



Press Release

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Emirates NBD Egypt PMI™

Business conditions deteriorate to least extent since last August

Cairo, March 5th, 2017: The Egyptian non-oil private sector continued on a downward path in February, as business conditions worsened for the seventeenth straight month. The latest downturn was led by sharp declines in both output and new work. However, the respective rates of contraction softened since January. Firms reduced their payroll numbers again due to lower output requirements. Meanwhile, the weak exchange rate relative to the US dollar continued to be a key factor behind steep increases in output charges and cost burdens.

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™, **Tim Fox, Head of Research and Chief Economist at Emirates NBD**, said:

“While the PMI data still indicated a contraction in Egypt’s private sector in February, the headline index rose to its highest level in six months. New export orders were only marginally lower than in January, signalling improving external demand, and the rate of decline in output was slower last month. Inflationary pressures remain high, but the rate of input price inflation eased markedly in February. Overall, there are signs of stabilization in the non-oil private sector.”

Key Findings

- Sharp, albeit slower, contractions in output and new orders
- Rate of job shedding eases to slowest in one year
- Input cost inflation at 12-month low but still strong overall

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 – posted 46.7 in February. Despite rising from 43.3 in January,



the latest reading stretched the current downturn to 17 months – the longest sequence of retreat in the survey’s history. However, the latest reading was the highest seen in six months.

Underlying the overall worsening in business conditions were further reductions in output and new work. Both fell sharply, though the respective rates of decline eased since January. Anecdotal evidence highlighted subdued demand, challenging economic conditions and high inflationary pressures. Moreover, new export business declined in February, the twentieth successive month in which this has been the case.

On the price front, Egyptian non-oil private sector companies recorded a further rise in overall input costs during February. The increase was driven by higher purchasing prices and, to a lesser extent, staff costs. According to anecdotal evidence, the weak exchange rate relative to the US dollar was the principal factor behind the increase in input prices. Subsequently, the ongoing rise in output charges was extended into February as companies generally passed on higher cost burdens to clients.

Meanwhile, panellists commented that the unavailability of raw materials at vendors contributed to a further lengthening of average delivery times and a fractional increase in backlogs of work.

Companies reduced their purchasing activity for the seventeenth straight month in February. Though sharp, the rate of contraction was the weakest since August 2016.

Employment in Egypt’s non-oil private sector fell for the twenty-first month running during February. The rate of job shedding slowed to the weakest in one year but was solid overall.

Finally, the degree of optimism among Egyptian firms improved to an eight-month high. Companies expect market conditions to improve, thereby boosting output over the coming year.

-Ends-

The next *Egypt PMI Report* will be published on April 4th 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 31st December 2016, total assets were AED 448 Billion, (equivalent to approx. USD 122 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 219 branches and 1012 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.

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 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.

For more information, please visit: www.emiratesnbd.com

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