



بنك الإمارات دبي الوطني
Emirates NBD

Economics

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Egypt PMI remains just shy of neutral level

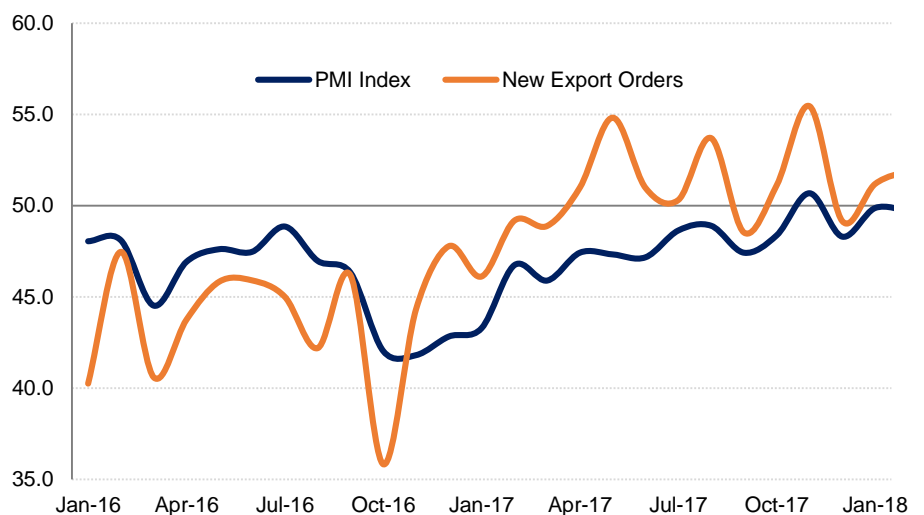
Egypt's Emirates NBD Purchasing Managers' Index (PMI) fell modestly to 49.7 in February, from the 49.9 recorded the previous month. Although this means that the Egyptian non-oil private sector remains contractionary, given the headline figure was just shy of the neutral 50.0 level which delineates contraction and expansion, the outlook remains fairly upbeat, especially with respect to recent annual averages. The headline PMI figure has been on a broad uptrend since the economic reforms implemented as part of an IMF package began in November 2016, and in November exceeded the 50.0 mark for the first time in two years.

In particular, new orders, new export orders, and business optimism were all in positive territory in the latest survey, supporting our view of a strengthening Egyptian economy, and our expectation that the headline figure will begin to broach the 50.0 level more consistently in the coming quarters. Domestic new orders came in at 50.3, while new export orders were at 51.9, compared to readings of 49.9 and 51.2 respectively in January. Demand from Europe was noted by some respondents as being behind the stronger performance in export orders, which hit the highest level in three months. Business optimism, meanwhile, remains strongly positive at 80.0.

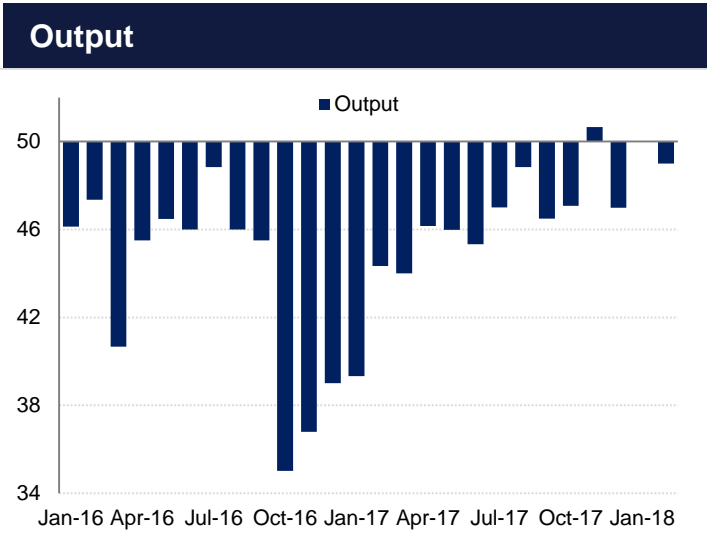
Although conditions are improving in Egypt, firms continue to face significant challenges. **In terms of prices, the effect of the late-2016 currency depreciation continues to make itself felt.** Input price inflation has eased, in line with the wider CPI inflation in the country, but at 64.5 in February it will continue to weigh on firms' margins. This is being driven by both higher costs for raw materials, and salary inflation, as workers demand pay rises to cope with their increased cost of living.

These higher costs are feeding through to the output price index, which has also remained in positive territory, at 53.0 – the highest since September. However, **firms are still having to absorb many of their higher costs themselves, and this is leading to job losses as businesses seek to curb their operating costs.** The employment index recorded the 33rd consecutive month of job shedding in February, at 49.6. On the positive side, respondents said that much of this is driven by not replacing retiring members of staff.

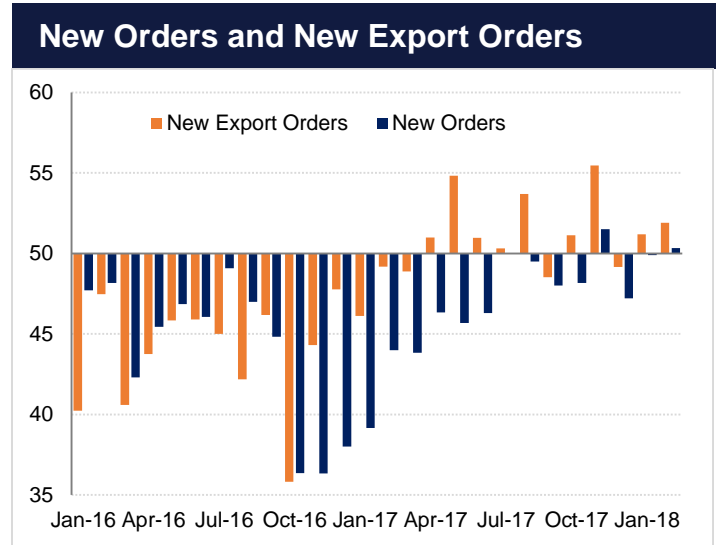
Emirates NBD Egypt PMI



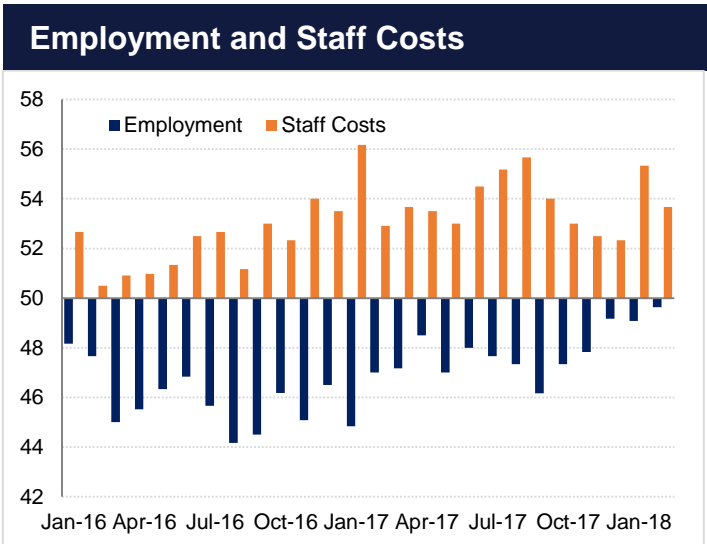
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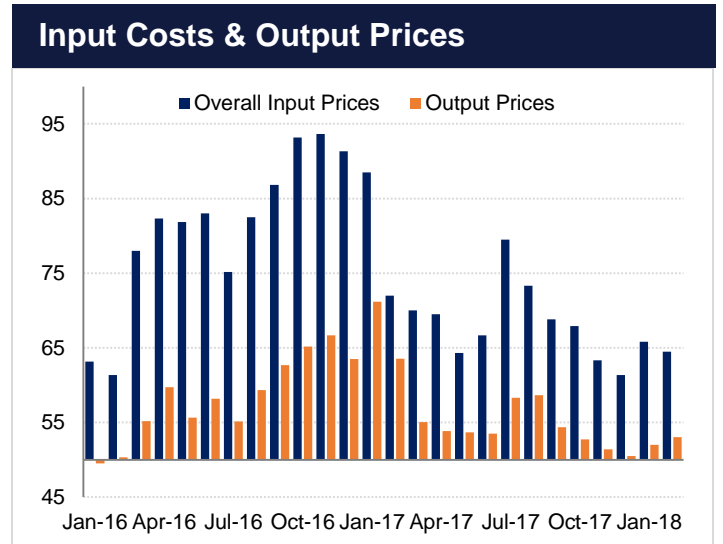
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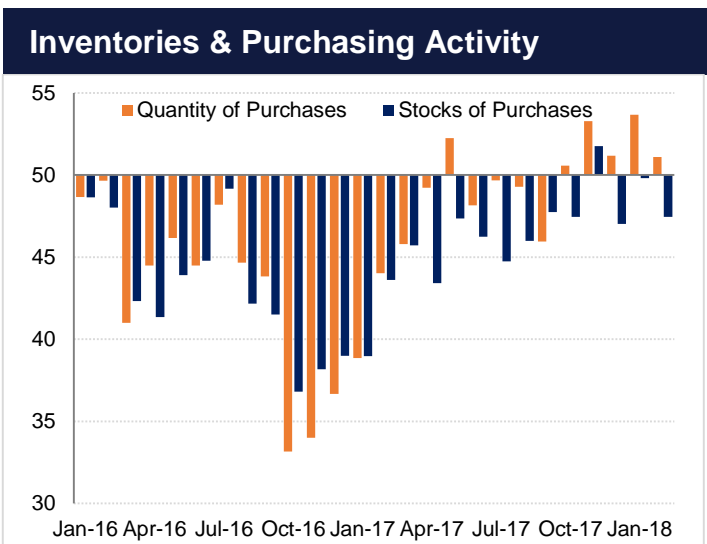
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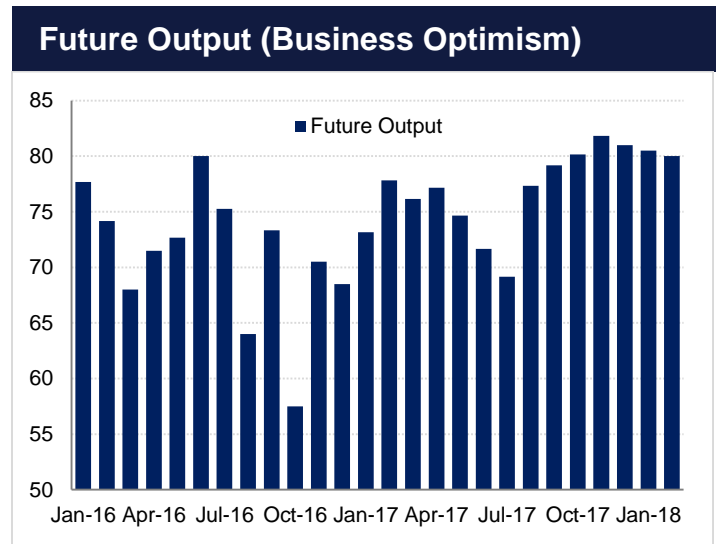
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