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Development of Egypt's Exports in H1 2026 Based on the ECES Business Barometer

Why Address this Topic Now?

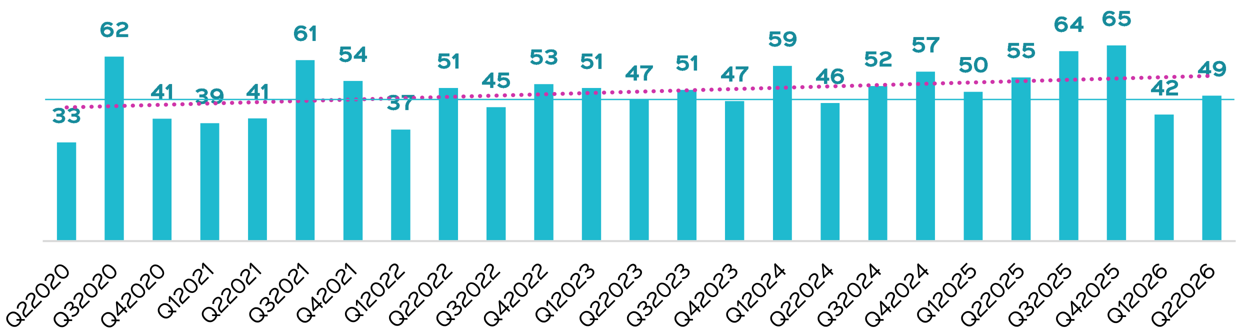
Despite improvement in the Egyptian economy's external position during H1 2026, exports declined in Q1. While they rose slightly in Q2, they remain below historical levels. As exports represent a reliable and stable source of foreign currency—in addition to being a cornerstone of employment and growth in any economy—this issue aims to shed light on export trends drawing on the Business Barometer (BB) published quarterly by the Egyptian Center for Economic Studies (ECES). This publication reflects the pulse of Egypt's business community across various sectors and business sizes. [1]

How have exports evolved according to the BB index?

According to the latest edition of the BB, the Egyptian exports index—having risen during 2025—entered a declining territory in 2026, falling below the neutral level and reaching its lowest point in Q1 (January–March) of 2026 (Figure 1).

[1] ECES has been publishing the BB since 1998, providing a quarterly assessment of the performance of a sample of private sector firms across various sectors and sizes. This assessment reflects the business community's views on developments regarding a set of variables during the quarter under review, as well as their expectations for the following quarter. The latest editions of the BB can be accessed via the following link: https://eces.org.eg/en/category/business-barometers/

Figure 1. Development of the export index according to the ECES BB



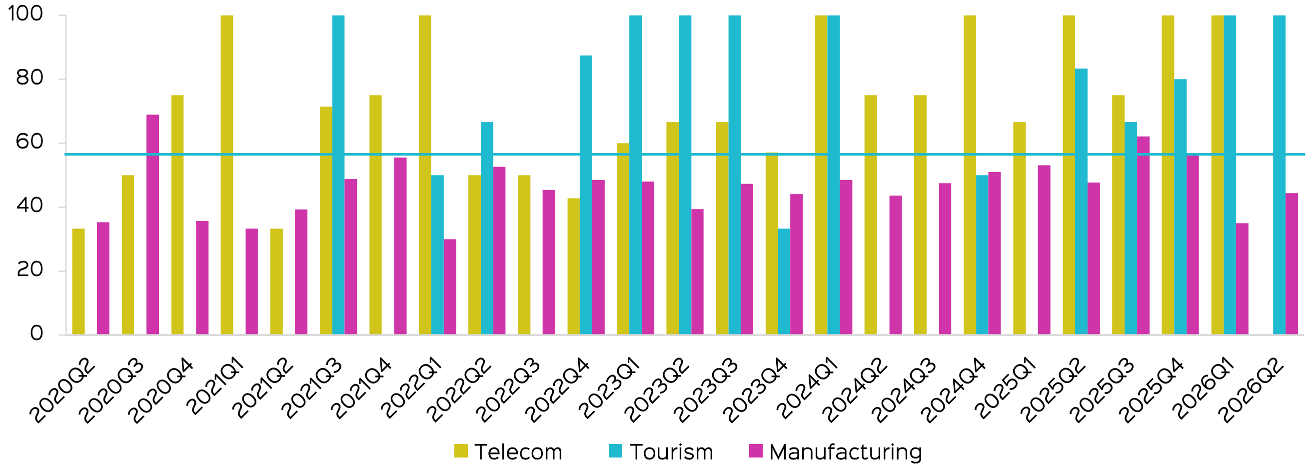
Source: ECES, *Business Barometer*, various issues.

The results of the BB export index align with official data released by the Central Agency for Public Mobilization and Statistics (CAPMAS). Egyptian non-petroleum exports fell to $10.8 billion in Q1 2026—a decline of approximately 16 percent compared to Q1 2025 and about 5 percent compared to the previous quarter—before recovering to reach $12.5 billion in Q2 2026.[2]

How has the export index evolved by economic sector?

BB data indicate that the decline in the export index was linked to the manufacturing sector—a concerning development, given that manufacturing possesses superior capacity for production, exporting, employment creation, and integration into global and regional value chains, alongside strong forward and backward linkages with other sectors, including services. Although export indices for the telecommunications and tourism sectors rose, these gains were insufficient to offset the decline in the manufacturing export index. Furthermore, export performance in telecommunications and tourism is characterized by high seasonality and volatility, contrasting with the stability of manufacturing exports.

Figure 2. Development of the export index for the manufacturing, telecommunications, and tourism sectors



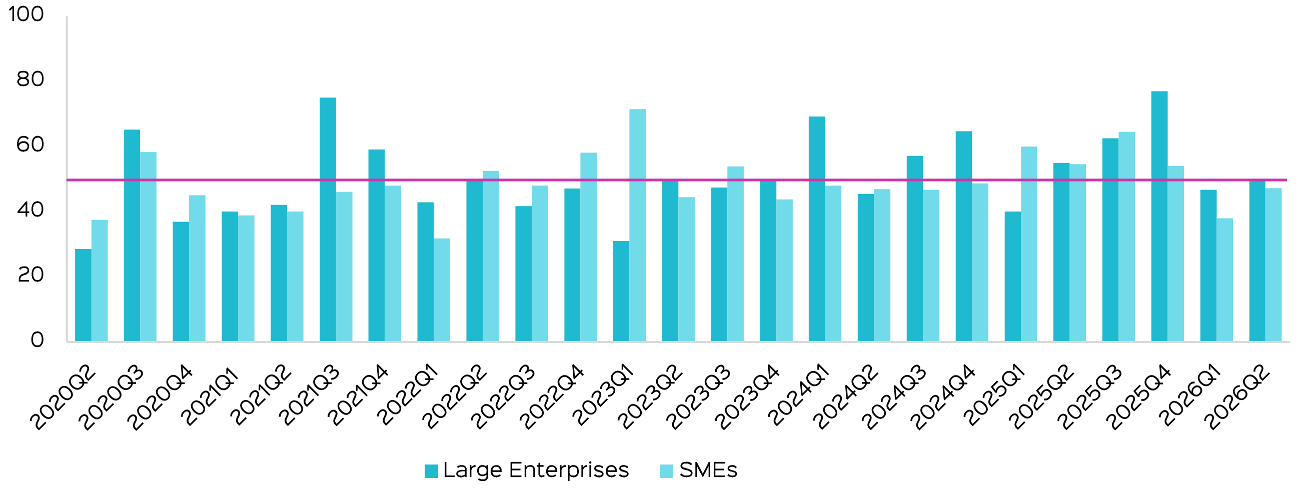
Source: ECES Business Barometer, various issues.

[2] Central Agency for Public Mobilization and Statistics, *Monthly Bulletin of Foreign Trade*.

Has the export index shown any variation according to firm size?

Despite the decline in the export index for all firms during Q1 2026, the index results for large enterprises reflect a superior ability to absorb shocks during crises and better capitalize on market access opportunities. This advantage stems from their larger scale and higher competitiveness compared to small and medium-sized enterprises (SMEs)—which constitute the vast majority of businesses in Egypt—as illustrated in Figure (3).

Figure 3. Export index by firm size



Source: ECES Business Barometer, various issues.

What are the reasons behind the decline in the export index?

- The lower export index reflects a decline in the manufacturing sector's overall BB index for the second consecutive quarter of 2026. Exports represent the final stage of production, and any weakness in earlier production phases inevitably leads to a decline in exports. One of the factors contributing to this downturn is the impact of the Iran-US war on Egyptian industry. This has resulted in a slump in global demand, alongside significantly higher energy costs, raw material prices, and land and sea freight charges, compounded by the extended transit times associated with the use of alternative routes.
- The decline in the manufacturing sector's performance is largely attributable to unaddressed internal challenges and delayed institutional reforms, which have driven up transaction costs for manufacturers and exporters. The manufacturing sector is the hardest hit among various sectors due to the multitude of constraints it faces, as illustrated in Figure 4. High inflation tops the list of these constraints, given the challenges it creates on both the supply and demand sides. On the demand side, it has eroded purchasing power, thereby weakening domestic demand for products. On the supply side, inflation drives up production costs due to rising prices for inputs—particularly imported ones—as well as increased energy and water costs and wage demands from workers. Furthermore, the sector suffers from inadequate logistics and disruptions to raw material imports. Egyptian factories hold an average raw

material inventory of no more than three months, a situation that has caused production and domestic sales levels to fall below historical norms. Another major issue is the difficulty of dealing with government agencies; the sector contends with slow procedures, bureaucracy, and problematic staff conduct. Additionally, the proliferation of officials with judicial enforcement powers across most government bodies creates opportunities for corruption and informal payments. The difficulty of securing qualified labor represents an additional burden on firms—manifested in increased spending on training and skills development—due to the gap between the outputs of the education and training system and the needs of the labor market. Furthermore, the sector is vulnerable to exchange rate fluctuations given its reliance on imported production inputs, as well as capital goods such as machinery and equipment. Small enterprises, in particular, struggle with the high cost of these inputs compared to larger firms, owing to their limited capacity for direct importation, smaller import volumes, and constrained financing capabilities.

Figure 4. Constraints by sector

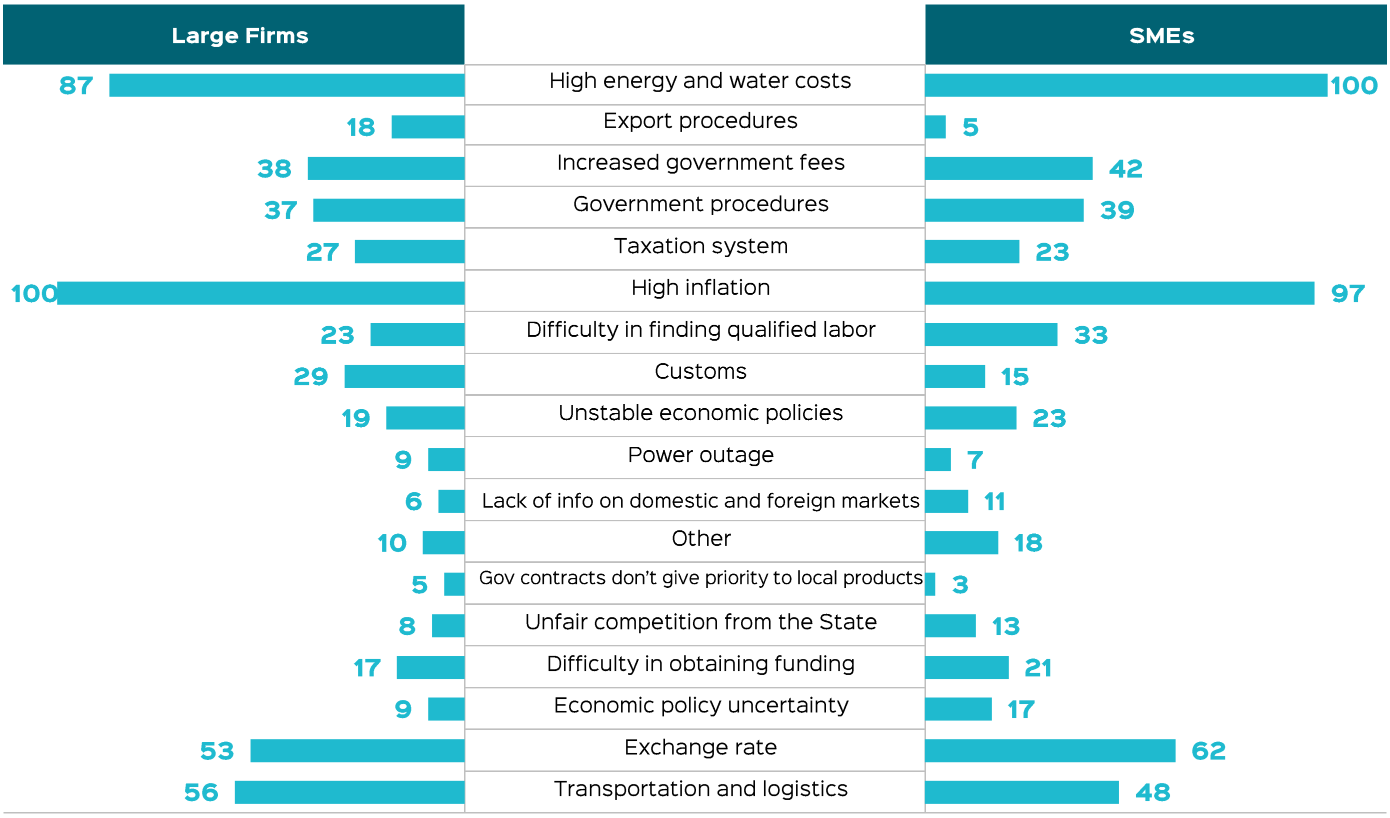
	Financial Services	Communications	Transport	Tourism	Construction	Manufacturing
High energy and water costs	39	100	100	100	75	100
Increased government fees	0	18	17	47	62	46
Government procedures	0	18	9	15	69	48
Export procedures	0	0	0	0	0	14
Taxation system	0	14	9	26	42	26
Difficulty in finding qualified 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: ECES Business Barometer, various issues.

Note: A decline in the index for certain constraints does not imply they have been resolved; rather, it reflects that other constraints have become more pressing.

- Although firms of all sizes face numerous constraints hindering their growth and competitiveness, small and medium-sized enterprises (SMEs) encounter a greater number of challenges than large firms. SMEs have a lower capacity to absorb rising government service fees and are more susceptible to exchange rate fluctuations and economic policy instability. Furthermore, they face greater difficulty in securing qualified labor and financing, as illustrated in Figure (5).

Figure 5. Constraints by size



Source: ECES Business Barometer, various issues.

Note: A decline in the index for certain constraints does not imply they have been resolved; rather, it reflects that other constraints have become more pressing.

What is the solution?

Export recovery is primarily linked to the recovery of the manufacturing sector and the swift addressing of constraints that hinder it and undermine its competitiveness. It also requires translating the slogan "exports are a matter of life and death" into tangible, practical measures that tackle challenges across the entire value chain. Global crises have demonstrated the resilience of many countries, driven by strong domestic economies and robust support for production and exports—enabling them to increase exports despite the crises. Prime examples to emulate in this regard include East Asian countries and Turkey. By adopting proactive trade and industrial policies, these nations achieved export values ranging from three to six times Egypt's export targets.

It is also crucial to accelerate efforts to restructure Egyptian exports—moving away from primary goods highly sensitive to global price fluctuations and toward products with higher value-added and advanced technological content. East Asian countries, for instance, emerged as the primary drivers of global trade growth in H1 2026, fueled by rising demand for technology-intensive goods and products linked to artificial intelligence—a success facilitated by the overall efficiency of their production and export ecosystems.[3]

[3] Global Trade Update (July/August 2026): Global trade continues to expand amid rising price pressures | UN Trade and Development (UNCTAD)