Special Report: Egypt Fixed Income - From Crisis Premium to Re-Rating Opportunity

aranca

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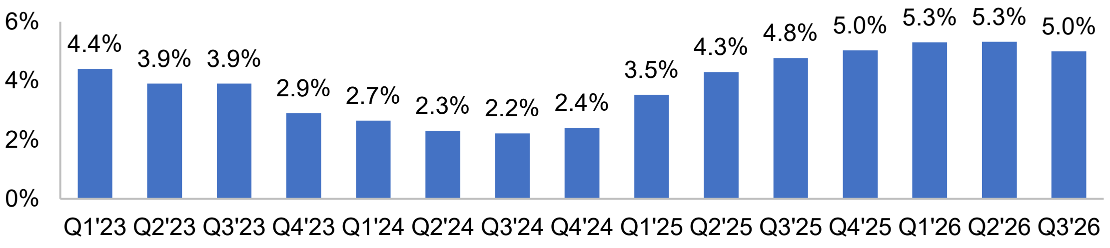
Egypt’s Macro Turnaround Is Building a Compelling Re-Rating Case

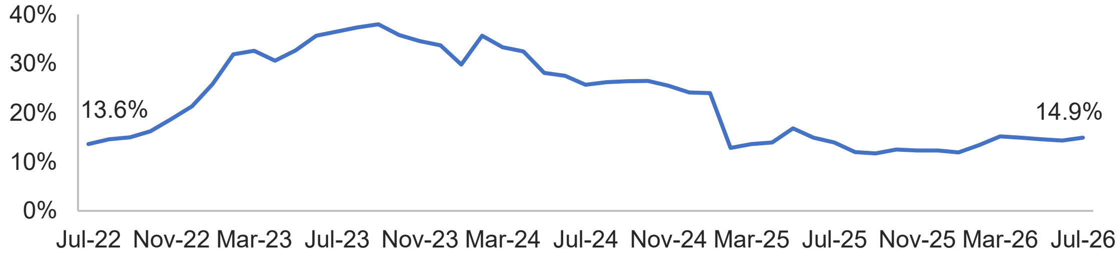
Growth recovery, disinflation and stronger external balances are reducing sovereign risk

- **Growth accelerated:** GDP growth has recovered to 5.0% YoY in Q3 FY25/26, significantly improving from the lows of 2.2% couple of years earlier, supported by recovering Suez Canal activity, record tourism arrivals and stronger telecom and construction activity
- **Inflation eased:** Headline urban inflation has fallen to 14.9% as of July 2026 from a peak of 38.0% in September 2023, though a near-term reversal remains possible as subsidy cuts, fuel-price adjustments and energy-price pass-through feed back into prices
- **External pressures moderated:** The current-account deficit narrowed to USD14.6bn in 9M FY25/26, supported by stronger remittances, tourism receipts and FDI, while a declining external debt burden points to improving external resilience

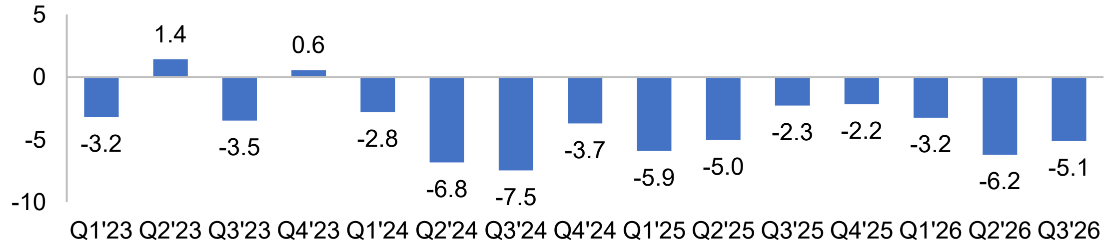
Real GDP growth, YoY % (quarterly)[1]



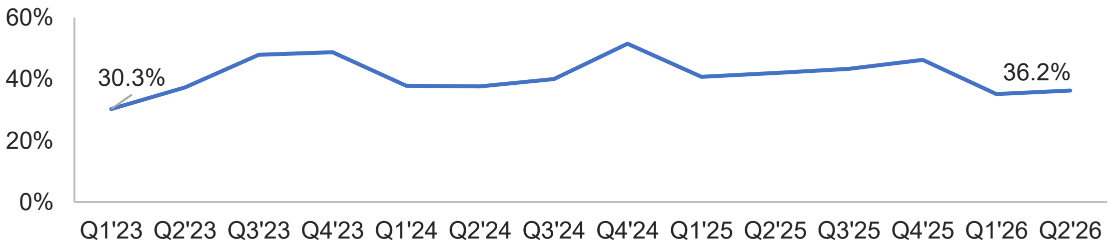
Inflation, YoY %



Current account balance, USD bn (quarterly)[1]



External Debt % of GDP



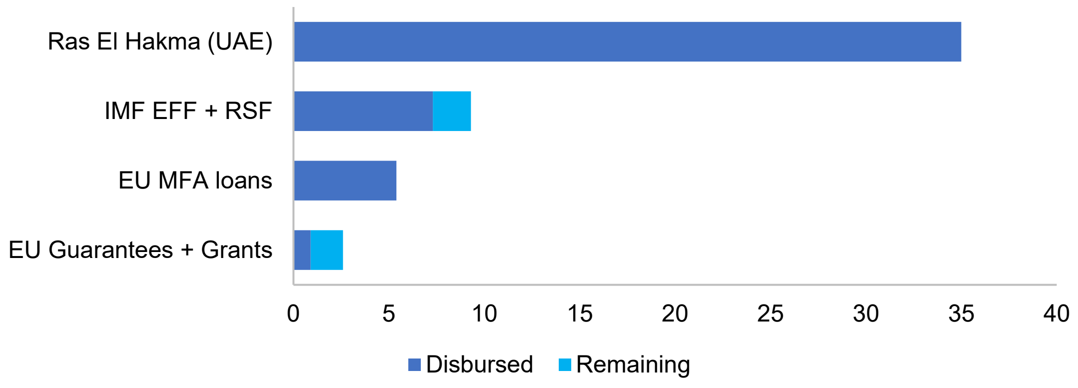
***Source:** Aranca Research, Bloomberg, CBE, IMF and World Bank | **Note**: 1. Egypt’s fiscal year runs from July through June*

External Support Has Shifted Egypt from Liquidity Crisis to Sovereign Repair

Official funding strengthens FX liquidity while reform conditionality supports fiscal adjustment

- **Large external financing package:** The IMF programme, EU support and USD 35bn Ras El Hekma investment have provided critical FX liquidity, with around USD 52.3bn committed across the three anchors
- **Funding is being delivered:** IMF disbursements have continued through successive reviews, while EU support is linked to structural measures covering governance, migration and the green transition
- **Support comes with reform:** Egypt is committing to fiscal consolidation, FX flexibility, subsidy reform and tighter public investment, shifting the focus from emergency financing toward sustainable market access

External Financing; Disbursed vs Remaining (USD bn)



USD 52.3 bn

Total Committed

USD 48.7 bn

Total Disbursed

Support Comes with Reform Conditions

- 4-5% Primary Surplus Target
- FX flexibility | Subsidy reform | Public Investment Discipline

- 16 Structural Reforms to be delivered for per tranche
- Public Finance & SOE Reform | Migration Management | Water & Power Transition

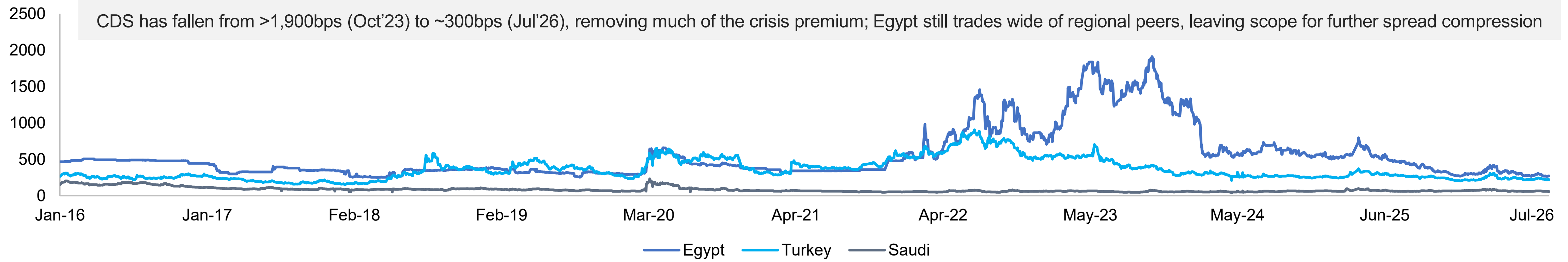
- 50% of divestment proceed targeted to debt reduction
- Bank and military-linked company divestment

Source: *Aranca Research, Bloomberg, CBE, IMF, Reuters*

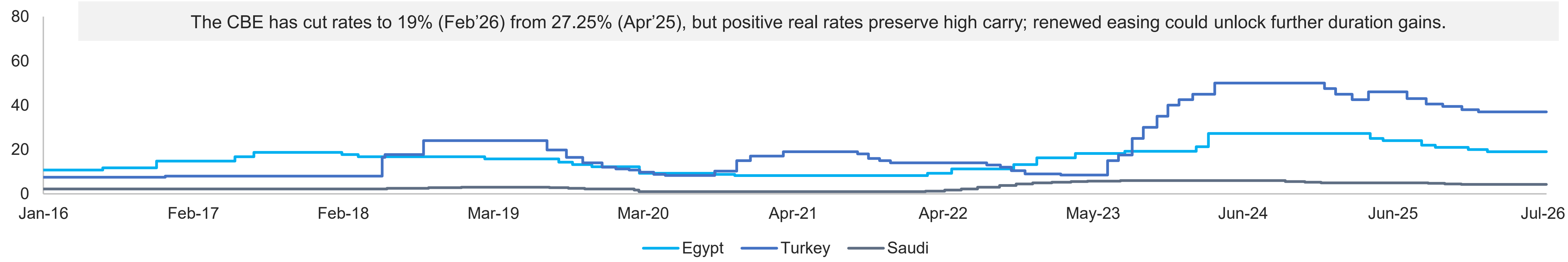
Sovereign Risk Has Receded, Unlocking Further Re-Rating Potential

CDS compression coupled with positive real rates support further credit and duration upside

5-yr sovereign CDS, bps (annual, 2016-26)



CBE / peer policy rates, % (annual, 2016–26)



Source: *Aranca Research, Bloomberg, CBE, IMF, Reuters*

Improving Ratings Momentum Reinforces Egypt’s Sovereign Credit Case

Strengthening credit metrics support continued re-rating and spread compression

Credit fundamentals are improving, but Egypt continues to offer substantial compensation for residual refinancing and policy risks - leaving room for further spread compression

Downgrade Cycle

Moody's ↓ Caa1
Oct-23

Driver: FX shortages and weakening debt affordability during the BoP crisis

Fitch ↓ B−
Nov-23

Driver: External financing pressure and reduced reserve buffers

Upgrade Cycle

Moody's outlook → positive
Mar-24

Driver: EGP float, the $35bn Ras El Hekma inflow and the expanded IMF programme

Fitch ↑ B
Nov-24

Driver: Improved external liquidity and reform progress under the IMF programme

S&P ↑ B (from B−)
Oct-25

Driver: FX liberalization and fiscal consolidation delivering primary surpluses

Fitch affirms B stable
Oct-25

Driver: Continued reform momentum with debt/GDP on a firm downward path

Moody's Caa1 positive - next upgrade candidate Jul-26

Driver: Sustained disinflation and reserve rebuild; positioned as next upgrade candidate

Source: *Aranca Research, Moody’s, S&P, Fitch*

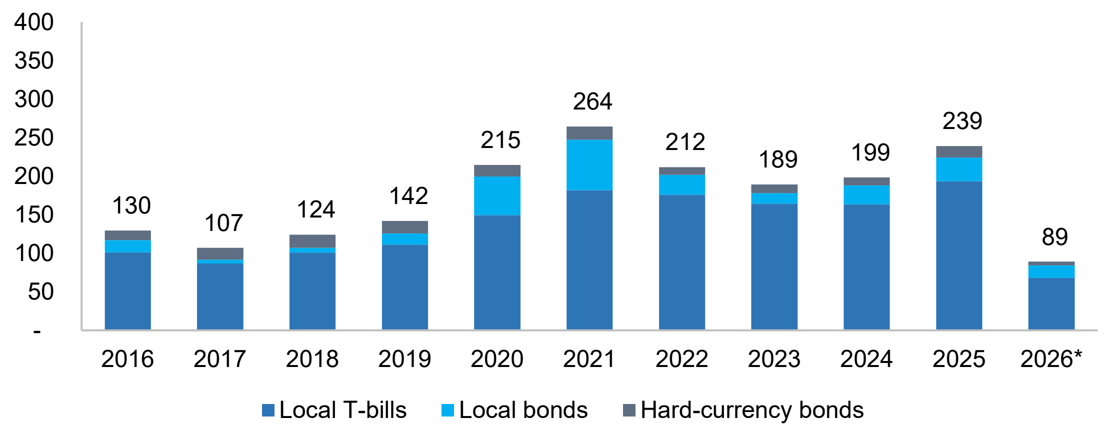
Egypt's Refinancing Capacity Outpaces Maturities, Easing Rollover Risk

Issuance capacity provides a strong buffer against the near-term maturity wall

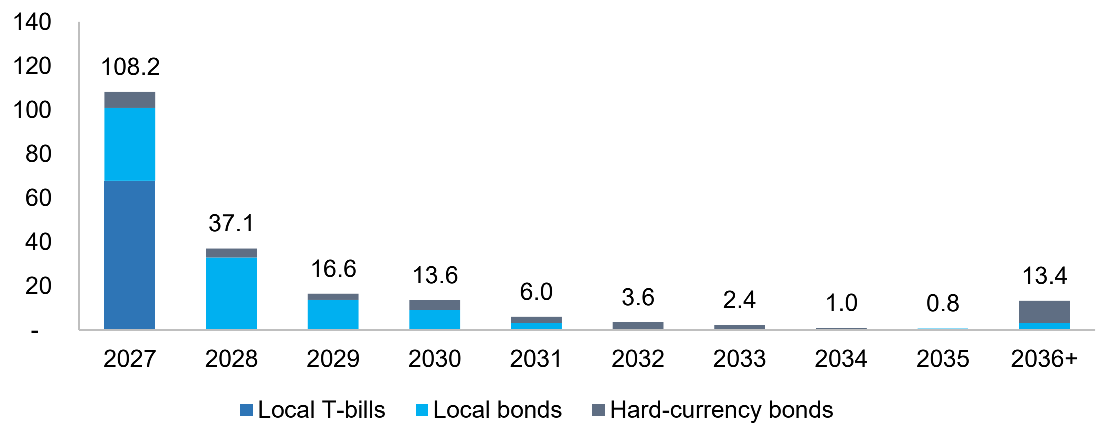
- **Issuance has never been interrupted:** Volumes rose from ~USD 107bn in 2017 to a peak of USD 264bn in 2021, averaging USD 182bn a year across the decade
- **Capacity held and external access returned:** Issuance never fell below USD 189bn through the 2022-24 stress, and hard-currency issuance recovered to USD 14.9bn in 2025 from its USD 10-11bn trough

- **2027 peak is rolling domestic paper:** Local debt dominates the USD 108bn maturity wall. T-bills account for 63% and bonds 30%, vs. just 7% in hard currency
- **Maturity wall is a supply pipeline:** These refinance easily against USD 182bn of annual issuance, 2.6x the forward load

Gross Issuance, actual (USD bn)



Scheduled Maturities, 2027 onwards (USD bn)



**2026 figures are year-to-date (YTD)*

Key takeaway

Issuance capacity runs at more than twice the forward maturity load, and has held through every year of the crisis

Source: *Aranca Research, Bloomberg*

Aranca Insights

Impact on Sovereign Credit Profile

Credit Spreads	Cost of Borrowing	Sovereign Ratings
Egypt's 5-yr CDS has compressed from above 1,900bps in the Oct'23 crisis peak to around 300bps, back to the low end of its 360-420bps pre-crisis range	New issues priced at 7.62% in May 2026 versus 8.62-9.45% in early 2025 and 10.87% in 2023	S&P upgraded to 'B' (Oct 2025), Fitch affirmed 'B'/Stable, Moody's positive on Caa1 since March 2024

Fixed-Income Opportunities Across Instruments

USD Sovereign Eurobonds	EGP Local Bonds (Hedged)	Sovereign Sukuk
~USD 36bn outstanding, yielding ~6.5% on average. Longer-dated bonds pay up to 9%, rewarding investors willing to hold for longer	T-bills yield ~25.4% and bonds ~23.5% against 14.9% inflation, roughly 10.5 points of real carry. Gradual CBE easing from 19.0% supports hedged USD returns	Four deals totaling USD 4.0bn since 2023, pricing down from 10.875% to 6.375-7.95%. A growing channel as the curve develops
Corporate & Bank Paper	**Index-Inclusion Flows**	**Refinancing Risk**
A relatively shallow but growing market offers early-mover potential as improving macro conditions support broader issuer access	Potential frontier local-currency index inclusion could provide a structural source of passive demand as market access deepens	Only USD 7.3bn (7%) of the USD 108bn due in 2027 is hard currency, against ~USD 46bn reserves. Issuance capacity covers the forward load 2.6x

Key Investment Consideration

- **From crisis to normalization**: Egypt is pivoting toward market-led funding and broader macro recovery
- **Credit fundamentals are strengthening**: External liquidity, reform execution and positive rating momentum are reinforcing the sovereign profile
- **Refinancing risk is front-loaded:** Near-term maturities remain sizeable but fall sharply thereafter
- **Compelling entry point:** Attractive carry and further spread-compression potential remain before normalization is fully priced in
- **Key risks:** Refinancing execution, inflation, FX pressure and sustained adherence to IMF reforms

Source: *Aranca Research, Bloomberg*

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