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# Engines of growth: Foreign exchange at the heart of Egypt's journey

Egypt can build on its strong fundamentals and natural advantages to boost hard currency, unlocking up to \$17 billion annually by 2035 with a strategic focus on 11 key growth sectors.

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**Egypt is a study in contrasts.** As one of the top three economies in Africa and the fifth largest in the Middle East and North Africa (MENA) region, with a GDP of \$349 billion, the country is a regional power player—yet it is also navigating a complex landscape of geopolitical uncertainty and structural weaknesses.<sup>1</sup>

The macroeconomic reset of recent years has been mixed. Growth slowed from 6.6 percent in 2022 to 3.1 percent in 2024, but the foundations are firmer: Inflation eased in 2024, falling from about 34 to 28 percent, with forecasts suggesting it could fall to around 13 percent by the end of 2025.<sup>2</sup> At the same time, the current-account gap has narrowed on the back of resilient remittances and a recovering tourism base, and primary budget surpluses peaked near 6 percent of GDP between 2022 and 2023.<sup>3</sup>

These strong fundamentals prime the country for robust growth, with the government setting an ambitious target to reach 7 percent annual growth by 2030, underpinned by higher investment and a larger role for the private sector.<sup>4</sup> Against this backdrop, the binding constraint is the availability of foreign exchange (FX). The central question now is where Egypt can earn more hard currency—and save more of it—most quickly and reliably.

Reaching these targets may require a strategic reorientation away from the traditional pillars of strength in the economy toward emerging high-growth opportunities. This article sets out to identify where these opportunities may lie. It does not aim to be a comprehensive review of all the country's economic sectors; instead, it has concentrated on macrosectors (broad industry groupings) that can materially expand FX availability by raising inflows and curbing outflows. For each identified macroeconomic sector, we break down the available opportunities and offer ideas for how Egyptian organizations and companies can pursue value creation.

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## New strategic frontiers: Identifying Egypt’s engines of growth

Egypt’s economy remains anchored in traditional pillars—agriculture and food and beverages (17 percent of GDP), energy and mining (16 percent of GDP), and wholesale and retail trade (12 percent of GDP) (Exhibit 1). These sectors will likely continue to play a vital role in the economy. However, realizing the FX opportunity could require a sharper set of high-value, tradable, and import-substituting strategies in these and other high-growth sectors, such as tourism, automotive and mobility, transportation and logistics, and construction and building materials.

Exhibit 1

### Egypt’s economy is anchored in strong traditional pillars.

Egypt’s GDP by sector, 2024, %

Agriculture and food and beverages <b>17.00</b>		
Energy and mining <b>15.91</b>	Wholesale and retail trade <b>11.89</b>	Tourism and hospitality <b>10.00</b>
Insurance and financial services <b>6.50</b>	Construction and building materials <b>6.25</b>	Transport and logistics <b>5.40</b>
		Information and communication technology <b>5.40</b>
		Education <b>4.19</b>
		Business services <b>3.64</b>
Other <b>13.82</b>		

Source: Oxford Economics; S&P Global; World Bank

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In charting a path forward, several long-term risks and cross-cutting barriers to growth in the Egyptian economy require attention. A widening energy deficit—driven by declining gas output and rising power demand—has increased reliance on liquefied natural gas (LNG) imports, upsetting the external balance and putting fiscal sustainability at risk.<sup>5</sup> External debt service obligations remain high, with continued reliance on support from the Gulf Cooperation Council (GCC) and Western partners, as well as multilateral institutions such as the International Monetary Fund (IMF).<sup>6</sup> Although subsidy reforms and state asset divestments are broadly on track, execution has been uneven and slower than IMF targets.<sup>7</sup> A persistently low savings rate leaves the economy vulnerable to balance-of-payments pressures, and broader concerns over long-term prospects and exposure to global and regional shocks—particularly geopolitical tensions—continue to weigh on its outlook.

## Mapping out the FX journey: From foundations to frontiers

To secure a path to sustained growth and increased FX availability, Egypt can unlock latent value in macroeconomic sectors that support domestic needs (for example, by closing the emerging energy gap as gas output declines) and reduce FX outflows. The country could also work to increase FX inflows by building globally competitive industries geared toward exports and foreign investment.

We assessed 18 macrosectors and 53 sectors, covering more than 1,200 products and services, and prioritized 11 macrosectors using two criteria: attractiveness for FX (export potential, import exposure, and expected global growth) and “right to play”—competitiveness based on inputs, market access, and the enabling ecosystem, complemented by a cost-competitiveness view (see sidebar, “Methodology to identify high-potential growth sectors”).

### Methodology to identify high-potential growth sectors

In evaluating the near-term FX gains by sector, we assessed “attractiveness” and “right to play,” drawing predominantly on trade data from UN Comtrade and GDP figures from S&P Global, complemented by insights from expert interviews.

National strategic relevance or attractiveness was assessed by examining factors such as a sector’s existing export potential, its contribution to imports, and its expected global growth. Recent import and export statistics were considered, along with the rate of growth in the global market for particular goods or services.

For goods-based sectors, we analyzed three key factors:

1. Egypt’s average import and export values from 2022 to 2024
2. average Middle East and North Africa (MENA) imports for the same period
3. global market growth forecasts from 2022 to 2027

For service-based sectors, we primarily used export value to assess attractiveness. The tourism and hospitality and transportation and logistics sectors had a significantly higher export promotion index than all other macrosectors.

Trade data and growth rates were drawn from UN Comtrade, while GDP figures were taken from S&P Global.

Competitiveness or a sector’s right to play globally was assessed by examining each sector’s cost competitiveness. All costs associated with production were considered, along with the underlying drivers of success, including ecosystem support, business enablers, access to inputs, and access to markets. Data for this part of the analysis were drawn from a wide variety of sources, including Enerdata, Global Petrol Prices, the Global Innovation Index, GWI, IHS Markit, Knoema, the Speedtest Global Index, the Portulans Institute, the World Bank Group,

the World Economic Forum, and the Tax Foundation.

Three subindexes were considered:

1. the availability and quality of inputs (including natural resources, energy, and talent)
2. market access and attractiveness (considering market size, growth, and capital), and business enablers and supporting ecosystems (including infrastructure and logistics)
3. R&D and the overall sector environment

Additionally, six cost-competitiveness factors were assessed to determine whether a country could offer products at a lower price than competitors: capital expenditure, financing costs, labor costs, logistics and raw material costs, taxes and fees, and utilities and telecom expenses.

The 11 priority macrosectors map to four archetypes of opportunity that mirror the FX journey from reinforcing the economy’s foundation to pushing the frontiers of global competitiveness (Exhibit 2). “Build for Egypt” covers domestically essential sectors that reinforce the country’s economic base but are currently less globally competitive. For sectors that fall into this archetype, FX benefits can largely come from savings through reduced import exposure and deeper local content. “Pursue accelerated scale-up” includes sectors with strong domestic demand and clear export potential where Egypt has a competitive edge; these can deliver relatively rapid FX inflows. “Build global competitiveness” comprises competitive sectors that currently serve smaller or niche markets and need increased scale and depth of capability to compete internationally; their FX impact grows as they expand. “Achieve global leadership” includes sectors already present in large global markets where Egypt could reach leadership positions through improved cost competitiveness. These sectors combine significant export potential with the opportunity to reduce selected import dependencies.

Targeted, strategic steps to attract investment in these sectors to enhance production, increase output, and unlock innovation to serve local demand and accelerate exports could improve the annual trade balance by \$13 billion to \$17 billion per year (Exhibit 3).

Exhibit 2

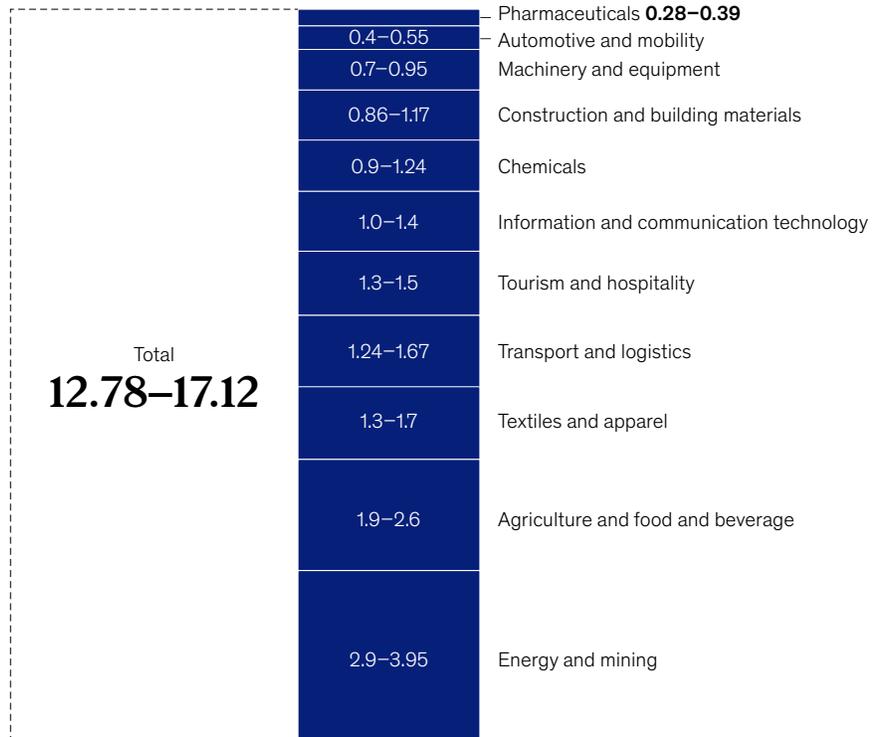
### Egypt’s 11 high-potential macrosectors map to four archetypes of opportunity.

Egypt’s macrosector prioritization matrix

				Priorities
	High		<p><b>Build global competitiveness</b> Information and communication technology; machinery and equipment; pharmaceuticals</p>	<p><b>Pursue accelerated scale-up</b> Agriculture and food and beverage; textiles and apparel; tourism and hospitality</p>
Right to play	Moderate	<p><b>Enabler sectors</b> Business services; education; healthcare services; insurance and financial services; wood and paper products manufacturing; utilities; wholesale and retail trade</p>	<p><b>Build for Egypt</b> Automotive and mobility; construction and building materials</p>	<p><b>Achieve global leadership</b> Chemicals; energy and mining; transport and logistics</p>
	Low			
		Low		
			Low	
			Moderate	
			High	
				Macrosector attractiveness

## The total annual trade balance impact from increasing exports and decreasing imports across Egypt’s 11 priority sectors could reach \$17 billion.

Egypt’s projected annual trade balance impact from 11 priority sectors, 2035,<sup>1</sup> \$ billion



<sup>1</sup>Trade balance impact is calculated by estimating the potential impact of each core play on increasing exports and decreasing imports by localizing production. Source: IHS Markit; Oxford Economics; World Bank; McKinsey analysis

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### Build for Egypt

Two macrosectors play a foundational role in Egypt’s domestic economy, despite being less competitive globally today: automotive and mobility, and construction and building materials.

#### Automotive and mobility: Localize value, cut the import bill

Egypt’s automotive macrosector contributed between 0.66 and 0.80 percent to the country’s GDP between 2021 and 2024, underscoring its limited domestic footprint (Exhibit 4). Nevertheless, the industry is poised for growth. Currently, vehicle ownership rates in Egypt are among the lowest in the world,<sup>8</sup> but as population and income levels rise, domestic demand for automobiles is projected to more than double by 2032.<sup>9</sup> This demographic trend signals a substantial market opportunity for local production and new investment.

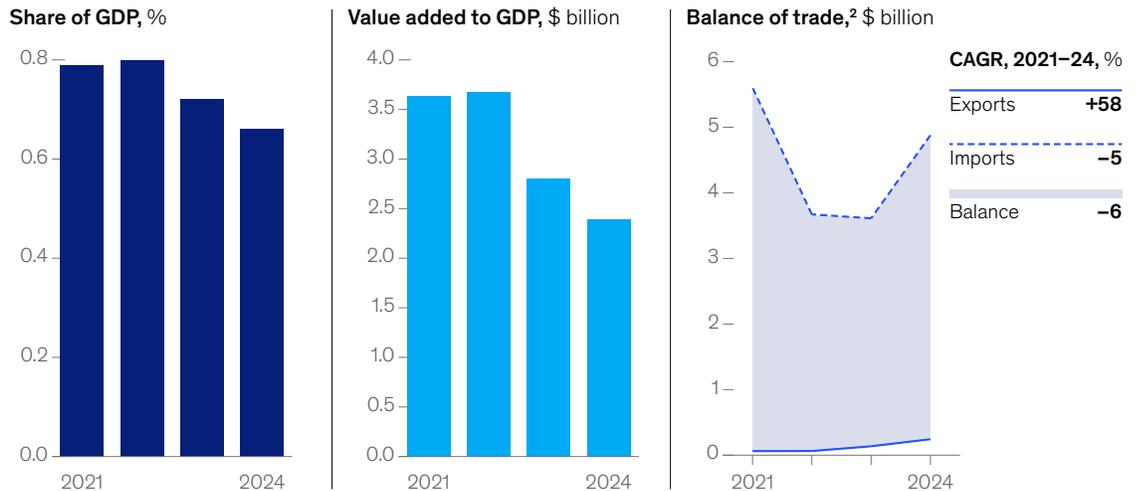
Vehicle sales already show healthy momentum, growing at a 19 percent CAGR between 2023 and 2024; however, the industry remains heavily dependent on imports, with almost half of new vehicles imported as completely built-up units.<sup>10</sup> Most local players are concentrated in basic assembly, while global OEMs retain control over design, advanced components, and key materials, leaving value

creation largely outside Egypt. Component imports, mainly tires and steel parts, also contribute to the substantial trade deficit (\$4.6 billion in 2024), while exports remain small (2.5 percent of the country's total manufacturing exports) and concentrated in lower-value goods. As a result, foreign investment remains low, contributing less than 1 percent of the country's foreign direct investment (FDI) inflows between 2018 and 2022.<sup>11</sup>

Exhibit 4

**The automotive sector represents about 0.7 percent of Egypt's GDP, with a trade deficit of \$4.6 billion in 2024.**

**Egypt's automotive sector<sup>1</sup> trade metrics**



<sup>1</sup>Includes only the manufacture of motor vehicles, trailers, and semitrailers sector.  
<sup>2</sup>Includes trade data of tier 1 and 2 products and imports of vehicles (passenger cars and commercial vehicles).  
 Source: Comparative Industry Service, S&P Global; UN Comtrade; World Bank development indicators

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*Rebalancing exports and imports can foster growth through four key plays.* Egypt's automotive challenge is not a lack of demand, but the need to build depth across the value chain. The government is already moving to support local assembly of motor vehicles with investment incentives and tax breaks, including reducing customs duty on production machinery, to promote the development of a local value chain.<sup>12</sup> Manufacturers also have room to move up the value chain, particularly in vehicle assembly and component production, where profitability and FX impacts are highest. Four key plays could help the sector meet burgeoning local demand and lay the groundwork for future exports.

1. *Localize tire production at scale for local and export markets.* Egypt currently imports most of its tires, but three new plants could soon produce 24 million units annually, creating around 6,000 jobs and cutting import costs.<sup>13</sup> The next step is securing supply chains through partnerships with OEMs and aftermarket distributors, alongside stronger quality standards. Localizing rubber processing and inner tube production could further enhance cost competitiveness and export readiness.

2. *Move exports up the value chain.* Most Egyptian automotive exports consist of low-value tier-three components, such as glass and aluminum. By expanding into tier-two assemblies such as wiring harnesses, electronics, interiors, and batteries, the sector could increase high-value local content and offset imports. Supplier parks clustered around anchor manufacturers, with integrated testing and OEM qualification, can accelerate this shift and position Egypt as a regional component hub.
3. *Capture the market for replacement car parts and maintenance.* With more cars on the road, Egypt's aftermarket—where margins average 12 to 13 percent—offers near-term profitability. Growth is likely to come from multibrand service networks, long-term maintenance contracts with public and fleet operators, and centralized distribution for high-turnover parts such as tires and filters to maximize foreign-currency gains.
4. *Invest in solving local challenges for the right product fit.* Egypt's current export mix reveals a mismatch between production and market demand. Creating local engineering teams to tailor vehicles for local conditions, including ride comfort, heating, ventilation, and air conditioning (HVAC), and dust resistance, could unlock growth without heavy R&D costs. These teams can also streamline certification, shorten model cycles, and expand local sourcing for materials and trims to raise domestic value capture and export competitiveness.

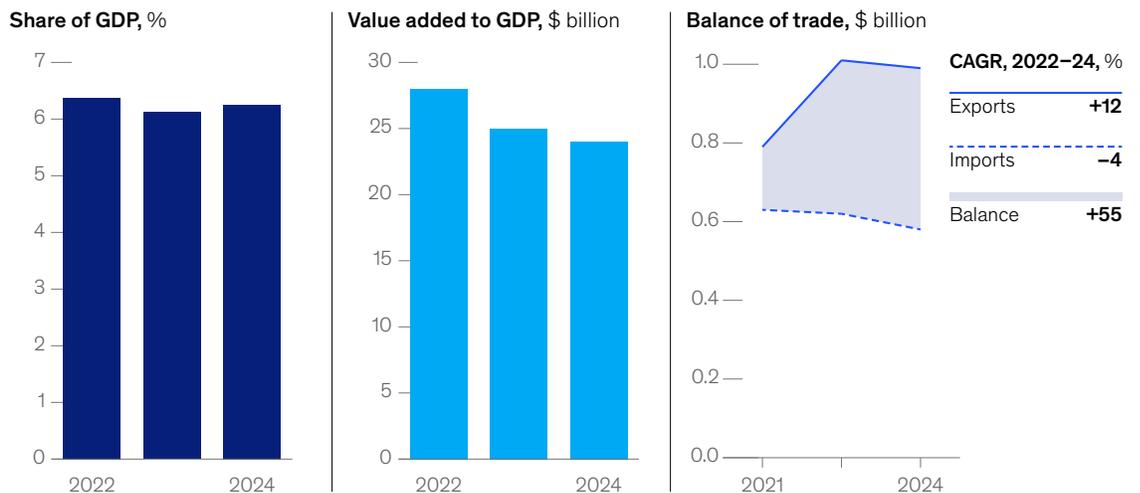
**Construction and building materials: Upgrade quality, raise export value**

Egypt is already a leader in the construction and building materials macrosector, with a significant and growing exporter footprint in marble and granite.<sup>14</sup> Despite contracting by about 14 percent over the 2022 to 2024 period, the sector has performed consistently, contributing an average of 6.25 percent to GDP in 2024 (Exhibit 5). With demand for materials rising, exports grew at a CAGR of almost 12 percent between 2022 and 2024, while imports contracted by 3.7 percent, underscoring the sector's potential for the Egyptian economy.

Exhibit 5

**The construction and building materials sector accounts for 6.25 percent of Egypt's GDP, with a \$410 million trade surplus in 2024.**

**Egypt's construction and building materials sector trade metrics**



Source: Sector Indicators, Egyptian Ministry of Finance; UN Comtrade

*Five key plays can unlock the quickest gains across the structure, fit-out, and plumbing segments.*

The largest trade category in the construction and building materials sector, accounting for approximately 58 percent, is in structure (cement and steel), followed by fit-out (building stone, ceramics, float glass, metal mountings, and light fixtures) at 37 percent, with a small portion, 5 percent, allocated to plumbing.<sup>15</sup> There are opportunities across all three of these categories to unlock future growth.

1. *Invest in green cement to access European markets.* While several players in Egypt's cement segment have exited in recent years as domestic demand declined and costs and production licenses increased, green cement offers a potential new avenue of growth.<sup>16</sup> The global green cement market is expected to grow at more than twice the rate of traditional cement between 2023 and 2030, propelled by stricter environmental regulations and increased investment, opening new export opportunities.
2. *Invest in local production and energy efficiency to boost ceramics exports.* Egypt ranks among the top ten global ceramic producers; however, the vast majority of Egyptian tiles are still consumed locally, with just 5 percent of all production exported.<sup>17</sup> With construction booming across the MENA region, Egypt has an opportunity to steer more of its ceramics capacity toward those markets.<sup>18</sup> Investing in the extraction and processing of raw materials locally, enhancing energy efficiency to improve cost competitiveness, and investing in research facilities to improve materials and efficiencies could unlock the quickest gains.
3. *Export finished stone, not just raw blocks.* Building stone is thriving in Egypt, contributing about \$500 million in trade value to the economy.<sup>19</sup> Egypt is already a significant producer of marble and granite, and with global demand expected to grow at a CAGR of around 4 percent between 2022 and 2030, the runway for growth is long.<sup>20</sup> Because most of Egypt's building stone is shipped out as rough-cut or basic-cut blocks, the value of exports could be boosted by investing in automation and specialized stone-finishing facilities that improve material quality and produce finished stone products.
4. *Upgrade existing production lines to boost the quality of flat sheet glass.* Egypt's demand for basic flat sheet glass is robust, but because production is energy and capital intensive, more value is likely to come from lifting quality, not scaling capacity. Quick wins could include upgrading existing production lines with specialized processes such as coatings, lamination, and tempering, or focusing on niche, high-end products such as architectural performance glass. Aligning processing with green building standards could also help secure long-term contracts with major developers.
5. *Build local plumbing capacity.* Egypt relies heavily on imports for certain specialized items in the pipes and fittings trade, indicating an opportunity to localize the production of key parts, such as medium-complexity fittings and composite pipes, which can be quality assured by accredited local laboratories. With significant new construction projects and housing programs slated to roll out across the country, local demand for these items is expected to rise steadily.<sup>21</sup>

## Egypt ranks among the top ten global ceramic producers.

## Pursue accelerated scale-up

Three macrosectors combine strong domestic demand with FX export potential, where Egypt holds a clear competitive edge: agriculture and food and beverages, textiles and apparel, and tourism and hospitality.

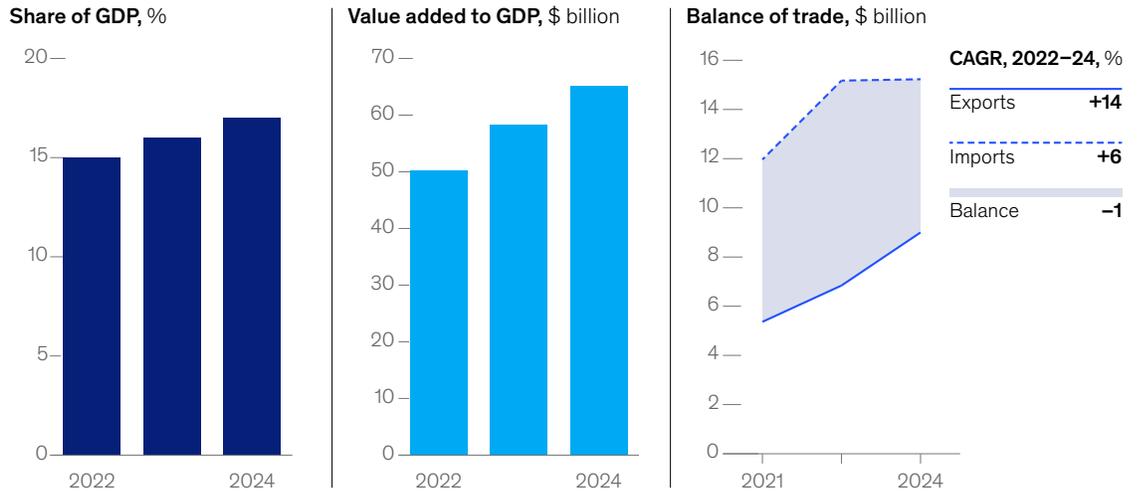
### Agriculture and food and beverages: Grow exports, trim commodity dependence

Egypt's agriculture and food and beverages macrosector—comprising primary agriculture and processed foods—was valued at about \$60 billion in 2024 (Exhibit 6). Primary agriculture contributed 17 percent of GDP in 2024 and grew at a 5.6 percent CAGR between 2020 and 2025. Processed foods contributed 2 percent to GDP in 2024 and is also growing steadily, with a CAGR of 6.8 percent between 2020 and 2024.<sup>22</sup>

Exhibit 6

## Agriculture and food and beverage represented almost 17 percent of Egypt's GDP in 2024, with imports outpacing exports and a \$6 billion trade deficit.

### Egypt's agriculture and food and beverage sector trade metrics



Source: Sector Indicators, Egyptian Ministry of Finance; UN Comtrade

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The agriculture and food and beverages macrosector's external position has improved in recent years as the trade deficit has narrowed. Exports reached \$9 billion in 2024 and are growing four times faster than imports, led by oranges and dried onions.<sup>23</sup> At the same time, import dependence remains high; soybeans, wheat, and corn account for about 40 percent of agricultural imports.<sup>24</sup>

While the fundamentals are improving, underlying constraints are significant: Only 3.1 percent of land is arable, farms are small and fragmented (typically one to two hectares), and water scarcity is acute.<sup>25</sup> With agriculture using nearly 85 percent of available water, modern irrigation and efficient water management are critical to sustaining growth.<sup>26</sup>

*Egypt can unlock future growth in agriculture and food and beverages through four key plays.*

To build on momentum, four strategic plays, supported by government initiatives such as investment incentives and industrial-zone expansion, can unlock new growth. The downstream end of the chain, covering food processing, distribution, and retail, could deliver the highest margins.<sup>27</sup>

1. *Localize production of strategic crops and feed.* A major opportunity to improve Egypt's trade balance lies in reducing the \$6.8 billion annual cereal import bill.<sup>28</sup> Prioritizing domestic production and scaling key crops such as maize and soy for animal feed can support this goal.
2. *Reduce postharvest losses in perishables through infrastructure upgrades.* Egypt loses significant value in its fresh produce segment, with studies showing high spoilage rates for perishables such as grapes and tomatoes along the supply chain.<sup>29</sup> Quick wins could come from targeted cold-chain and handling improvements—investing in modern packhouses, refrigerated storage, and stronger quality control systems to preserve freshness, reduce waste, and boost export competitiveness.
3. *Capitalize on processed-food-export momentum.* As processed-food exports gain momentum, Egypt could double down on fast-growing product lines, including snacks, sauces, frozen foods, and confectionery. Concurrently, there is a strong opportunity to develop and market copacking capabilities tailored to high-volume orders from large regional retailers in African and GCC markets.
4. *Accelerate market export penetration by building nearshoring platforms and investing in private label programs.* Building on its 2024 export base, Egypt can also focus on accelerating growth in its most accessible markets in the GCC and North and West Africa by developing nearshoring platforms that offer importers rapid time-to-market solutions. Developing private label programs with bulk customized branding and packaging tailored to target export markets, including compliance with local language and regulatory requirements, could also enable Egyptian producers to boost the value of exports.

**Developing private label programs with bulk customized branding and packaging tailored to target export markets could enable Egyptian producers to boost the value of exports.**

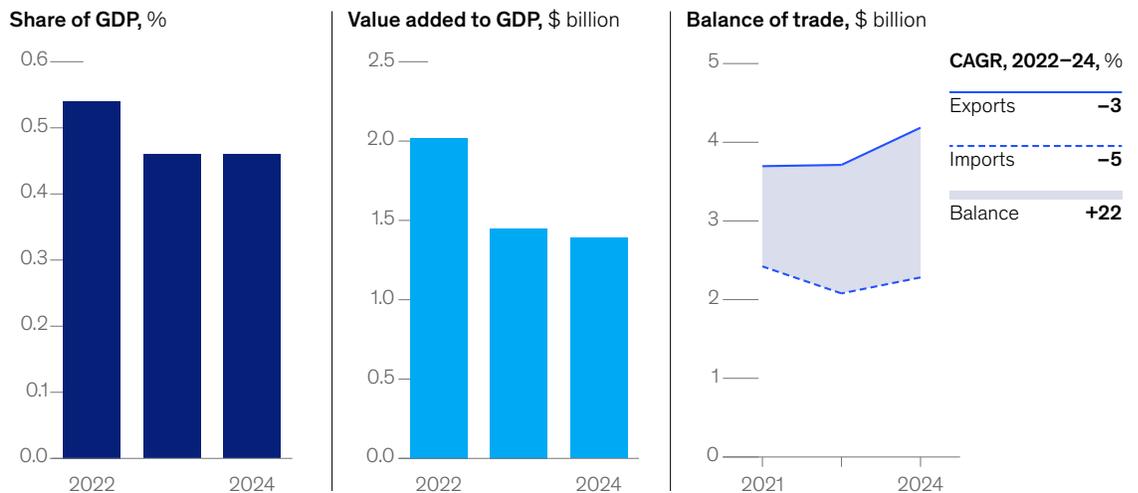
### Textiles and apparel: Lift weaving and finishing, win European and GCC orders

Despite its modest contribution of just 0.5 percent of GDP, Egypt's textiles and apparel macrosector has seen recent rapid growth and a positive trade balance, making it one to watch (Exhibit 7). While two of its three subsectors—yarn and textiles—still import more than they export, the burgeoning apparel sector—with 10,000 existing factories manufacturing garments for more than 100 international brands—drove exports of more than \$4 billion in 2024 and enjoys a healthy positive trade balance. Egypt is also the world's leading producer of long and extra-long cotton staples, and its exports of cotton and synthetic man-made-fiber (MMF) textiles are increasing in line with global demand, signaling that this sector is a potential magnet for foreign direct investment.<sup>30</sup>

Exhibit 7

## The textile and apparel sector in Egypt accounts for 0.5 percent of overall GDP, with a positive trade balance CAGR of 22 percent from 2022 to 2024.

### Egypt's textile and apparel sector trade metrics



Source: Sector Indicators, Egyptian Ministry of Finance; UN Comtrade

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*Growing exports and attracting FDI in textiles and apparel can be achieved through three key plays.* With the global textile market forecast to reach \$1.61 billion by 2033 and the apparel market size estimated at \$1.84 trillion in 2025, this macrosector offers significant headroom for growth across the value chain.<sup>31</sup> Key opportunities lie in localizing production, improving quality, and leveraging Egypt's global trade agreements to expand exports into new markets. Across all categories, exports are concentrated in a handful of countries, leaving untapped opportunities to expand into other territories.

1. *Capture rising export potential in textiles.* Global demand for textiles is expected to grow by 4.2 percent CAGR from 2024 to 2030. Egypt is already outpacing this growth, with textile exports rising at a 6.7 percent CAGR between 2022 and 2024.<sup>32</sup> The next step could be to lift quality and capacity in the early stages of production, especially weaving and finishing. For example, machinery can be upgraded, and advanced techniques that enhance fabric appearance and strength can be incorporated. There is also an opportunity to transition to eco-compliant

chemicals to meet the stringent standards required by major buyers in the European Union and GCC countries.

2. *Scale up garment manufacturing and invest in nearshoring platforms.* The United States alone imports more than half of Egypt’s top five apparel exports, suggesting a substantial opportunity to diversify its customer base in this segment.<sup>33</sup> The rise of nearshoring means that Egypt is particularly well positioned to support buyers in the Middle East, Africa, and the Mediterranean who are looking for fast-turnaround sourcing. Egypt’s strengths in sportswear production could also enable it to capitalize on rapidly growing global demand, largely driven by shifts in consumer lifestyles following the COVID-19 pandemic and rising health awareness.<sup>34</sup>
3. *Create shared infrastructure to improve quality and speed.* The establishment of dedicated “clusters”—specialized facilities that support all textile manufacturers in the region, such as central finishing and laundry hubs, accredited testing, and compliance labs—could make Egypt a more reliable and attractive destination for investment. Clusters have been shown to reduce costs and improve quality, international compliance, and speed—and increase FDI.<sup>35</sup>

**Tourism and hospitality: Raise spend per visitor, build ‘Brand Egypt’**

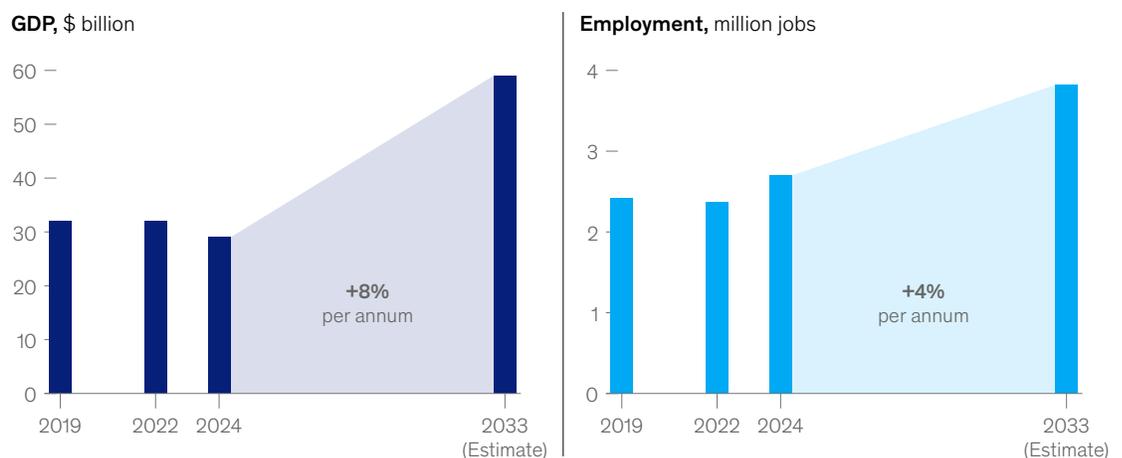
The tourism and hospitality macrosector in Egypt contributes a solid 10 percent to both GDP and total employment in the Egyptian economy (Exhibit 8). And it’s brimming with potential. Fitch Ratings data indicates a robust growth trajectory through 2026, driven by strong European demand.<sup>36</sup>

Home to a wide array of historical tourist attractions and cultural and sporting activities, Egypt’s appeal as a travel destination is enduring. The country is among the most attractive tourist destinations in the region.<sup>37</sup> However, the sector has been slow to recover from the COVID-19 pandemic, and overall tourism spend in the country, which is already low compared with regional averages, has been declining.<sup>38</sup> Average daily spend per tourist fell at a 0.2 percent CAGR between 2019 and 2024, primarily because itineraries are modestly priced, which pulls down overall spend, and tourists underspend on accommodation and shopping.<sup>39</sup>

Exhibit 8

**The tourism and hospitality sector provides a sizable and growing contribution to Egypt’s GDP and total employment.**

**Contribution of Egypt’s tourism and hospitality sector to GDP and total employment**



Source: IHS Markit; Oxford Economics

*Four opportunities can unlock future growth in tourism and hospitality.* The GDP and employment contributions from tourism and hospitality are projected to grow at 8 percent and 4 percent CAGR, respectively, to 2033. However, realizing this growth will likely depend on how effectively performance gaps in cost, quality, and variety are addressed across the value chain. Four strategic opportunities stand out.

1. *Lift daily tourist spend by scaling experiences where Egypt leads.* Egypt offers 16,440 activities and places to visit across a wide range of experience segments—nearly twice as many as Morocco, which has the second-highest number of itineraries in the region—yet average tourist spending in Egypt remains below the regional average.<sup>40</sup> A shift toward distinctive, higher-value experiences that draw on Egypt’s cultural and natural assets could boost tourist spend. There is also room to scale wellness, culinary, maritime cruises, and medical tourism. Experience from peers such as Türkiye suggests that affordability, high quality, and a broad range of procedures are critical to medical tourism; Egypt could compete more effectively by upgrading facilities and offering bundled packages.<sup>41</sup>
2. *Upgrade budget hotels to create more value.* Egyptian accommodation has recovered since the pandemic, reaching an average occupancy of more than 90 percent in tourist hotspots, including coastal and beach cities, by late 2025.<sup>42</sup> However, budget establishments, which make up the bulk of available accommodation (69 percent), are currently underperforming and receive lower ratings than comparable establishments in regional peer countries.<sup>43</sup> Improving the quality of budget hotels by investing in skills training, grouping independent budget properties, and encouraging hotels to join established hotel chains could increase reliability, room bookings, and revenue per room.
3. *Expand air access and infrastructure.* Egypt has a well-developed aviation infrastructure, with at least 12 international airports, but this could be further improved to align with regional front-runners. Opening additional routes to and from Egypt and attracting low-cost carriers to serve secondary cities and other underserved tourist destinations could be an important focus for this segment.
4. *Build brand Egypt.* Egypt lags behind all peers in destination marketing, scoring 3.96 on the Travel & Tourism Development Index compared with 4.62 in the United Arab Emirates, the best performer in the region.<sup>44</sup> A focus on raising awareness of the country and its attractions—by building on recent marketing initiatives such as the “Follow the Sun” campaign—could improve the country’s brand image. Plus, a coordinated focus on improving the online aggregator booking ecosystem for accommodation and itineraries—through accurate, standardized pricing—could improve visibility and create a larger, more trustworthy inventory pool for travel agents to sell.

**Realizing growth in tourism and hospitality will likely depend on how effectively performance gaps in cost, quality, and variety are addressed across the value chain.**

## Build global competitiveness

Identifying and nurturing Egypt's most competitive sectors could boost exports and attract more foreign direct investment. Three macrosectors that currently serve smaller or niche markets also have significant potential to scale to compete globally: information and communication technology (ICT), machinery and equipment, and pharmaceuticals.

### ICT: Win at EMEA nearshoring, scale 'Digital Suez'

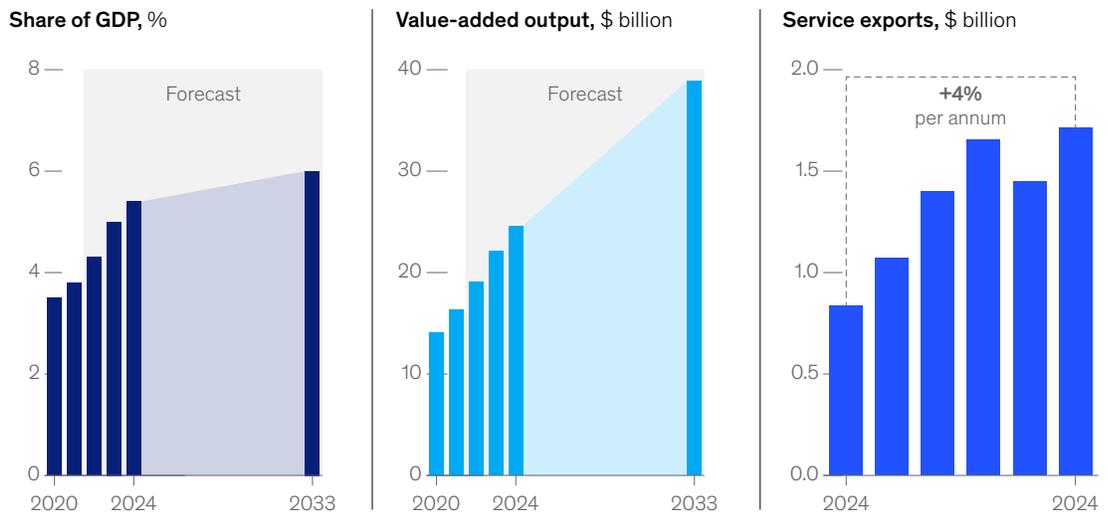
Egypt's ICT macrosector is gathering momentum. Digital services exports have accelerated, reaching about \$1.7 billion in 2024, enabled by rapid growth in IT, business process outsourcing (BPO), customer experience (CX), and engineering services (Exhibit 9). Employment in the sector has also expanded quickly, with more than 300,000 offshoring jobs measured in 2025 and a government plan to scale this to around 500,000 by 2026.<sup>45</sup> Foreign investment is also increasingly visible as global technology firms expand delivery and R&D hubs in the country.

Despite this, the sector's contribution to the national economy remains moderate, accounting for about 5.4 percent of GDP in 2024, up from roughly 3.5 percent in 2020.<sup>46</sup> The ecosystem is facing typical scale-up frictions, including senior-skill gaps and the need to deepen cloud and 5G infrastructure. Yet Egypt's structural advantages are compelling. The country sits on the Eurasia-to-Africa subsea routes, with ten landing stations and 14 active submarine cables that access about a third of worldwide internet traffic.<sup>47</sup> These fundamentals, combined with cost competitiveness and multilingual talent, strengthen the country's value proposition as a nearshore hub for the Europe, Middle East, and Africa (EMEA) region.

Exhibit 9

## Egypt's information and communication technology sector is growing rapidly and is projected to account for 6 percent of GDP in 2030.

### Egypt's information and communication technology sector financial metrics



Source: IHS Markit; Oxford Economics

McKinsey & Company

*Driving competitiveness in ICT can be achieved through four practical plays.* Egyptian providers can deepen participation in the most dynamic and profitable parts of the ICT value chain, where FX impact and margins are strongest, by scaling delivery in BPO, CX, and IT, moving up into product engineering, and anchoring a regional cloud and data center footprint. Four practical plays stand out.

1. *Win EMEA nearshoring with multilingual CX and managed IT.* Egypt can leverage its structural advantages, including near-universal mobile coverage, high smartphone ownership rates, and substantial fixed-line connectivity, to provide reliable last-mile reach for omnichannel CX clients across EMEA.<sup>48</sup> Plus, Cairo's UTC+2 time zone provides a tight overlap with Central Europe—ideal for proximity-sensitive programs. With more than 150 delivery centers serving more than 100 countries, Egypt already benchmarks well on cost and maturity, creating a solid base from which to scale.<sup>49</sup>
2. *Build a 'Digital Suez' platform to grow data center and cloud exports.* Egypt's strategic location makes it a natural home for fast, high-performance data operations, such as content delivery networks (CDNs) and disaster recovery. With significant infrastructure in place, the country's data center market is booming with 13 operational data centers and seven more planned, driving a market valued between \$220 million and \$280 million in 2025.<sup>50</sup> To fully capitalize on this, operators can focus on expanding high-reliability tier-three and tier-four data center capacity and establishing open, carrier-neutral connection hubs.
3. *Move up the value chain from basic services to expert work and product engineering.* Egypt was recognized as having Africa's fastest fixed internet in 2024<sup>51</sup> and already provides services such as customer support and software, but there is an opportunity to shift toward higher-value work, including data analysis, automated testing, and digital-platform development for clients in Europe and the GCC. To achieve this, the sector can create focused centers of expertise, such as vehicle software and testing, semiconductor design support, and cloud platform build-outs that can be added as expert services on top of existing contracts. Running small pilots using the faster networks can help demonstrate proof of concept. This strategy directly supports the Digital Egypt Strategy for Offshoring, which aims to add 215,000 jobs between 2022 and 2026 and triple export revenue from digital services.<sup>52</sup>
4. *Build an Arabic-first artificial intelligence wedge.* In line with the National AI Strategy (2025–2030), Egypt is well placed to develop and scale Arabic-first AI products and local intellectual property.<sup>53</sup> The foundations are already in place: The Applied Innovation Center (AIC) is building solutions and expertise, the ongoing 5G rollout is providing the necessary low-latency infrastructure, and the Protection of Personal Data law (2020) ensures the legal framework for hosting models and handling data locally. Practical steps could include fine-tuning Arabic- and Egyptian-dialect language models, establishing an evaluation and safety studio for Arabic-language AI models under the AIC's mandate, and developing Egyptian Arabic speech technology for service delivery.

**Egypt's strategic location makes it a natural home for fast, high-performance data operations.**

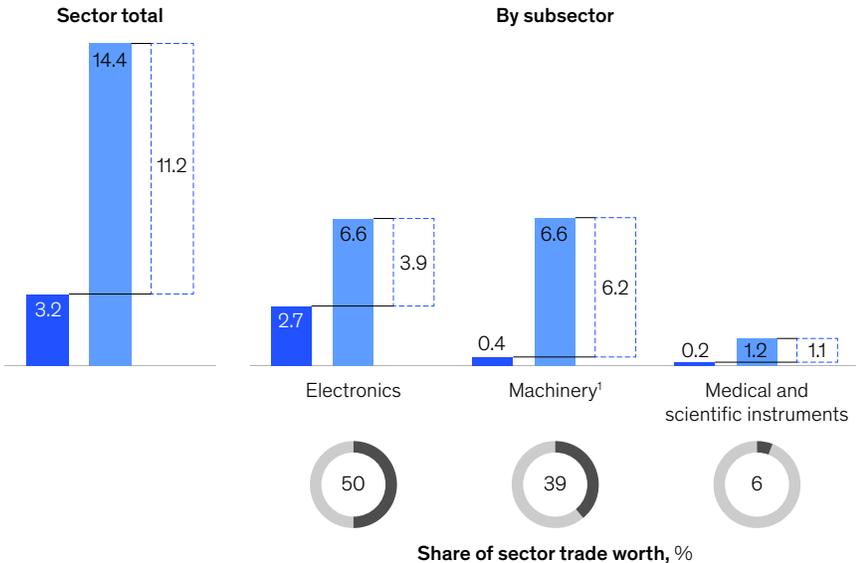
**Machinery and equipment, including electronics: Scale growth components, diversify into Africa**

Despite its small (0.16 percent) contribution to Egypt's GDP in 2024, Egypt's machinery and equipment macrosector is full of promise.<sup>54</sup> While sector output declined by 6 percent between 2020 and 2024,<sup>55</sup> healthy export growth of 12 percent over the same period, along with strong manufacturing capabilities in electronics and a high potential for localization of certain general-use machinery products and basic components, signals that there are plenty of opportunities for value creation in this strategically located industry (Exhibit 10).

Exhibit 10

**Electronics and machinery represent more than 90 percent of the exports in the equipment and machinery macrosector.**

**Egypt's equipment and machinery balance of trade, 2024, \$ billion**      ■ Import   ■ Export   □ Balance



Note: Figures may not sum to totals, because of rounding.  
<sup>1</sup>Machinery sector includes 16 subsectors with 2 high-level groups (general-purpose machinery and specific-purpose machinery).  
 Source: UN Comtrade; McKinsey Global Institute analysis

McKinsey & Company

*Four key plays can scale production and exports across electronics and machinery.* Egypt's emerging electronics sector, in particular, is one to watch. While small, it is something of an outlier in the region, attracting six greenfield electronics manufacturing projects between 2017 and 2020—the highest among its peers and the most in Africa.<sup>56</sup> Exports are also booming, with some electronics product categories growing at a CAGR of more than 70 percent from 2020 to 2024 and outpacing global averages by a factor of five.<sup>57</sup> Machinery is slightly larger, contributing just over \$2 billion (0.3 percent) to Egypt's GDP in 2024, but it is import heavy.<sup>58</sup> Thus, localizing imports rather than boosting exports could be where the opportunities lie in this segment. Across both segments, four plays can be considered.

1. *Scale local production of in-demand electrical components.* Egypt can narrow an estimated \$900 million trade gap in electrical components by scaling the local production of growth products—such as insulated electric conductors, boards, and consoles—to substitute imports and build export momentum. The second lever is market diversification: Exports are concentrated in Europe (66 percent) and the Middle East (26 percent), while Africa remains underpenetrated, even though 48 percent of its electrical-component imports come from China.<sup>59</sup> Competing more effectively in Africa, supported by stronger marketing and branding of Egyptian-made products, could help grow Egypt's share of that market.
2. *Strengthen the household-appliances industry.* Exports in the household-appliances subsector are booming, growing at a 15 percent CAGR between 2020 and 2024, driving a decline in the trade deficit.<sup>60</sup> This performance can be further boosted by deepening domestic assembly capabilities to produce more of the required components and semifinished parts locally. The export mix can also be diversified. Almost half of all exports are made up of electric heaters and washing machines, but it is the lower-share products that are growing the fastest. Freezers, for example, posted an 83 percent CAGR between 2020 and 2024 but account for just 2 percent of exports, indicating significant headroom for growth.<sup>61</sup>
3. *Scale up exports in the media equipment subsector.* Egypt is gaining market share in global media equipment, with exports valued at around \$1 billion per year.<sup>62</sup> While this is not the largest opportunity at hand, a pragmatic push to increase exports by boosting production and diversifying markets could add 15 percent to export value, representing roughly \$150 million in economic value.<sup>63</sup>
4. *Localize heavy industrial machinery and selected components.* Egypt's \$1.5 billion machinery imports in 2024 significantly outpaced exports of \$15 million, deepening the trade deficit.<sup>64</sup> Nearly 50 percent of this cost was concentrated in importing just two products: pumps and compressors, as well as filtering equipment. By setting up local assembly and joint ventures to build these midcomplexity machines, Egypt could capture 25 to 35 percent of that import market, resulting in a foreign-currency swing of about \$190 million to \$260 million. The same strategy could apply to basic machinery components: Valves and bearings account for more than 70 percent of import costs.

**Egypt's emerging electronics sector is one to watch. While small, it is something of an outlier in the region, attracting six greenfield electronics manufacturing projects between 2017 and 2020.**

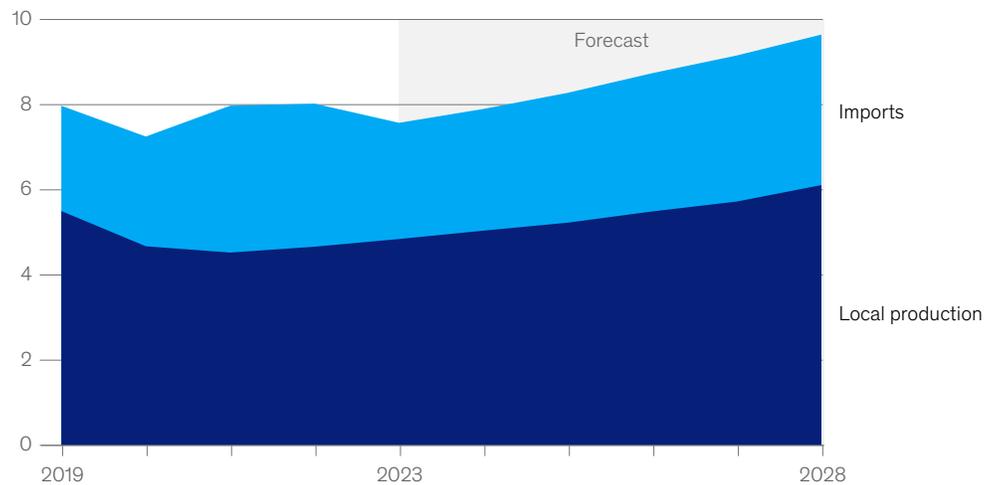
### Pharmaceuticals: Lift exports, localize production of key medicines

Valued at \$7.89 billion in 2024, Egypt's pharmaceutical sector is the second largest in the Middle East and Africa, after Saudi Arabia (\$8.3 billion).<sup>65</sup> Although the sector declined by 1 percent from 2019 to 2023 because of currency devaluations, it is forecast to grow by 5 percent per annum from 2024 through 2028 (Exhibit 11). As populations expand and age, and the global market shifts toward generics, Egypt's pharmaceutical industry could reach almost \$10 billion in market size by 2028.<sup>66</sup> Boosting exports, localizing key imports, and attracting FDI could be key to securing this boom.

Exhibit 11

**The pharmaceutical market in Egypt was estimated to be \$7.6 billion at the end of 2023 and is projected to grow by 5 percent annually by 2028.**

**Egypt's pharmaceutical market value by source, \$ billion**



Note: Market size in Egypt excludes the direct effect of the EGP devaluation and excludes exports. Real values adjusted for foreign exchange effect.  
Source: S&P Global

McKinsey & Company

*Unlocking potential in pharmaceuticals can be achieved through four key plays.* These plays could help unlock this sector's potential, including broadening exports, reducing imports, and securing investment.

1. *Scale exports of generics and over-the-counter (OTC) medicines.* Egypt is well placed to meet rising demand in the MENA region for generics and OTC medicines, given its strong manufacturing base.<sup>67</sup> However, Egyptian exports in this category remain below those of peers—at 8 percent of total production versus 12.4 percent in South Africa, 9 percent in Saudi Arabia, and 37.5 percent in India.<sup>68</sup> Our analysis suggests that raising exports by 12 to 15 percent could add \$220 million to \$390 million to the sector. Priority moves could include establishing clearer frameworks for medicine registration and centralized purchasing to open new markets and diversify beyond today's concentration in ten key countries.

2. *Produce import-reliant generics and OTC medicines locally.* About 9 percent of pharmaceuticals consumed in Egypt are imported. These are mostly complex or patented drugs, but about one-fifth of imports are generics that can be easily manufactured domestically.<sup>69</sup> Given existing capabilities, manufacturing anticancer drugs, immunosuppressants, and antibiotics in Egypt is moderately feasible, as is the manufacture of some OTC products, such as dermatological creams.
3. *Localize the production of sterile injectable medications.* Sterile injectable medicines, which are relatively easy to manufacture, are in high demand by local hospitals and institutions. Quick FX savings can be generated by making these medicines locally. In the short term, modular, sterile production lines can be set up with a small, focused range of products, such as anti-infectives, anesthetics, and supportive-care drugs. As quality assurance and control processes become more robust, these production lines can expand to more complex forms, such as lyophilized (freeze-dried) and prefilled syringes.
4. *Invest in new packaging and tracking facilities to enable the entire industry.* Despite planned investments, limited high-quality packaging and serialization capacity in the Egyptian pharmaceutical sector are holding up export compliance and undermining the integrity of local drug distribution. This bottleneck could be alleviated by investing in shared utilities and design services to help industry players achieve faster returns on investment and reduce waste and recalls.

**Egypt is well placed to meet rising demand in the MENA region for generics and OTC medicines, given its strong manufacturing base. However, Egyptian exports in this category remain below those of peers.**

## Achieve global leadership

Three macrosectors that already have a meaningful presence in large global markets hold significant potential to improve their cost competitiveness to attain world-class status: chemicals, rubber, and plastics; energy; and transport and logistics (T&L).

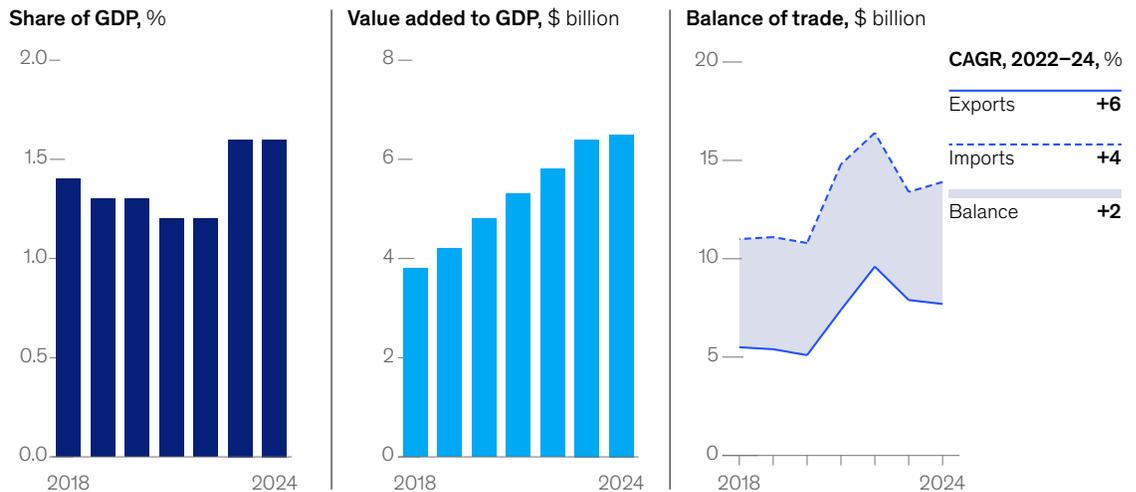
### Chemicals, rubber, and plastics: Convert feedstocks into higher-value exports

Although the chemical sector contributed only 1.6 percent of GDP in 2024, it has expanded rapidly at 10.2 percent annually since 2018 (Exhibit 12). Total chemical trade reached \$21.6 billion in 2024, and Egypt remains a net importer; however, exports have grown at 5.9 percent a year, outpacing 4 percent import growth and gradually narrowing the gap. The outlook is firmer, but the landscape is dominated by local players with limited foreign direct investment to date.

Exhibit 12

## Chemicals currently contribute 1.6 percent to Egypt’s GDP, with export growth outpacing imports.

### Egypt’s chemical sector trade metrics



Source: UN Comtrade

McKinsey & Company

The chemical-industry value chain spans three distinct stages: oil and gas extraction and conversion, which provide essential feedstocks; midstream conversion into polymers and other chemicals; and downstream manufacturing of chemicals into other products such as packaging. More than two-thirds of total industry trade was concentrated in three main product families in 2024: plastics (38.5 percent), organic and inorganic chemicals (19.8 percent), and fertilizers (11.5 percent).<sup>70</sup>

*Unlocking future growth in chemicals can be achieved through four key opportunities.* The most significant opportunity for value creation in Egypt’s chemical sector lies in expanding downstream capacity—moving the country up the value chain to capture higher margins and reduce dependence on imported products. In parallel, Egypt can strengthen its long-term position in global trade by accelerating the shift toward greener, more sustainable production to meet increasingly stringent international standards. Looking ahead, four key opportunities can be considered over the next decade.

1. *Launch downstream conversion in polyolefins.* Egypt's most significant opportunity for import substitution lies in polyolefins, which accounted for nearly one-third of the \$2.6 billion in plastics imports recorded in 2024.<sup>71</sup> Multiple projects and significant investments are expanding local plastics and rubber capacity to offset these imports.<sup>72</sup> The biggest marginal returns now lie in focusing on downstream conversion to replace expensive finished-goods imports and enable Egypt to export higher-value items.
2. *Localize production of key organics and inorganics.* Egypt's imports of organics and inorganics continue to outpace exports—\$3.8 billion versus \$1.2 billion in 2024—highlighting a major opportunity to build domestic capacity.<sup>73</sup> A key contributor to this deficit is polycarboxylic acid (used in construction), which alone accounted for around \$600 million in imports in 2024. Egypt can quickly scale local production of polycarboxylic acids and related high-value products—such as resins, coatings, and adhesives—to meet demand from its growing packaging, textiles, and construction sectors. Meeting just 20 to 30 percent of the country's current need could narrow the trade deficit by \$120 million to \$180 million.
3. *Upgrade fertilizers to clean and specialty grades.* Already a success story, fertilizers make up 28 percent of Egypt's chemical exports—worth \$2.2 billion in 2024.<sup>74</sup> This performance can be boosted by upgrading urea output into higher-value NPK (nitrogen, phosphorus, and potassium), water-soluble, and coated fertilizers. Over time, the country can pivot toward clean ammonia, leveraging its renewable resources and strong project pipeline to position Egypt as a long-term, sustainable supplier to global growth markets such as the European Union and Asia.
4. *Develop methanol derivatives and green energy.* Egypt already has large-scale methanol production operations, with an annual capacity of 1.3 million metric tons, and plans for both a derivative project and a green-methanol concept are already underway.<sup>75</sup> Other opportunities lie in building local capacity to produce high-value derivatives like formaldehyde, resins, and solvents to replace expensive imports used in domestic industries such as wood panels and coatings. Egypt can also focus on green production by adding a dedicated green-methanol line focused on exports and marine fuel to meet rising international demand driven by new shipping regulations.

**The most significant opportunity for value creation in Egypt's chemical sector lies in expanding downstream capacity—moving the country up the value chain to capture higher margins and reduce dependence on imported products.**

### Energy and mining: Balance power, reduce LNG exposure, scale exports

Egypt's energy and mining macrosector—including oil and gas, refined products, mining, and power—is at a critical junction. With rising energy demand, abundant solar and wind resources, and significant mineral reserves, the country is well positioned to unlock substantial value and drive growth in the sector. However, deep-seated structural bottlenecks and shrinking oil and gas reserves have constrained growth and deterred FDI. Whether the sector can unlock a new era of competitiveness will likely depend on how effectively these bottlenecks are addressed and investment is mobilized.

To meet its own energy needs and become a significant player in the global energy market, each part of Egypt's energy industry requires a tailored plan.

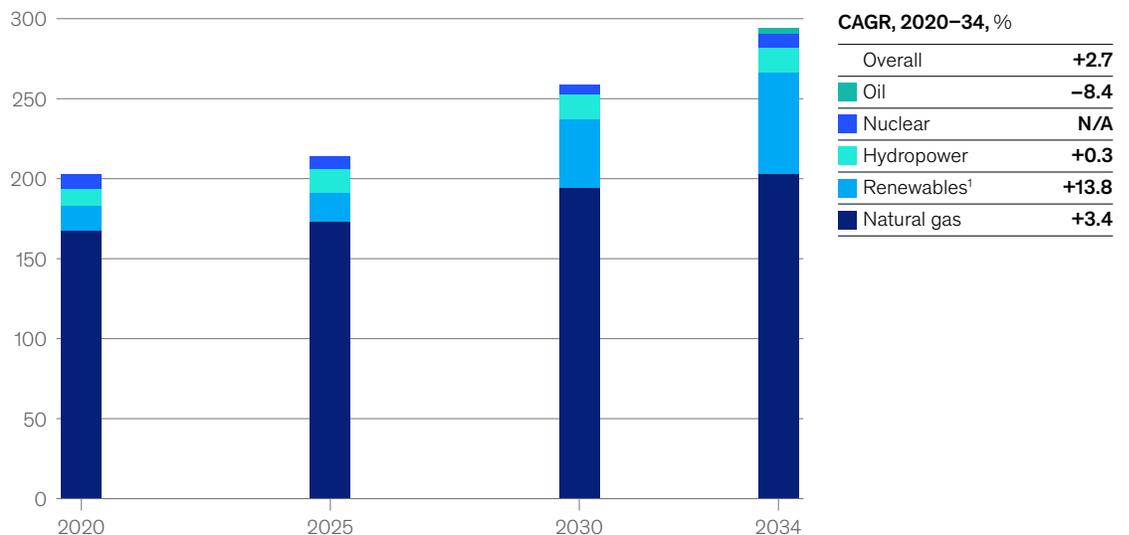
*Three key plays can support growing power demand.* Since 2014, energy demand in Egypt has grown by about 2 percent annually as the economy has accelerated and populations have grown and urbanized. By 2050, demand is projected to more than double, from 170 terawatt-hours (TWh) today to 421 TWh.<sup>76</sup> Diversifying the power supply to meet this surge in demand is a current priority.<sup>77</sup> The power mix is still reliant on fossil fuels, especially natural gas, which accounts for 81 percent of the country's energy production (Exhibit 13). At 11.8 gigawatts (GW), renewables comprise a small but growing share of the energy mix, with 5.6 GW of new capacity added since 2015.<sup>78</sup>

To close the gap between the country's current gas-dominant power mix and the ambitious 42 percent renewable-energy target by 2030,<sup>79</sup> stakeholders can scale up renewable capacity, manage electricity demand, and position the country as a regional energy trading hub.

Exhibit 13

### By 2034, nearly 20 percent of electricity supply could come from renewables and 70 percent from natural gas.

Egypt's generation of electricity by fuel mix, terawatt-hours



<sup>1</sup>Includes solar, wind-pumped hydro, and storage.  
Source: BMI; US Energy Information Administration

1. *Speed up renewables and storage to reduce gas reliance.* In the short term, Egypt can consider running back-to-back build-own-operate (BOO) auction rounds for both wind and solar projects that include large-scale battery energy storage systems (BESS) or fast-ramping power generation to ensure grid stability and reliable supply. Prioritizing the connection of these new plants to the national grid by focusing deployment on grid-ready zones and streamlining the interconnection process with the independent transmission system operator (Egyptian Electricity Transmission Company) would also be key.
2. *Manage electricity demand to yield savings.* Because Egypt's energy customer base is large (42 million customers), even small energy savings per user can compound into significant national savings.<sup>80</sup> By deploying demand-side management tools across the entire distribution network, such as advanced metering technology, paired with the introduction of time-of-use tariffs, customers can be incentivized to shift their usage away from peak demand periods. Commercial users such as malls, small and medium-size enterprises, and public buildings can also be targeted. Finally, distribution companies can implement loss-reduction and peak-shaving bundles to help the system operate more efficiently and cleanly.
3. *Develop Egypt into a regional energy-trading hub.* Egypt already has grid connections with countries like Jordan, Libya, and Sudan, and a major project in Saudi Arabia is currently underway, with plans to connect with Greece and Italy well advanced.<sup>81</sup> Membership in the Eastern Africa Power Pool (EAPP) and relevant technical partnerships position the country well to become a regional energy-trading hub. Physical infrastructure and regulatory readiness can be fast-tracked: Cross-border transmission capacity can be ramped up, system-wide measures to reduce grid losses implemented, and new high-voltage transmission links built. At the same time, clear market rules governing power trading, specifically for wheeling (transmission) and exports, can be established. To ensure maximum efficiency and profitability for the future regional-trading hub, new renewable-energy projects can be sited close to priority export corridors.

*Two key plays can strengthen the crude oil, refined products, and gas sector.* The contribution of oil and gas to Egypt's national GDP has increased in the past five years at a CAGR of 1 percent.<sup>82</sup> Nevertheless, Egypt's hydrocarbon sector faces a perfect storm of challenges, including declining reserves, rising domestic consumption, the high cost of local production, and tensions over gas allocation as domestic demand vies with export commitments.

On the supply side, crude oil production is impacted by aging fields in the Western Desert, Suez, and Sinai, which are experiencing a natural decline. With no major discoveries since 2010, proven reserves have dropped from approximately five billion barrels in 2010 to just three billion in 2020.<sup>83</sup> While the country achieved a crude oil surplus of \$0.6 billion in 2024—the first since 2019—this was primarily driven by a reduction in domestic use rather than increased production. The sector also faces high extraction costs (approximately \$21 per barrel), placing Egypt in the third quartile globally.<sup>84</sup>

1. *Upgrade refineries to replace imported fuel and meet export standards.* Egypt is a net importer of refined fuels, and these imports have been growing quickly—about 9 percent annually between 2018 and 2023.<sup>85</sup> Just over half of this fuel is used for transportation. To address the imbalance and deliver quick FX savings and higher profits, the sector can prioritize the introduction of specific high-impact technologies to increase the yield of high-value fuels, such as diesel and jet fuel, and improve quality and environmental standards. Existing capacity can be modernized to produce middle distillates (such as diesel) and reduce imports of premium fuels. The addition of advanced blending and testing facilities can also help ensure that products meet international export standards.
2. *Balance gas supply and demand.* To balance the gas market, reduce LNG imports, and provide a crucial supply buffer as renewable-energy capacity is expanded, the industry can promote industrial efficiency and encourage sectors to reduce consumption and, where feasible, switch to alternative fuels. The heat rate of gas plants can also be improved so they consume less gas per megawatt of electricity generated. On the supply side, the focus can shift to brownfield remediation at existing gas fields, including critical work to enhance water-handling capabilities, debottleneck facilities, upgrade compression infrastructure, and drill strategic infill wells to stabilize and boost declining output.

*One key play can unlock growth in mining.* The mining sector is a bright spot in the Egyptian economy, contributing roughly 7 percent (\$28 billion) to Egypt's GDP. Mining exports—mainly of gold, copper, and phosphates—have been growing year over year since 2021 by about 3 percent.<sup>86</sup> And the runway for further growth is long, especially in gold, making this a key focus for the industry.

- *Scale up gold mining operations.* Global demand for gold is projected to increase by about 400 metric tons between 2021 and 2031, while supply is expected to drop by approximately 200 metric tons.<sup>87</sup> This creates a significant supply gap that Egypt, with its existing production capacity of around 100 gold sites producing 18 metric tons of gold per year, is well positioned to fill.<sup>88</sup> To scale up gold production, the sector can modernize and streamline exploration and permitting procedures to accelerate exploration and the production of proven reserves. Further opportunities for value capture could come from building local processing and refining capacity.

**Mining exports—mainly of gold, copper, and phosphates—have been growing year over year since 2021 by about 3 percent, and the runway for further growth is long.**

**Transport and logistics: Cut dwell times, connect ports to markets**

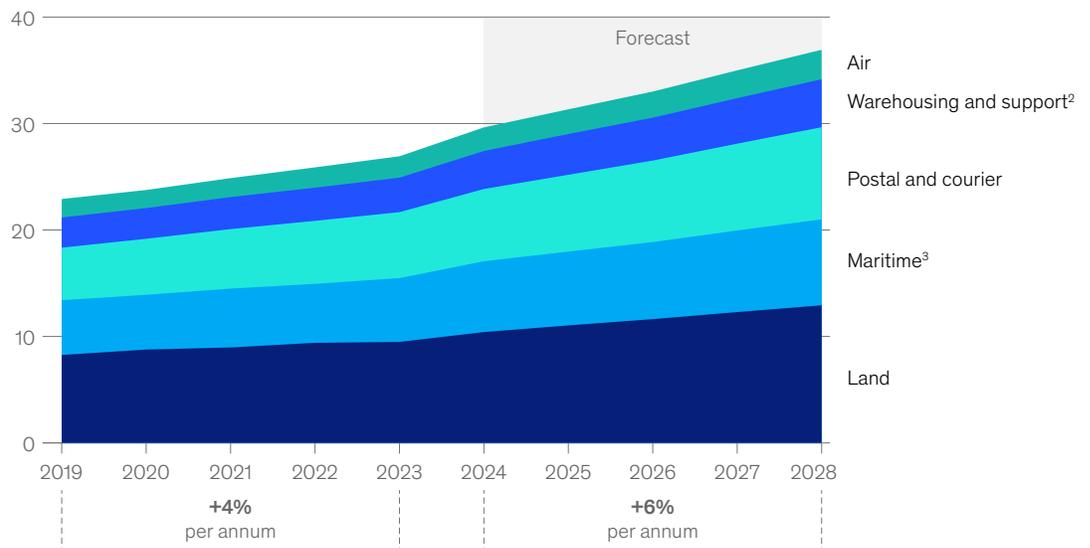
Egypt’s T&L macrosector is a key pillar of the nation’s economy, consistently contributing 3 to 6 percent of GDP annually, and it is poised to make a further contribution as both imports and exports surge.<sup>89</sup> The T&L market is projected to expand from \$26.9 billion in 2023 to \$36.9 billion by 2028, offering substantial opportunities for players across the value chain (Exhibit 14).

Egypt’s strategic advantages—including its geographic location, which bridges major markets in Europe, Africa, and the Middle East, strong trade flows, and developing infrastructure—underpin its importance to the region. While challenges such as port overutilization and market fragmentation exist, they also present clear opportunities for development. Strategic investment and infrastructure upgrades over the past decade are already reshaping the sector and strengthening competitiveness.<sup>90</sup> For example, the establishment of the Suez Canal Economic Zone—directly on the world’s main East–West trade route with six operational ports and a growing tenant base—positions the sector strongly for future growth.<sup>91</sup>

Exhibit 14

**Total market size of transportation and logistics in Egypt could reach \$37 billion in 2028, with steady growth of 4 to 6 percent per year.**

**Egypt’s transportation and logistics market value by subsector,<sup>1</sup> \$ billion**



<sup>1</sup>Measured as real gross output, ie, revenue from the sale of production (includes exports produced domestically and excludes imports produced abroad). Land includes pipelines.  
<sup>2</sup>Includes port operation services, as measured in IHS Markit; for subsector deep dives and investment opportunities, port operations included under maritime transport.  
<sup>3</sup>Equivalent to water transport as reported in IHS Markit; includes the operation of boats, excursions, cruises, ferries, etc.  
 Source: S&P Global

McKinsey & Company

*Unlocking future growth in T&L can be achieved through five strategic plays.* Egypt ranks 57th globally on the World Bank’s Logistics Performance Index, behind Saudi Arabia (38th) and the United Arab Emirates (7th).<sup>92</sup> To close the gap with regional peers, the sector can focus on priority segments with the greatest potential to drive growth and create value across maritime transport, railways and roads, and warehouses and logistics.

1. *Leverage the SCZone advantage.* Egypt possesses a vast maritime network of 18 commercial ports, over 40 river ports, and more than 2,000 kilometers of navigable waterways.<sup>93</sup> At the core of this is the Suez Canal, which facilitates about 12 percent of global trade.<sup>94</sup> To fully leverage this strategic geographic advantage and capture a greater share of regional T&L services, Egypt can facilitate specialized supply chain activities that enhance efficiency, speed, and trade in the region. Additionally, building “one-stop shops” has been shown to support anchor vertical sectors such as fast-moving consumer goods, pharmaceuticals, and electronics, which could help address key supply bottlenecks in the region.
2. *Replicate successful models to drive port improvements and modernization.* Despite significant investment in port improvements, Egypt’s ports are currently only using about 68 percent of their container capacity.<sup>95</sup> This operational gap can be addressed through better governance and operational efficiencies to deliver faster, more reliable services. With five Egyptian ports ranked in the 2024 World Bank and S&P Global Market Intelligence’s Container Port Performance Index (CPPI)—including Port Said Port, which ranked third globally—there are several examples of best practice to draw on.<sup>96</sup> For example, ports can use technology to automate and manage container storage, traffic flows, and berth windows more efficiently, and prioritize strong connections to rail links and dry ports.
3. *Build out cold-chain logistics to unlock high-value exports.* Existing cold storage capacity in Egypt, at roughly three million cubic meters, is undersized compared with global African benchmarks. Additionally, the typical warehouse scale is too small to support modern supply chain demands.<sup>97</sup> This limitation is compounded by a lack of specialized capacity at scale, such as ultracold storage for sophisticated vaccines, and the inherent risk posed by power instability. To create a more secure and reliable cold-chain ecosystem and streamline exports and imports, the sector can establish grid-secured cold parks in strategic locations near major producer belts and key airports and ports and deploy modern, multitemperature reefer fleets and cross-dock facilities to ensure temperature control is maintained during transport and transfer.
4. *Create an integrated network of logistics zones and dry ports to drive visibility and manage supply and demand.* Egypt’s logistics and warehousing facilities, while substantial, are geographically isolated, which can lead to inefficiencies. To optimize the system, the physical layouts, operating procedures, and IT infrastructure of facilities can be standardized via a federated platform. Digital integration could also help create a “geography of supply and demand” by enabling the system to locate capacity. In this way, goods can be stored and accessed closer to major demand centers, reducing overall costs and delays.
5. *Streamline logistics through coordination and data sharing.* By facilitating coordination and data sharing across port, rail, and road networks, the sector can increase the speed at which containers move through the system. For example, by establishing reliable, dedicated rail links for moving cargo and fast-tracking the deployment of dedicated shuttle services running between major ports and inland dry ports, the commercial use of the rail network can be bolstered. Protected freight paths adhering to strict, fixed schedules can be established across the network so that cargo trains are consistently prioritized over passenger traffic. As port capacity ramps up, immediate low-cost gains can be achieved by implementing simple tools such as standard operating procedures, data sharing, and slot management scheduling to align shipping schedules with rail schedules along the main transport carriers.

## Compounding FX gains: A playbook for Egypt

Egypt's FX imperative is clear: earn more hard currency from tradable sectors, and save more by reducing structural leakages. This analysis identifies 11 macrosectors that can deliver near-term, measurable FX impact and sets out targeted avenues within each—ranging from experience design and product-quality upgrades to export market access, shared infrastructure, and reliability improvements in energy and logistics. The emphasis throughout is on what our evidence suggests is most actionable within current capabilities and conditions, while recognizing long-run potential in sectors that may move up as enablers mature.

Foundational moves—in energy balance, modernized refining, targeted gas market remediation, and a logistics system that is faster, more connected, and more predictable—support every export and import substitution play. Near-term earners can then show progress: raising tourist spend per day and expanding itineraries, lifting weaving and finishing quality to meet EU and GCC standards, scaling processed foods and nearshoring platforms, and broadening pharmaceutical exports while addressing packaging and serialization bottlenecks. Medium-horizon competitiveness, built in ICT, electronics, and machinery, can deepen participation in tradable value chains, while leadership ambitions in chemicals and T&L, combined with selective energy exports, round out the FX picture.

Several patterns recur in the sector views. Quality and reliability are central—whether in the precision of textiles finishing, the uptime of data centers, the consistency of cold-chain temperatures, or the predictability of port and rail slots. Market access matters—from compliance with buyers' chemical standards to broader destination marketing in tourism. Shared infrastructure can change the slope of performance, whether a finishing hub, a testing lab, or a federated digital platform linking logistics zones. And in multiple sectors, diversification—of products, processes, and markets—can lift value capture while tempering exposure to concentrated demand and imported inputs.

Egypt's FX story is ultimately cumulative: Incremental improvements across several sectors can add up to material progress on hard-currency availability. The archetypes and sector observations provide a way to concentrate attention where impact is most immediate while keeping sight of longer-horizon ambitions that support competitiveness. In that sense, the FX agenda is not a detour from growth; it is a route to it—grounded in Egypt's sectoral realities and focused on turning existing strengths into foreign exchange resilience over the decade ahead.

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