Macroeconomy

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

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

Source: Central Bank of Egypt, Thomson Reuters Datastream

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 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

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

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

Source: CAPMAS, Thomson Reuters Datastream

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

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

Source: Thomson Reuters Datastream

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

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