



Press Release

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Emirates NBD Egypt PMI™

New export orders rise sharply during August

Cairo, September 6th, 2017: The downturn in the non-oil private sector lost impetus in August as signalled by the PMI rising to the joint-highest mark in 23 months. Output fell at the joint-weakest rate in the current 23-month period of contraction. A fractional decline in new orders was recorded, while new export work increased markedly. Faced with lower output requirements, firms reduced both their payroll numbers and purchasing activity accordingly. Although sharp, the rate of input cost inflation softened during the month. Meanwhile, firms continued to pass on greater cost burdens to clients by way of increasing their selling prices.

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:

“Egypt’s PMI improved further in August, although it remains in contraction territory at 48.9. New orders declined only marginally after stabilizing in July, and new export orders increased at the fastest rate since May. Inflationary pressure remained high in August however, as electricity tariffs were increased last month.”

Key Findings

- Growth of new work from abroad accelerates to the fastest since May
- PMI rises to a joint 23-month high in August
- Joint-weakest contraction in output in 23 months

At 48.9 during August, 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 – increased from 48.6 in July. The

latest deterioration was the joint-slowest in the current 23-month period of worsening business conditions.

The rate of reduction in output was only marginal and eased to the joint-weakest in 23 months, an underlying factor behind the slowdown in the downturn of the non-oil private sector. Panellists commented that higher cost inflationary pressures and unfavourable economic conditions caused the fall in business activity.

Inflows of new business fell at a fractional pace during August. There were mentions of increased new contractual agreements, but this was reportedly offset by high prices continuing to weigh on demand.

Following a marginal rise in July, new export orders grew at an accelerated pace in August. Opportunities arising from new export markets were linked by panellists to greater foreign demand.

Firms were discouraged from engaging in purchasing activity in response to declining new orders and higher prices for inputs. Concurrently, companies drew down their inventories again.

Companies reduced payroll numbers at a solid pace, and one that was faster than the long-run series average.

The rate of input cost inflation eased slightly from July's six-month high, but was sharp overall. The combination of increased fuel prices, high VAT and currency instability fed through to greater raw material costs, according to respondents. Moreover, average salaries rose sharply, with panellists attributing the rise to higher living costs.

Finally, hopes of better economic conditions and stabilisation in currency markets boosted positive sentiment, with the level of confidence the strongest observed in six months.

-Ends-

The next *Egypt PMI Report* will be published on October 3rd 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. 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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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.

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