

Press Release

Under strict embargo until: 06:15 (CAIRO) / 04:15 (UTC), January 10th 2019

Emirates NBD Egypt PMI™

Input cost inflation eases to new record low in December

Cairo, January 10th, 2019: Today sees the release of December 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:

“The Emirates NBD Purchasing Managers' Index (PMI) for Egypt is closing the year on a positive note as it climbed to 49.6 in December, compared to 49.2 the previous month. While this is still short of the neutral 50.0 level which delineates contraction and expansion in the non-oil private sector, it is nevertheless a four-month high for the index, and there are other factors within the survey data which suggest that the Egyptian economy will begin 2019 in a relative position of strength. The annual average PMI scores have improved from 46.0 in 2016 (Egypt entered into its IMF-sponsored reform programme in November that year) to 47.5 in 2017 and 49.5 this year, and indications are that this improvement will continue in 2019.

“While output weakened at a more rapid pace in December than in November – 48.8 from 49.2 – new orders showed the highest reading since August, boding well for future output levels. There was also an increase in firms' purchasing activity, with the index recording its highest reading since May, as respondents cited increased business requirements. While external rebalancing and public investment have driven the growth recovery in Egypt to date, private sector activity has lagged somewhat, but the expectation is that it will see something of a recovery in 2019. This will be supported by the World Bank which has recently reaffirmed its commitment to the Egyptian private sector.”

The main findings of the December survey were as follows:

- Purchase prices increase at softest rate in over six years
- New orders at Egyptian firms decline only fractionally
- Employment falls for third month running

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 49.2 in November to 49.6 in December, signalling a softer deterioration in the health

of the sector. The index was at a four-month high, moving closer to the 50.0 mark that separates expansion from contraction.

The improvement in the headline index was supported by the weakest fall in new orders in the current four-month sequence of reduction. While many panellists continued to report poor market conditions, others saw downward pressures fade and demand strengthen. Foreign orders also declined at a slower pace.

Nevertheless, output at Egyptian firms contracted at a slightly faster rate in December. The drop remained marginal though. Encouragingly, purchasing activity expanded at the strongest pace in seven months, as a number of firms scaled up input buying in response to new business gains.

Employment declined modestly in December, completing a full quarter of job cuts. Anecdotal evidence pointed to a number of retirements and people leaving for other roles. Despite this, the level of outstanding business grew only fractionally and at the weakest rate in six months.

Input cost inflation eased further in December, setting a new record low across the survey history. This was largely due to the softest uptick in purchase prices in over six years. Salaries continued to grow solidly, albeit at a weaker pace compared to November. Concurrently, output prices increased only marginally, although the rise was slightly faster than November's 34-month low.

Sentiment remained relatively subdued across Egypt's non-oil private sector in December. Most companies expect output to be unchanged in the coming 12 months, while 24% forecast an improvement, with a few planning to grow their business. The respective index was at its second-lowest mark in 26 months.

-Ends-

The next *Egypt PMI Report* will be published on February 5th 2019 at 06:15 (CAIRO) / 04:15 (UTC)



For further information, please contact:

Ibrahim Sowaidan
Senior Vice-President, Head - Group Corporate Affairs
Emirates NBD
Telephone: +971 4 609 4113 / +971 50 6538937
Email: ibrahims@emiratesnbd.com

Tricia Kaul
ASDA'A Burson-Marsteller; Dubai, UAE
Tel: +971 56 6032673
Email: tricia.kaul@bm.com

Daniel Richards
MENA Economist, Emirates NBD
Email: DanielRICHA@emiratesnbd.com

Joanna Vickers
Corporate Communications
IHS Markit
Tel: +44-207-260-2234
Email: joanna.vickers@ihsmarkit.com

David Owen
Economist
IHS Markit
Tel: +44 2070 646 237
Email: david.owen@ihsmarkit.com

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 30th June 2018, total assets were AED 477.5 Billion, (equivalent to approx. USD 130 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 227 branches and 1065 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 and Indonesia.

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