



Press Release

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Emirates NBD Egypt PMI™

PMI remains in contraction territory during January

Cairo, February 5th, 2017: Egypt's non-oil private sector began 2017 in the same way that it ended 2016, with economic conditions worsening again. Underpinning the downturn were ongoing reductions in output and new orders. On the price front, greater cost pressures led firms to raise their average prices charged at the sharpest rate in the survey history to date. Concurrently, firms were reluctant to take on additional staff, and employment dipped for the twentieth straight month.

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™, **Jean-Paul Pigat, Senior Economist at Emirates NBD**, said:

“January’s survey provides little evidence that an economic recovery is yet underway at the start of 2017. It is, however, encouraging that the new ‘Future Output Index’ of the PMI suggests that firms have become increasingly optimistic on the economic outlook following November’s devaluation of the EGP.”

Key Findings

- Output and new orders fall sharply
- Weak exchange rate leads to higher cost burdens
- Output charge inflation at record high

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 – posted below the crucial 50.0 mark for the sixteenth month in



succession. Despite rising from 42.8 in December to 43.3 at the start of 2017, the latest reading was consistent with a sharp deterioration in business conditions.

The sub-50.0 PMI reading mainly reflected lower output and new work during January. Both fell simultaneously for the sixteenth month in a row. Anecdotal evidence highlighted a general inflated market and the ongoing economic downturn. Another factor leading total new work to fall was a marked contraction in new export work, which reportedly occurred due to security concerns across key markets in the Middle East.

At the same time, data showed that a sharp rise in output charges contributed to the downturn in Egypt's non-oil private sector output, with inflation reading a record high. Upward pressures on selling prices reflected higher purchasing costs, with roughly 76% of monitored companies noting an increase in January. According to panellists, the weak exchange rate relative to the US dollar was reported to be the key factor behind another steep increase in input costs, although some firms also mentioned higher fuel costs. Moreover, average salaries rose in line with higher living costs.

In response to falling output requirements, Egyptian non-oil private sector companies lowered employment further in January, marking a 20-month sequence of job losses. The rate of job shredding was among the most marked in the survey history so far. Also, staff had either reportedly left their posts in search of better job opportunities or to retire.

Meanwhile, raw material shortages stemming from high prices led firms to reduce purchasing activity, which in turn resulted in another monthly drop in pre-production inventories.

Outstanding business increased at the start of the year, albeit only fractionally. This followed no change in backlogs in December.

Finally, average vendor performance worsened at a sharp pace in January amid reports of raw material shortages.

-Ends-

The next *Egypt PMI Report* will be published on March 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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