



بنك الإمارات دبي الوطني  
Emirates NBD

## Economics

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# Egypt PMI: Economy still weak, but stabilising

**Egypt's PMI was broadly unchanged at 47.2 in June, indicating a contraction in the non-oil private sector for the 21<sup>st</sup> month in a row.** However, the rate of contraction has slowed markedly since the devaluation of the EGP in November 2016 and there are signs that the economy is stabilising. The average PMI in Q2 2017 was 47.3, higher than 45.3 in Q1 2017 and 42.2 in Q4 2016.

**Output and new orders declined again in June, but new export orders increased for the third consecutive month.** Panellists highlighted "weak underlying demand conditions" as a factor behind lower output last month. **Employment** declined on average in June, although the majority of firms kept their staff levels unchanged last month. **Staff costs** (wages & salaries) rose at the fastest rate in five months.

**High inflation is weighing on domestic demand, according to the firms surveyed.** Input costs (66.7) continue to rise at a marked rate, with June's survey showing a faster rise in input prices relative to May. Output (selling) prices rose again in June (53.5), at a similar rate to May. However, we note that the rate of both input and output price inflation has eased significantly since the start of the year.

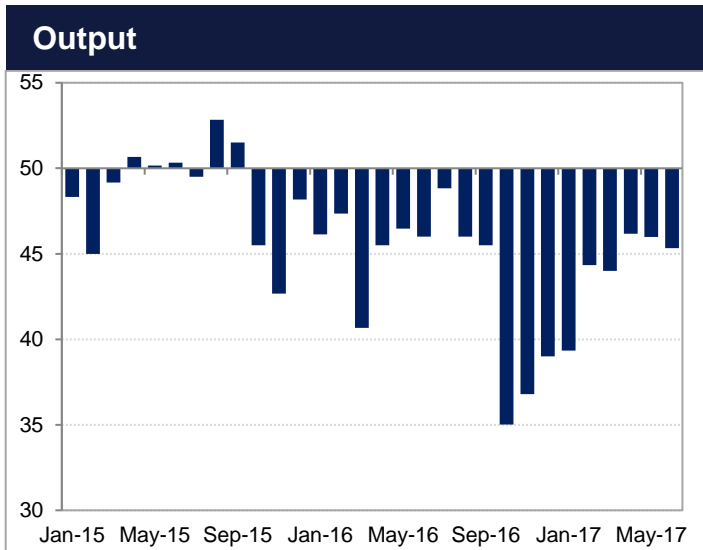
Continued stability in the EGP/USD rate in the coming months (or even a modest appreciation) should help to further reduce inflationary pressures. However, further cuts to subsidies in H2 2017 are likely to weigh on household consumption, even as the government has recently approved financial measures to support low- and middle-income families.

**Nevertheless, firms surveyed remained optimistic about the coming 12 months,** with nearly half of them expecting their output in a year's time to be higher than it was in June. However, the degree of optimism was slightly lower than in May, when nearly 55% of firms expected output to be higher in 12 months' time.

### Emirates NBD Egypt Purchasing Managers' Index



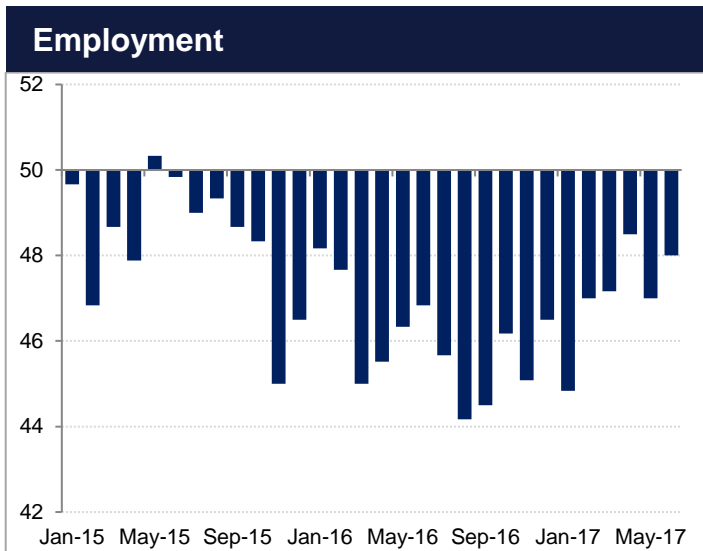
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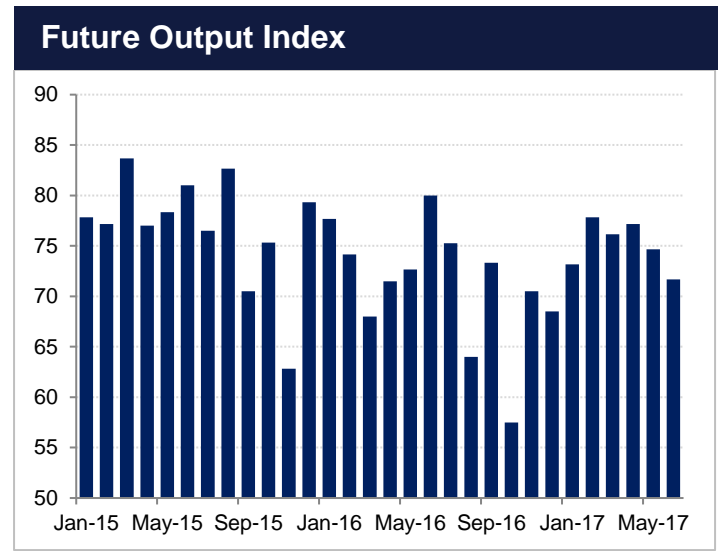
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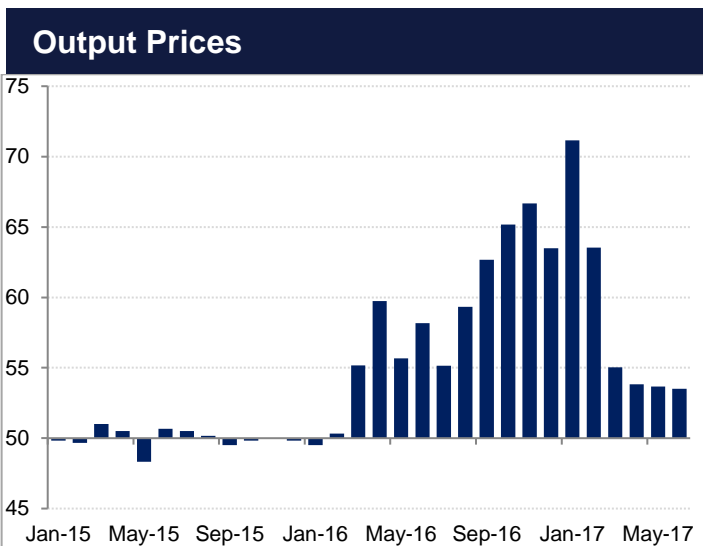
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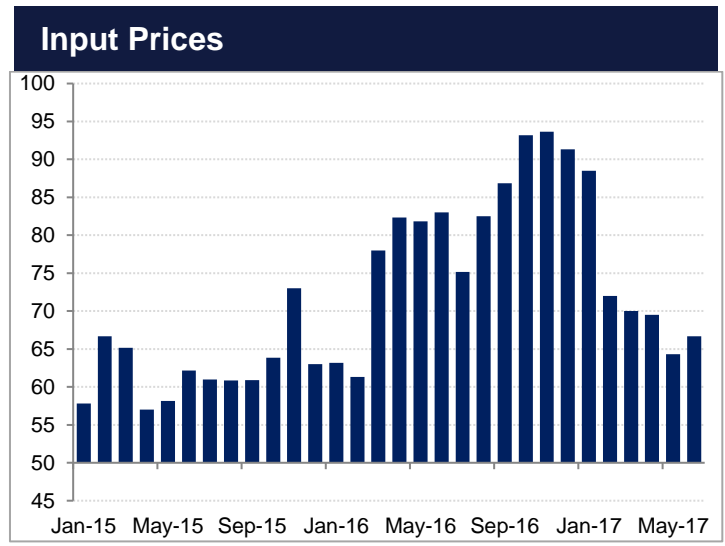
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