

Macroeconomy

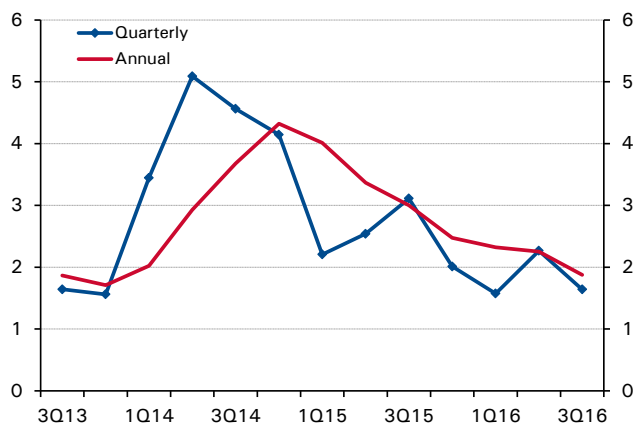
Egypt: Growth remains weak; pound strengthens; tourism begins to improve

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- 3Q16 GDP growth eased from a year ago to 1.6% y/y, in line with indicators that pointed to a slowdown.
- The PMI rebounded but remained below 50 for the sixteenth straight month.
- Tourism began to improve; arrivals bounced back from weak figures a year ago, rising by 49% y/y in Jan.
- Inflation reached a record high of 28.9% y/y in January, pushed higher by the November currency float.
- CBE reserves rose to \$26.3 billion or 5.9 months of imports in January.
- The pound strengthened in recent weeks; EGP/USD rose to 15.9 by 21 February, up 23% from mid-Dec. low.
- Equities rallied following the currency float and the IMF loan; EGX30 was up 41% since early November.
- The fiscal deficit improved, with the 12-month trailing balance narrowing to 11.5% of GDP through Nov.
- Credit default swap (CDS) rates dropped from a high of 500 to 359 over the last year.

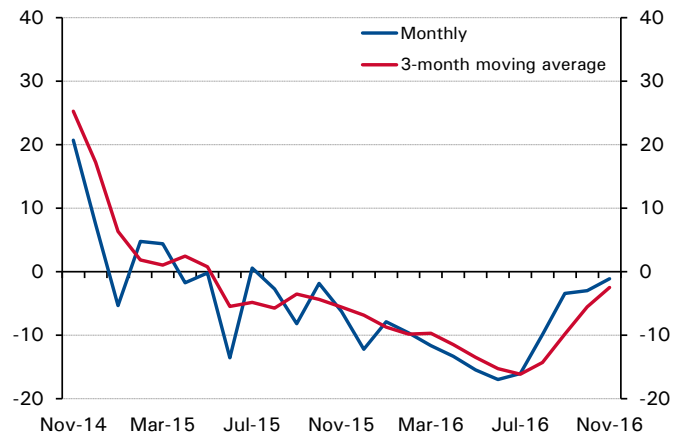
Real GDP
(% y/y)



3Q16 GDP growth eased noticeably from a year ago to 1.6% y/y, in line with other indicators that pointed to a slowdown.

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

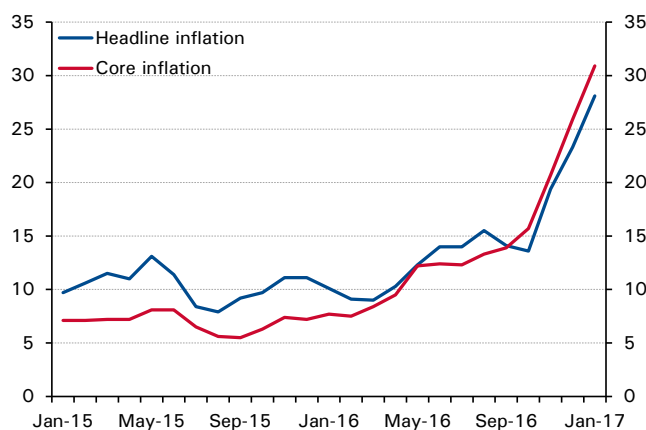
Production index
(% y/y)



The production index improved for a fifth consecutive month in November, but remained in retreat, declining by 1.1% y/y.

Source: Ministry of Planning, Thomson Reuters Datastream

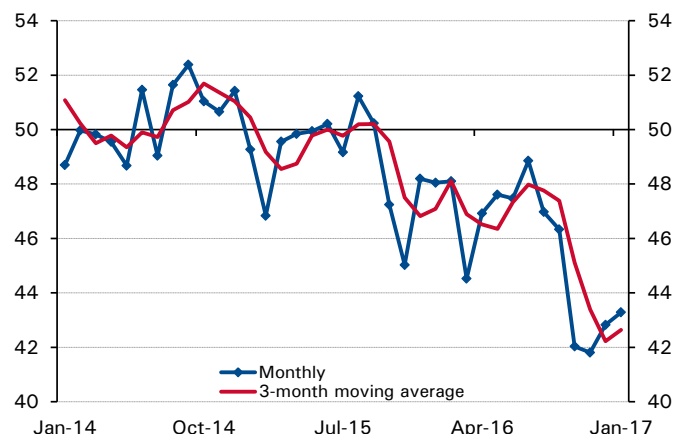
Inflation
(% y/y)



Inflation reached a record high of 28.9% y/y in January as the effects of the currency float rippled through domestic prices.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Purchasing Managers' Index (PMI)

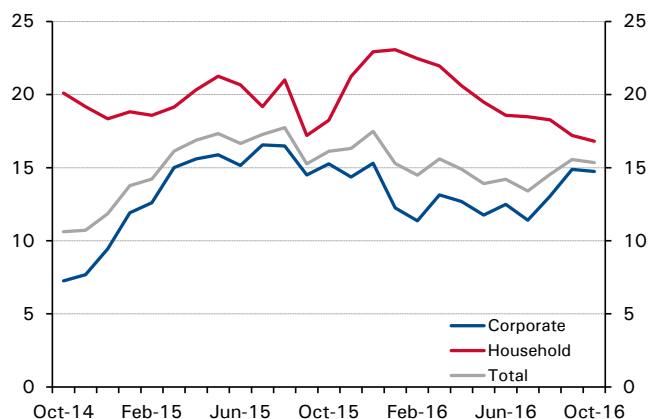


The PMI rebounded but remained below 50 for the sixteenth straight month in January as economic activity struggled.

Source: Markit

Private sector credit

(% y/y)

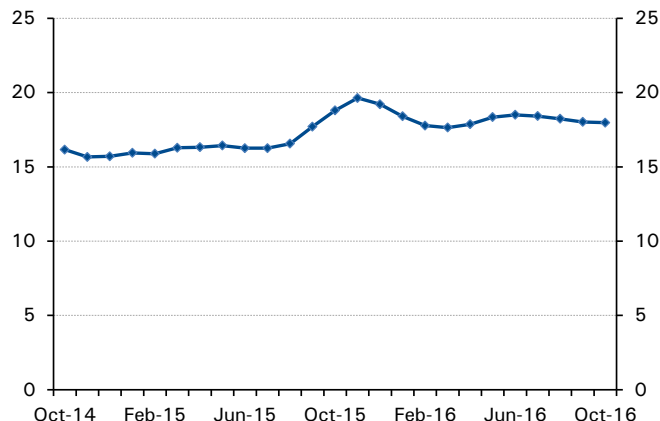


Nominal growth in private credit was steady at 15.4% y/y in October, with real credit up 1.5% y/y.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Money supply

(% y/y)



Money supply growth was steady at 18% y/y in October.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Fiscal balance

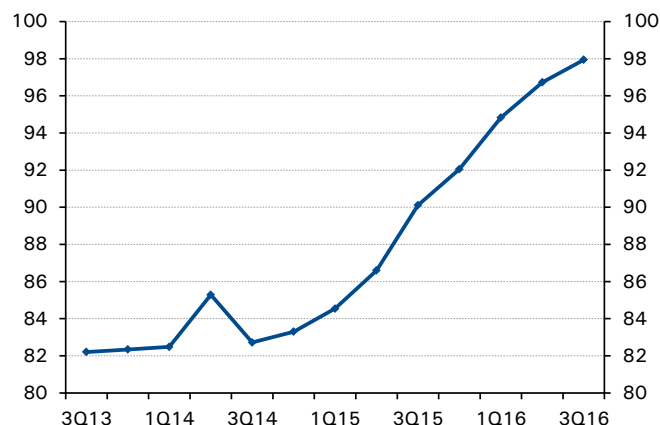
(% of GDP, 12-month trailing)



The fiscal deficit improved in recent months, shrinking to 11.5% of GDP (12-month trailing) in November 2016.

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

Government debt

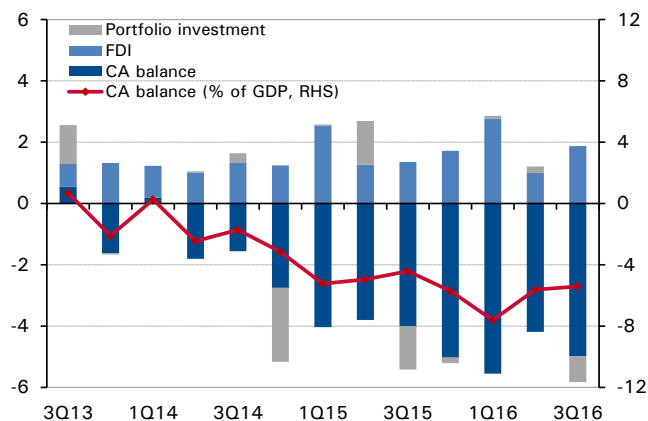


Government debt rose to 98% of GDP in 3Q16, on a persistent deficit and weaker economic growth.

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

Balance of payments

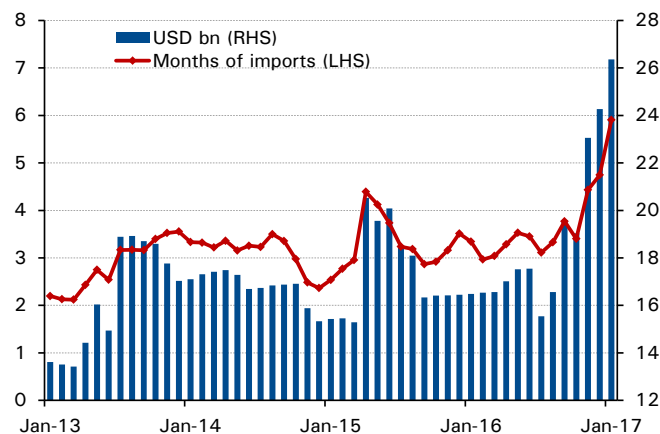
(USD billions)



The current account deficit expanded in 3Q16 to \$5.0 billion, or 5.4% of GDP; FDI inflows were healthy during the quarter.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Official reserves of the CBE

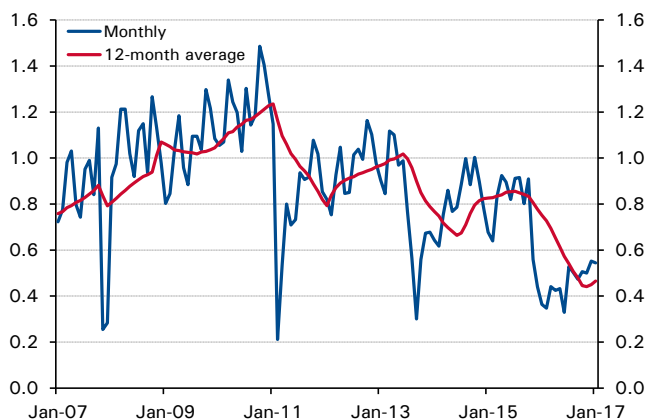


The first IMF loan disbursement and other inflows saw CBE reserves rise to \$26.3 billion or 5.9 months of imports in Jan.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Tourism

(number of visitors, million)



Tourist numbers began to improve, bouncing back from weak figures a year before, rising by 49% y/y in January 2017.

Source: Central Agency for Public Mobilization and Statistics, Thomson Reuters Datastream

Suez Canal revenues

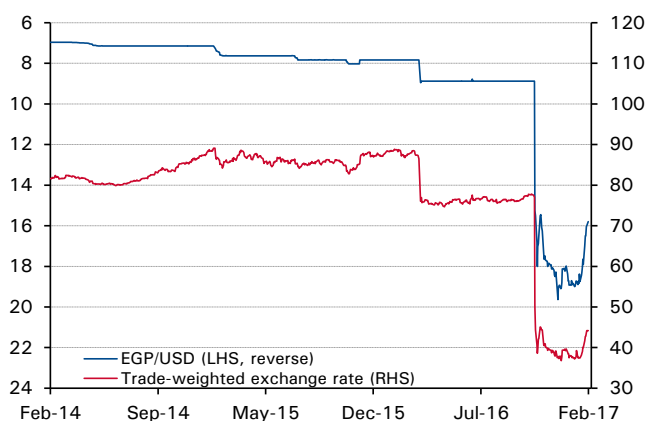
(3-month moving average, % y/y)



Canal revenues contracted by 5.1% y/y in December.

Source: Central Agency for Public Mobilization and Statistics, Thomson Reuters Datastream

Exchange rate



The pound strengthened in recent weeks; EGP/USD rose to 15.9 on 21 February, up 23% from its mid-December low.

Source: JP Morgan, Thomson Reuters Datastream, press sources

Credit default swaps

(basis points)

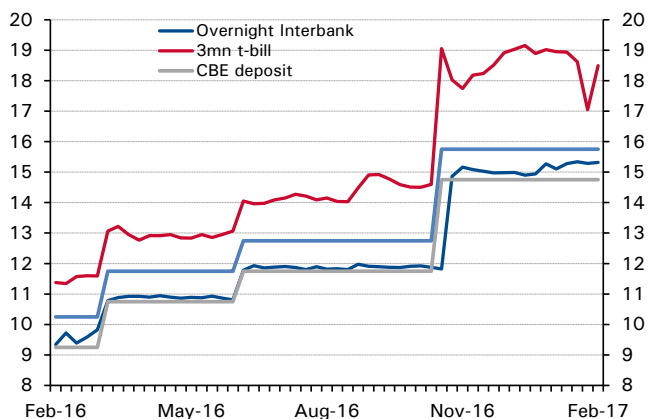


CDS rates dropped from a high of 500 in Feb-16 to 359 in Feb-17, as the IMF loan boosted investor confidence.

Source: Thomson Reuters Datastream

Interest rates

(weekly, %)



CBE policy rates were hiked 300 bps following the currency float in November to preempt inflationary pressures.

Source: Central Bank of Egypt, Thomson Reuters Datastream

Stock market

(EGX30, thousand)



Equities rallied following the currency float and the IMF loan; EGX30 was up 41% since early November.

Source: Egyptian Exchange, Thomson Reuters Datastream

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