



Press Release

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Emirates NBD Egypt PMI™

New export order growth continues in June

Cairo, July 4th, 2017: The latest survey data indicated that business conditions in Egypt's non-oil private sector continued to deteriorate during June, but at a modest pace that was broadly in line with the trend observed throughout the second quarter of 2017. The overall contraction was mainly driven by marked falls in output and new orders, although the latter recorded the joint weakest decline in the past ten months. Growth in new export orders continued for the third month in succession amid reports of greater interest from international markets. Currency weakness led to further input price pressures, and firms raised average selling prices but at the slowest pace in 16 months.

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, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

“While the Egyptian economy remains under pressure, there are further signs of stabilization as export orders rose for the third straight month in June and selling price inflation eased slightly. However, firms continued to cite weak domestic demand conditions as weighing on activity and new order growth.”

Key Findings

- Headline PMI Index registers 47.2 in June, broadly similar to the prior month
- Contractions of output and new orders, but export sales rise again
- Output price inflation eases to a 16-month low

At 47.2 in June, 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 – was broadly unchanged from 47.3 in May. The latest index reading signalled a solid deterioration in the overall health of the sector. However, the PMI average for the second quarter of 2017 (47.3) was the highest since Q3 2016 and considerably better than those seen around the turn of 2017.

The overall downturn in the non-oil private sector was led by a sharp fall in output, although the rate of contraction was only slightly below April's nine-month low. Panellists linked the fall in business activity to weak underlying demand conditions.

New orders contracted at a marked pace, but at the joint weakest in the past ten months. Unfavourable economic conditions and high prices continued to weigh on domestic demand, according to anecdotal evidence.

New exports rose for the third successive month in June amid reports of new contract wins from overseas markets.

Firms continued to cut payroll numbers in June, although the rate of job shedding eased from the prior month and was only modest.

The non-oil private sector saw a renewed contraction in purchasing activity. Subsequently, input stocks fell sharply, as firms continued to draw on existing stocks amid reports of high raw material prices.

On the price front, sharp input price pressures were predominantly driven by currency weakness relative to the US dollar, although the rate of inflation was the second-weakest in 16 months. A sharp rise in output charges was observed in June, although the rate of inflation eased to the weakest in 16 months. Firms signalled the passing on of higher cost burdens to clients where possible.

Firms remained optimistic regarding business prospects over the coming year. Respondents commented on hopes of stability in currency markets and economic conditions, alongside projections of new contracts as the key reasons behind business confidence.

-Ends-



The next *Egypt PMI Report* will be published on August 3rd 2017 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

Khatija Haque
Head of MENA Research, Emirates NBD
Email: KhatijaH@emiratesnbd.com

Joanna Vickers
Corporate Communications
IHS Markit
Tel: +44-207-260-2234
Email: joanna.vickers@ihsmarkit.com

Aashna Dodhia
Economist
IHS Markit
Tel: +44 1491 461003
Email: aashna.dodhia@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 March 2017, total assets were AED 452 Billion, (equivalent to approx. USD 123 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 222 branches and 1013 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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