



Press Release

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Emirates NBD Egypt PMI™

Companies leave selling prices unchanged amid efforts to boost sales

Cairo, July 3rd, 2019: Today sees the release of June 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 remained under pressure in June, although the pace of decline slowed from May. The Emirates NBD Purchasing Managers’ Index (PMI) stood at 49.2, up from 48.2 the previous month. While still firmly in sub-50.0 contractionary territory, the average of 49.4 over Q2 2019 was the strongest since Q3 last year, and was markedly better than the long-run series average of 48.4.

“Both output and new orders – which together account for a little over half of the index’s weighting – saw substantial improvements in June, albeit still indicating a slowdown in activity. Only 11% of respondents saw output decline, while 10% increased output. New export orders seemed to weigh down domestic activity, with very few firms registering an uptick in demand. The strengthening in the Egyptian pound over the past several months to levels last seen in March 2017 could potentially pose a challenge to export-oriented businesses.

“In a positive for firms’ margins, output prices stayed flat in June, following two months of cuts, while the pace of growth in input prices slowed to the second-slowest in the eight-year series – the slowest was recorded earlier this year, in March. This may prove short lived however, given upcoming subsidy reform scheduled for the new fiscal year will likely push energy and fuel prices up once more. There was a significant spike in the measure when the last round of reforms was implemented in summer 2018.

“As such, firms seem to be looking to cut costs elsewhere. The employment index was negative for the second month in a row, although this was reportedly in part due to employees seeking new opportunities, and a similar proportion of firms took on new staff as saw workers leave.

“Overall, the future output index remained strongly positive, albeit less so than in May. Around a quarter of respondents anticipate an improvement in activity over the next 12 months, compared to just 3%



expecting a deterioration. This chimes with our outlook for Egypt, where we expect a modest acceleration in GDP growth this year.”

The main findings of the June survey were as follows:

- Selling prices unchanged in June
- Weaker falls in output and new orders
- Input costs rise at slowest rate in three months

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 – increased from 48.2 in May to 49.2 in June, signalling a softer deterioration in business conditions and one that was less marked than seen on average over the series history.

In particular, Egyptian firms reduced activity levels only marginally at the end of the second quarter, as fewer panellists noted a decline in demand conditions than during May. Nonetheless, output still failed to grow, as has been the case in all but one of the past 19 months.

Similarly, new orders declined at a slightly weaker rate in June. While some panellists reported improved sales, many continued to note a slowdown in customer demand across both local and external markets. Sales from abroad declined for the tenth month in a row, albeit at a softer pace than in the previous month.

As such, firms were compelled to keep their selling charges unchanged, following two successive months of slight decreases. Companies were helped by a weaker rise in overall cost burdens, with the rate of inflation cooling to the second-lowest since the series began (in April 2011). Notably, purchase prices were up only modestly, with businesses noting higher prices for raw materials and fuel.

Meanwhile, workforce numbers dropped only marginally in June, easing from a solid decline in May. That said, respondents still struggled to replace voluntary leavers during the month. Firms also cut back on purchasing activity, leading to a slight reduction in inventories.

Finally, confidence dropped to a five-month low in June. While some businesses expected future contracts to drive up activity in the short-term, others were concerned about deteriorating exchange rates.

-Ends-

The next *Egypt PMI Report* will be published on August 5th 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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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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