



Press Release

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Emirates NBD Egypt PMI™

Purchasing activity growth at Egyptian businesses at 12-month high

Cairo, February 5th, 2019: Today sees the release of January 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:

“Despite the poor headline reading in the Emirates NBD Purchasing Managers' Index for Egypt's non-oil private sector in January – it fell from 49.6 in December to 48.5, the lowest level since December 2017 – there were nevertheless some promising data in the sub-components that could presage an improvement in the Egyptian economy in the coming months. Egypt's recovery over the past two years has so far largely been driven by external rebalancing and public investment, while the private sector has remained under pressure, in part as a result of ongoing reforms. Nevertheless, while contractionary, 2018 was on average (49.5) the strongest year in the PMI since 2014, and we anticipate a continued strengthening in the private sector this year.

“Weighing on the headline figure were the outsize-weighted output and new orders components, which both fell on the previous month. Respondents cited a number of factors behind this, including adverse weather conditions, and generally poor market conditions. External demand was also weak, as export orders experienced a fall for the fifth month in a row, and business optimism among respondents fell to the lowest level since October 2016. Although only 3% of respondents expected a decline in conditions over the next 12 months, with the vast majority (76%) expecting no change, optimism has declined fairly steadily from its recent peak at the close of 2017. Global instability was among respondents' concerns.

“Nevertheless, in spite of the weak headline data, there were some improvements in the January survey, not least in prices. Input prices fell to a series low in January, led by a marked slowdown in purchase costs. These had spiked in mid-2018 as subsidy reforms led to a rapid increase in utility costs and other expenses for firms, but these inflationary pressures have begun to weaken in recent months. This in turn enabled firms to cut output prices, which posted a sub-50.0 reading for the first time. This should contribute to an ongoing decline in CPI inflation, which fell to 12.0% in December, and potentially pave the way for the central bank to begin loosening monetary policy, which would give a much-needed boost to the private sector.”

The main findings of the January survey were as follows:

- Output and new orders weaken in January...
- ...but input buying grows at solid pace
- Selling prices dip amid softer input cost inflation

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 49.6 in December to 48.5 in January, signalling a fifth successive deterioration in business conditions. The latest reading was the lowest in 13 months, but above the series average.

Egyptian firms reduced output moderately in January, reflecting declines in overall and foreign new orders. The contraction in output was the fastest seen since December 2017. Many respondents commented on a lack of new contracts, while some pointed to adverse weather conditions.

At the same time, businesses expanded their purchasing activity at a solid rate, with the respective index climbing to a 12-month high. Some firms noted that lower raw material prices led to increased buying levels. However, overall stocks fell fractionally.

Employment declined marginally in January, indicating the fourth month in a row in which jobs at Egyptian firms have decreased. Panellists related this to a number of retirements and employees leaving for other companies. Meanwhile, backlogs of work were unchanged, following rises during the previous six months.

On the price front, selling charges fell for the first time in three years in January. Some firms found that weak market conditions led them to offer discounts, while others linked this to a softer rise in costs. In fact, input price inflation moderated to a record low for the series, due to falling oil and raw material prices. In addition, salary inflation was the least marked for nearly two-and-a-half years.

Lastly, sentiment waned in January to the lowest since October 2016. Many firms hoped that output will improve over the coming 12 months. However, a lack of exports and uncertainty in the global economy raised doubts for others that activity will expand this year.

-Ends-

The next *Egypt PMI Report* will be published on March 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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