



Press Release

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Emirates NBD Egypt PMI™

Business confidence climbs to 15-month high

Cairo, October 3rd, 2017: The downturn in the Egyptian non-oil private sector was extended to September, but companies were strongly optimistic towards growth prospects. Worsening business conditions stemmed from ongoing reductions in new orders and output, whilst job shedding accelerated to the fastest in eight months. Furthermore, new export orders declined for the first time since March. On the price front, rates of input cost and output charge inflation eased.

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:

“Improving export demand had been the one bright spot in the PMI surveys over the last few months, but unfortunately this seems to have reversed in September, with new export orders declining for the first time in six months. Both output and total new orders fell at a faster rate in September as domestic demand remained weak. However, businesses were more upbeat about the outlook for the coming year, with expectations for a more stable currency and lower inflation.”

Key Findings

- Optimism improves further in September
- Price pressures ease
- Vendor performance improves at record rate

At 47.4 in September, 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 – fell from 48.9 in August to the lowest reading in three months. The figure signalled a solid deterioration in the health of the Egyptian non-oil private sector.

A key contributor towards the latest deterioration in business conditions was a marked and accelerated contraction in Egyptian private sector output. Many panellists linked the reduction in business activity to weak underlying demand.

New orders slipped further in September, indicating subdued demand for Egyptian-produced goods and services. That said, the rate of contraction remained moderate overall and slower than its long-run average.

Inflows of new business from abroad fell sharply in September, recording a contraction for the first time since March. Many panellists reported that political and economic uncertainty in neighbouring countries hampered foreign demand.

Vendor performance improved to the greatest extent since the survey began in April 2011. Excess capacity at suppliers due to a fall in buying levels led to faster delivery times, according to anecdotal evidence.

Employment continued to decline in the latest survey. Furthermore, the rate of job shedding was the quickest in eight months. Firms frequently noted that lower output requirements led them to reduce payroll numbers.

Price pressures eased in September. Both output charges and input prices rose at the slowest rates in three months. Slower increases were noted for purchase costs and staff salaries.

Finally, optimism towards future growth prospects in the Egyptian non-oil private sector improved in September. Anticipated currency stability and an expected economic upturn were the main reasons cited by monitored firms as likely to support output growth in the year ahead.

-Ends-

The next *Egypt PMI Report* will be published on November 5th 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.

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 #Together Limitless platform. For more information, please visit: www.emiratesnbd.com

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