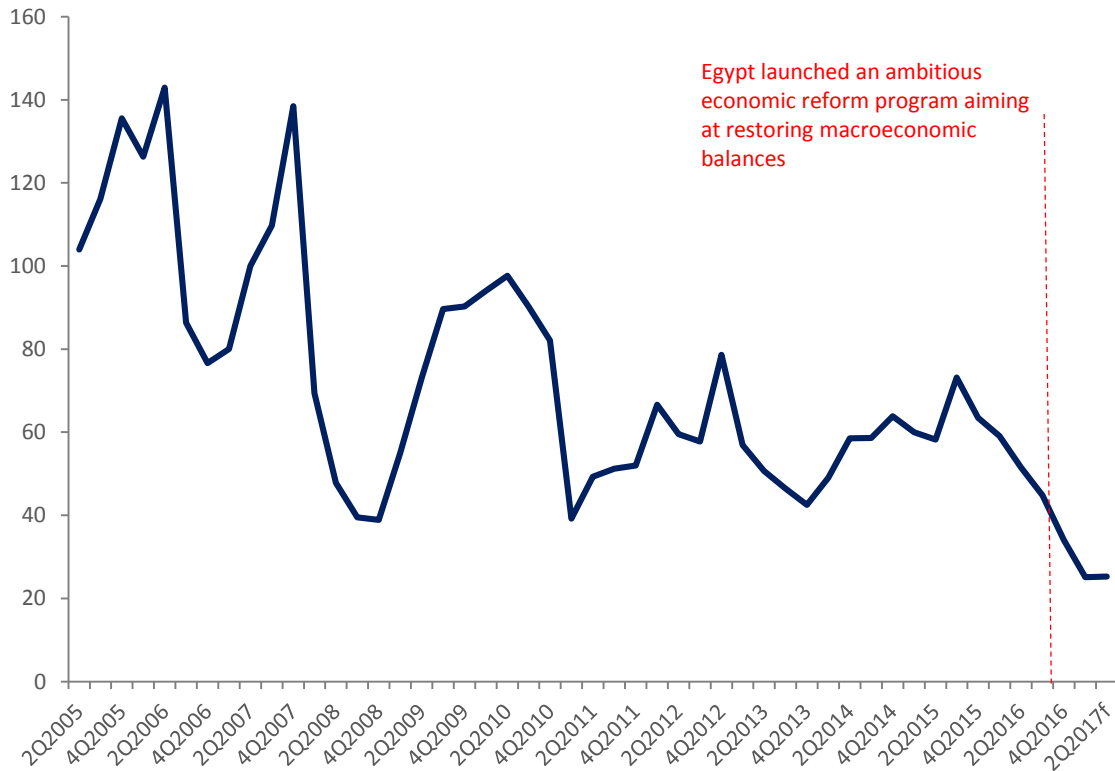


The Pharos Economic Wellbeing Index stabilized in 2Q2017, partly due to the core inflation rate deceleration from 32.1% YoY in 1QFY2017 to 31.5% YoY in 2Q2017. While we expect the real GDP growth and the employment rate to improve gradually going forward, the inflationary reaction to the recent energy product price hike will exert further downside pressure on the Index in 3Q2017.

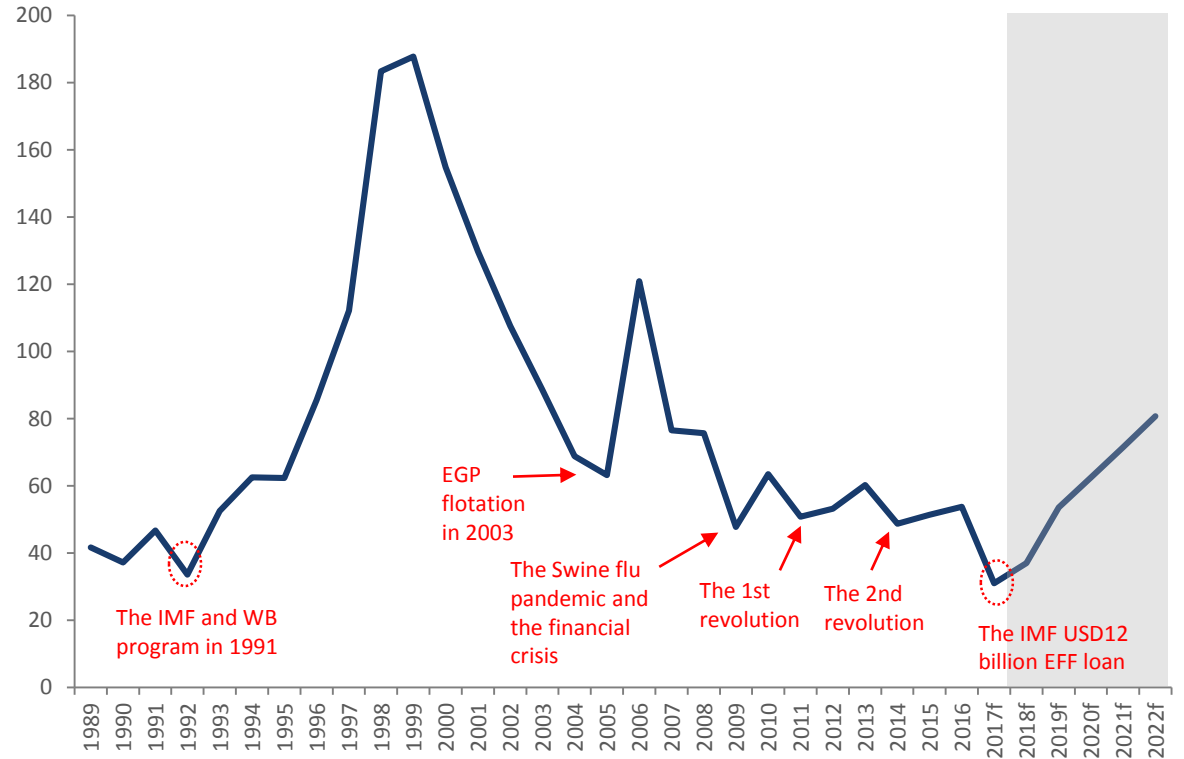
Pharos Economic Wellbeing Index



Source: Central Bank of Egypt, Ministry of Planning, Pharos research

Our Economic Wellbeing trend view remains positive over the longer term as the economic reform measures bear further fruit. We note that the Index level recorded 30.9 in FY2016/17, not far away from the Index level in FY1991/92. Back then, the temporary negative repercussions of the economic reform program shortly faded away, leading to a major economic welfare improvement that lasted for 7 years.

Economic Wellbeing Index Outlook



Source: Central Bank of Egypt, Ministry of Planning, Pharos research

Pharos Economic Wellbeing Index utilizes key macroeconomic indicators as a proxy measure for prosperity of people in Egypt at a micro level. Our Index follows Robert Barro's methodology incorporating three factors: the core inflation rate, the unemployment rate and the real GDP growth rate. We excluded long term interest rates in order to avoid double counting for the inflation rate and given the fact that the Egyptian economy is underbanked, hence, it has a limited exposure to mortgage loans. The higher (lower) the Index, the higher (lower) the economic welfare level.

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