



Press Release

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Emirates NBD Egypt PMI™

Egyptian non-oil private sector downturn softens

Cairo, November 5th, 2017: The latest data indicated that the downturn in the Egyptian non-oil private sector softened in October. Contractions in output, new orders and employment all eased. Meanwhile, business confidence hit a 26-month high, signalling strong optimism towards future growth prospects, with many expecting economic stability over the coming year. Furthermore, both output and input price 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 Egypt PMI™ survey, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

“The headline PMI for Egypt improved in October, although it remains under the neutral 50.0 level. Output, new orders and employment declined at a slower rate in October compared with September and new export orders increased on average last month, after declining in September. Encouragingly, business optimism in October was the highest in more than two years.”

Key Findings

- Output and new order contractions moderate
- Price pressures ease
- Business confidence hits 26-month high

At 48.4 in October, 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 from 47.4 in September. Deteriorating business conditions in the Egyptian non-oil private sector have been recorded in

every survey since October 2015. That said, the most recent contraction was muted in comparison to the historical average.

The most recent survey indicated that output continued to decline in the Egyptian non-oil private sector, albeit at a slower pace than in September.

Panellists reported a further moderate contraction in new orders. Meanwhile, foreign demand for Egyptian products returned to growth in October. According to anecdotal evidence, weak sales in the domestic market were partly negated by an uptick in export demand from neighbouring economies in the Middle East.

On the price front, October's survey recorded a downtick in both input and output price inflation. That said, average cost burdens faced by Egyptian non-oil private sector firms continued to rise sharply. Data suggested that input cost inflation was primarily driven by higher raw material costs, whilst staff costs rose at a slower, albeit solid pace.

Job shedding among Egyptian non-oil private sector companies continued in October, thereby extending the current sequence of contraction to 29 months. Anecdotal evidence suggested a trend of firms not replacing retiring employees. That said, the rate of decline eased in the latest survey.

After an improvement in delivery times was recorded in September, the latest data signalled a return to lengthening wait times, as has been the case throughout much of the survey so far. Firms commonly linked longer wait times with a lack of capacity at suppliers. Buying activity returned to growth in October, ending a four-month streak of contraction.

Business confidence in the Egyptian non-oil private sector was strongly positive, reaching a 26-month high in October. Firms reported that rising business investment and forecasts of economic stability underpinned optimism towards future growth prospects.

-Ends-

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

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