

Business Barometer

Issue 79

April - June 2026



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

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Business Barometer

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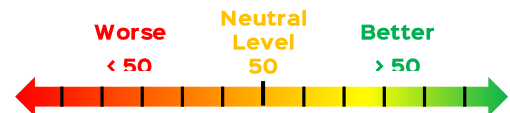
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Executive Summary

This edition of Business Barometer presents a periodic assessment conducted by the Egyptian Center for Economic Studies on a sample of 120 private-sector firms across different sectors and firm sizes. It reflects the business community's views on developments in a range of indicators - specifically production, domestic sales, exports, inventories, capacity utilization, prices, wages, employment, and investment - during April-June 2026¹, as well as its expectations for July-September 2026. The results are compared with the previous quarter (January-March 2026) and the corresponding quarter (April-June 2025). The following summarizes the report's key findings for the quarter under review (April-June 2026).

Evaluating performance and exploring the outlook based on the overall index



Performance Evaluation and Expectations Based on the Overall Index

The business performance index declined from the previous quarter, but the resilience of the service sectors and large firms kept it above the neutral level.

According to size:

Although the index declined for all firms, large firms were more resilient than small and medium-sized enterprises.

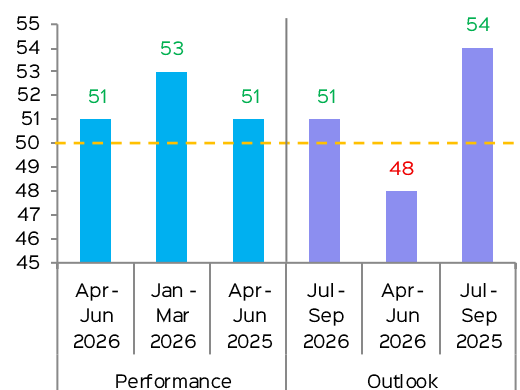
Sectorally:

Manufacturing remained the weakest-performing sector for the second consecutive quarter, followed by transport, while the service sectors continued to perform well.

Challenges:

Inflationary pressures remained the leading constraint, followed by higher energy and water costs.

The business performance index declined compared with the previous quarter, reflecting the continued unfavorable conditions facing the business community. Production, domestic sales, and capacity utilization all declined compared with the previous quarter, although they remained above the neutral level. The exports index improved slightly compared with the previous quarter but remained below the neutral level. Meanwhile, input and final product prices rose, albeit less sharply than in the previous quarter.

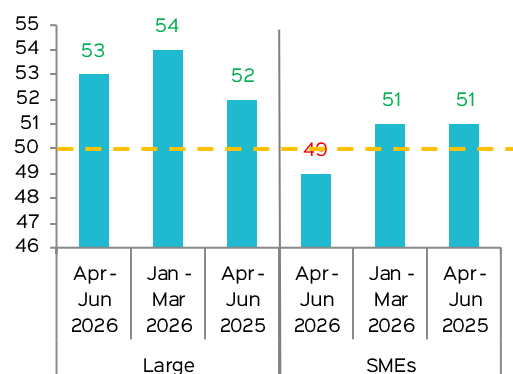


¹ Data was compiled during the period from July to mid-August 2026.

The performance outlook index stood one point above the neutral level, reflecting expectations of improved performance in the service sectors and stability in most sub-indices across all firms during the coming quarter.

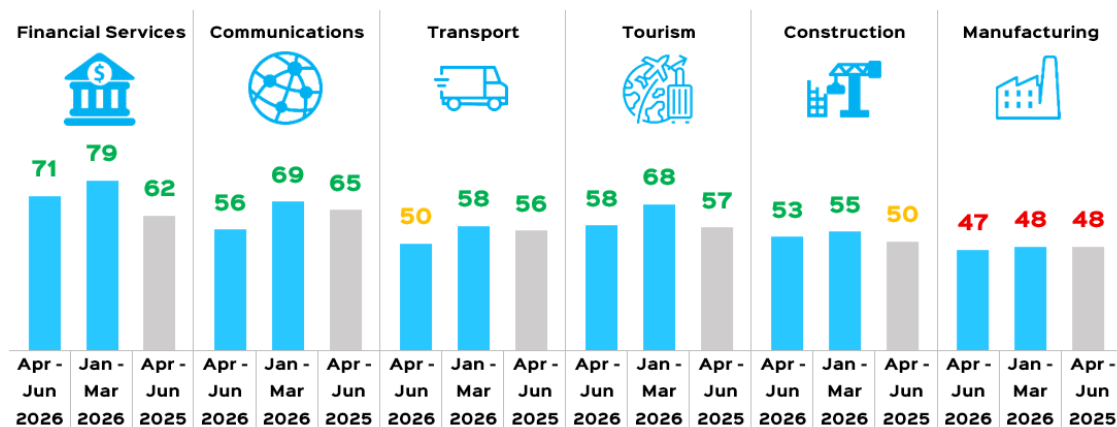
According to size:

Despite a decline in the index across all firms during the current quarter, large firms outperformed small and medium-sized enterprises in production, sales, capacity utilization, and exports.



Sectorally:

The business index declined across all economic sectors during the quarter under review (April-June 2026) compared with the previous quarter (January-March 2026). The manufacturing sector recorded the weakest performance among all sectors, followed by the transport sector. In contrast, the service sectors continued to perform above the neutral level.



The business performance index for the manufacturing sector continued to decline for the second consecutive quarter, remaining three points below the neutral level and underperforming both the previous and corresponding quarters. This downturn was driven primarily by declines in production, exports, and domestic sales. At the same time, production costs rose sharply due to higher energy and raw material prices and shortages of certain materials - particularly in the food industry, where high temperatures caused agricultural produce to spoil. Domestic sales fell due to weaker purchasing power, while exports also declined - albeit less sharply than in the previous quarter - as the repercussions of the war on Iran weakened external demand, raised shipping costs, doubled transport costs, and lengthened transport routes, thereby eroding the sector's price competitiveness.

The financial services sector recorded the strongest performance among all sectors, standing 21 points above the neutral level. Although this was 8 points lower than the previous quarter, it was 9 points higher than the corresponding quarter of the previous year. This performance was supported by higher trading volumes and rising prices of leading stocks (large-cap firms), alongside an increase in the trading value of debt instruments - such as Treasury bonds and bills - within total trading activity, amid macroeconomic stability and the return of foreign investors.

Challenges and priorities from the perspective of the business community:



Challenges associated with rising inflation remained at the forefront of constraints, given their adverse impact across all sectors. Inflation drives up prices, thereby eroding purchasing power and weakening demand, while simultaneously increasing production costs, including those for raw materials and wages. Rising energy and water costs also remained among the main constraints facing firms, although they were less severe than in the previous quarter. Persistent increases in these costs raise production costs, particularly for energy- and water-intensive activities, placing an additional burden on businesses. Transport and logistics challenges ranked third, reflecting slower transport and maritime shipping activity and longer shipping times to ports, which contributed to a decline in imports. Despite substantial investment in infrastructure, Egyptian ports, and logistics services, the sector remained under pressure from regional maritime navigation risks.

At the sectoral level, rising shipping and transport costs, along with the need to use alternative shipping routes due to current regional tensions and the closure of certain maritime corridors, ranked among the main constraints facing the transport sector. Meanwhile, the outflow of foreign investment due to geopolitical tensions, the lack of effective oversight of stock-market speculation, and insufficient information for firms were among the main constraints facing the financial services sector.

The sampled firms unanimously agreed that controlling inflation should be the government's top priority, followed by reviewing energy and water prices and the frequency of their adjustment, as well as streamlining government procedures.

At the sectoral level, providing qualified labor emerged as an additional priority for the telecommunications sector, while the need for greater disclosure and transparency was highlighted for the financial services sector.

Main Macroeconomic Developments:

Globally, economic growth has slowed and is projected to reach 3 percent in 2026. This trend reflects the repercussions of the US-Iran conflict, rising inflation amid mounting price pressures, and anticipated supply disruptions in energy, food, and fertilizer markets, against a backdrop of renewed geopolitical risks in the region.

Domestically, despite improvements in certain indicators of the Egyptian economy's external position amid regional geopolitical tensions, the economy faces two major challenges: the vulnerability of key sources of foreign currency inflows - namely workers' remittances, tourism revenues, and Suez Canal receipts - to shocks and risks; and a renewed upward trend in external debt alongside rising external obligations. This underscores the urgent need to accelerate the structural reforms required to boost production and exports and build sustainable sources of foreign currency revenue.

Further information on global, regional, and local economic and financial developments is available in ECES's monthly Financial Markets Snapshot on the ECES website at the following link: [Financial Markets Snapshot Archives - ECES](#)

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

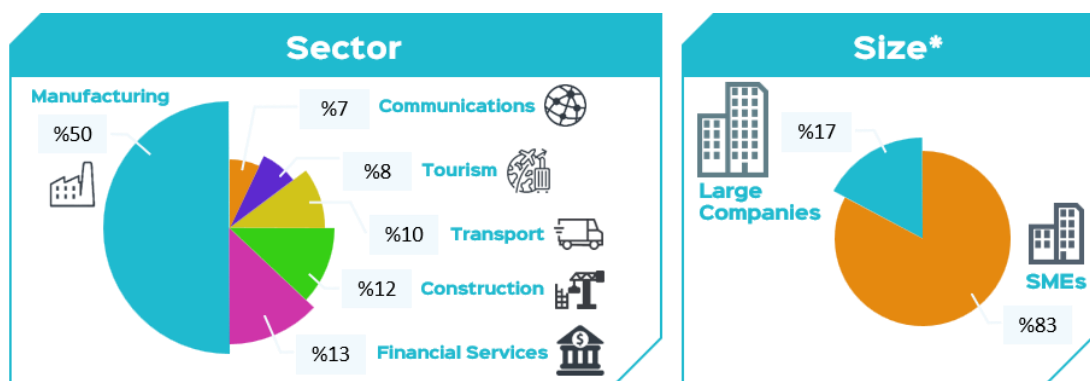


The significance of this issue of the Business Barometer increases in light of the challenges the business community has faced since early 2020, starting with the COVID-19 pandemic, followed by a recovery accompanied by various challenges in 2021, the Russian-Ukrainian war in early 2022, and most recently,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

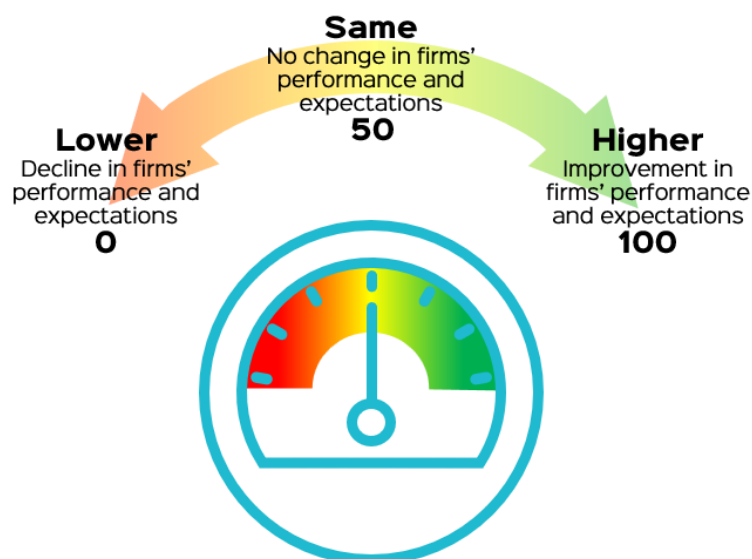
This report presents an evaluation of the sample firms' performance during the quarter (April - June 2026) and their outlook for the quarter (July - September 2026).

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: Slower global economic growth and expectations of rising inflation amid renewed geopolitical risks

Global economic growth is projected to slow to 3 percent in 2026, down from 3.5 percent in 2025, reflecting renewed tensions in the region, rising energy and food prices, and tighter global financial conditions. Growth prospects vary across economies: growth in advanced economies is expected to decline to 1.7 percent in 2026 from 1.9 percent in 2025, while growth in emerging market and developing economies is projected at 3.8 percent, compared with 4.5 percent in 2025.²

A resurgence in demand for advanced AI applications and increased trade volumes, alongside the stabilization of the Strait of Hormuz following the ceasefire agreement between Iran and the United States, helped limit a further slowdown in global growth. However, renewed tensions are once again creating uncertainty.

Globally: inflation is projected to rise to 4.7 percent in 2026, up from 4.1 percent in 2025. This reflects higher prices for energy, fertilizers, metals, transport, and food during Q2 2026, alongside renewed tensions and their repercussions for global supply chains. These factors have prompted major central banks to adopt a cautious stance and keep interest rates unchanged in most cases, with the exception of the euro area, which has resumed monetary tightening.³

Estimates indicate that international trade rose by 12.5 percent in H1 2026 compared with the same period in 2025, while trade in services grew by 10.5 percent. A significant share of this increase is attributable to higher prices rather than an expansion in trade volumes. East Asia was the main driver of global trade growth in Q1 2026, supported by strong import and export performance in China and South Korea.⁴

Locally: While the Egyptian economy's external position has remained resilient in the face of regional geopolitical tensions, it faces two key challenges: the vulnerability of sources of foreign currency inflows - namely remittances from Egyptians working abroad, tourism revenues, and Suez Canal receipts - to shocks and risks; and a renewed upward trend in external debt alongside rising external obligations.

The following section outlines the main developments and latest published data for key macroeconomic indicators of the Egyptian economy as of the publication date of this report:

I. GDP Growth

The Central Bank of Egypt projects GDP growth to decline to 4.5 percent in Q4 (April-June) of FY2025/2026, approximately 10 percent lower than in the previous quarter. However, for FY2025/2026 as a whole, growth is expected to reach around 5 percent, approximately 15 percent higher than the rate recorded in FY2024/2025. This growth was driven by telecommunications, wholesale and retail trade, and non-petroleum manufacturing, alongside a return to positive growth in Suez Canal activity.⁵

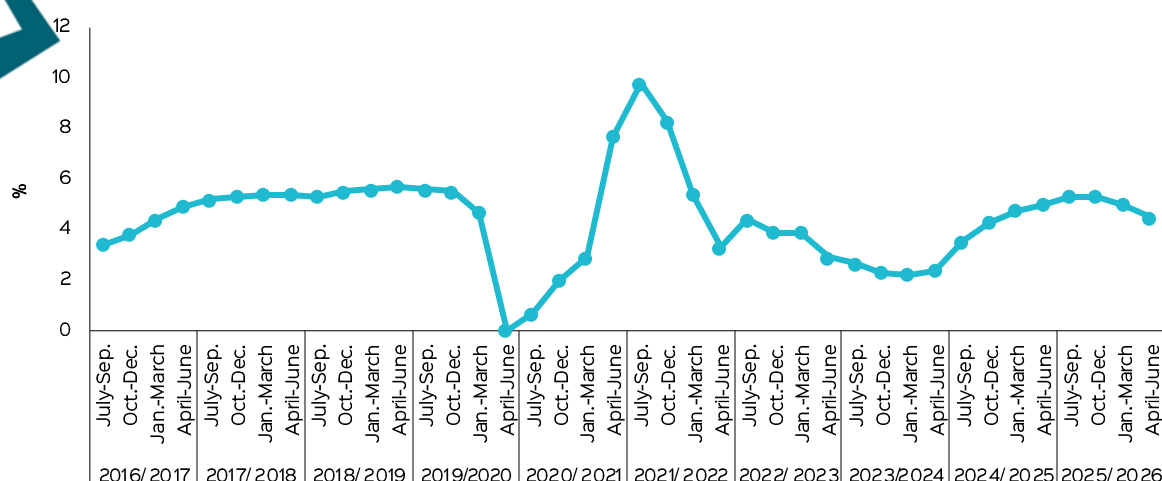
² International Monetary Fund (IMF). 2026. *World Economic Outlook*. Washington, DC: International Monetary Fund, July 2026.

³ The Egyptian Center for Economic Studies, *Financial Market Snapshot*: <https://eces.org.eg/en/category/financial-markets-snapshot/>

⁴ UN Trade and Development (UNCTAD). *Global Trade Update (July/August 2026): Global Trade Continues to Expand amid Rising Price Pressures*. July 21, 2026.

⁵ Central Bank of Egypt. 2026. *Monetary Policy Report – Q2 2026*, August 2026.

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



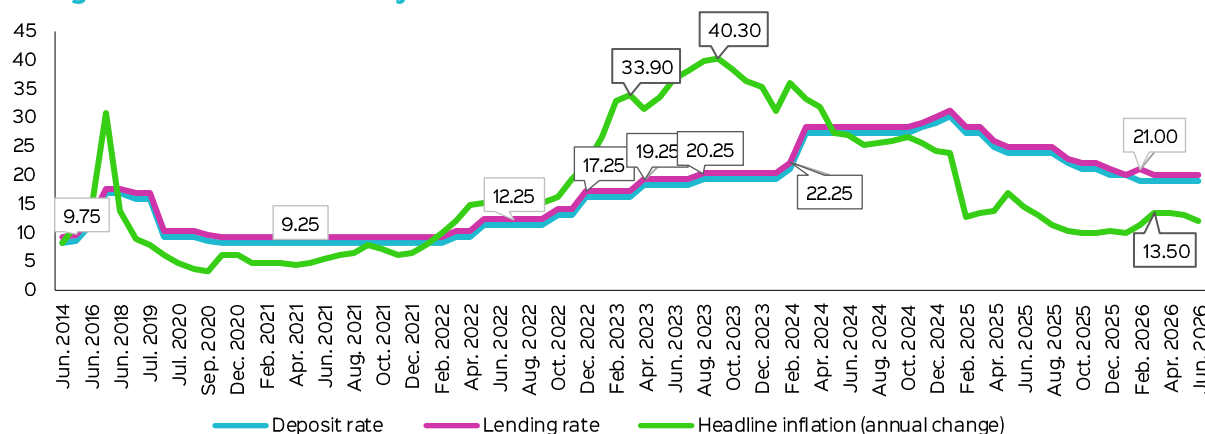
Source: Ministry of Planning and Economic Development

II. Inflation

The annual headline inflation rate rose to 14.6 percent in Q2 2026, up from 13.5 percent in Q1. Core inflation also rose, reaching 14 percent, driven primarily by higher prices for services and regulated items, as well as continued -albeit slower - increases in staple food prices. Services inflation accounted for approximately half of headline inflation, reflecting increases in rents and internet fees. Regulated prices were affected by higher electricity tariffs and energy and transport costs, while staple food prices rose due to higher vegetable and fruit prices and stronger seasonal demand associated with holidays and vacations.⁶

Following a cumulative reduction in key policy rates of approximately 825 basis points, the Central Bank of Egypt paused its monetary easing cycle during Q2 2026 amid heightened uncertainty stemming from the US-Iran conflict. It kept its key policy rates unchanged at 19.0 percent, 20.0 percent, and 19.5 percent for the overnight deposit rate, overnight lending rate, and main operation rate, respectively. The credit and discount rate was also kept at 19.5 percent to maintain an appropriate positive real interest-rate margin, thereby helping to anchor inflation expectations and support the downward trajectory of inflation.⁷

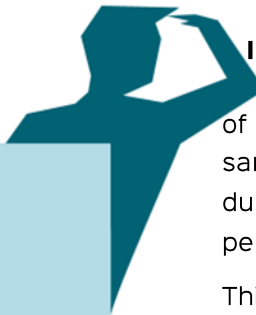
Figure 2: Inflation and Key Interest Rates



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.

⁶ Central Agency for Public Mobilization and Statistics, Consumer Price Indices Bulletin; and Central Bank of Egypt, Monetary Policy Report – Q2 2026, August 2026.

⁷ Central Bank of Egypt. 2026. *Monetary Policy Committee Press Release* – August 2026.



III. Foreign transactions

The balance of payments recorded an overall deficit of \$1.8 billion during the July-March period of FY2025/2026, representing an improvement of approximately 2.9 percent compared with the same period of FY2024/2025.⁸ Meanwhile, the current account deficit widened to \$14.6 billion during July-March FY2025/2026, an increase of about 10 percent compared with the corresponding period of FY2024/2025.

This deficit reflects an increase in the petroleum trade deficit to \$13 billion, driven by energy imports, as well as an increase in the non-petroleum trade deficit to \$34.7 billion due to the higher value of imports, particularly intermediate goods, and an increase in the investment income deficit to \$14.4 billion. However, the widening of the deficit was mitigated by a 32 percent increase in remittances from Egyptians working abroad, which reached \$34.9 billion compared with the same period of the previous fiscal year, along with an increase in tourism revenues to \$14.4 billion and an increase in Suez Canal revenues to \$3.2 billion.

Capital and Financial Transactions:

Net inflows amounted to approximately \$9.9 billion during the July-March period of FY2025/2026, an increase of about 29 percent compared with the same period of FY2024/2025, driven by the following:

- Foreign direct investment (FDI) recorded a net inflow of \$13 billion, an increase of approximately 33 percent compared with the same period of the previous fiscal year, driven largely by the Alam El-Roum investment deal.
- Portfolio investment recorded a net outflow of \$4.4 billion, compared with a net inflow of \$2.1 billion during the same period of the previous fiscal year, following the outbreak of the US-Iran conflict.

Consequently, Egypt's net international reserves continued to grow, reaching \$53.74 billion in Q4 (April-June) of FY2025/2026, an 11 percent increase compared with the same quarter of the previous fiscal year. This growth was supported by remittances from Egyptians working abroad, tourism revenues, foreign investment, and higher global gold prices, while the Central Bank of Egypt's gold holdings remained unchanged.

The banking sector's net foreign assets rose to approximately \$27.97 billion by the end of June 2026, up from \$21.4 billion in March 2026, driven by increases in the net foreign assets of both commercial banks and the Central Bank.⁹

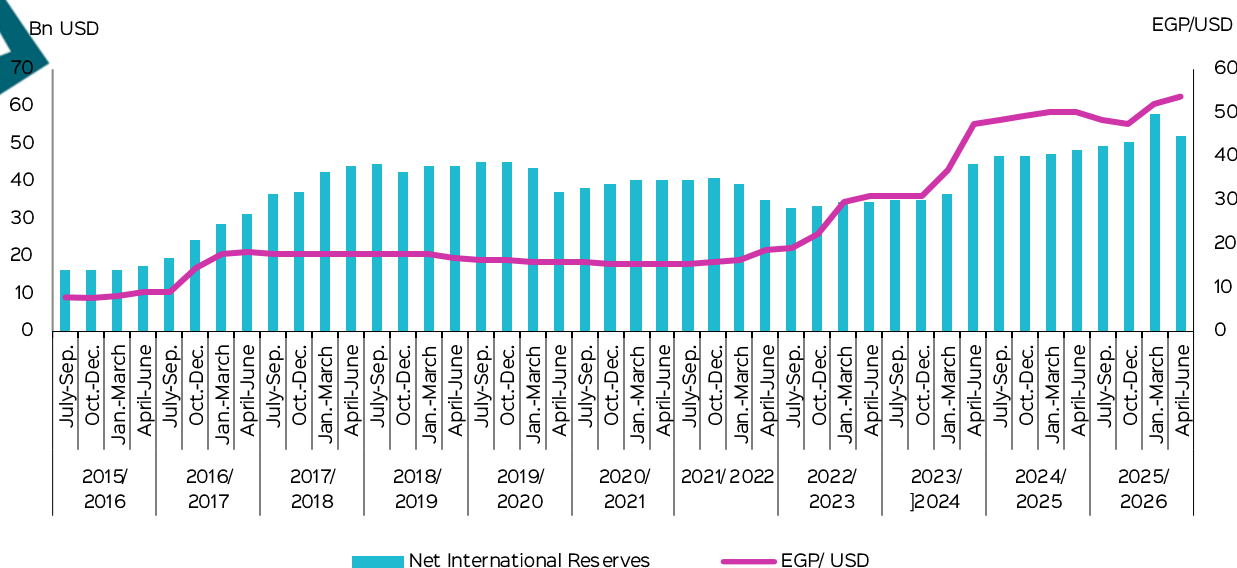
The Egyptian pound strengthened during Q4 (April-June) of FY2025/2026, reaching EGP 50.67 per US dollar in June 2026, compared with earlier levels exceeding EGP 52 per US dollar, amid improving macroeconomic indicators, higher net international reserves, and renewed investor confidence.¹⁰

⁸ Central Bank of Egypt. 2026. Press release on the performance of the balance of payments during the period July–March of FY 2025–2026, dated July 12, 2026.

⁹ <https://www.almasryalyoum.com/news/details/4329839>

¹⁰ Ministry of Finance. 2026. *Monthly Financial Report*, August 2026.

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 \$164.776 billion in Q3 of FY2025/2026, an increase of 0.53 percent from the previous quarter and 5.2 percent compared with the corresponding quarter of the previous fiscal year, reflecting greater financial pressures, particularly amid rising global risks.¹¹

IV. Public Finance

The overall deficit in the state budget reached approximately EGP 1,133 billion during the July-May period of FY2025/2026, equivalent to 5.3 percent of GDP, compared with 6.5 percent during the corresponding period of the previous fiscal year.

This improvement reflected 32.5 percent growth in public revenues, which reached EGP 2,977 billion during the July-May period of FY2025/2026, compared with an 18.8 percent increase in public expenditures, which reached EGP 4,050.9 billion during the same period.¹²

¹¹ Ministry of Planning and Economic Development. 2026. *Economic and Financial Data for Egypt*.

¹² Ministry of Finance. *Monthly Financial Report*, August 2026.



Business Barometer Index (BBI)

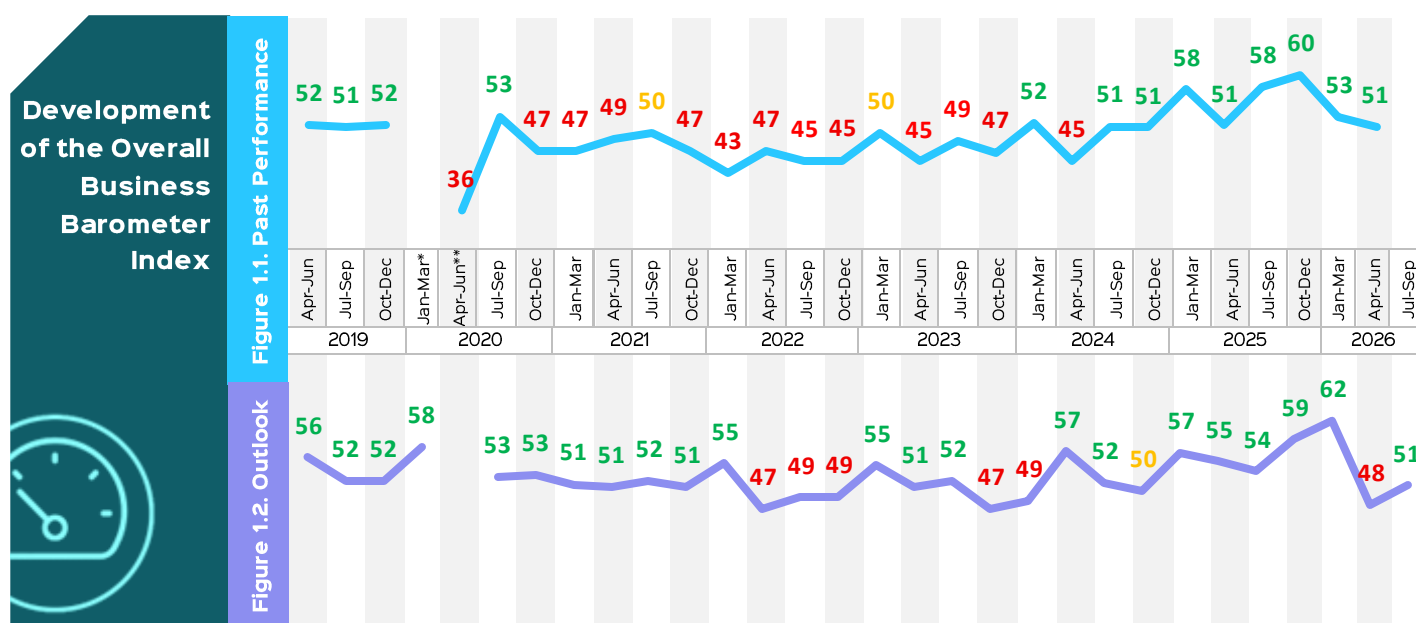
I. Performance evaluation and outlook according to the overall index

The business performance index declined during the quarter under review compared with the previous quarter, with performance varying across sectors and firm sizes.

1-1 Overall index

During the quarter under review (April-June 2026), the business performance index stood one point above the neutral level, unchanged from the corresponding quarter but two points lower than the previous quarter. Compared with the previous quarter, the production, domestic sales, and capacity utilization indices declined, although they remained above the neutral level. The exports index also improved but remained below the neutral level. Meanwhile, the intermediate input price and final product price indices rose significantly during the current quarter, although less sharply than in the previous quarter. At the sectoral level, the business index declined across all economic sectors compared with the previous quarter, with the manufacturing sector recording the lowest value at three points below the neutral level, followed by the transport sector at the neutral level. The decline in the index reflects unfavorable conditions facing the business community on both the demand and supply sides. Domestic and external demand remain weak due to lower purchasing power, while production costs have risen as a result of higher energy and raw material prices, particularly amid disruptions to global supply chains, rising shipping costs, and continued geopolitical tensions in the region (Figure 1-1).

The performance outlook index for July-September 2026 stood one point above the neutral level and three points higher than the previous quarter, although it remained three points lower than the corresponding quarter of the previous year. This reflects expectations of improved performance in the service sectors, particularly financial services and tourism. Production, sales, exports, and capacity utilization are expected to remain stable during the coming quarter (Figure 1-2).



Source: Survey results.

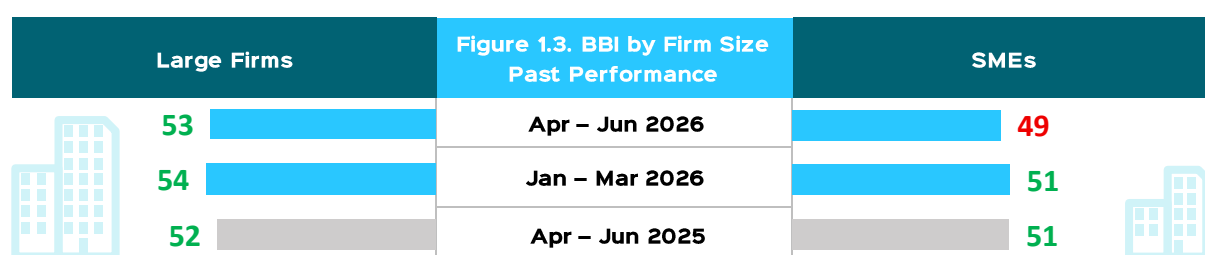
* Data for January-March 2020 are unavailable due to the pandemic-related lockdown.

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

1-2 Index according to firm size

Despite a decline in the overall business performance index for all firms during the current quarter compared with the previous one, the index for large firms stood three points above the neutral level, supported by higher production, sales, and capacity utilization. By contrast, the business performance index for small and medium-sized enterprises (SMEs) fell below the neutral level, reflecting stable production, sales, and capacity utilization. The exports index for SMEs remained below the neutral level, while the exports index for large firms remained at the neutral level, representing an improvement over the previous quarter for both groups of firms (Figure 1-3).

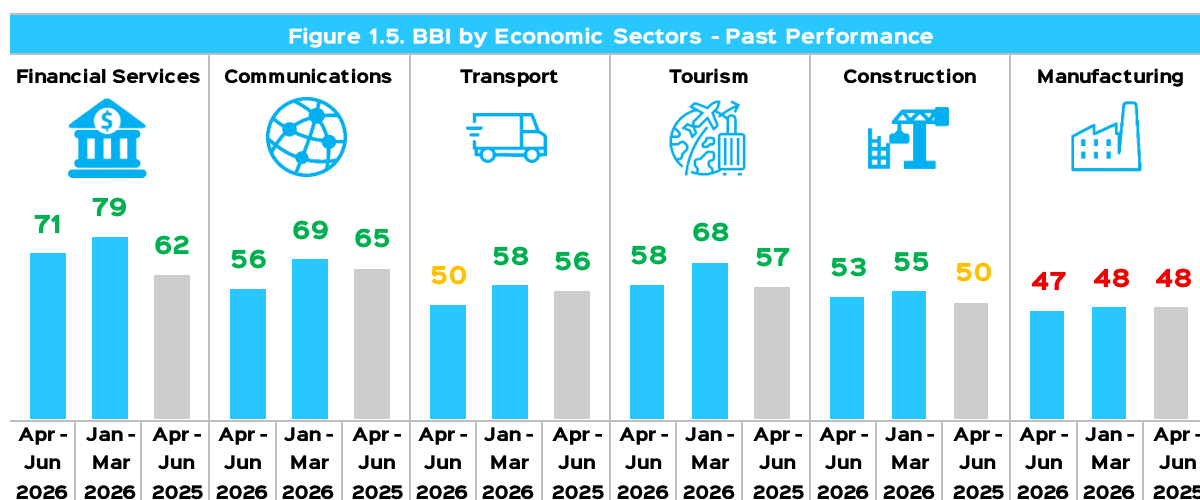
The performance outlook index for all firms also improved for the coming quarter compared with the previous quarter, although it remained below the corresponding quarter of the previous year. Production, sales, exports, and capacity utilization are expected to remain stable amid ongoing challenges and renewed conflict, together with the associated uncertainty, although this uncertainty is expected to be less severe than in the previous quarter (Figure 1-4).



Source: Survey results.

1-3 The Index according to economic sectors

The business index declined across all economic sectors during the current quarter compared with the previous quarter. The manufacturing sector recorded the weakest performance among all sectors, followed by the transport sector. In contrast, the service sectors continued to perform above the neutral level (Figure 1-5).



Source: Survey results.

The following section analyzes the performance of the economic sectors during the quarter under review, compared with the previous and corresponding quarters:

- The business performance index for the **manufacturing sector** continued to decline for the second consecutive quarter, remaining three points below the neutral level and underperforming both the previous and corresponding quarters. This downturn was driven primarily by declines in production, exports, and domestic sales. At the same time, production costs rose sharply due to higher energy and raw material prices and shortages of certain materials - particularly in the food industry, where high temperatures caused agricultural produce to spoil. Domestic sales fell due to weaker purchasing power, while exports also declined due to the repercussions of the war on Iran - albeit less sharply than in the previous quarter - as external demand weakened, shipping costs increased, transport costs doubled, and transport routes lengthened, eroding the sector's price competitiveness.
- During the quarter under review, the **construction sector** stood three points above the neutral level, two points lower than the previous quarter but three points higher than the corresponding quarter of the previous year. Firms reported either increases or stability in production and domestic sales during the period. This performance reflects the continued benefits of the new Reconciliation Law, the issuance of the necessary permits, sustained demand for properties in resorts and new cities, and the start of new projects in coastal areas and new cities. State-led projects - including infrastructure, road networks, and new cities - together with the launch of the Decent Life 2 (Hayah Karima 2) initiative, also supported and revitalized activity in the sector.
- The **tourism sector** stood approximately eight points above the neutral level, 10 points lower than the previous quarter but one point higher than the corresponding quarter of the previous year. This performance reflects substantial investment in tourism infrastructure, including airports, hotels, and roads, as well as an increase in inbound tourist groups, renewed conference tourism activity, and higher visitor arrivals. Outbound tourism also increased during the Hajj season, alongside government efforts to strengthen the marketing of Egypt in global tourism markets through extensive promotional campaigns.

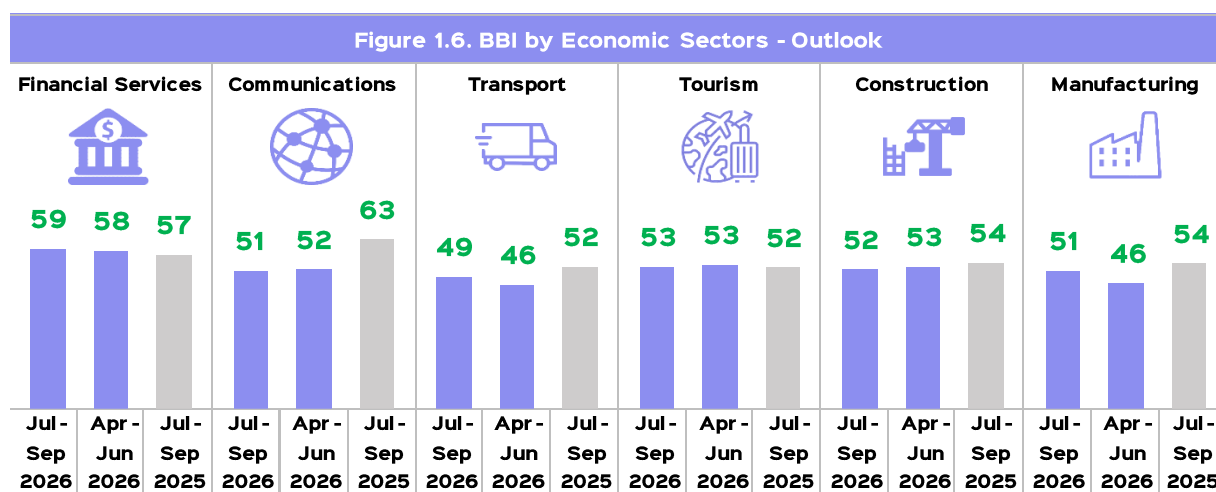
- The **transport sector** stood at the neutral level, although its performance was weaker than in both the previous and corresponding quarters. This reflected a decline in the sector's indicators during the period under review. Despite substantial investment in transport infrastructure, seaports, and logistics services, the sector remained under pressure from the repercussions of the war on Iran and regional maritime navigation risks. These factors led to longer journey times, higher freight rates, and increased insurance costs. Demand associated with certain production and commercial activities also weakened due to lower transport and maritime shipping activity and declining imports. In addition, the downturn in the manufacturing sector negatively affected the performance of the transport sector.
- The **telecommunications sector** stood six points above the neutral level, although its performance was weaker than in both the previous and corresponding quarters. This performance reflects sustained demand for IT services, alongside continued state efforts to expand infrastructure and develop railway facilities and networks. Growing demand for educational and training programs, together with new corporate contracts for accounting services, such as financial and tax reporting, also supported the sector's performance. In addition, expansion into new markets, contracts with external firms to provide IT services and smart solutions, and technology-based training helped support the sector's growth during the period under review.
- The **financial services sector** recorded the strongest performance among all sectors, standing 21 points above the neutral level. Although this was 8 points lower than the previous quarter, it was 9 points higher than the corresponding quarter of the previous year. This performance reflects higher trading volumes and rising prices of leading stocks (large-cap firms), alongside an increase in the trading value of debt instruments, such as Treasury bills and bonds, within total trading activity, amid macroeconomic stability and the return of foreign investors.

On the outlook index, all sectors except transport stood above the neutral level, with financial services recording the strongest outlook. The underlying factors varied by sector, as detailed below:

- The outlook index for the **manufacturing sector** stood one point above the neutral level, five points higher than the previous quarter but three points lower than the corresponding quarter of the previous year. This result primarily reflects expectations that the sector will remain weak, given the anticipated persistence of current conditions and the ongoing war on Iran. Factors weighing on the outlook include difficulties in sourcing raw materials and rising raw material costs, expected increases in energy prices and the exchange rate, higher inflation, and weak purchasing power.
- The **construction sector's** outlook index stood two points above the neutral level, although it was lower than in both the previous and corresponding quarters. This reflects the continued implementation of the Reconciliation Law, rising foreign investment in real estate, state infrastructure projects, and the Decent Life 2 (Hayah Karima 2) initiative. However, current conditions and rising raw material prices, particularly for imported materials, weighed on the outlook and pointed to weaker sector performance.
- Firms in the **tourism sector** expressed an optimistic outlook, with the expectations index standing three points above the neutral level, unchanged from the previous quarter and one point higher than the corresponding quarter of the previous year. This optimism reflects expectations of continued domestic tourism activity during the summer holiday, higher occupancy rates at hotels and tourist resorts, increased visitor arrivals supported by effective tourism marketing by the Egyptian Tourism Chamber, and continued demand for religious tourism to perform Umrah.
- The **transport sector's** outlook index stood one point below the neutral level, three points higher than the previous quarter but three points lower than the corresponding quarter of the previous year. This reflects continued uncertainty regarding geopolitical stability and expectations of escalating military

operations, which could lead to the closure of certain shipping lanes, placing further pressure on maritime shipping and reducing export and import volumes. Expectations that manufacturing activity would remain subdued also weighed significantly on the transport sector's business outlook, given the close interdependence between the two sectors.

- The **telecommunications sector's** outlook index stood one point above the neutral level, although it remained lower than in both the previous and corresponding quarters. This reflects expectations of continued development of infrastructure and utilities alongside expansion into new cities. In addition, strong tourism activity is expected to increase demand for information technology.
- The **financial services sector** recorded the strongest outlook among all sectors, with its index standing nine points above the neutral level and outperforming both the previous and corresponding quarters. This reflects expectations of increased trading activity amid the IPO program and the restructuring of state ownership, which are expected to expand the number and size of firms available for investment, alongside an improved macroeconomic outlook for Egypt. The market has witnessed greater fiscal and monetary discipline and exchange-rate flexibility, supporting more realistic investor valuations of assets (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

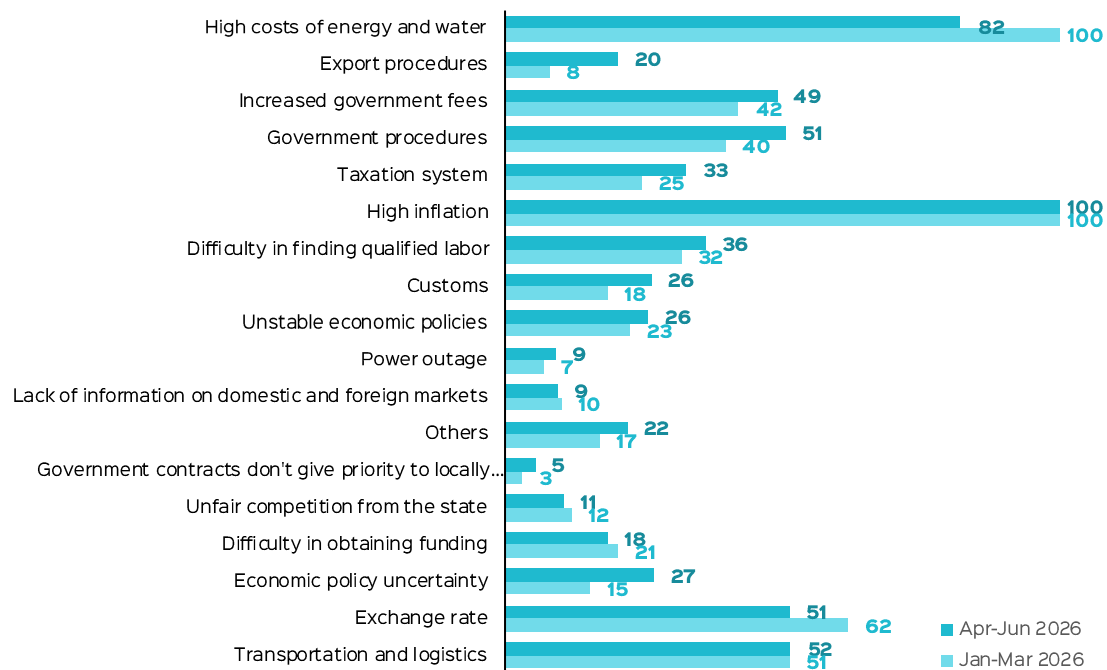
Figure 2-1 illustrates the main constraints facing the business community during the quarter under review (January-March 2026), ranked by severity from the perspective of the sampled firms.

Challenges associated with rising inflation continued to top the list of constraints because of their adverse impact across all sectors. Inflation drives up prices, thereby eroding purchasing power and weakening demand, while simultaneously increasing production costs, including those for raw materials and wages. Rising energy and water costs also remained among the main constraints facing firms, although they were less severe than in the previous quarter. Persistent increases in these costs raise production costs, particularly for energy- and water-intensive activities, placing an additional burden on businesses.

Transport and logistics challenges ranked third, reflecting slower transport and maritime shipping activity and longer shipping times to ports, which led to a decline in imports. Despite substantial investment in Egyptian infrastructure, ports, and logistics services, the sector remained under pressure from regional maritime risks. Exchange-rate challenges ranked fourth, although their severity eased compared with the previous quarter. Even a slight increase in the exchange rate may be accompanied by a large and unwarranted increase in the prices of goods and services, negatively affecting the business community.

Challenges associated with dealing with government entities also ranked fourth, although their severity increased compared with the previous quarter. This reflected difficult and slow procedures for renewing licenses, burdensome regulatory requirements, and the presence of officials with judicial enforcement powers across most state institutions, creating scope for corruption and informal expenses. Databases also remain poorly organized: while data are available and each entity maintains its own data, coordination among the various agencies is lacking.

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.

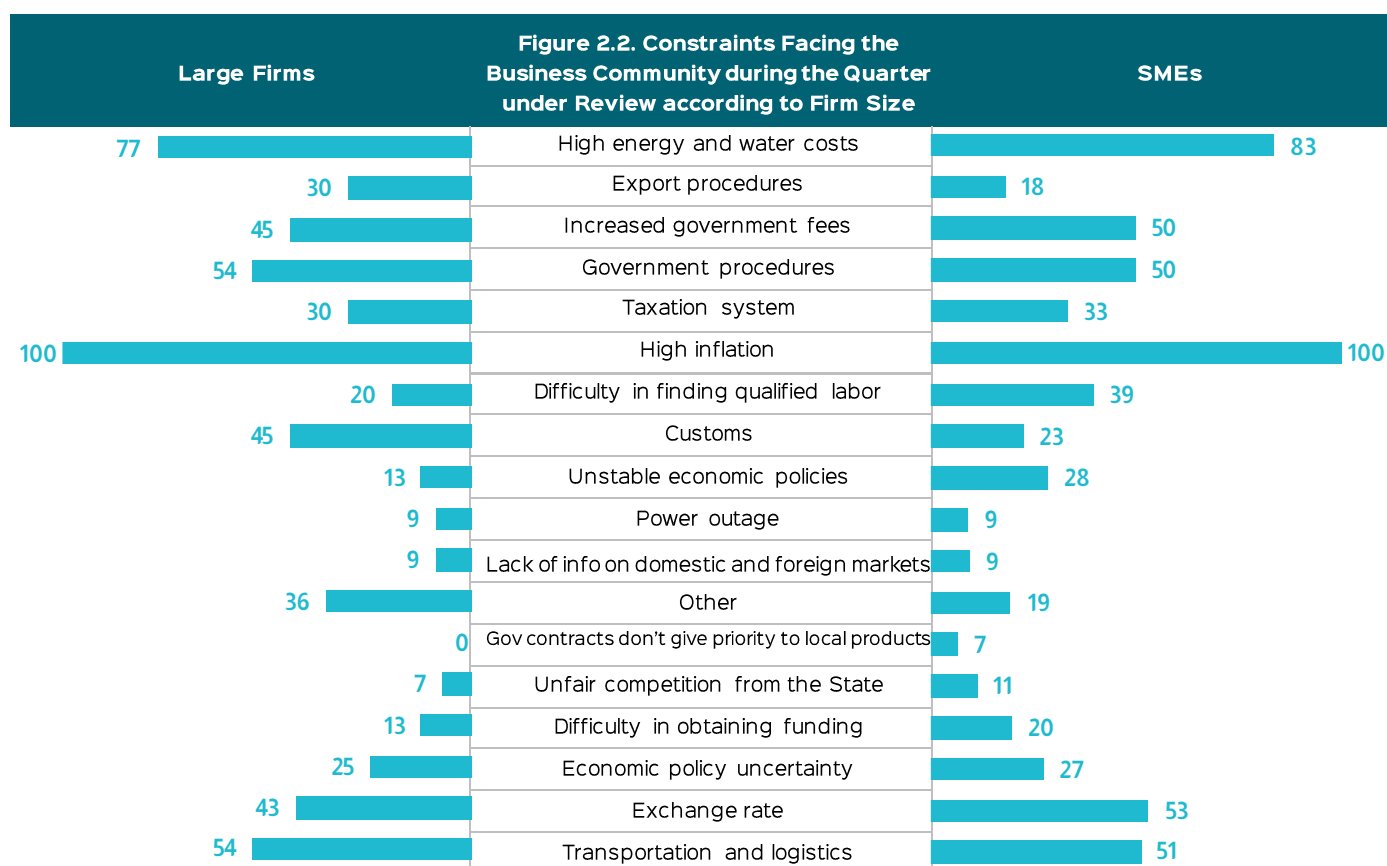
The numbers refer to the percentage of firms that identified specific obstacles, and firms could select more than one obstacle.

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

Rising inflation and higher energy and water costs topped the list of constraints facing all firms during the quarter under review. However, the ranking of the remaining constraints varied by firm size. For large firms, challenges related to dealing with government entities and transport and logistics ranked third, while issues related to the customs system and repeated increases in government service fees ranked fourth.

For small and medium-sized enterprises (SMEs), exchange-rate challenges ranked third, followed by transport and logistics constraints in fourth place. Difficulties in dealing with government entities and repeated increases in government service fees ranked fifth.

Figure 2-2 illustrates the main constraints facing large firms and small and medium-sized enterprises (SMEs) during the quarter under review (April-June 2026), ranked by severity from the perspective of the sampled firms.

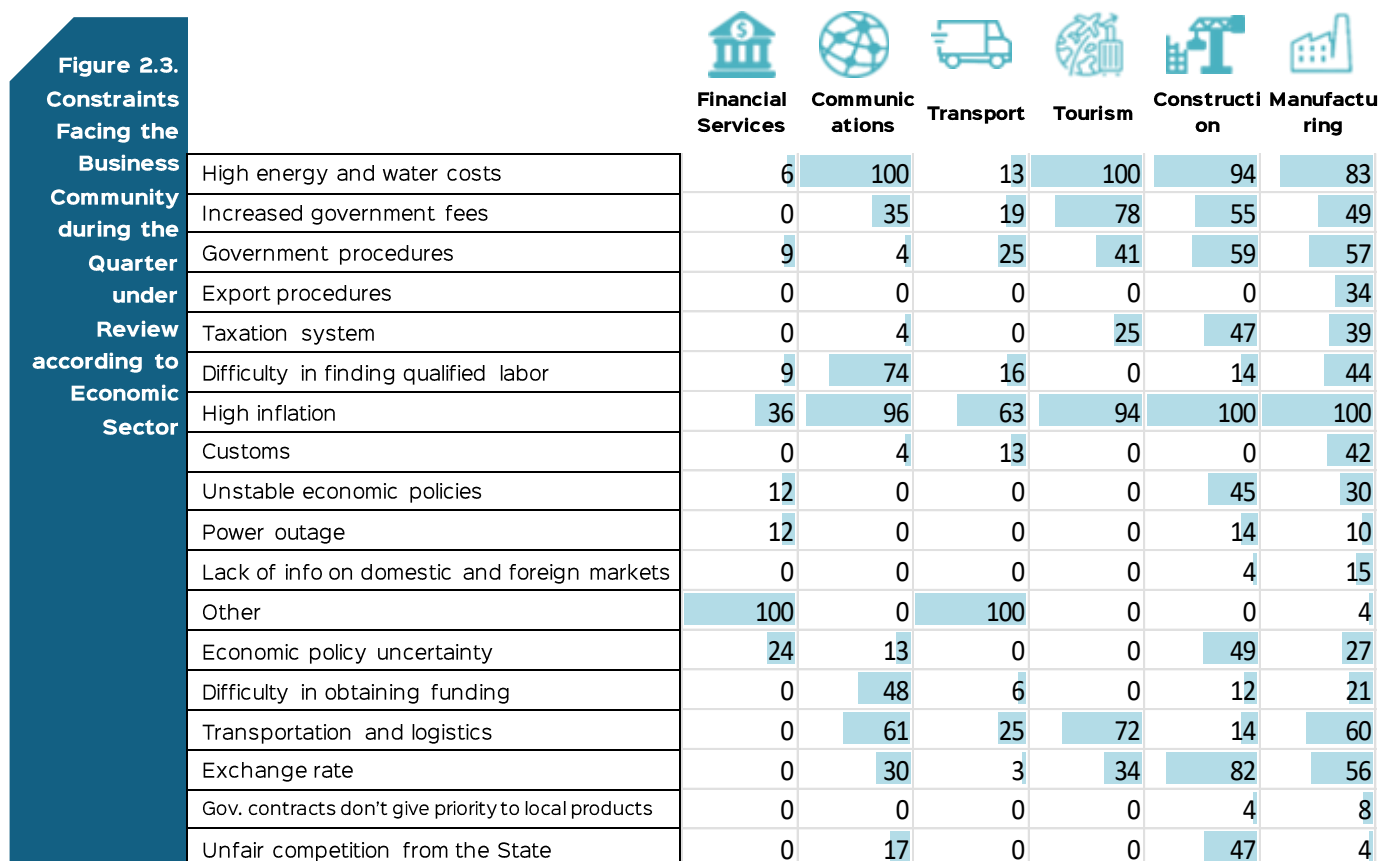


Source: Survey Results.

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

2.1.2 Constraints by Economic Sector

Rising inflation topped the list of constraints facing the manufacturing and construction sectors, while high energy and water costs were the most severe constraints facing the tourism and telecommunications sectors and were also significant constraints for manufacturing and construction. In the transport sector, the main challenges included high shipping and transport costs and the need to use alternative shipping routes due to current regional tensions and the closure of certain maritime corridors. Meanwhile, the outflow of foreign investment due to geopolitical tensions, the lack of effective oversight of stock-market speculation, and insufficient information for firms ranked among the main constraints facing the financial services sector (Figure 2-3).



Source: Survey Results.

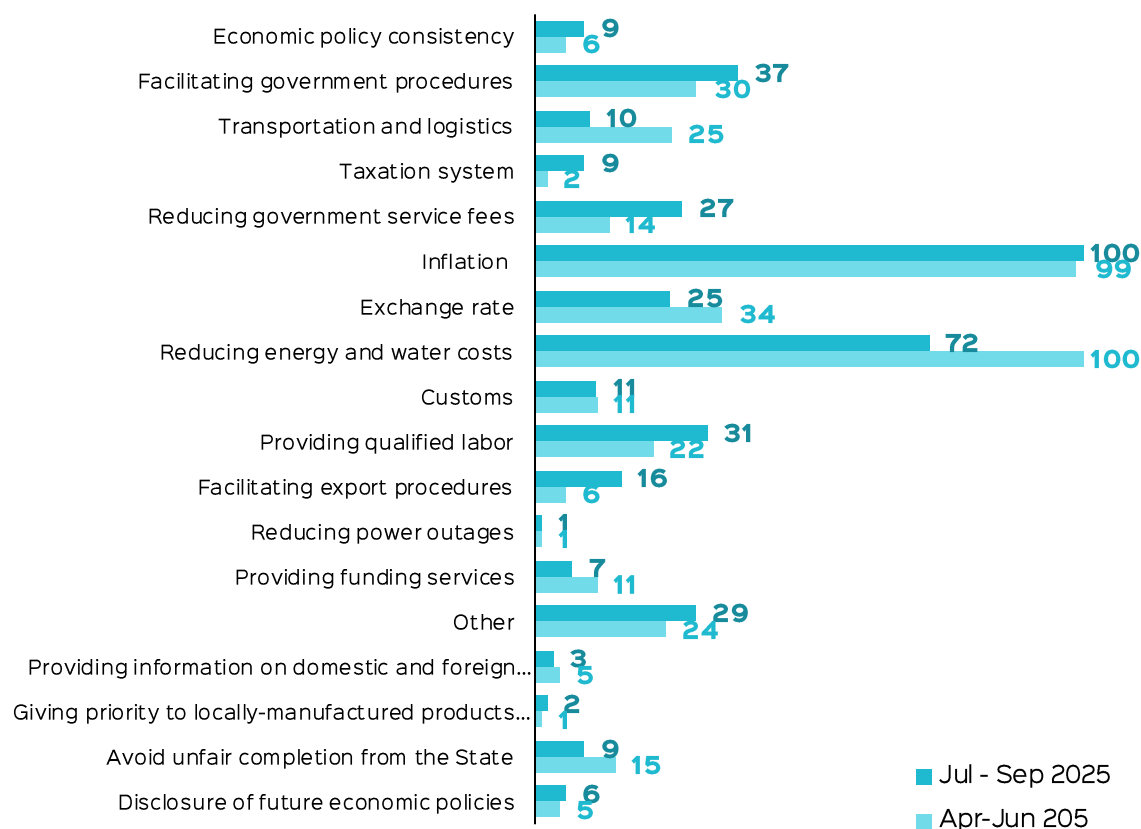
2-2 Priorities for Improving the Business Environment in Egypt (According to the Sample of Firms)



From the perspective of firms, the key priorities are controlling inflation, reviewing energy and water prices and the frequency of their adjustment, and streamlining government procedures.

Addressing high inflation ranked as the top priority for the sampled firms, given its adverse impact across all sectors. This was followed by reviewing energy and water prices, which have risen at frequent intervals, driving up costs and reducing business activity. Streamlining government procedures ranked third, with firms emphasizing the need to eliminate red tape and informal expenses and improve coordination among government entities 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)



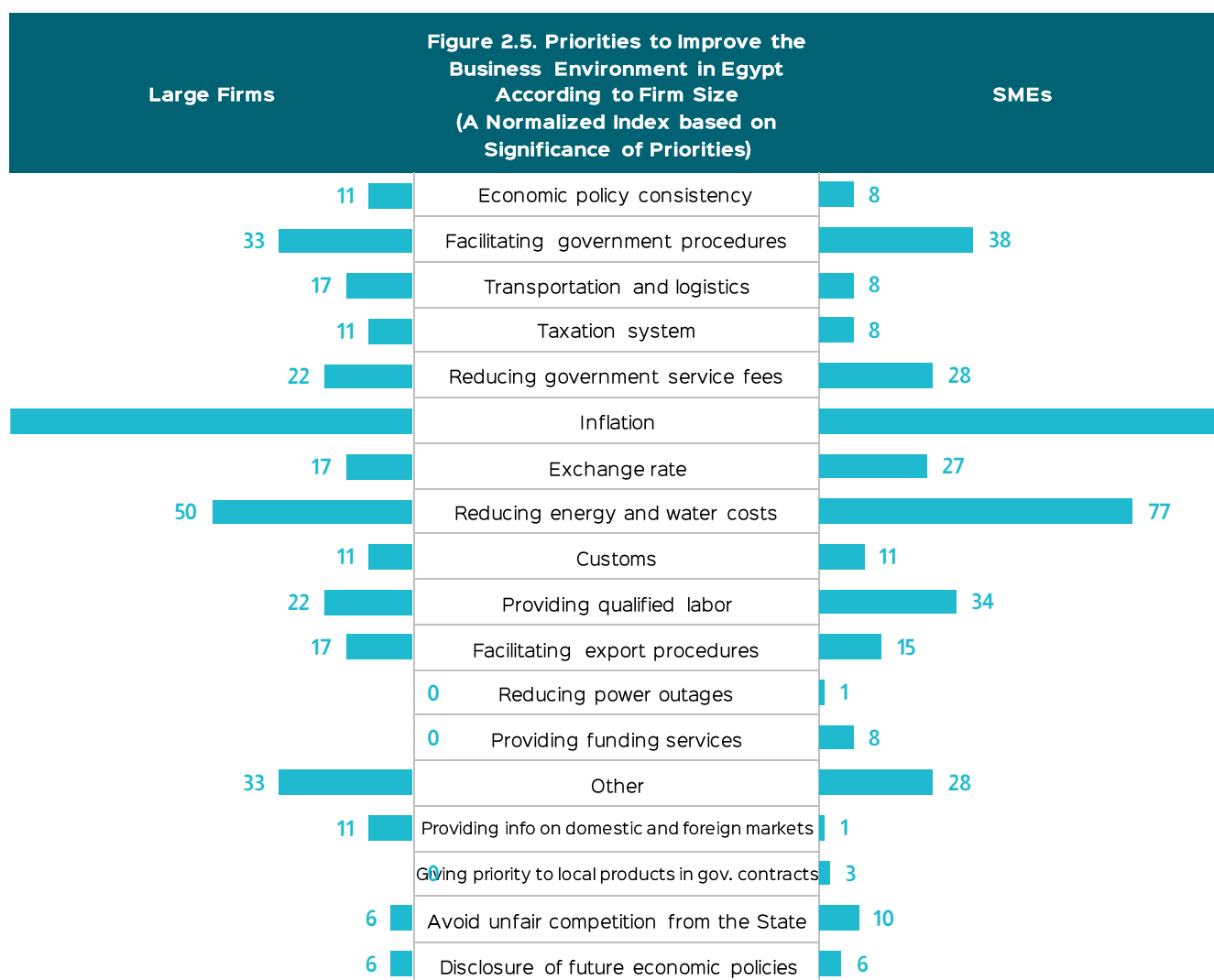
Source: Survey Results.

2-2-1 Priorities according to firm sizes

Curbing rising inflation was the top priority for improving the business climate. For all firms, this was followed by reviewing energy and water prices and streamlining government procedures.

For large firms, ensuring the availability of local alternatives to imported raw materials and facilitating imports of machinery, equipment, and production inputs were identified as essential to easing business operations.

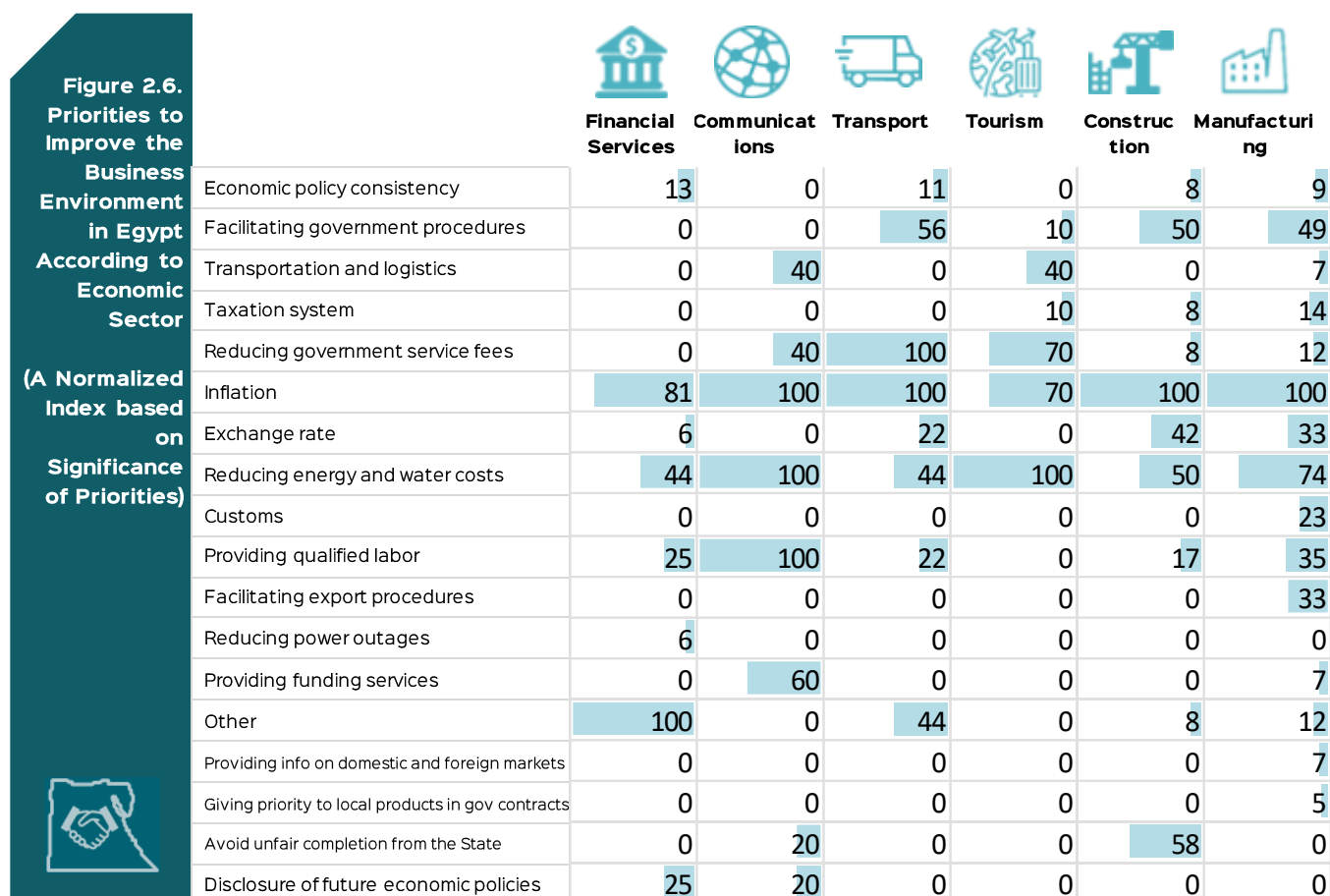
Small and medium-sized enterprises (SMEs), meanwhile, viewed the provision of a qualified workforce as a priority, including through labor-market training and qualification centers in public schools and universities. This reflects the gap between the outputs of the education and training system and the actual needs of the labor market (Figure 2-5).



Source: Survey Results.

2-2-2 Priorities according to economic sectors

Addressing high inflation emerged as a top priority for the manufacturing, construction, transport, and telecommunications sectors. Finding solutions to high energy and water costs topped the list of priorities for the tourism and telecommunications sectors. Reducing government service fees was a priority for the transport sector, while providing a qualified workforce was a priority for telecommunications. The need for disclosure and transparency was highlighted as a priority for the financial services sector (Figure 2-6).



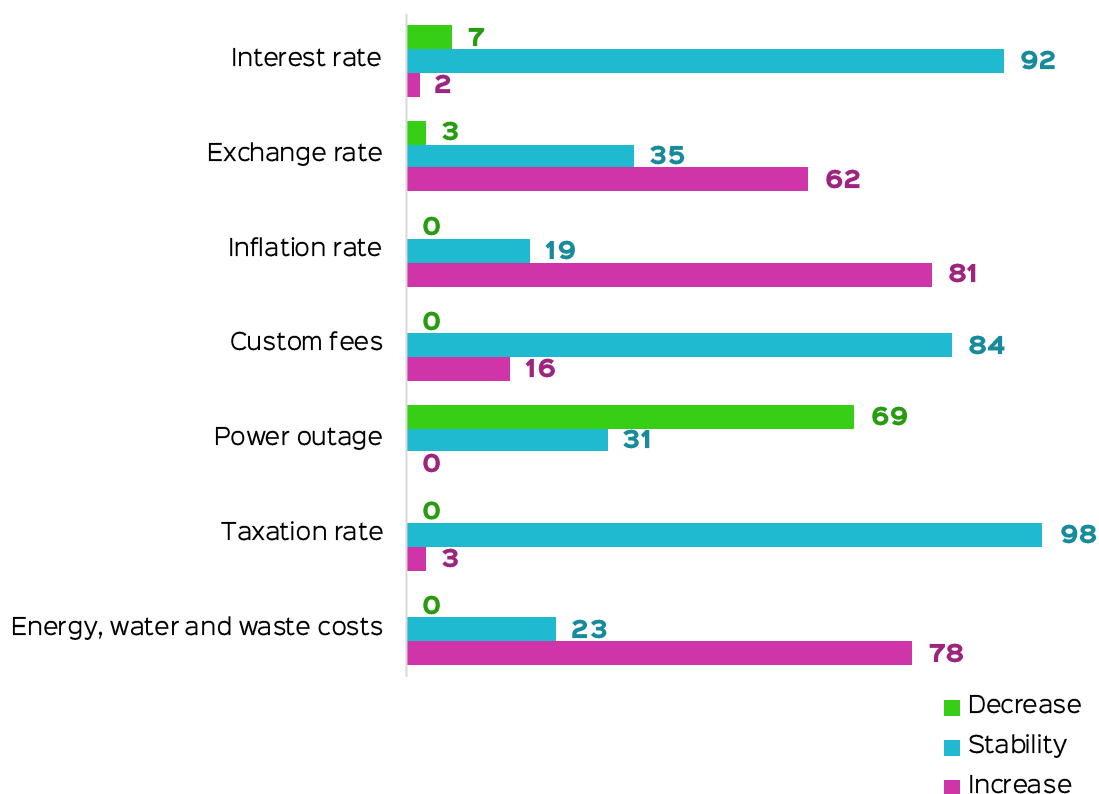
Source: Survey results.

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



According to the survey results, sampled firms expect inflation, energy and water prices, and the exchange rate to rise in the coming quarter; the duration of power outages to decline; and the remaining variables 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.

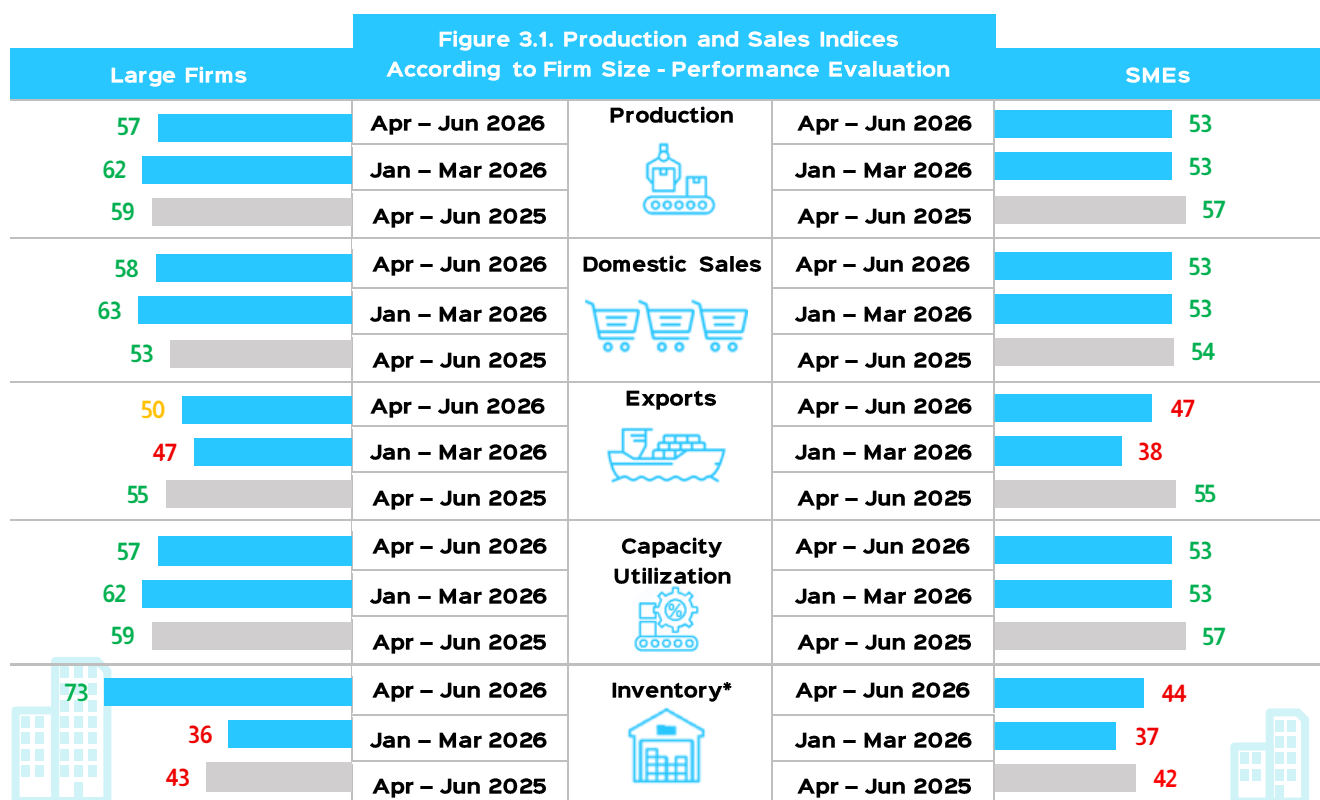
III. Performance evaluation and outlook according to sub-indices

3.1. Performance evaluation

Most indices for large firms declined, while most indices for SMEs remained stable compared with the previous quarter.

For large firms, the production and capacity utilization indices stood 7 points above the neutral level, although both were lower than in the previous and corresponding quarters. The inventory index stood 23 points above the neutral level and exceeded both the previous and corresponding quarters. The domestic sales index stood 8 points above the neutral level, 5 points lower than the previous quarter but 5 points higher than the corresponding quarter. The exports index stood at the neutral level, 3 points higher than the previous quarter but 5 points lower than the corresponding quarter.

For small and medium-sized enterprises (SMEs), the production, domestic sales, and capacity utilization indices were unchanged from the previous quarter at 3 points above the neutral level, although they remained below the corresponding-quarter levels. The exports index stood 3 points below the neutral level, 9 points higher than the previous quarter but 8 points lower than the corresponding quarter. The inventory index stood 6 points below the neutral level, although it improved compared with both the previous and corresponding quarters.



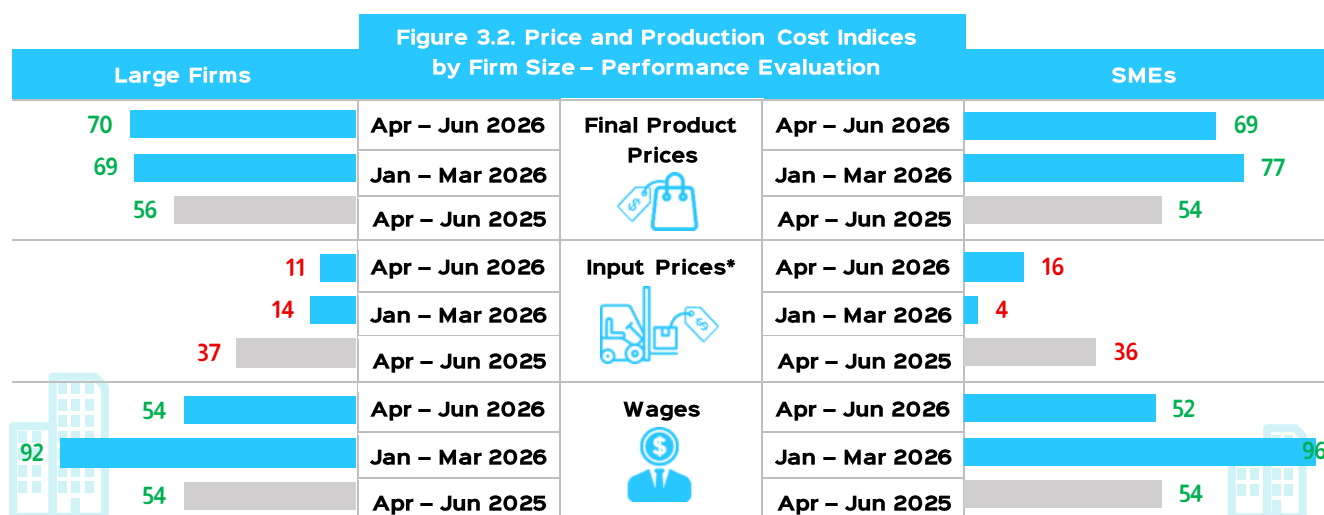
Source: Survey results.

* 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 and wage indices for all firms stood above the neutral level

For large firms, the final product price index stood 20 points above the neutral level and exceeded the levels recorded in both the previous and corresponding quarters, driven by a decline in the input price index compared with both quarters. The wage index matched the corresponding-quarter level at 4 points above the neutral level, although it was 38 points lower than in the previous quarter.

For small and medium-sized enterprises (SMEs), the final product price index stood 19 points above the neutral level, 8 points lower than the previous quarter but 15 points higher than the corresponding quarter. The input price index stood 34 points below the neutral level, 12 points higher than the previous quarter but 20 points lower than the corresponding quarter. The wage index stood 2 points above the neutral level but was lower than in both the previous and corresponding quarters (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 employment index for all firms remained unchanged from the previous quarter.

- For large firms, the investment index stood 4 points above the neutral level, outperforming both the previous and corresponding quarters. The employment index was unchanged from the previous quarter, standing one point above both the neutral level and the corresponding-quarter level.
- For small and medium-sized enterprises (SMEs), both the investment and employment indices were unchanged from the previous and corresponding quarters at the neutral level (Figure 3-3).



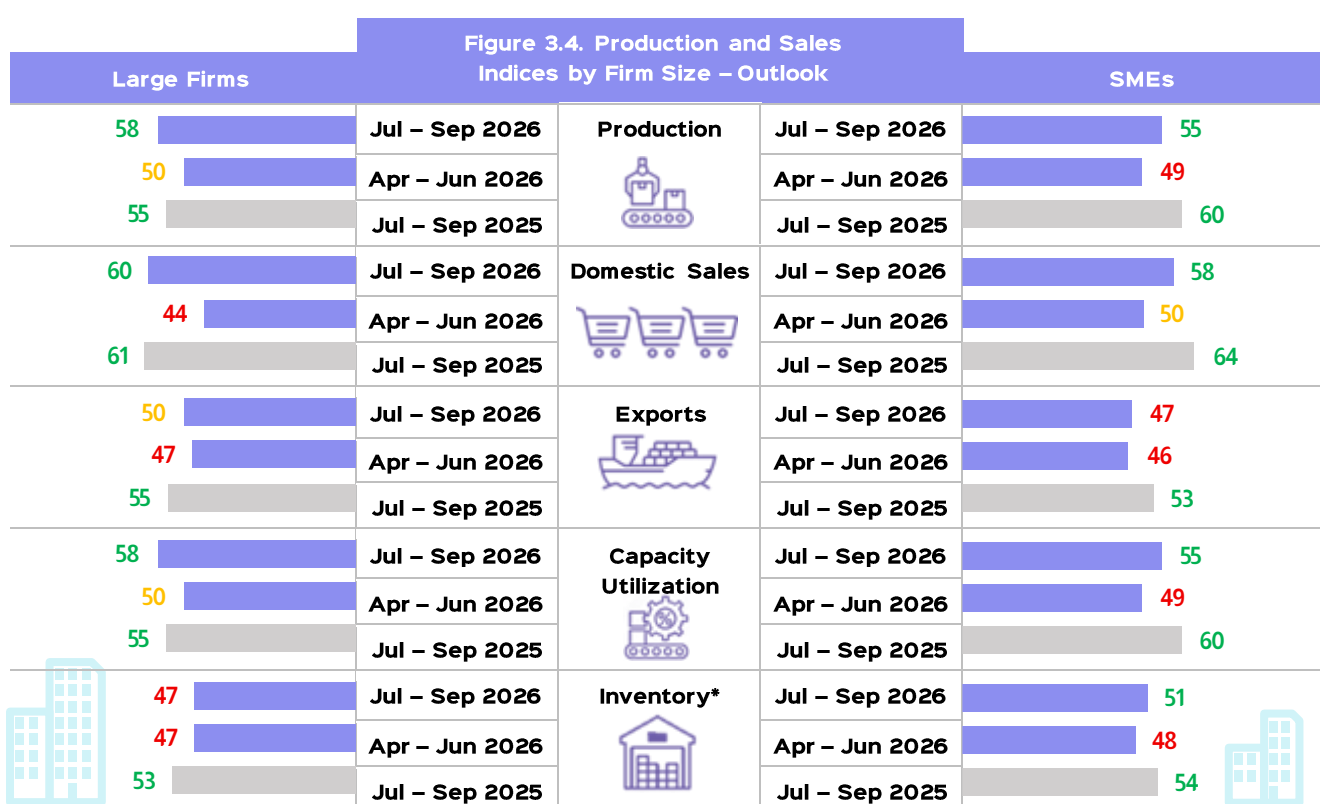
Source: Survey results.

3.2. Performance outlook

Most outlook indices for all firms are expected to rise above the neutral level in the coming quarter and to exceed their previous-quarter levels.

For large firms, expectations for the coming quarter (July-September 2026) for production, domestic sales, and capacity utilization stood above the neutral level and above both the previous and corresponding quarters, except for domestic sales, which was projected to be one point lower than the corresponding quarter. The inventory index was unchanged from the previous quarter at 3 points below the neutral level and 6 points below the corresponding quarter. The exports index stood at the neutral level, 3 points higher than the previous quarter but 5 points lower than the corresponding quarter.

For small and medium-sized enterprises (SMEs), the production, domestic sales, capacity utilization, and inventory indices stood above both the neutral level and the previous-quarter levels, although they remained below the corresponding-quarter levels. The exports index was the exception, standing 3 points below the neutral level (Figure 3-4).

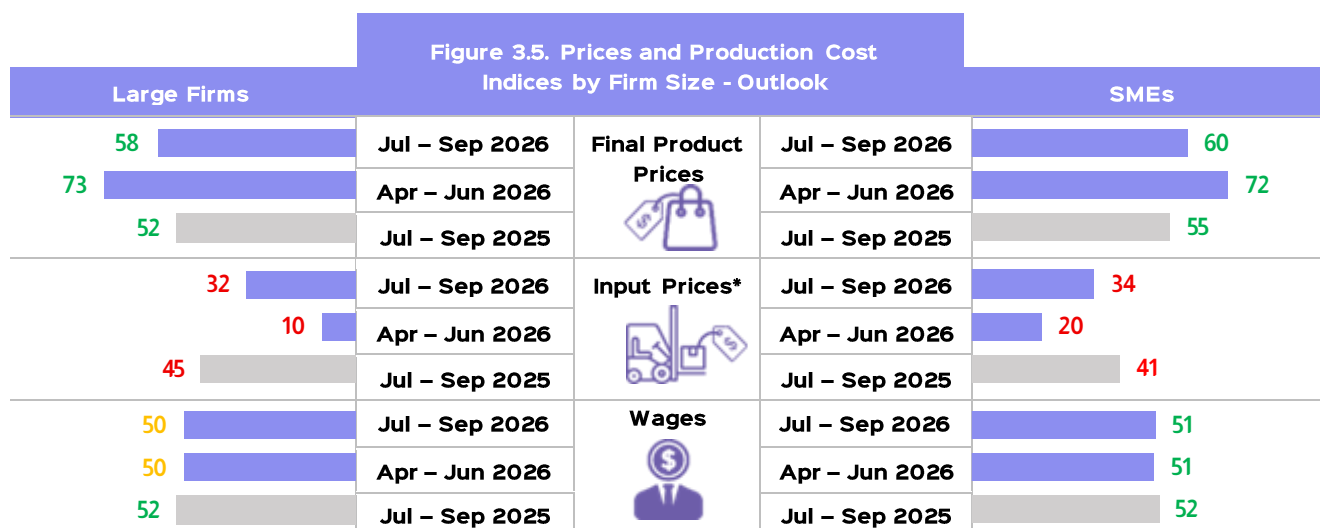


Source: Survey results.

* 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 remain above the neutral level.

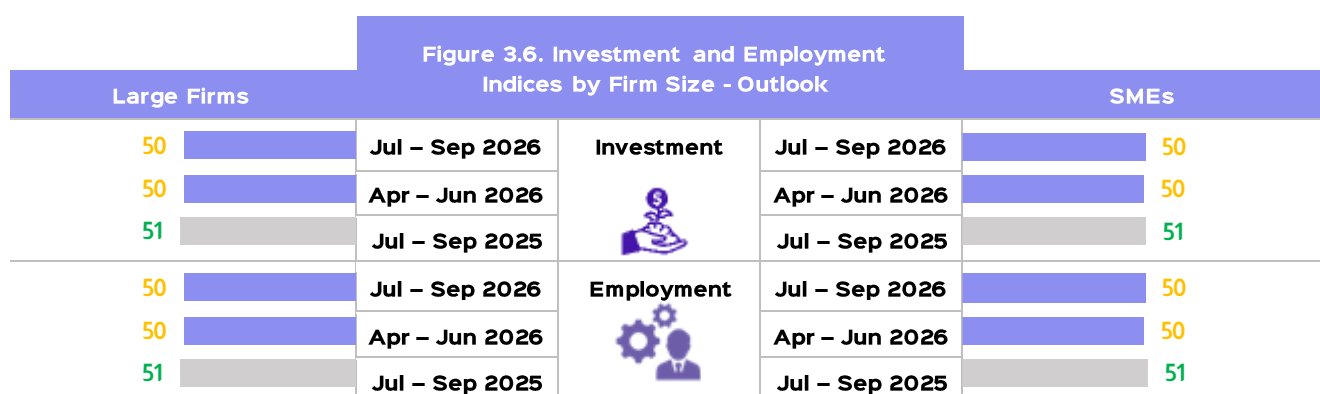
All firms expected the final product price index to exceed the neutral level, with values lower than in the previous quarter but higher than in the corresponding quarter. This reflects expectations that the input price index would rise compared with the previous quarter, although it would remain below both the neutral level and the corresponding-quarter level. Firms also expected the wage index to remain stable compared with the previous quarter, at levels below the corresponding quarter (Figure 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 indices for all firms are projected to remain stable at the neutral level, unchanged from the previous quarter and one point below the corresponding-quarter level (Figure 3-6).



Source: Survey results.

Tables Index

Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (April – May – June 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	47	Higher	Same	Low	53	Higher	Same	Low	58	Higher	Same	Low	50	Higher	Same	Low	56	Higher	Same	Low	71												
Economic activity																																				
Production	23	37	40	44	36	36	29	53	30	70	0	59	25	33	42	44	63	38	0	73	100	0	0	100												
Domestic sales	18	51	31	46	36	36	29	53	0	100	0	50	25	33	42	44	63	38	0	73	100	0	0	100												
Exports	24	36	39	44	-	-	-	-	100	0	0	100	-	-	-	-	-	-	-	-	-	-	-	-												
Inventory	32	38	30	49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-													
Capacity utilization	23	37	40	44	36	36	29	53	30	70	0	59	25	33	42	44	63	38	0	73	100	0	0	100												
Prices																																				
Final product prices	67	33	0	75	79	21	0	82	60	40	0	71	42	58	0	63	50	50	0	67	6	88	6	50												
Intermediate product prices	87	13	0	12	64	36	0	26	50	50	0	33	-	-	-	-	100	0	0	0	-	-	-													
Wage level	10	90	0	53	21	79	0	56	0	100	0	50	8	92	0	52	25	75	0	57	0	100	0	50												
Primary inputs																																				
Investment	3	97	0	51	0	100	0	50	0	100	0	50	0	100	0	50	25	75	0	57	0	100	0	50												
Employment	2	97	2	50	7	86	7	50	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 (July – August – September 2026)¹

Indicator	Manufacturing					Construction					Tourism					Transportation					Communications					Financial Services																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
	Percentage		Index ²		Higher	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index ²		Low	Percentage		Index

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)
(April – May – June 2026)¹

Variable	SMEs				Large Firms				
	Percentage			Index ²	Percentage			Index ²	
	Higher	Same	Low	49	Higher	Same	Low	53	
Economic activity									
Production	37	36	28	53	45	27	27	57	
Domestic sales	32	46	22	53	45	30	25	58	
Exports	30	33	37	47	33	33	33	50	
Inventory	38	38	23	44	0	38	63	73	
Capacity utilization	37	36	28	53	45	27	27	57	
Prices									
Final product prices	55	45	0	69	59	36	5	70	
Intermediate product prices	80	20	0	16	88	13	0	11	
Wage level	9	91	0	52	14	86	0	54	
Primary inputs									
Investment	1	99	0	50	14	86	0	54	
Employment	1	97	2	50	5	95	0	51	

Table A4: Survey Results: Summary of all firms' outlook (by size)
(July – August – September 2026)¹

Variable	SMEs				Large Firms				
	Percentage			Index ²	Percentage			Index ²	
	Higher	Same	Low	51	Higher	Same	Low	51	
Economic activity									
Production	30	56	14	55	36	50	14	58	
Domestic sales	34	57	9	58	40	50	10	60	
Exports	15	59	26	47	22	56	22	50	
Inventory	18	62	21	51	13	88	0	47	
Capacity utilization	30	56	14	55	36	50	14	58	
Prices									
Final product prices	34	66	0	60	27	73	0	58	
Intermediate product prices	49	49	1	34	56	38	6	32	
Wage level	5	95	0	51	0	100	0	50	
Primary inputs									
Investment	1	99	0	50	0	100	0	50	
Employment	2	97	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.