



Press Release

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Emirates NBD Egypt PMI™

Input price inflation remains soft in May

Cairo, June 10th, 2019: Today sees the release of May data from the Emirates NBD Purchasing Managers' Index™ (PMI™) for Egypt. The survey, sponsored by Emirates NBD and produced by IHS Markit, contains original data collected from a monthly survey of business conditions in the Egyptian private sector.

Commenting on the Egypt PMI™ survey, **Daniel Richards, MENA Economist at Emirates NBD**, said:

“Egypt’s non-oil private sector dipped back into contraction in May, as the Emirates NBD Purchasing Managers’ Index (PMI) fell from 50.8 in April to 48.2. The April reading was the first time since August last year that the index had returned an expansionary 50.0-plus reading, but as has become familiar over the past two years, it has failed to return consecutive positive results. The private sector has continued to bear the brunt of ongoing reform economic efforts in Egypt, and will likely remain under pressure over the summer period. While easing price growth in recent months – CPI inflation fell to 13.0% y/y in April – has offered some respite, upcoming subsidy reforms and a renewed pause in the CBE’s cutting cycle mean that conditions remain difficult for private firms.

“The dip back below 50 was driven by both output and new orders, both of which saw moderate declines compared to the previous month, following expansions in April. New export orders contracted at a quicker pace, with respondents citing a deterioration in tourism activity.

“In a bid to shore up demand, firms continued to discount, with output prices declining for the second month in a row. Although the pace of growth in purchase costs has slowed in line with inflation, it will likely accelerate in the coming months as new subsidy reforms push up energy and fuel tariffs. This will continue to squeeze firms’ margins, and this is reflected in a drawdown in inventories and a fall in employment, which declined at the fastest rate since October 2017.

“Although private Egyptian companies will remain under pressure over the summer months, we maintain our outlook that conditions will improve. Stronger GDP growth should bolster demand, and some of the more difficult economic reforms are behind them. Survey respondents share our view, with 38% anticipating an increase in activity over the year.”

The main findings of the May survey were as follows:

- Input prices increase at relatively weak rate
- PMI in line with survey average
- Output and new orders record modest falls

The seasonally adjusted Emirates NBD Egypt Purchasing Managers' Index™ (PMI) – a composite indicator designed to give an accurate overview of operating conditions in the non-oil private sector economy – fell from 50.8 in April to 48.2 in May, signalling a moderate deterioration in the health of the sector after a slight improvement in the previous month. The PMI was broadly in line with the average for the series.

Output at Egyptian non-oil companies declined in May, ending the brief upswing recorded in April. However, the drop in activity was only modest, related mostly to falling sales amid low client turnout.

Total new orders also dropped at a moderate rate in May. Following a two-month period of rising demand, the latest fall was slower than that recorded in February. At the same time, new export orders extended its run of decline to nine months, with businesses citing a lack of foreign contracts.

Challenging operating conditions led businesses to reduce inventories during May, with some panellists citing difficulties in holding high volumes of stocks whilst demand weakened. Despite this, firms reported another fractional deterioration in vendor performance.

Employment also fell in May, and at the quickest pace since October 2017. However, this was mainly linked to employees leaving their jobs for other companies.

Price pressures remained relatively soft midway through the second quarter. Despite accelerating from April, the rate of input price inflation was still notably weaker than through most of the survey history. Firms noted multiple price rises, including metals, foodstuff, petrol, electricity and water bills. However, this did not deter companies from reducing output charges for the fourth time in five months.

Finally, expectations toward future output weakened slightly in May, as falling output weighed on business sentiment. On the other hand, the overall level of confidence was stronger than during late-2018.

-Ends-

The next *Egypt PMI Report* will be published on July 3rd 2019 at 06:15 (CAIRO) / 04:15 (UTC)



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Notes to Editors

The Emirates NBD Egypt Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 450 private sector companies, which have been carefully selected to accurately represent the true structure of the Egyptian non-oil economy, including manufacturing, services, construction and retail. The panel is stratified by Standard Industrial Classification (SIC) group, based on industry contribution to GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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Emirates NBD is a leading banking Group in the region. As at 31st March 2019, total assets were AED 525.8 Billion, (equivalent to approx. USD 143 Billion). The Group has a significant retail banking franchise in the UAE and is a key participant in the global digital banking industry, with over 90 per cent of all financial transactions and requests conducted outside of its branches. The bank was declared the Most Innovative Financial Services Organization of the Year at the 2017 BAI Global Innovation Awards.



The bank currently has 234 branches and 1076 ATMs and SDMs in the UAE and overseas and a large social media following, being the only bank in the Middle East ranked among the top 20 in the 'Power 100 Social Media Rankings', compiled by The Financial Brand. It is a major player in the UAE corporate and retail banking arena and has strong Islamic Banking, Global Markets & Treasury, Investment Banking, Private Banking, Asset Management and Brokerage operations.

The Group has operations in the UAE, the Kingdom of Saudi Arabia, Egypt, India, Singapore, the United Kingdom and representative offices in China, Indonesia and Turkey.

The Group is an active participant and supporter of the UAE's main development and community initiatives, in close alignment with the UAE government's strategies, including financial literacy and advocacy for inclusion of People with Disabilities under its #TogetherLimitless platform. Emirates NBD Group is a Premier Partner and the Official Banking Partner for Expo 2020 Dubai. For more information, please visit: www.emiratesnbd.com

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