

Press Release

Under strict embargo until: 06:15 (CAIRO) / 04:15 (UTC), March 5th 2019

Emirates NBD Egypt PMI™

Business sentiment in Egypt rises to ten-month high

Cairo, March 5th, 2019: Today sees the release of February 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 has got off to a weak start in 2019, with the Emirates NBD Purchasing Managers’ Index (PMI) falling to a 17-month low of 48.2 in February, from 48.5 the previous month – itself substantially weaker than the 2018 average of 49.5. The index has remained stubbornly in sub-50.0, contractionary territory for six months now, and while we continue to expect an improvement in conditions over the course of 2019, Egyptian firms clearly remain under pressure. Output also fell at the fastest rate since September 2017, with survey respondents attributing this to cash flow issues and poor weather conditions – Egypt has been troubled by sandstorms which have disrupted transport.

“Troublingly for future readings, new orders also looked fairly weak, falling at the fastest pace since June 2017. They would likely have been even weaker if not for price discounting undertaken by firms, which slashed output prices for the second month running. This is reinforced by the fact that export orders fell at an even more rapid pace than total new orders, with the weakest reading since October 2016, just prior to the removal of the pound’s peg to the dollar the following month. While services exports and remittances inflows have seen substantial growth since the rapid depreciation of the pound in late 2016, goods exports have to date failed to deliver.

“With output prices being cut to maintain output, firms are being squeezed by both sides; although input prices are expanding at a comparatively slow pace compared to series averages, they nevertheless remain solidly over 50.0. Cost-saving is being achieved elsewhere, with employment reduced for the fifth month in a row, and staff costs falling for the first time since April 2015.

“Although conditions are difficult presently, over 44% of respondents expect output to be higher in 12 months’ time, sharing our expectation that economic conditions will become steadily more favourable over 2019. The interest rate cut enacted by the central bank on February 14 – the first since March last year – should help stimulate some private sector demand, which has lagged public investment in driving Egypt’s growth recovery over the past two years.”

The main findings of the February survey were as follows:

- Output and new orders fall at faster rates
- Employment declines for fifth month running
- Input price inflation remains soft

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 48.5 in January to 48.2 in February, signalling a moderate deterioration in the health of the non-oil private sector economy. The reading was the weakest recorded in 17 months.

Egyptian firms saw new orders decline at a solid rate in February, due to weakening market conditions and falling exports. The decrease in total sales was the most marked for 20 months, with foreign demand dropping at the fastest rate since October 2016.

Activity also dropped at a quicker pace in February, taking the current spell of contraction to six months. Companies pointed to weak sales, poor weather conditions and a lack of liquidity.

Quantities of purchases were reduced for the first time in five months. However, stock levels were unchanged. While some companies used up their stocks on production lines, others found that weaker orders caused inventories to pile up.

Employment at Egyptian businesses decreased slightly in February, as panellists reported employees leaving for new jobs or retiring. Nevertheless, firms continued to manage their backlogs, with outstanding business broadly unchanged. Meanwhile, lead times increased slightly.

Selling charges declined for the second month running, as weakening market conditions led firms to offer discounts. Input price inflation remained soft, despite accelerating slightly from January. Panellists highlighted rising transport, raw material, electricity and water prices.

Despite challenging operating conditions, businesses were upbeat towards the outlook for output in February. Overall sentiment rose to a ten-month high, with 44% of firms expecting conditions to improve in the coming 12 months. Some pointed to planned business development as a key reason underpinning confidence.

-Ends-

The next *Egypt PMI Report* will be published on April 4th 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 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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