



## **Press Release**

**Under strict embargo until: 06:15 (CAIRO) / 04:15 (UTC), June 5<sup>th</sup> 2017**

# **Emirates NBD Egypt PMI™**

## *New export order growth at survey record in May*

**Cairo, June 5<sup>th</sup>, 2017:** Business conditions in Egypt's non-oil private sector deteriorated in May, as has been the case throughout the past 20 months. The latest downturn was evident by marked reductions in output and new orders, though the respective rates of contraction eased to the second weakest in nine-months (behind April). Moreover, non-oil Egyptian firms registered a survey-record rise in new export orders, as international demand strengthened. On the price front, currency weakness continued to place further pressure on input costs, leading to another substantial rise in 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 Egypt PMI™ survey, **Khatija Haque, Head of MENA Research at Emirates NBD**, said:

*“Egypt's private sector appears to be stabilizing, with the PMI largely unchanged from April. Encouragingly, new exports orders rose at the fastest rate on record in May, suggesting that the sharp devaluation of the pound in November is having a positive impact on exports.”*

### **Key Findings**

- Increased international demand bolsters exports
- Marked contractions of output and new orders
- Purchasing activity increased for the first time in 21 months

At 47.3 in May, 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 – was broadly unchanged from April's nine-month high of 47.4. The latest reading was consistent with a solid deterioration in the overall health of the sector, albeit the second-weakest in ten months (behind April).

The solid deterioration in business conditions was mirrored by a marked fall in output, although, the rate of contraction was broadly unchanged from April (which was the weakest in nine months). Respondents cited lower demand and unfavourable economic conditions.

In contrast, new exports rose at the fastest pace since the inception of the series in April 2011. Panellists linked the rise in new export work to increased demand from international markets.

Despite a sharp rise in new export work, total new orders declined at a marked pace, although the rate of contraction was little-changed from April which was the slowest since last August. Panellists highlighted that high prices continued to contribute to weaker underlying demand conditions.

Firms reduced payroll numbers again in May, extending the current period of contraction to two years. Moreover, the rate of job shedding quickened to a solid pace. Non-oil private sector firms in Egypt commented on lower output requirements, as well as workers leaving to search for better job opportunities or to retire.

Firms engaged in input buying for the first time in 21 months during May amid positive projections for demand.

On the price front, the weakness of the Egyptian pound relative to the US dollar remained a key factor behind inflation. It was cited as the driver of higher purchasing costs, which in turn contributed to a sharp rise in overall input prices. Average staff costs also rose, albeit to a lesser extent than purchasing prices.

Consequently, output charges increased at a marked pace. The rate of inflation eased to the weakest in 15 months, however.

Firms remained strongly optimistic towards the 12-month outlook. Panellists commented on hopes of an economic turnaround, as well as stability in currency markets and market conditions.

-Ends-

**The next *Egypt PMI Report* will be published on July 4<sup>th</sup> 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.



## About Emirates NBD

Emirates NBD is a leading banking Group in the region. As at 31st March 2017, total assets were AED 452 Billion, (equivalent to approx. USD 123 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 222 branches and 1013 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](http://www.emiratesnbd.com)

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