Macroeconomy

Egypt: Growth has been improving slowly; CBE reserves above $31 billion

- GDP growth showed some improvement in 4Q16 to 3.5% y/y, though this was not supported by other data.
- The PMI remained weak, steady at 47.3 in May; export orders were the exception showing particular strength.
- Tourist numbers bounced back in 1Q17 from weak figures a year before; the March figure was up 49% y/y.
- Monthly inflation has been abating after a spike following the EGP float; inflation eased to 29.7% y/y in May.
- The fiscal deficit improved, shrinking to 11.2% of GDP during the first nine months of FY16/17.
- CBE reserves rose to their highest level since early 2011, rising to $31 billion or 7.7 months of imports in May.
- EGP/USD has been stable around 18; with a weaker USD, the pound’s trade-weighted value fell by 4% ytd.
- CBE policy rates were hiked 200 bps in May as inflation remained a key concern.
- Equities have done well, with the EGX30 up 10.4% ytd, as economic fundamentals continued to improve.

Real GDP (% y/y)

Source: Ministry of Planning, Central Bank of Egypt, Thomson Reuters Datastream

Inflation (% y/y)

Monthly inflation has been abating after a spike following the EGP float; inflation eased to 29.7% y/y in May.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Production index (% y/y)

The production index continued to show improvement, rising by 17% y/y during 1Q17, driven by manufacturing and tourism.

Source: Ministry of Planning, Thomson Reuters Datastream

Purchasing Managers’ Index (PMI)

The PMI remained weak, holding steady in May at 47.3; export orders were the exception showing particular strength.

Source: Markit
Nominal credit growth accelerated to 26% y/y in February thanks to high inflation; it grew by only 1% y/y in real terms.

Source: Central Bank of Egypt, Thomson Reuters Datastream, NBK estimates

The fiscal deficit improved, shrinking to 11.2% of GDP during the first 9 months of FY16/17 through March 2017.

Source: Ministry of Finance, Thomson Reuters Datastream, NBK estimates

Government debt rose to 102% of GDP in 4Q16.

Source: Central Bank of Egypt, Ministry of Finance, Thomson Reuters Datastream, NBK estimates

The current account deficit widened in 4Q16 to $4.7 billion, or 8% of GDP; FDI inflows remained healthy during the quarter.

Source: Central Bank of Egypt, Thomson Reuters Datastream

CBF reserves rose to their highest level since early 2011 in May, adding $2.5 billion to $31.1 billion or 7.7 months of imports.

Source: Central Bank of Egypt, Thomson Reuters Datastream
Tourist numbers bounced back in 1Q17 from weak figures a year before; the March figure was up 49% y/y. 
Source: Central Agency for Public Mobilization and Statistics, Thomson Reuters Datastream

EGP has been stable against the USD around 18; with a weaker USD, the pound’s trade-weighted value fell by 4% ytd. 
Source: JPMorgan, Thomson Reuters Datastream, press sources

CBE policy rates were hiked 200 bps in May as inflation remained a key concern. 
Source: Central Bank of Egypt, Thomson Reuters Datastream

Equities have done well, with the EGX30 up 10.4% thus far in 2017, as economic fundamentals continued to improve. 
Source: Egyptian Exchange, Thomson Reuters Datastream