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Do Seasonal Cash Shortages Reflect a Liquidity Problem in Egypt?



Background and Rationale:

During the recent Eid al-Adha and Eid al-Fitr holidays, reports of cash shortages at ATMs sparked public concerns about the availability of liquidity in the Egyptian economy. For many, difficulties in accessing cash were interpreted as a sign of limited funds within the financial system.

At first glance, such concerns may appear reasonable. However, they emerge at a time when Egypt is experiencing a rapid expansion in digital payments and electronic financial services. Today, a growing share of transactions is conducted through bank transfers, mobile wallets, and digital payment platforms such as InstaPay, allowing money to move within the banking system without the need for physical cash. At the same time, periods of cash pressure often coincide with long public holidays, when demand for cash rises sharply while the replenishment of ATMs becomes more difficult due to the temporary suspension of normal banking operations. As a result, temporary shortages at some ATMs may reflect the timing and distribution of cash during periods of exceptional demand rather than a shortage of liquidity within the banking system itself.

This is precisely why we are addressing this issue now: if an increasing share of economic activity is conducted digitally and most funds remain within the banking system, why does pressure on cash withdrawals continue to emerge during peak seasons and holidays?

Understanding Liquidity: Where Is the Money?

To answer this question, it is important to first understand what liquidity actually means, how money is distributed between cash and bank deposits, and how Egypt's liquidity structure has evolved over time.

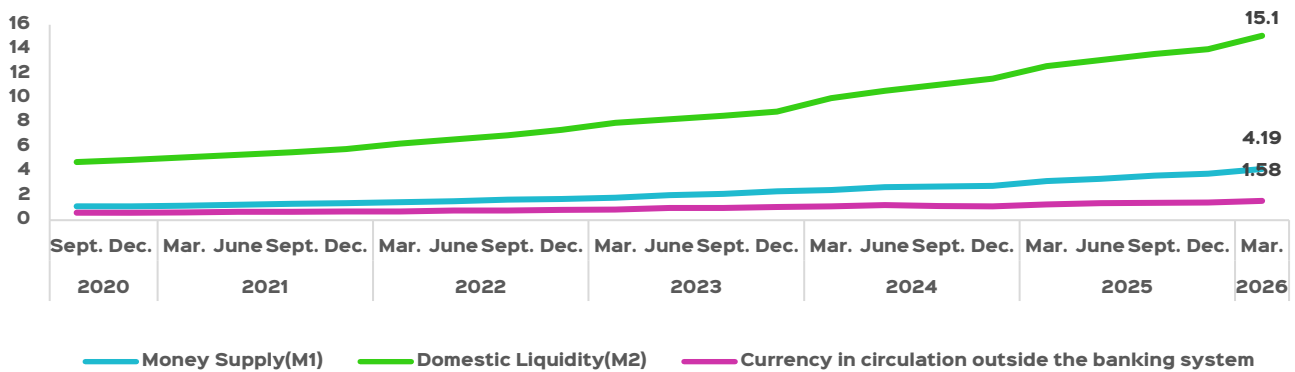
Liquidity refers not only to cash in circulation, but also to funds held within the banking system as a whole. To measure liquidity, economists use monetary aggregates such as **M1 (narrow money)**, which includes currency in circulation outside banks and demand deposits and represents the most liquid forms of money available for immediate transactions. They also use **M2 (broad money or domestic liquidity)**, which comprises M1 in addition to private savings deposits, time deposits, and foreign currency deposits held within the banking system. Understanding these measures is essential when assessing whether pressures on cash withdrawals reflect a genuine liquidity shortage or simply a temporary shift between cash holdings and bank deposits.

Egypt's money supply has expanded significantly over the past six years. Total domestic liquidity (M2) increased from EGP 4.76 trillion in September 2020 to EGP 15.1 trillion in March 2026, more than tripling over the period. At

the same time, narrow money (M1) rose from EGP 1.13 trillion to EGP 4.19 trillion, while currency in circulation outside the banking system increased from EGP 0.61 trillion to EGP 1.58 trillion.

This expansion reflects sustained growth in domestic liquidity, supported by rising bank deposits, credit expansion, increased economic activity, and, in some periods, the revaluation effects of foreign-currency-denominated assets and deposits.

Figure 1. Evolution of Domestic Liquidity (M2), Narrow Money (M1), and Currency in Circulation Outside the Banking System

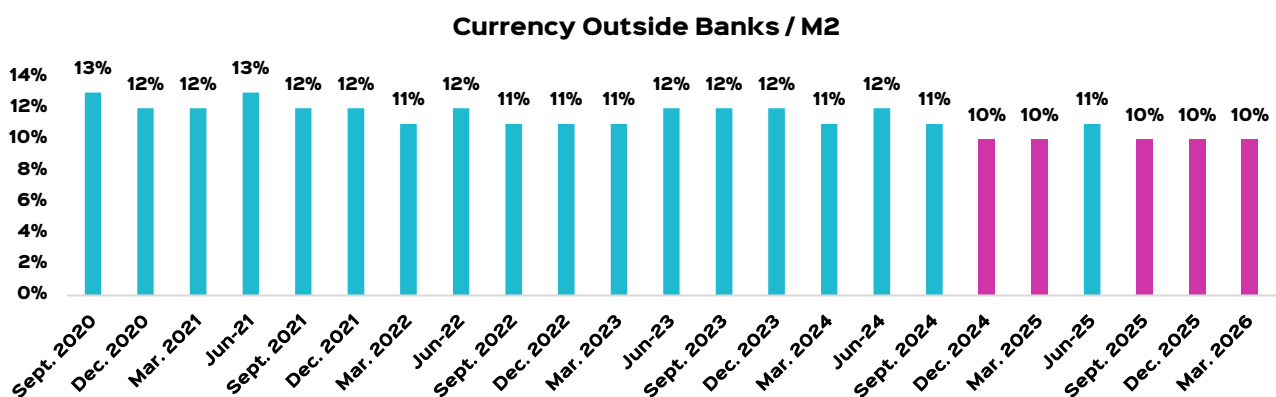


Source: Central Bank of Egypt

Despite the substantial increase in the amount of currency in circulation, its share of total money supply remained remarkably stable throughout the period under review. Currency in circulation accounted for between 10% and 13% of total domestic liquidity (M2), before settling at around 10% in the first quarter of 2026.

This suggests that the expansion of liquidity in the Egyptian economy was not driven by a growing reliance on cash, but rather occurred alongside a comparable increase in bank deposits. As a result, the overall balance between cash holdings and deposits remained broadly unchanged, even as the size of the money supply expanded significantly.

Figure 2. Currency in Circulation Outside Banks as a Share of Total Domestic Liquidity (M2)



Source: Prepared by the Egyptian Center for Economic Studies (ECES), based on data from the Central Bank of Egypt (CBE).

¹ Currency in Circulation Outside Banks: Banknotes and coins held by households and businesses outside the banking system. It excludes cash held by commercial banks and the Central Bank.

What Is Happening now?

As of March 2026, total domestic liquidity (M2) reached EGP 15.1 trillion, the highest level on record. Narrow money (M1) accounted for EGP 4.19 trillion (27.8% of M2), while currency in circulation outside banks stood at EGP 1.58 trillion, equivalent to only 10.5% of total liquidity. These figures confirm that the overwhelming majority of liquidity remains held within the banking system rather than in the form of cash.

Table 1. Egypt's Liquidity Structure, March 2026

Component	Value (EGP Trillion)	Share of M2	Remarks
Total Domestic Liquidity (M2)	15.1	100%	Highest level on record
Narrow Money (M1) – Currency & Demand Deposits	4.19	27.8%	Funds readily available for spending
Currency in Circulation Outside Banks	1.58	10.5%	Cash held by households and businesses
Monetary Base (M0)	2.46	–	Foundation of money creation

Source: Prepared by the Egyptian Center for Economic Studies (ECES), based on data from the Central Bank of Egypt (CBE).

Given that M1 stood at EGP 4.19 trillion while currency in circulation amounted to EGP 1.58 trillion, demand deposits accounted for roughly EGP 2.6 trillion. Meanwhile, more than EGP 10.9 trillion of total liquidity was held in the form of quasi-money and other deposits within the banking system.

What Do These Numbers Mean?

The data provides insights not only into the size of liquidity in the economy, but also into how it is distributed between cash holdings and bank deposits, and what this implies for cash demand and inflation dynamics.

The pressure observed on some ATMs during the Eid al-Adha holiday does not necessarily indicate a shortage of liquidity. Rather, it reflects a temporary surge in cash demand driven by seasonal spending, gift-giving, and salary and pension withdrawals, coinciding with irregular ATM replenishment during the extended holiday period. Such episodes are primarily linked to the timing and distribution of liquidity rather than its overall availability. This also reflects the fact that cash remains deeply embedded in everyday transactions and consumer behavior in Egypt. While digital payment services have expanded rapidly in recent years, further measures are needed to promote digital payments and support the transition toward a less cash-dependent economy².

At the same time, the continued expansion of the money supply means that the amount of cash required to support economic activity naturally increases, even when cash maintains a relatively stable share of total liquidity. This implies that cash-distribution infrastructure including ATMs, cash transportation networks, and liquidity management systems must continue to expand alongside the growing scale of the economy.

² The transition toward a cashless economy is a separate topic that warrants dedicated analysis. Future research could explore measures to expand digital payments and reduce reliance on cash transactions.



Conclusion

Egypt's money supply has expanded significantly in recent years, with M1, M2, and currency in circulation all reaching record levels. However, despite the increase in cash held by households and businesses, its share of total liquidity has remained broadly unchanged, indicating that most liquidity continues to be held within the banking system.

These findings suggest that the temporary pressure observed on ATMs during peak seasons does not reflect a shortage of liquidity. Rather, it reflects a short-term increase in demand for cash within an economy whose overall money supply has grown substantially over time.

As liquidity continues to expand, seasonal demand for cash is likely to increase as well, highlighting the importance of ensuring that cash-distribution channels keep pace with the growing needs of the economy.