



# Business Barometer

Issue 78

January - March 2026



**Performance Evaluation during the period January – March 2026  
and Outlook for the period April – June 2026  
from the Business Community's point of view**

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Issue 78

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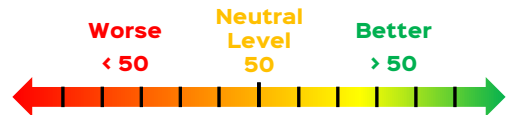
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# Executive Summary

This report presents a periodic assessment conducted by the Egyptian Center for Economic Studies on a sample comprising 120 private-sector firms spanning various sectors and sizes. It reflects the business community's views on developments in a range of indicators, specifically: production, domestic sales, exports, inventory, capacity utilization, prices, wages, employment, and investment during the quarter (January–March 2026),<sup>1</sup> and their expectations for the quarter April–June 2026. It also compares the results with the previous quarter (October–December 2025) and the corresponding quarter (January–March 2025). The following is a summary of the key findings of the report for the quarter under review (January–March 2026).

## ***Evaluating performance and exploring the outlook based on the overall index***



The business performance index declined during the quarter under review compared to the previous and corresponding quarters, and challenges are expected to intensify in the upcoming quarter

### According to size:

Although the index fell across all firms, large firms showed greater resilience compared to small and medium-sized enterprises (SMEs).

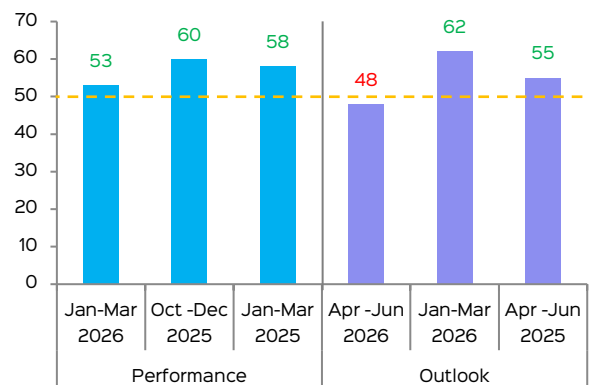
### Sectorally:

The manufacturing sector was the most affected by the challenges reported during the current quarter, followed by transportation and construction, while financial services, telecommunications, and tourism continued to report positive performance.

### Challenges:

Inflationary pressures intensified, topping the list of constraints faced by firms of various sizes and across sectors during the quarter under review, alongside the challenges posed by rising exchange rates, shipping costs, and disruptions in shipping routes.

The business performance index declined compared to the previous and corresponding quarters, reflecting the unfavorable conditions facing the business community due to the war's repercussions at all levels—globally, regionally, and locally. This was evident in the decline in the export index and rise of intermediate input prices for all firms. The resilience of the service sectors and large firms shored the index above the neutral level.

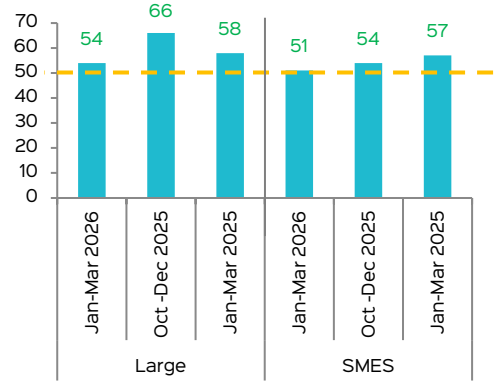


<sup>1</sup> Data were compiled during the period April through mid-May 2026.

The expectations index fell by two points below **neutral**, reflecting expectations that all sub-indices will decline and that challenges will intensify over the coming quarter due to the repercussions of the ongoing war in the region.

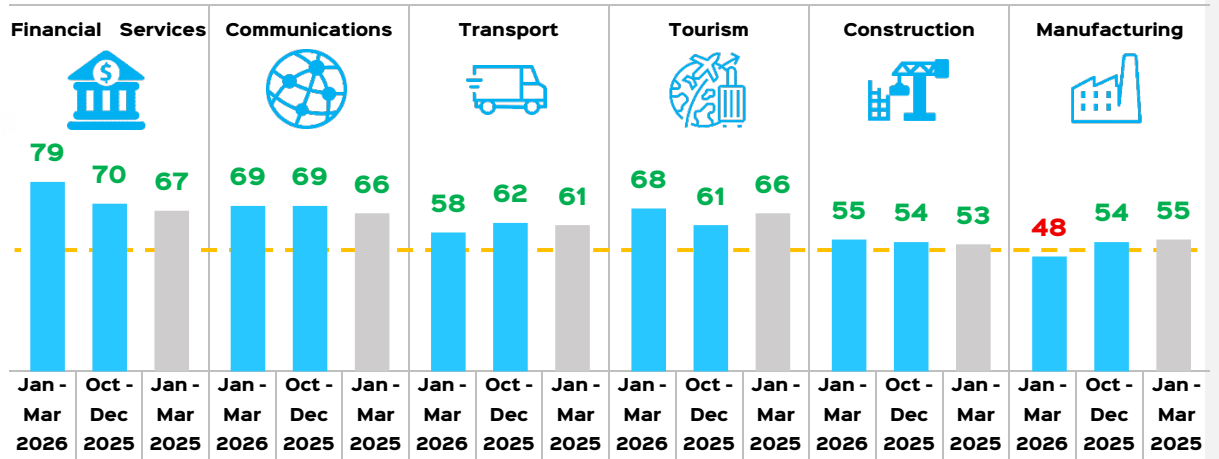
**According to size:**

Although the index declined for all firms during the current quarter, large firms outperformed small and medium-sized enterprises (SMEs) in terms of production and domestic sales.



**Sectorally:**

**Manufacturing** reported the weakest performance among sectors, followed by transportation and construction. In contrast, **financial services, telecommunications, and tourism** continued to report positive performance.



The business index for **manufacturing** fell by two points below **neutral**, recording weaker performance than in the previous and corresponding quarters. This decline is primarily attributable to a drop in the production, export, and domestic sales indices. Conversely, production costs rose due to higher energy prices and rising prices for raw materials—particularly imports—along with a seasonal increase in wages. Meanwhile, exports declined due to weak external demand and higher shipping costs, which doubled overall costs, eroding the sector’s price competitiveness.

Financial services posted the strongest performance among sectors, exceeding the neutral level by 29 points and outperforming both the previous and corresponding quarters. This was due to higher trading volumes, driven by investors hedging against inflation by investing in the stock market, and the influx of new investments from Gulf investors into the Egyptian market amid geopolitical tensions in the region.

### Challenges and priorities from the perspective of the business community:

Challenges related to high **inflation** topped the list of constraints facing all firms, given its widespread impact on both supply and demand. Challenges related to **rising energy and water costs** also remained among the most significant constraints, as the continuous increase in their prices leads to higher production costs—particularly for energy- and water-intensive activities—further burdening firms. The **exchange rate** ranked third, as both exchange rate volatility and appreciation contributed to increased pressure on the business community, given that many firms rely on imports for a significant portion of their production inputs. This led to higher production costs and final prices, and increased market volatility. Ranking fourth were **transportation and logistics challenges**, which emerged as an additional burden on firms due to slowdowns in land and maritime transport and shipping, longer transit times for shipments to reach ports, coupled with rising shipping and logistics costs.

**From the firms' perspective, the top priorities that require attention are** the need to curb inflation, revisit energy and water prices and the frequency of their increases, and to stabilize the exchange rate.

### Main Macroeconomic Developments:

**Globally:** Global economic growth decelerated due to the repercussions of the war on Iran, resulting rise in energy prices, disruptions in supply and shipping, and ongoing global uncertainty despite the announcement of negotiations to end the war.<sup>2</sup>

**Domestically:** Although Egypt's key economic performance indicators remained stable during the quarter under review (January–March 2026), there are certain concerning indicators, mostly linked to chronic challenges, some of which stem from the repercussions of the war on Iran. Among the most concerning indicators are rising inflation and debt, decline in non-oil exports, and decrease in the banking sector's total foreign assets, with the challenges expected to intensify over the coming quarter.

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<sup>2</sup> For more details on developments in global, regional, and local financial conditions, see the ECES monthly report titled "Financial Markets Snapshot." To view the latest report, please visit: <https://eces.org.eg/en/category/financial-markets-snapshot/>

## 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.

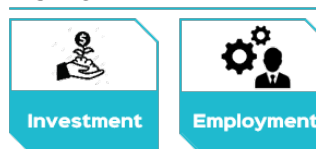
### 1. Production and Sales Indicators



### 2. Prices and Costs Indicators



### 3. Investment and Employment Indicators

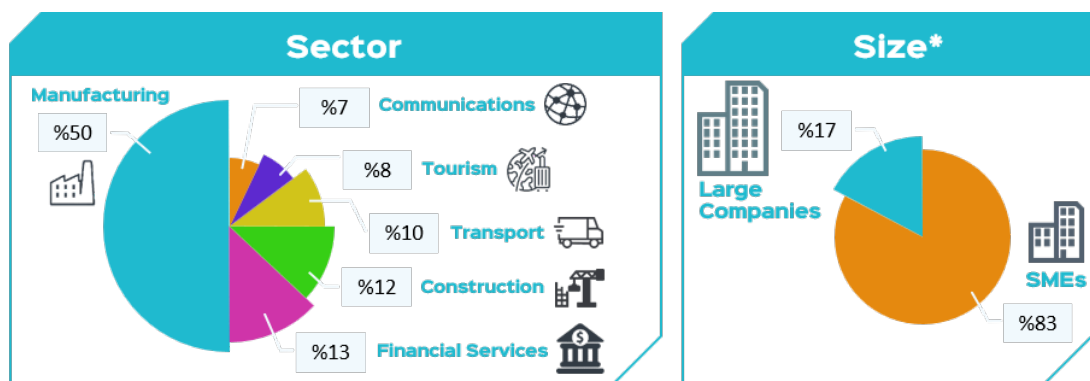


The significance of this issue of the Business Barometer increases in light of the challenges the business community has faced since early 2020, starting with the COVID-19 pandemic, followed by a recovery accompanied by various challenges in 2021, the Russian-Ukrainian war in early 2022, and most recently, 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.

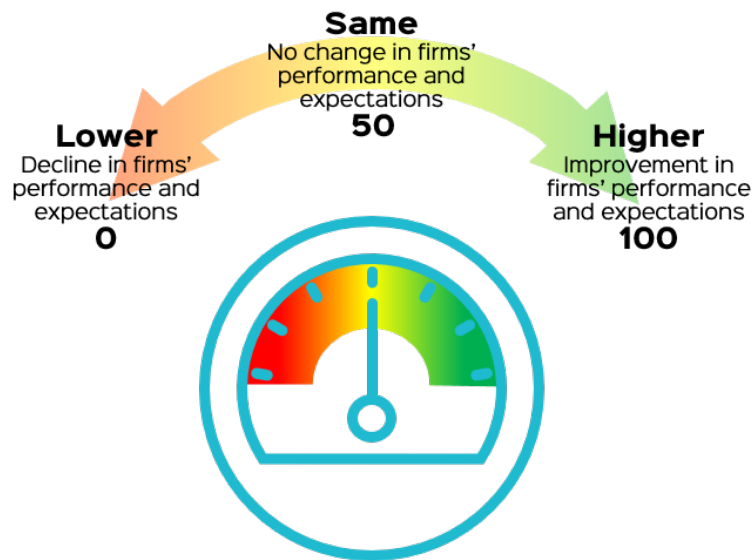
This report presents an evaluation of the sample firms' performance during the quarter (January-March 2026) and their outlook for the quarter (April-June 2026).

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: Economic growth decelerated due to the repercussions of the war on Iran, rising energy prices, and disruptions in supply and shipping**

With global uncertainty escalating amid the ongoing war on Iran, global economic growth has slowed to 3.1%, down 0.2 percentage points from last January's forecast.<sup>3</sup> International trade is also expected to decline, ranging between 1.5–2.5% in 2026.<sup>4</sup> This decline is attributed to several factors, most notably the turmoil and crises resulting from the war and the consequent surge in energy and food prices, rising shipping costs, disruptions in supply chains and logistics services, as well as growing uncertainty regarding trade policies. Collectively, these developments are pushing global inflation to higher levels, reaching 4.4% in 2026 compared to 4.1% in 2025. This negatively affects global confidence levels and leads to further tightening in financial markets, with the limited fiscal space of developing countries in the face of external shocks continuing to erode.<sup>5</sup>

The composite purchasing managers' index rose to 51.8 points in April 2026 from 51.0 in March 2026, indicating a relative acceleration of economic growth. This comes after March saw the index's biggest decline since 2008, excluding the COVID-19 pandemic period, as a result of pressures on the services sector, particularly tourism and travel. Despite this index rise, the growth rate remained the second-weakest recorded over the past ten months, suggesting that economic expansion has slowed since the US-Israeli attacks on Iran in late February. While the services sector remained the main driver of this modest growth, the manufacturing sector saw a notable improvement, with global industrial production growing at its fastest since July 2021, driven by strong performance from consumer goods producers, in a clear recovery from the war-related slowdown seen in March.<sup>6</sup>

**Domestically:** Although Egypt's key economic performance indicators remained stable during the quarter under review (January–March 2026), there are certain concerning indicators linked to chronic challenges, some of which stem from the repercussions of the war on Iran. The most notable of these are rising inflation and debt, a decline in non-oil exports and total foreign assets held by the banking sector, with the challenges expected to intensify in the upcoming quarter.

**The following section outlines the most significant developments and published data for the key macroeconomic indicators of the Egyptian economy as of the date of this report:**

### **I. GDP Growth**

The GDP growth rate declined slightly to 5% during Q3 (January–March) of fiscal year (FY) 2025/2026, down by about 0.3 percentage points compared to the second quarter of the same year, which may indicate the beginning of the Egyptian economy's exposure to the repercussions of the war on Iran. Forecasts indicate that this decline is likely to continue throughout 2026 amid the war's repercussions on the region's economies and the additional challenges it poses, including rising

<sup>3</sup> International Monetary Fund, World Economic Outlook (Washington, DC: International Monetary Fund, April 2026).

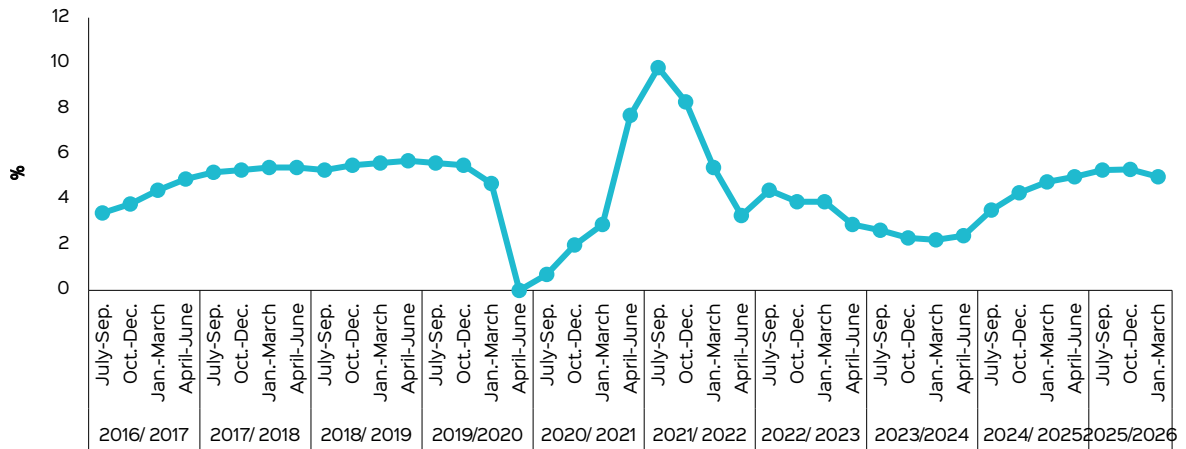
<sup>4</sup> United Nations Conference on Trade and Development (UNCTAD). Trade and Development Foresights 2026: Global Economy Faces a Geopolitical Challenge—An Update to the Trade and Development Report 2025. UNCTAD/GDS/2026/1. Geneva: United Nations, 2026.

<sup>5</sup> For more details on developments in global, regional, and local financial conditions, see the ECES monthly report titled "Financial Markets Snapshot." To view the latest report, visit: <https://eces.org.eg/en/category/financial-markets-snapshot/>

<sup>6</sup> <https://www.spglobal.com/market-intelligence/en/news-insights/research/2026/05/global-pmi-rises-in-april-as-war-related-supply-and-price-worries-boost-manufacturing>

energy prices, decline in shipping traffic through the Suez Canal, increased volatility in capital flows, pressure on the exchange rate, rising inflation rates, and declining consumption levels.<sup>7</sup>

**Figure 1: Real GDP Growth (2016/2017 – Q2 2024/2025)**



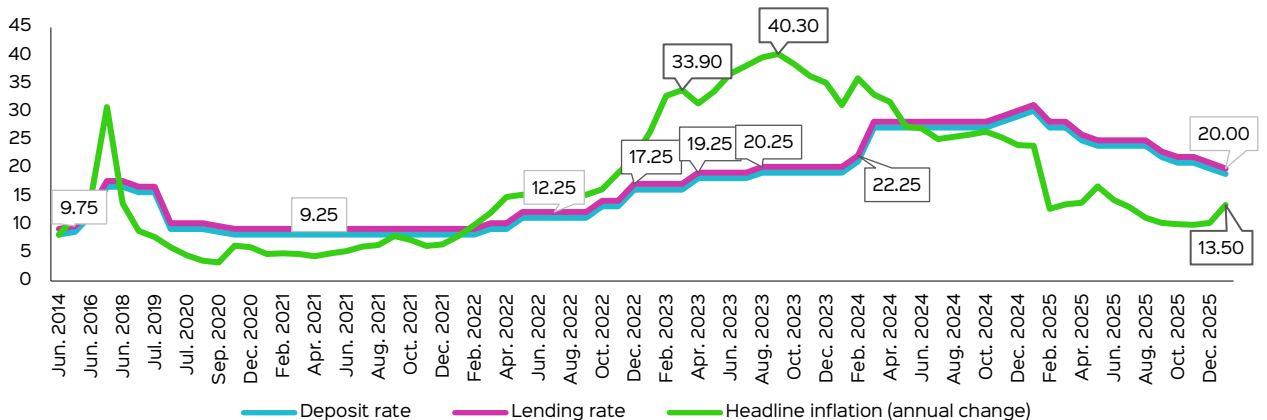
Source: Ministry of Planning and Economic Development

## II. Inflation

Annual headline inflation rose to 13.5% during Q1 2026, compared to 12.3% in Q4 2025. This increase was driven by seasonal rises in food prices during Ramadan and the holidays, as well as higher prices for energy and basic commodities and services—specifically, housing rents, transportation, and education.<sup>8</sup>

The Central Bank of Egypt (CBE) adopted a cautious monetary policy approach. After cutting policy rates twice in a row at its December 2025 and February 2026 meetings by 100 basis points each, the CBE kept key policy rates unchanged at its Monetary Policy Committee meeting in April 2026, leaving the overnight deposit and lending rates and the CBE's main operation rate at 19.0%, 20.0%, and 19.5%, respectively, while the credit and discount rate was kept at 19.5%.<sup>9</sup>

**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.

<sup>7</sup> National Bank of Kuwait. 2026. Growth seen resilient amid headwinds from regional conflict. Egypt Economic Brief. [https://www.linkedin.com/posts/mohamed-nabil-03a024390\\_egypt-ugcPost-7459484783476166657-8DzO/?utm\\_source=social\\_share\\_send&utm\\_medium=android\\_app&rcm=ACoAACN-KXMBDZfWYFOMbEKMwpRuTnAct92lo8&utm\\_campaign=whatsapp](https://www.linkedin.com/posts/mohamed-nabil-03a024390_egypt-ugcPost-7459484783476166657-8DzO/?utm_source=social_share_send&utm_medium=android_app&rcm=ACoAACN-KXMBDZfWYFOMbEKMwpRuTnAct92lo8&utm_campaign=whatsapp)

<sup>8</sup> Central Bank of Egypt, Monetary Policy Report, Q1 2026, April 2026.

<sup>9</sup> Central Bank of Egypt. 2026. Monetary Policy Committee press release, April.

### III. Foreign transactions

Before the outbreak of the war on Iran, the balance of payments recorded an overall deficit of approximately \$2.1 billion during the first half (July–December) of FY 2025/2026. This came as the current account recorded a deficit of \$9.5 billion during the same period, down 12% from its value during the first half of FY 2024/2025. In contrast, the capital account recorded a net inflow of approximately \$6.5 billion during the first half of FY 2025/2026, though this represented a decline of about 27% compared to the reading for the corresponding period of FY 2024/2025.<sup>10</sup>

Egypt's net international reserves continued to grow, reaching \$52.83 billion in Q3 (January–March) of FY 2025/2026, an increase of 11% compared to the corresponding period of the previous fiscal year, supported by the country's ability to absorb external shocks, continued foreign currency inflows, and stable gold reserves.

Conversely, the value of the Egyptian pound declined during Q3 (January–March) of FY 2025/ 2026, as the exchange rate against the US dollar rose to EGP 51.95 in March 2026 compared to approximately EGP 47.20 in January 2026, affected by escalating geopolitical tensions stemming from the conflict between the US and Iran, as well as the outflow of short-term capital (hot money).<sup>11</sup>

**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.

**External Debt:** Egypt's external debt stood at \$163.911 billion during the second quarter of FY 2025/2026, up 0.12% from the previous quarter and 5.7% from the corresponding quarter of the previous fiscal year. Debt service burdens also increased, reflecting further financial pressures, particularly amid turmoil in global financial markets.<sup>12</sup>

**The Banking Sector's Net Foreign Assets:** The banking sector's net foreign assets declined by \$8.2 billion during February and March 2025, reaching approximately \$21.4 billion, compared to \$25.5 billion in December 2025. This decline was driven by a drop in commercial banks' net foreign assets to \$5.8 billion in March 2026, down from \$12.2 billion in December 2025, reflecting a decline in foreign investment in Egyptian debt instruments due to the war on Iran.<sup>13</sup>

<sup>10</sup> Central Bank of Egypt. 2026. Press release on the balance of payments performance during the first half of FY 2025–2026, April 14, 2026.

<sup>11</sup> Ministry of Finance. 2026. *Monthly Financial Report*, April 2026.

<sup>12</sup> Ministry of Planning, Economic Development and International Cooperation, *Economic and Financial Data for Egypt* (Cairo: Arab Republic of Egypt, 2026).

<sup>13</sup> Central Bank of Egypt. 2026. *Monetary Policy Report*, Q1 2026.



Egyptian exports declined during Q1 2026 to \$12.3 billion, a decrease of 11% compared to the same period in 2025, reflecting the challenges faced by non-oil exports as a result of global market turmoil, falling demand, rising shipping costs, among other factors. Conversely, Egyptian imports rose by about 12% during the same period, leading to a widening of the trade deficit to \$14.6 billion during Q1 2026—a 46% increase compared to the same period in 2025.<sup>14</sup>

#### **IV. Public Finance**

The overall state budget deficit stood at approximately EGP 1,115 billion during July-March 2025/2026, representing 5.6% of GDP, compared to 6% in the corresponding period of the previous fiscal year. This improvement is attributed to a 21.2% increase in public expenditures, which reached EGP 3,352.6 billion during the first half of FY 2025/2026, driven by a roughly 22% rise in interest payments and 48% increase in public investments, along with a 20% rise in spending on goods and services compared to the corresponding half of the previous fiscal year. In contrast, public revenues grew by 35.1% to reach EGP 2,277 billion during the first half of FY 2025/2026.<sup>15</sup>

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<sup>14</sup> Central Agency for Public Mobilization and Statistics, *Monthly Bulletin of Foreign Trade*, January, February, and March 2026 issues.

<sup>15</sup> Ministry of Finance. 2026. *Monthly Financial Report*, April 2026.



# Business Barometer Index (BBI)

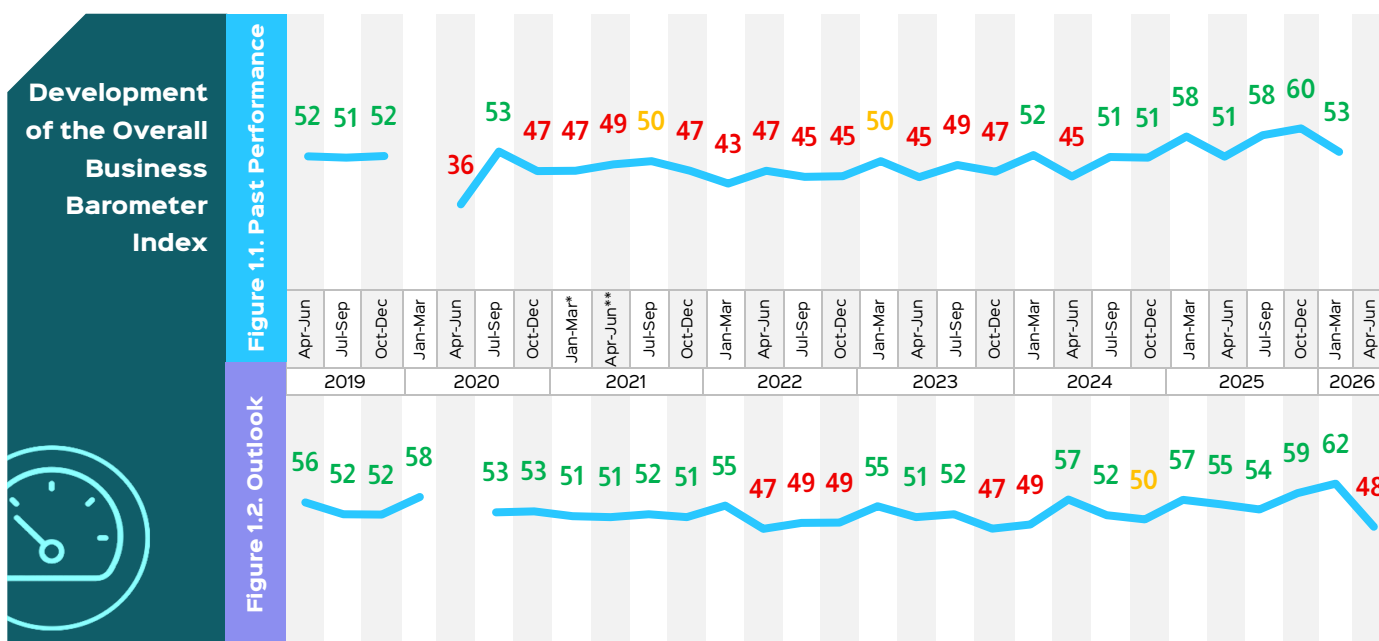
## I. Performance evaluation and outlook according to the overall index

The Business Barometer Index (BBI) declined during the quarter under review compared to the preceding and corresponding quarters, with performance varying across sectors

### 1-1 Overall Index

The BBI for the quarter under review (January–March 2026) declined compared to the previous and corresponding quarters. This reflects the business community’s continued struggle with the global, regional, and local repercussions of the war, which led to disruptions in global supply chains and international shipping, higher energy and raw material prices, and weak external demand. For all firms, this was reflected in a decline in the export index and a rise in the intermediate input prices index, while the resilience of the service sectors and large firms shored the index above the neutral level (Figure 1-1).

The expectations index for the quarter April–June 2026 registered a value two points below neutral—lower than both the previous and corresponding quarters. This reflects growing expectations that all performance indicators will fall below neutral in the upcoming period. This trend is attributed to the continuing uncertainty stemming from geopolitical tensions in the region and associated difficulties in securing raw materials, as well as rising energy and input prices, which are driving up production costs, in addition to a decline in both domestic and foreign demand (Figures 1–2).



Source: Survey results.

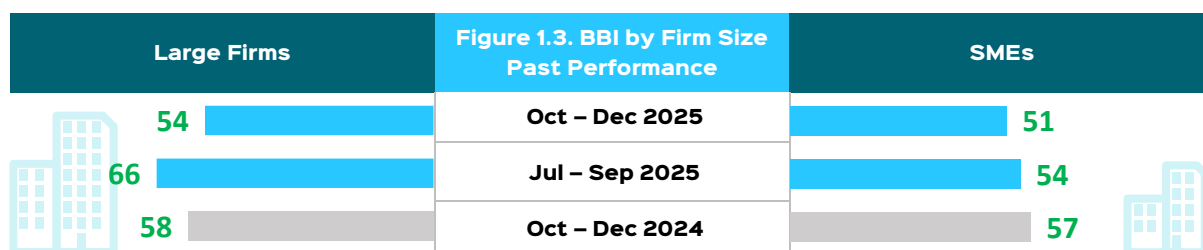
\* Data for January–March 2020 are unavailable due to the pandemic-related lockdown.

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

### 1-2 Index according to firm size

The business performance index for **all firms** declined **during the quarter** under review **compared to the previous and corresponding quarters**, reflecting the pressures facing the business community as a result of rising production costs and declining exports amid the fallout from the war. **Large firms** demonstrated greater resilience and adaptability in the face of these challenges compared to **small and medium-sized enterprises** (Figures 1–3).

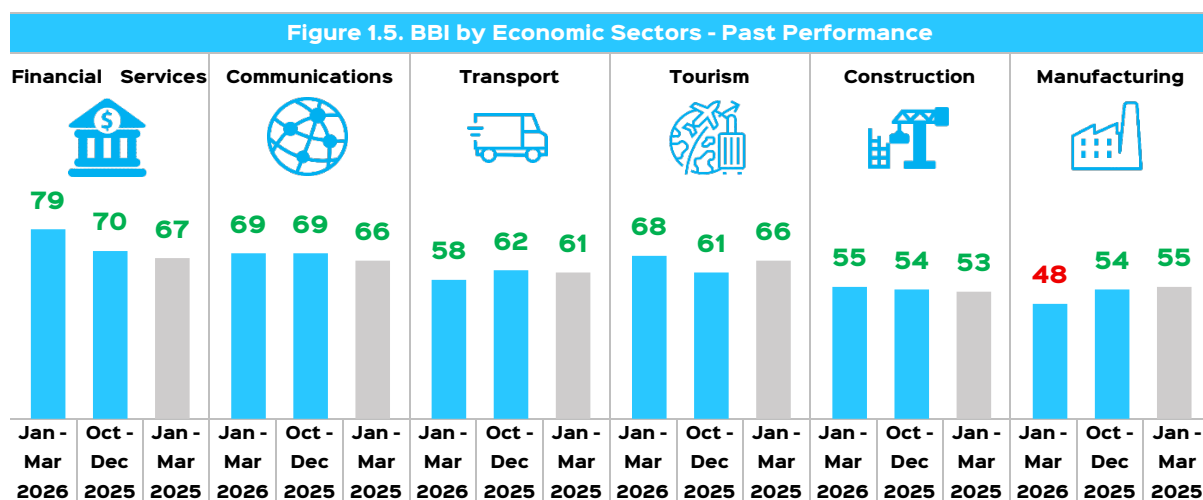
The expectations index for **all firms** also declined for the **upcoming quarter**, as current challenges are expected to persist amid the ongoing war and the resulting uncertainty. The index readings for **all firms** fell below **neutral** and were lower than those of the **previous and corresponding quarters** (Figure 1–4).



Source: Survey results.

### 1-3 The Index according to economic sectors

**Manufacturing** posted the weakest performance among **all sectors**, followed by transportation and construction. In contrast, financial services, telecommunications, and tourism continued to report positive performance (Figure 1-5).



Source: Survey results.

All economic sectors faced common challenges related to rising production costs, driven by higher energy and raw material prices and shipping costs, in addition to wage increases. Meanwhile, the sectors' performance varied in terms of production, sales, and export indicators, as follows:

- The business performance index for **manufacturing** fell two points below **neutral**, performing lower than in the **previous and corresponding** quarters. This was primarily due to the repercussions of the war on Iran and the resulting decline in production, exports, and domestic sales. Meanwhile, production costs rose significantly as a result of higher energy prices and rising raw material prices. Domestic sales declined due to lower purchasing power and weak domestic demand, while exports fell as a result of weak external demand, higher shipping costs, and the doubling of transportation costs and longer routes, all of which eroded the sector's price competitiveness.
- The **construction sector** exceeded the **neutral** level by 5 points during the quarter under review, with figures close to those of the **previous and corresponding quarters**. Firms reported stable or declining **production and domestic** sales during the quarter under review. This can be attributed to implementation of the new Reconciliation Law, completion of the necessary licensing process on the ground, continued strong demand for purchases in resorts and new cities, and the start of new projects in coastal areas and new cities. Government projects in infrastructure, roads, and new cities also contributed to supporting the sector's activity and recovery.
- The **tourism sector** recorded approximately 18 points above the **neutral** level, outperforming the **previous and corresponding quarters**. This is attributed to an increase in the number of visitors, driven by security and stability compared to other countries experiencing political tensions. This contributed to a recovery in inbound tourism to Egypt during the quarter under review, with the cities of Luxor, Aswan, and Hurghada seeing a notable increase in the number of tourist groups and a rise in occupancy rates at hotels and resorts. Meanwhile, outbound tourism increased due to the Hajj and Umrah seasons, as well as the government's efforts to promote the country as a tourist destination in global markets through the launch of large-scale promotional campaigns and injecting significant investments to develop the tourism infrastructure, including airports, hotels, and roads.
- The **transportation sector** recorded 8 points above the **neutral** level, albeit lower than the **previous and corresponding quarters**. This is attributed to a decline in the sector's indicators **during the quarter** under review, due to a decrease in transportation and maritime shipping activity—as shipping lines were forced to take longer to reach ports—rising ship insurance costs, increased freight rates, and a decline in import activity, in addition to a downturn in the manufacturing sector, all of which negatively impacted the sector's performance.
- The **telecommunications sector** continued its recovery, matching the **previous quarter's** readings while outperforming the **corresponding quarter** by 3 points and the **neutral** level by 19 points. This is attributed to continued demand for information technology services, alongside the government's ongoing efforts to expand infrastructure and utilities. Increased demand for educational and training programs, along with new contracts with firms to provide accounting services—such as financial and tax reporting—also contributed to the sector's performance. Additionally, entering new markets and contracting with foreign firms to provide IT services and smart solutions—including training programs based on modern technologies—helped boost the sector's growth during the period under review.
- The **financial services sector** posted the best performance among sectors, exceeding the **neutral** level by 29 points and outperforming both the **previous and corresponding quarters**. This is due to higher trading volumes driven by investors hedging against inflation by investing in the stock

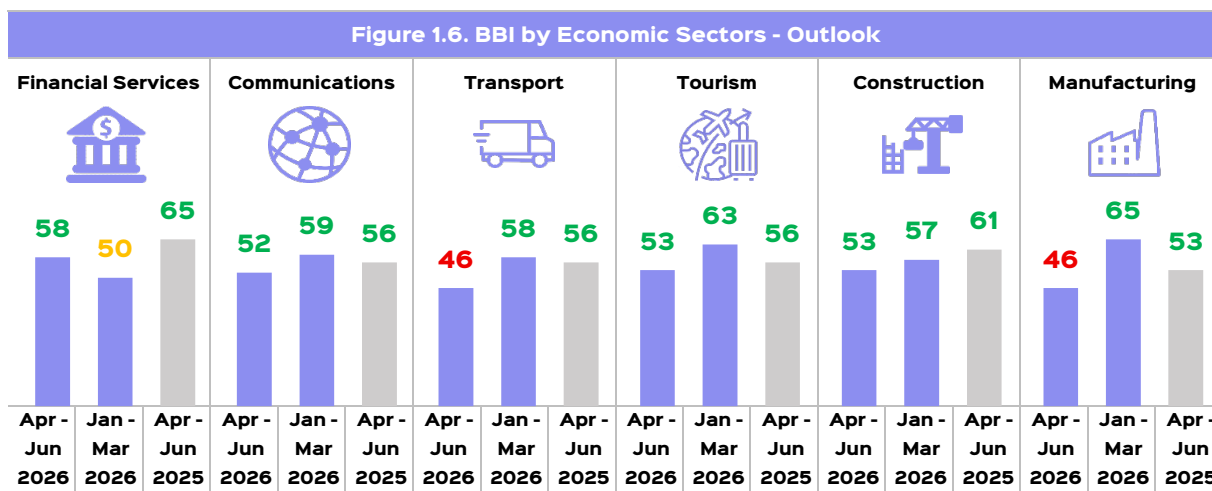
market, as well as an influx of new investments from Gulf investors into the Egyptian market amid geopolitical tensions in the region.

**Regarding expectations**, the results indicate that various sectors will continue to face challenges in the **upcoming quarter**, a trend reflected in the decline of the **expectations index** across all sectors.

The **manufacturing, transportation, and construction sectors** are expected to see a further decline in performance in the upcoming period, while the **tourism, telecommunications, and financial services sectors** are expected to continue performing well. Further details are provided below:

- The **manufacturing sector's** expectations index registered a reading 4 points below the **neutral level**, with performance lower than in the **previous and corresponding quarters**. This is due to uncertainty in the upcoming periods, which negatively affects supply chains and global trade. This results in raw material procurement difficulties and subsequent price increases, with energy prices and foreign exchange rates expected to continue rising, along with higher inflation rates and weaker purchasing power, all of which are weighing on the sector's performance outlook.
- The **construction sector's expectations index exceeded the neutral level** by 3 points, albeit with performance lower than in the **previous and corresponding quarters**. This is attributed to the continued implementation of the Reconciliation Law, increased foreign investment in the real estate sector, and government infrastructure projects. Rising prices of raw materials and finished products are also expected to affect the index. Meanwhile, the sector faced an additional challenge in the form of a noticeable shortage of day laborers, as many workers temporarily shift to agricultural work during the harvest season, given that most of this workforce comes from Upper Egypt.
- Firms in the **tourism sector** reported optimistic **expectations**, as the outlook index exceeded the **neutral level** by 3 points, albeit lower than in the **previous and corresponding quarters**. This is attributed to expectations that domestic and international tourism will continue over the coming period, coinciding with the summer vacation and Eid al-Adha, as well as increased demand for religious tourism with the arrival of the Hajj season.
- The **transport sector's** expectations index registered 4 points below the **neutral level**, with performance lower than in the **previous and corresponding quarters**. This comes amid ongoing uncertainty regarding geopolitical stability and expectations of escalating military operations, which could result in the closure of shipping lanes—a development that would place further pressure on maritime shipping and lead to a decline in the volume of exports and imports. Expectations of a decline in the manufacturing sector's performance also played a major role in the downward revision of the transportation sector's business outlook, given the close interdependence between the two sectors.
- The outlook index for the **telecommunications sector** exceeded the **neutral level** by two points, albeit with lower values than in the **previous and corresponding quarters**. This is attributed to expectations that the export of services to foreign markets will continue, that infrastructure and utilities will continue to be developed in tandem with the expansion of new cities, and that the number of post offices will increase, creating a need for more information technology services. Demand for information technology products and services is also expected to continue growing across various economic sectors.
- The **financial services sector's** expectations index posted the best performance among **sectors**, recording values above the **neutral level**—an increase of 8 points compared to the **previous quarter**, though 7 points lower than the **corresponding quarter** of the previous year. This is

attributed to expectations of higher trading volumes as a result of investors realizing earnings during the past period, along with news of new initial public offerings (IPOs), such as that of Misr Insurance, and the decline in global gold prices, which may drive some liquidity to the stock market. Increased purchases by Arab investors also contributed to the positive outlook for the sector's performance over the coming period (Figure 1-6).



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

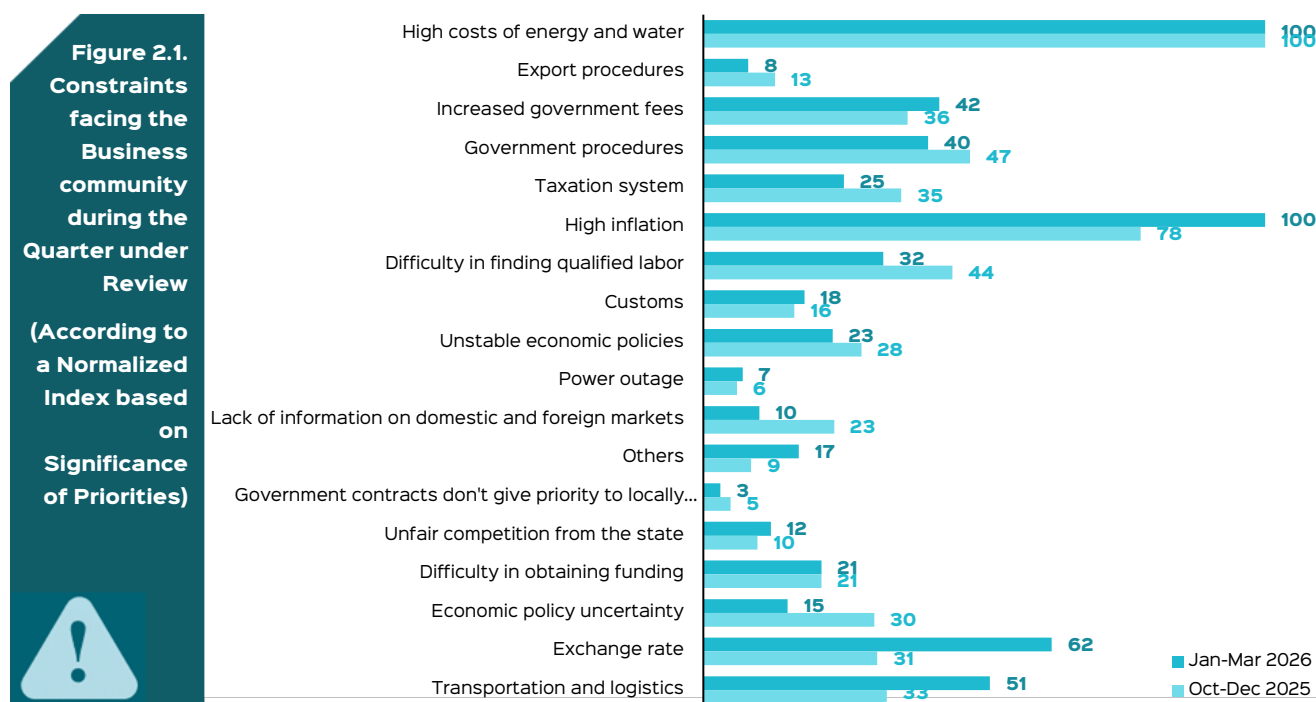


### 2-1 Constraints faced by the business community during the quarter under review

#### Inflationary pressures intensified, topping the list of constraints faced by firms during the quarter under review

Figure 2-1 illustrates the main constraints faced by the business community during the quarter under review (January–March 2026), ranked by their severity from the perspective of the sample of firms.

Challenges related to **rising inflation** topped the list of constraints due to its negative impact on all sectors; inflation means higher prices, which result in a decline in purchasing power and weaker demand, while simultaneously **inflating production costs and wages**. Challenges related to rising energy and water costs also remained a key constraint facing firms, as the frequent increase in energy and water prices raises production costs—particularly for energy- and water-intensive activities—placing an additional burden on firms. Exchange rate challenges ranked third, as **exchange rate** volatility and appreciation have caused hardship for the business community. Many firms rely on imports for most of their production inputs, leading to price increases and exacerbating market disruptions. **Transportation and logistics** challenges ranked fourth as an additional burden on firms, due to the decline in transportation and maritime shipping. Maritime lines now take longer to reach ports, which negatively impact both exports and imports. Rising energy prices also escalated the transportation and logistics challenges facing the business community.



Source: Survey Results.

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

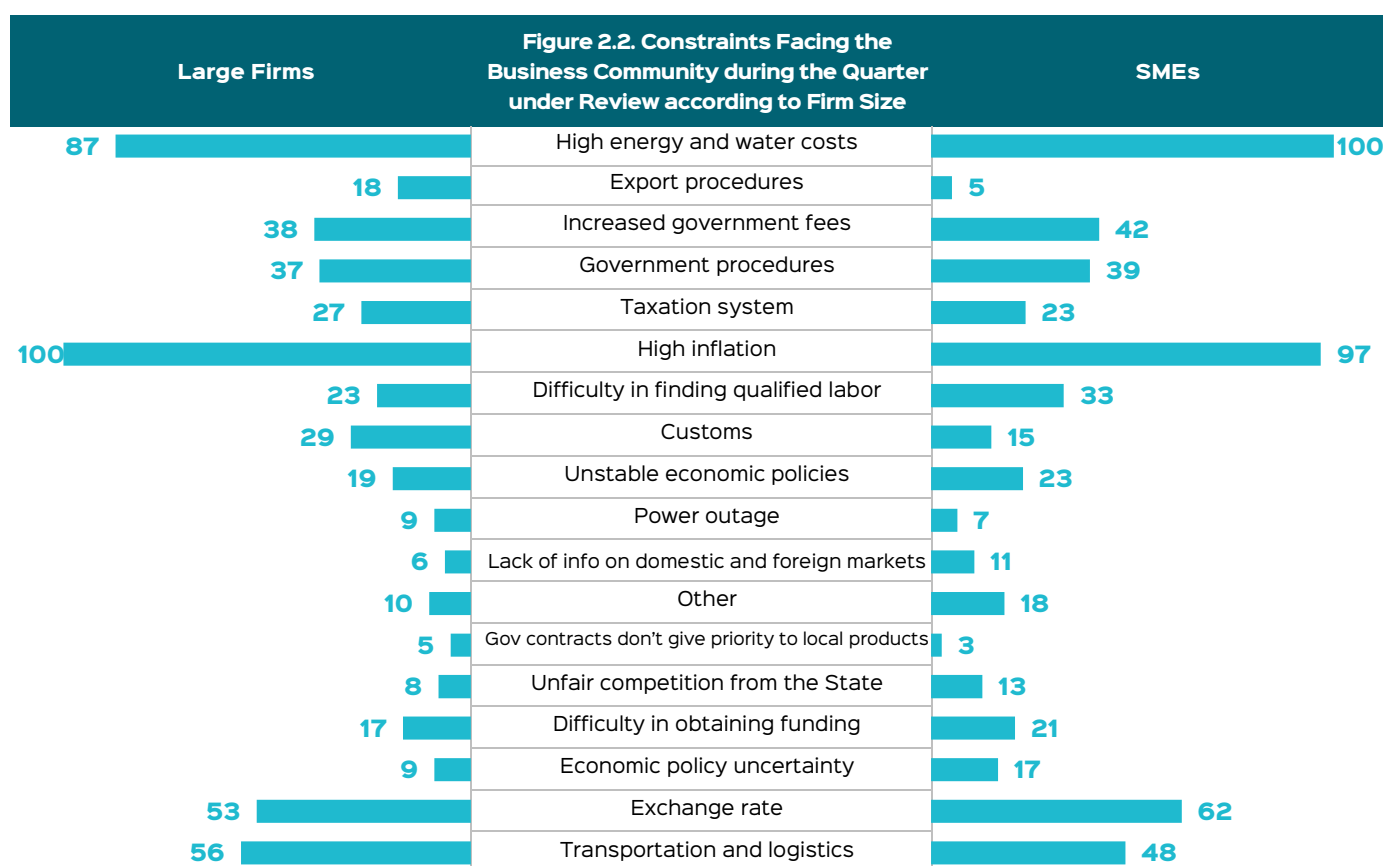
The numbers refer to the percentage of firms that identified specific obstacles, and firms could select more than one obstacle.

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

No significant differences were reported regarding the ranking of the top five constraints faced by firms during the quarter under review.

High energy and water costs and higher inflation topped the list of constraints faced by firms during the quarter under review. However, the ranking of the remaining constraints varied according to firm size. For large firms, transportation and logistics challenges ranked third, followed by exchange rate issues in fourth place, and increased government service fees in fifth.

For SMEs, exchange rate challenges ranked third, followed by transportation and logistics constraints in fourth place, and increased government service fees in fifth place. Figure 2-2 shows the main constraints faced by large firms and small and medium-sized enterprises during the quarter under review (January–March 2026), ranked by the extent of their severity from the perspective of the sample of firms.









Source: Survey Results.

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

## 2.1.2 Constraints by Economic Sector

Firms across sectors agreed that higher inflation and higher energy and water prices were the most significant constraints faced during the quarter under review, as these had the greatest impact on various economic activities. The remaining constraints varied across sectors: The manufacturing sector grappled with rising transportation costs and exchange rate issues, while the construction sector faced challenges related to the exchange rate, as well as difficulties in dealing with government agencies and rising licensing fees. In the financial services sector, rising prices for screen and connection line services topped the list of constraints, resulting in a decline in earnings due to increased costs (Figures 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	39	100	100	100	75	100
Increased government fees	0	18	17	47	62	46
Government procedures	0	18	9	15	69	48
Export procedures	0	0	0	0	0	14
Taxation system	0	14	9	26	42	26
Difficulty in finding qualified labor	0	73	4	32	25	36
High inflation	36	91	85	94	100	100
Customs	0	45	15	0	0	25
Unstable economic policies	0	23	4	3	46	25
Power outage	0	0	0	0	12	10
Lack of info on domestic and foreign markets	0	0	7	0	0	17
Other	100	0	9	0	0	2
Economic policy uncertainty	0	18	13	0	35	14
Difficulty in obtaining funding	0	59	0	53	13	18
Transportation and logistics	0	55	13	56	13	70
Exchange rate	11	32	39	38	87	67
Gov. contracts don't give priority to local products	0	0	0	0	2	5
Unfair competition from the State	0	36	0	0	58	3

Source: Survey Results.

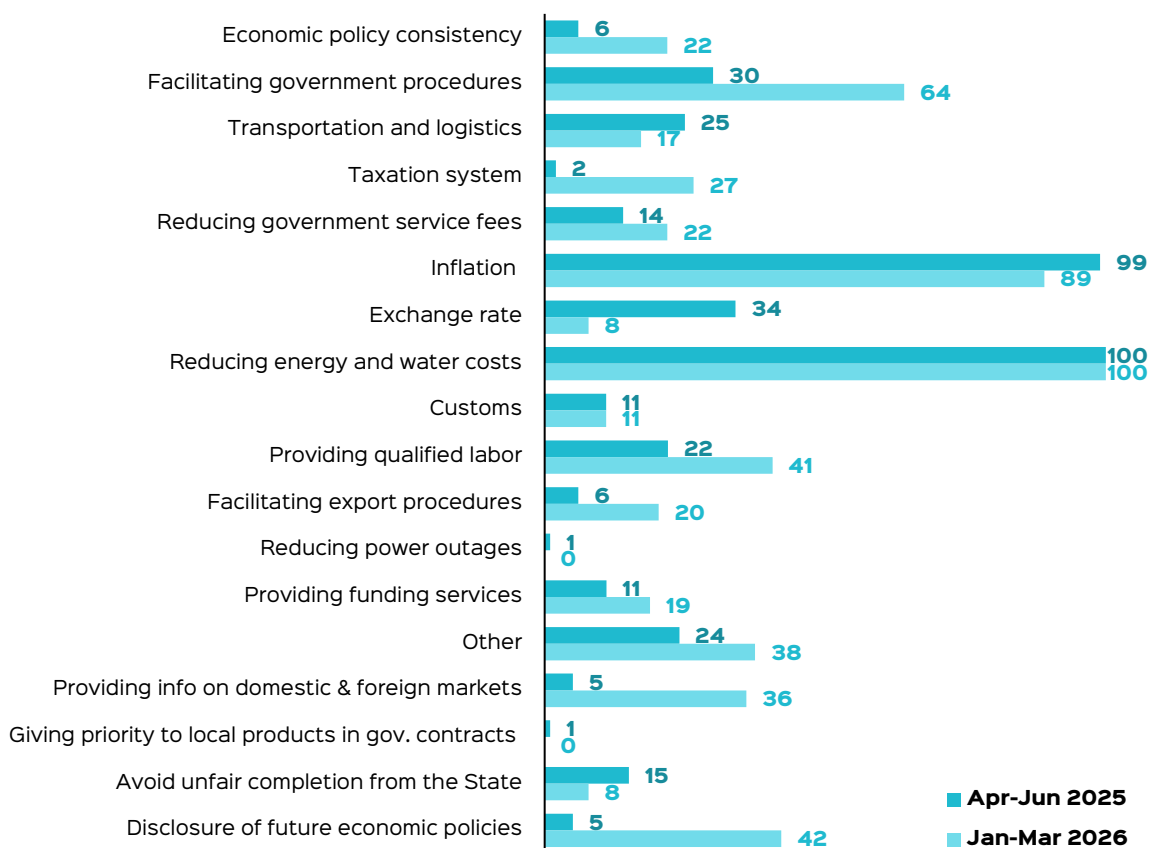
## 2-2 Priorities for Improving the Business Environment in Egypt (According to the Sample of Firms)



From the perspective of firms, the top priorities that must be addressed are controlling inflation, revisiting energy and water prices and their adjustment cycles, and stabilizing the exchange rate.

Revisiting **energy and water tariffs** topped the list of priorities that the sample of firms considers necessary to address, given that these rates have been increasing at frequent intervals each year, leading to higher costs and a decline in the volume of business. This was followed by the need to address **rising inflation**, given its negative impact on **all sectors**, and stabilizing the **exchange rate** as a key factor in achieving price stability, maintaining balance in domestic and foreign markets, and enhancing the competitiveness of firms (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

There is agreement among the **various firms** regarding their top priorities, as revisiting **energy prices** and curbing rising inflation rates topped the list of priorities for all firms.

Meanwhile, the remaining priorities varied according to **firm size**, with **large firms** seeing the need to improve the efficiency of **transportation and logistics services** as well as to **streamline government procedures**.

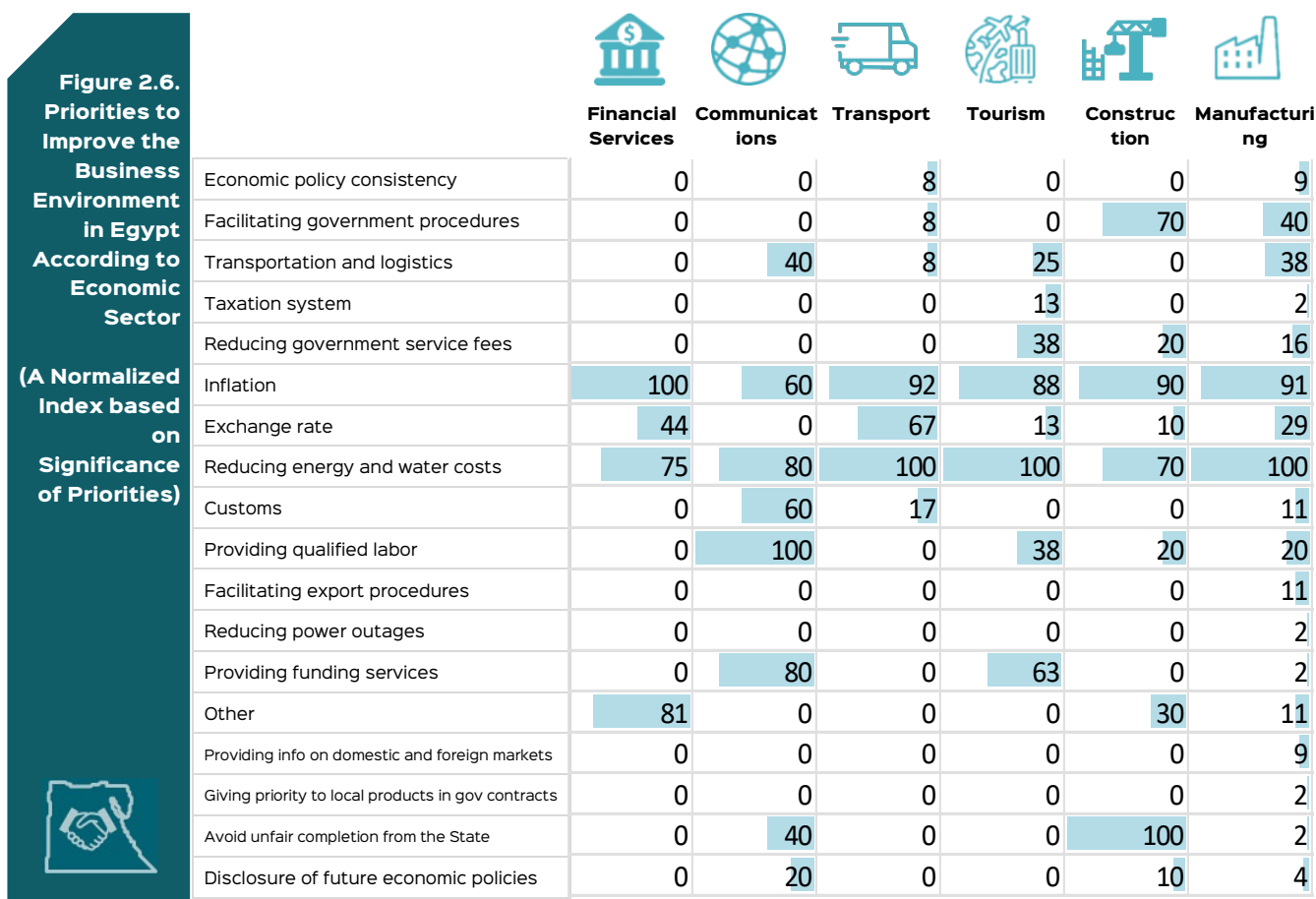
**Small and medium-sized** enterprises, on the other hand, believe that improving the **exchange rate** should be a top priority, ranking third, followed by streamlining **government procedures**, ranking fourth (Figure 2-5).



Source: Survey Results.

## 2-2-2 Priorities according to economic sectors

The **manufacturing, tourism, and transportation sectors** agreed that their top priority is finding solutions to **high energy and water prices**. Tackling **inflation** was the top priority for the **financial services sector**, followed by addressing rising prices for screen and connection services. As for the **construction sector**, **preventing unfair competition from the government** was among the top priorities, followed by streamlining **government procedures**. Providing a **qualified workforce** was a priority for the **telecommunications sector**, followed by **financing services and improving customs procedures** (Figure 2-6).



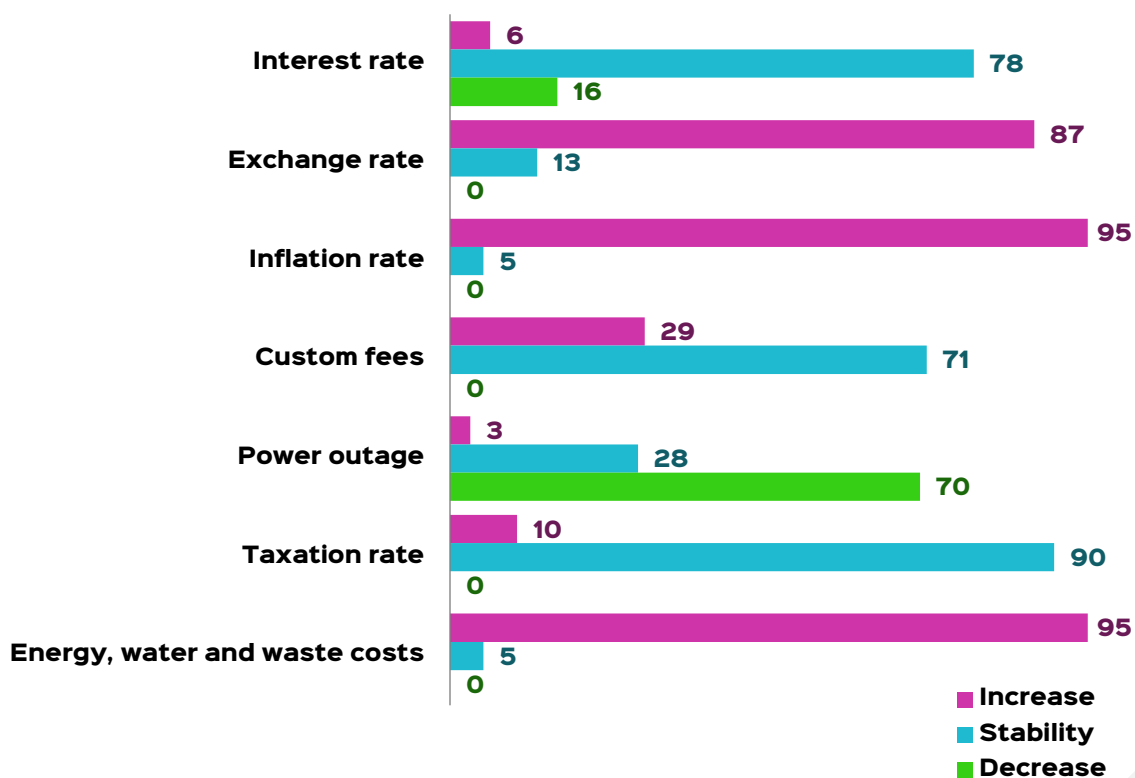
Source: Survey results.

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



According to the sample of firms, in the upcoming quarter energy and water prices, inflation rates, and the exchange rate are expected to rise, while the duration of power outages is expected to decrease, with the remaining variables expected to remain stable (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

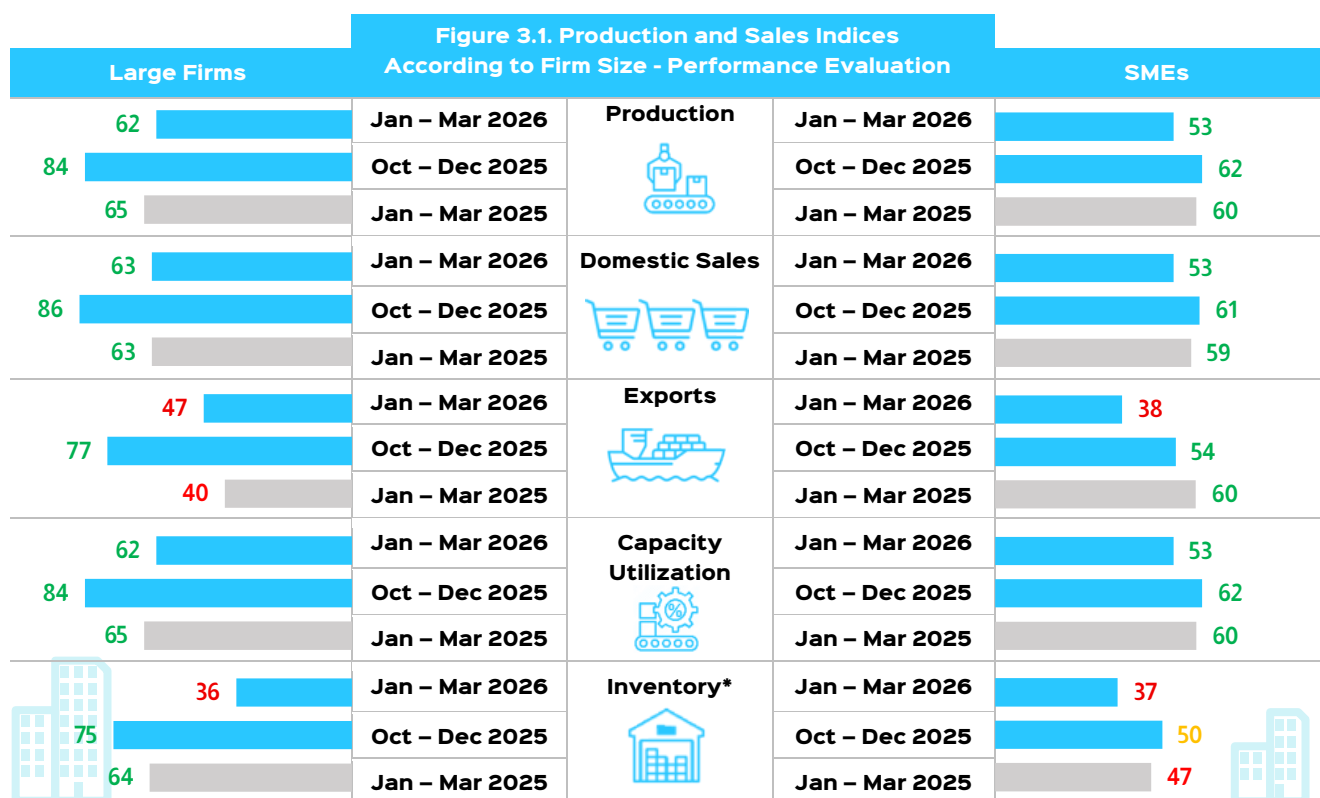
#### 3.1. Performance evaluation

While all indices declined for all firms compared to the previous quarter, they remained mostly above the neutral level.

All firms recorded lower values for the production, capacity utilization, and inventory indices relative to the previous and corresponding quarters. These values, however, remained above the neutral level, with the exception of the inventory index, which fell below neutral.

For large firms, the domestic sales index recorded a value similar to the corresponding quarter, but 23 points lower than in the previous quarter, while remaining 13 points above the neutral level. Regarding the export index, it was 3 points below the neutral level, 30 points lower than the previous quarter, and 7 points higher than the corresponding quarter.

As for small and medium-sized enterprises, their domestic sales and export indices recorded lower values than in the previous and corresponding quarters. While the domestic sales index remained about 3 points above the neutral level, the export index was 12 points below the neutral level.

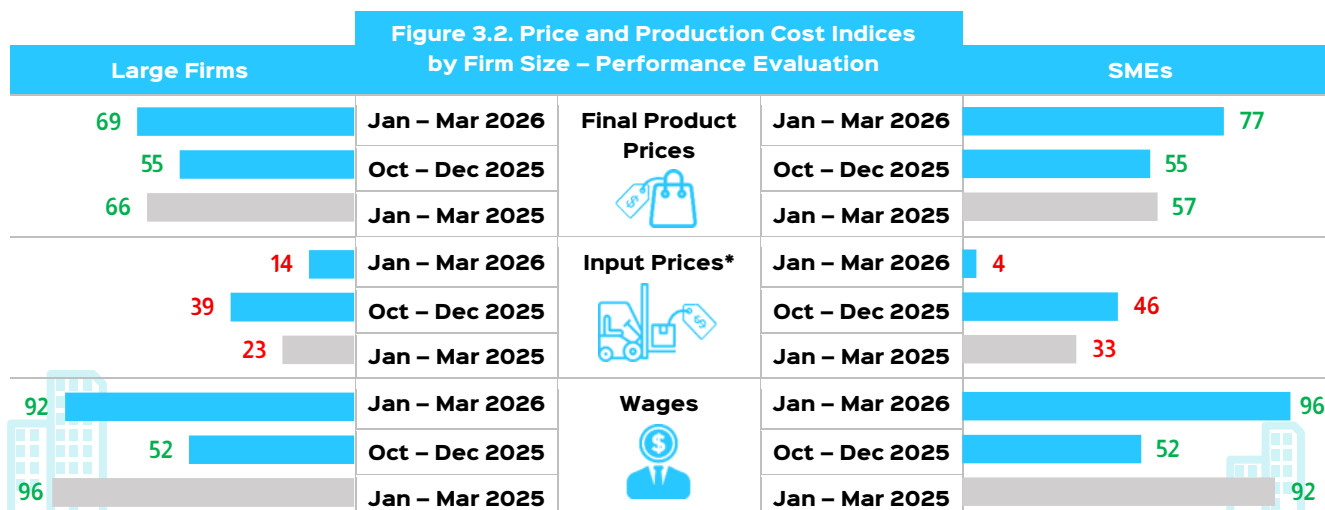


Source: Survey results.

\* 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 price and wage indices for final goods exceeded the neutral level across all firms

The final product price index across all firms exceeded the neutral level and both the previous and corresponding quarters, driven by a sharp decline in the input price index compared to the previous and corresponding quarters. The wage index also recorded values higher than the neutral level and higher than in the previous and corresponding quarters, while large firms recorded 4 points lower than the corresponding quarter (Figure 3-2).



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 declined relative to the previous quarter

During the quarter under review, the investment index for all firms declined to the neutral level compared to the previous and corresponding quarters, while the employment index declined relative to the previous quarter, albeit recording a similar value to the corresponding quarter (Figure 3-3).



Source: Survey results.

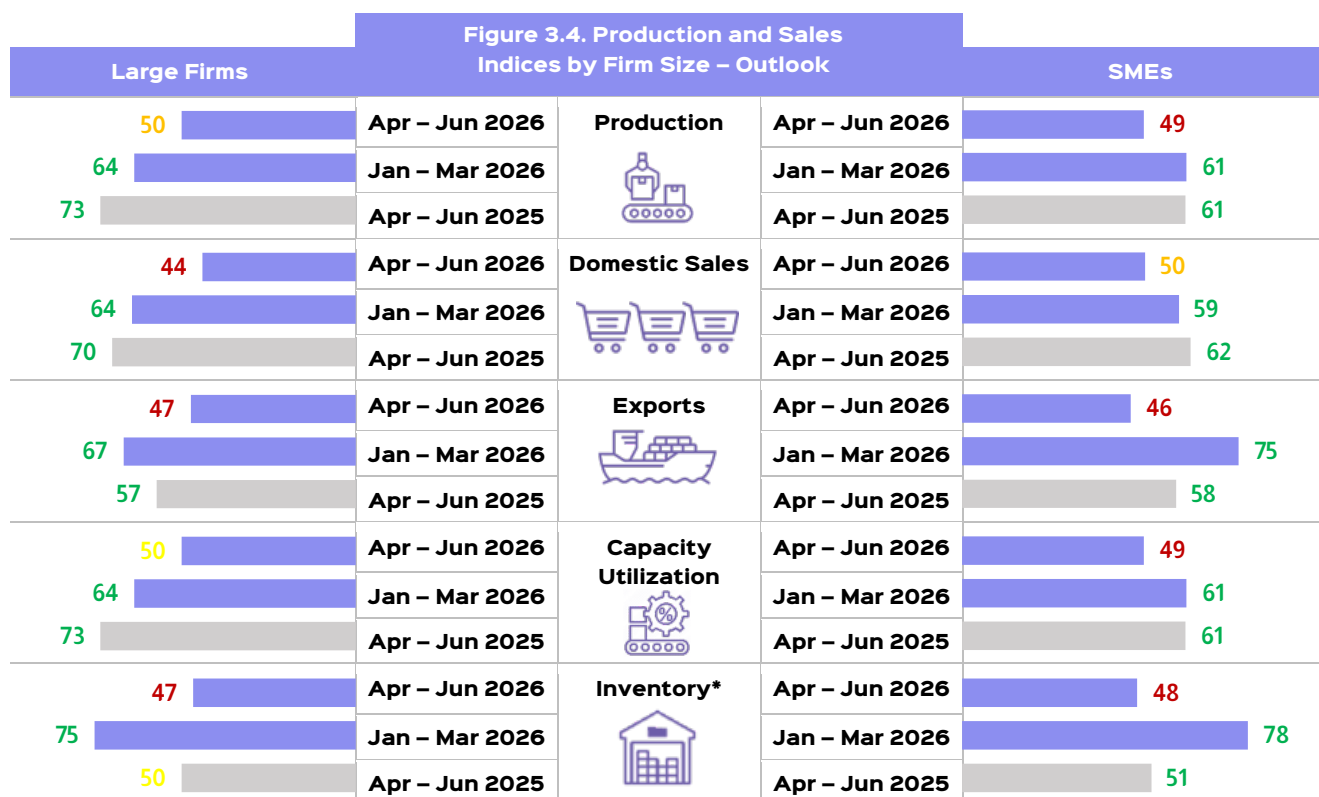
### 3.2. Performance outlook

The business performance index is expected to decline in the upcoming quarter for all firms, falling below the neutral level and to values lower than in the previous and the corresponding quarters.

For the upcoming quarter (April–June 2026), all firms expect the production, domestic sales, exports, capacity utilization, and inventory indices to be lower than in the previous and the corresponding periods.

Among **large firms**, the **production and capacity utilization indices** stood at the **neutral level**, while the remaining indices fell below the **neutral level**.

As for **small and medium-sized enterprises**, the **domestic sales index** stood at the **neutral level**, while the remaining indices fell below the **neutral level** (Figures 3–4).

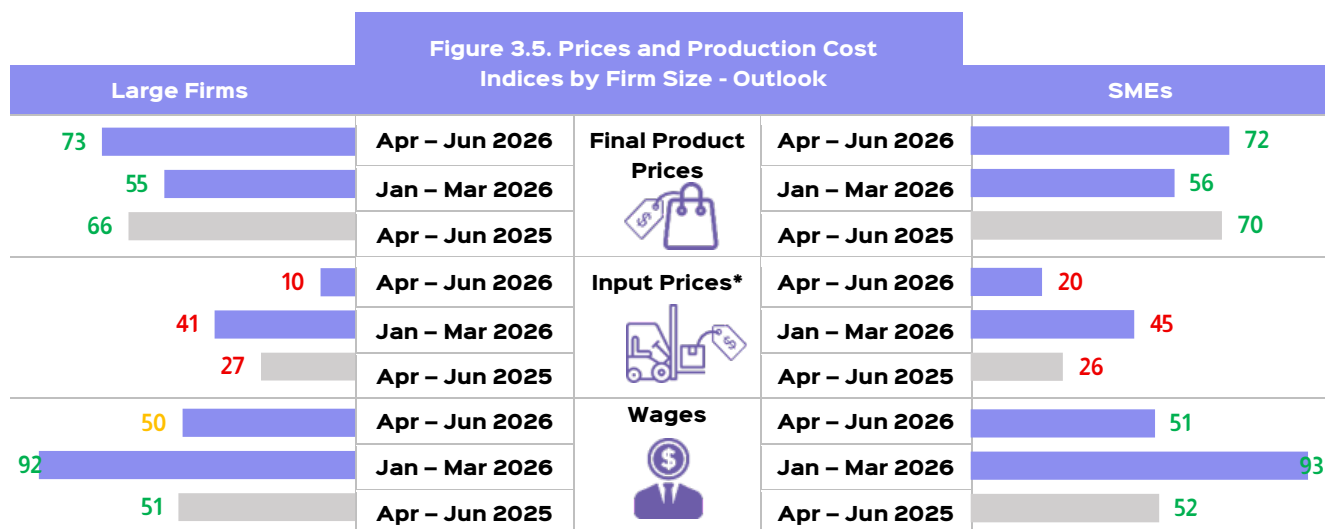


Source: Survey results.

\* 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 the final product price index to rise above the neutral level

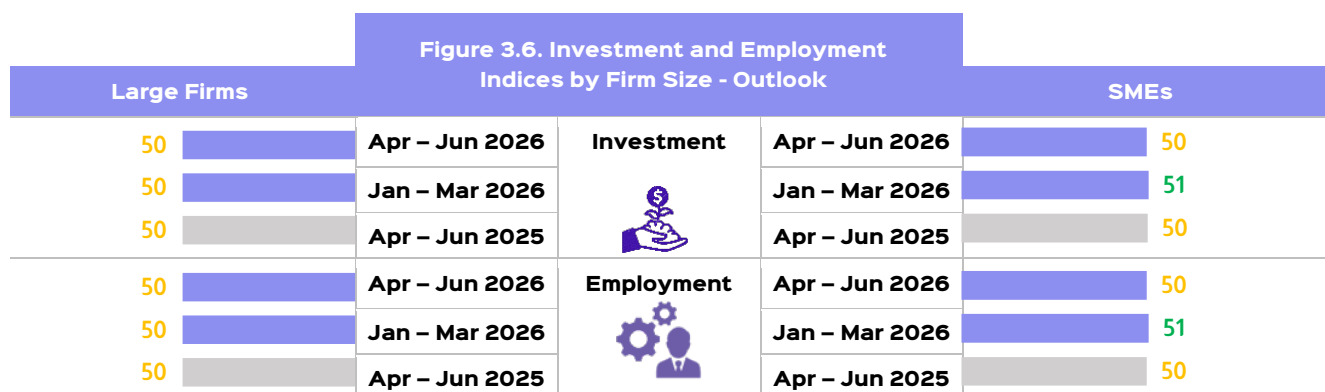
All firms expect the **final product price index** to exceed the **neutral level** and **both the levels in the previous and corresponding quarters**, in light of expectations of a decline in the **input price index** relative to the **previous and corresponding quarters**. They also expect the **wage index** to decline relative to the **previous and corresponding quarters** (Figures 3–5).



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 index for all firms is expected to remain stable at the neutral level—with the same levels as in the previous and corresponding quarters (Figure 3-6).



Source: Survey results.

# Tables Index

**Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (January – February – March 2026)<sup>1</sup>**

Indicator	Manufacturing			Construction			Tourism			Transportation			Communications			Financial Services								
	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>							
	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low						
<b>Economic activity</b>																								
Production	28	22	50	41	29	36	47	70	30	0	77	33	17	50	43	88	13	0	89	100	0	0	100	
Domestic sales	25	33	42	44	29	36	47	56	44	0	69	33	17	50	43	75	25	0	80	100	0	0	100	
Exports	21	21	58	35	-	-	-	100	0	0	100	-	-	-	-	100	0	0	100	-	-	-	-	
Inventory	55	24	21	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capacity utilization	28	22	50	41	29	36	47	70	30	0	77	33	17	50	43	88	13	0	89	100	0	0	100	
<b>Prices</b>																								
Final product prices	85	15	0	87	100	0	0	100	40	60	0	63	67	33	0	75	38	63	0	62	0	100	0	50
Intermediate product prices	95	5	0	5	100	0	0	50	50	0	33	-	-	-	-	100	0	0	0	0	-	-	-	-
Wage level	93	7	0	94	93	7	0	93	90	10	0	91	100	0	0	100	100	0	0	100	100	0	0	100
<b>Primary inputs</b>																								
Investment	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50
Employment	2	95	3	50	21	79	0	56	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50

**Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (April – May – June 2026)<sup>1</sup>**

Indicator	Manufacturing			Construction			Tourism			Transportation			Communications			Financial Services								
	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>							
	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low						
<b>Economic activity</b>																								
Production	20	42	38	44	29	64	7	57	30	40	30	50	25	8	67	31	25	75	0	57	56	44	0	70
Domestic sales	24	35	42	43	29	64	7	57	0	67	33	40	25	8	67	31	25	75	0	57	56	44	0	70
Exports	15	48	36	43	-	-	-	-	100	0	0	100	-	-	-	-	0	100	0	50	-	-	-	-
Inventory	38	31	31	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capacity utilization	20	42	38	44	29	64	7	57	30	40	30	50	25	8	67	31	25	75	0	57	56	44	0	70
<b>Prices</b>																								
Final product prices	72	28	0	78	43	57	0	64	90	10	0	91	75	25	0	80	75	25	0	80	0	100	0	50
Intermediate product prices	82	18	0	15	50	50	0	33	100	0	0	0	-	-	-	86	14	0	13	-	-	-	-	-
Wage level	3	97	0	51	14	86	0	54	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50
<b>Primary inputs</b>																								
Investment	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50
Employment	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50

<sup>1</sup> Numbers represent percent of total responses. Higher, same, and lower may not add up to 100 due to rounding.

<sup>2</sup> 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)**  
(January - February - March 2026)<sup>1</sup>

Variable	SMEs				Large Firms			
	Percentage			Index <sup>2</sup>	Percentage			Index <sup>2</sup>
	Higher	Same	Low	51	Higher	Same	Low	54
<b>Economic activity</b>								
<b>Production</b>	44	20	36	<b>53</b>	55	18	27	<b>62</b>
<b>Domestic sales</b>	41	27	32	<b>53</b>	52	29	19	<b>63</b>
<b>Exports</b>	25	21	54	<b>38</b>	38	15	46	<b>47</b>
<b>Inventory</b>	53	28	19	<b>37</b>	60	10	30	<b>36</b>
<b>Capacity utilization</b>	44	20	36	<b>53</b>	55	18	27	<b>62</b>
<b>Prices</b>								
<b>Final product prices</b>	69	31	0	<b>77</b>	55	45	0	<b>69</b>
<b>Intermediate product prices</b>	96	4	0	<b>4</b>	83	17	0	<b>14</b>
<b>Wage level</b>	96	4	0	<b>96</b>	91	9	0	<b>92</b>
<b>Primary inputs</b>								
<b>Investment</b>	0	100	0	<b>50</b>	0	100	0	<b>50</b>
<b>Employment</b>	3	95	2	<b>50</b>	5	95	0	<b>51</b>

**Table A4: Survey Results: Summary of all firms' outlook (by size)**  
(April – May – June 2026)<sup>1</sup>

Variable	SMEs				Large Firms			
	Percentage			Index <sup>2</sup>	Percentage			Index <sup>2</sup>
	Higher	Same	Low	48	Higher	Same	Low	47
<b>Economic activity</b>								
<b>Production</b>	27	45	29	<b>49</b>	32	36	32	<b>50</b>
<b>Domestic sales</b>	26	47	27	<b>50</b>	33	19	48	<b>44</b>
<b>Exports</b>	21	46	33	<b>46</b>	23	46	31	<b>47</b>
<b>Inventory</b>	41	25	34	<b>48</b>	30	50	20	<b>47</b>
<b>Capacity utilization</b>	27	45	29	<b>49</b>	32	36	32	<b>50</b>
<b>Prices</b>								
<b>Final product prices</b>	60	40	0	<b>72</b>	64	36	0	<b>73</b>
<b>Intermediate product prices</b>	75	25	0	<b>20</b>	89	11	0	<b>10</b>
<b>Wage level</b>	4	96	0	<b>51</b>	0	100	0	<b>50</b>
<b>Primary inputs</b>								
<b>Investment</b>	0	100	0	<b>50</b>	0	100	0	<b>50</b>
<b>Employment</b>	0	100	0	<b>50</b>	0	100	0	<b>50</b>

<sup>1</sup> Numbers represent percentage of total responses. Higher, same, and lower may not add up to 100 due to rounding.

<sup>2</sup> Equal to the simple average of the variables' indices. The index's method of calculation is provided in the appendix.