

Press Release

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Emirates NBD Egypt PMI™

Business conditions stabilise in April

Cairo, May 3rd, 2018: April survey data pointed to a stabilisation in business conditions in Egypt's non-oil private sector. This reflected output stabilisation and growth of total new orders. On the price front, input cost inflation eased to the weakest since May 2015, while charge inflation was at a four-month low.

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 for Egypt broached the 50.0 level for only the second time in 31 months in April, indicating that the non-oil private sector is finally starting to contribute to the positive growth story underway in the country. We anticipate that the PMI will be more consistently positive over the coming quarters, as ongoing economic reforms and loosening monetary policy encourage greater private sector activity.”

Key Findings

- Headline PMI registers just above neutral 50.0 threshold
- Output stabilises during April
- New orders rise

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 – rose from 49.2 in March to 50.1 in April. Posting just above the neutral 50.0 threshold, the latest reading indicated a broad stabilisation in operating conditions, following a four-month period of deterioration.

Underlying the upward movement in the headline index was a renewed increase in new orders during April. Anecdotal evidence highlighted an improvement in underlying demand. That said, the rate of growth was slight overall. Meanwhile, new export business increased further, thereby stretching the current period of expansion to four months.

At the same time, business activity stabilised during April, thereby ending a two-month sequence of contraction.

Suppliers' delivery times lengthened in April, with raw material shortages and greater inflows of new work at vendors reportedly behind the deterioration.

Egyptian non-oil private sector companies faced a further rise in overall input costs during April. The increase was driven by higher purchasing prices and, to a lesser extent, staff costs. Although sharp, the rate of overall input cost inflation eased to the weakest since May 2015 and was below its average.

As has been the case since February 2016, firms raised their selling prices in April. However the rate of inflation eased to the slowest since December 2017 and was modest.

Egyptian non-oil private sector firms continued to signal lower payroll numbers at the start of the second quarter. Where staffing levels decreased, there were reports of staff either retiring or leaving in search of better job opportunities.

Companies raised their input buying for the seventh consecutive month in April. Although modest, the rate of growth quickened to the fastest since January. Meanwhile, input inventories declined for the fifth month in succession in April.

Finally, the level of business sentiment towards the 12-month outlook for output strengthened in April from March's recent low. Survey respondents expect an improvement in demand conditions, according to anecdotal evidence.

-Ends-

The next *Egypt PMI Report* will be published on June 5th 2018 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

Shaleen Sukthankar
ASDA'A Burson-Marsteller; Dubai, UAE
Tel: +971 50 9547834
Email: shaleen.sukthankar@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

Gabriella Dickens
Economist
IHS Markit
Tel: +44 1491 461 008
Email: gabriella.dickens@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 31st December 2017, total assets were AED 470.4 Billion, (equivalent to approx. USD 128 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 230 branches and 1040 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, Egypt, the Kingdom of Saudi Arabia, India, Singapore, the United Kingdom and representative offices in China and Indonesia.

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