



Press Release

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Emirates NBD Egypt PMI™

Slower deterioration in business conditions signalled in April

Cairo, May 3rd, 2017: Non-oil private sector companies in Egypt signalled a deterioration in overall business conditions for the nineteenth consecutive month in April. Marked falls in output and new orders contributed to the overall downturn, although in both instances rates of decline were slower. In response to fewer output requirements, firms decreased their payroll numbers and purchasing activity. Currency weakness and a general increase in market prices were the key factors that led to increases in input costs and output charges.

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 slower pace of deterioration in the headline Egypt PMI is an encouraging start to Q2 as it follows on from a gradually improving trend already seen through Q1. It reinforces the perception that after bottoming in Q4 2016 the economic situation in Egypt is beginning to stabilize. As well as being the strongest overall reading in nine months, particular comfort can be taken from the fact that the new export orders index grew for the first time in nearly two years which is likely to reflect the positive impact of a weaker exchange rate.”

Key Findings

- PMI below 50.0, but reaches nine-month high
- Slower contractions of new orders and output
- Growth in new export orders for first time in nearly two years

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 to a nine-month high of 47.4 in April, from 45.9 in March.



While this was consistent with a solid deterioration in business conditions, the rate of contraction was notably weaker than the average recorded over the current 19-month sequence of decline.

The sub 50.0 PMI reading reflected a marked decline in business activity, though the rate of contraction eased to a nine-month low. Panellists commented on weak underlying demand and poor economic conditions.

In line with the trend for output, new business across Egypt's non-oil private sector declined at a marked, but slower, pace. High prices and currency instability continued to weigh on domestic market demand for Egyptian goods and services, according to anecdotal evidence. In contrast, new export orders rose for the first time, ending a 21-month sequence of contraction. Respondents linked the increase to opportunities arising from new export markets.

In response to fewer output requirements, firms reduced their payroll numbers, extending the run of contractions to just under two years (although the rate of job shedding eased to the weakest in 19 months). Panellists reported that some employees either retired or voluntarily left their jobs to search for better opportunities.

Reduced volumes of incoming new business discouraged firms to raise their input buying. Subsequently, stock of purchases reduced again in April.

On the price front, the weakness of the Egyptian pound relative to the US dollar and a general increase in market prices continued to be key factors behind upward inflationary pressures. Despite easing to a 14-month low, the rate of overall input price inflation remained sharp. In general, companies that raised output charges commented on the pass through of greater cost burdens to clients. The rate of charge inflation was marked but also eased to the weakest in 14 months and was much weaker than the average recorded in this current sequence of inflation.

-Ends-

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