

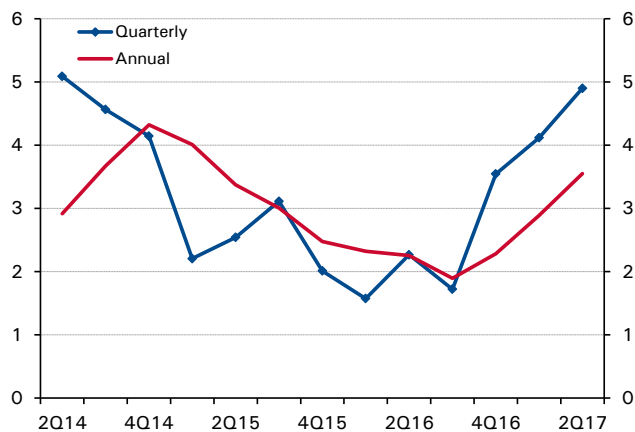
Macroeconomy

Egypt: Growth rose to 4.9% in 2Q17; CBE reserves above \$36 billion

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- GDP growth has accelerated thus far in 2017, with growth in 2Q17 rising to 4.9% y/y.
- The PMI has continued to improve, rising to 48.9 in August; export orders have been particularly strong.
- Inflation remains elevated after the EGP float and recent subsidy cuts, though monthly price gains have eased.
- Credit growth has been improving; credit has risen by 5.6% in real terms during the first six months of 2017.
- Tourism has bounced back strongly, albeit from low levels. Hotel night stays was up 196% y/y in July.
- The primary fiscal deficit narrowed to 1.3% of GDP during the first 11 months of FY16/17 through May 2017.
- CBE reserves surpassed their pre-“Arab Spring” levels, rising to \$36.1 billion or 8.4 months of imports in August.
- EGP strengthened slightly against the USD, but trade-weighted value fell by 4.6% ytd on a weaker dollar.
- Equities continued to do well; the EGX30 is up 11.2% ytd, as economic fundamentals continued to improve.

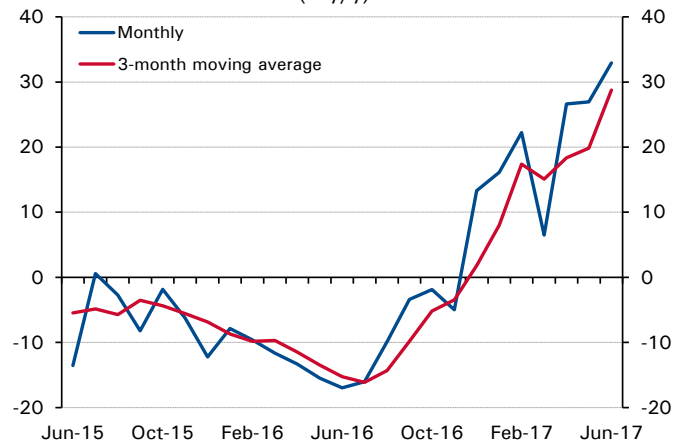
Real GDP
(% y/y)



GDP growth has accelerated thus far in 2017, with growth in 2Q17 rising to 4.9% y/y.

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

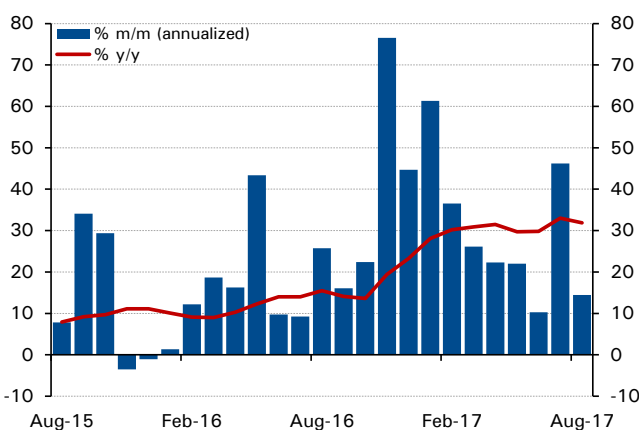
Production index
(% y/y)



The production index continued to show improvement, rising by 33% y/y in June, driven by manufacturing and tourism.

Source: Ministry of Planning, Thomson Reuters Datastream

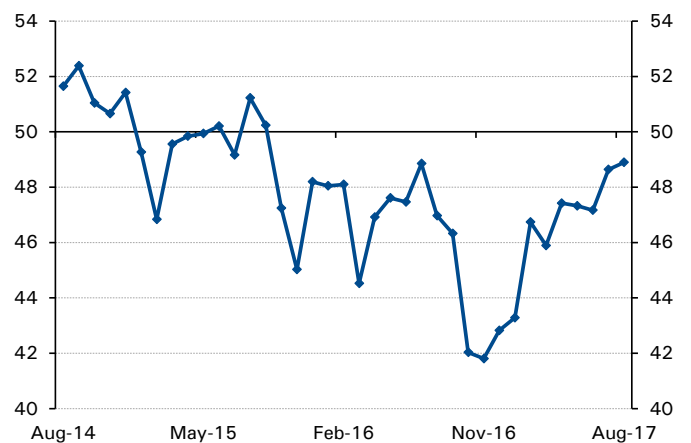
Inflation
(% y/y)



Inflation remains elevated after the EGP float and recent subsidy cuts, though monthly price gains have eased.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Purchasing Managers' Index (PMI)

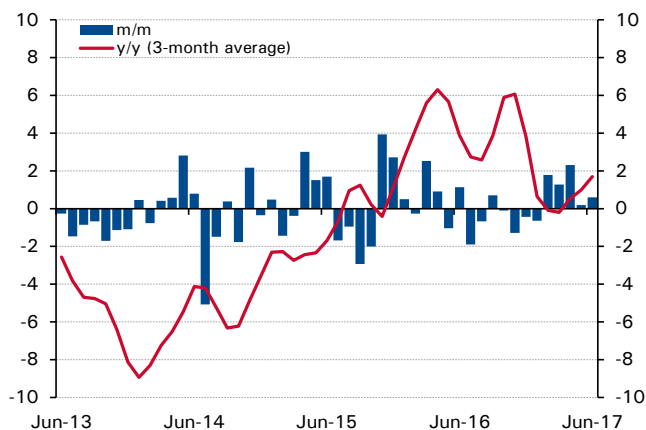


The PMI has continued to improve, rising to 48.9 in August; export orders have been particularly strong.

Source: Markit

Private sector credit

(credit in local currency, % y/y)



Credit growth has been improving; we estimate that credit has risen by 5.6% in real terms during the first six months of 2017.

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

Money supply

(M1, % y/y)

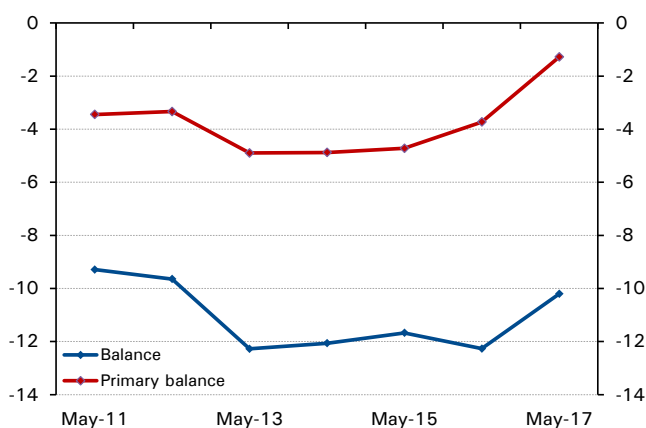


Money supply growth maintained a rapid pace coming in at 21% y/y in July.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Fiscal balance

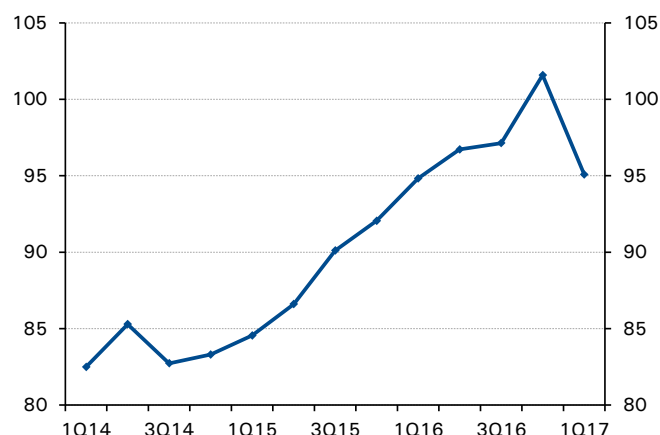
(% of GDP, fiscal-year-to-date, excl. grants)



The primary fiscal deficit narrowed to 1.3% of GDP during the first 11 months of FY16/17 through May 2017.

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

Government debt

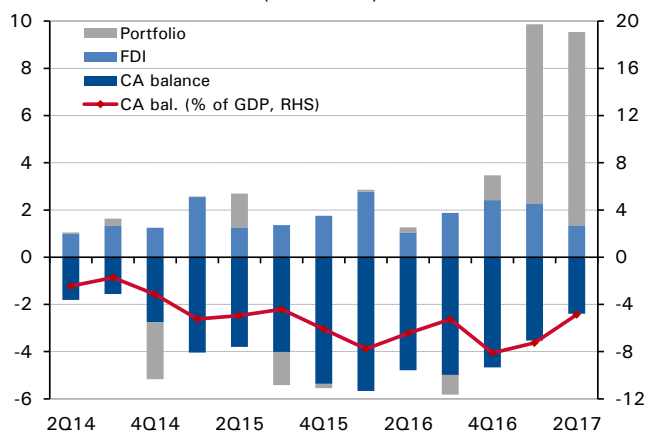


Government debt declined to 95% of GDP in 1Q17 as elevated inflation eroded its relative value.

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

Balance of payments

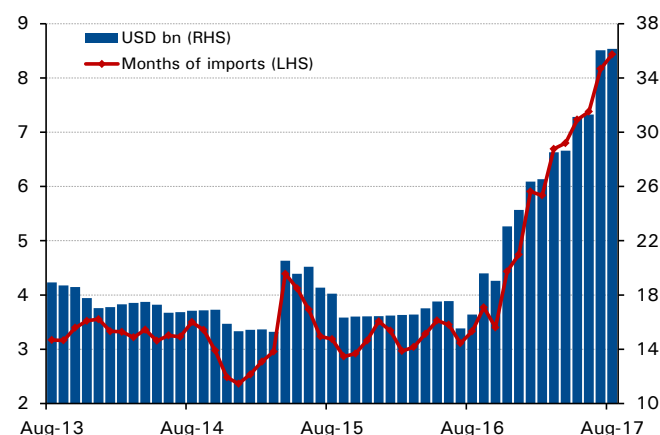
(USD billions)



The current account deficit narrowed further in 2Q17 to \$2.4 billion; financial inflows have also soared thus far in 2017.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Official reserves of the CBE

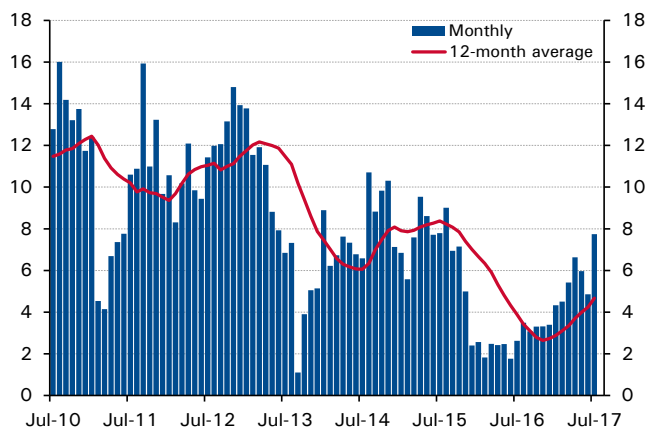


CBE reserves surpassed their pre-“Arab Spring” levels, rising to \$36.1 billion or 8.4 months of imports in August.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Tourism

(number of tourist nights stayed, million)

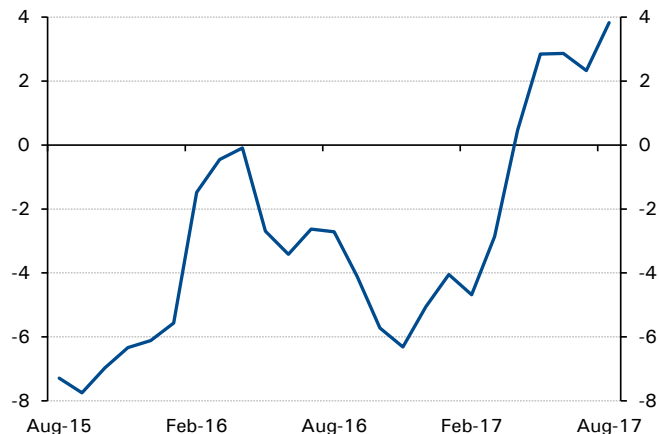


Tourism has bounced back strongly, albeit from low levels. The number of tourist nights stayed was up 196% y/y in July.

Source: CAPMAS, Thomson Reuters Datastream

Suez Canal revenues in USD

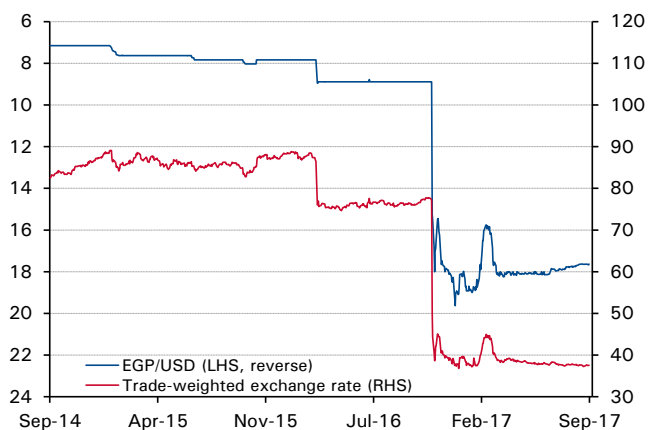
(3-month moving average, % y/y)



Suez Canal revenues returned to positive growth recently, growing by 5.1% y/y in August, thanks to a weaker US dollar.

Source: CAPMAS, Thomson Reuters Datastream

Exchange rate



EGP strengthened slightly against the USD to 17.7; the pound's trade-weighted value fell by 4.6% ytd on a weaker dollar.

Source: JP Morgan, Thomson Reuters Datastream

Sovereign yield spread to US Treasuries (2040)

(basis points)

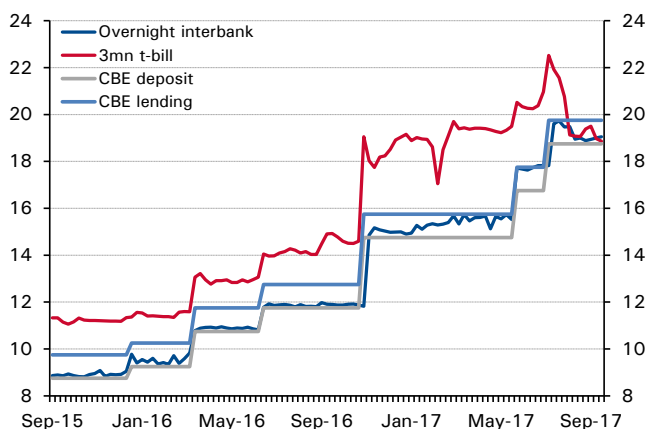


The long-term yield spread to US Treasuries has been coming down, reaching around 440 bps in September.

Source: Thomson Reuters Datastream

Interest rates

(weekly, %)



CBE policy rates have been unchanged since they were raised by 200 bps in July in an effort to combat elevated inflation.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Stock market

(EGX30, thousand)



Equities continued to do well, with the EGX30 up 11.2% thus far in 2017, as economic fundamentals continued to improve.

Source: Egyptian Exchange, Thomson Reuters Datastream

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