



Press Release

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Emirates NBD Egypt PMI™

Business conditions improve in April for first time in eight months

Cairo, May 5th, 2019: Today sees the release of April 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 expanded at the fastest pace since August 2015 in April, as the Emirates NBD Purchasing Managers’ Index hit 50.8. This was the first time since August last year that the index has breached the neutral 50.0 level which delineates contraction and expansion; the private sector has struggled to expand as it has borne the brunt of the ongoing economic reform efforts in Egypt which began in late 2016. The improvement from the first quarter – the PMI index averaged just 48.9 over January to March – was broad-based, with most of the index’s subcomponents returning positive 50-plus readings.

“Significantly, output was positive for the first time in 18 months as firms noticed stronger demand, and a positive reading for new orders for the second month in a row bodes well for this continuing over subsequent readings. However, this uptick in new orders appears to be driven by domestic demand still, as new export orders remained in negative territory. Firms appear to be shoring up domestic demand by price discounting – output prices dipped back below 50, the third time this year they have declined.

“With input prices increasing at a faster rate than seen in March, firms’ margins will be squeezed by ongoing price discounting. Nevertheless, they appear to be more confident with regards future conditions as more respondents expect output to be greater in 12 months’ time than they did in March, citing new projects and an improving tourism sector. This greater optimism is reflected in their hiring, as employment returned a reading above 50.0 – albeit marginally – for the first time since 2015.”

The main findings of the April survey were as follows:

- PMI at 50.8, highest since August 2015
- Output grows for first time in 17 months
- New orders, employment and purchasing all increase

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 – rose from 49.9 in March to 50.8 in April, signalling the first improvement in overall business conditions since August 2018. Furthermore, the PMI reading was the highest observed in over three-and-a-half years.

Central to the improvement was an expansion in business activity at the start of the second quarter of the year. Despite being modest, the rise in output was the first seen since November 2017. Panellists primarily related this to greater market movement and an increase in demand.

Concurrently, new orders saw a slight rise, as many firms reported higher sales and the securing of new contracts. This followed a marginal increase in March. Foreign sales continued to decline, albeit at a softer rate.

Egyptian firms responded to favourable domestic demand by lifting input buying during April. In addition, employment levels grew for the first time in eight months. Backlogs saw only a slight increase, while lead times were broadly unchanged.

Output prices were still restrained in April, as the run of weak activity in recent months led some businesses to reduce selling charges to attract new customers. Overall selling prices have seen little change since last November, while input cost inflation remained weak. That said, cost burdens increased at a faster pace than in March, driven by higher fuel and electricity prices and a rise in living costs.

Regarding future output, Egyptian companies were more positive in April on the back of an improving picture for the private sector. Some firms mentioned greater tourism and export markets as key reasons underpinning optimism. Output expectations were the second-strongest in 12 months.

-Ends-

The next *Egypt PMI Report* will be published on June 10th 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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