



Press Release

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Emirates NBD Egypt PMI™

Business conditions continue to worsen during March

Cairo, April 4th, 2017: Having eased considerably during February, the deterioration of Egypt's non-oil private sector gathered pace at the end of the first quarter. Sharper falls in output and new orders were recorded, while firms continued to reduce workforce numbers and were reluctant to engage in purchasing activity. On the price front, substantial cost pressures, stemming from the weak exchange rate relative to the US dollar, continued to translate into higher selling prices, though rates of inflation softened.

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:

"The March PMI highlights ongoing weakness in Egypt's private sector. Although the economy's rebalancing process is proceeding as one would expect - evident through a narrowing in the trade deficit and higher FX reserves - it will take some time before this translates into stronger growth momentum. One silver lining from the report is that inflationary pressures are continuing to ease."

Key Findings

- Sharper contractions in output and new orders
- Rates of charge and input cost inflation weakest in over a year
- Reduction in quantities of purchases softens to weakest in eight months

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 – edged down from February's six-month high of 46.7 to 45.9 in



March, points to a marked worsening in business conditions. Notably, the latest reading was broadly in line with the average over the current 18-month sequence of contraction (46.0).

The fall in the headline index was reflective of steeper declines in output and new work. The respective rates of contraction gathered pace since January and were strong in the context of historical data. Anecdotal evidence highlighted weak underlying demand, and unstable economic conditions amid high inflationary pressures and currency weakness relative to the US dollar. Furthermore, lower new export orders also contributed to the reduction of total new business. Panellists linked the fall in foreign demand to security issues in Libya.

Lower volumes of incoming new business prevented firms from raising their input buying. The pace of contraction in buying levels eased to the weakest in eight months, but was sharp overall. As a consequence, inventory holdings fell for the twenty-seventh month running as existing input inventories were sufficient to satisfy output requirements.

March data pointed to ongoing purchasing cost pressures in Egypt's non-oil private sector. The weak exchange rate relative to the US dollar continued to be the key reason for higher raw material prices, according to panellists. Companies generally passed on higher input costs to their clients, as highlighted by another sharp increase in average prices charged. The respective rates of inflation eased to 13-month lows in both cases, but were sharp overall.

Due to difficulties in obtaining raw materials and lower demand, backlogs of work decreased for the first time in one-and-a-half years.

On the employment front, job shedding eased to the weakest in over a year. There were reports that some staff left their job in search for better opportunities or to retire.

-Ends-

The next *Egypt PMI Report* will be published on May 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. 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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