



## Press Release

**Under strict embargo until: 06:15 (CAIRO) / 04:15 (UTC), January 4<sup>th</sup> 2017**

# Emirates NBD Egypt PMI™

*PMI continues to signal decline amid steep inflation*

**Cairo, January 4<sup>th</sup>, 2017:** Egypt's non-oil private sector remained entrenched in a downturn during December, although business conditions deteriorated at a slightly reduced rate. Output, new orders and input buying all dropped considerably, continuing trends observed throughout the latter part of 2016. Once again, sharp inflation was a key factor behind firms' difficulties. Purchase costs rose at a near-record pace, leading to a lack of raw materials at some companies. This restricted output, while a subsequent rise in charges (designed to protect margins in the face of greater costs) had a damaging effect on client demand.

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 Emirates NBD Egypt PMI™, **Jean-Paul Pigat, Senior Economist at Emirates NBD**, said:

*"If there is a silver lining to be found in this latest report, it is that new export orders decreased at the slowest pace since September 2015. Although the process will not be immediate, a weaker Egyptian pound following November's devaluation will eventually help boost export growth, which will clearly be welcome as the rest of December's survey continues to point to weak domestic demand."*

## **Key Findings**

- Downturn eases slightly but remains substantial
- Marked reductions in output and new orders
- Cost pressures remain severe thanks to weaker currency

At 42.8, the headline 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 – remained consistent with a marked downturn in December. Despite rising from November's 40-month low of 41.8, the latest reading was



among the lowest seen over the past three-and-a-half years. Moreover, it rounded off the worst quarter on average (42.2) since data collection began in early-2011.

Substantial cost pressures have affected the sector's performance throughout the final quarter of 2016. Purchase prices have risen sharply in each of the past three months, with around 80% of surveyed firms noting an increase in December. Anecdotal evidence mainly linked cost inflation to a depreciation of the Egyptian pound relative to the US dollar. There were also reports of higher oil prices and the implementation of a value-added tax.

Costly raw materials led to shortages at some firms, according to anecdotal evidence in December. Subsequently, output continued to fall sharply. Purchasing activity showed a similar trend, with unaffordable materials contributing to a steep downturn. Input stocks dropped markedly as a result.

Higher prices also had an impact on client demand. Greater costs showed up in firms' charges, with the latest rise among the steepest since the survey's inception in April 2011. That was a factor behind another sharp fall in new work. Panellists reported a downturn in the tourism sector in particular.

On the jobs front, non-oil private sector employment in Egypt declined for the nineteenth consecutive month during December. Though easing, the rate of job shedding remained strong in the context of historical data.

Backlogs of work were meanwhile unchanged at the end of 2016. December was the first month since September 2015 in which backlogs had failed to accumulate.

Finally, there was further evidence of pressure on supply chains in December. Average lead times lengthened substantially, albeit to a lesser extent than in the previous two months.

-Ends-

**The next *Egypt PMI Report* will be published on February 5<sup>th</sup> 2017 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. 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 30<sup>th</sup> September 2016, total assets were AED 446 Billion, (equivalent to approx. USD 121 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 currently has 220



branches and 985 ATMs and CDMs 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. Ratings agency Moody's recently upgraded the bank's long-term deposit and senior unsecured ratings to A3 and its baseline credit assessment (BCA) to ba1. In addition to the bank's strong funding and liquidity profile, the upgrade reflected the bank's improved loan quality, and its higher loss-absorption buffers.

The Group has operations in the UAE, Egypt, the Kingdom of Saudi Arabia, Singapore, the United Kingdom and representative offices in India, China and Indonesia.

The Group is an active participant and supporter of the UAE's main development initiatives and of the various educational, environmental, cultural, charity and community welfare establishments.

For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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