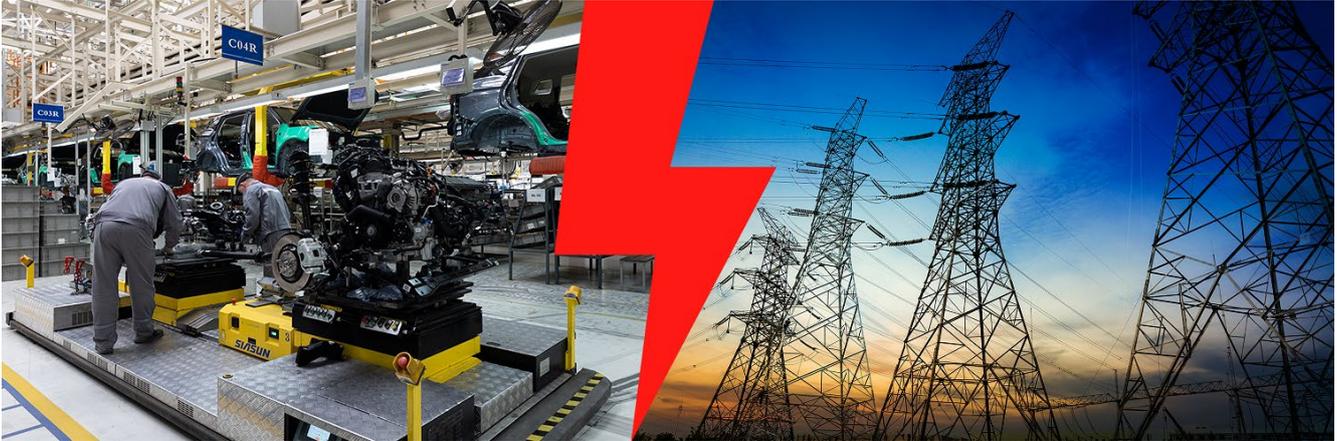


Impact of Rising Energy Costs for the Business Community, according to the ECES Business Barometer



Introduction:

Energy is pivotal for national growth and development. Consequently, fluctuations in energy prices typically garner widespread attention due to their multifaceted impact on both the economy and society. Energy serves as a critical determinant of the cost of living and a primary component of the operational costs and competitiveness of various economic activities.

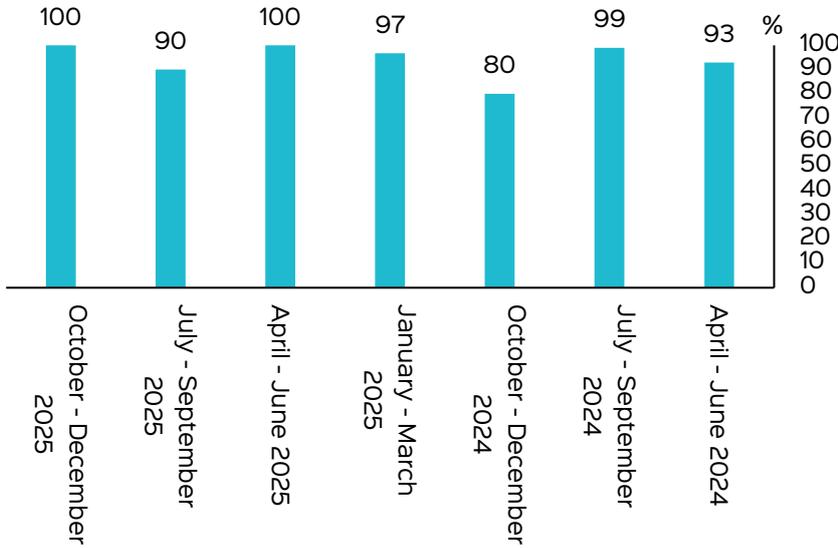
The results of the latest ECES Business Barometer¹ (covering October–December 2025) reveal that high energy and water costs were at the forefront of constraints facing the business community during this period. This issue of Economic Lens examines this topic and its implications in detail, drawing on Business Barometer data—particularly within the context of current developments.

What does that mean?

The sampled firms agreed that the unremitting and frequent increases in energy and water prices drive up production costs across various economic sectors. This is particularly impactful for energy-intensive industries—such as cement, iron and steel, chemicals, petrochemicals, and food—placing a significant burden on these firms, limiting their competitiveness (Figure 1).

¹ In 1998, ECES started issuing its Business Barometer with the aim of presenting a quarterly periodic assessment of the performance of a sample of private sector firms covering various sectors and sizes. This assessment reflects the business community's views regarding developments in a set of variables during the quarter under review, and its expectations for the same set of variables during the following quarter. The latest edition of Business Barometer can be viewed at the following link: <https://eces.org.eg/en/category/business-barometers/>

Figure 1. Evolution of the percentage of firms that cite high energy costs as a constraint (April-June 2024 to October-December 2025)



Source: The Egyptian Center for Economic Studies, Business Barometer, Issues 71-77.

Figure 2 indicates that the manufacturing, tourism, and transport sectors—followed by communications—are the most affected by rising energy prices.

Figure 2. Evolution of the percentage of firms that cited high energy costs as a constraint, (April-June 2024 to October-December 2025).

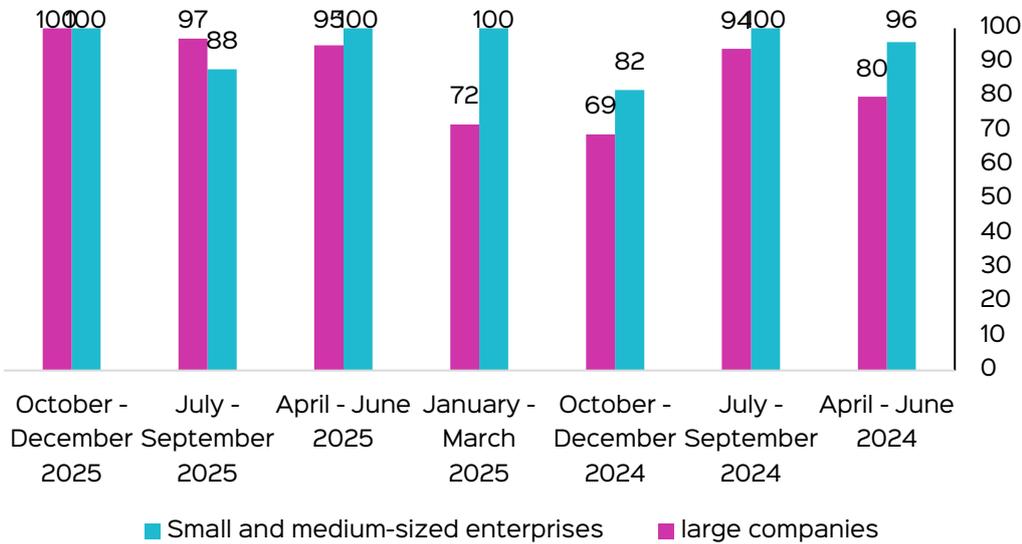


Source: The Egyptian Center for Economic Studies, Business Barometer, Issues 71-77.

Figure 3 shows that both large firms and small and medium-sized enterprises (SMEs) have been affected by rising energy costs. However, SMEs remain the most consistently-impacted due to their limited capacity to absorb shocks and their higher operating costs relative to their resources. Recently, large firms have also begun to face increasing

pressure as the continued rise in energy and water prices places additional burdens on various economic activities.

Figure 3. Evolution of the percentage of firms that cited high energy costs as a constraint, according to firm size (April-June 2024 to October-December 2025).



Source: The Egyptian Center for Economic Studies, Business Barometer, Issues 71–77.

What is happening now?

The recent war on Iran—the third-largest oil producer among OPEC countries in 2024—has disrupted global energy markets and triggered a significant surge in global oil prices. The average price per barrel jumped from approximately \$72 before the conflict to levels exceeding \$100, accompanied by increasing volatility. In response to this shock, various governments are seeking to adopt measures to mitigate the impact of rising energy prices. For example:

- China: Exports of refined fuels have been halted to protect the domestic market.
- US: Resorting to the use of strategic oil reserves.
- Japan: Providing direct fuel subsidies to ease the burden on consumers.
- South Korea: Setting a ceiling on oil prices to limit market volatility.
- Vietnam, Thailand, the Philippines, and Pakistan: Implementing social policies such as work-from-home and granting early holiday leave to reduce consumption.

As for Egypt, the Ministry of Petroleum and Mineral Resources announced a significant and sudden increase in the prices of petroleum products on March 10, 2026, with hikes ranging from 14% to 30%. This decision will undoubtedly have negative repercussions on the cost of living and various economic activities. It is particularly impactful for manufacturing and tourism—two of the nation's most vital sectors for income and foreign currency generation—alongside the other economic activities previously discussed.

Furthermore, the rapid pace of price adjustments and the failure to indicate commitment to the automatic pricing mechanism raise concerns regarding transparency and the stability of pricing policies, which could weaken investor confidence and intensify pressure on the productive and service sectors—a situation other countries have sought to avoid by adopting measures aimed at reducing and rationalizing energy demand.

In a nutshell:

The high cost of energy and frequent price adjustments over short intervals—compounded by the absence of binding and transparent pricing mechanisms—will inevitably erode the competitiveness of the production and export sectors and lead to a decline in tax revenues. This negative impact is compounded by the absence of a clear industrial policy and effective measures to encourage the use of renewable energy, including the development of the national energy grid and the related infrastructure. Addressing these internal imbalances would strengthen the state's ability to withstand sudden external shocks.