

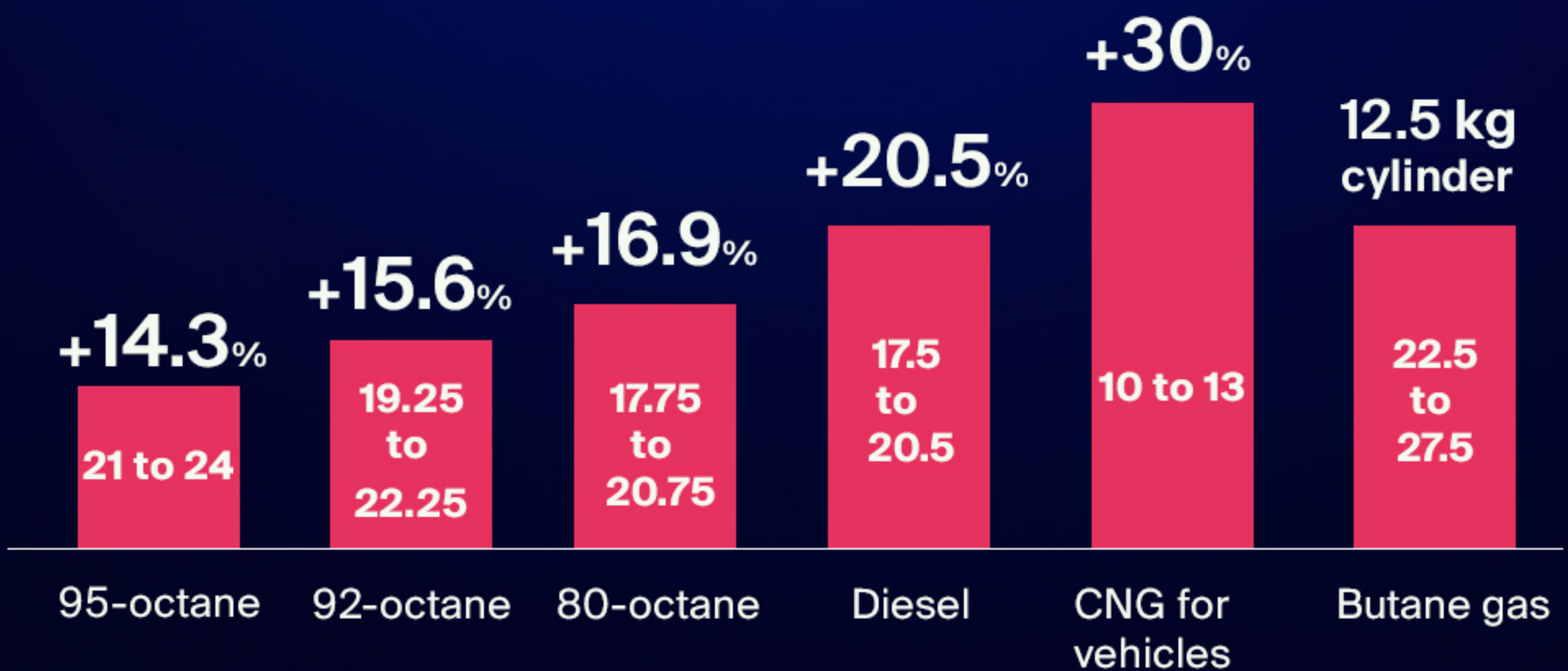


# **The Potential Effects** of the Latest Fuel Price Hike on the Egyptian Economy

- The Ministry of Petroleum adjusted prices for petroleum products. The decision came due to exceptional global energy market conditions driven by regional geopolitical developments affecting shipping and supply.
- Domestic fuel prices increased by 14-30%.

## Fuel Prices Adjustments

● EGP



## Global Oil Price Surge

On March 9, 2026, global oil prices surpassed \$100 per barrel for the first time since July 2022. Prices peaked due to the escalation of the Middle East conflict. Analysts warn that a sustained blockage of the Strait of Hormuz could drive prices toward \$125–\$150.



## Impact on Inflation

Annual urban inflation rose to 13.4% in February 2026, a 7-month high. The new March hike is expected to trigger a wave of imported inflation. Each 1% increase in global oil prices typically raises global inflation by 0.4–0.5%, placing significant pressure on the local CPI.



## Impact on Interest Rates

The Central Bank's Monetary Policy Committee may decide to maintain high interest rates for a longer period than previously anticipated to combat the inflationary pressure of the fuel hike.

# Impact on Factories & Industry

Industrial costs are expected to surge due to higher transportation and energy inputs. It is expected to witness an increase in energy prices (especially natural gas) for the industrial sector as well.



## Budget Pressures

The FY 2025/26 budget was based on an oil price of \$75 per barrel. Current prices exceeding \$100 disrupt fiscal planning, as every \$1 increase in the oil price adds approximately EGP 4 billion to the budget deficit. The total energy subsidy allocation for this year is EGP 150 billion.



# Fiscal Policy Outlook

The government plans to remove subsidies on most electricity and petroleum products starting in FY 2026/27, except for diesel and household LPG. This aligns with IMF commitments to scale back subsidies and create fiscal space for social safety nets.



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