
- The oil trade deficit rose to $5.2 billion, compared to $4.2 billion, as a result of increased oil imports.
- The deficit in the investment income balance recorded an increase of 2.3% to reach approximately $4.4 billion.

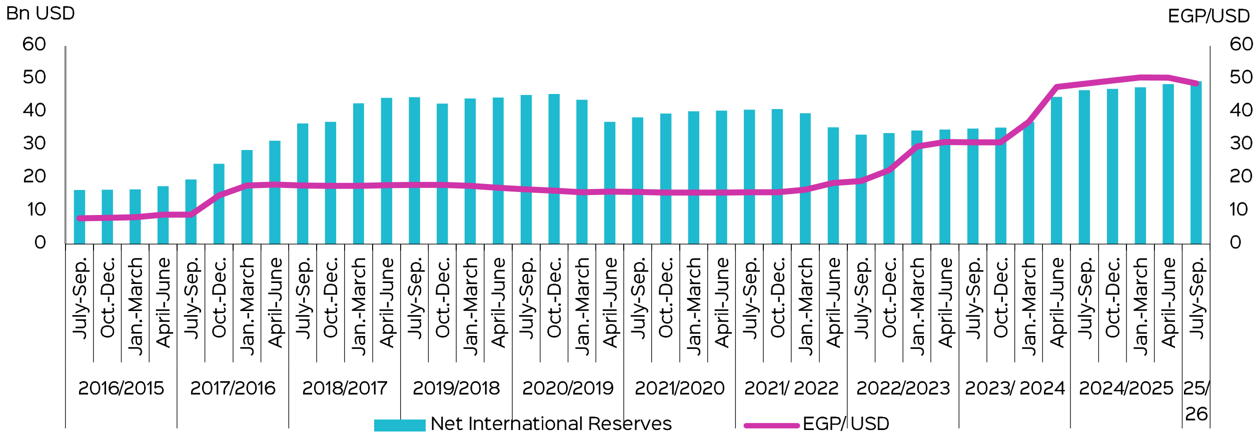
[10] The Central Bank of Egypt. 2026. *Press release regarding the performance of the balance of payments during the first quarter of FY 2025-2026, January 21.*

Capital and financial transactions:

The financial and capital account recorded a slight net outflow in light of the increase in foreign assets held by commercial banks, which was partially offset by inflows of foreign direct investment and investments in securities, as follows:

- Foreign direct investment achieved a net inflow of approximately $2.4 billion, compared to $2.7 billion in the previous quarter.
- Investments in the securities portfolio recorded a net inflow of approximately $1.8 billion compared to a net outflow of $384.7 million.
- The change in foreign assets held by banks recorded a net outflow of approximately $5.3 billion.
- Improved foreign exchange resources and increased investment inflows contributed to a strong performance in the banking system's net foreign assets during 2025, reaching $25.5 billion in December 2025, its highest level since July 2012.[11]
- The improved external sector position and the unification of the exchange rate led to an increase in Egypt's net international reserves to $50.58 billion during Q2 (October-December) of FY 2025/2026, an increase of 8% compared to the same period of the previous fiscal year.
- The Egyptian pound witnessed a slight appreciation by 2.3% during Q2 (October-December) of FY 2025/2026 compared to the previous quarter of the same year, recording an exchange rate of about 47.46 pounds to the dollar, supported by an increase in foreign currency inflows to Egypt, in addition to the mounting pressures on the US dollar, despite the continuation of some fluctuations and slight daily increases.[12]

Figure 3: Net International Reserves and Exchange Rate



Sources: Central Bank of Egypt, Monthly Statistical Bulletin, various issues; Ministry of Finance, Monthly Financial Report, various issues.

[11] The Central Bank of Egypt. 2026. *Monetary Policy Report, Q4 2025, February 2026 Edition.*
[12] Ministry of Finance. 2026. *Monthly Financial Report, January 2026.*

External debt:

External debt: Egypt's total external debt rose to $163.713 billion by end of September 2025, registering an increase of approximately 1.5% compared to the previous quarter, and 5.5% compared to the corresponding quarter of the previous fiscal year.[13]

IV. Public Finance

The overall general budget deficit registered approximately EGP 881 billion during July-December 2025/2026, representing about 4.2% of GDP. This is due to the increase in public expenditures, which amounted to EGP 2235.5 billion during Q1 of FY 2025/2026, driven by the growth of interest payments by about 34%, and public investments by about 53%, in addition to an increase in spending on subsidies and social benefits by about 16% compared to the same quarter of the previous fiscal year. In contrast, public revenues recorded EGP 1381.8 billion—a growth rate of 30% compared to the same period of the previous fiscal year.[14]

[13] Al-Ahram Business. 2026. Central Bank Egypt's external debt will reach $163.7 billion by end of September 2025.
[14] Ministry of Finance. 2026 *Monthly financial report* January 2026.

Business Barometer Index (BBI)

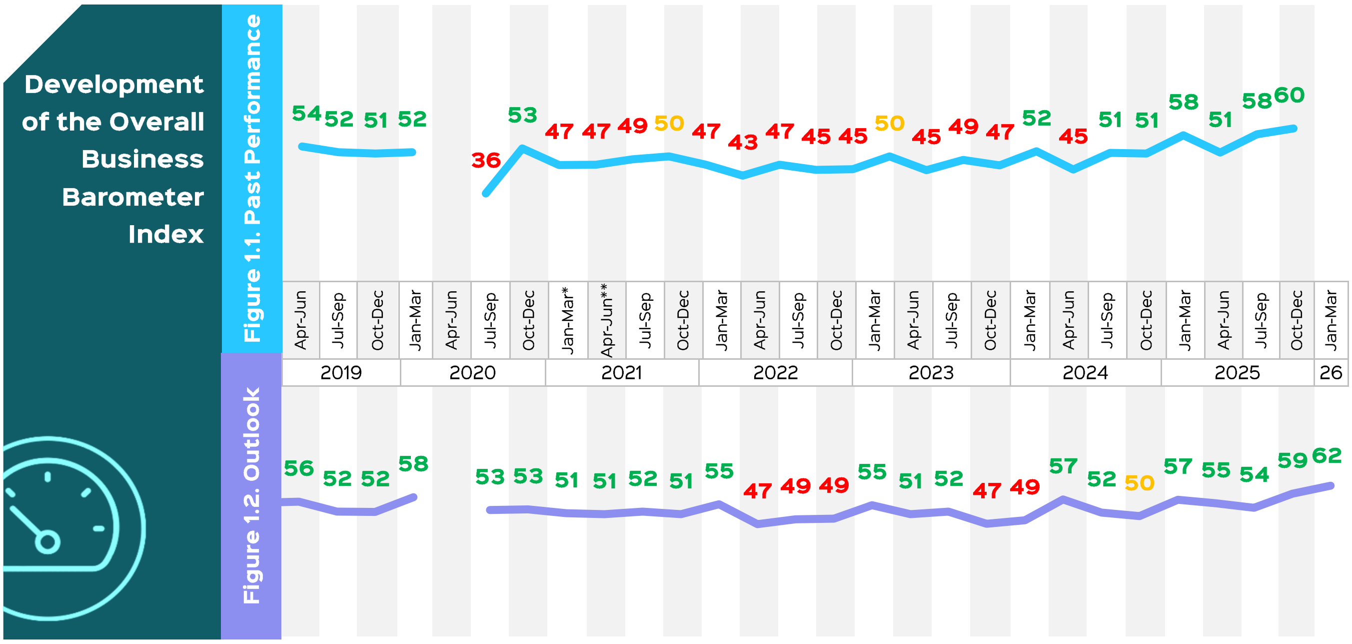
I. Performance evaluation and outlook according to the overall index

The Business Barometer Index (BBI) improved during the quarter under review and compared to the previous quarter, with performance varying across sectors.

1-1 Overall index

The BBI for the quarter under review (July-September 2025) exceeded the **neutral level** by 8 points, performing better than the previous and corresponding quarters by 7 points. This is due to the recovery of production, domestic sales, exports, and capacity utilization for all firms and across sectors, with all recording values higher than the **neutral level** and the previous quarter. This recovery reflects the alleviation of financial pressures with the availability of foreign currency and the stability of their prices for longer periods, relative stability of the geopolitical situation in the Middle East, increased demand for Egyptian products in foreign markets, in addition to the improvement of many macroeconomic indicators for Egypt's credit rating. All these combined led to an increase in confidence compared to the situation in the previous quarter (Figure 1-1).

The *outlook index* for the quarter January-March 2026 also recorded higher values than the **neutral level** by12 points, as well as in relation to the values recorded in the previous and corresponding quarters. This reflects expectations of continued performance improvement across all sectors and firms during the coming period, supported by a rise in the export and wage indices for all firms in the upcoming quarter, and the continued recovery of production and sales, albeit at a relatively slower pace compared to the current quarter (Figure 1-2).



Source: Survey results.

* Data for January-March 2020 are unavailable due to the pandemic-related lockdown.

** Data for April-June 2020 are unavailable due to the pandemic-related lockdown

1-2 Index according to firm size

During the quarter under review (October-December 2026), large firms led the recovery in the BBI. In particular, the BBI exceeded the **neutral level** by16 points, scoring higher values than **the previous and corresponding quarters**. This reflects a marked improvement in several sub-indices, such as **production, domestic sales, exports, and capacity utilization**. However, the recovery was slower in **small and medium-sized** enterprises compared to **large firms**. Although the BBI for SMEs exceeded the **neutral level** by 4 points and the corresponding quarter by 6 points, they reported lower values than the previous quarter. This reflects a rise in **production, domestic sales, and capacity utilization, while exports did not achieve the same level** of performance (Figure 1-3).

There is no variation in the *outlook index* between **different firm sizes** during the quarter January-March 2026. The BBI exceeded the **neutral level for all firms**, recording better performance than **the previous and corresponding quarters**. This reflects expectations of continued improvement that started in the previous quarter (Figure 1-4).

Large Firms	Figure 1.3. BBI by Firm Size Past Performance	SMEs
66	Oct – Dec 2025	54
58	Jul – Sep 2025	58
54	Oct – Dec 2024	48

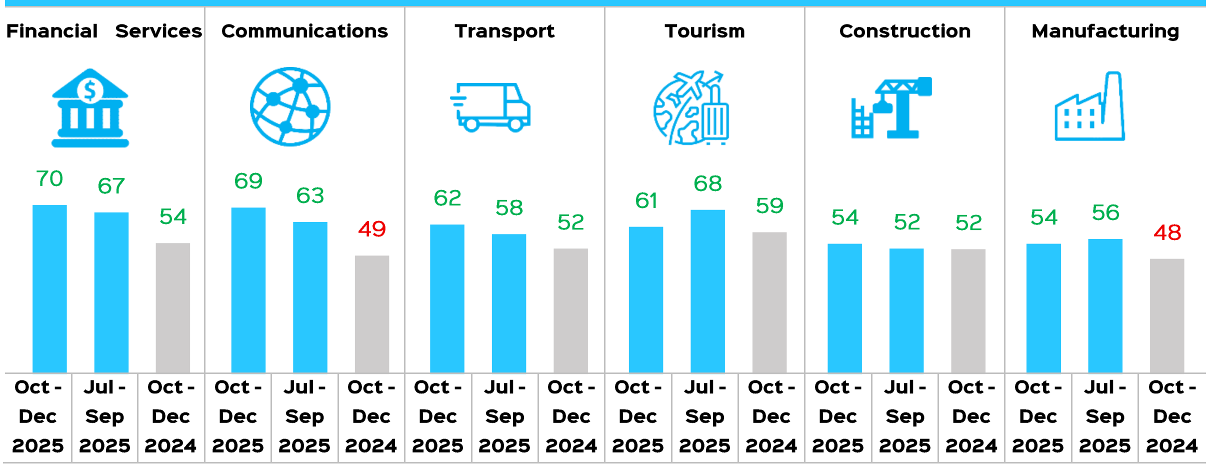
Large Firms	Figure 1.4. BBI by Firm Size Outlook	SMEs
62	Jan – Mar 2026	63
61	Oct – Dec 2025	57
59	Jan – Mar 2025	54

Source: Survey results.

1-3 The Index according to economic sectors

During the quarter under review, the BBI showed **improvement across all sectors** compared to the corresponding quarter, with **financial services and telecommunications** reporting the best performance (Figure 1-5).

Figure 1.5. BBI by Economic Sectors - Past Performance



Source: Survey results.

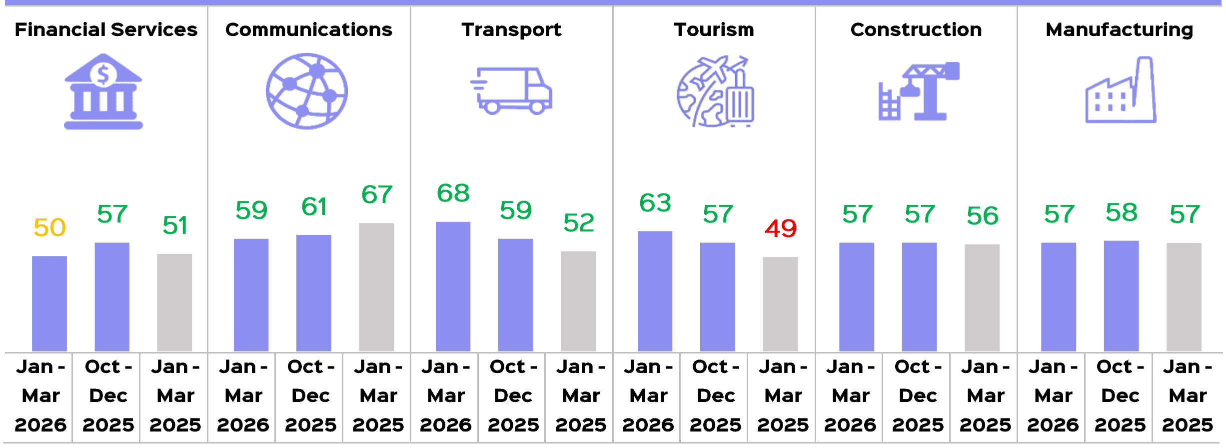
The following is an analysis of the performance of economic sectors during the quarter under study, according to the opinions of the survey sample, alongside a comparison of performance with the previous and corresponding quarters:

- **Manufacturing industries**: This sector continued to recover, but at a slower pace than the previous quarter, exceeding the **neutral level** by 4 points, but lower than the previous quarter by two points, and better than the corresponding quarter by six points. This improvement is attributed to higher production and export indices, higher seasonal domestic sales in the ready-made garment, food, and engineering sub-sectors. It can also be attributed to increased demand for Egyptian products thanks to the ceasefire in Gaza, the ability of firms to meet export orders on time, and the positive impact of the new customs duties, which gave Egyptian products a competitive price edge.
- **Construction**: This sector exceeded the **neutral level** by 4 points, recording a performance better than the previous and corresponding quarters. This can be attributed to the rise in all indices during the quarter under study, as a result of the continued demand for purchases in resorts and new cities, and the start of new projects in coastal areas and new cities. The state's infrastructure, roads and new city projects also played a significant role in the sector's recovery, in addition to implementation of the new reconciliation law.
- **Tourism**: The tourism sector continued to recover, albeit at a slower pace than in the previous quarter, recording higher values than the **neutral level** by 11 points; 7 points lower than the previous quarter, and 3 points better than the corresponding quarter. This can be attributed to the recovery of inbound tourism during the period under review, high occupancy rates in hotels and resorts, increased demand for flight bookings, and the rise in outbound tourism due to the Umrah season. Other factors include the government's efforts to promote tourism marketing for Egypt in global markets through the launch of huge promotional campaigns along with pumping large investments into development of tourism infrastructure, including airports, hotels and roads.
- **Transport:** The transport sector index exceeded the neutral level by 12 points, achieving a better performance than the previous two quarters. This is due to the continued recovery and gradual growth of the economy, which led to an increase in import and export activity, along with stabilization of regional geopolitical conditions, particularly in the Red Sea, which contributed to a slight improvement in trade flows and increased reliance on the Suez Canal. The higher activity in the construction, tourism, and manufacturing sectors also played a role in improving the sector's indicators.
- **Telecommunications**: The telecom sector continued its recovery, achieving better values than the previous and corresponding quarters, exceeding the **neutral level** by 19 points. This can be attributed to continued demand for information technology services, with the country continuing to expand infrastructure and develop railway facilities and networks. The sector's performance can be attributed to the following factors: increased demand for educational and training programs, new contracts with firms to provide accounting services such as preparing financial and tax reports, opening new markets, and cooperating with foreign firms to provide information technology services and smart solutions and to provide training based on modern technologies.
- The **financial services sector** continued its path of recovery, recording 17 points above the **neutral level**, with a performance 5 points higher than the previous quarter, albeit similar to the corresponding quarter. This is due to the higher trading volumes resulting from the continuation of monetary easing through interest rate reductions, in addition to the elimination of the capital gains tax on stock exchange transactions to encourage investment in the financial market. The

market also received a substantial boost in the quarter under review, driven by increased liquidity, improved economic environment, higher investor confidence in the Egyptian economy, and Egypt's upgraded credit rating.

- **Financial services: The sector's outlook index** came at the **neutral level**, which is lower than in the previous and corresponding quarters. This is due to expectations of a decrease in trading volume due to reduced working hours during Ramadan, and the increase in holidays, and despite the significant contribution of the rise in the wage index to strengthening the financial services index (Figure 1-6).

Figure 1.6. BBI by Economic Sectors - Outlook



Source: Survey results.

II. Constraints that faced the business community during the quarter under review, and priorities for improving the business environment from the perspective of the sample of firms

2-1 Constraints faced by the business community during the quarter under review

A notable alleviation in the challenges associated with lack of clarity regarding future economic policy directions, and an improvement in the tax and customs systems.

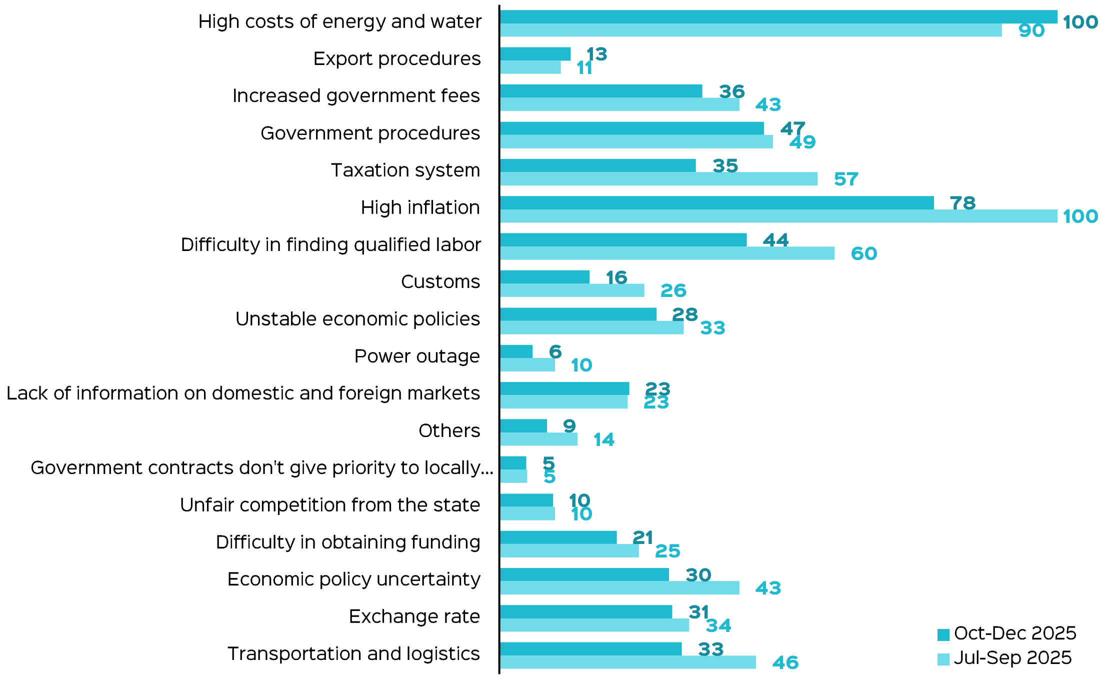
Repeated hikes in energy and water prices, followed by high inflation rates, topped the list of constraints faced by all firms during the quarter under review.

Figure 2-1 illustrates the main constraints faced by the business community during the quarter under study (October-December 2025), ranked according to their extent of severity from the perspective of the sampled firms.

The challenges related to **rising energy and water costs** topped the list of constraints that firms faced during the quarter under study, in light of the continuous hiking of their prices increasing production costs, especially in energy and water-intensive activities, representing an additional burden on firms. The challenges associated with high rates of **inflation** came in second place, despite a notable decline in its severity compared to the previous quarter. The challenges associated with **dealing with government agencies** came in third, due to the negative impact on the business community as a result of slow procedures, bureaucracy, and employee behavior, in addition to the multiplicity of judicial officers in most government agencies, which opens the door to corruption and unofficial payments. **Difficulty in attaining qualified labor** came in fourth, as it represents an additional burden on firms as a result of increased spending on training and qualification, given the gap between the outputs of the education and training system on the one hand, and the needs of the labor market on the other.

Figure 2.1. Constraints facing the Business community during the Quarter under Review

(According to a Normalized Index based on Significance of Priorities)



Source: Survey Results.

Note: Some indicators were newly introduced starting from the study quarter.

The numbers refer to the percentage of firms that identified specific obstacles, and firms could select more than one obstacle.

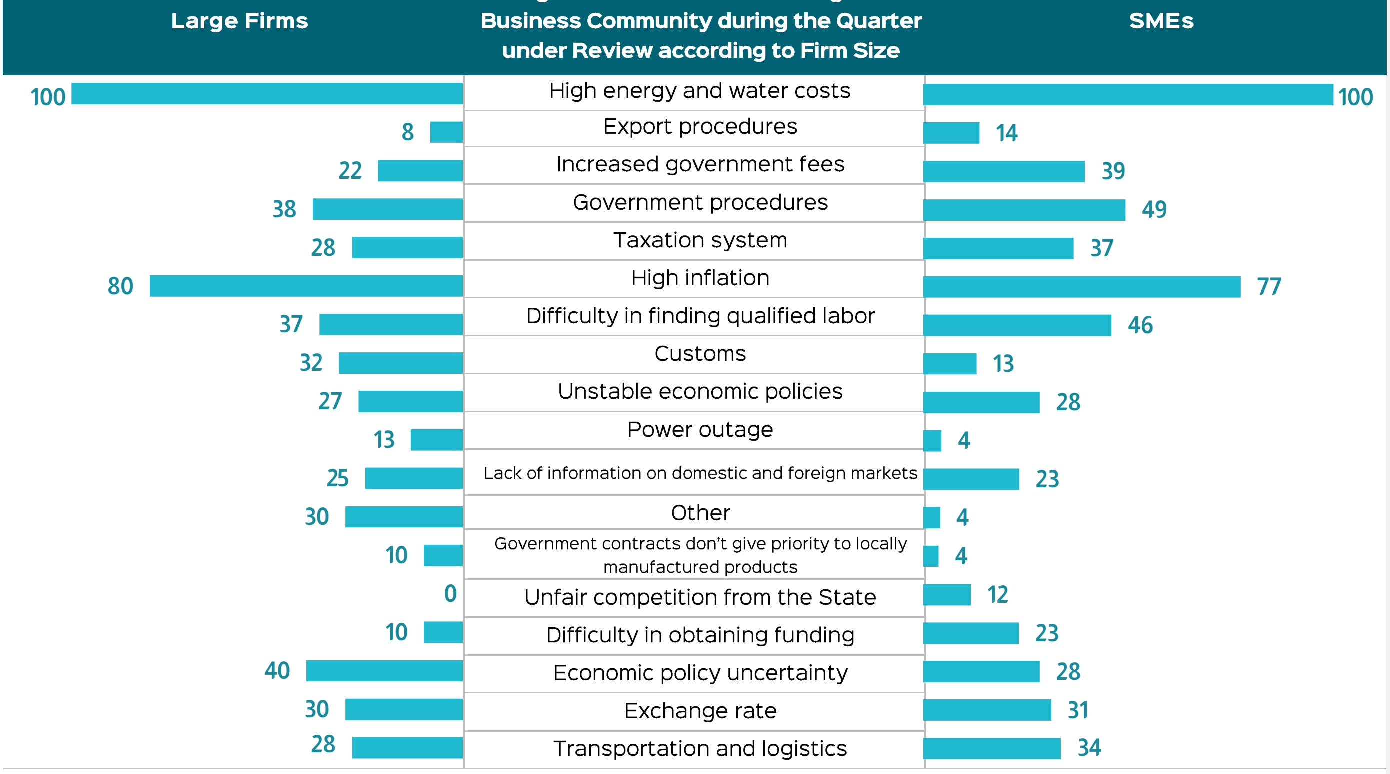
2-1-1 Constraints according to the size of firms

The higher costs of energy and water, as well as inflation topped the list of constraints facing **firms,** The remaining constraints varied between large firms and small and medium-sized enterprises. **Unclear future directions of economic policy** came in third place **for large firms, followed** in fourth place by **dealing with government agencies, with difficulty in attaining qualified labor** coming in fifth place.

As for small and medium-sized enterprises, dealing with government agencies came in third, while **difficulty in attaining qualified labor** came in fourth, followed by **higher fees on government services** in fifth place.

Figure 2-2 illustrates the main constraints faced by large, small and medium-sized enterprises alike during the quarter under study (October-December 2025), ranked according to their severity from the point of view of sampled firms.

Figure 2.2. Constraints Facing the Business Community during the Quarter under Review according to Firm Size



Source: Survey Results.

Note: Some indicators were newly introduced starting from the study quarter.

2.1.2 Constraints by Economic Sector

High cost of energy and water was the primary constraint that faced the manufacturing, tourism, transportation, and communications sectors. For the financial services sector, uncertainty regarding future economic policies topped the list of challenges, due to unclear timelines for implementing the government's IPO program. High inflation rates were the primary constraint for the construction sector. The communications sector also faced challenges related to difficulty in attaining qualified labor, with similar challenges in the transportation and logistics sector (Figure 2-3).

Figure 2.3. Constraints Facing the Business Community during the Quarter under Review according to Economic Sector

	Financial Services	Communications	Transport	Tourism	Construction	Manufacturing
High energy and water costs	77	100	100	100	78	100
Increased government fees	0	25	16	33	61	41
Government procedures	9	33	26	11	88	55
Export procedures	0	0	0	0	0	24
Taxation system	0	50	0	39	68	37
Difficulty in finding qualified labor	14	96	5	33	56	48
High inflation	43	67	58	75	100	79
Customs	0	25	12	0	0	24
Unstable economic policies	6	8	14	0	59	34
Power outage	0	0	0	0	10	9
Lack of information on domestic and foreign markets	49	21	49	0	2	20
Other	31	0	19	19	0	2
Economic policy uncertainty	100	21	21	0	37	23
Difficulty in obtaining funding	0	50	0	36	12	23
Transportation and logistics	0	79	0	39	7	42
Exchange rate	0	13	5	11	80	35
Government contracts don't give priority to locally manufactured products	0	4	0	0	2	8
Unfair competition from the State	0	21	0	0	56	3

Source: Survey Results.

The construction sector suffers the most compared to all other sectors.

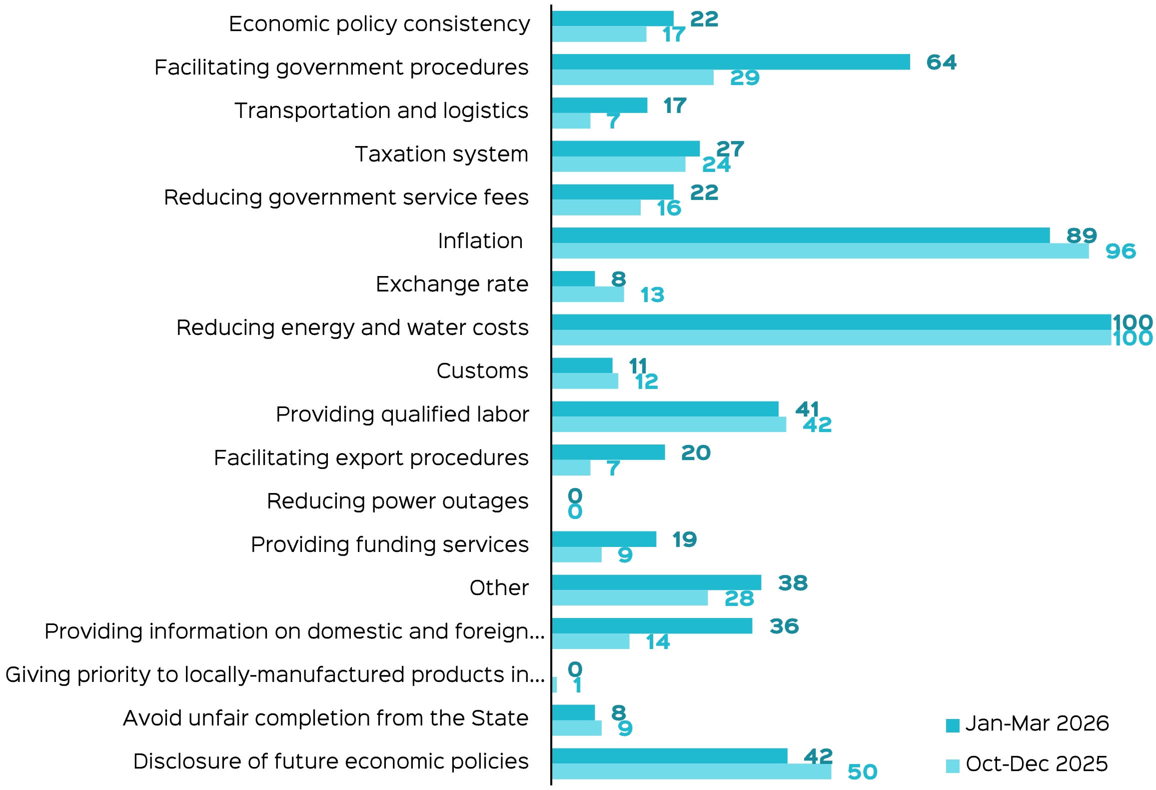
2-2 Priorities for Improving the Business Environment in Egypt (According to the Sample of Firms)

The most important priorities that firms believe should be focused on are: revisiting energy and water prices and their increase over short intervals, controlling inflation, and the need to streamline government procedures.

Revisiting energy and water prices topped the list of priorities that the sample of firms believe must be addressed, given their frequent annual increases, which lead to higher production costs and reduced business volume. This was followed by addressing high inflation rates, due to their negative impact on all sectors, along with the need to streamline government procedures to support the business environment (Figure 2-4).

Figure 2.4. Priorities to Improve the Business Environment in Egypt

(A Normalized Index based on Significance of Priorities)



Source: Survey Results.

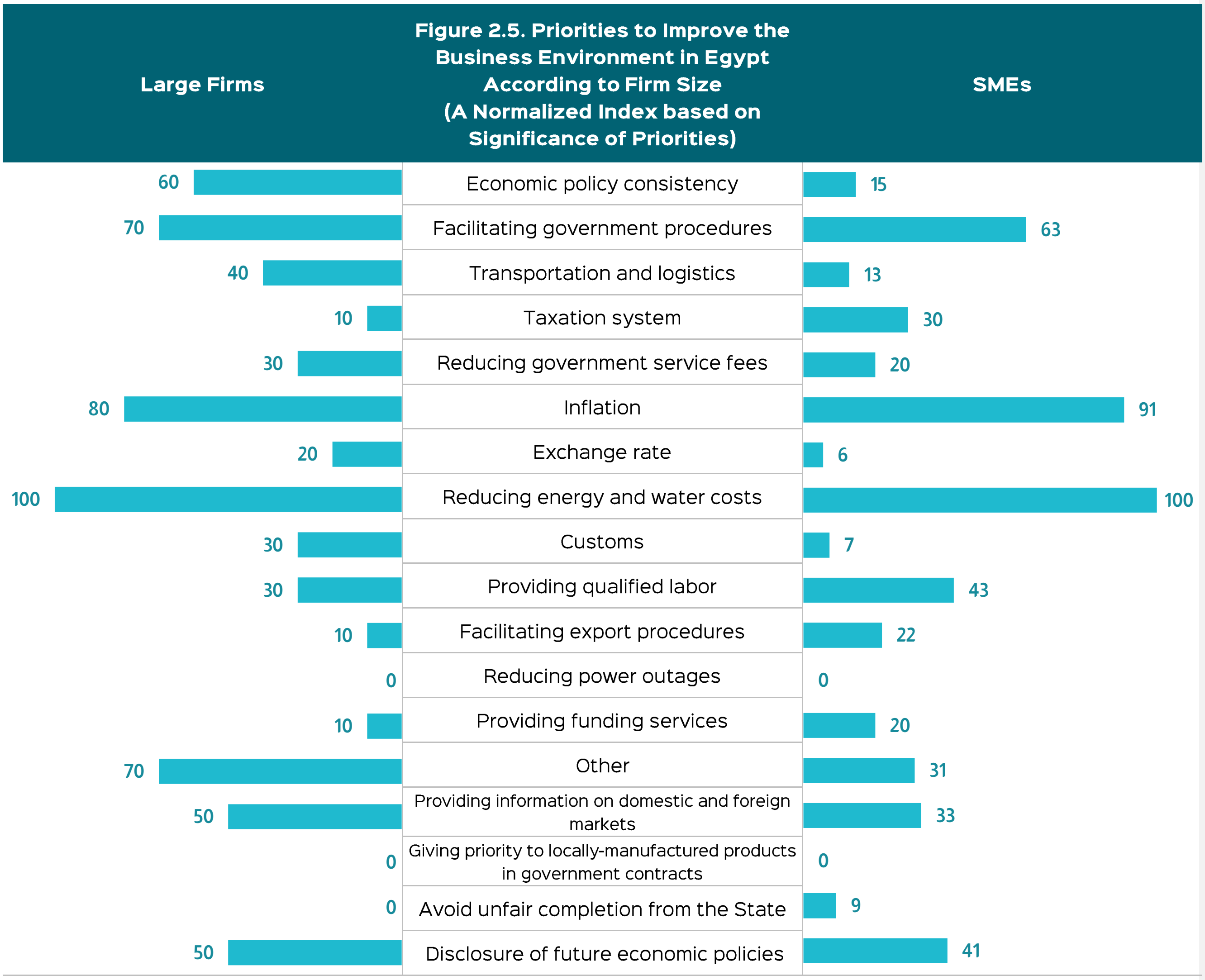
2-2-1 Priorities according to firm sizes

Revisiting **energy prices**, reducing **inflation**, and **simplifying government procedures** lead the priorities for improving the business climate for **all firm sizes.**

The remaining priorities varied according to the size of firms. **Large firms** deem as priorities the need to activate the role of training and qualification for the labor market through government schools and universities, and investment incentives as well as **consistency of economic policies** to avoid conflicting decisions among government agencies.

Small and medium-sized enterprises see providing qualified labor among its top priorities, ranking fourth, followed by disclosure of **future economic policy directions** in fifth place (Figure 2-5).

Figure 2.5. Priorities to Improve the Business Environment in Egypt According to Firm Size (A Normalized Index based on Significance of Priorities)



Source: Survey Results.

2-2-2 Priorities according to economic sectors

The manufacturing, tourism, transportation and communications sectors agree that their top priority is finding solutions to the high energy and water costs, while the need to disclose future economic policy directions was among the top priorities of financial services. Addressing inflation topped the list of priorities for construction firms, while being a high priority for the tourism and manufacturing sectors. The availability of qualified labor was cited as an additional priority for the communications sector. Availability of information about the domestic and international market was reported as a priority by transport and financial services, while streamlining government procedures was reported as a key priority by manufacturing, construction, and transportation (Figure 2-6).

Figure 2.6. Priorities to Improve the Business Environment in Egypt According to Economic Sector

(A Normalized Index based on Significance of Priorities)

	Financial Services	Communications	Transport	Tourism	Construction	Manufacturing
Economic policy consistency	27	0	30	0	22	14
Facilitating government procedures	7	40	60	14	89	64
Transportation and logistics	0	40	0	14	0	22
Taxation system	7	40	0	43	11	28
Reducing government service fees	0	0	20	43	11	22
Inflation	53	40	40	86	100	78
Exchange rate	0	0	0	0	11	11
Reducing energy and water costs	7	100	100	100	56	100
Customs	0	0	10	0	0	17
Providing qualified labor	7	100	0	43	33	39
Facilitating export procedures	0	0	0	14	0	33
Reducing power outages	0	0	0	0	0	0
Providing funding services	0	60	0	43	0	17
Other	53	0	20	29	22	28
Providing information on domestic and foreign markets	60	20	60	0	0	19
Giving priority to locally-manufactured products in government contracts	0	0	0	0	0	0
Avoid unfair completion from the State	0	0	0	0	56	0
Disclosure of future economic policies	100	40	20	0	56	8

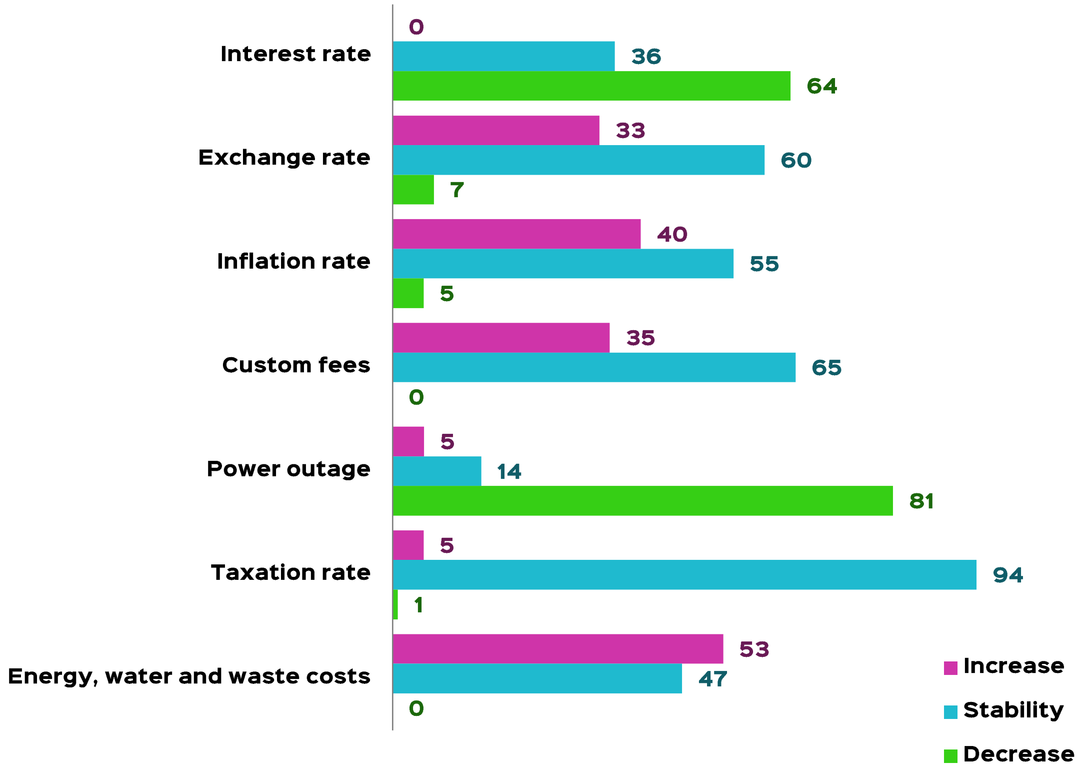
Source: Survey results.

Business community outlook based on its vision regarding the government's directions over the coming period.

Expectations of a decrease in power outage periods and stability of other variables over the coming quarter, according to sampled firms (Figure 2-7).

Figure 2.7. Outlook of the Business Community toward Aspects of Improvement, based on Current Government Orientation

(According to the same Methodology of the Business Barometer)



Source: Survey results.

III. Performance evaluation and outlook according to sub-indices

3.1. Performance evaluation

Most indicators came above the neutral level and the corresponding quarter across all firms.

Large firms exceeded the neutral level in the indices of **production, domestic sales, exports, capacity utilization, and commodity inventory**. They recorded higher values than in the previous and corresponding quarters. Meanwhile, **small and medium-sized enterprises posted** higher values **than the neutral level** in the indices of **production, domestic sales, exports, and capacity utilization**. However, they posted lower values than in the **previous** quarter, but better than the corresponding quarter, although significantly lower compared **to large firms. Nonetheless**, they came at the **neutral level** in **commodity inventory, and** less than in the previous quarter by 7 points and better than the first quarter by 5 points.

Figure 3.1. Production and Sales Indices According to Firm Size - Performance Evaluation

Source: Survey results.

* The index for inventory is inverted to indicate the negative impact of its increase on businesses. Hence, a higher inventory index indicates lower inventory and vice versa.

The final product price index and the wage index for all firms exceeded the neutral level.

The **final product price** index for all firms exceeded the **neutral level** and the previous quarter, reflecting a decrease in the **input price index** compared to the previous quarter. The input price index recorded lower values than in the previous quarter, albeit better than the corresponding quarter. The **wages index** exceeded the **neutral level** by two points, although lower than in the **previous and corresponding quarters** (Figure 3-2).

Figure 3.2. Price and Production Cost Indices by Firm Size – Performance Evaluation

Large Firms				SMEs
55	Oct – Dec 2025	Final Product Prices	Oct – Dec 2025	55
53	Jul – Sep 2025		Jul – Sep 2025	52
62	Oct – Dec 2024		Oct – Dec 2024	62
39	Oct – Dec 2025	Input Prices*	Oct – Dec 2025	46
47	Jul – Sep 2025		Jul – Sep 2025	47
23	Oct – Dec 2024		Oct – Dec 2024	20
52	Oct – Dec 2025	Wages	Oct – Dec 2025	52
58	Jul – Sep 2025		Jul – Sep 2025	56
63	Oct – Dec 2024		Oct – Dec 2024	54

Source: Survey results.

* The index for inputs is inverted to indicate the negative impact of price increases on the overall index. Hence, a lower index indicates higher prices and vice versa.

The investment and employment indices for all firms exceeded the neutral level, driven by stable performance rather than significant improvement. In particular, **the investment index** for all firms exhibited stability compared to the previous quarter, with values higher than **neutral level** and better than the corresponding quarter. **The unemployment index exceeded the neutral level** and both the **previous and corresponding** quarters (Figure 3-3).

Figure 3.3. Investment and Employment Indices by Firm Size – Performance Evaluation

Large Firms				SMEs
54	Oct – Dec 2025	Investment	Oct – Dec 2025	51
54	Jul – Sep 2025		Jul – Sep 2025	51
52	Oct – Dec 2024		Oct – Dec 2024	50
54	Oct – Dec 2025	Employment	Oct – Dec 2025	52
51	Jul – Sep 2025		Jul – Sep 2025	51
53	Oct – Dec 2024		Oct – Dec 2024	51

Source: Survey results.

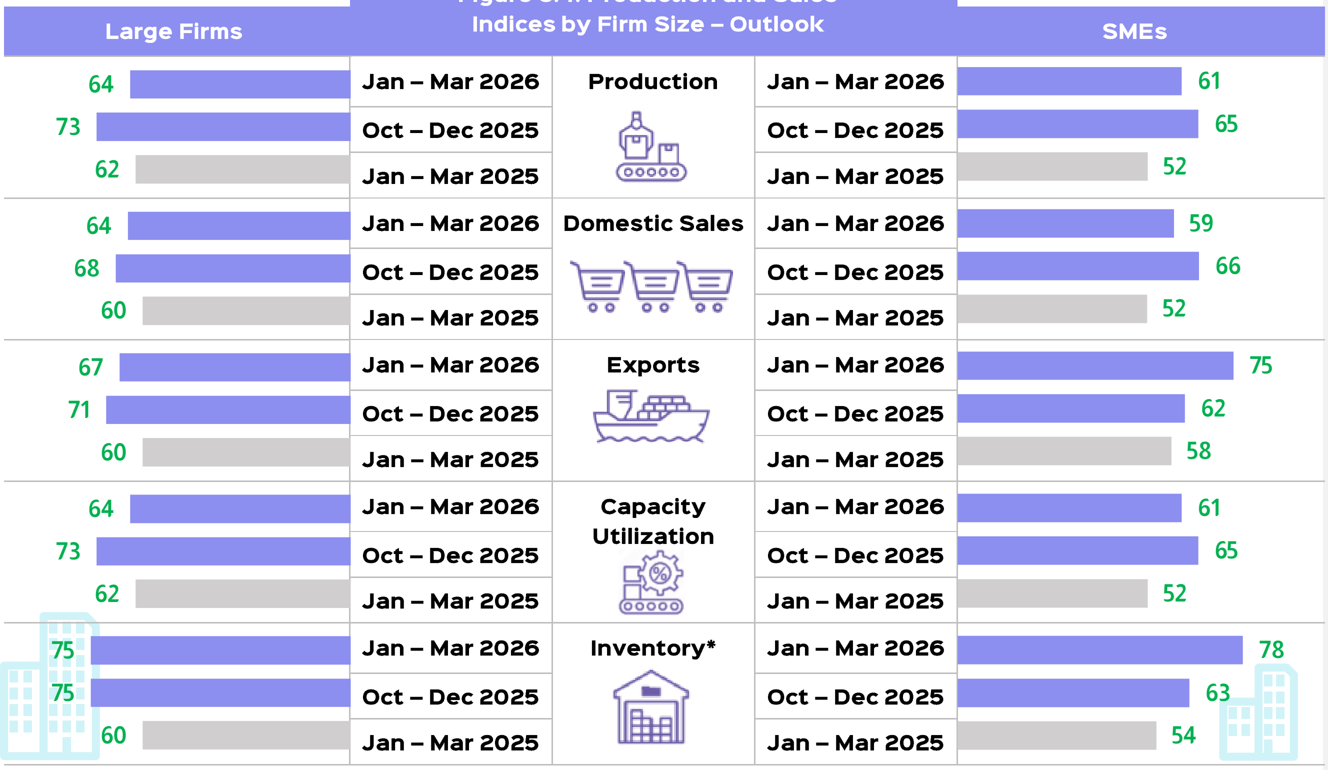
3.2. Performance outlook

All firms are expected to perform better than the neutral level in the next quarter, with higher values than in the corresponding quarter.

The outlook of all firms regarding **domestic production, domestic sales and capacity utilization** during January – March 2026 were higher than **neutral,** less than the previous quarter, and better than the corresponding quarter. **Small and medium-sized enterprises** reported higher expectations for **exports and commodity**

inventory than the **neutral level** and compared to the **previous and corresponding quarters**. On the other hand, **large firms** reported higher values for the exports index than the **neutral level** by 17 points, but less than **the previous** quarter by 4 points, and better than the corresponding quarter by 7 points. The outlook index for **commodity inventory** reported similar values as the previous quarter, exceeding **neutral level** by 25 points and the corresponding quarter by 5 points. (Figure 3-4).

Figure 3.4. Production and Sales Indices by Firm Size – Outlook



Source: Survey results.

* The index for inventory is inverted to indicate the negative impact of its increase on businesses. Hence, a higher inventory index indicates lower inventory and vice versa.

All firms expect an increase in the final product price and wage indices above the neutral level

All firms expect an increase in **final product prices** above the **neutral level**, albeit lower than in the **previous and corresponding** quarters, driven by higher input product prices compared to the **previous and corresponding quarters**. They also expect a significant increase in the **wage index** compared to previous quarter, albeit lower than in the corresponding quarter by 4 points **for large firms**, and better than the **corresponding quarter** by 9 points **for small and medium-sized enterprises** (Figure 3-5).

Figure 3.5. Prices and Production Cost Indices by Firm Size - Outlook

Large Firms				SMEs
55	Jan – Mar 2026	Final Product Prices	Jan – Mar 2026	56
62	Oct – Dec 2025		Oct – Dec 2025	67
59	Jan – Mar 2025		Jan – Mar 2025	61
41	Jan – Mar 2026	Input Prices*	Jan – Mar 2026	45
35	Oct – Dec 2025		Oct – Dec 2025	26
26	Jan – Mar 2025		Jan – Mar 2025	28
92	Jan – Mar 2026	Wages	Jan – Mar 2026	93
55	Oct – Dec 2025		Oct – Dec 2025	53
96	Jan – Mar 2025		Jan – Mar 2025	84

Source: Survey results.

* The index for inputs is inverted to indicate the negative impact of price increases on the overall index. Hence, a lower index indicates higher prices and vice versa.

The investment and employment indices for all firms are expected to remain stable at the same levels as the previous and corresponding quarters. It is worthy of note that small and medium-sized enterprises outperformed large firms in the employment index compared to the corresponding quarter (Figure 3-6).

Figure 3.6. Investment and Employment Indices by Firm Size - Outlook

Large Firms				SMEs
50	Jan – Mar 2026	Investment	Jan – Mar 2026	51
51	Oct – Dec 2025		Oct – Dec 2025	51
51	Jan – Mar 2025		Jan – Mar 2025	50
50	Jan – Mar 2026	Employment	Jan – Mar 2026	51
52	Oct – Dec 2025		Oct – Dec 2025	51
58	Jan – Mar 2025		Jan – Mar 2025	53

Source: Survey results.

Tables Index

Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (October – November - December 2025)[1]

Indicator	Manufacturing				Construction				Tourism				Transportation				Communications				Financial Services			
	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]
	Higher	Same	Low	54	Higher	Same	Low	54	Higher	Same	Low	61	Higher	Same	Low	62	Higher	Same	Low	69	Higher	Same	Low	70
Economic activity																								
Production	43	33	23	**58**	43	43	14	**60**	60	20	20	**67**	67	17	17	**71**	88	0	13	**88**	94	6	0	**94**
Domestic sales	41	33	26	**56**	43	43	14	**60**	56	22	22	**64**	67	17	17	**71**	88	0	13	**88**	94	6	0	**94**
Exports	41	38	22	**57**	—	—	—	—	80	0	20	**80**	—	—	—	—	100	0	0	**100**	—	—	—	—
Inventory	28	33	38	**54**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	43	33	23	**58**	43	43	14	**60**	60	20	20	**67**	67	17	17	**71**	88	0	13	**88**	94	6	0	**94**
Prices																								
Final product prices	23	70	7	**55**	7	86	7	**50**	50	40	10	**64**	33	67	0	**60**	25	75	0	**57**	6	94	0	**52**
Intermediate product prices	33	50	17	**44**	36	57	7	**41**	0	100	0	**50**	—	—	—	—	14	86	0	**46**	—	—	—	—
Wage level	10	90	0	**53**	14	86	0	**54**	20	80	0	**56**	0	100	0	**50**	13	88	0	**53**	0	100	0	**50**
Primary inputs																								
Investment	3	97	0	**51**	0	100	0	**50**	0	100	0	**50**	17	83	0	**55**	0	100	0	**50**	6	94	0	**52**
Employment	10	88	2	**52**	21	79	0	**56**	0	100	0	**50**	25	67	8	**55**	0	100	0	**50**	6	94	0	**52**

Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (January – February - March 2026)[1]

Indicator	Manufacturing				Construction				Tourism				Transportation				Communications				Financial Services			
	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]
	Higher	Same	Low	65	Higher	Same	Low	57	Higher	Same	Low	63	Higher	Same	Low	68	Higher	Same	Low	59	Higher	Same	Low	50
Economic activity																								
Production	57	35	8	**68**	21	79	0	**56**	40	60	0	**63**	67	33	0	**75**	50	25	25	**60**	6	44	50	**35**
Domestic sales	54	37	9	**66**	21	79	0	**56**	22	78	0	**56**	67	33	0	**75**	50	25	25	**60**	6	44	50	**35**
Exports	63	38	0	**73**	—	—	—	—	80	0	20	**80**	—	—	—	—	0	100	0	**50**	—	—	—	—
Inventory	5	23	72	**77**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	57	35	8	**68**	21	79	0	**56**	40	60	0	**63**	67	33	0	**75**	50	25	25	**60**	6	44	50	**35**
Prices																								
Final product prices	27	70	3	**57**	29	71	0	**58**	50	50	0	**67**	8	92	0	**52**	13	88	0	**53**	6	94	0	**52**
Intermediate product prices	25	73	2	**43**	14	86	0	**46**	0	100	0	**50**	—	—	—	—	14	86	0	**46**	—	—	—	—
Wage level	92	8	0	**92**	86	14	0	**88**	90	10	0	**91**	100	0	0	**100**	100	0	0	**100**	94	6	0	**94**
Primary inputs																								
Investment	2	98	0	**50**	0	100	0	**50**	0	100	0	**50**	8	92	0	**52**	0	100	0	**50**	0	100	0	**50**
Employment	3	97	0	**51**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**

1 Numbers represent percent of total responses. Higher, same, and lower may not add up to 100 due to rounding.
2 Equal to the simple average of the variables' indices. The index's method of calculation is provided in the appendix.

Tables Appendix

Table A3: Survey Results: Summary of all firms' past performance (by size) (October – November - December 2025)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	54	Higher	Same	Low	66
Economic activity								
Production	51	29	20	**62**	82	14	5	**84**
Domestic sales	50	29	21	**61**	84	11	5	**86**
Exports	37	37	26	**54**	73	18	9	**77**
Inventory	31	38	31	**50**	14	14	71	**75**
Capacity utilization	51	29	20	**62**	82	14	5	**84**
Prices								
Final product prices	22	72	5	**55**	23	73	5	**55**
Intermediate product prices	27	60	13	**46**	44	44	13	**39**
Wage level	9	91	0	**52**	9	91	0	**52**
Primary inputs								
Investment	2	98	0	**51**	14	86	0	**54**
Employment	10	88	2	**52**	14	86	0	**54**

Table A4: Survey Results: Summary of all firms' outlook (by size) (January – February - March 2026)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	54	Higher	Same	Low	57
Economic activity								
Production	41	50	9	**61**	64	36	0	**73**
Domestic sales	43	49	7	**62**	59	36	5	**70**
Exports	32	63	5	**58**	25	75	0	**57**
Inventory	10	76	15	**51**	13	75	13	**50**
Capacity utilization	41	50	9	**61**	64	36	0	**73**
Prices								
Final product prices	56	44	0	**70**	50	45	5	**66**
Intermediate product prices	66	34	0	**26**	65	29	6	**27**
Wage level	8	92	0	**52**	5	95	0	**51**
Primary inputs								
Investment	1	99	0	**50**	0	100	0	**50**
Employment	1	98	1	**50**	0	100	0	**50**

1 Numbers represent percentage of total responses. Higher, same, and lower may not add up to 100 due to rounding.
2 Equal to the simple average of the variables' indices. The index's method of calculation is provided in the appendix.